February 16, 2022

Joint Legislative Budget Hearings on Economic Development

Senate Finance Chair Krueger, Assembly Ways and Means Chair Weinstein, and other members of the committees, thank you for the opportunity to submit testimony today for this important hearing on behalf of the Alliance for Quality Education. First and foremost, thank you for your multi-year commitment to fully fund Foundation Aid and invest in the education of the children of New York State. We look forward to working with you as we continue to strengthen and grow that commitment.

Strengthen Our Economy by Investing in Children & Families, not Corporations

New York State is at a unique crossroads, one where crisis and opportunity meet. On the broadest level, a global pandemic and climate change have altered our present and our future, while ongoing challenges for working class, Black and Brown communities dealing with everything from a lack of affordable child care to housing persist. With new infusions of money from the federal government to tackle that crisis, combined with hard won revenue from taxes on the wealthy and corporations, we have the chance to finally meet these ongoing crises with the kinds of meaningful investments and equity informed policies that can bring an end to these longstanding injustices, while also strengthening our economy for years to come.

The executive budget was woefully inadequate in its proposals around child care. The governor proposed adding $75 million for workforce development and increasing eligibility of families for free child care over the next three years, incrementally, finally reaching families of four that make less than $76,500 in 2024). That simply isn't enough to address the needs of families, children and equally importantly, the economy.

Child care & Early Childhood Education

At the Alliance for Quality Education, we believe there is no better investment than in our children. After a decades-long fight to fully fund our public schools, we are now asking the legislature to address the equally urgent problem of a lack of affordable, accessible and quality child care, by investing $5 billion dollars in the annual budget and adopting the measures in the

Universal Child Care Act (S. 7595/A8623). Our estimates show that the investment of $3 billion in increasing eligibility for free or low child care for families will allow as many as 400,000 new children into the system. And, the additional $2 billion in workforce in the form of wages and stabilization, as well as increased reimbursement rates by the state, would allow the field to expand.

In addition, not only would this investment vastly improve the lives of families who deserve affordable and high quality care for their children, but as the data demonstrates, it will also yield savings and a high return on investment for taxpayers. A recent study from the RAND Corporation on the cost benefit analysis of early childhood programs had this to say: *The fundamental insight of economics when comparing early childhood education policies with other social investments…shows that early childhood programs have the potential to generate government savings* ***that more than repay their costs and produce returns to society as a whole that outpace most public and private investments.*** In other words, not only is investing in universal child care a chance to change the lives of millions of New Yorkers for the better, but it is also an opportunity to transform our economy.

The landscape of child care in NYS is dire. In New York, three out of every four families who qualify for help accessing childcare can't access it. Despite the need, paid child care is increasingly a good that is only affordable for wealthy New Yorkers. In 2020, the *average* household income for families using paid child care was $193,929. Of this group, families with children under the age of five had a household income that was $106,243 greater than families not using paid child care.

In addition to the high cost of child care, providers themselves are struggling to stay open, reducing the number of childcare slots available. Data from 2020 shows significant reductions in the number of children enrolled in paid care in New York, even as the percentage of mothers in the workforce increased. This suggests that families are having to make difficult, possibly dangerous decisions about how to care for their children while they go to work. Those who work in child care are forced to subsist on poverty wages or leave the field for better paying jobs. In Erie County, for example, 11% of the child care workforce left between 2019 and 2000, at a point where the number of child care workers was already at an all-time low.

The Cost of Disinvestment

While opponents of social spending often portray proposals for investments in our communities as wasteful, the truth is, disinvestment is not cheap. Just as it costs families in both quantifiable and unquantifiable ways when basic resources are out of reach, it also costs the broader economy.

A recent study by Ready Nation looked at the impact of the childcare crisis on the national economy, finding that the absence of childcare costs $57 billion annually in lost earnings, productivity, and revenue. In other words, the costs are borne by workers, employers, and taxpayers alike. Surveying parents with young children (<3 yrs) and merging the data with labor market data, the study found that while most of the losses are borne by workers ($37 billion annually), businesses and taxpayers lose roughly $13 billion and $7 billion per year, respectively, as a result of a lack of child care.

These losses persist. For parents, the absence of child care can impact their entire career trajectory and lifetime earning potential. Surveys of parents found that they lost hours of productivity, missed opportunities for advancement, and in some cases were demoted or even terminated as a result of shouldering child care responsibilities during work hours. For businesses, in addition to losses in productivity, frequent turnover costs time and money, as well as adversely affecting the quality of service.

The child care industry itself suffers from a lack of investment and support. Child care providers are running businesses as well, but due to high costs of care and a lack of sufficient financial support they are constantly operating at a loss, often to the point where they have no choice but to close their doors. Between April 2020 and February 2021, approximately 1,500 child care providers in NY closed. More than 60% are losing money each month; the same percentage report having taken on personal debt or dipped into personal savings to cover shortfalls. Given that the industry not only provides jobs but is critical for parents to stay in the workforce, disinvestment in child care compounds the issue of job loss and unemployment.

The lack of investment in child care negatively impacts other systems as well, all of which cost us in potential, in lives, and in dollars. For instance, study after study has shown that investments in early childhood education greatly reduces the chances of involvement in the criminal justice system, from arrest rates to incarceration. New York City alone spends as much as $556,539 per person per year on incarceration, while New York State spends roughly $6 billion per year on prisons and jails. Investing our money into the health and well being of our children is an effective and principled way to reduce crime and strengthen our economy.

Investments in Child Care Strengthen Families & Our Economy

Just as disinvestment in learning and care for children has cost us in real dollars, research also shows the undeniable benefits of high quality early education programs to the health of an economy. Professor James Heckman, a Nobel Prize winning economist at the University of Chicago, found that early childhood education and care can produce as much as a 13% return on investment per year. As stated previously, that rate of return would be high for private investment, let alone public programs.

This study, among others, found that high quality programs resulted in better outcomes for education, health, adult employment and adult income for the participants, as well as for their mothers, many of whom were (and remained) single parents throughout the study. This is particularly relevant now, given the impact of the pandemic on employment for women, and particularly Black and Latinx women. Since February of 2020, women have accounted for almost 60% of net job losses. Economists in 2016 estimated that the return of women to the labor force through the provision of child care could increase GDP in the U.S. by $210 billion, a number that is likely much greater now due to the number of women forced out of the workforce. Research also estimates that universal childcare would increase the number of women with young children working full time by approximately 17%, and would increase the number of women without a college degree as full time employees by 31%. As women continue to shoulder the burden of childcare in the vast majority of families, providing them with the child care services they need to return to the workforce and pursue careers would strengthen the labor market, increase tax revenue, and inject new money into the market through increased buying power.

The body of research on the impact of early childhood education is robust and clear. Other studies have shown that for every $1 spent on early learning and care, we get back anywhere from $4- $9. Investments in child care have also been found to have unexpected benefits to the economy, such as raising property values by as much as $13 for every $1 invested, and attracting new homebuyers.

The long term effect of early childhood programs also results in considerable savings to society. In addition to reduced likelihood of incarceration, high quality education and care also reduces the chances of teen pregnancy, the need for special education, or grade repetition, outcomes that increase the cost of social services and public programs. Research has even shown that excellent child care programming can mitigate or even reverse the impacts of poverty, abuse, or neglect, all of which can have adverse effects on children's mental and physical health, and will invariably come at a cost to the economy.

Conclusion

Ultimately, we know that the health of our economy is measured by the wellbeing of our communities. We strongly urge lawmakers to reimagine the concept of "economic development" not as corporate giveaways which yield little in return and rob communities of badly needed revenue, but as deep, ongoing investments in our people. When it comes to guaranteed, quality child care for all, there is no doubt that supporting families and children is not only not at odds with economic growth, but is in fact essential to it. An investment of $5 billion in this year's budget will set an example for the rest of the country and put us on the path to transforming our communities and our economy.