CONNECTIONS BETWEEN CRA AND THE EARLY CARE AND EDUCATION SECTOR

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FEDERAL RESERVE BANK
OF MINNEAPOLIS
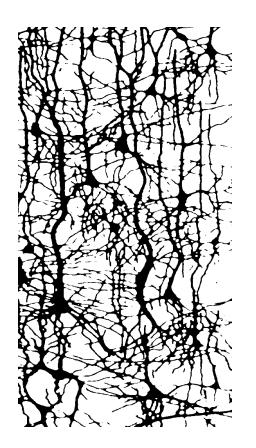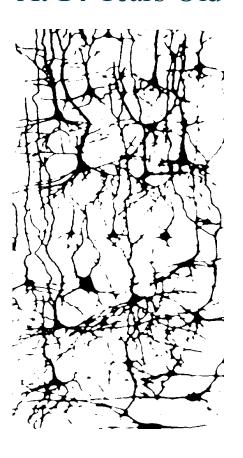
RELATIONSHIPS INFLUENCE BRAIN ARCHITECTURE

Human Brain…

At **Birth**	At **6** Years Old	At **14** Years Old

Source: Chugani, Phelps & Mazziotta (1987)

RETURN ON INVESTMENT

EVIDENCE FROM LONGITUDINAL EARLY CHILDHOOD STUDIES

Perry Preschool

- Schweinhart: $16 to $1

- Heckman: $7–$12 to $1

Abecedarian Educational Child Care

- Barnett: $4 to $1

- Heckman: $7 to $1

Chicago Child-Parent Center

- Reynolds: $10 to $1

Elmira Prenatal/Early Infancy Project

- Karoly: $5 to $1

Sources: Garcia, Heckman, Leaf, & Prados (2016); Heckman, Moon, Pinto, Savelyez, & Yavitz (2010); Karoly, et al. (1998); Masse & Barnett (2002); Reynolds, Temple, White, Ou, & Robertson (2011); Schweinhart, et al. (2005)

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EARLY CARE AND EDUCATION SECTOR

- Center-based child care

- Home-based family child care

- Private preschool

- Public preschool

- Head Start and Early Head Start

Non-licensed providers refer to informal arrangements with a family member, friend, or neighbor

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LOSSES TO THE MONTANA ECONOMY CAUSED BY INADEQUATE CHILD CARE, 2019

	Loss to households with children ages zero to five years	Loss to businesses	Loss to taxpayers
Average per household with children ages zero to five years	$5,700	$2,150	$1,260
State total	$145.1 million	$54.6 million	$32.0 million

Source: Bureau of Business and Economic Research, University of Montana (Missoula).

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EARLY CARE AND EDUCATION BUSINSS MODEL CHALLENGES

- On average families with young children have less income than other families

- Providers can't reduce staff without compromising safety or quality

- Government-funded subsidies fall short of covering provider costs

- Providers often lack experience with operating a business

- Lending: Many providers are small businesses

- Investments that meet CRA's definition of community development

- Bank employees volunteer financial expertise to providers

- Key factors:

  - Share of children served that qualify as low- and moderate-income based on their families' income
  - Geographic location

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SOURCES

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