







Child Care Subsidies: A Job Saver, Creator, and Multiplier

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EXECUTIVE SUMMARY:

-  **NORTH CAROLINA'S ECONOMIC GROWTH** now and into the future is deeply tied to the investments we make now in early childhood education. Investments in early childhood education can yield as much as \$17 on every \$1 invested.
-  **THE STATE'S SUBSIDIZED CHILD CARE** program, which offers financial aid to working parents to offset the high cost of child care, is a critical component of this early childhood education system.
-  **CHILD CARE SUBSIDIES** are intimately connected to job retention and job growth, with more than 151,000 families able to keep their jobs and place their children in high quality early-learning settings due to the program.
-  **THE CHILD CARE SUBSIDY PROGRAM** is deeply connected to other early childhood education programs such as Smart Start and More at Four. Any cuts to child care subsidies will impact the integrity of the entire early childhood system and vice versa.

THE FUTURE OF NORTH CAROLINA depends on our ability to foster the healthy development of the next generation—our children. And our state's economic recovery is contingent on ensuring that North Carolina's workers hold on to the jobs they have and obtain the support they need to seize new employment opportunities.

One of the most effective public structures aimed at achieving both goals—ensuring all children are given the opportunity to develop cognitively, emotionally and intellectually in their early years and that working parents are able to fulfill the promise of work—is North Carolina's child subsidies program.

The child care subsidies program reduces a critical barrier to attaining and holding on to employment. In doing so, it enables working parents to keep their jobs, spurs job creation within the child care sector (a vibrant component of our local economies, particularly in rural areas), and gives children access to high-quality learning opportunities at critical moments in their development.

How child care subsidies save and create jobs

Quality childcare is the single most expensive item in a family's budget, averaging between \$600-\$1200 per month per child. For a family of four with two minimum wage earners, child care can easily eat up a third of their annual earnings.

The high cost of child care often forces families to choose between work, leaving their children in inadequate and potentially unsafe care arrangements or paying for housing, food, and other basic living necessities.

Fortunately for North Carolina's hard-working families, our state has the child care subsidy program to help reduce this barrier to employment and economic hardship. Administered by the NC Division of Child Development and locally at the county level and funded by federal, state, and local funds, North Carolina's subsidized child care program provides financial aid to offset the high cost of quality child care.

The vast majority of child care subsidy recipients are required to work (93 percent of current recipients are working), with a small portion receiving time-limited subsidies while they pursue education and training or are searching for a new job. Nearly all working parents receiving child care subsidies are required to contribute 8-10 percent of their income to child care costs, with the subsidy making up the difference.

In 2010, more than 151,000 children benefited from North Carolina's child care subsidy program and 85 percent of those children were enrolled in high-quality child care programs (at least three stars according to the state's rating system) across the state. Approximately 84 percent of these children lived in households earning less than \$25,000/year and child care subsidy makes work pay for their families.

Amidst reduced funding for the subsidized child care program over the last two years, the number of children eligible for child care subsidies has risen sharply since the start of the Great Recession. The child care subsidy waiting list is now at an all time high of 45,507 children eligible for – but not receiving – quality child care subsidies.

Spurring quality and multiplying investments

As state policymakers consider drastic budget cuts in health and human services funding, they should carefully consider the impact of such cuts on our education system, jobs and North Carolina's future economic prospects.

The child care subsidy program is one critical part of the state's nationally-recognized early childhood education system, which includes Smart Start and More at Four. Locally, these programs aren't operated in isolation from one another. Children receiving child care subsidy may receive wrap-around health services at a local Smart Start agency and then qualify as a four-year-old for More at Four. Moreover, their funding is blended, with 30 percent of Smart Start funds required to go to child care subsidies. A large cut to child care subsidies will impact the integrity of Smart Start and More at Four and vice versa.

Furthermore, investments like child care subsidies and other early childhood programs are essential to the vitality of local economies across the state. The child care industry as a whole employs almost 50,000 North Carolinians, allowing 380,000 North Carolinian parents to work. In total, these families earn almost \$12.5 billion annually, which is spent locally and drives local economic growth. In more rural communities, particularly in the Eastern part of the state, the child care sector is one of the few sources of stable jobs.

But perhaps most importantly, investments in programs like child care subsidies are an investment in North Carolina's future. High quality early childhood education has been proven over and over again to be the most critical intervention one can make to drive high student achievement and a productive workforce.

And it's cost-effective. Investments in early childhood education can yield as much as \$17 on every \$1 invested, creating future state savings.

The Tar Heel state's future nurses, firefighters, and elected officials are being trained now. If we invest in their parents and teachers now, we all reap the benefits – now and in the long run.