FEDERAL RESERVE BANK of ST. LOUIS

Q&A: Policy-Collaborative Executive Discusses Child Care's Impact on the Arkansas Economy

August 04, 2022

By Sam Evans

Angela Duran, Excel by Eight

Research from the Institute for Economic Equity has highlighted child care as a key ingredient for children's healthy development and their parents' ability to participate in the workforce. In Arkansas, most workers are also parents (53%), and 37% of those working parents have young children. Mothers with young children in particular have a much lower labor force participation rate (67%) compared with fathers of young children (94%).[1] In addition, the cost of child care is a challenge. In Arkansas, it can be approximately 11% of household income,[2] making it one of the largest expenditures for a household with children.

To better understand the challenges and current state of child care in Arkansas, I interviewed Angela Duran, who serves as the executive director of Excel by Eight. Excel by Eight recently convened a coalition of chambers of commerce, economic development organizations and philanthropic groups to create the Arkansas Early Childhood Education Task Force, and Duran shared the impetus for the group's coming together, its findings on the state of early childhood education in Arkansas, and potential opportunities around access to affordable, quality child care.[3]

Responses were edited for length and clarity.

Question: Can you describe Excel by Eight's mission and the driving factors for convening the Arkansas Early Childhood Education Task Force?

Duran: Excel by Eight's mission is to partner with families and communities to improve health and education outcomes for children in Arkansas. One of the areas where we focus is early care and education. A few years ago, business and philanthropic leaders identified challenges within child care [as an obstacle] to a growing Arkansas economy. I think the leaders of the task force, particularly those from the chambers of commerce, were hearing from their members that employees were having trouble getting to work on a regular basis because of the unreliability of child care before and during the COVID-19 pandemic. And sometimes there just isn't the quality of care, and parents don't feel comfortable leaving their child in a particular setting—it's not the quality level they want it to be.

So, a lot of what we've been talking about is the importance of child care to our overall economy. It's important to the bottom line of local businesses. It's important to the sustainability of families, so that parents can go to work and make enough money to support their families. More-stable enrollment helps child care providers. All those things ripple throughout our economy. A stronger economy also leads to greater incomes and additional tax revenue that can support investments in our communities.

Question: What were some of the task force's initial findings?

Duran: The task force looked at a range of recommendations foundational to supporting a strong child care system. Some of the initial findings showed that for the approximately 99,000 Arkansas children ages 4 and under that come from low-income families, government funding can meet the needs of only about half (52,000) of them.

The task force also learned that, nationally, the child care market is mostly (85%-90%) small businesses and nonprofits, yet in Arkansas the workforce is undertrained, undercompensated and under-resourced.

We heard from child care directors around the state that they can't keep staff, but one of the challenges is that budgets for child care providers are based on what parents can afford to pay and on what public funding sources will pay. So, based on those budgets, they're not able to offer health insurance and other benefits.

In a 2017 survey of Arkansas early childhood educators and program administrators, the University of Arkansas for Medical Sciences found that, on average, child care workers made between $16,500 and $23,100 per year less than kindergarten teachers; 58% of them had trouble meeting basic needs in the previous year; 47% were not offered health insurance; and 35% screened as being at risk for depression.[4] I'm sure these numbers have increased since the beginning of the COVID-19 pandemic, based on what we've heard from child care directors on the increase in cost of supplies and retaining staff.

Question: What were some of the bright spots in the task force's findings?

Duran: The good thing is that, over the last 10 years or so, Arkansas has made historic investments in its pre-K program. As a result, between those investments and Head Start, a significant part (almost half) of preschool slots are very high quality. The supply and quality of infant and toddler slots presents more of a struggle. Demand in the state for infant and toddler care far exceeds supply; only 1 in 10 parents can find high-quality child care for their infants and toddlers.

A large part of American Rescue Plan funding proposed to increase the supply of licensed providers and to shore up resources, as well as to provide opportunities for early childhood teachers to obtain a degree or credential in the field utilizing the national T.E.A.C.H. Early Childhood® model. However, these funds are temporary and set to expire in 2024.

Question: Providing child care in rural areas involves unique challenges because of the business model's heavy reliance on sufficient population density and parents' ability to pay. Being that Arkansas is largely rural, has your task force identified this issue?

Duran: Yes, particularly for infant and toddler care. Only a handful of counties come close to meeting the demand. I've presented data that showed just 4 in 10 working parents could find licensed care for their infants and toddlers. In more rural areas, it's particularly difficult. In the southwestern corner of the state, for example, in Sevier County, only 12% of parents could find infant and toddler care.[5] But these data were amassed before COVID-19, which means that the situation is likely worse now, given the pandemic and the rising cost of child care.

Next Steps

The Arkansas Early Childhood Education Task Force continues to host community conversations, including a roundtable this fall with business and industry leaders. The roundtable will be in partnership with the Federal Reserve Bank of St. Louis, and it is intended to discuss and evaluate barriers to the availability of affordable child care.

The task force hopes to release a set of recommendations later this year.

Notes and References

1. Calculated by Ana Hernández Kent, a senior researcher for the St. Louis Fed's Institute for Economic Equity, using the IPUMS Current Population Survey. Data are not seasonally adjusted. Mothers and fathers of young children are defined as those age 25-54 residing with their children under age 6.
2. Statistic calculated by St. Louis Fed Senior Economist Charles Gascon and Research Associate Ngan Tran using the IPUMS Current Population Survey. Average cost was rounded to the nearest 100 and calculated at the median household income level.
3. Child care and early care and education are used interchangeably to include a variety of program types, such as center-based child care, home-based or family child care, private preschool, public preschool, and Head Start and Early Head Start.
4. See the University of Arkansas for Medical Sciences report "2017 Arkansas Workforce Study: Instructional Staff in Child Care and Early Childhood Education" (PDF) by Lorraine McKelvey, Andrew Forsman, Jamie Morrison-Ward and Rezwana Choudhury.
5. Calculated by Angela Duran, executive director of Excel by Eight, using data from the Arkansas Department of Human Services Division of Child Care and Early Childhood Education and the U.S. Census, 2014-18 American Community Survey, 5-Year Estimates.

About the Author

Sam Evans

Sam Evans is a community development advisor for the St. Louis Fed's Little Rock Zone.
Read more about Sam's work.

Coordinated Funding Strategies for Equitable Development

August 04, 2022

By Teresa Cheeks Wilson, Neelu Panth

The challenges of population loss and a high poverty rate illustrate an opportunity for collective action among philanthropies in the Mississippi and Arkansas Delta to create a network with a focus on building a thriving region.[1] St. Louis, particularly the north corridor,[2] has faced similar challenges that can benefit from a coordinated effort to deploy diverse capital sources to achieve deep-rooted impact and foster equitable economic growth.

This article examines and shares the work of the St. Louis Fed's Community Partnerships and Investment (CPI) team in organizing and convening cross-sector funders representing philanthropy, financial institutions, community development financial institutions and others through its funder forums. CPI has supported the Delta Philanthropy Forum (DPF) since 2019 and launched the St. Louis Community Development Funders Forum (CDFF) in 2021.

Events of 2020 Emphasized the Need for Funders to Coordinate

A 2021 Federal Reserve System report indicated that it may take anywhere from one to three years for low- to moderate-income communities to recover to pre-pandemic economic conditions.[3] Almost a quarter of entities surveyed for the report also noted that pre-pandemic conditions for housing stability and small businesses may never return to the low- to moderate-income communities they serve. While federal stimulus programs provided some relief for organizations and their clients, they were not enough to ensure the long-term health of these organizations or the recovery of communities that were struggling pre-pandemic. The call for racial justice further demanded system-level change in uplifting historically marginalized communities.

CPI convened community stakeholders and funders across the Fed's Eighth District to understand how capital was being deployed and absorbed for immediate impact and what was needed for equitable and sustainable recovery work. We learned that collective and trust-based grant-making was beginning to gain momentum in many regions, especially in St. Louis and the Delta.

While DPF gave Delta funders a head start, funding organizations and others in the St. Louis community and economic development ecosystem recognized the benefit for a similar forum to organize and develop long-term, coordinated strategies. DPF provided a strong framework for the St. Louis CDFF.

Efforts to Build a Coordinated Agenda for the Delta

As previously mentioned, DPF was launched in 2019 by a group of more than 30 national and regional funders, funding intermediaries and other supportive partners with a shared interest in improving outcomes in the

Mississippi and Arkansas Delta. The impact of the COVID-19 pandemic and the need for racial equity further solidified its vision to advance economic resiliency in the region.

Through two pillars of work identified by DPF members—*Investing in Capacity: People and Systems* and *Collective Impact and Collaborative Funding*—DPF now seeks to create more sustainable funding pipelines for community and economic development initiatives. As described by Abby Hughes Holsclaw, senior director of Asset Funders Network, "DPF will be the guiding beacon to shine attention on the region's promise and attract new resources and strategically deploy capital to equitably strengthen communities."

DPF has advanced these goals over the last four years. In 2021, the steering committee hired a consultant to build out DPF's core infrastructure, branding and priority areas. One of the action plan's immediate first steps is the formation of a nonpartisan Philanthropic Advisory Table, which will build, strengthen and institutionalize relationships between state government and the philanthropic sector in Arkansas to identify opportunities to leverage public and private resources. Justin Archer Burch, program director of workforce development at Rural LISC, commented: "By aggregating our resources as a collective, we are better able to create scale in place and to leverage the work."

A Budding Funders Forum in St. Louis

In St. Louis, community and economic development funders have been exploring ways to communicate effectively and coordinate their efforts. Following the events of 2020, CPI hosted a funders roundtable and several one-on-one outreach sessions with key financial institutions, local foundations and government agencies to understand how they were pivoting and what they needed to meet growing service and funding demands. Through these conversations, it became evident that a funders forum could be very valuable for the St. Louis community and economic development ecosystem.

CPI launched the St. Louis CDFF to strengthen the city's ability to attract, deploy and absorb capital for sustainable community development. According to Ryan Barker, vice president of responsive philanthropy at the Missouri Foundation for Health, the forum has created a virtual table where a diversity of funders can come together and understand one another's capabilities and priorities. Another benefit of this model is that it allows the community to voice its needs to many funders all at once instead of one by one.

CDFF currently has more than 20 participants representing foundations, financial institutions, economic development organizations, civic groups and government agencies. CDFF recently identified strategies for co-investment in the areas of building capacity for community development organizations, increasing access to capital for wealth building in historically marginalized communities, and coordinating and aligning capital to strengthen the community and economic development ecosystem in the St. Louis region.

Natalie Self, senior vice president of equitable economic impact at the St. Louis Cortex Innovation Community, remarked that she is excited to pursue these action items in the months ahead and believes that St. Louis is fortunate to have a high number of local funders with interest in creating a better, healthier and more equitable region. She commended CDFF for providing much-needed infrastructure for organizations with resources to move toward solving challenges in a strategic and coordinated way, maximizing the return on local funders' investment activity.

Through these formal infrastructure and funding strategies, the Delta Philanthropy Forum and the St. Louis Community Development Funders Forum are poised to transform how capital flows and is absorbed for equitable and sustainable growth among historically marginalized communities.

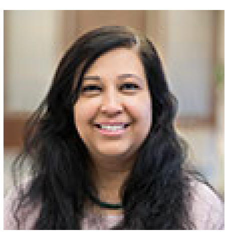
Notes and References

1. See Sydney Diavua and Nishesh Chalise's November 2021 *Bridges* article "Investing in a Region of Opportunity: The Delta Philanthropy Forum."
2. See Neelu Panth's March 2022 *Bridges* article "A North Star for Revitalizing North City."
3. See Nishesh Chalise and Violeta Gutkowski's October 2021 report "Perspectives from Main Street: The Impact of COVID-19 on Low- to Moderate-Income Communities and the Entities Serving Them."

About the Authors

Teresa Cheeks Wilson

Teresa Cheeks Wilson is a community development advisor for the St. Louis Fed's Memphis Zone. Read more about Teresa's work.



Neelu Panth

Neelu Panth is a senior community development advisor for the St. Louis Zone. Read more about Neelu's work.

FEDERAL RESERVE BANK of ST. LOUIS

Initial Reflections from the Institute for Economic Equity Director’s First Listening Tour

August 04, 2022

By William M. Rodgers III

One of the attractions to becoming the director of the St. Louis Fed’s Institute for Economic Equity (IEE) was the connection that I have had throughout my life to the Eighth Federal Reserve District. My father was born in Mississippi and grew up in the Douglass neighborhood of Memphis. My grandparents owned a small Memphis dry cleaning business. I remember visiting them and my aunts, uncles and cousins during the summer.

One memorable visit occurred on my way from New York to California for grad school. I spent close to a week with my grandfather. We spent the evenings talking about his life, which began in September 1901. On one occasion, I wanted to ask whether he had seen someone lynched. After my penultimate question about that experience, I could tell that the answer was going to be “yes,” but also that he clearly didn’t want to be asked directly. I respected his boundaries and changed the subject. The conversation provided the foundation for my scholarly research, public service, and now the perspective and passion I bring to the work of IEE and the Bank.

Another visit with my grandfather that stands out came years later, when I introduced him to his great-grandson, William McKinley Rodgers IV. Looking back, that was perhaps the best visit of all.

Given these lifelong ties to the Eighth District, I was eager to embark on a “listening” tour when I became IEE director last year. After a COVID-19 delay, I started locally by attending virtual monthly meetings of the St. Louis Anchor Action Network and then made a virtual presentation in April 2022 to the Memphis Delta Boule. Several weeks later, I visited the St. Louis Fed’s Memphis Branch and met with its board of directors and community development practitioners, plus journalists from local papers. The following week, I visited the Little Rock Branch and met with more community development professionals.

From these exchanges, I learned that stakeholders and advisory members appreciate how the St. Louis Fed acts as a neutral third-party convener. We help to ensure that all relevant stakeholders have a seat at decision-making tables. Constituents seemed to like our ability to provide evidence-based commentary, analysis and technical assistance.

A long list of concerns also bubbled up through these conversations: solving labor and skills shortages, increasing access to affordable child care and housing, expanding the capacity of local organizations to mobilize community resources, and helping communities recover from the pandemic.

In reply, I shared with stakeholders four cases for economic equity: a historical case, a deferred maintenance case, a resources-based case and a business case. They require a reimagining of how we want people to live in the U.S. Many community leaders found them useful and indicated a desire to expand this dialogue to include their friends and colleagues.

A Historical Case

The historical case starts with an essay from Martin Luther King Jr. published in a 1966 issue of *The Nation*. He asserted that "jobs are harder to create than voting rolls" and used the following observations to support his claim:

- A job is not necessarily equivalent to security.
- A job is often undercut by layoffs, and Black Americans are hit the hardest.
- Black Americans are traditionally the first fired and the last hired.
- Discrimination thwarts long-term employment, which negates building seniority.
- Black Americans need full-time and full-year employment.
- Black Americans need promotion and development opportunities.
- Black Americans need employment that feeds, clothes, educates and stabilizes a family.
- Declining unemployment rates veil the lack of job quality for Black Americans.
- Employment instability reflects the fragility of Black ambitions and economic foundations.

Today's data, some of which contributed to my Russell Sage Foundation study, still support these observations.

Deferred Maintenance Case

As a nation, we have had several periods during which we "deferred" maintenance on what the United Nations calls human priorities investments. These are public investments in human capital, such as education and training, and social capital, such as social insurance and mental health services at the national level and child care and community centers at the local level. When the nation slowed its public investments just prior to the pandemic, inequality increased and economic security declined.

The pandemic raised awareness about expanding the nation's public infrastructure investments beyond bridges, roads and broadband to social capital, mental health services and access to quality child care.

Yes, these investments have costs, but they also bring benefits. They raise worker productivity—a key ingredient to economic growth.

Resources-Based Case

In 2009, the United Way of Northern New Jersey published its first ALICE report. ALICE stands for "asset limited, income constrained, employed." It (or she, as the acronym implies) represents a community's households that can't afford a "survival" budget. ALICE informs, educates and mobilizes community members.

The following table provides the rationale for investing in ALICE.[1] The table's rows show the major budget lines that ALICE must cover each month. Its first column describes the consequences to ALICE and her family if she does not have good housing or accessible child care; the second column demonstrates the consequences to the community if ALICE does not have enough resources to meet her budget needs. It shows that we all bear a portion of the costs of the challenges that ALICE experiences. Simply put, if ALICE hurts, we all hurt.

Consequences of Households Living Below the ALICE Threshold

	Impact on ALICE	**Impact on Everyone**
Housing		
Substandard	Inconvenience and safety risks	Reduce local property values
Far from job	Longer commute, higher costs, less time	More traffic on road, workers late to jobs
Homeless	Disruption to job, family, education, etc.	Cost for shelter, foster care, health care
Child Care		
Substandard	Safety and learning risks; health risks	Future burden on education system
None	One parent cannot work - foregoing immediate income and future promotions	Future burden on education system and other social services
Food		
Less healthy	Poor health; obesity	Less productive worker, future burden on health care system
Not enough	Poor daily functioning	Even less productive worker, future burden on social services
Transportation		
Old car	Unreliable transportation and risk accidents	Worker late/absent from job
No insurance	Risk of fine, accident liability, license revoked	Higher insurance premiums, unsafe vehicles on the road
No car	Limit job opportunities/access to health care	Cost for special transportation
Health Care		
Underinsured	Forego preventative health; more out of pocket expense; less healthy	Workers sick in the workplace, spread illness, less productive
No insurance	Forego preventative health care; use emergency room; less healthy	Higher insurance premiums; burden on health care system
Income		
Low wages	Longer work hours; pressure on other family members to work (drop out of school)	Tired or stressed worker; higher taxes to fill the gap
No wages	Frustration of looking for work and social services	Less productive society; higher taxes to fill the gap
No savings	Low credit score, bank fees, higher interest rates	Less stable financial system; more public resources need to address ALICE crises
SOURCE: United For ALICE.		

Business Case

The final case provides a business rationale for racial economic equity, but this narrative can be developed for other low- and moderate-income communities. I estimated Black buying power for St. Louis; Louisville, Ky.; Memphis, Tenn.; and Little Rock, Ark.—the four branches of the St. Louis Fed. If the St. Louis community closed the racial difference in income, it would raise Black purchasing power from $10.2 billion to a potential $16.3 billion. Comparable estimates for Memphis were a jump from $17.1 billion to a potential $22 billion. Louisville and Little Rock would experience increases from $4.9 billion to a potential $6.4 billion and $4.1 billion to a potential $5.2 billion, respectively.

Because households spend the largest portion of their incomes on housing expenses, a big part of these gains would go to businesses that construct homes and provide housing goods and services. Businesses in the food, transportation and health care sectors would also likely see large increases in their revenue.

Next Steps

When I presented these cases for equity during my listening tour, my hope was that one or all of them would resonate with participants, and that they would serve as a catalyst for more dialogue and, ultimately, change. I plan to build additional cases for equity in areas such as incarceration and mental illness.

If you want me to visit your community to discuss equity and other economic issues, don't hesitate to contact me.

Notes and References

1. This table was reproduced with permission from United For ALICE's 2012 "Study of Financial Hardship in New Jersey." The concepts in the table have since evolved into the organization's 2020 "Consequences of Insufficient Household Income" report.

About the Author

William M. Rodgers III

William M. Rodgers III is vice president and director of the St. Louis Fed's Institute for Economic Equity. Read more about the author and his work.