prenatal-to-3 policy IMPACT CENTER
RESEARCH FOR ACTION AND OUTCOMES

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Child Care Investments Pay Off:
Results from a New Benefit-Cost Analysis in Virginia

Child care is an essential resource for children, families, and the economy. Lack of access to reliable child care limits family resources and costs the nation an estimated $122 billion in lost earnings, productivity, and revenue every year. Despite its critical role in the economy, the child care industry struggles with low early childhood educator wages, thin margins for child care programs, and unaffordable tuition for families.

The federal government provided unprecedented support—more than $50 billion—to stabilize the child care industry during the COVID-19 pandemic. Those funds begin to expire in Fall 2023, but the crisis is ongoing, leaving child care programs—and therefore families and businesses—in trouble. As temporary federal funding ends, states will be faced with the decision of investing state dollars into child care, or losing more child care programs, early childhood educators, and child care slots. Given the many competing needs for state dollars, understanding the value of investments in child care can help states make informed decisions about how best to spend state money.

To understand the value of investments in early care and education (ECE), the Prenatal-to-3 Policy Impact Center conducted a policy impact analysis of a $309 million investment made in Virginia in SFY23 that increased the availability of affordable, high-quality ECE.

We find that Virginia's additional $309 million investment in ECE allows more than 10,700 mothers to return to work—lifting more than 5,500 children under age 5 out of poverty—and generates a lifetime of positive educational outcomes for the 11,151 children under age 5 who received high-quality ECE through the investment.

Within one year, we estimate that Virginia's $309 million investment will generate a return of at least $364.3 million from increased family earnings and disposable income. At least $30.4 million of this new income will go directly back to the state in the form of new state tax revenue. Further, by investing in children's early development, the investment shifts children onto more positive trajectories, which generates positive educational outcomes—and state economic benefits—for decades to come.

Virginia Supported Families by Supporting ECE

In SFY23, Virginia invested an additional $309 million in ECE compared to their SFY19 investments. Specifically, Virginia infused additional funding into programs that offer free and subsidized child care to families with low to moderate incomes, including the state's Child Care Subsidy and Mixed Delivery programs.

The child care industry is a system of balanced parts; Virginia funded strategic initiatives to increase the availability of affordable, high-quality child care. Initiatives include:

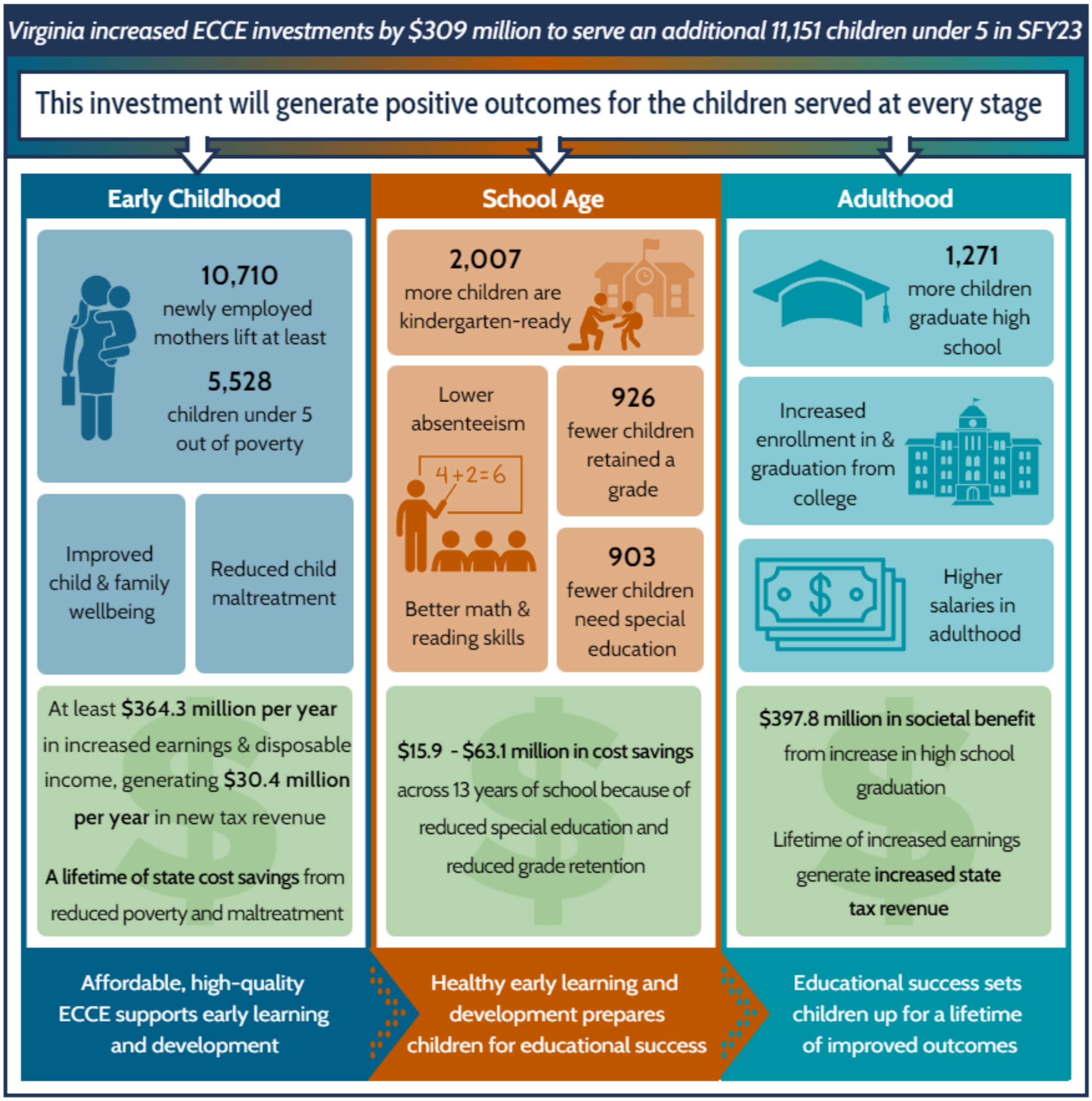
Outcome Goal	Policy Change
Expand access to affordable care	Expanded eligibility for subsidized child care
Meet parent demand for child care	Cleared the waitlist for subsidized child care
Build and retain the workforce	Increased compensation for educators
Stabilize child care program revenue	True cost of quality reimbursement rates
Increase child care quality	Invested in quality improvement

In Virginia, Investments in Affordable, High-Quality ECE Yield Big Returns

Virginia's additional $309 million investment in SFY23 provided new access to affordable, high-quality ECE to 11,151 children under the age of 5 and 3,939 children age 5 and older. We focus on the impact of investments on children under age 5, where we expect benefits to be greatest, but the full impact of Virginia's investments is likely even greater.

Access to high-quality, affordable ECE increases family resources by enabling families to work. Simultaneously, ensuring access to high-quality early learning opportunities supports healthy child development. By investing in the conditions children need to thrive both at home and while in child care, Virginia's investments launch a cascade of positive impacts that accrue across a child's life that benefit children, families, and the economy.

Economic impacts occur immediately, benefitting household resources, and in turn, family wellbeing, and returning to the state as increased tax revenue. Over time, children enter school ready to learn, need fewer special education services, and experience grade retention less frequently. By adulthood, more children graduate high school, attend and graduate from college, and adults receive higher salaries as a result.



When States Invest in Child Care, Everyone Benefits

The upcoming funding cliff presents a challenge for states. Without new investments, the child care crisis will worsen, further limiting access to child care for families at the expense of state economies. But our analyses illustrate that state investments will pay off. Investments in child care do not simply keep child care programs open, they also allow children to spend their earliest years in healthy and safe environments that provide the nurturing and stimulation children need to learn and thrive. The money states spend on child care acts as an investment in state economies that is paid back with increased tax revenue, a stable child care industry that supports the workforce, and children and families who thrive across the life course.