

BUILDING BRAINS & ECONOMIES

Quality Child Care as an Engine
for Economic Development
in a 21st Century Texas

November 2018



children
at Risk
Speaking Out + Driving Change for Children

Texas's continued economic success depends on a stable workforce today and building the brains of children for a prepared workforce tomorrow.

Texas is beginning to fall behind when it comes to student success and job-readiness. Quality child care can improve both outcomes, yet our state is currently lacking in access to quality child care. This can put the Texas economic miracle in peril. Building on current efforts across the state, Texas can pave the way for success in the 21st century by making strategic investments to:

- 1** Increase the number of child care providers certified quality through Texas Rising Star.
- 2** Build a path toward school-readiness.
- 3** Ensure that child care teachers are adequately trained and compensated.
- 4** Know the cost for quality child care and reimburse accordingly.
- 5** Make child care businesses more sustainable.

Building Blocks of the Texas Economy

Texas has long been recognized as a business-friendly state and prides itself on low business taxes, regulations, cost of living, and unemployment.

However, Texas's status as a great state for business is under threat. According to Forbes, "one of the only things holding Texas back is the education rate among its labor supply." In fact, adults in Texas who were born in other states have higher levels of education than native-born Texans.

The state recognizes the imperative to increase the educational attainment of native Texans through its 60x30TX initiative, which seeks to ensure that at least 60% of Texans aged 25-34 have a postsecondary certificate or higher by 2030. Currently, fewer than 30% of Texas high schoolers earn a degree within six years of graduation. Without significant investments in education, Texas will continue to lag behind and increasingly rely on an imported workforce.

Along with low educational attainment, the current workforce has another big challenge. Working parents struggle to find child care for their babies and toddlers—during years when parents need it the most. But, many Texas families cannot afford the high cost of child care, which often consumes 10-30% of their total income. This is especially critical for female workers, who may choose to stay at home with their child when weighing the cost of child care against potential wages. For working parents who do secure child care, nearly half miss work at least once during a 6 month period due to child care disruptions. This places a considerable burden on both workers and businesses.

Quality child care is the missing component of Texas's economic development agenda

Businesses in Texas will struggle to compete in the 21st century without a supply of affordable, quality child care. Quality child care supports the school- and job-readiness for our next generation workforce, while allowing parents to fully participate in the workforce now.

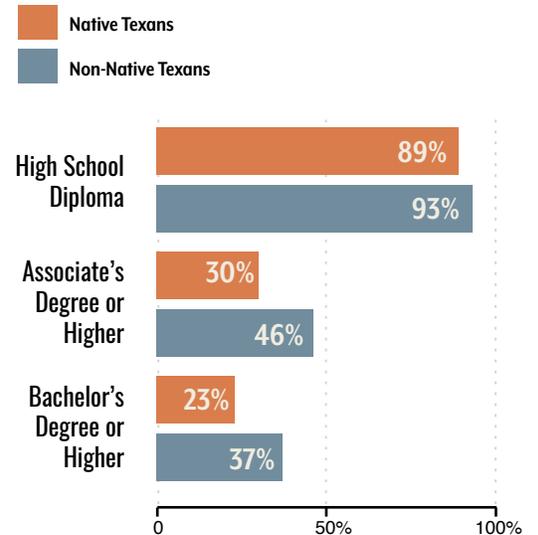
Improving School-and Job-Readiness by Building Babies' Brains

During the first few years of life, children's brains are forming more than one million neural connections every second, impacting all future learning into adulthood. The greatest brain-building occurs when children are babies and toddlers, and it slows noticeably by the time a child reaches kindergarten.

Children who cannot read on grade level by 3rd grade are four times more likely to drop out of high school. Students falling behind *and* living in poverty are 13 times more likely to drop out of high school than their counterparts. Only 44% of all Texas 3rd graders meet standards on their state reading exam. That number drops to 33% for low-income students.

Solutions to these critical deficits must begin much earlier than 3rd grade—they must begin at birth. While a baby's genetics form the blueprint for his or her brain, environments and interactions carry out the construction. This brain-building is based primarily on quality interactions with caregivers, such as parents and child care teachers.

Native Texans have Lower Educational Attainment than Those Born Elsewhere



While parents remain the most important educators children will have, new parents face a learning curve and are often under increased pressure emotionally, physically, and financially. Quality child care can support parents who want or need to work by 1) providing quality educational environments and interactions during the critical brain-building years for babies and toddlers, and 2) engaging and educating parents in their child's development. This helps new parents during a period when they are often stressed and stretched for time and resources.

Babies and toddlers need quality interactions and environments in order to build strong brains, which will lay the foundation for all future learning even well into adulthood. Higher quality programs for children in their earliest years have been shown to improve outcomes for children in the following ways:

- Healthier cognitive development.
- Higher pre-reading and pre-writing skills.
- Lower rates of special education placements later in school.
- Higher high school graduation rates.
- Lower rates of externalizing behaviors among youth, such as aggression and disobedience.

Quality programs from birth through age 3 can also help children build the foundation and begin to develop skills for three critical executive functions, all of which are key to succeeding later in both school and the workplace:

- **Working memory** helps us hold information for a short period of time.
- **Impulse control** helps us resist temptations and pause to think before we act.
- **Cognitive flexibility** helps us easily adjust to changes in demands or priorities.

Access to Quality Child Care as a Workforce Support

Quality child care is the pillar of the state's early childhood education system—supporting working families when they need care the most and during the most critical years of child brain development.

Despite the low quality of child care in Texas, we have a strong base to build upon to provide affordable, quality care for families. Child care in Texas is fueled by a network of 15,000 providers—in both center and home settings, and either for-profit businesses or tax-exempt organizations. They must be licensed or registered through Child Care Licensing in the Texas Health and Human Services Commission to prove they are meeting minimum health and safety standards.

Even though the quality is low, prices for parents are high. According to federal recommendations, child care should cost no more than 7% of a family's income, but in Texas, caring for an infant and toddler can cost 10-50% of many working families' annual earnings. For quality care for a newborn in Texas to account for 7% or less of a family's annual income, a family of three must make at least \$140,000 a year. Only 13% of such families meet this criteria.

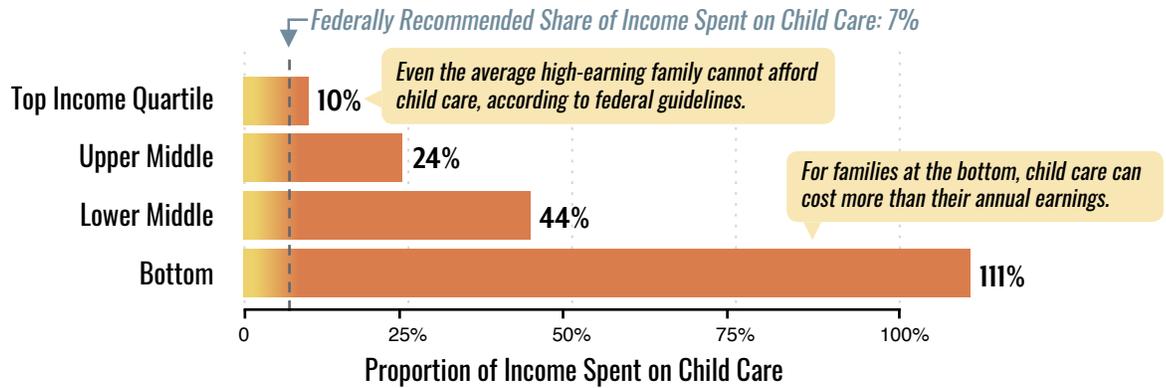
In order for Texas to reach its 60x30TX goals of building a competitive workforce, it must invest in quality education experiences and environments beginning at birth

Texas is missing out on economic gains, as only about 11% of child care providers are certified quality by a state or national standard

The brain's architecture is built during a child's first 1000 days

Most Families Cannot Afford Child Care in Texas

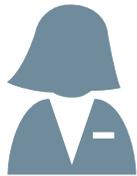
Proportion of annual income spent on child care for one infant and one toddler for the average family in each income quartile



Access to affordable, quality child care is important to help all Texas families thrive when their child is too young to attend the K-12 school system. But it is especially critical to stabilize and increase participation in the following segments of our state's labor market.



Middle-Skill Workers. Jobs requiring a middle-skill workforce—those with more than a high school diploma but less than a 4-year degree—make up 56% of the state's total positions. These families may have incomes high enough to disqualify them for public assistance programs, but low enough that they struggle to pay for child care. According to a recent study of the Dallas-Fort Worth area, nearly 70% of non-working middle-skill parents said child care was a top five reason for not participating in the workforce.



Female Workers. Only 61% of Texas women ages 20-60 living with children under 5 participate in the workforce, compared to 95% of men with the same criteria. This 34-point gap cannot be explained alone by mothers who choose to stay at home to care for their children. While some may make that choice, mothers in Texas who do not participate in the workforce have lower levels of family income and education than those who do. This suggests that many mothers may stay at home because they cannot find work or because it does not make sense when weighing the cost of child care against wages, with the typical mother potentially losing as much as four times her annual earnings for each year she is not working.



Working Parents. Over a 6-month period across the U.S., 45% of parents miss work at least once due to child care disruptions. American businesses lose approximately \$4.4 billion every year from absenteeism due to child care breakdowns. Lack of affordable child care forces many families to reduce hours or drop out of the workforce, which results in an estimated \$8.3 billion annually in lost wages. As employees miss work and leave their jobs entirely, this costs employers valuable time and resources filling gaps and training new talent.

Expanding access to reliable, affordable, quality child care supports both workers and businesses, and will boost Texas's economic strength.

State and Local Support for Child Care

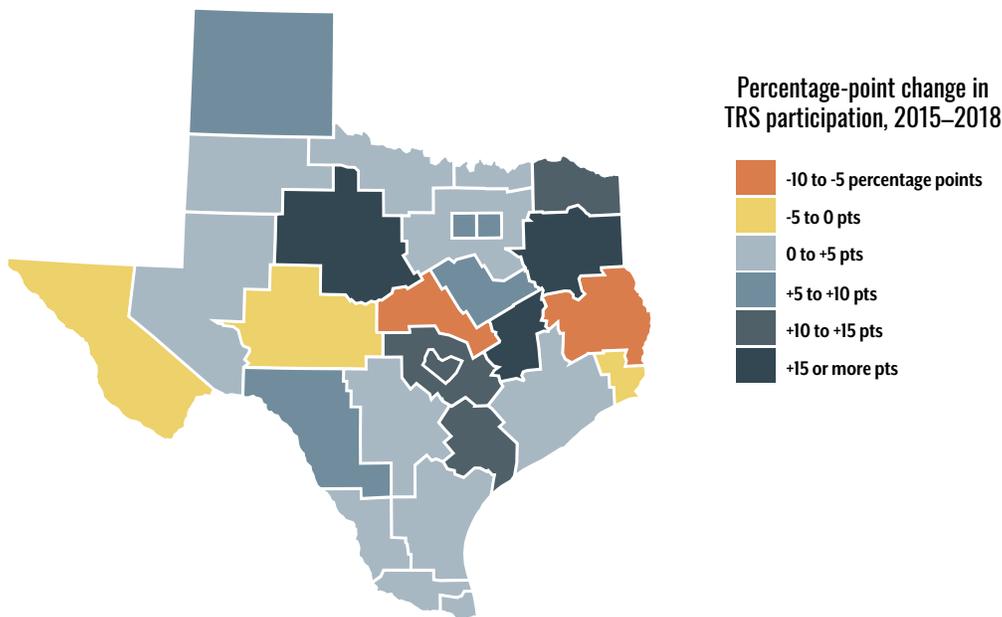
To help low-income parents who are working or going to school, the Texas Workforce Commission (TWC) provides tuition support for child care for about 130,000 children on average each day. At over \$800 million per year, this program accounts for half of TWC's budget and serves about 10% of eligible children. TWC also houses our state's only quality rating system for any early childhood education program, Texas Rising Star (TRS), which is open to the 7,500 child care providers accepting TWC's tuition support for children. Unfortunately, only 17% of those providers receiving the TWC funds are certified quality through TRS. Statewide, there are only 87 TRS-certified child care seats for every 1,000 low-income children under 6 with working parents.

TWC has 28 Local Workforce Development Boards (Local Boards) covering different parts of the state. As the operating entities for both the child care tuition support and TRS, Local Boards have considerable control over the day-to-day functions of both programs. Local Boards also exercise independent policy authority in important areas—within modest state parameters—and implement all programs for which they are responsible.

There is a growing interest in TRS from the Texas Education Agency (TEA), which oversees our public education system from Pre-Kindergarten through 12th grade. TEA and TWC have begun partnering on a few initiatives meant to help children be school-ready. There are also some promising state and local initiatives aimed to increase access to affordable, quality child care, but progress has been slow with only a 3% increase in TRS participation since 2015. Some local efforts in parts of the state have seen success and born innovative strategies to improve quality. Yet, efforts—and resources dedicated to them—are unequal across the state, causing wide variation in what is supposed to be a statewide system. Even local innovations often lack support from the state to help scale and replicate their success, and in some cases, initiatives need further improvement.

Texas Rising Star Participation Rose in Some Board Regions, Fell in Others

Statewide from 2015 to 2018, % of child care providers in TRS increased 3 percentage points, from 14% to 17%



Recommendations for Building on Our Strengths

The recent momentum toward improving the quality of child care provides Texas a great opportunity to build a system that works for families and the Texas economy. TWC and other early childhood education stakeholders can align their efforts around five strategic goals that meet the needs of Texas families and invest in our state's economic development.

Goal 1

Increase the number of child care providers in Texas Rising Star

...so that taxpayer dollars are going to quality programs.

STRATEGIES:

- Set clear expectations for TWC and Local Boards, establishing benchmarks and reporting progress.
- Provide Local Boards with best practices, support, and guidelines, so that all parts of the state have equal access to quality.
- Coordinate with Child Care Licensing to work more efficiently and effectively.

Goal 2

Build a path toward school-readiness

... so that every Texas child can succeed in school and life.

STRATEGIES:

- Connect and share data between TWC and TEA to improve quality programs and school-readiness—both agencies use public dollars to educate children.
- Expand partnerships between child care providers and public school Pre-K programs to 1) increase access to quality programming, and 2) blend funding from two sources that, on their own, are not enough to pay for a full day of quality care.
- Offer contract agreements to public-private partnerships to ensure sustainability and quality.
- Combine TRS with other school-ready tools and programs.
- Ensure all subsidized infants and toddlers are in TRS 4-Star settings.

Goal 3

Ensure child care teachers are adequately trained and compensated

... so that children receive quality care during their most critical years of brain-building.

STRATEGIES:

- Increase access to scholarship opportunities with wage supports for this largely under-compensated workforce that cannot afford higher education opportunities.
- Coordinate state and local investments in child care teachers so that dollars are being used most effectively.
- Support publicly-funded teacher trainings to also build toward early childhood degrees or certificates, and coordinate at the state level to support this progression for degree-building.
- Continue to develop and improve access to the Career Pathway and Texas Workforce Registry, which are needed for early childhood teachers to build careers.

Goal 4

Know the cost of providing quality child care and reimburse accordingly

... so that the state is paying fairly.

STRATEGIES:

- Conduct a study to understand how much it costs to provide quality child care.
- Reimburse child care providers at rates that reflect the cost of quality, not the price parents pay in the private market.

Goal 5

Make child care businesses more sustainable

... so that they can meet and maintain quality standards.

STRATEGIES:

- Provide child care leaders with skills training in business, pedagogy, and high quality care.
- Help child care providers share resources and services to operate more efficiently and provide higher quality care.
- Provide child care staff with business resources and coaching to help them operate more sustainably and effectively.



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The research included in this report was generously supported by the W. K. Kellogg Foundation (WKKF). WKKF, founded in 1930 as an independent, private foundation by breakfast cereal pioneer, Will Keith Kellogg, is among the largest philanthropic foundations in the United States. Guided by the belief that all children should have an equal opportunity to thrive, WKKF works with communities to create conditions for vulnerable children so they can realize their full potential in school, work, and life. WKKF is based in Battle Creek, Michigan, and works throughout the United States and internationally, as well as with sovereign tribes. Special emphasis is paid to priority places where there are high concentrations of poverty and where children face significant barriers to success. WKKF priority places in the U.S. are in Michigan, Mississippi, New Mexico, and New Orleans, and internationally in Mexico and Haiti.

For more information, visit www.wkkf.org.

For 29 years, CHILDREN AT RISK has worked to serve as a catalyst for change to improve the quality of life for children through strategic research, public policy analysis, education, collaboration, and advocacy. CHILDREN AT RISK's early childhood education team works to expand access to quality, affordable early learning opportunities for all Texans.

For more on our early childhood education work, please see our recent research at <http://childrenatrisk.org/ECE/> and our mapping tool for child care deserts across the state at <http://childrenatrisk.org/childcaredeserts/>.

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