



**Chemung  
County  
Child  
Care  
Council Inc.**

## **Investing in Early Care and Education:**

**An Economic Development  
Strategy for  
Chemung County**



**W**hen most people hear the words child care, they think of playtime and fun. And perhaps, when they hear early education, the importance of brain development comes to mind. But child care and early education programs aren't just about nurturing children — they also nurture our regional economy. In addition to providing a vital service to children and families, early care and education is an important industry in its own right, an industry comprised of many small businesses that purchase goods and services from local businesses,<sup>1</sup> create jobs, and support working parents. The sector also draws new federal and state dollars into the region, money that circulates throughout the local economy.

### What is the Early Care and Education Industry?

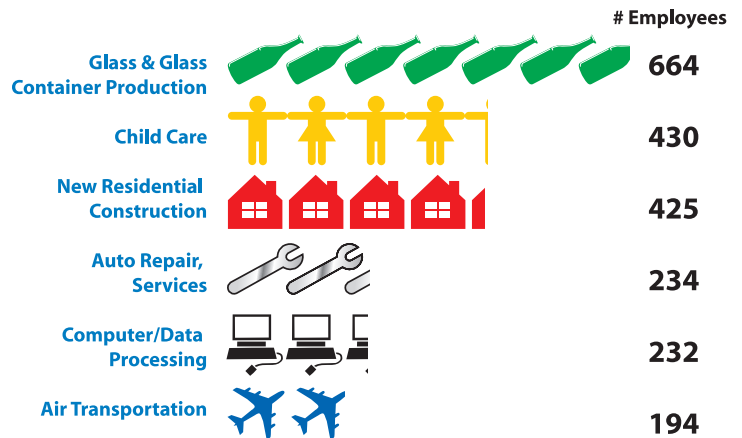
This report includes data on full- and part-day child care and early education programs in Chemung County. Child care centers and regulated family child care homes, Head Start and after-school programs, nursery and preschools represent:

- **A \$13.4 million industry**
- **Almost 130 small businesses**
- **Over 400 employees**

### Child Care Employment is Greater Than Many Industries in Chemung County

The early care and education industry in Chemung County directly employs 430 people — more than other industries such as computers and data processing, air transportation and new residential construction.<sup>2</sup> This is a conservative estimate. If informal (regulation exempt) home-based child care providers are included in the count, child care employment would significantly increase.<sup>3</sup>

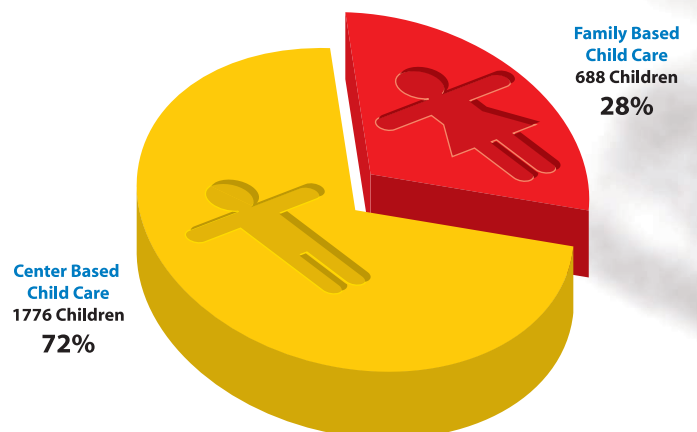
### Chemung County Child Care Employment is Substantial



### Most Children in Center-Based Programs

Child care businesses are located in a variety of settings, including homes, community-based organizations and schools. One hundred and ten (80%) of the child care businesses in Chemung County are regulated, home-based establishments<sup>4</sup> — which include family child care homes (up to six full-time children each) and group family child care (up to 12 full-time children each). Although there are only 20 center-based establishments (15% of all child care businesses in the county), these establishments serve a majority of the children. Center-based establishments include child care and Head Start centers, school-age child care programs and nursery schools. Most of the children enrolled in early care and education programs (72%) and most of the staff who work in the industry (73%), are in center-based care.<sup>5</sup>

### Enrollment in Chemung County Early Care and Education Establishments

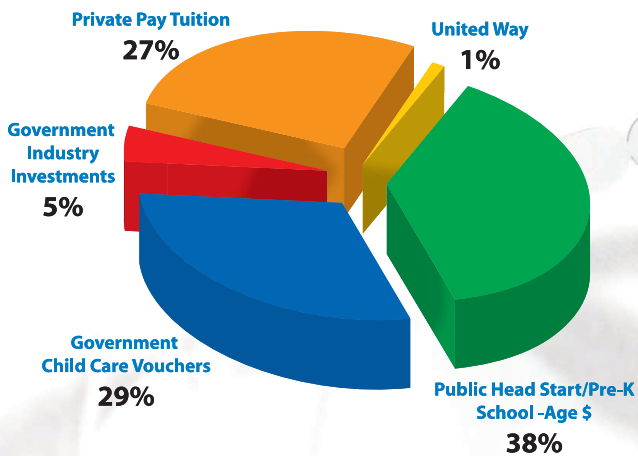




## Early Care and Education is a \$13.4 Million Industry in Chemung County

The Chemung County early care and education industry generates almost \$13.4 million in gross receipts each year. This figure includes \$3.66 million in tuition revenue paid by parents; \$3.8 million in Government child care vouchers for low-income families; \$5.1 million in government support for Head Start, pre-kindergarten and school-age programs; \$685,820 in government industry investments<sup>6</sup>; and \$67,000 from the United Way.

**Chemung County ECE Industry Revenue**

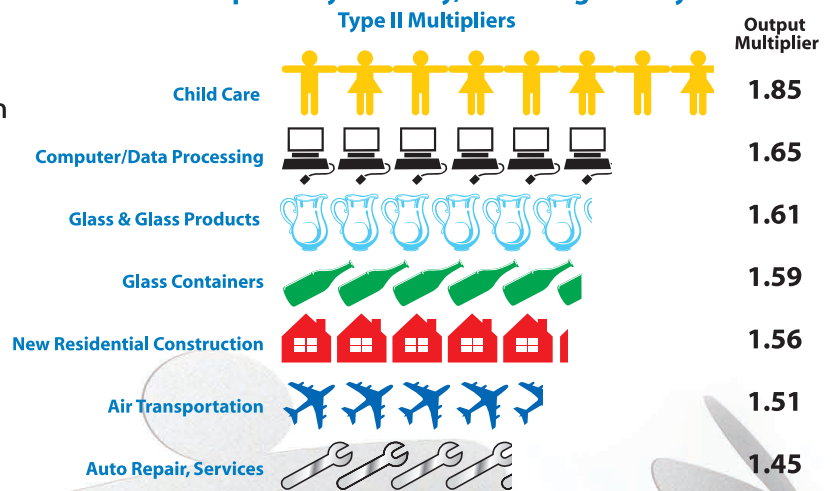


## The Ripple Effect: Early Care and Education Expenditures Stimulate Other Industries

The economic importance of Chemung County's early care and education industry extends beyond the number of jobs and the revenue of the industry. As child care businesses and their employees spend money in the county, they stimulate economic activity in other industries. This is called a *multiplier effect*.

Economic development professionals use a tool called input-output analysis, and a computer program called IMPLAN, to calculate the ripple (multiplier) effects that result from spending in a particular industry. Multiplier effects include two components: indirect effects (economic activity stimulated by child care businesses when they purchase goods and services from local suppliers) and induced effects (economic activity stimulated by child care employees when they use their wages to purchase goods and services from local businesses).

### Multipliers by Industry, Chemung County



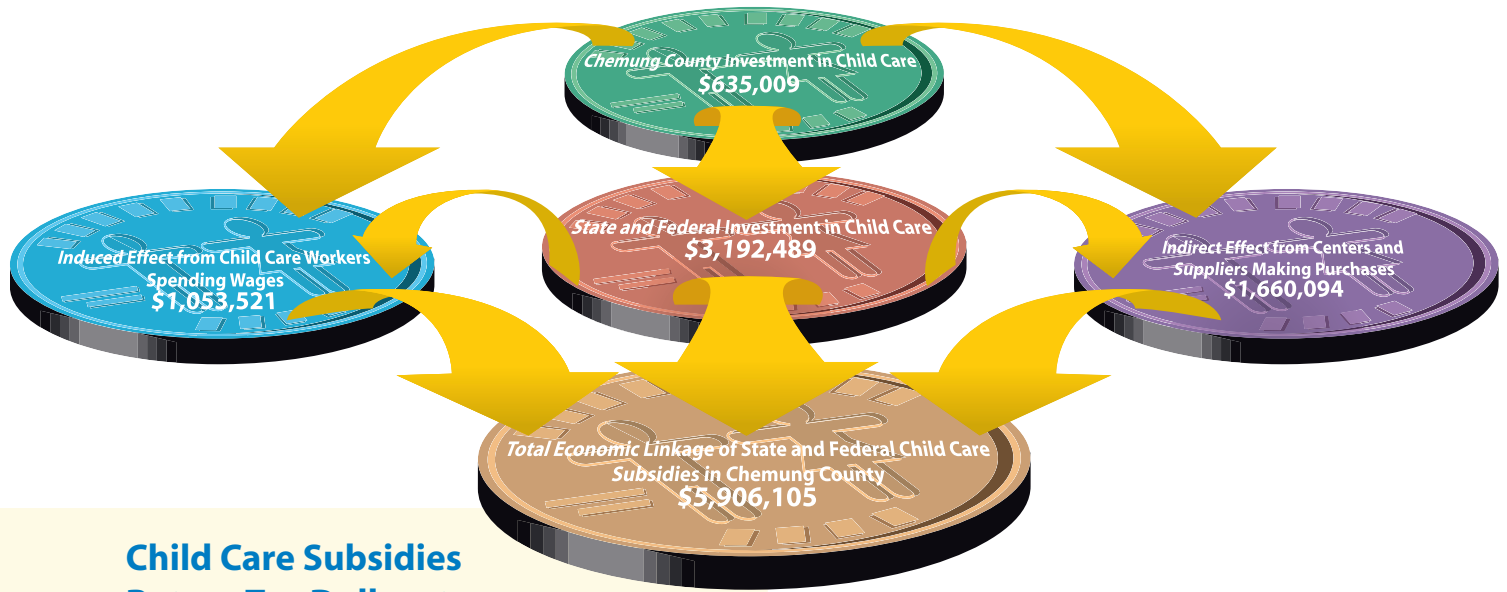
### Dollars spent on the Early Care and Education Industry Stay in Chemung County

The Chemung County early care and education industry has an output multiplier of 1.85<sup>7</sup> — which is larger than that of most other local industries. This means the early care and education industry has stronger linkages to the regional economy — most likely because industry and employee purchases tend to be local.

### Government Child Care Subsidies Are Economic Development Investments

Chemung County receives substantial funding from the state and federal government to help low-income families pay for child care. These funds are not only a vital support for families; they are actually economic investments in the Chemung County economy. Input-output analysis can be used to measure the impact of these investments.

## Government Child Care Subsidies More Than Pay for Themselves <sup>8</sup>



### Child Care Subsidies Return Tax Dollars to Chemung County

Every \$1 Chemung County invests in early care and education helps attract an additional \$5 from other government sources into the county.

### Child Care Subsidies Stimulate the Chemung County Economy

Each of these state and federal dollars stimulates a total of \$1.85 in economic activity in the Chemung County economy.

In fiscal year 2003-2004, it is projected that Chemung County spent about \$635,000 for subsidized child care. This local investment helped to attract an additional \$3.2 million from the state and federal government. In short, every \$1 Chemung County invested helped to draw an additional \$5 from other government sources into the county. In turn, each of these federal dollars stimulates a total of \$1.85 in economic activity in the Chemung County economy (from the multiplier effect), resulting in a total leverage and linkage effect of almost \$9.<sup>9</sup>

### Chemung County Working Parents Collectively Earn Almost \$54 Million Annually

Precise data on the number of employed parents who purchase early care and education services in Chemung County are not available. It is possible, however, to estimate this number using DSS and Census data. For this study,

we estimate that approximately 1,165 private fee-paying parents purchase regulated early care and education services and 238 parents enroll their children in universal pre-kindergarten programs. Using the average Chemung County wage<sup>10</sup>, we estimate that these working families

collectively earn \$45.35 million each year. An additional 2,085 low-income families use formal paid child care, thanks to help from the county child care subsidy program and/or Head Start. Based on an average wage of \$12,400, these families collectively contribute an additional \$8.62 million to the local economy. In total, the estimated earnings of Chemung County families who rely on paid child care is nearly \$54 million a year.

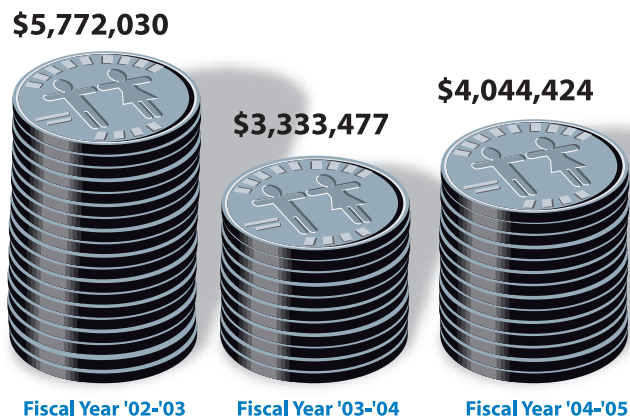


## Government Support for Early Care and Education Can't Meet the Need

Early care and education is expensive. In 2003 the prevailing market rate for child care in Chemung County was \$118 a week for full-time care of a preschool-age child in a child care center and \$100 in a regulated family child care home — which is about \$5,000 to \$6,000 per year for only one child.<sup>11</sup> It is not surprising that so many Chemung County families rely on government support to help pay for early care and education. In 2003, over 59% of all children enrolled in Chemung County center-based and regulated home-based early care and education programs received some form of subsidy to help pay the tuition.<sup>12</sup>

### Reductions in Chemung County Child Care Subsidy Funds

State Low-Income Child Care Allocation



Public early care and education funding is not only a vital support for families, but also a significant source of funding for the Chemung County early care and education industry. Without these government funds, early care and education programs may close. And the working families who rely on that care may also find their jobs in jeopardy. Unfortunately, this economic slide has already begun.

In state fiscal year 2003-04, the Chemung County allocation for child care subsidies was cut by almost \$1.5 million dollars.<sup>13</sup> In addition, a one-time subsidy allocation of \$944,786 that the county received in FY02-03 was not renewed. As a result, 334 children were eliminated from the child care subsidy system. Some of these funds were restored in 2004-05, but the child care subsidy funds that Chemung County receives from the state and federal government are still almost \$1.73 million lower than two years ago, even though demand for assistance continues to grow.

The Chemung County Child Care Council reports that more than a half dozen local child care centers have closed their doors in recent years, in many cases due to the fragile nature of operating a child care business in a fluctuating economy. These losses are serious. When child care centers close we not only lose jobs and the economic ripple effect of those jobs, but our children lose important opportunities for early education.

## Early Education Supports the Knowledge Economy

Economic development experts frequently stress that skilled, educated workers are the cornerstone of a healthy economy. Brain research has revealed that babies' brains are twice as active as adults, and that early learning can last a lifetime. Long-term research on dozens of early childhood programs has indicated that quality early education not only boosts reading and math skills, but can also reap a host of economic benefits for disadvantaged children.<sup>14</sup> These benefits cannot be attributed to just any early childhood program, however. Program quality — as defined by trained teachers, small groups, and low staff-to-child ratios — is key to success.

Publicly funded child care is also a key support for local businesses. To stay competitive, many employers — especially small businesses — cannot pay wages that are high

enough to cover the cost of child care. By making public subsidies available to their employees, government is helping these businesses attract and retain the

workforce they need to succeed. In short, subsidized child care is a win-win situation; it helps both employers and employees. And when Chemung County loses child care funds, everyone loses.

**“Economists and planners are beginning to recognize the important contributions the child care sector makes to the regional economy in both the short and long term.”**

*Ribeiro and Warner  
Cornell University, 2004*



## Recommendations

There are many ways that Chemung County can expand early care and education investments. Three important first steps are identified below.

**Increase private sector involvement in early care and education.** Chemung County should establish a public-private partnership, modeled on the Tompkins County Early Education Partnership, to help increase private sector investment in early care and education. This group should also work in partnership with local policy makers to increase public early care and education funding in Chemung County. Special effort should be taken to involve businesses that employ parents who receive child care subsidies.

**Increase public sector investments in early care and education.** At a minimum, state child care subsidy funding should be restored to SFY2002-03 levels. Each year this base should be increased so that more families can receive the help they need to pay for child care. Additionally,

state investments in the child care industry (e.g. child care worker recruitment and retention, Educational Incentive Program, start-up, training and quality improvement funds) should be increased.

**Forge new partnerships among local economic development agencies and the Chemung County early care and education community.** Host meetings among staff from Southern Tier Economic Growth and local early care and education leaders to explore ways that the state initiatives, designed to support small businesses, can assist the early care and education industry. Work with local business and economic development agencies to create new industry-wide solutions to common problems, such as establishing purchasing cooperatives, shared services alliances, quality improvement initiatives or automation systems to support fiscal management.

## Continued Public Investment Is Essential

Investments in early care and education support the economy in multiple ways. Public and private child care subsidies help make it possible for many parents to work, and the dollars these parents earn make an important economic contribution to Chemung County. Financial support for the early care and education industry also creates jobs and increases local economic activity through the purchase of goods and services. Finally, investments in early care and education help ensure that the children who live in Chemung County — our future citizens — have the learning opportunities they need to succeed in school and life.

## Endnotes

<sup>1</sup>The information contained in this report was supplied by the Chemung County Child Care Council, Inc. The Council surveyed all early care and education programs on enrollment, staffing and tuition charged. The government investment and private investment numbers were obtained from local and state government officials. Industry data was obtained in June and July of 2004 unless otherwise noted. Financial and funding information is from FY 2003-2004 unless otherwise noted.

<sup>2</sup>This represents the number of full- and part-time employees in Chemung County early care and education establishments, based on a provider survey by the Council (209 in child care centers, including Head Start and Pre-K + 68 in school-age child care programs + 38 in nursery schools + 94 in regulated family child care homes + 21 in group family child care homes). Employment numbers from other industries comes from Implan 2000.

<sup>3</sup>Informal, home-based providers are friends, neighbors and relatives who are paid to care for one or two children in the caregiver's home. These providers, who are exempt from regulation, are not included in our estimates of the size of the early care and education industry. The Council reports that in 2003 approximately 169 informal, home-based providers served children who received a government child care subsidy. The number of private, fee-paying families who use this type of care is unknown. However, even if only the county-subsidized providers were included, the number of individuals who work in the early care and education industry would increase to nearly 600.

<sup>4</sup>This study includes data from 110 home-based early care and education establishments (93 regulated family child care homes + 17 group family child care homes) and 20 center-based establishments (11 child care centers, including Head Start + 3 school-age child care programs + 6 nursery schools). Note: The Child Care Council database includes 130 registered family child care providers, however 37 of these providers are coded as "inactive," meaning that they are not currently caring for children but may do so again in the future. Inactive providers were not included in this analysis.

<sup>5</sup>Total enrollment in center-based care is 1775 (910 in child care centers, including Head Start and pre-K + 513 in school-age child care programs + 352 in nursery schools). Total enrollment in home-based care is 681 (510 in regulated family child care + 171 in group family child care). See note 3 for employment data.

<sup>6</sup>Government industry investments include \$75,428 start-up/health & safety grants + \$40,082 Education Incentive Program scholarships + \$35,800 Retention Grants + \$534,510 CACFP.

<sup>7</sup>Source: Implan 2000. Type II Multiplier (includes direct, indirect and induced effects): analysis conducted by Ariane Kissam, Dept. of City and Regional Planning, Cornell University.

<sup>8</sup>Source: Implan 2000. We applied to the Type II Multiplier (1.85) for the child care industry = (direct effect 1.0 + indirect effect .52 + induced effect .33) = 1.85. State and federal funding = indirect effect (\$3.19 million x 0.52) = \$1.66 million; induced effect (\$3.19 million x 0.33) = \$1.05 million. Total economic impact of state and federal subsidies = \$3.19 (direct) + \$1.66 (indirect) + \$1.05 (induced) = \$5.9 million. These figures represent subsidy monies. It does not include industry investment monies.

<sup>9</sup>Total local funds include the actual county share of the Child Care Development Block Grant (\$635,009). Total state and federal child care subsidies include the amount of CCDBG given to Chemung County (\$3,192,489). The ratio of local to state and federal funding = \$3,192,489 / \$635,009 = 1:5.03. We applied the Type II multiplier (1.85) to calculate the total economic impact these state and federal funds have on Chemung County's economy. Thus, the total leverage and linkage effects is 5.03 x 1.85 = \$9.30.

<sup>10</sup>According to the Fiscal Policy Institute in their report State of Working New York 2003: Regional Economic Profile, the average wage for the counties in the Southern Tier region of New York is \$31,315.

<sup>11</sup>NYS OCFS Market Rate Ceiling for Chemung County through 9-30-03.

<sup>12</sup>In SFY 2003, 832 children received child care subsidies for formal care + 238 children in UPK + 351 in Head Start = 1,421 or 59.2% of the 2,400 children enrolled in all formal ECE establishments in Chemung County.

<sup>13</sup>Chemung County DSS, Finance Division. July 2004.

<sup>14</sup>National Institute for Early Education Research 2003. Fast Facts: Economic Benefits of Quality Preschool for American 4 year olds. <http://nieer.org/resources/facts/index.php?FastFactID=6>

**This report is based on methodologies described in Ribeiro, R. and Warner, M. (2004). *Measuring the Regional Economic Importance of Early Care and Education: The Cornell Methodology Guide*. Cornell University Linking Economic Development and Child Care Project. <http://economicdevelopment.cce.cornell.edu/>**

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