



September 18, 2019

The Honorable Bill Lee
Governor
State of Tennessee
1st Floor, State Capitol
Nashville, TN 37243

Dear Governor Lee:

With the support of business organizations across the state, Tennesseans for Quality Early Education (TQEE) has just published the report, *Want to Grow Tennessee's Economy? Fix the Child Care Crisis*. The report examines the adverse economic impacts of insufficient child care on Tennessee families, businesses, and taxpayers. The result: \$1.34 billion annually in lost earnings and revenue.

The issues, according to an unprecedented survey of 2,330 Tennessee parents of children under age 5 conducted by Zogby Analytics, have to do with child care access, affordability and quality. Fully 98% said child care problems negatively impact their work productivity and/or career opportunities, which in turn leads to negative impacts on Tennessee business productivity and tax revenues.

TQEE and business partners respectfully request a meeting with you to share more about this urgent issue and begin the discussion about how we can work together on potential solutions.

Child care plays many roles in Tennessee's economy: It's a business, a job, an early education, and a crucial work support for working families. Recognizing this, we suggest the issue is not the exclusive purview of any one state department, or of any one private sector industry segment. Solution building will require working across traditional silos and engaging expertise from a wide array of individuals in and outside of state government.

We are grateful for your service to our great state and appreciate your attention to addressing the challenges of Tennessee's child care system. We look forward to meeting with you soon.

Sincerely,

Ayers Foundation

Janet Ayers
President

Ballad Health

Alan Levine
*Chairman, President
& CEO*

Todd Norris
*Community Health &
System Advancement*

**BlueCross BlueShield
of Tennessee**

J.D. Hickey
CEO

Karen Ward
*Senior Vice President
& Chief Human
Resources Officer*

**Bristol Chamber
of Commerce**

Beth Rhinehart
CEO

**Chattanooga Area
Chamber of Commerce**

Christy Gillenwater
CEO

**Decatur County
Chamber of Commerce**

Charles Taylor
Executive Director

**East Tennessee
Children's Hospital**

Keith Goodwin
CEO

First Horizon

Bryan Jordan
Chairman & CEO

First Tennessee Bank

Dave Miller
*President
East Tennessee Region*

**Greater Memphis
Chamber of Commerce**

Beverly Robertson
CEO

Hyde Family Foundation

Pitt Hyde
Founder & Trustee

**Johnson City Chamber
of Commerce**

Bob Cantler
CEO

**Kingsport Chamber
of Commerce**

Miles Burdine
CEO

**Knoxville Chamber
of Commerce**

Mike Odom
CEO

Memphis Tomorrow

Blair Taylor
President

**Nashville Area Chamber
of Commerce**

Ralph Schulz
CEO

**Perry County Chamber
of Commerce**

Allyson Dickey
Executive Director

PNC Bank

Mike Johnson
*President & Head of
Corporate Banking*

Chelsea Peterson
Tennessee Market Director

SunTrust Bank

Johnny Moore
*President
Memphis Region*

Jim Vaughn
*President
East Tennessee Region*

Scott Pohlman
*President
Nashville Region*

**Tennessee Business
Roundtable**

Pat Sheehy
President

**Tennessee Chamber
of Commerce**

Bradley Jackson
CEO

**Tennesseans for Quality
Early Education**

Mike Carpenter
Executive Director

**The Urban Child
Institute**

Gary Shorb
CEO



Want to Grow Tennessee's Economy? Fix the Child Care Crisis

Workers and employers feel pain in
pocketbooks and productivity

Acknowledgements

About this Report

This report was produced by Tennesseans for Quality Early Education (TQEE), with support from Dr. Clive Belfield, Ph.D. and Zogby Analytics.

Tennesseans for Quality Early Education is a statewide, bipartisan nonprofit that unites business, elected leaders, law enforcement, faith, education and civic organizations and people in communities across Tennessee to make high-quality early learning, birth through third grade, an urgent policy priority.

Dr. Clive Belfield, Ph.D. is a Professor of Economics at the City University of New York and an Economist with the Center for Benefit-Cost Studies in Education, Teachers College, Columbia University. He was commissioned by TQEE to produce *The Economic Consequences of Insufficient Child Care on Working Families across Tennessee* on which this report is based.

Zogby Analytics was commissioned by TQEE to conduct a new survey of Tennessee parents with a child under age 5. The survey is large-scale, new (administered June 8, 2019 through July 9, 2019), and has a sampling frame that matches to Tennessee household demographics (race, age, family size), labor market conditions in Tennessee (earnings, sector of work), and regional populations. Based on a confidence interval of 95%, the margin of error for the 2,330 surveys is +/- 2.0 percentage points.

Sponsors

Ayers Foundation	Johnson City Chamber of Commerce
Ballad Health	Kingsport Chamber of Commerce
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Chattanooga Area Chamber of Commerce	Nashville Area Chamber of Commerce
Decatur County Chamber of Commerce	Perry County Chamber of Commerce
East Tennessee Children's Hospital	PNC Bank
First Tennessee Bank	Suntrust Bank
Frist Foundation	Tennessee Business Roundtable
Greater Memphis Chamber of Commerce	Tennessee Chamber of Commerce
Hyde Family Foundation	The Urban Child Institute

This report builds on a similar national report by ReadyNation – Council for a Strong America issued earlier this year. We deeply appreciate the generous collaboration of the ReadyNation organization, and the Pritzker Children's Initiative which funded their report.

September 2019

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Executive Summary

Talk to most Tennessee parents of children under age 5, and you're likely to hear how difficult it is to find child care that's accessible, affordable, and of sufficient quality to support their child's school readiness.

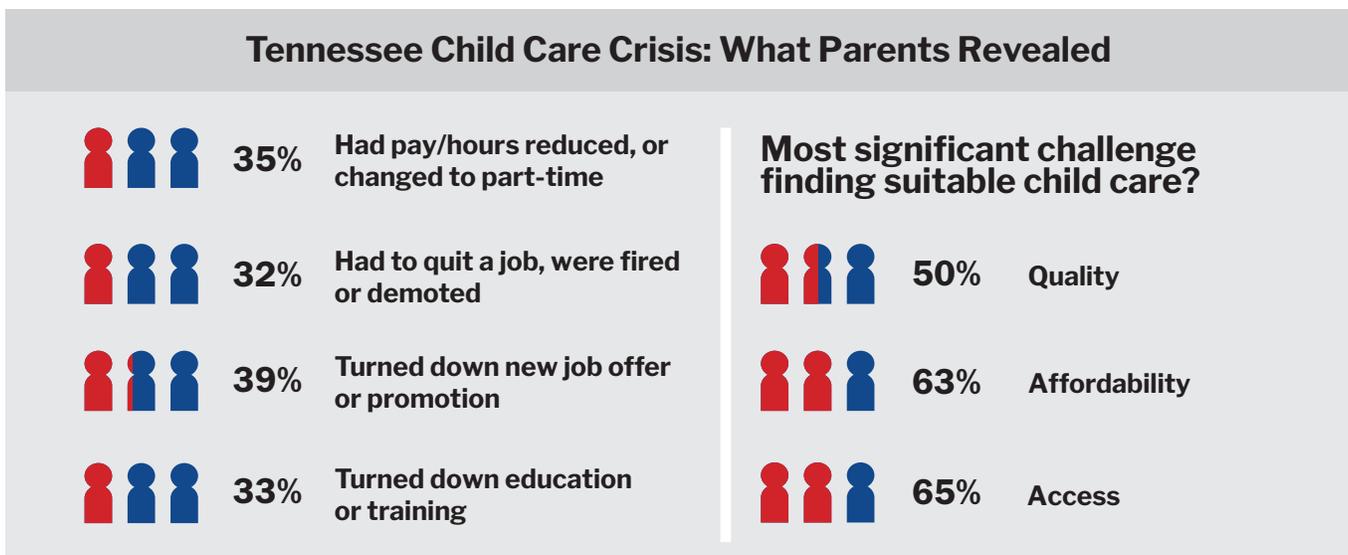
Talk to their employers, and you're likely to hear about workforce recruitment and productivity issues that will only worsen as the state's child care crisis continues.

The top-line findings of a new study that examined adverse economic impacts of inadequate child care on Tennessee parents, businesses, and taxpayers reveal the consequences: **\$1.34 billion annually in lost earnings and revenue.**



The study, conducted by Tennesseans for Quality Early Education (TQEE), surveyed Tennessee parents of children under age 5 and modeled how the state's economy is affected by child care.¹ An overwhelming 98% said inadequate child care hurt their work productivity and/or career opportunities. Productivity challenges affect both the employer and employee.

What's causing the problem? When parents were asked about the most significant child care challenges, half cited difficulty finding child care that is high quality; 63% cited affordability; and 65% cited access (such as finding care that has open slots or accommodates a work schedule outside M-F daytime hours).



Child care problems are not unique to Tennessee. National business organizations such as the U.S. Chamber of Commerce,² The Conference Board's Committee for Economic Development,³ and ReadyNation⁴ have all issued recent reports highlighting the urgent need to address the nation's child care crisis.

The evidence is clear and the stakes are high. It's time for a child care overhaul in Tennessee. Our intention is for this report to be a springboard for collaborative problem-solving by state policymakers and the private sector to optimize child care for affordability, quality, and access.



Most parents of young children are in the workforce and need child care

In Tennessee, more than 300,000 children (66%) under the age of 6 have all available parents in the workforce.⁵ More than a third of surveyed families rely on formal center-based care, Head Start or school-based PreK. Others cobble together multiple arrangements and rely on informal and often unlicensed care, with 42% relying on family members for at least part of the time.

Parents need child care so they can go to work, earn a living for their families, and build successful careers. To be productive at work, they also need to know that the care provides a safe, nurturing environment that supports their child's development and early learning.

The current child care system does not meet the needs of families or employers

Several interrelated challenges render Tennessee's child care system lacking.

Access: Two-thirds of Tennessee parents reported problems accessing suitable child care, meaning care that is available outside Monday-Friday daytime hours, can accommodate changing shifts, has open slots, is in a convenient location, or offers backup/sick child care. In fact, 48% percent of Tennesseans live in a child care desert — a census tract where there are more than 3 times as many children as licensed child care slots.⁶ Exacerbating the problem is the fact that the number of child care providers in Tennessee has declined by 11.4% since 2010 — from 14,888 to 13,185 market-based child care providers.⁷

Affordability: Two-thirds of Tennessee parents reported affordability as a significant challenge for securing child care to support their employment. Fewer than 1 in 7 reported receiving financial support for child care from either their employer or from the Tennessee Child Care Payment Assistance Plan. The cost of center-based care for an infant in Tennessee is \$8,524 per year, nearly as much as public college tuition at \$9,789. Add a 4-year old and the cost rises to \$15,814. This is 20.9% of the median income of a married family and 60.4% if that family lives in poverty.⁸ This high cost makes child care unaffordable for many of Tennessee's hard-working families.

Quality: Half of Tennessee parents reported finding quality care as a major problem impacting their employment. Currently, of the 13,185 child care providers in Tennessee, only 4,257 are licensed by TDHS or certified by Tennessee Department of Education.⁹ Even when providers are licensed, participation in Tennessee's Star Quality Rating System is optional. Furthermore, the system's highest rating of 3 stars does not meet key quality standards included for national accreditation by the National Association for the Education of Young Children (NAEYC), a widely acknowledged gold standard for high quality practices in child development and early learning. Only 65 of the 4,257 licensed or certified child care programs in Tennessee are accredited by NAEYC.¹⁰ Only 5 family child care home-based providers are accredited by NAEYC's sister organization: the National Association for Family Child Care (NAFCC).¹¹



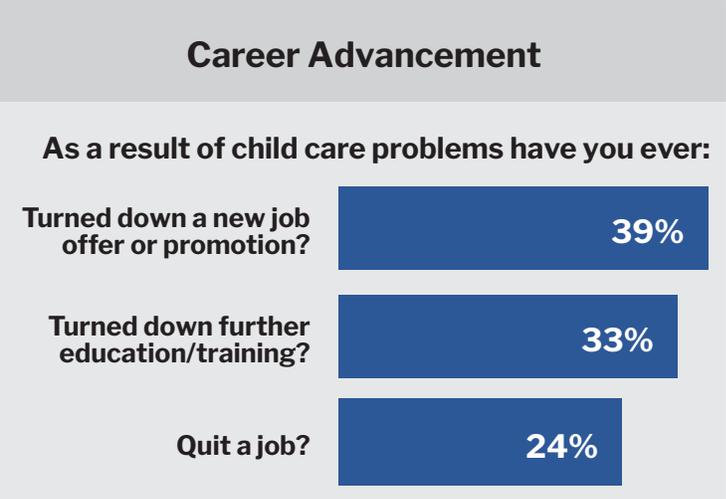
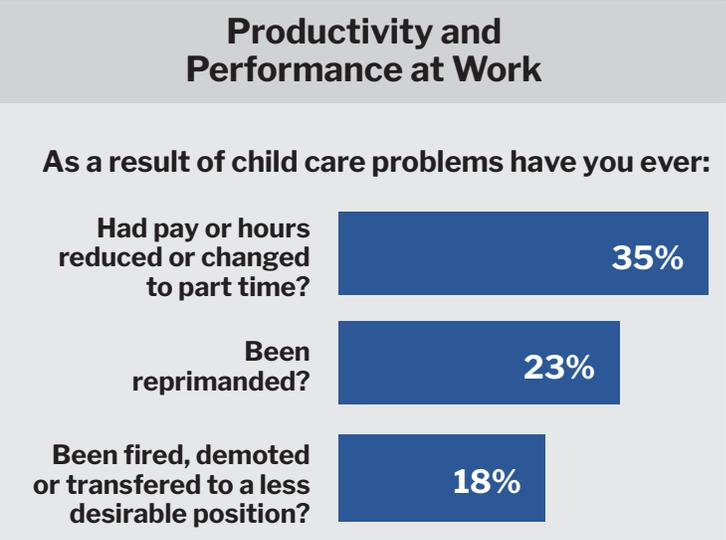
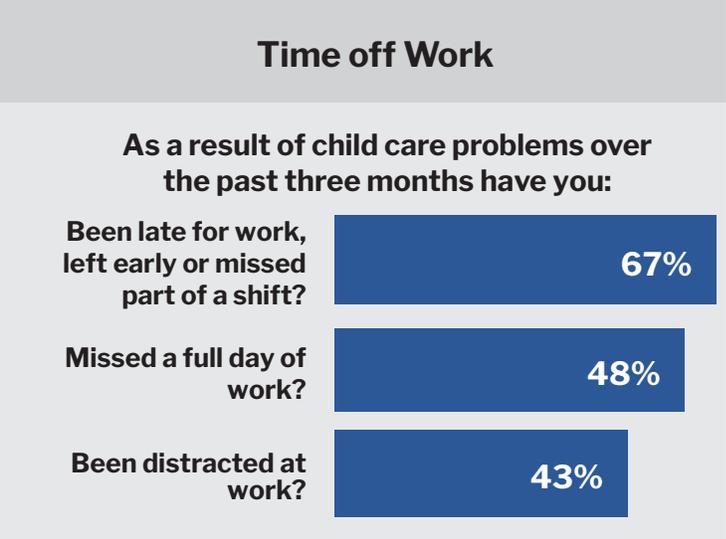
How inadequate child care adversely impacts parents, employers, and taxpayers

When families do not have the child care they need, parents' work productivity falls, resulting in costs to parents, their employers, and ultimately, taxpayers. The survey results provide a window into how the economic impacts occur.

Parents. Parents reported that child care problems affected their time and productivity at work and diminished their career opportunities. The primary consequence is reduced earnings; and with less training and less experience there are lost future earnings as well. **The result: Tennessee's working parents and their families lose a whopping \$850 million per year.**

Employers. For employers, insufficient child care results in reduced revenue, potentially significant increases in hiring and retention costs, and lost profits. A workforce with lower productivity and shorter tenure has major economic consequences: if an employer's workforce keeps changing, worker morale may fall, product quality may diminish, and clients may be lost. As well, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience. **The lost revenue to Tennessee businesses due to child care problems for parents of young children is \$270 million per year.**

Taxpayers. The economic impact of the child care crisis on parents and employers results in lower earnings, lower consumption of taxable goods, lower profit margins and ultimately, lower tax revenues. **As a result, Tennessee taxpayers lose \$220 million per year.**



The time is right for Tennessee’s leaders to solve our state’s child care crisis.

The practical and economic consequences of inadequate child care are enormous. The economic impact of \$1.34 billion annually in this report is just the tip of the iceberg.

A massive body of research has documented impressive returns on investment for high quality early education programs of \$7-13 for every \$1 invested from longer-term positive effects on employment, health, criminal activity, and dependence on government assistance.¹² Improving quality, affordability, and access could have a dramatic impact on Tennessee’s workforce of today, our workforce of tomorrow and our future economic prosperity as a state.

“There’s a ‘triple bottom line’ for high-quality child care. Not only is it a major factor for workforce and business productivity; it also supports economic mobility for families, while helping close the skills gap so young children are prepared for success in school.”

The good news is that Tennessee has significant unspent resources — nearly \$1 billion over the past 5 years — which, if redirected more effectively, could go a long way towards supporting innovative new solutions. The federal government supports families’ need for child care with funding to states (e.g. the Child Care and Development Block Grant, Temporary Assistance to Needy Families) and through the tax code. Much of this and other resources have been underutilized in Tennessee for many years, and could be deployed more strategically to address quality, affordability, and access.¹³ Tennessee is in a uniquely strong position with existing money and other resources available to start fixing the child care crisis.

The solution will require ingenuity and collaboration between the public and private sectors. Challenges to be addressed include: the high costs of operating a quality child care business, the skills gap in the child care workforce, and data management at all levels of the child care system, from state administration to classrooms.



While government leadership is crucial, businesses have a role to play as well, deploying creative solutions from on-site child care to helping employees pay for child care with pre-tax dollars. In fact it is worth noting that more than 1 in 3 Tennessee parents surveyed said they are dissatisfied with their employer’s support for their child care needs, suggesting that those offering greater support may have a competitive advantage.

Fixing the problem begins with making it a priority. The solutions will come from well-organized and collaborative problem-solving by state policymakers and the private sector. The time to act is now.

Endnotes

- 1 For details on the survey and economic analyses, see the accompanying technical report: The Economic Consequences of Insufficient Child Care on Working Families across Tennessee (2019) at https://www.tqee.org/TennesseeChildCareCrisis_TechnicalReport
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To learn more about TQEE contact:

Mike Carpenter
Executive Director
mike.carpenter@tqee.org
901-331-0153

Lisa Wiltshire
Policy Director
lisa.wiltshire@tqee.org
615-517-0353