

## Going Out of Business? The Economic Impact of Child Care Cuts

With Governor Brown's proposed cuts to the state child care budget this year, we're not just talking about belt-tightening. We're talking about doing major damage to a resource that's a critical part of our economic infrastructure as well as a key to our children's future.

We've lost almost a quarter (22.7%) of the state's support for child care since 2007-08, and the governor is proposing to cut an additional 18.5%. That's a serious problem for an economy struggling to recover from the Great Recession.

For businesses, child care means a stable, reliable workforce, with less of the absenteeism and turnover caused by child care problems.

For the regional economy, child care brings in state and federal funds, then multiplies their impact when providers buy supplies from local businesses. A 2009 report from the Bay Area Council cites research showing that this "multiplier" is greater for child care than for most other industries.

For parents, child care makes it possible to work to support their families, reducing the need for spending on welfare and building the economy: according to a new report from UC

Berkeley, California families that use early childhood programs have a combined annual purchasing power of \$26.4 billion.

In addition to these immediate economic benefits, many studies have shown that spending on quality early childhood programs more than pays for itself by reducing the need for later spending on special education, criminal justice, and welfare programs.

Nevertheless, the governor has proposed drastic cuts to child care subsidies for low- and moderate-income families. The rates paid to centers with state contracts, already much too low for providers in the high-cost Bay Area, would be cut 10%. The rates paid by child care subsidy vouchers would also be cut. For example, child care centers in Alameda County would receive \$190 less each month for infants; family child care providers would receive \$125 less for preschoolers.

Early Childhood Director Kristina Adams says Hayward Unified School District has already given up most of its state child care contracts because subsidies were so low the district could not afford to provide care. Under the governor's proposal, she says, the district would lose subsidies for at least three-quarters of the children in part-day preschool. And the whole program might be lost — the proposed cut would bring subsidy rates below the cost of providing services, both in preschools and in child care for teen parents attending high school. These programs, she says, are "amazingly beneficial in closing the achievement gap."

Hayward family child care provider Beverly Reliford says if the subsidy rate is cut, "I would have to go out of business." All nine children in her program receive state subsidies, with payments already so low that she loses money, relying on her husband's salary for support. So why has she continued to provide care? "I really like the families," she says. "We go way back. One of the mothers - I took care of her when she was a small child. It's a community bond."

Patricia Flores, director of the Eden Youth and Family child care program, says if the proposed rate cuts are adopted, her program would not be able to accept any infants or toddlers on state subsidies and might also have to stop taking subsidized preschoolers. "We want to provide high quality care for everybody," she says, but with such low rates, "we wouldn't be able to run the program."