

ECONOMIC EFFECTS OF CHILD CARE IN NEW MEXICO

*A report prepared for the New Mexico
Early Childhood Development Partnership*

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Center for Education Policy Research

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Report Prepared by:



Center for Education Policy Research

In consultation with:

Suzan Reagan, Bureau of Business & Economic Research, UNM
and Dr. Linda Goetze, economist

Introduction

The child care sector provides a crucial service to New Mexico's working families. At its best, the sector provides a safe, consistent place for children to be nurtured while their family caregivers work, and fosters early learning by providing children with rich educational experiences. Child care is also a business – an industry made up mostly of small businesses, many of them owned and staffed predominantly by women.

New Mexico makes a significant public investment in child care through the child care assistance (CCA) program, which helps low-income families afford high-quality child care. About \$97 million has been budgeted for CCA in FY16, of which \$30 million is from the state general fund and the rest is from federal sources. As of March of 2015, 15,861 children were enrolled in CCA at 3,584 regulated facilities. An estimated 71 percent of families using CCA report that it allows them to work, while 19 percent report that it allows them to pursue education or job training and 10 percent use it for both work and school. Child care assistance is particularly relevant in New Mexico, where about 31 percent of children live in poverty and about 43 percent live in single-parent families.

The purpose of this report is to explore the economic effects of New Mexico's child care sector. It will examine this question through the lens of tax revenue and through the economic ripple effects of employment and earnings for child care workers. It will also examine the economic effects on family caregivers when they are able to work without child care related disruptions or are able to pursue their educations and boost their earning power. Lastly, this report will explore the far-reaching economic impacts possible when children receive high-quality early care and education, leading to improved lifelong trajectories for these children and decreased societal costs from special education, grade retention, and the juvenile and adult justice systems.

Executive Summary

The economic effects of child care can be thought of as three-fold: The effects of child care business owners and employees earning money, of family caregivers being able to work or seek education because they have access to child care, and of better long-term outcomes for children who experience high-quality care. Key findings are highlighted below:

- For every additional dollar spent in the child care industry, an estimated \$1.99 is generated in the state economy.
- For every new job created in the child care sector, an estimated 1.61 jobs are created in the state economy.
- The child care industry generated \$2.23 million in gross tax revenue in FY14, out of a statewide total of \$3.5 billion.
- The child care industry in New Mexico is larger, relative to the total state economy, than the national child care industry or the industry in neighboring states.
- For every dollar invested in child care worker wages, an estimated \$1.24 is generated in the state economy.
- A 3 percent across-the-board increase in child care wages would result in an estimated 54 new jobs created outside the child care sector, and more than \$8 million in additional economic activity as a result of these workers' increased buying power.

- Parents who receive child care assistance are more likely to be able to improve their educational attainment and increase their earnings, resulting in an estimated \$45 million in total increased annual earnings among families receiving assistance.
- If child care is of sufficient quality, it can have lasting impacts for children's outcomes and can decrease their need for grade retention and special education services, increase their chances of high school graduation and college attendance, and decrease their likelihood of landing in the juvenile or adult justice systems.

Child Care in New Mexico's Economy

Ripple Effects of the Child Care Sector

When money is spent in the child care sector, that money circulates throughout the community and the state as it is spent on other goods and services. Estimates of these effects are called multipliers, and Table 1 compares output and employment multipliers for the child care sector in New Mexico to surrounding states, as well as to the national average. An **output multiplier** measures the economic ripple effects of additional spending on child care. In New Mexico, for each additional dollar of spending in the child care sector, \$1.99 in output is generated in the local economy generally. Similarly, **employment multipliers** measure the effects of new jobs being created in the child care sector. For every new job created in child care in New Mexico, 1.61 jobs are created in the rest of the local economy.

Table 1. Output and Employment Multipliers for the Child Care Industry, 2000

<u>State</u>	<u>Output Multiplier</u>	<u>Employment Multiplier</u>
Arizona	1.96	1.52
Colorado	2.04	1.54
New Mexico	1.99	1.61
Oklahoma	1.97	1.56
Texas	1.95	1.44
Utah	2.05	1.57
50 State Average	1.91	1.50

Source: Minnesota IMPLAN Group 2000 state data files. Reproduced from Liu, Zhilin, Rosaria Ribiero, and Mildred Warner. 2004. "Comparing Child Care Multipliers in the Regional Economy: Analysis from 50 States," Ithaca, NY: Cornell University Department of City and Regional Planning.

Of the states shown in Table 1, New Mexico has the highest child care employment multiplier and the third highest output multiplier, following Utah and Colorado. This suggests that, for a given investment in child care in New Mexico, dollars circulate more in the local economy before being leaked (i.e., spent outside the state) relative to other states, creating larger impacts on the state economy.

Compared to other sectors of the economy, multiplier effects for the child care industry are among the highest (93rd percentile).¹ Researchers note that this may be because much of the supplies and labor that feed into the child care sector are purchased locally. Moreover, multipliers in the child care sector are larger than in other labor-intensive sectors, such as retail, hotels, and eating and drinking places. These factors all suggest that investing in child care in New Mexico is one of the most effective ways of improving the state economy.

The Tax Context of the Child Care Sector

Tax revenue is one way to look at New Mexico's child care sector in the context of the broader state economy. According to the New Mexico Taxation and Revenue Department, the child care industry in New Mexico generated \$2.23 million in gross tax revenue in FY14. All industries combined generated \$3.5 billion over the same time period. As a share of all industries in New Mexico, the child care industry accounted for 0.063 percent of gross taxes in FY14.²

Table 2. Gross Receipts and Taxes in New Mexico, 2009-2013

Year	Statewide		Child Care	
	Gross Receipts	Gross Taxes	Gross Receipts	Gross Taxes
2009	\$102.2 billion	\$3.3 billion	\$32.48 million	\$2.17 million
2010	\$104.8 billion	\$3.3 billion	\$36.75 million	\$2.45 million
2011	\$107.8 billion	\$3.4 billion	\$40.69 million	\$2.75 million
2012	\$106.6 billion	\$3.4 billion	\$43.13 million	\$2.93 million
2013	\$103.7 billion	\$3.3 billion	\$32.96 million	\$2.28 million
5-Year Δ	1.5%	0.8%	1.5%	5.4%
Share of State Total			0.03%	0.07%

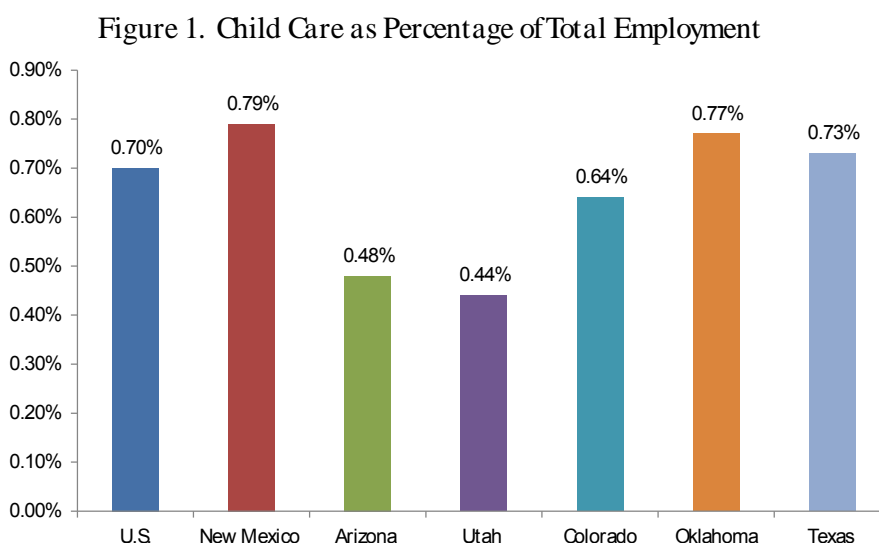
Source: New Mexico Taxation and Revenue Department. Year-over-year percentage changes are shown. Dollar amounts are in constant 2012 terms. Child care industry data represent NAICS 6244 (Child Day Care Services).

Table 2 shows gross receipts and gross receipts taxes over time for the child care sector and for New Mexico as a whole. Gross receipts reflect the total amount of money businesses collect for providing goods and services. Gross taxes includes only taxes paid by child care establishments and does not, for example, include personal income tax paid by child care workers.

Table 2 indicates that gross receipts tax (GRT) revenues from the child care sector have increased by 5.4 percent since 2009, even as gross receipts for child care have increased only 1.5 percent and statewide revenues have been essentially flat. This suggests that the child care sector is carrying a higher tax burden, relative to other industries, than it was in 2009. Currently, receipts from all child care payments in the state are subject to GRT, including receipts from child care assistance payments.

Relative Size of the Child Care Sector

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. While the sector is still relatively small (less than 1 percent of total employment) it is a larger share of employment in New Mexico (0.79 percent) than it is anywhere else in the region. It is also larger than the national share of 0.70 percent. Figure 1 shows New Mexico in regional context.



Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages.

The Economic Impact of Child Care Wages

One of the economic impacts of the child care industry is that child care workers – who are predominantly women with lower educational attainment – have earnings they are able to spend in the local economy. Child care workers earn an average of \$17,396 annually, according to the Bureau of Labor Statistics. For every dollar invested in child care worker wages, an estimated \$1.24 is generated in the New Mexico economy, according to an analysis using the IMPLAN software package, developed by the Minnesota IMPLAN Group.

IMPLAN estimates how an initial change will impact outcomes such as the number of people employed, production activity, and tax revenue generated as effects ripple throughout the state economy. These impacts can be thought of as the economic return on investing in child care worker wages. When child care workers are paid more, they have more money to spend on local goods and services. Spending continues as local businesses and their employees who benefited from the spending subsequently have more money to spend themselves.

Demonstration of Impact: The Estimated Effect of a 3% Wage Increase for Child Care Workers

This analysis models the economic effects of increasing wages for child care workers in New Mexico by 3 percent. These effects are estimated using IMPLAN.³ Increasing wages for workers in the child care industry not only improves the standard of living for workers and their families, but also boosts local economic activity and state and local tax revenues. This wage increase would have a total estimated cost of \$6.5 million and a total estimated benefit of \$8.1 million (sum of labor income, output, and taxes).

A 3 percent increase in child care wages would result in:

- **54 new jobs** created outside the child care sector
- \$1.97 million in additional **labor income**, meaning additional wages and profits collected outside the child care sector as a result of child care workers' increased spending power
- \$3.74 million in **additional value added**, meaning the value of all final goods and services purchased as a result of child care workers' increased spending power
- \$5.89 million in **additional economic output**, meaning the combined value of all raw materials, intermediate goods and services, and final goods and services produced as a result of child care workers' increased spending power. If a child care worker uses her increased wages to buy a wooden table, for example, this calculation includes all spending on the raw lumber, the cutting and processing of the wood, and the final retail cost of the table.

Moreover, these wage increases are estimated to generate an additional \$270,220 in state and local tax revenue, including gross receipts taxes, property taxes, and personal income taxes. Increasing child care worker wages generates additional state and local tax revenue that is approximately 4.1 percent of the original investment.

Child Care's Economic Impact on Families

Access to affordable, reliable child care can have important impacts on families, as it frees parents to work or pursue educational opportunities. This, in turn, strengthens the pool of available talent for local employers. This analysis estimates increased employment, earnings, and education as a result of parents being able to afford reliable care through child care assistance. In particular, wage increases for parents who receive child care assistance are estimated, and are found to generate substantial direct benefits to program participants, and more indirectly, to the state.

Working Parents in New Mexico

About 120,202 people – 13 percent of New Mexico's labor force – have a child under age 5, according to averaged estimates from 2009-2013.⁴ Table 3 shows that, of these, 13,734 are also enrolled in school in addition to working and raising a young child. Another 6,810 parents of young children are enrolled in school and not in the labor force, for a total of 127,012 New Mexicans who have children under 5 and are either in the labor force, enrolled in school, or both.

Table 3: Parents of Children Under 5 in New Mexico, in the Labor Force or in School

In Labor Force - Not in School	In Labor Force - In School	Not in Labor Force - In School	In Labor Force, Enrolled in School, or Both
106,468	13,734	6,810	127,012

Source: IPUMS-USA, University of Minnesota, www.ipums.org; 2009-13 averages. "Not in Labor Force" is distinct from unemployed, in that it refers to people who are not actively seeking work.

In New Mexico, child care assistance 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.

Effects on Parental Earnings

The impact of child care assistance on parents' wages likely reflects a constellation of factors. Parents use child care assistance to increase hours worked and to support additional education and training. In addition, studies indicate child care assistance can result in more reliable care for families. This decreases child care related workplace disruptions, further enhancing employment and job skill development for parents.

National research provides evidence that child care related work disruptions reduce worker retention and increase turnover.⁵ One 2007 study⁶ found that child care assistance recipients are 5 to 10 percent more likely to be employed than nonrecipients. Another study⁷ found that parents receiving child care assistance were 21 percent less likely to have their hours reduced, have their shift change, or be unable to work overtime compared to parents not receiving assistance. Finally, parents receiving assistance are 25 to 50 percent as likely to experience child care related work disruption compared with families that do not receive assistance.⁸

These employment effects can all be expected to affect one common measure: wages earned by recipients of child care assistance. This analysis draws from national research to develop estimates of the effects in New Mexico.

In Table 4, the low and high estimates (annual increases of \$2,947 and \$4,786) reflect the highest and lowest wage effects found in the national literature,⁹ and the middle estimate (\$3,867) is based on the mean of the two. Using the middle estimate, the total estimated wage benefit of child care assistance for New Mexico families is more than \$45 million. This is 50 percent more than New Mexico spends from the general fund on child care assistance.

Table 4: Low, Middle, and High Estimates of the Impact of Child Care Assistance on Parent Income

	# Families	Low	Middle	High
Increase in Income Per Person (2012 dollars)		\$2,947	\$3,867	\$4,786
Families with child under 5 receiving child care assistance	6,726	\$ 19,821,522	\$ 26,009,442	\$ 32,190,636
All families receiving child care assistance	11,800	\$ 34,774,600	\$ 45,630,600	\$ 56,474,800

Effects on Parental Educational Attainment

Working age adults in New Mexico are, on average, less educated than are their peers in neighboring states and in the nation as a whole. Among the state's civilian labor force, ages 25-64, only 29.5 percent held a bachelor's degree or higher in 2012; 12 percent had not earned a high school diploma or its equivalent.¹⁰

Because child care assistance eases budget constraints for families, the program can be expected to increase the likelihood of parents in these families attending school. One 2007 national study¹¹ found that child care assistance recipients are 7 to 8 percent more likely to be in school, relative to nonrecipients. In New Mexico, 29 percent of families receiving child care assistance report that child care allows them to pursue their educations. This is compared with just 12.9 percent school enrollment among all parents with children under 5.¹²

Additional schooling for parents can be expected to increase household income, assuming those enrolled in school finish their degree or certificate programs. The consensus among researchers is that earnings increase by between 6 and 8 percent for each additional year of schooling.¹³ Thus, if child care assistance enables a parent to earn an associate degree that they would not have otherwise, they will on average see a 12 to 16 percent increase in earnings. The income increases identified for North Carolina mothers by Masse and Barnett in the seminal Abecedarian study¹⁴ were the result of both increased educational attainment and increased wage rates. This also resulted in significant reductions in other publicly funded income support to those mothers.

Economic Impact of Improved Outcomes for Children

The societal benefits of high-quality early childhood education programs are well documented in a number of rigorous studies¹⁵. These benefits include decreased grade retention, decreased use of special education services, decreased involvement with the justice system and increased lifetime earnings, among others. These effects enhance the lives of the children and families who benefit, and also generate savings for New Mexico that significantly exceed the costs of providing early childhood programs.

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While the benefits to children estimated here are drawn from literature on a high-quality early learning program rather than the child care sector, they demonstrate the results New Mexico can expect when young children have high-quality early care and education experiences. New Mexico is in the process of raising its standards for licensed child care providers in ways that emphasize early learning and child development. As public investment and quality increase, New Mexico can expect to see increased returns to children, families, and the state.

The analysis in this section is based on the Chicago Child-Parent Centers Program,¹⁶ which is a large-scale, half-day preschool and school-age program serving low-income children. The benefit-cost analysis in Table 5 is based on the effects found for children in that program, versus comparable children who were not. Findings are based on Goetze and Li¹⁷, adjusted to 2012 dollars. The table shows the costs to New Mexico of providing early childhood education¹⁸, and the estimated benefits to participants in a variety of domains.

Table 5: Costs and Savings from a High-Quality, Part-Time, Part-Year Early Childhood Intervention

	New Mexico		United States	
	Dollars per Child	Dollars per Cohort	Dollars per Child	Dollars per Cohort
Program Cost (2012)	\$ (3,481)	\$ (73,100)	\$ (3,481)	\$ (73,100)
Program benefits: participants				
Educational outcomes	\$ 1,045	\$ 21,947	\$ 1,380	\$ 28,983
Child welfare outcomes	\$ 134	\$ 2,814	\$ 223	\$ 4,691
Juvenile crime outcomes	\$ 2,153	\$ 45,203	\$ 2,153	\$ 45,203
Value of child care*	\$ 2,671	\$ 56,090	\$ 2,671	\$ 56,090
College attendance	\$ (133)	\$ (2,790)	\$ (133)	\$ (2,790)
Adult crime outcomes	\$ 1,096	\$ 23,009	\$ 1,096	\$ 23,009
Labor market earnings	\$ 9,136	\$ 191,847	\$ 12,749	\$ 267,736
Health	\$ 1,311	\$ 27,527	\$ 1,337	\$ 28,070
Total benefits	\$ 17,413	\$ 365,647	\$ 21,476	\$ 450,992
Net Benefits	\$ 13,932	\$ 292,547	\$ 17,995	\$ 377,892
Benefit Cost Ratio	5		6.17	
Rate of Return (%)	18.1%		22.3%	

Source: Goetze and Li (2007), updated with 2012 dollars. Costs are shown in red; savings in black.

***"Value of child care" here refers to the money parents do not have to spend on child care when an early childhood education program is publicly funded.

The table examines costs and benefits to New Mexico and to the United States, because some benefits (like decreased use of federal welfare programs) accrue to the federal government and federal taxpayers rather than New Mexico coffers. It is estimated that the cost-benefit ratio for New Mexico is 5, and the ratio for the United States is 6.17. This means that for every dollar New Mexico spends on early childhood education, an estimated \$5 are returned to the state in the form of improved outcomes for program participants.

Providing high-quality early childhood education services in New Mexico for one year to 21,000 4-year-olds (one cohort, assuming an uptake rate of about 70 percent) results in an estimated:

- 1,213 fewer children ever retained a grade
- 803 fewer children ever using special education services
- 5,513 fewer years of special education services provided
- 882 more high school graduates
- 417 fewer cases of child abuse and neglect
- 1,323 additional college education years completed
- 2,599 more child years of education completed
- 2,599 fewer juvenile justice petitions
- 323 fewer adult felony convictions

Research shows that the benefits estimated in this section are greatest for high-risk young children and their families¹⁹. New Mexico has some of the highest levels of child poverty in the nation, which means the state can expect significant returns on its investment in child care assistance and other programs that help families afford stable, high-quality learning environments for their young children.

Conclusion

The child care industry has numerous economic effects for New Mexico. The state collects gross receipts taxes from child care owners, and the sector provides employment for thousands of New Mexicans, most of them female and Hispanic. Those employees, in turn, have money they are able to spend in their local communities in ways that ripple through the state economy and bolster economic growth.

Child care also creates economic opportunities for the families that use it. Single-parent families and families in which both parents work rely on child care to allow them to pursue career and educational opportunities. This results in a better educated, more stable workforce for employers to draw from, and allows families to increase their earnings over time. This, in turn, bolsters broad economic growth.

And as New Mexico moves toward a quality rating system in child care that emphasizes early learning and child development, the state can also expect to enjoy some of the economic benefits that have been realized by high-quality early education programs elsewhere. These include decreased spending on special education, grade retention and the justice system, as well as increased lifetime earnings for a generation of young children who will go on to strengthen the economy as adults.

Citations

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- ² New Mexico Taxation and Revenue Department, Monthly RF-80 Reports. Revenues are in current dollars. Data represent NAICS 6244 (Child Day Care Services).
- ³ Estimates use data from Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Minnesota IMPLAN Group; and New Mexico Community Data Collaborative: NM CYFD, Early Learning Services Division, April 29, 2014. Workforce was estimated by applying the ratio of establishments to employees reported in the 2013 BLS data to the number of licensed centers in the CYFD child care assistance data from April of 2014; the estimate also assumes one worker per registered home and licensed family home, and two workers per licensed group home. Monetary figures are presented in constant 2012 dollars. Total benefits is the sum of labor income, additional economic output, and state/ local taxes. Value added was not included in this sum to avoid double counting.
- ⁴ IPUMS-USA, University of Minnesota, www.ipums.org; 2009-13 averages.
- ⁵ Dodson, Lisa. "After Welfare Reform: You Choose Your Child over the Job." *Focus* 24, no. 3 (2006): 25-28; Holzer, Harry J., Michael A. Stoll, and Douglas Wissoker. "Job Performance and Retention among Welfare Recipients." *Social Service Review* 78, no. 3 (2004): 343-369; Shlay, Anne B., Marsha Weinraub, Michelle Harmon, and Henry Tran. "Barriers to Subsidies: Why Low-Income Families Do Not Use Child Care Subsidies." *Social Science Research* 33, no. 1 (2004): 134-157.
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- ¹⁰ New Mexico 2014 State of the Workforce Report, New Mexico Department of Workforce Solutions, Nov. 2013.
- ¹¹ Blau, David, and Erdal Tekin. "The Determinants and Consequences of Child Care Subsidies for Single Mothers in the USA." *Journal of Population Economics* 20, no. 4 (2007): 719-741.
- ¹² IPUMS-USA, University of Minnesota, www.ipums.org; 2009-13 averages.
- ¹³ Card, David. "Estimating the Return to Schooling: Progress on Some Persistent Econometric Problems." *Econometrica* 69, no. 5 (2001): 1127-1160.
- ¹⁴ Masse, Leonard N. and Barnett, W. Steven, A Benefit Cost Analysis of the Abecedarian Early Childhood Intervention, National Institute for Early Education Research, 2002.
- ¹⁵ Campbell, F. A., Ramey, C. T., Pungello, E., Sparling, J. & Miller-Johnson, S. (2002). Early childhood education: Young adult outcomes from the Abecedarian Project. *Applied Developmental Science*, 6(1), 42-57; Reynolds, A. J., Temple, J. A., Robertson, D. L., & Mann, E. A. (2002). Age 21 cost benefit analysis of the Title I Chicago Child-Parent Centers. *Educational Evaluation and Policy Analysis*, 24(4), 267-303; Reynolds, A. J., Temple, J. A., Ou, S. R., Robertson, D. L., Mersky, J. P., Topitzes, J. W., & Niles, M. D. (2007). Effects of a school-based, early childhood intervention on adult health and well-being. *Pediatrics*, 161(8); Schweinhart, L. J., Montie, J., Xiang, Z., Barnett, W. S., Belfield, C. R., & Nore, M. (2005). Lifetime effects The High Perry Preschool Study through age 40. Ypsilanti, MI: High Scope Educational Research Foundation.
- ¹⁶ Reynolds, A. J., Temple, J. A., Robertson, D. L., & Mann, E. A. (2002). Age 21 cost benefit analysis of the Title I Chicago Child-Parent Centers. *Educational Evaluation and Policy Analysis*, 24(4), 267-303; Reynolds, A. J., Temple, J. A., Ou, S. R., Robertson, D. L., Mersky, J. P., Topitzes, J. W., & Niles, M. D. (2007). Effects of a school-based, early childhood intervention on adult health and well-being. *Pediatrics*, 161(8).
- ¹⁷ Goetze, Linda and Li, Tingting. The Economics of Investing in New Mexico's State-Funded Pre-K Program, December 6, 2007.
- ¹⁸ Costs shown use NM PreK costs to estimate the cost to New Mexico of implementing a half-day program comparable to the Chicago program.
- ¹⁹ Barnett, W.S., Brown, K., & Shore, R. (2004). The Universal vs. Targeted Debate: Should the United States have preschool for all? NIEER Preschool Policy Matters, Issue 6, April 2004. Online at http://nieer.org/resources/policy_briefs/6.pdf (as of February 22, 2005).

APPENDIX

Background Information

Overview of the Child Care Sector

New Mexico's child care sector includes various types of child care to meet the needs and preferences of diverse families. Many children are served in child care centers, which are licensed through the state tiered quality rating and improvement system. Others are served in home-based care, which can either be licensed family and group homes (also included in the state rating system), or registered homes that operate outside the rating system. These types of care are described in Table A1.

Table A1. Types of Child Care Settings

Type of Child Care Setting	Description
Family, Friends, and Neighbors (Unlicensed and Unregistered)	Care is provided for up to four children in private homes. Providers do not participate in child care assistance or federal food assistance programs.
Registered Homes	Care is provided for up to four non-resident children in private homes. Providers must register with the New Mexico Children, Youth and Families Department (CYFD), and may receive child care assistance funds and federal food assistance. Providers must attend six annual hours of training, as well as first aid and CPR certification. They do not participate in the STARS quality rating and improvement system.
Licensed Family Home	Care is provided in private homes for up to six children or up to four children under age 2. Licensed by CYFD and included in the STARS quality rating and improvement system. Eligible for child care and food assistance.
Licensed Family Group Home	Care is provided in private homes for seven to twelve children. Licensed by CYFD and included in the STARS quality rating and improvement system. Eligible for child care and food assistance.
Licensed Child Care Centers	Care is provided for larger groups of children in commercial settings. Licensed by CYFD and included in the STARS quality rating and improvement system. Eligible for child care and food assistance.

Source: Adapted from information presented by New Mexico Child Care and Education Task Force, May 2014.

New Mexico's Demographic Context

New Mexico is one of the poorest states in the nation, with particularly high rates of childhood poverty, and persistently low rates of educational attainment and other measures of child well-being. This demographic landscape underscores New Mexico families' need for affordable, stable child care arrangements. Table A2 shows some key demographic indicators related to New Mexico's children and families, compared to surrounding states and to the nation.

In particular, Table A2 shows that New Mexico has a higher percentage of low-income working families with children (29 percent) than any of its neighbor states, as well as a higher rate of children in single-parent families (43 percent), teen moms (117 per thousand), and children living in poverty (31 percent). New Mexico also has lower rates of children living in a household where the head of household has a bachelor's degree or higher (13 percent), and has the lowest median income among households with children (\$45,500).

Table A2. Selected Demographic Measures by Region, 2013

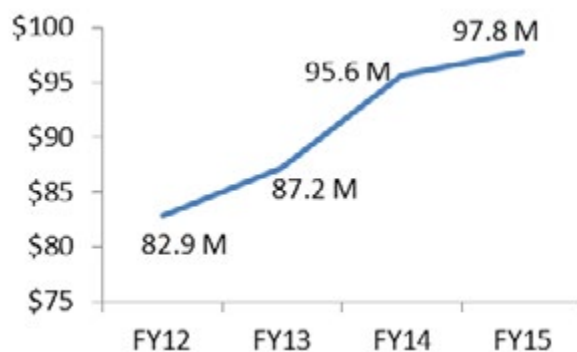
	AZ	CO	NM	OK	TX	UT	US
Children 0-4	431,758 27%	335,136 27%	138,724 27%	264,479 28%	1,940,825 28%	253,867 28%	19,868,088 27%
Low-Income Working Families with Children	206,000 27%	132,000 20%	71,000 29%	128,000 27%	952,000 27%	96,000 24%	8,504,000 22%
Children in Single-Parent Families	570,000 37%	359,000 30%	210,000 43%	316,000 36%	2,383,000 36%	168,000 19%	24,647,000 35%
Teen Mothers 15-19 ¹	21,643 109	12,457 82	8,311 117	11,925 99	92,476 113	5,538 54	750,018 73
Children with Household Head w/ Bachelor's	267,000 17%	291,000 23%	68,000 13%	158,000 17%	1,198,000 17%	222,000 25%	14,044,000 19%
Children Below 100% Federal Poverty Level	421,000 26%	207,000 17%	157,000 31%	223,000 24%	1,741,000 25%	130,000 15%	16,087,000 22%
Median Family Income among Households with Children	51,900	68,100	45,500	51,100	55,200	65,500	60,700

Source: Kids Count Data Center. Unless otherwise specified, "children" refers to youth under 18. ¹Teen mother data are from 2005, and are shown as rate per 1,000 rather than as a percentage.

New Mexico's Investment in Child Care

In response to New Mexico's significant need, state policymakers have shown an ongoing commitment to early childhood education as a strategy to improve child well-being. Funding for child care assistance, home visiting, New Mexico PreK, and K-3 Plus have all increased steadily for the last several budget cycles. A significant portion of that funding has gone toward child care assistance, which is funded through a blend of federal and state general funds. Figure A1 shows recent funding trends.

Figure A1. Child Care Assistance State Appropriations, FY12–FY15



Source: Legislative Finance Committee, Post-Session Review, April 2014.

Child Care Assistance

Child care assistance (CCA) programs nationwide are predominantly funded by the Child Care and Development Block Grant (CCDBG). CCDBG is a federal program intended to help low-income families afford quality child care, and states have significant discretion in how they manage and spend the funds. In New Mexico, the child care assistance program is administered by the Children, Youth and Families Department (CYFD), with funding primarily from the CCDBG, federal Temporary Assistance for Needy Families (TANF) block grant funding, and state general funds.

Funding is authorized to assist families with incomes up to 200 percent of the Federal Poverty Level (FPL). Actual income eligibility fluctuates with budget availability, and lower-income families are prioritized. Currently, CYFD prioritizes families up to 150 percent of FPL. There are 68,565 children under age 5 in New Mexico who live at or below 150 percent of FPL.²⁰

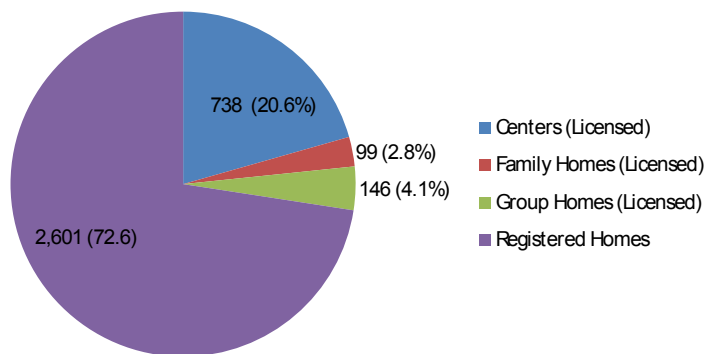
Child care assistance (CCA) can be used at any child care facility licensed by CYFD that is rated 2-STAR or above under the STARSTQRIS. Higher reimbursement rates are paid for programs with higher STAR ratings. The state also offers reimbursement for care provided in registered home settings, although at a lower rate. CCA funds are used in all parts of New Mexico, and the distribution of placements by county is shown in Table A3; data are from the most recent reporting month available.

Table A3. Children Receiving Child Care Assistance (CCA) by County, Nov. 2014

County	Children Receiving CCA	County	Children Receiving CCA
Bernalillo	6,522	McKinley	178
Catron	0	Mora	22
Chaves	673	Otero	471
Cibola	264	Out of State	1
Colfax	68	Quay	35
Curry	397	Rio Arriba	117
De Baca	21	Roosevelt	118
Doña Ana	4,068	San Juan	723
Eddy	219	San Miguel	365
Grant	217	Sandoval	646
Guadalupe	33	Santa Fe	419
Harding	0	Sierra	48
Hidalgo	16	Socorro	44
Lea	581	Taos	96
Lincoln	133	Torrance	74
Los Alamos	12	Union	8
Luna	141	Valencia	517

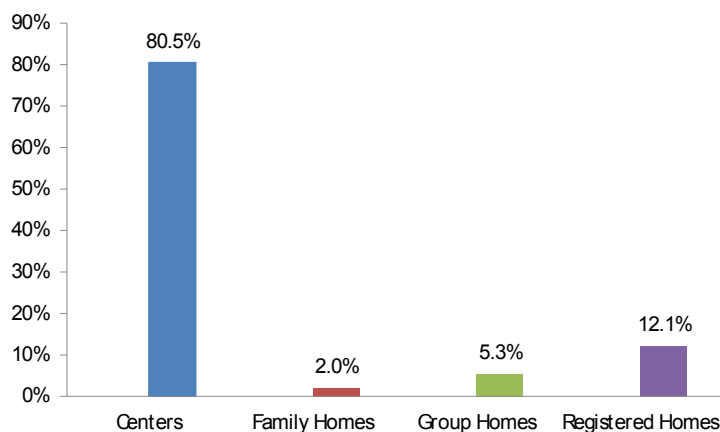
Source: New Mexico Human Services Department Monthly Statistical Report, Nov. 2014, CYFD.

Figure A2. All Child Care Facilities, by Provider Type, 2015



Source: New Mexico Children, Youth and Families Department, Licensed and Registered Providers, 3/15/15.

Figure A3. Percentage of All Child Care Assistance Placements, by Facility Type



Source: New Mexico Children, Youth and Families Department, Licensed and Registered Providers, 3/15/15.

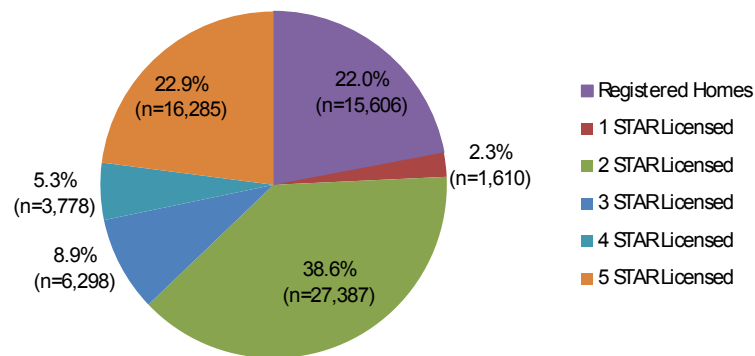
Child care assistance is one of the largest parts of New Mexico's system of early childhood care and education. As of March of 2015, 15,861 children were enrolled in child care assistance, of which 9,041 were under age 5.²¹ The families of 6,820 school-aged children also received child care assistance for before- or after-school care.²² Families use their child care assistance dollars at 3,584 regulated facilities. Of that total, roughly 73 percent (2,601) are registered homes. About three-quarters of licensed programs in the data set are centers, which provide care for larger groups of children than do family or family group homes. These data do not include the many informal care providers who operate entirely outside of the regulated child care system in which assistance funds apply. Figure A2 shows a breakdown of how many New Mexico child care facilities are of each type, and Figure A3 shows child care assistance placements by facility type.

Quality Rating System

New Mexico's STARS tiered quality rating and improvement system rates child care providers on a scale from two to five STARS, depending on measures of quality that include adult-to-child ratios, group sizes, and staff education and training. Table A4 shows the distribution of STAR levels among New Mexico's child care providers.

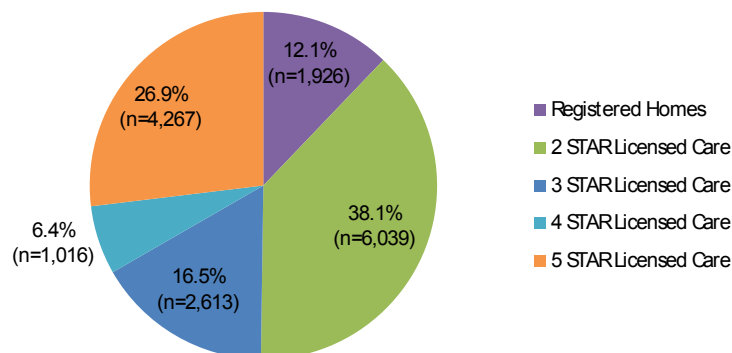
Although about 70 percent of child care facilities are registered homes, licensed centers account for the vast majority of New Mexico's child care capacity and child care assistance placements. Figure A4 presents current regulated capacity by type and STAR quality level. Figure A5 offers a breakdown of child care assistance placements by STAR quality levels.

Figure A4. Child Care Capacity, by Type and STAR Level



Source: New Mexico Children, Youth and Families Department, Licensed and Registered Providers, 3/15/15.

Figure A5. Child Care Assistance Placements, by STAR Quality Level



Source: New Mexico Children, Youth and Families Department, Licensed and Registered Providers, 3/15/15.

Table A4. Child Care Providers, Capacity and Assistance, by Type, 2015

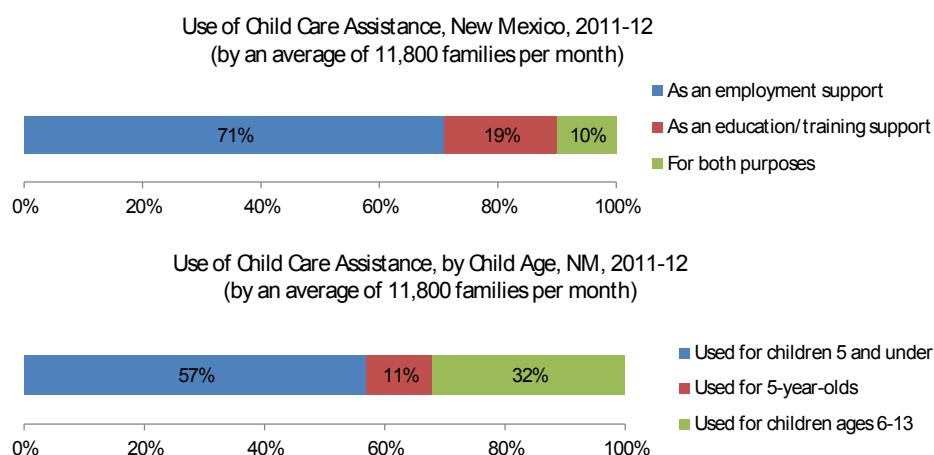
	Number of Providers	Capacity	Number of Children in Child Care Assistance
TOTAL ALL	3,584	70,964	15,861
Licensed Centers	738	53,023	12,768
1 STAR	27	1,538	NA
2 STAR	409	25,538	5,140
3 STAR	74	6,182	2,521
4 STAR	55	3,588	916
5 STAR	173	16,177	4,191
Licensed Family Homes	99	602	321
1 STAR	5	36	NA
2 STAR	85	512	298
3 STAR	2	12	6
4 STAR	5	30	13
5 STAR	2	12	4
Licensed Group Homes	146	1,733	846
1 STAR	3	36	NA
2 STAR	113	1,337	601
3 STAR	9	104	86
4 STAR	13	160	87
5 STAR	8	96	72
Registered Homes	2,601	15,606	1,926

Source: New Mexico Children, Youth and Families Department, Licensed and Registered Providers,
March 15, 2015

Families' Participation in Child Care Assistance

In the 2011-12 fiscal year, the latest year for which CCDBG data are available, 11,800 families used child care assistance in an average month. Of these families, 71 percent used it as an employment support, 19 percent as an education or training support, and 10 percent as a support for both purposes, as presented in Figure A6. Figure A6 further shows the ages of children receiving care through child care assistance.

Figure A6. How Families Use Child Care Assistance



Source: Child Care Development Fund Block Grant, ACF-801 data for FY12;
<http://www.acf.hhs.gov/programs/occ/resource/fy-2012-ccfd-data-tables-preliminary>

The Child Care Workforce

The child care sector in New Mexico employs about 12,368 people, working in both formal and informal settings.²³ On average, these employees earn \$17,396 per year, a number that has declined in real dollars as wages fail to keep pace with inflation. From 2004 to 2013, average real wages in the sector decreased by 4.6 percent.²⁴

Compared with other industries with similarly educated workers, child care workers on average earn more than food service workers and earn less than workers in retail, those in accommodation, and those who work in private homes as child caregivers or doing domestic tasks like cleaning. Average annual earnings for child care are significantly less than the overall average for New Mexico or the overall average for private sector wages.²⁵

In New Mexico and around the nation, the overall child care workforce is predominantly female and has relatively low educational attainment. Tables A5, A6 and A7 show the demographics of the child care workforce in New Mexico compared to child care workers nationwide. Data sources used here include child care workers from both licensed and informal care settings.

Table A5. Age of Child Care Workers

Age Range	NM	US
	Percent	Percent
Under 25	17.2%	16.9%
25-34	27.1%	23.2%
35-44	19.4%	19.7%
45-54	17.6%	21.1%
55-64	14.1%	14.8%
65+	4.5%	4.4%

Source: Bureau of Labor Statistics 2013 Current Population Survey; QWI 2013: NM EmpS (Full-Quarter Employment (Stable): Counts), NAICS 6244.

Table A6. Gender, Race, and Ethnicity of Child Care Workers

Percent of Total Employed	NM	US
Women	86.9%	94.8%
African American	3.9%	13.2%
Asian	2.0%	3.4%
Hispanic or Latino	55.6%	22.4%

Source: Bureau of Labor Statistics 2013 Current Population Survey; QWI 2013: NM EmpS (Full-Quarter Employment (Stable): Counts), NAICS 6244.

Table A7. Educational Attainment of Child Care Workers

Highest Level Attained	NM	US
Less than HS Diploma/Equivalent	27.0%	14.2%
HS Diploma/Equivalent	33.7%	33.0%
Some College, No Degree	31.6%	37.2%
Bachelor's Degree	5.9%	12.9%
Master's Degree	1.8%	2.3%
Doctoral or Professional Degree	0.1%	0.3%

Source: Bureau of Labor Statistics 2010-2011 Current Population Survey; U.S. Census Bureau, 2006-2010 American Community Survey.

Appendix Citations

²⁰ IPUMS-USA, University of Minnesota, www.ipums.org.

²¹ This estimate was derived by applying the percentage of children receiving child care assistance who were younger than 5 years (57% according to New Mexico's reporting to the CCDBG), to the most recent estimate of total child care assistance placements in New Mexico (New Mexico Community Data Collaborative).

²² Ibid.

²³ This estimate was derived by applying the ratio of establishments to employees reported in the 2013 Bureau of Labor Statistics data to the number of licensed centers in the CYFD child care assistance data from April of 2014, obtained from the New Mexico Community Data Collaborative. The estimate also assumes one worker per registered home and licensed family home, and two workers per licensed group home.

²⁴ Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Wages are in constant 2012 dollars. Data represent NAICS 6244 (Child Day Care Services), which comprises establishments primarily engaged in providing day care of infants or children. These establishments generally care for preschool children, but may care for older children when they are not in school and may also offer prekindergarten programs.

²⁵ Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2004-13.