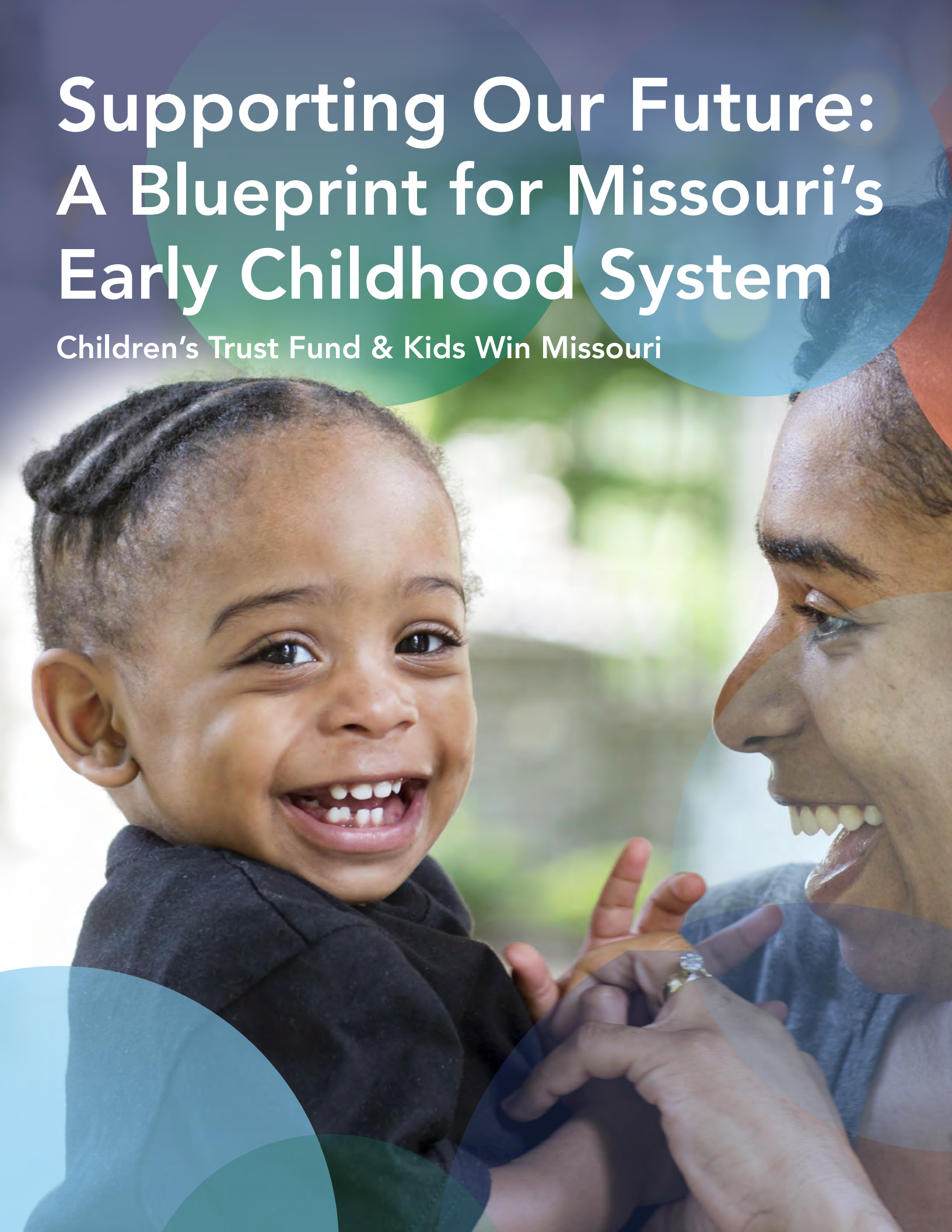


Supporting Our Future: A Blueprint for Missouri's Early Childhood System

Children's Trust Fund & Kids Win Missouri



To our partners and stakeholders,

We release this report with unprecedented optimism—that the dreams we have for children and our state are possible. In the last few years, in Missouri and throughout the nation, we have seen unique attention and interest from policymakers about the importance of investing in young children. More and more, decision-makers understand we will never solve our workforce challenges or address the problems facing our state without supporting children in their earliest years.

In Missouri, the investments approved during the 2023 legislative session represented the biggest win for early childhood in our state's history. **Led by Governor Mike Parson, our state is investing \$78 million to support families with low incomes in accessing child care and \$82 million in making high-quality pre-K available to 4-year-olds.**

We are excited about this momentum! This historic first step will transform the lives of current and future children and will prepare them for success in the classroom and throughout their lives.

We are also cognizant that meeting the full scope of families' needs cannot be achieved in just one year. Governor Parson's leadership has provided Missouri with a great start. Together in the coming years, with a combination of focus, determination, and teamwork in communities and across the state, we can make the policy and systems changes necessary to support children and families.

Strategic investments in home visiting, child care, and early education will ensure children get the best start, businesses can attract and retain a skilled workforce, and families have the supports they need to raise happy and healthy kids. The single biggest determining factor in a child's life is their relationship with their primary caregiver. Home visiting programs support families, so they can provide a safe, stable and nurturing environment for their children from the moment they are born. While parents and caregivers work and go to school, high-quality child care and early education programs keep children safe – physically, emotionally, and socially – so they can succeed in the classroom and on the playground and support them in becoming lifelong learners and community builders.

This report lays out a vision for what is needed to have a high-functioning early childhood system. Providing high-quality child care and early education and evidence-based home visiting for all eligible, interested families would cost an estimated \$1.2 billion annually. **In 2023, our state made a \$160 million historic down payment. We must finish the job, and to do so, it will take a combination of public and private investment to close the remaining gap.**

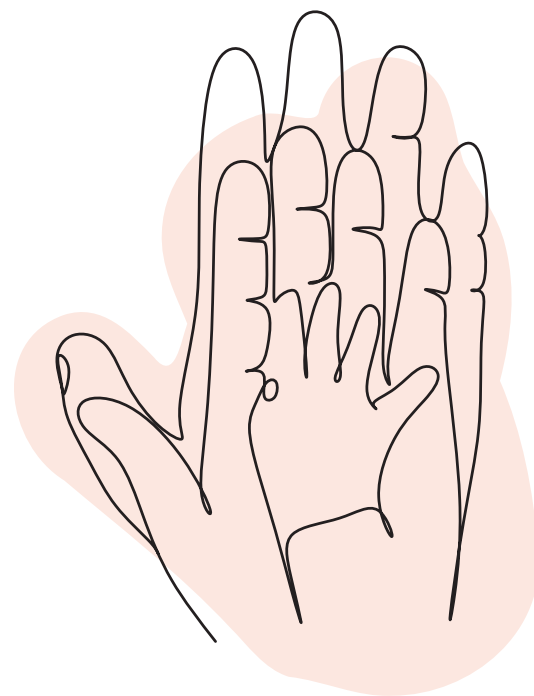
Missouri has an opportunity to be a national leader at the forefront of addressing this issue. We urge the state to do what is right for businesses and workers who depend on stable child care—and for children and families who are the foundation of everything we are now and hope to become in the future.



Emily van Schenkhoef
Executive Director, Children's Trust Fund



Brian Schmidt
Executive Director, Kids Win Missouri



EXECUTIVE SUMMARY: A Blueprint for Missouri's Early Childhood System

THE PROBLEM: Missouri families are struggling because of the lack of child care and other early childhood services. Options are limited, largely because providers can't find or keep qualified staff or pay them competitive wages. This is a problem for children, families, business, and the state's economy.

Like in many states, early childhood services in Missouri are underfunded. Additionally, there are regulatory and systemic challenges that make it difficult to reach the families most in need of care and services. As a result, many parents cannot find or afford child care, and providers struggle to stay in business. Missouri businesses lose over \$1 billion a year because child care is not available or affordable. Additionally, too few families can participate in evidence-based home visiting services that have consistently demonstrated positive impacts on children's health, safety, and educational outcomes. Missouri invests billions annually in social services to put bandages on problems that might have been prevented by investments in early childhood.

THE SOLUTION: Missouri must commit to investing in early childhood so families in every corner of the state can access critical services when their children are young. In the 2023 Legislative Session, Governor Mike Parson and the Missouri General Assembly kicked off the investment Missouri families need by allocating \$78 million to increase subsidy rates and \$82 million to create new Pre-K slots for 4-year-old in low-income families. Providing high-quality child care and evidence-based home visiting for all eligible, interested families will cost an additional \$1 billion annually. This is a huge number that must be considered within the budgetary constraints of the state. However, just because the undertaking is large does not mean it cannot or should not be considered. This investment will allow more children to start school ready, more parents to work, and more businesses to prosper. The investment will need to come not only from the state but from innovative partnerships with the federal government, localities, businesses, and philanthropy.

In 2023, Missouri Governor Mike Parson and the General Assembly made a historic down payment for Missouri children. The following table summarizes the goals, gaps, and investments needed to fully fund Missouri's early childhood system.

	Add New Child Care and Early Education Seats	Add New Home Visiting Slots	Improve Current Seats and Services
Goal	All economically disadvantaged children in need can access child care and early education.	All eligible children and families in need can access evidence based home visiting services.	The system is accessible, available, affordable, and high-quality for all families in need.
Gap	70,000	31,000	<ul style="list-style-type: none">• Improve current subsidy payments• Build system capacity• Scale quality supports• Scale local leadership models• Strengthen data infrastructure
Estimated Cost-per child	\$13,000	\$4,500	
Investment Needed	\$910 million	\$140 million*	\$150 million
Investment made in FY24	\$82 million		\$78 million

*In addition to an increased funding for evidence-based home visiting, this report also recommends maintaining existing funding for parent education home visiting, and an increase in system infrastructure funding to support better coordination and data collection across all home visiting programs. For a more detailed breakdown of investment calculation, reference Appendix II.

Introduction

Missouri recognizes the benefits of early childhood services and made tremendous progress in the last legislative session with the investments proposed and secured by Governor Mike Parson in partnership with the Missouri General Assembly. However, there are still major gaps in access to early childhood care, education, and services for families across the state, as well as major challenges with the structure of the system. **Missouri has an ambitious goal for its early childhood efforts: All children are safe, healthy, and successful learners.**¹ To reach that goal and address persistent challenges, Missouri must continue to invest in early childhood, with a particular focus on the children and families who are most underserved, which is where investments will make the greatest impact.

The Problem

Like in many states, **early childhood services in Missouri are underfunded.** Additionally, there are regulatory and systemic challenges that make it difficult to reach the families most in need of care and services. As a result, many parents cannot find or afford child care, and providers struggle to stay in business. Additionally, too few families can participate in free evidence-based home visiting services that support child development, parent coaching, and family success. Further down the line, Missouri invests billions annually in social services to put a bandage on problems that could have been prevented by investments in early childhood.

70,000 more children need free or subsidized child care and early education²

31,000 more families need evidence-based home visiting²

Currently, the state's early childhood system is not designed to meet the needs of all families with young children in the state. As Missouri plans to increase funding to expand access to early childhood programs and services, it must also use that money to address

the challenges in the system. Even with this large investment to expand the availability of child care and early education, and evidence-based home visiting, if we don't address challenges within the current system, Missouri families would likely still struggle to find and use these services.

For example, in the child care and early education sector, even if a family is offered a subsidy to make a child care space affordable, their provider may not have enough staff to allow them to enroll. Further, if they are in an area where providers have historically been unable to pay staff competitively, there may be no available options for them to use that subsidy to enroll their child.

Similarly for home visiting, families who need and qualify for free services may be referred to a provider who doesn't have enough staff to offer them these supports.



The persistent challenges of the system leads to negative outcomes for children, families, businesses, and the Missouri economy.

Every year, Missouri's economy loses an **estimated \$1.35 billion** due to child care issues.³

Only 58% of children are entering kindergarten ready.⁴

7 out of 10 Missouri fourth graders are not reading proficiently.⁴

61% of working parents in Missouri report **missing work** due to child care challenges.⁵

¹ <https://earlyconnections.mo.gov/media/pdf/strategic-plan-january-2023>

² See Appendix II for more detail.

³ <https://mochamber.com/news-archive/new-research-shows-missouri-loses-1-35-billion-in-annual-economic-opportunity-due-to-childcare-gaps/>

⁴ <https://nces.ed.gov/nationsreportcard/reading/>

⁵ <https://mochamber.com/news-archive/new-research-shows-missouri-loses-1-35-billion-in-annual-economic-opportunity-due-to-childcare-gaps/>

The Solution

The time is now. Missouri must invest and invest big. **Without continued investment, the state stands to lose nearly \$14 billion over the next decade.**

"We know that early childhood care is essential to our state's success.
We need to do more for our parents, our children, our providers, and our businesses."
- Governor Parson,
2023 State of the State

Providing high-quality child care and early education, and evidence-based home visiting for all eligible, interested families would cost \$1.2 billion annually. **This year, the state kicked off this effort by making an initial down payment of \$160 million to increase the availability, affordability, and quality of spots and supports for the families who need them the most.**

This initial investment must be sustained year-over-year to see real results in the system. **The state cannot carry the burden of the remaining amount alone.** Over the next decade, the remaining investment should be generated, not only through additional state investment, but also through innovative partnerships that incentivize and reward local, philanthropic, and business participation and contributions.

In exploring revenue-generating models, Missouri should consider:

- **Allocating a portion of annual growth in general revenue collections** to early childhood initiatives
- **Designating a portion of revenue from new or emerging industries** (e.g., sports betting) toward early childhood
- **Establishing early childhood tax credits** that incentivize investments in the early childhood system
- **Identifying existing federal funds that could be used in support of this plan** but are not currently used to support early childhood initiatives (e.g., TANF, Medicaid)
- **Incorporating a portion of new federal funding** as it becomes available at the state, county, or school-system level
- **Creating a matching fund** to incentivize local investment so communities can secure a match of state dollars when they commit funding for early childhood programs and services (similar to Missouri's Transportation Cost Share Program)
- **Forming a trust fund** for early childhood using existing reserves or settlement dollars

For details on other states that have successfully secured additional funding for early childhood, see Appendix III.

By making these early childhood investments, Missouri can expect to see:

- More children school-ready in Kindergarten
- More parents able to participate in the workforce
- More businesses able to find employees and thrive
- Fewer instances of child abuse and foster care placement
- Reduced government spending on later social services
- Decreases in grade repetition and high school dropout rates



A Vision for Missouri's Early Childhood System

A high-quality early childhood system significantly benefits children, families, communities, businesses, and state and local economies. The early childhood steering committee – representative of many aspects of the system impacted by early childhood programs and services – believes Missouri can have a comprehensive, effective early childhood system that can change the trajectory of the state.

Missouri has a vision that every child is prepared for success in school and in life. An ideal state of early childhood in Missouri would achieve the following:

Prioritize Families In Need: Children and families most in need are prioritized for access to early childhood programs and services.

Simple and Accessible Enrollment: All families can easily learn about, apply for, and enroll in early childhood options in their communities. Families have the information about the quality of early childhood options in their communities to make an informed decision on behalf of their children.

High-Quality: All providers of early childhood programs and services have supports to improve the quality of their programs in a stable, well-funded system.

Community-Led: Community leaders support the improvement of access to and quality of early childhood programs and services.

Sufficient Capacity: The system has enough capacity (i.e., thriving workforce, classrooms, programs, services, administrative capacity) to support the needs of all families and children.



Like in all complex systems, there are underlying, foundational elements that affect the functionality of the early childhood system. For Missouri to reach its ideal state, all of these components must be strengthened and aligned: funding structures, systems capacity, quality, local leadership, and data infrastructure.

"Investing in early childhood is diverting a fraction of the money you would be spending on services and supports down the line, and spending it now to ensure children are set up to succeed, saving money over time."

- Sly James, Former Mayor of Kansas City

"Children thrive when they live in a secure, stable environment. Far too many children in Missouri do not have these conditions. Regardless of how they 'got there,' it isn't a situation of their making, and we simply must invest in their early years to reap the rewards of a society with productive adults. Initial investments, though substantial, are far less than the cost of rescuing young adults with damaged lives."

- Cindy O'Laughlin, Missouri State Senator

Like most states, the current early childhood system in Missouri is nowhere near this ideal state.

Missouri has made important progress toward these goals in recent years, most notably Governor Parson's consolidation of early childhood programs into a new Office of Childhood, which is charged with streamlining early childhood governance and creating a unified vision and coordinated early childhood strategy that is responsive to families' needs; however, many children in the state do not have access to critical early childhood supports that could support their lifelong success.

450,000 children birth through age five live in Missouri



2 out of every 5 children are economically disadvantaged (200% FPL or below)⁶



2 out of every 3 children have all parents in their household working⁷



Half of all children live in a child care desert⁸

Families with young children have varying needs, and each family may not need the same supports. Missouri's early childhood system contains a continuum of supports, including early intervention, afterschool programming, child care and early education, and home visiting. A comprehensive approach to strengthening Missouri's system will require coordination with and consideration of all these programs. This report is focused on expanding access to the programs serving the state's working families and children most in need: child care and early education, and evidence-based home visiting. These two services greatly benefit economically disadvantaged families when their children are young, in turn supporting Missouri's communities, schools, businesses, and economy.

Child Care and Early Education - Programs that provide child care and early education to children by adults other than their parents or primary caregivers with whom they live (e.g., center-based child care, Head Start, preschool, family child care homes)

Evidence-Based Home Visiting - A voluntary, evidence-based prenatal/early childhood intervention using a "parent coach" to provide in-home services to families and children. Evidence-based models are practiced to model fidelity, use formal curricula adapted to the family's strengths and needs, and provide intensive and frequent visits to families.

Currently, there are striking disparities in school achievement and health outcomes between white and black children.^{9,10} Similarly, economically disadvantaged families are more likely to face issues related to job security and economic stability.¹¹ To make meaningful change in educational, health, and wellness outcomes for Missouri children, greater resources must be targeted at children and families with the most needs. As such, this report focuses on closing gaps for these children and families first and foremost.

⁶ 2019 Census Data- 200% FPL: <https://data.census.gov/cedsci/table?q=Poverty&g=0400000US29&tid=ACSDT1Y2019.B17024>

⁷ 2019 Census data- Parents Working: <https://data.census.gov/cedsci/table?tid=ACSDT1Y2019.B23008>

⁸ 2020 Do you Live in a Child Care Desert? Center for American Progress <https://childcaredeserts.org/2018/index.html?state=MO&split=true>

⁹ <https://journals.sagepub.com/doi/pdf/10.1177/2332858416657343>

¹⁰ <https://www.marchofdimes.org/peristats/data?reg=99&top=6&stop=92&lev=1&slev=4&obj=1&sreg=29>

¹¹ <https://www.frontiersin.org/articles/10.3389/frsc.2021.726489/full>

Child Care and Early Education

Currently, Missouri is serving **60,000 children** across all its child care and early education programs. This represents less than **one-third of the 185,000 economically disadvantaged children estimated to be eligible** for free or subsidized child care and early education. Research indicates that 70% of families would choose to use these programs if available and accessible.¹²

70,000 more eligible families need access to child care and early education.

Home Visiting

Missouri has a long history of providing a continuum of home visiting supports and services to families that vary in intensity and focus depending on the needs of families. This largely includes the universal evidence-informed parent education program (using the Parents as Teachers curriculum) that serves families of all incomes in each Missouri school district, and high-frequency and intense evidence-based programs specifically serving vulnerable and low-income families.

To measurably change outcomes for Missouri's most vulnerable children, new investments should target evidence-based programs serving families with the greatest need. Proxy data estimates there are around **100,500 families**

that may be eligible and would benefit from home visiting in Missouri. If access were made available, researchers estimate that one-third of eligible families (33,500) would participate. In FY 2021, **only 2,449 families were served** across these state-run, evidence-based programs.

There are 31,000 additional eligible families in need of evidence-based home visiting.

Additionally, there needs to be greater collaboration between all home visiting service providers to build toward a system in which the variety of family needs are seamlessly supported, so families with the greatest needs are prioritized and effectively served. Also, home visiting programs throughout the state

need improved data collection practices, so programs can be evaluated, in real-time, on quality improvement and achieving the best outcomes possible for Missouri children. This is an infrastructure concern that must be resolved alongside expanded access to services to make sure every dollar is used efficiently toward the state's goals.



"Early childhood is the foundation of a human's life, and suffering abuse during that time is the worst way to start it. Evidence-based home visiting is the best way to prevent child abuse. It changes outcomes by giving parents the tools they need to create stable, nurturing homes for young children."

- Jim Anderst, MD, Child Abuse Pediatrician

¹² While it is impossible to perfectly predict the percent of families in Missouri that would choose to participate in early childhood programs if access to programs was expanded, estimates for participation rates in universal, voluntary preschool programs are a good proxy. Ranges for participation in universal, voluntary preschool programs range from 64% to 71% to 81%. For simplicity, this report assumes that roughly 70% of Missouri families would take advantage of expanded access.

¹³ See Appendix II for more detail.


¹⁴ <https://pubmed.ncbi.nlm.nih.gov/35064893/>

Systems Infrastructure

More funding for these services will only solve part of the challenge Missouri faces. For families to find and use options that meet their needs and are affordable, there must be a functioning system to deliver these services from the state to the local level to providers and families. While the state has achieved several key milestones and is working toward more, many of these initiatives are **not yet at scale** and thus **not meeting the needs of the entire system**. If the system continues to function poorly, Missouri cannot reach the scale or impact it seeks.

Through Preschool Development Grant funding and other initiatives, the Office of Childhood has taken the lead in strengthening and aligning these essential components of Missouri's early childhood system.¹⁵

To reach the vision for Missouri's early childhood system, the state needs clear strategies on how to further strengthen the key components of system infrastructure. The following page highlights the current state of each component.



When: 2020
Where: Kirksville, Missouri
What: Local leaders pursued establishing a child care center to serve 0 - 3-year-olds, which was desperately needed to support working families in the town.

However, they realized that to cover the cost of infant care and to pay child care workers a living wage, it was nearly impossible to also make slots affordable for working families. Without a system behind them setting them up for success, the town had to pause all efforts and continues to lack care for infants and toddlers to this day. With a designated local captain championing these efforts, an improved subsidy system, and more publicly funded seats that support working families, an effort like this could successfully meet family and business needs in the future.



"My story is frustration to provide the best for [my child] and not being able to find that, and what I could find was extremely expensive."
- Courtney, parent, Springfield

"Providers are not being paid enough through subsidy. [Subsidy payment] was not enough to pay employees, bills, rent, and put food on the table for the kids."
- Betty, provider, Columbia



¹⁵ <https://dese.mo.gov/childhood/outreach-prof-dev/outreach/pdgv>

Components of the Current System Infrastructure

Funding Structures

- Child care subsidy rates are too low, and payment practices contribute to statewide provider instability. The Office of Childhood (OOC) recently raised rates, but the rates still fall well below the federal minimum guideline of the 75th percentile of the market rate.
- Home visiting funding structures do not incentivize positive outcomes.

System Capacity

- For child care and early education, and home visiting, there is not enough capacity to serve eligible children and families. In the wake of the pandemic, many programs face workforce challenges and suffer from high turnover.

Quality

- There is not a common quality measurement system in Missouri for child care and early education. OOC is piloting a Quality Assurance Report in 92 programs across the state to assess and improve provider quality.
- Quality metrics to evaluate home visiting programs are not uniformly used in Missouri.

Local Leadership

- OOC is establishing partnerships with local leaders across the state through its Community Leader network.
- Children's Trust Fund (CTF) has partnered with Collective Impact sites in several areas of the state to coordinate the intake and referral of home visiting services. For home visiting, and child care and early education, there is still a need to further strengthen collaboration to best serve families and effectively target those most in need.

Data Infrastructure

- OOC will establish an Early Childhood Integrated Data System to streamline data collection across 9 early childhood programs. CTF Collective Impact sites and OOC use REDCap data collection systems to streamline home visiting data collection in many areas.

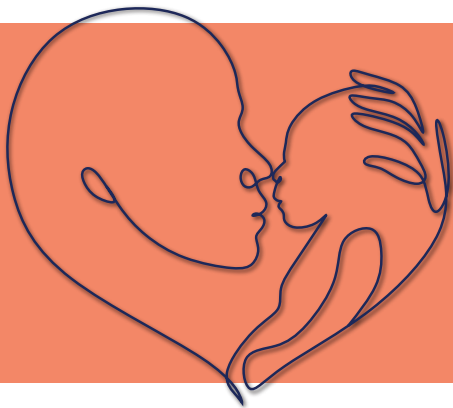


"Early childcare should be an accessible, safe, and dependable option for parents with young children who need it."
- Courtney, parent, Springfield

"Quality, affordable child care is not in abundance. The community rarely rallies around ECE, even when science says the first five years are key."
- Anissa, parent, Kansas City



Federal Relief Funding: Missouri has dedicated over \$700 million in federal relief funding for child care to retain staff, support start-up and expansion costs for providers, and provide critical training and professional development. This funding expires in 2024, and it is anticipated there will be massive funding challenges in child care related to workforce and stability. The state needs to act now to mitigate these challenges.



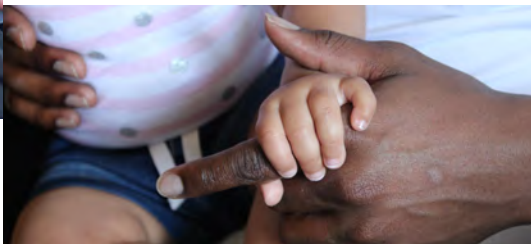
How should this investment be used?

Missouri should use initial and future investments to:

- Increase access to child care and early education, and evidence-based home visiting
- Strengthen the foundational elements of the current system, so every dollar is used efficiently and effectively to solve the existing gaps (e.g. pay a rate closer to market rate for child care, ensure there is coordination between home visiting services.)

	Add New Child Care and Early Education Seats	Add New Home Visiting Slots	Improve Current Seats and Services
Goal	All economically disadvantaged kids in need can access child care and early education.	All eligible children and families in need can access evidence-based home visiting services.	The system is accessible, available, affordable, and high-quality for all families in need.
Gap	70,000	31,000	<ul style="list-style-type: none"> • Improve current subsidy payments • Build system capacity • Scale quality supports • Scale local leadership models • Strengthen data infrastructure
Estimated Cost-per child	\$13,000	\$4,500	
Investment Needed	\$910 million	\$140 million*	\$150 million
Investment made in FY24	\$82 million		\$78 million

*In addition to an increased funding for evidence-based home visiting, this report also recommends maintaining existing funding for parent education home visiting, and an increase in system infrastructure funding to support better coordination and data collection across all home visiting programs. For a more detailed breakdown of investment calculation, reference Appendix II.



To ensure this investment translates to increased access to high-quality early childhood services for the families that need it most, Missouri must also consider improvements to the current services offered and to the system that delivers them to families and providers. If Missouri does not fix the challenges of the system, new funding for early childhood will not be able to reach scale or create the desired outcomes for children and families. Investing in these critical components will ensure all future investments in early childhood are able to be maximized, and there is increased accessibility, affordability, availability, and quality for families.

Funding Structures

- Set child care subsidy rates using a cost-of-care model; in the short term, increase rates to 75% of the market rate
- Shift subsidy reimbursements for child care and early education providers to be based on enrollment or authorization rather than attendance
- Pilot a new model for child care and early education funding that helps providers stabilize their businesses, recruit and retain their workforce, and improve their quality of care
- Structure home visiting funding to incentivize quality and collaboration with philanthropic funding sources where possible

System Capacity

- Support and fund workforce recruitment, retention, and development efforts to meet provider and system needs
- Implement a new child care and early education funding model to incentivize development and retention of early childhood professionals
- Increase the number of available spots for home visiting services by expanding the collective impact model

Quality

- Scale a quality assessment and accountability system statewide to measure progress towards providing quality experiences
- Incentivize quality improvement through supports in the new child care and early education model
- Use standard quality measures to evaluate and improve performance of home visiting programs

Local Leadership

- Support community leaders with funding as they develop and implement local plans to address their communities' most pressing early childhood challenges
- Implement coordinated referral and intake systems to maximize efficiency and collaboration among home visiting providers, specifically strengthening coordination among home visiting programs across Missouri

Data Infrastructure

- Report an unduplicated child count of children served and real-time access to data to identify gaps in access and quality
- Collect home visiting data through unified RedCAP system across evidenced-based home visiting programs
- Work toward disaggregating data where possible to identify particular subsets of the population who are not being served

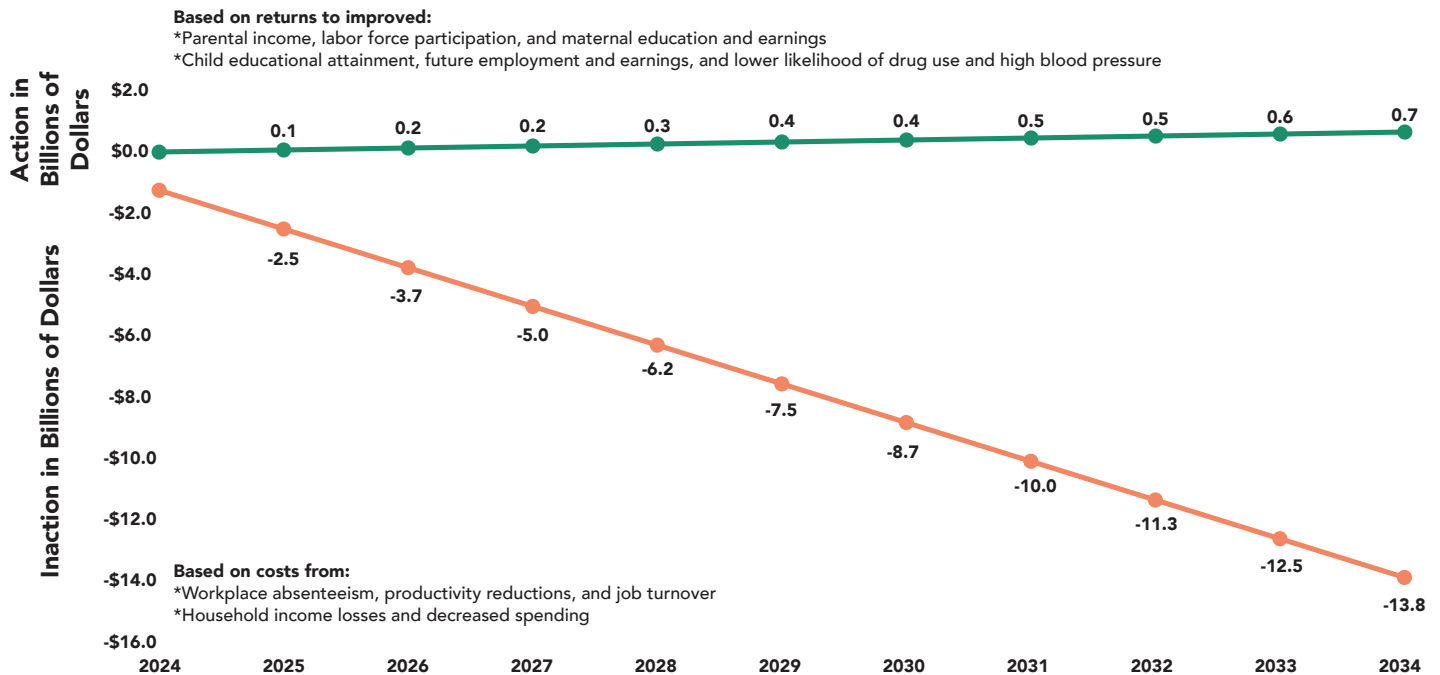
These recommendations do not address every issue in the early childhood system but aim to articulate a strategy that will close gaps in access to necessary services for the families who need them most.

"A perfect childcare system would allow for families to choose the kind of care they want for their child, be affordable, and support the caregivers who make it all possible."

- Kelly R., child care provider, Kansas City

Call to Action

The current state of early childhood in Missouri is dire. At least 70,000 families are in need of access to child care and early education, and at least 31,000 families need access to evidence-based home visiting services. Persisting lack of access to high-quality services creates major challenges not just for children and families but also the economy as a whole.



Sources: Author's calculations based upon Garcia, J., et. al. (2016). Untapped Potential in MO: How Childcare Impacts Missouri's Workforce Productivity and the State of the Economy (2021). Boushey and Glynn (2012). BLS, BEA, and Census Bureau data.
 Notes: Cost of inaction is based upon cumulative annual losses growing at the average annual growth rate of Missouri GDP over the past 10-years. Benefit of action is based upon the cumulative annual spending for quality early childhood care and education and the estimated 13% annual return from Garcia, et. al. Cost and benefit date has been discounted based upon the interest rate of 10-year municipal bonds.

If Missouri does not address this critical issue, the **state stands to lose nearly \$14 billion** over the next decade. However, if the state continues implementing these recommendations beyond this year, Missouri could realize **\$700 million worth of economic return by 2034**. For more information on this economic analysis, review Appendix V.



"Now more than ever, we need to ensure children have the tools to succeed in school and throughout their lives. We have a detailed plan of action that delivers results for children, families, and communities throughout Missouri. We just need to get to work to get it done."
 - Brian Schmidt, Kids Win Missouri

Appendices

Appendix I: Importance of Early Childhood

Early childhood matters for Missouri. Research demonstrates that early childhood matters for:

- **Child health and development:** 90% of brain development occurs from birth to age 5, and more than a million new neural connections form every second.¹⁶ High-quality early childhood experiences contribute to this growth and often allow for the early identification of health or developmental concerns.¹⁷
- **Reducing child abuse and neglect:** Participating in a high-quality home visiting program reduces the likelihood of child maltreatment, family interaction with Child Protective Services, and out of home placement for children.¹⁸
- **School readiness:** The experiences children have in the first five years of their life lay the foundation for their educational future. Research shows when those experiences are not high quality, children are more likely to enter school behind their peers and are less likely to perform well in school.¹⁹
- **School success:** High quality early childhood programs improve students' long-term school success, leading to higher achievement test scores, lower rates of grade repetition, increased high school completion, and reduced delinquency.²⁰
- **Working families:** 61% of working parents in Missouri reported missing work over a 3 month period to child care challenges.²¹ This affects not only the income of individual families but contributes to workforce shortages for businesses.
- **Employers:** When parents cannot work, employers face a diminished talent pool, unexpected absences and high-levels of costly turnover. Absences and employee turnover alone cost Missouri employers an estimated \$1.07 billion per year.²²
- **Missouri's economy:** Every year, Missouri loses an estimated \$1.35 billion due to child care issues.²³ On top of this, the state invests countless dollars into corrections, social services, and health care for issues that could have been mitigated by an early investment in early childhood.
- **Crime prevention:** When children participate in high-quality early childhood programs, they experience a reduced likelihood of criminal activity, particularly violent crime.^{24,25} This results in a decreased investment needed on the part of the state for corrective action.

Economic analyses reveal that not only does investment in early childhood result in positive outcomes but also yields a significant return on investment. High-quality early childhood programs for disadvantaged children can deliver a 13% return on investment annually.²⁶ Similarly, cost-benefit analyses show evidence-based home visiting programs offer returns on investment ranging from \$1.75 to \$5.70 for every dollar spent due to reduced costs of child protection, K-12 special education and grade retention, and criminal justice expenses.



¹⁶ <https://developingchild.harvard.edu/science/key-concepts/brain-architecture/>

¹⁷ <https://www.zerotothree.org/resource/cdcs-learn-the-signs-act-early-developmental-milestone-resources-to-improve-early-identification-of-children-with-developmental-delays-disorders-and-disabilities/>

¹⁸ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5894115/>

¹⁹ <https://www.jstor.org/stable/1602667>

²⁰ https://www.policymattersohio.org/wp-content/uploads/2011/09/pre-kpinch_Nov2008_report.pdf

²¹ <https://mo chamber.com/news-archive/new-research-shows-missouri-loses-1-35-billion-in-annual-economic-opportunity-due-to-childcare-gaps/>

²² <https://mo chamber.com/news-archive/new-research-shows-missouri-loses-1-35-billion-in-annual-economic-opportunity-due-to-childcare-gaps/>

²³ <https://mo chamber.com/news-archive/new-research-shows-missouri-loses-1-35-billion-in-annual-economic-opportunity-due-to-childcare-gaps/>

²⁴ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6344026/>

²⁵ <https://heckmanequation.org/resource/perry-intergenerational-effects-summary/>

²⁶ <https://heckmanequation.org/resource/lifecycle-benefits-influenial-early-childhood-program/>

Appendix II: Investment Calculations Details

Estimating Current Gaps

	Estimated Total Eligible Children/ Families	Estimated Total Children/ Families in Need	Estimated Current Child Count	Estimated Gaps
Child Care and Early Education	185,000 The number of families with an income at or below 200% of the Federal Poverty Level was used to estimate the number of families eligible for free/subsidized child care and early education as most ECE programs have a similar income eligibility. ²⁷	130,000 Because Missouri's early childhood programs are voluntary, it is not likely that all families would participate. Research shows that about 70% of families would utilize services if access were made available. ²⁸	~60,000*	70,000
Evidence- Based Home Visiting	100,500 The different eligibility criteria for home visiting programs makes it difficult to ascertain the total number of children in need of home visiting services. The number of mothers who had a Medicaid covered birth is a helpful proxy. There are an estimated 100,500 mothers who had a birth covered by Medicaid in a three year period. ²⁹	33,500 As with child care and early education, not every family would choose to utilize home visiting services, even if they were made available. Research estimates an uptake rate of 33%. ³⁰	~2,500	31,000

*This number does not include Early Childhood Special Education which served 19,531 in FY20. This program provides individualized special instruction and related therapy services to children with disabilities, ages three through five, in order to meet unique developmental learning needs and ensure these children have equitable access to learning opportunities. This number does not include investments made in 2023.

Estimating Per-Child Costs

	Estimated Per-Child Cost	Justification
Child Care and Early Education	\$13,000³¹	The estimated per-child cost of \$13,000 was calculated using an average of the 75th percentile calculations for 1-and-2-year-olds in the Kansas City Core based on the <u>2021-2022 Market Rate Survey</u> . This rate serves as an initial estimate of per-child costs, but efforts will need to be made to evaluate the appropriateness of this rate over time, as costs and market factors change.
Evidence-Based Home Visiting	\$4,500	A cost analysis conducted by ACF in 2022 reveals that the annual cost of evidence-based home visiting for the median 50% of families ranges between \$1,304 and \$5,788 per year. The average cost across programs administered through health care organizations and community-based nonprofits, which are the primary methods of evidence-based home visiting in Missouri, is roughly \$4,500. Given the Missouri context for evidence-based home visiting, \$4,500 is an appropriate initial estimate of the per-child cost to scale these services.

²⁷ <https://data.census.gov/cedsci/table?q=Poverty&g=0400000US29&tid=ACSDT1Y2019.B17024>

²⁸ While it is impossible to perfectly predict the percent of families in Missouri that would choose to participate in early childhood programs if access to programs was expanded, estimates for participation rates in universal, voluntary preschool programs are a good proxy. Ranges for participation in universal, voluntary preschool programs range from 64% to 71% to 81%. For simplicity, this report assumes that roughly 70% of Missouri families would take advantage of expanded access.

²⁹ <https://dss.mo.gov/mis/clcounter/history.htm>

³⁰ <https://pubmed.ncbi.nlm.nih.gov/35064893/>

³¹ Costs can vary by program and region. In 2021, The Center for American Progress reports the annual cost of base quality care in Missouri was \$17,388 for infants, \$11,724 for toddlers, \$10,584 for preschoolers, and \$8,388 per child served in family child care settings.

Estimating Total Investment Needed

	Goal	Cost Logic	Total Allocated in FY24	Additional Funding Needed
Child Care and Early Education	All economically disadvantaged kids in need can access child care and early education.	Estimated Per Child Cost: \$13,000 $70,000 * \$13,000 = 910 \text{ million}$	\$82 million	\$828 million
Evidence-Based Home Visiting	All eligible children and families in need can access home visiting services.	Estimated Per Child Cost: \$4,500 $31,000 * \$4,500 = 140 \text{ million}$		\$140 million
System Infrastructure	The system is accessible, available, affordable, and high-quality for all families in need.	Improve current subsidy rates: Pay \$13,000 for the ~22,000 children birth to five on subsidy = ~ \$286 million Will require ~\$135 million of additional investment, at a minimum ³¹	\$78 million	\$57 million
		Build system capacity, scale quality supports, scale local leadership models, and strengthen data infrastructure Based on findings from other states, it is estimated that to sustainably support these efforts at scale will cost ~\$15 million		\$15 million
Total Annual Investment				\$1.2 billion - total allocated in FY24



³¹ Though this report focuses on children birth to five, a similar investment would benefit the school-age children also served by child care subsidy. As of November 2022, 5,965 children ages 6-14+ were served through child care subsidy. To raise rates to the market rate for this population as well would cost approximately \$13.7 million.



Appendix III: National Examples of Revenue Generation

For more information on the examples below, review this report online.



Colorado

Colorado's Child Care Contribution Tax Credit enables businesses and individuals to donate funding directly to qualified child care providers in exchange for a 50% state income tax credit.

Louisiana

The Louisiana Early Childhood Education Fund offers a dollar-for-dollar state match for non-federal and non-state funds secured by local entities for child care and early education for children birth through three years old. The state dedicated 25% of newly-legal sports betting revenues, up to \$20 million, to the Louisiana Early Childhood Education Fund.

California

California levied taxes on the sale of tobacco to fund California First Five, which distributed funds to counties for early childhood programs and services.

New Mexico

In 2022 New Mexico approved a constitutional amendment making child care and early education a right, devoting a portion of money in the state's Land Grant Permanent Fund to the cause.

Florida

Florida statute allows for the creation of children's services councils with the ability to levy taxes and direct the revenue to services for children youth and families.

Missouri

10 counties in Missouri have local sales taxes to support services for children, mostly focus on children's mental health.

Alabama

Using tobacco settlement dollars, Alabama set up the Children First Trust Fund which generates around \$50 million dollars annually to support children's services.

Appendix IV: Steering Committee Members

Casey Adrian

Office of the Lieutenant Governor

Jim Anderst, M.D.

Children's Mercy, Kansas City

Kara Corches

Missouri Chamber of Commerce

Wendy Doyle

United WE

Ana Hernandez Kent*

St. Louis Federal Reserve

Sly James

Former Mayor of Kansas City

Grenita Lathan

Springfield Public Schools

Daryl McCall

Retired Brigadier General

Maggie Nurrenbern

Missouri House of Representatives

Cindy O'Laughlin

Missouri State Senate

Linda Rallo

Aligned

Lakesha Robinson

Office of City of St. Louis Mayor Tishaura Jones

Emily van Schenkhof

Children's Trust Fund

Brian Schmidt

Kids Win Missouri

Charlie Shields

University Health

Paul Williams

Springfield Police Department

"Positive outcomes can happen when we invest in people, so that every child has the opportunity to thrive before the age of five."

- Danielle, parent, St. Louis



Kids Win Missouri and Children's Trust Fund convened an Early Childhood Steering Committee to address Missouri's significant need to improve access to high-quality early childhood care, education, and services. The charge of this committee was to identify recommendations and strategies for closing the gaps in access, culminating in the development of this report. The Steering Committee held three meetings and three workgroups between October 2022 and January 2023. These meetings featured national early childhood experts, research-based best practices, and innovative solutions from other states. This report was prepared by Watershed Advisors.

*Dr. Kent's role is serving in an advisory capacity and is limited to providing fact-based research to support economic and data analysis for the project.

Appendix V: Economic Analysis Sources and Methodology

The chart on page 15 was prepared by Dr. David Mitchell of the Missouri State University Bureau of Economic Research and Center for Economic Education. Below are his methodology and sources.

The potential economic impact from investing in Missouri's early childhood system is based upon the cumulative annual spending for quality early childhood care and education and the estimated 13% annual return from Garcia et al. (2016). Benefits and costs for the current year from increased spending today on early childhood education was calculated to determine the amount of net benefits. Growth rates in these costs and benefits were then applied to the current level of benefits and costs to determine the future net benefit for each year over the next year. Finally, these future net benefits were discounted using standard economic techniques to arrive at the net present value of increased spending on early childhood education.

The potential economic costs from a lack of adequate child care in Missouri was estimated using data from the Bureau of Labor Statistics' Economic Characteristics of Families, 2021, and the U.S. Census Bureau's Current Population Survey. Three pathways are used to calculate potential total economic losses: household income losses from underemployment and unemployment, workplace turnover and absenteeism, and lost taxes from income reduction.

Household income losses: Analyses compared adults' employment-to-population (EPOP) ratios (separating full- and part-time employment) by gender, parental status, and age of youngest child. Mothers with children under the age of 6 had lower EPOP ratios than mothers with older children. Bringing the EPOP ratios of mothers with young children up to that of mothers with older children allowed a hypothetical which yielded the number of Missourian mothers who were underemployed or unemployed. A further adjustment determined how many mothers with children under age 6 were out of the labor force or working part-time (as opposed to full-time) due to child care issues. This total was multiplied by the average wage and level of benefits for women aged 25 to 34 in Missouri from the U.S. Census Bureau's Current Population Survey. This amount was estimated to be \$546.7 million.

Workplace turnover and absenteeism: Turnover costs for employees vary from 20-200% based upon industry and wage levels. Using a conservative estimate of 50% of employee wages yields a turnover cost to firms of \$273.4 million. Absenteeism is another issue. The Chamber of Commerce indicated that full-time parents in Missouri missed an estimated 4.6% of work or school over the past year. Based on other sources (e.g., the Bureau of Labor Statistics), a conservative absence estimate of 1.0% was used and applied to working parents with children under the age of 6. The median wages and benefits of men and women in Missouri were utilized to estimate the loss of productivity. This amount was estimated to be \$352 million.

Taxes: Finally, there are lost taxes to state and local governments from the loss of income and productivity. These lost taxes are primarily in the form of reduced income, sales, and personal property taxes. Using current estimates of total taxes paid as a percent of income for median workers yields a loss of \$80.9 million in tax revenue for state and local governments.

Summation of these costs of inaction yields an amount equal to \$1.25 billion per year, or \$13.8 billion by 2034.



"Missouri should invest more in early childcare and education because by doing so they invest in Missouri's future. An investment will ensure more children enter kindergarten academically, socially and developmentally prepared. Subsequently fewer dollars will be spent on social services, fewer children will drop out of high school, fewer children will become justice involved."

- Cortaiga, child care provider, St. Louis



**Children's
Trust Fund**

Missouri's Foundation For Child Abuse Prevention

KIDS 
WIN MISSOURI