



new mexico **early childhood development** partnership

Economic Effects of Child Care in New Mexico

The Economic Impact of Child Care:

The economic impact of child care in New Mexico is significant.

- Child care accounts for a larger share of the state economy of New Mexico than it does in any of New Mexico's neighboring states.
- Child care is an industry made up mostly of small businesses, many of them owned and staffed predominantly by women.
- The child care industry generated \$2.23 million in gross tax revenue in FY14, out of a statewide total of \$3.5 billion.

The Economic Impact of Child Care Wages

According to an analysis using the IMPLAN software package, for every dollar invested in child care worker wages, an estimated \$1.24 is generated in the New Mexico economy.

- Increasing child care worker wages generates additional state and local tax revenue that is approx. 4.1 percent of the original investment.

Child Care as a Means to Address the Impact of Poverty:

New Mexico is one of the poorest states in the country, with persistently low rates of educational attainment.

The Impact:

- 120,202 people or 13% of New Mexico's labor force, have a child under the age of 5.
- Currently, there are 68,565 children under the age of five in New Mexico who live at or below 150 percent of the federal poverty line.

Access to quality and affordable child care can have a profound impact on families, employers, and the local economy. Child care provides a

This research was conducted in partnership with the University of New Mexico's Center for Education Policy Research.

WHY INVEST IN THE NM CHILD CARE INDUSTRY:

- **For every new job created** in the child care sector, an estimated **1.61 jobs are created** in the state economy.
- **For every additional dollar spent**, an estimated **\$1.99 is generated**.
- The child care industry in New Mexico is larger, relative to the total state economy, than the national child care industry or in neighboring states.
- **For every dollar invested** in child care worker wages, an estimated **\$1.24 is generated** in the state economy.
- Compared to other sectors of the economy, multiplier effects for the child care industry are among the highest (93rd percentile).
- A 3% across-the-board increase in child care wages would result in **54 new jobs created** outside the child care sector, and more than \$8 million in additional economic activity.

safe and consistent place for children to be nurtured while their family caregivers work. Child care also fosters early learning.

Quality early child care can decrease grade retention and special education services, increase high school graduation rates and college matriculation numbers, and decrease the likelihood of our youth participating in the juvenile or adult justice systems. *Investing in child care is one of the most effective ways of improving the state's economy.*

Child Care Funding:

Child care is a significant public investment. In New Mexico, child care is administered by the Children, Youth and Families Department (CYFD), with funding primarily from the Child Care and Development Block Grant's (CCDBG) Child Care Assistance Program (CCA), federal Temporary Assistance for Needy Families (TANF) block grant funding, and state general funds. CCA can be used at any child care facility licensed by CYFD that is rated 2-STAR or above. In FY16, about \$97 million has been budgeted for CCA of which \$30 million is from the state general fund.

Currently, CCA is available to parents who are employed or enrolled in school and who have incomes at or below 150 percent of the Federal Poverty Level (FPL) which is \$36,375 annually for a family of four. As of March 2015, 15,861 children are enrolled.

Child Care Assistance:

Child care assistance allows low-income parents to seek education and training opportunities, strengthens the pool of available talent for local employers, and supports family caregivers to work or increase employment hours. Studies indicate child care assistance can result in more reliable care for families, which decreases child care related workplace disruptions, further enhancing employment and job skill development for parents.

Significant returns on the investment in CCA should be expected.

- 71% of families using CCA report that it allows them to be employed
- 19% report that it allows them to pursue a degree or job training
- 10% utilize it to support both work and school pursuits

The total estimated wage benefit of child care assistance for New Mexico families is more than \$45 million.

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