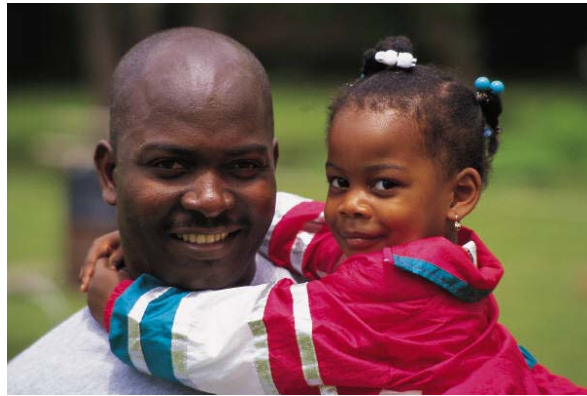


# The Economic Impact of Rhode Island's Child Care Industry



A STUDY PREPARED BY  
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**Options for Working Parents**

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### Sponsored by

**Options for Working Parents**, a non profit program of The Greater Providence Chamber of Commerce

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## Introduction

Options for Working Parents is a non-profit program of The Greater Providence Chamber of Commerce, funded by the Rhode Island Department of Human Services and Corporate Sponsors committed to addressing child care concerns and assisting employers, parents, providers of service and the community in meeting these concerns. As the premiere Child Care Resource and Referral Program in Rhode Island, Options: houses a complete database of regulated child care providers and programs in the Ocean State; provides parents with information about choosing a quality program for their children and about available child care providers in their communities; sponsors annual Child Care Champion Awards to recognize outstanding dedication to Rhode Island children and families; and hosts forums for business leaders to encourage business engagement and investment in quality child care for working families.

In September 2002, the Options for Working Parents Advisory Board, comprised of representatives from the business community, the child care provider community, RI DHS, parents, legislators and community advocates, decided to investigate the role of the child care industry in Rhode Island's economic development landscape. After studying the work done in other states and regions like Tompkins County, NY, Vermont and California, the Board developed a proposal and engaged Charles J. Quigley and Elaine M. Notarantonio, Professors of Marketing at Bryant College, to conduct the study.

In commissioning the study the Board intended to utilize currently existing data to answer critical questions about the impact of the child care industry on the state economy in Rhode Island with the intention of informing the business community and policy makers about the importance of supporting child care as a vital component of a state economic development plan.

Rhode Island has built a national reputation for accessing Federal resources and investing state resources in providing critical child care assistance to low income working families and families in the Family Independence Program (FIP) who are working or achieving their goals through training and education. In addition to examining whether and how much the child care industry contributes to economic development in the state, researchers were asked to examine the effects of Rhode Island's investments in the DHS Child Care Assistance Program (RI CCAP) as one factor in the total child care industry equation in Rhode Island.

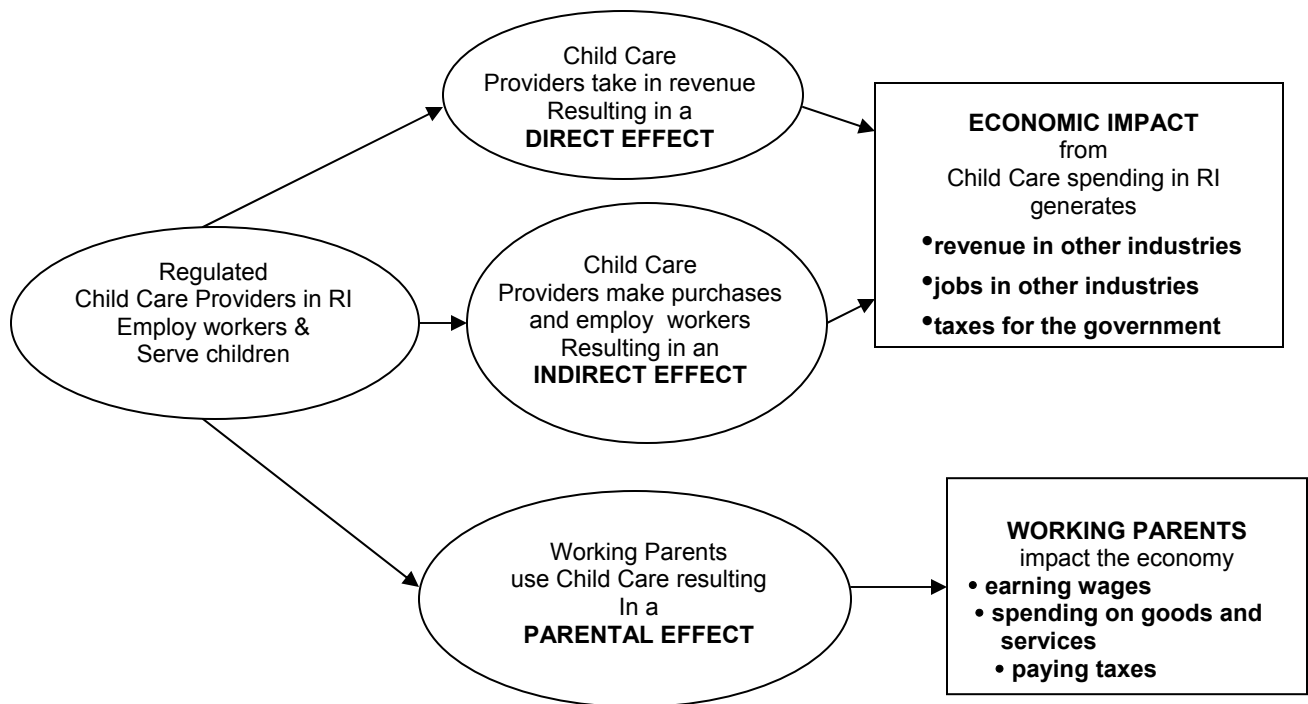
In collecting the data needed to conduct the study, the researchers utilized information from a variety of sources including:

- The NACCRAWARE database maintained at Options for Working Parents for data on numbers of regulated providers and their licensed capacity;
- The RI DHS INRHODES database for data related to children and families in RI CCAP and state and federal investments in child care subsidies;
- The Statewide Survey of Child Care Costs 2002 conducted by the Schmidt Labor Research Center at the University of Rhode Island

## Counting Economic Impact

The economic impact of an industry is assessed by examining the revenues generated by a specified sector of the economy (direct effects) as well as the goods purchased, taxes paid and jobs created by that sector (indirect effects).

Additionally, the child care industry provides an essential service that enables parents to work in other industries. Working parent's wages and economic contributions comprise a secondary or 'Parental Effect' that enhances the value of child care as a vital infrastructure support in a viable economic development strategy



### An Economic Impact Model

## Rhode Island's Child Care Industry in 2002: A Snapshot

In 2002 the RI Department of Children, Youth and Families (DCYF) licensed approximately 1516 child care providers across the state. (In the study these are referred to as regulated or licensed providers). RI DCYF regulates programs serving children from birth – 16 years of age. Not all providers serve children of all ages. The results of the study are not delineated by age but include all regulated providers serving children across this age range.

445 of these are Child Care Centers serving between 25 – 180 children each and employing direct service staff based on adult: child ratios established by licensing regulations as well as

administrative staff. (Average center license capacity = 66 Average number of employees per center = 10.71)

1071 of these are Family Child Care Homes (FCC Homes). These are sole proprietor micro-businesses operated out of the provider's home serving between 4 - 12 children each and employing the provider alone or the provider and one, occasionally two, assistants.

Regulated child care providers (centers and FCC homes combined) employed an average of approximately 7417 workers in 2002. This is a conservative estimate of Full Time Employees (FTE's) derived from calculating staff required to meet regulated staffing requirements for total number of children in licensed capacity. It is possible that the actual count of full and part time employed workers in the child care industry in Rhode Island is considerably higher.

While regulated providers are the primary focus of this study, it is known that some working families choose informal, unregulated child care arrangements with relatives, neighbors or friends. Use of informal, non-regulated providers is quantifiable in RI CCAP where data indicates about 7% of all assisted children are in non-regulated care. Similar statistics for non-assisted families is not readily available and so is not included within the scope of this study.

In 2002 the capacity of regulated providers is estimated as 29,387 slots for children in Child Care Centers and 6962 slots for children in Family Child Care Homes.

A vacancy rate of approximately 10% was calculated using information from the Statewide Survey of Child Care Costs in Rhode Island 2002. The average total number of children in regulated care in Rhode Island in 2002 is estimated as 27,021 in Child Care Centers and 6356 children in Family Child Care Homes.

The average number of working parents of children in regulated care in 2002 was 32,167.

Approximately 37% of all children in regulated care are supported at least partially by subsidies as part of the RI DHS Child Care Assistance Program. (RI CCAP). 76% of all the funds spent on child care subsidies in Rhode Island in SFY 2002 were state funds, the remaining 24% came into Rhode Island through the Federal Child Care and Development Block Grant and other Federal funding.

Key policies in the RI CCAP include the following:

- Entitlement to child care assistance for all children birth – age sixteen (16) in FIP and working families earning at or below 225% of the Federal Poverty Level (about \$33, 795 gross income annually for a family of 3);
- Family cost sharing on a gradually increasing scale for families at or above 108% Federal Poverty Level. Families in the Family Independence Program (FIP) participating in work or an approved education or training program are not assigned a co-payment;
- Rates to DHS approved regulated providers established at the 75th percentile of a bi-annual market rate survey;
- A portable voucher system that supports family choice and responsibility.

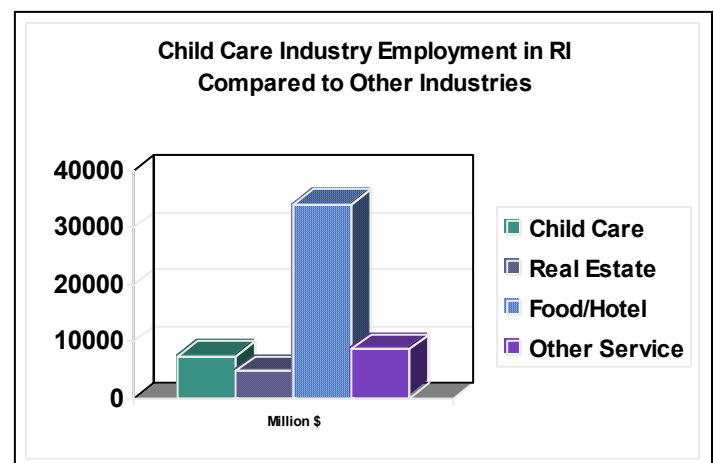
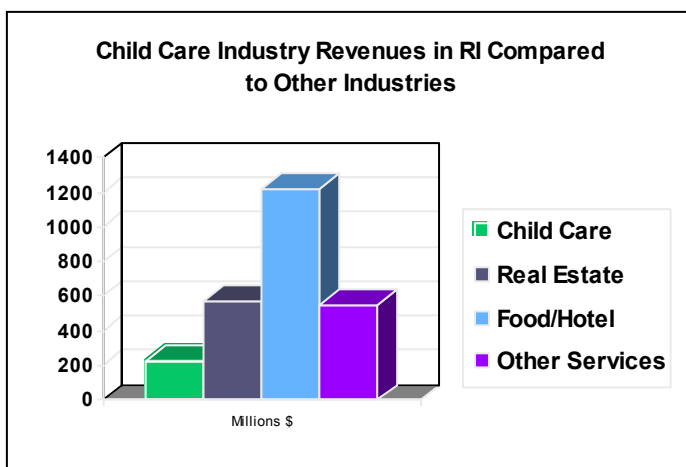
The Statewide Survey of Child Care Costs 2002 in Rhode Island indicates that the average rates charged by regulated providers in RI in 2002 are \$140 per week for a preschool age child in center based care and \$134 per week for a preschool age child in a Family Child Care Home. The 75<sup>th</sup> percentile of all rates (this means the rate at or below that which 75% of respondents to the survey charge) is \$150 per week for full time care for a preschool child in both centers and homes. A market rate survey captures rates that the market will bear which do not necessarily reflect the true costs of providing high quality care for children. Many child care providers operate at minimal profitability or report annual losses. Child care is a labor intensive industry and statistics show that child care workers subsidize affordable rates for families by earning significantly less than similarly qualified workers in other industries. An example of child care expenditures in a child care center indicates that 70% of all expenses are direct costs associated with operating a program including 55% of all costs allocated to staff wages and benefits. The overall net income after all expenses in the example used was 1% of the total. These expense percentages and margins of income vary widely across the industry as revenues generated from rates charged, and expense factors such as wages paid, benefits offered and access to overhead supports (such as reduced rent or private subsidies of some type) differ across settings and for each provider.

## Key Findings: The Child Care Industry in Rhode Island as a Vital Economic Sector

### Direct Effects

In 2002, regulated child care in Rhode Island generated **\$228 million** dollars in revenues. This is comparable to the Arts, Entertainment and Recreation sector and about half of what is generated by Transportation and Warehousing.

Conservatively, 7417 jobs were generated in the child care industry in 2002.



### Indirect Effects

Regulated child care providers generated **\$172 million** dollars in wages and purchases in 2002 generating **2209 jobs** in other industries.

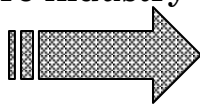
### Overall Impact

In 2002 the economic impact of the regulated child care industry on output of the Rhode Island economy was \$399,508, 637 – nearly **\$400 million dollars**. Additionally, the child care sector created **9626 jobs** across all sectors in Rhode Island in 2002

**This means that for every public and private dollar spent on regulated child care, \$1.75 is returned to the Rhode Island economy – a net positive return that almost doubles investments.**

### Impact of the regulated child care industry on the Rhode Island Economy

**\$1.00 INVESTED**



**\$1.75  
RETURNED**

### Parental Effect

In 2002 **32, 167 parents** enrolled their children in regulated child care while they were at work. These parents earned **\$627 million** dollars which return to the economy in family spending on goods and services. They also paid **\$93 million** dollars in taxes.

If economic impact is defined as growth in jobs and income then the Parental Effect can also be factored into the positive effects of the child care industry on economic development and vitality in Rhode Island. Like transportation, the child care industry provides an essential infrastructure support for other industries enabling parents to participate in employment and contribute to the economy.

### Investments in Rhode Island's DHS Child Care Assistance Program

In 2002, Rhode Island spent **\$66,158, 928** in state and federal dollars on subsidies that helped families pay for regulated child care. This supported **12,591** children in care and allowed **8887** parents to participate in the work force. Virtually all of these parents are low wage earners who could not afford to pay for child care without assistance. RI CCAP contributes about 30% of all revenues in regulated child care thus helping to create nearly one third of the jobs generated in the regulated child care sector. State investments in assisting families with children in regulated care mirror the returns seen in the industry as a whole – for every \$1.00 Rhode Island invests in child care assistance, \$1.75 is returned to the Rhode Island economy.

In addition to the children in regulated care, RI CCAP assisted 633 families to pay for child care services for **896** children enrolled in informal or non-certified care in 2002. This generated **\$5,273,856** in revenues to those providers and adds value to the economic impact of child care subsidies on the overall economy in Rhode Island.

In 2002 Rhode Island spent a total of **\$71.4 million** dollars on assisting families to pay for child care across all provider types (regulated and non-regulated). This generated **\$125 million** dollars in output into the state economy and **3007** jobs across all sectors. Thus subsidies considered a subset consistently mirror a return of \$1.75 into the economy for every \$1.00 invested.

### The Economic Impact of Rhode Island's Child Care industry in 2002

