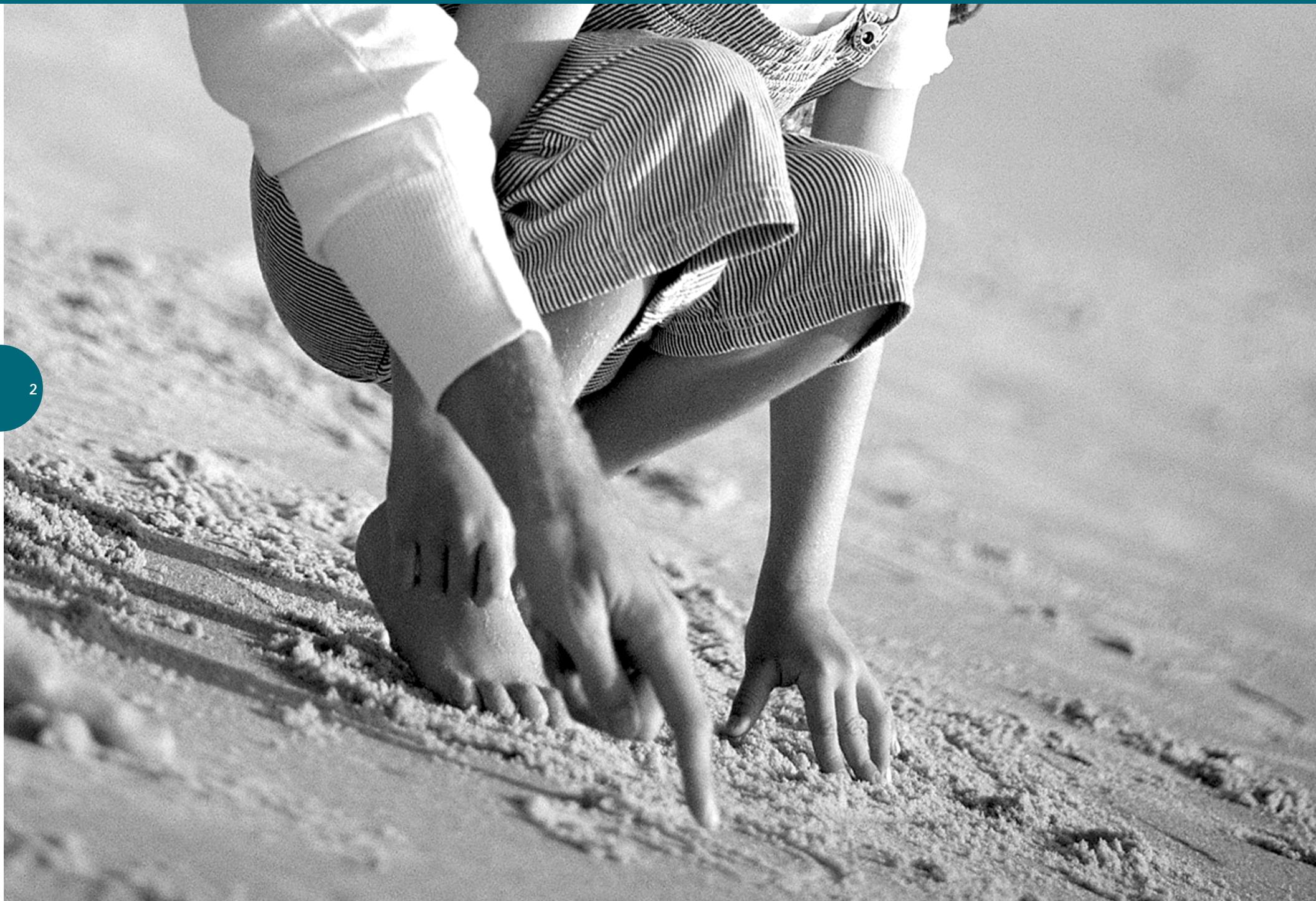


FLORIDA CHILDREN'S FORUM

2003

The Economic Impact of Child Care in Florida





PREFACE

The Florida Children's Forum, Inc. contracted with MGT of America, Inc. to conduct a study of the economic impact of Florida's child care industry. The study was designed to illuminate the policy discussions surrounding child care funding structures and professionalism of the industry as well as to more generally inform public officials and the public as to the vital contribution that the child care industry makes to Florida's economy.

This report is intended to engage the business, financial, and governmental sectors in a discussion about generating funds and policies that support the child care industry. To that end, this report provides policy makers and child care administrators with information to quantify the economic impact of the child care industry in Florida, and recommendations to guide the development of innovative systems for child care.

FLORIDA CHILDREN'S FORUM
Making Florida a Quality Caring State

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OVERVIEW

What is the Economic Impact of Child Care?

Based on analysis by MGT of America, Inc. using 2000 Florida economic data and IMPLAN's analysis software, the study yields the following conclusions:

Child care enables parents to work. Working parents depend on child care for their personal economic stability—that is, child care enables parents to work and earn money to support their families.

- With more than 180,000 families in Florida with both parents in the labor force who pay for child care for their children under the age of six, the child care industry provides the infrastructure that enables these parents to work.

The child care industry is a significant contributor to the state's economy. The overall contribution of the child care industry can be quantified in terms of revenue, jobs, taxes paid, and employee compensation:

- \$3.87 billion in total revenue to industries (including the child care industry itself) was generated;
- 67,044 in jobs were supported;
- \$138.75 million in tax revenue to local and state governments was paid; and
- \$1.37 billion in employee compensation was earned.

Child care is a large industry. The child care industry employs more workers than a number of familiar industries: Residential Care; Newspapers, Periodicals, and Publishing; Colleges, Universities, Schools; and Elementary and Secondary Schools.

- \$2.08 billion was generated in child care revenue and 46,561 jobs were created or sustained within the child care industry itself in 2000.

Child care creates jobs. In addition to the jobs within the child care industry, the child care industry creates jobs through the purchase of goods and services from other industries.

- 9,741 additional jobs were generated in Florida in 2000 as a result of the child care industry and its impact.

Child care has ripple effects in the state's economy. Due to the existence of the child care industry, revenue is generated and jobs are created in the state and local economy through the provision of services.

- For every \$1 million in child care revenue, \$863,000 of additional revenue is generated in the regional economy.
- For every \$1 million in child care revenue, approximately 22 jobs are created within the child care industry, and a total of 32 jobs are created in the overall economy.

How Should Government and the Community Respond?

Child care needs are a shared responsibility of parents, employers, and communities, as well as government. Child care operates primarily as a private, fee-for-service market in which parents purchase care for their children in order to work or participate in education or training opportunities.

Government, particularly at the state level, influences child care in a variety of ways: establishing and enforcing regulations, providing grants to expand the supply and improve the quality of child care, educating consumers on child care options and quality measures, and subsidizing the cost of child care for low-income families or establishing payment systems (such as vouchers) that provide low-income parents with the economic means to select and purchase child care of their choice.

While some government actions affect families at all income levels, government is particularly concerned about low-income families. Resources are allocated to ensure that these families have access to the child care they need to become self sufficient and that their children receive the early care and education they need to succeed. To this end, government needs information that can help determine if public funds have been invested in ways that meet these objectives. Research can equip state administrators with data that can help them make decisions about allocation of these public funds. State and local governments generally allocate scarce resources to that which will provide a positive return on the investment. Child care administrators can use the information included in this report

to guide the development of comprehensive, statewide child care delivery systems, and community planning.¹

The Florida Children's Forum assembled a group of child care stakeholders to consider the implications for Florida of the MGT analysis. The group's recommendations are as follows:

- Explore methods of restructuring the early childhood care and education financing system to provide both direct aid and portable aid.

Portable aid could be made available in the form of child care vouchers, purchase-of-service contracts, tax credits, or scholarship programs designed to assist all families who cannot afford to pay full fees, not just low-income families. There is no stigma associated with applying for higher education financial aid; it is seen as an appropriate public investment in young minds and in ensuring an educated citizenry.

Government subsidized low-interest loans, similar to those available for higher education, could be made available and repayment could either be delayed until the family income is higher and more stable or spread out over a fifteen year period so that monthly payments are small and manageable. The loan program could also be financed privately, and administered by a private sector entity, similar to the kinds of loans that are currently available through lenders such as Academic Management Services.

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2. Establish new strategic alliances that can create economies of scale and help early childhood programs become more efficient and more financially stable.

Modeled on the Management Services Organizations or Administrative Services Organizations established within managed care, these kinds of alliances might allow providers to consolidate—or jointly contract for—such administrative costs and operations as billing and fee collection, management of the USDA Child and Adult Care Food Program, accounting, purchase of equipment and supplies, staff development (or possibly some shared staff), janitorial services, transportation, social services, marketing, and so forth. Additionally, forming this type of alliance might allow a select group of providers to negotiate together to provide services for the public sector, an employer, or a group of employers.

Similarly, without increased compensation and benefits, early care and education practitioners will move on to more lucrative fields. Some examples of wage and benefit initiatives:

- Wisconsin Quality Improvement Grants, and compensation initiative (R.E.W.A.R.D.S.);
- North Carolina compensation initiative (W.A.G.E.\$) and subsidized health insurance;

- Florida is piloting the Child Care WAGE\$ program in 2002-2003 in Orange County through a collaborative agreement between the Orange County School Readiness Coalition and the Florida Children's Forum;

- Florida's TEACH Early Childhood, program (Teacher Education and Compensation Helps); and
- New York Child Care Professional Retention Program (practitioner stipends).²

3. Think carefully about how early childhood care and education funds and initiatives can be used to support a wide range of strategies that promote early learning and nurturing.

Transportation policy wisely recognizes the importance of supporting a wide range of strategies that reduce congestion on public transportation, roads and bridges. These include bicycle and pedestrian projects, High Occupancy Vehicle lanes (that encourage car-pooling) and new off-peak toll strategies (to help reduce highway congestion at peak travel times). Similarly, early care and education policy makers could explore methods to reduce the need for infant care (which is very expensive and often difficult to provide) by supporting parental leave or new strategies that draw relatives, friends and neighbors who provide early care and nurturing into the broader early childhood care and education system.³

4. Financial assistance linked to meeting high quality standards is essential.

Public investments in the infrastructures of industries other than child care are often seen as good public and economic policy, rather than "welfare." For example, housing and transportation subsidies are clearly seen as investments in the construction trades as well as supports for families. Economic incentives are commonly used to help promote compliance with quality standards. For example, housing policy rewards investors who maintain housing in good repair and keep it rented to low-income families. Transportation policy includes measures that allow contractors to make more money if they perform repairs at night or during off-peak hours. Managed care has encouraged a host of new cost-saving and quality assurance alliances among health care practitioners. While these incentives do not replace regulation and contract monitoring, they recognize that economic development is a cornerstone of the industry and an approach that can be used strategically to achieve policy goals.

Without targeted funds for quality initiatives (in addition to parent fees and child care vouchers or certificates) most programs will not be able to maintain high quality standards over time. Direct aid could be made available as "special purpose funding" and used to support specific initiatives such as: staff development, facility improvement, special equipment and supplies, and on-site social services.

5. Focus on innovative ways to leverage new public and private funds for child care.

In other fields—health care, higher education, housing, and transportation—strategies that effectively encourage private sector investment in the industry have been developed. Housing policy has leveraged tremendous private sector investment in low-income communities, even when the housing in which they invest cannot generate enough income to repay debt. Managed care has created a host of new private sector partnerships in the health care industry. Federal transportation funds are routinely used to leverage private investment in transit systems and highways. Institutions of higher education are able to attract billions of dollars in investments and research grants each year; investments that are used to build endowments, help pay operating costs, and provide financial stability for colleges and universities. In each example the private sector has become an active partner in both building and maintaining a high quality service delivery system.

IMPACT OF CHILD CARE IN FLORIDA

INTRODUCTION

1.1 OVERVIEW OF REPORT

The Florida Children's Forum, Inc. contracted with MGT of America, Inc. to conduct a study of the economic impact of Florida's child care industry. The study was designed to illuminate the policy discussions surrounding child care funding structures and professionalism of the industry as well as to more generally inform public officials and the public as to the vital contribution that the child care industry makes to Florida's economy.

This report is intended to engage the business, financial, and governmental sectors in a discussion about generating funds and policies that support the child care industry. To that end, this report provides policy makers and child care administrators with information to quantify the economic impact of the child care industry in Florida, and recommendations to guide the development of innovative systems for child care.

Although similar studies have been conducted in other states, a study of this type has not been produced for Florida. MGT used a similar methodology to these earlier studies to produce a quantitative analysis of the current economic impact of child care in Florida. MGT was assisted in the analysis by Timothy Lynch, Ph.D. of Econometric Consultants. This report presents the findings from the analysis as well as background information on the relationship of child care to the economy and a brief description of the child care industry in Florida. The report presents a discussion of:

- Introduction
 - Overview of Report
 - Child care as economic development
 - Related economic impact studies
 - Demographic changes creating demand for child care
- The child care industry
 - Types of child care
 - Employment and income of child care providers
 - Child care rates
 - Demand vs. availability
 - Benefits of quality child care
- Economic impact of child care in Florida
 - Overview of the economic model
 - Employment and employee compensation
 - Household spending on child care
 - Economic output of child care
 - Parent earnings
 - Additional considerations
- Conclusions and recommendations

Child care is not generally recognized as an industry or as a significant contributor to Florida's economy. However, studies produced recently in several states, including California and Vermont, provide evidence that the child care industry is a formal part of the economy and contributes in significant ways to a state's productivity.

EXHIBIT 1-1

LABOR FORCE PARTICIPATION RATES OF MARRIED WOMEN

LABOR FORCE PARTICIPATION RATES			
Year	Married Women with Children Ages 6-17	Married Women with Children under the age of 6	Married Women with Children
1970	49.2	30.3	39.7
1980	61.7	45.1	54.1
1985	67.8	53.4	60.8
1990	73.6	58.9	66.3
1995	76.2	63.5	70.2
1997	77.6	63.6	71.1
1998	76.8	63.7	70.6
1999	77.1	61.8	70.1
2000	77.2	62.8	70.6

Source: U.S. Statistical Abstract Table No. 577: Employment Status of Women by Marital Status and Presence and Age of Children: 1970 to 2000.

EXHIBIT 1-2

LABOR FORCE PARTICIPATION RATES OF SINGLE WOMEN

LABOR FORCE PARTICIPATION RATES			
Year	Married Women with Children Ages 6-17	Single Women with Children under the age of 6	Single Women with Children
1980	67.6	44.1	52.0
1985	64.1	46.5	51.6
1990	69.7	48.7	55.2
1995	67.0	53.0	57.5
1997	74.0	65.1	68.1
1998	81.2	67.3	72.5
1999	82.6	68.1	73.4
2000	79.7	70.5	73.9

Source: U.S. Statistical Abstract Table No. 577: Employment Status of Women by Marital Status and Presence and Age of Children: 1970 to 2000.

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1.2 CHILD CARE AS ECONOMIC DEVELOPMENT

A growing number of studies have illustrated the economic benefits of public investment in early childhood care and education, and policy leaders are beginning to reframe the issue as economic development, rather than welfare policy. While economic and social forces have transformed work and gender roles in our society, the business of caring for children has developed out of what was traditionally viewed as a private, individual responsibility. As demands on early care and education systems across the United States increase, early education leaders are beginning to reframe the case for increased public funding for early care and education. They present the view that quality, affordable child care is not only an important piece of social infrastructure that has broad public benefits, but as a large income-generating, job-creating industry, it plays a crucial role in the well-being of the state's economy.

The demand for child care creates jobs in the industry itself. The industry indirectly supports jobs, goods, and services in other related industries. Purchases made by child care providers from businesses and suppliers are included in these indirect effects. In the United States, a total of 934,000 direct child care jobs exist in the industry. While this total includes individuals who actually care and teach children, the remaining employment positions are in related jobs, created indirectly through the demand for child care. Some of these positions that do not directly work with children include cooks, janitors, financial or office clerks, secretaries, bus drivers, and other positions.⁴

In addition to the public benefits, child care translates to economic benefits for families. Assuming child care is affordable, parents can work and contribute to the economic growth of their communities as well as their own economic prosperity. Making these employment and familial decisions involves weighing the economic benefits of work versus the cost of care. The decision usually involves the nonworking parent, often the mother, choosing to either care for the children or to seek employment, thereby creating the need for child care. The forgone additional income, that would otherwise be available to the family, represents the "opportunity cost" of one parent choosing to care for a child. This is often a large consideration for many families, especially low-income families or families with more than one child needing care. Most families today need the added income derived from the second parent working, therefore creating a demand for child care in the market.

There must be an incentive for the parents to hold employment. In order for a parent to substitute paying for child care rather than personal care, the hourly cost of child care must be less than the potential hourly wage (after taxes) he or she can earn. The higher the cost of child care, the lower the incentive for that parent to work. If the financial conditions are met, child care can effectively enable parents to increase their household income and contribute to the local economy.

Parents identify child care as essential to their ability to maintain employment. Child care not only affects a parent's ability to be

employed, but increases the total amount of income available to a family. By providing parents with a system for providing care to their children, the child care industry allows parents to enter the labor force and contribute more productively to the economy. Through this system, child care also contributes to the stability of the workforce. Quality child care allows parents to feel comfortable in their child care decisions regarding their children. If parents feel confident in their child care decisions, they are more likely to retain their positions and work consistent or longer hours.

Across the country, communities are developing innovative methods of financing child care, taking responsibility for ensuring quality, affordable child care for all. A number of states and localities have conducted studies of child care as an economic sector and its linkage to the broader regional economy. Such studies seek to reframe child care as economic development, beyond its human development and educational impacts, which are already well-known.

1.3 RELATED ECONOMIC IMPACT

In 1997, the National Economic Development and Law Center (NEDLC) developed the Local Investment in Child Care (LINCC) project, with help from The David and Lucille Packard Foundation, as a strategy to stimulate public and private investment policy to meet the child care needs of all children and families in California. The project's successes have been generated, in part, through the development of county

Economic Impact Reports of the Child Care Industry. In 2001 NEDLC produced a statewide report for California estimating what child care contributes to the statewide economy. In 2002 NEDLC, with assistance from the W.K. Kellogg Foundation, developed a plan to bring its work on the Child Care Economic Impact Reports (CCEIRs) to scale by producing them in other states across the nation.

In addition, a team of researchers at Cornell University are conducting the Linking Child Care and Economic Development project which aims to better identify the economic linkages of child care from a regional economic perspective. The Cornell research team is exploring new ways to model the short-term economic linkages of the child care sector to help support states and localities interested in measuring the size and linkage of the child care sector; and tracking how states and localities have used an economic development framework to build coalitions with economic development, business interests, and policy makers to help craft new approaches to child care finance.

The project is supported by the U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau research funds, the U.S. Department of Agriculture Hatch research program administered by Cornell Agricultural Experiment Station, and the Rauch Foundation.

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The work of NEDLC and the Cornell research team have led to county-level and state-level economic impact studies across the nation. Working closely with academics specializing in economic development, planning, and social policy, leaders in the early care and education arena have begun to apply traditional input/output methodologies to measure the economic impact of the child care industry. As of April 2003, statewide CCEIRs have been conducted in California, Kansas, Mississippi, Rhode Island, and Vermont. City- and county-level CCEIRs have been conducted in more than a dozen cities and counties. This research allows those in the field to talk, in concrete terms, about the economic impact of child care—the number of jobs it creates, the revenue it brings into states and communities, and the basic infrastructure it builds to enable work and enhance the quality of life. In short, the early care and education field is developing a research methodology that allows us to speak the language of investment.

Across the nation, Child Care Economic Impact Reports are being used as a tool to:

- quantify child care's contribution to the economy;
- analyze the workforce, infrastructure, and business development gaps and other needs faced by child care providers; and
- build partnerships between early care and education advocates, policy makers, and community economic development and financing fields to address those needs.

1.4 DEMOGRAPHIC CHANGES CREATING DEMAND FOR CHILD CARE

The status of child care as a viable and significant industry has its origin in the changing demographics and workforce participation of parents. The needs of present-day parents differ from their earlier counterparts. The traditional view of a family consisted of the mother raising the children while the father worked outside of the home. The mother typically provided the child care for a family. By the late 1950s, labor force participation rates for women began to rise. Exhibit 1-1 shows the participation rates for married women in the labor force. In more recent years—1970 for example—the labor force participation rate for married women with children was 39.7 percent. By 2000, 70.6 percent of women were participating in the labor force. For married women with young children, the labor force participation rate increased from 30.3 percent in 1970 to 62.8 percent in 2000. Labor force participation rates for married women with children between the ages of 6 and 17 followed the same pattern, increasing from 49.2 in 1970 to 77.2 percent in 2000.⁵

A similar pattern holds for single women with children. Labor force participation rates for single women with children under the age of six have steadily increased from 1980 to 2000. The participation rates for single women with children between the ages of 6 and 17 fluctuated slightly but tended to increase overall and exceed that of married women with children in recent years. Exhibit 1-2 shows these trends in labor force participation for single women.

In order to accommodate this increase of women in the labor force, some mechanism was essential to allow both parents and single parents to work outside the home. The child care industry is the support service that allowed this transition to occur. In order for both parents and single parents to work, some form of child care is required.

In addition to the increase of working mothers, the number of children who could potentially need child care is another factor that contributes to greater demand in the industry. In Florida, there are 3.6 million children, with more than 1.1 million of those children under six years old.⁶ In families with children under the age of six, approximately 60 percent include families where both parents are in the labor force.⁷ Approximately 63 percent of children under the age of six in Florida reside in a family where both parents are employed.⁸

Preschool-aged children are a particular concern when referring to child care. Preschool children have different needs for child care than do children who attend school. Whereas school-aged children need care before or after school, preschool-aged children demand full-day, full-year care from child care providers. The number of preschool children whose mothers work has risen steadily. Nationally, approximately 4 million preschool children had working mothers in 1977, compared with more than 10 million children in 1994.⁹

1.5 SUMMARY

As a result of the changes in workforce participation and demographics, child care has become an important component of both the state and national economy. Significant changes have occurred in labor force participation, size of population under six, and percentage of children in working families:

- Labor force participation rates for married women with children have increased from approximately 40 percent in the 1970s to more than 70 percent in 2000; for single women with children, labor force participation rates have increased from 52 percent to 74 percent.
- In 2000, there were more than 3.6 million children in the State of Florida according to 2000 Census data presented by KIDS COUNT Census Data Online; more than 1.1 million of these children are under six years old.
- As estimated by KIDS Count, approximately 63 percent of children under the age of six reside in a family where both parents are employed.

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EXHIBIT 2-1

NUMBER AND CAPACITY OF CHILD CARE PROGRAMS

Program type	Number	Capacity
Licensed Family Child Care Homes	4,596	33,637
Registered Family Child Care Homes	2,769	24,185
Licensed Child Care Centers	5,280	435,257
Licensed Exempt Child Care Centers	903	73,293
Head Start Programs	865	30,709
Early Head Start Programs	64	2,109
Pre-K Early Intervention Programs*	928	27,293
TOTAL	15,405	626,483

Source: *Charting the Progress of Child Care and Early Education in Florida, 1999-2000.*

*For the period during which this information was collected, school-based Pre-Kindergarten programs were funded separately under this program title.

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EXHIBIT 2-2

INCOME ESTIMATES FOR POSITIONS IN THE CHILD CARE INDUSTRY

	Florida	National
CHILD CARE WORKERS		
Mean Hourly Wage	\$7.07	\$7.86
Median Hourly Wage	\$6.82	\$7.43
Mean Annual Wage	\$14,700	\$16,350
PRESCHOOL TEACHERS, EXCEPT SPECIAL EDUCATION		
Mean Hourly Wage	\$9.33	\$9.66
Median Hourly Wage	\$8.16	\$8.56
Mean Annual Wage	\$19,410	\$20,100
EDUCATIONAL ADMINISTRATORS (CHILD CARE CENTER/PROGRAMS)		
Mean Hourly Wage	\$15.81	\$17.47
Median Hourly Wage	\$13.35	\$14.62
Mean Annual Wage	\$32,870	\$36,330

Source: *Bureau of Labor Statistics, 2000.*

THE CHILD CARE INDUSTRY

2.1 TYPES OF CHILD CARE

In Florida, child care services are delivered in a variety of settings with diverse program purposes, philosophies, and policies. Child care programs may be located in child care centers, preschools, Head Start centers, or workplace programs; they may be in the child's home or in the home of a provider; or they may be in elementary schools. In addition, they may be part-time, part-day, part-year, or full-day and year-round; they may be nonprofit or proprietary; they may be public or private; and regulated or regulation-exempt. For purposes of this report, the term "child care" means the full range of early care and education services used by families to educate and nurture young children from birth to age five, and programs for school-aged children before and after school and during vacations.

Child care services include both regulated and unregulated programs. Regulated programs are periodically monitored and can therefore be quantified. Unregulated child care is difficult to quantify and consequently represents an underestimation of the demand and supply of total child care. There are a number of different types of child care available to parents and children to fit a variety of needs. The primary types of programs include family-based care (i.e., care provided in homes); center-based care (care provided in child care centers, including school sites); and federal or state-funded early intervention programs, such as Head Start. Exhibit 2-1 shows the distribution of child care programs in Florida by type.

Family Child Care

The largest number of child care programs in Florida falls into the family child care category. Family child care is defined as care offered in the home of a provider for children unrelated to that provider or to the provider's own children. The State of Florida requires that no more than 10 children, including a provider's own children, be cared for through family day care. Family care providers are categorized as either registered or licensed. Licensing is important because it mandates a specified level of standards in health, safety, and staff training. The total number of family care providers in Florida is 7,365, representing approximately 48 percent of the total number of programs available, slightly more than the child care centers.

Child Care Centers

Child care centers, another predominant type of child care, fall into two categories: those licensed by the state and those exempt from licensing. Typically, child care centers offer care for children in groups of 12 or more. Licensed and Licensed Exempt comprise a total of 6,183 child care centers in Florida, approximately 40 percent of all child care programs.¹⁰

Faith-Based Child Care Programs

These programs are offered through a church or parochial school, and can be licensed or exempt from licensing. Figures for faith-based programs are included in the figures for child care centers within a subcategory.

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Head Start/Early Head Start

Other common child care options include Head Start or Early Head Start programs. Funded by the federal government, Head Start programs care for infants and children to age five. Specifically, Early Head Start targets children from birth to age three. Participants in the Head Start programs must meet low income eligibility guidelines. Head Start programs represent 6 percent of child care programs overall and total 929 programs in Florida.

Pre-Kindergarten Early Intervention

For three- and four-year-olds, Prekindergarten Early Intervention programs exist as additional options for child care. This program type, like programs such as Head Start, has requirements based on income eligibility. Funded by the state, programs of this type are found in school settings as well as pre-K classrooms within child care centers. There are 928 pre-K Early Intervention Programs in Florida, comprising 6 percent of available child care.

School-Aged Care

Care for children from Kindergarten through Elementary School can be offered in a child care center, family care provider, church, or a community facility. This program type offers care to children ages 5 to 12 and can vary in group size from 10 to 25 children.

Unregulated types of child care include In-home Caregivers and Relative/Informal Care. Providing care for children within the child's home is characterized as in-home child care. Nannies who live in or outside of the home are included in this category.

Child care provided by a relative of the child in the child's home or in that relative's home is defined as relative or informal care.

A study by the Urban Institute (2000), as reported by the Florida Children's Forum in Charting the Progress, separates Florida's children into two groups to describe their primary child care arrangement. For infants and toddlers, 34 percent participate in in-home care and 33 percent are cared for by their parents. Additionally, 24 percent are enrolled in center-based care, while a nanny or babysitter cares for the remaining 9 percent. When considering older children, ages three and four, the percentage in centers increases, whereas the percentage of children cared for by their parents decreases. Center-based care represents 54 percent of the arrangements; parent care represents only 15 percent.¹¹

2.2 EMPLOYMENT AND INCOME OF CHILD CARE PROVIDERS

Three primary job classes comprise child care providers: child care workers, preschool teachers, and educational administrators of child care centers/programs. Child care workers are defined as individuals who care for children in child care centers, nursery schools, preschools, public schools, private households, family child care homes, or before- and after-school programs.¹² Individuals employed as preschool teachers and educational administrators (child care centers/programs) are accounted for in separate job title categories. Exhibit 2-2 compares the income level estimates for these classes at the state and national levels.

EXHIBIT 2-3

EARNINGS PER WORKER BY INDUSTRY IN FLORIDA

Industry	Earnings per Worker
Child Care Services	\$15,948
Laundry, Cleaning, and Shoe Repair	\$15,960
Hotels and Lodging Places	\$24,791
Beauty and Barber Shops	\$14,398
Eating and Drinking	\$16,039
Elementary and Secondary Schools	\$20,520
Apparel and Accessory Shops	\$17,407

Source: MGT of America, Inc. using IMPLAN (2000), Output, Value Added, and Employment.

The income estimates for Florida child care workers and preschool teachers fall below the mean and median estimates for the country in each measure. The average annual salary for child care workers in Florida is \$14,700; the national average is higher at \$16,350. For preschool teachers, the same finding is true. The national average annual salary is \$20,100, whereas the average annual salary in Florida is \$19,410. When considering child care center program directors or administrators, the same findings indicate that the national average annual salary, mean hourly wage, and median hourly wage are also higher nationally than for Florida.

The earnings levels in Exhibit 2-2 compare occupational categories within the child care industry in Florida. Exhibit 2-3 presents similar information by comparing annual salaries among certain comparison industries, rather than occupational categories. As Exhibit 2-3 illustrates, employees in the child care industry earn less than employ-

ees in all of the other comparison industries, except for Beauty and Barber Shops. Whereas the average employee in Child Care Services earns \$15,948, employees working in Apparel and Accessory Shops earn an average of \$17,407, and employees working in Eating and Drinking establishments earn an average of \$16,039.

2.3 CHILD CARE RATES

A primary factor influencing a family's decision to use the services of the child care industry is the availability of affordable child care. Exhibit 2-4 charts the rate of child care in Florida based on type of child care and age of the child.

Exhibit 2-4 shows the general trend that as children get older, their associated child care costs decrease. Child care for children under age one is the most costly form of care in a child care center, and the cost drops through each age band. When considering licensed family child care

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EXHIBIT 2-4

WEEKLY, MONTHLY, AND YEARLY RATES OF CHILD CARE IN FLORIDA

	Age of child	Weekly Rate	Estimated Monthly Rate	Estimated Annual Rate
CHILD CARE CENTER				
	12 Months	\$116	\$464	\$5,800
	1 Year	\$105	\$420	\$5,250
	2 Years	\$95	\$380	\$4,750
	3 Years	\$90	\$360	\$4,500
	4 Years	\$90	\$360	\$4,500
	School Age	\$85	\$340	\$4,250
LICENSED FAMILY CHILD CARE HOMES				
	12 Months	\$100	\$400	\$5,000
	1 Year	\$100	\$400	\$5,000
	2 Years	\$100	\$400	\$5,000
	3 Years	\$100	\$400	\$5,000
	4 Years	\$100	\$400	\$5,000
	School Age	\$85	\$340	\$4,250
REGISTERED FAMILY CHILD CARE HOMES				
	12 Months	\$95	\$380	\$4,750
	1 Year	\$85	\$340	\$4,250
	2 Years	\$85	\$340	\$4,250
	3 Years	\$85	\$340	\$4,250
	4 Years	\$80	\$320	\$4,000
	School Age	\$75	\$300	\$3,750

Source: *Charting the Progress of Child Care and Early Education in Florida, 1999-2000.*

homes, the rate per week is constant for nonschool-aged children at \$100 per week, but is reduced by \$15 per week after the child has reached aged five. In terms of registered family child care homes, the child care weekly rate starts at \$95 for an infant and falls slightly through each age band.

Although the price of child care itself is relevant, the income base available to a family prior to child care expenses is also a factor in their economic decisions.

According to the National Center for Educational Statistics, there were approximately 8.5 million children in the U.S. in 1999. Of these children, more than 55 percent are members of families where the household income is less than \$40,000 a year. An additional 10 percent of children have families with household incomes of between \$40,001 and \$50,000.¹³

Note: Weekly rates are based on the 75 percentile by Age Group. Estimated rates per month are based on four weeks per month. Estimated annual rates are based on 50 weeks per year.

In addition to the income base available to a family, the percentage of that income used to obtain child care services is another important factor. "Of families who pay for care, those with earnings at or below 200 percent of the federal poverty level, or 'low-earning families,' spend approximately 1 out of every 6 dollars they earn on child-care compared to higher-earning families which spend 1 out of every 18 dollars on child care."¹⁴

In 1995 it was estimated that of the total revenue in the early childhood education system, families contribute 60 percent, the

government at the federal, state, and local levels contribute 39 percent, and the private sector (including business and philanthropy) contribute about 1 percent.¹⁵ Based on data collection activities by the Florida Partnership for School Readiness, approximately 75,889 Florida children ages birth to five receive some form of subsidized child care.¹⁶

2.4 DEMAND VS. AVAILABILITY

One definition of a market failure is a situation where the supply in a particular industry does not match the demand. In reference to the present status of the child care industry, the market failure occurs because the supply of child care is less than the demand for the service, thereby creating a shortage of services. With the high level of families in which both parents are employed, coupled with the rising numbers of children needing some form of child care, the child care industry is strained to keep up with demand.

The relationship between demand for child care and availability is difficult to quantify. While the overall number of child care slots would appear to be adequate to meet the demand, families often find it difficult or even impossible to find services that meet their specific needs based on the type of care (licensed or informal care), the age of the child, quality of care, or geographic location of care. It is safe to say that certain types of care are generally less available than other types. For example, infant care is quite limited in most child care centers. Additionally, school-age care is often difficult to obtain; many working parents

IMPACT OF CHILD CARE IN FLORIDA

require before- and after-school programs for their school-aged children. Finally, parents with odd-hour, variable, night, or weekend work schedules often have few, if any, services available to them.¹⁷

2.5 BENEFITS OF QUALITY CHILD CARE

Economic impacts are the focus of this study, but no discussion of child care would be complete without mention of the importance of high-quality care. The child care industry provides a valuable service to children and parents by contributing positively to a child's development. However, the nature of that contribution is heavily dependent on the quality of services offered. The quality of child care is reflected in accreditation standards, which address ratios of caregivers to children, group sizes, staff qualifications and experience, and wages in the industry. Other components of quality include the interaction between the child and caregiver in the early care environment as well as accreditation standards. When high-quality care is provided based on some or all of the preceding characteristics, positive developmental outcomes are likely to occur.

High-quality child care can be a positive influence during the most critical stage of a child's development—the period from birth to age five. If during this period a child is supported with positive cognitive and social-emotional development, that child is more likely to grow into an economically productive adult. A classic longitudinal study, commonly known as the Perry Preschool (or High/Scope) study, measured

the effects of high-quality child care delivered in the early years of a child's life. This study found that participants in a particular preschool program that met certain quality standards showed higher achievement scores, higher high school graduation rates, and higher monthly earnings than those who had not received such care. At age 27, the study participants who had received high-quality care were described as likely to exhibit positive long-term outcomes, including lower special education rates and lower arrest rates. Another longitudinal study, known as the Abecedarian Project, found similar benefits for children who received high-quality full-time child care from birth to age five. The results of this study demonstrated that participants had lower grade retentions and special education placements.¹⁸

In addition to individual benefits, quality child care also has a public benefit. The High/Scope study found that for every dollar invested in the program, more than \$8 were realized by participants in the program and by society in general. This cost-benefit ratio far exceeds the cost-benefit ratios of other social service investments. Approximately 80 percent of the benefits gained from this investment were gained by society rather than the individual participants.¹⁹

One child care system exhibits many of the indicators of high-quality care. The military, following the Military Child Care Act of 1989, created an improved child care system based on the indicators of high-quality care. Serving more than 170,000 children, the military child care system is a model for other child care programs.

Ninety-eight percent of all military child care centers are accredited, while under 10 percent of nonmilitary child care centers have accreditation status.²⁰ The military child care system also has minimized staff-to-child ratios and child group sizes.²¹

Additionally, due to higher pay rates for child care center staff, the turnover rates in the military child care system are considerably lower than nonmilitary child care centers in the United States. Staff are required to participate in training sessions and maintain certain standards within the centers. Child care provided by the military has been made relatively affordable for military families, with costs ranging from \$40 to \$114 per week based on a sliding fee scale. Serving military families that have a variety of special needs due to their type of employment, the military child care system provides services to best accommodate those families; for example, extended hours, overnight care, long-term care, or care for special ages. Affordable, high-quality child care makes the military system a model for others.²²

2.6 SUMMARY

Based on the number of employees and the number of children and families needing child care services, the child care sector is a relevant area of study for the State of Florida. Highlights of the statistics reported in this chapter are:

- According to the Florida Children's Forum, in fiscal year 1999–2000 there were 15,405 child care programs with the capacity to serve 626,483 children in the State of Florida.
- Based on 2001 data collection activities by the Florida Partnership for School Readiness, an estimated 75,889 children in the State of Florida receive subsidized child care between the ages of birth to five.
- In Florida, the weekly rate of care in child care centers and family child care homes range from \$80 to \$116 per week for children ages birth to four. The weekly rate of child care for school-aged children ranges from \$75 to \$85, as reported by the Florida Children's Forum. Child care rates tend to decrease with the age of the child.

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EXHIBIT 3-1

MODEL DESCRIPTION

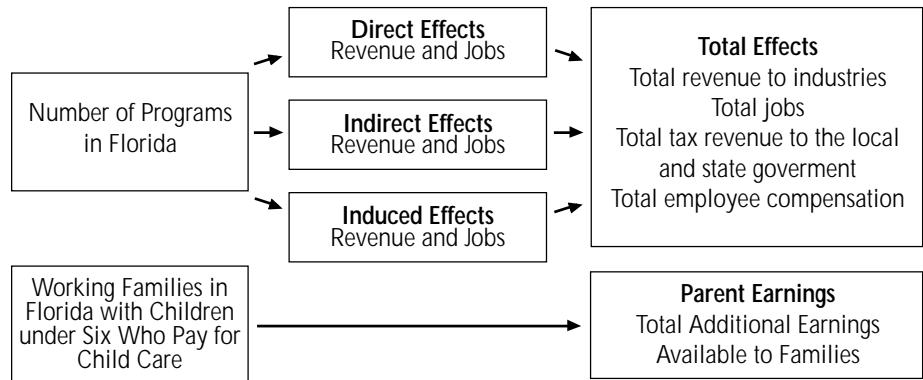
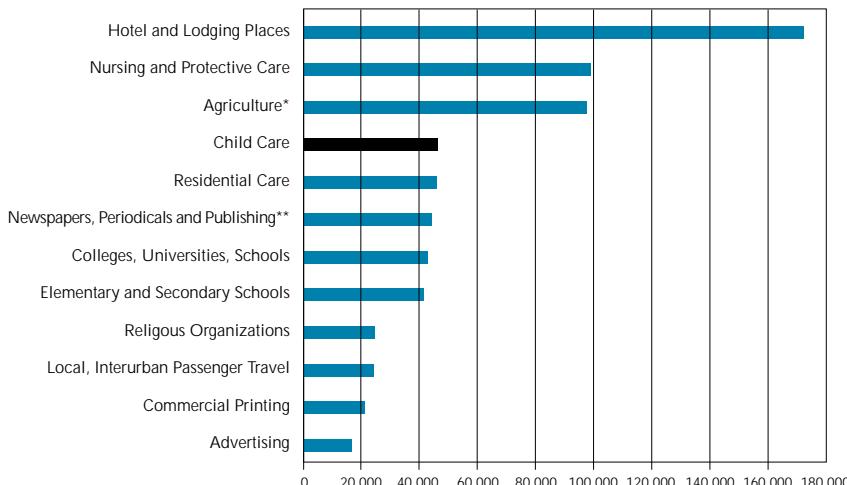


EXHIBIT 3-2

NUMBER OF EMPLOYEES IN CHILD CARE AND OTHER FLORIDA INDUSTRIES



Source: MGT of America, Inc. using IMPLAN (2000), Output, Value Added, and Employment. *Agriculture was created by summing IMPLAN industries 1-23 based on Appendix F: Agricultural Sector Definitions, IMPLAN ProTM User's Guide. **This industry was combined from the following industries: Newspapers, Periodicals, Book Publishing, and Miscellaneous Publishing. See Appendix B for details about the comparative industries and for combined industries.

ECONOMIC IMPACT OF CHILD CARE IN FLORIDA

3.1 OVERVIEW OF THE ECONOMIC MODEL

As the previous chapters have established, child care enables parents to work and therefore is an essential part of the economic infrastructure. Additionally, however, child care contributes directly to the economy as an employment industry in its own right. Through the use of economic impact modeling, the monetary contribution of the child care industry to Florida's economy can be determined. (See Appendix A for a glossary of terms.)

The discussion of the economic impact of child care depends, in part, on how we define impact. For the purposes of this report, revenue and tax effects as a result of the existence of the child care industry are estimated. Additionally, using several assumptions, the impact on parent earnings is also estimated.

The economic contribution of child care to the state's economy occurs in several ways. Not only does child care create jobs within its own industry (direct effects), but it also fosters employment in other industries through interindustry interactions (indirect effects). For example, the child care industry uses buildings, books, toys, food, and other materials while providing care for children. The demand for these goods or services creates a secondary stimulus across the economy and in turn employs individuals in these industries. Furthermore, when employees in any of these related industries spend their earnings, induced effects are generated within the industries of the

economy where their spending occurs. These indirect and induced effects comprise what are commonly referred to as multiplier effects. A multiplier effect predicts the response of the economy to a given stimulus, often a change in the inputs to a given industry. Forward linkages, or the effects on parent earnings as a result of child care, are estimated in this chapter. (See Appendix A for a glossary of terms.)

The economic effects discussed above can be diagrammed in Exhibit 3-1. Child care providers and employees in conjunction with families who demand child care are the main inputs in this analysis. Child care provides a service to those who demand child care, which generates revenue within and outside the industry (as discussed through indirect and induced effects above). Revenues in child care and other industries create tax revenue for the state and local governments. Additionally, parents who use child care experience an impact on their earnings.

A time-tested method for analyzing the economic contributions of an industry is an input-output modeling technique. An input-output model evaluates the benefits of economic activity by following the ripple effects of successive rounds of spending caused by an industry through the economy. Using an input-output model, the effects of the child care industry can be analyzed in terms of employment, revenue (gross receipts), and multiplier effects.

To assess the economic impact of child care in Florida, MGT of America, Inc., used IMPLAN,²³ an input-output modeling software tool. The IMPLAN software

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provides the relevant state data categorized by industry as well as analysis tools.²⁴ IMPLAN provides the structure necessary to generate estimates of the various output, employment, earnings, and tax impact reports available based on the study area data. The most current version available uses State of Florida data from 2000 when assessing the impact on other industries within Florida's economy as well as the overall impact in the economy in general.²⁵ The IMPLAN User's Guide describes the source of their data, ES202, as follows:

"This data is provided by the U.S. Department of Labor, as part of the Unemployment Insurance ES-202 Covered Employment and Wages Program. This data set provides annual average wage and salary establishment counts, employment counts, and payrolls by county at the 4-digit SIC code level. This data is collected from a federal/state partnership program. Data is collected by the state employment services departments and passed along to the U.S. Department of Labor. States collect the data as part of the Unemployment Insurance Program. As a result, only establishments that pay Unemployment Insurance are captured with this data source, hence the name "Covered Employment." Since this data only captures covered employees, the data set misses self-employed people, railway employment, or any other establishments who do not pay into the Unemployment Insurance program."²⁶

This chapter discusses these economic outcomes of the child care industry in terms of:

- Employment and Employee Compensation;
- Household Spending on Child Care;
- Economic Output of Child Care;
- Parent Earnings;
- Additional Considerations; and
- Conclusions.

3.2 EMPLOYMENT AND EMPLOYEE COMPENSATION

Employment in the child care industry is a factor in determining the supply of the industry. This component determines the amount of child care available to children and their families. Employees in the child care industry are individuals who work directly with children in child care centers, preschools, private households, family child care homes, or before- and after-school programs. They not only provide care for the children they serve, but also provide learning opportunities for cognitive and social development.

The 2000 data set prepared by IMPLAN and used in this analysis accounts for 39,196 employees in the child care industry. Based on the definition of the industry and the manner in which child care providers report their revenues, family child care providers are not included in the industry's employment counts. Charting the Progress²⁷ estimates the number of family child care homes at 7,365 in 1999–2000. Since family child care providers tend to be sole proprietors, this number has been added to the overall impact model. Therefore, all estimates, unless otherwise

stated, are based on an employment level of 46,561 in the child care industry.

Florida's child care industry can be characterized in terms of its level of employment relative to other industries and in term of the economic characteristics of employees. Exhibit 3-2 illustrates the number of employees in the child care industry relative to education-related industries as well as other common industries. (See Appendix B for details about the comparative industries.)

Florida's child care industry is comparable in size to other education-related industries and larger than many other familiar industries. Exhibit 3-2 shows how the child care industry compares to other Florida industries in terms of number of employees:

- An estimated 46,561 individuals are employed in Florida's child care industry, including family home care providers.
- Florida's child care industry employs more staff than do industries such as Elementary and Secondary Schools, Colleges, Universities, Schools, and Residential Care.
- Agriculture in Florida employs 97,656 employees, approximately double the size of the child care industry. Similarly, Nursing employs twice the number of the child care industry.
- Passenger Travel and Commercial Printing employ half the number of the child care industry in Florida.

In addition to employment levels, industries can be characterized in terms of the

earnings and output-related characteristics of employees, and the amount generated in employee compensation:

- The average employee in the Florida's child care industry earns an estimated \$15,948 dollars and produces \$44,590 in output per year.
- Approximately \$743 million is generated in employee compensation (earnings and benefits) directly within the child care industry in Florida.
- In Florida, more than \$1.37 billion is generated in the overall economy by the child care industry solely in total employee compensation (including direct, indirect, and induced effects).

3.3 HOUSEHOLD SPENDING ON CHILD CARE

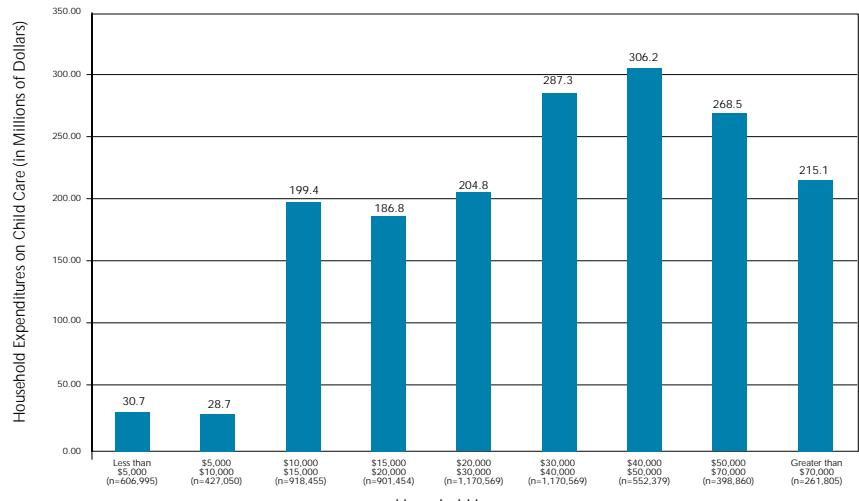
Parents and families represent the demand side of the child care industry. Families with children require child care in order to maintain employment and earn a living. With increasing numbers of women in the workforce, coupled with higher numbers of working families, the demand for child care has risen substantially. Families at all income levels demand child care. Exhibit 3-3 illustrates the amount that Florida families collectively spend on child care.

- Households with a total household income of between \$40,000 and \$50,000 spend the most on center-based child care relative to other income brackets, consuming approximately \$306.2 million in child care services.

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EXHIBIT 3-3

FLORIDA HOUSEHOLD EXPENDITURES ON CENTER-BASED CHILD CARE BY INCOME LEVEL



Source: MGT of America, Inc. using IMPLAN (2000), Household Local Commodity Demand.

Note: These estimates do not include expenditures by households on Family Home Child Care.

EXHIBIT 3-4

INDUSTRY OUTPUT COMPARISONS

Industry	Number of Employees	Industry Output (in millions)
Mean Hourly Wage		\$ 7.07 \$ 7.86
Hotels and Lodging Places		172,678 \$10,645
Agriculture*		97,656 \$7,150
Nursing and Protective Care		99,484 \$3,578
Newspapers		26,609 \$2,525
Commercial Printing		20,886 \$2,457
Child Care		46,561 \$2,076
Advertising		16,516 \$1,734
Colleges, Universities, Schools		42,724 \$1,598
Residential Care		45,926 \$1,473
Local, Interurban Passenger Travel		23,969 \$1,077

Source: MGT of America, Inc. using IMPLAN (2000), Output, Value Added, and Employment.

*Agriculture was created by summing IMPLAN industries 1-23 based on Appendix F: Agricultural Sector Definitions, IMPLAN Pro TM User's Guide. See Appendix B for details about the comparative industries.

- Families earning between \$30,000 and \$40,000 and those earning between \$50,000 to \$70,000 in household income have the next highest expenditures on center-based child care, at \$287.3 and \$268.5 million, respectively.

3.4 ECONOMIC OUTPUT OF CHILD CARE

The child care industry contributes to the state's economy in a number of ways. No industry functions in isolation; rather, each industry sells goods or provides services to those who demand them. Each industry buys goods and services from other industries in order to perform their own necessary functions. Each industry's employees spend their income in various industries, reallocating that money back into the economy.

Direct Effects

Child care providers collect revenue through the services they provide to parents and their children. These direct effects are not only the revenue generated within the industry but also the number of jobs that exist within the industry. As an employment industry, Child care generates approximately \$2.08 billion in revenue (gross receipts) within the industry itself. Using these direct effects, comparisons can be made to other industries. Exhibit 3-4 illustrates some specific comparisons to other industries in terms of revenue (gross receipts).

Indirect and Induced Effects

The child care industry makes purchases from other industries in Florida in order to provide its services. Revenue is generated in other industries through purchases made by child care providers; for example, purchases of food, supplies, toys, or other goods and services. Through this industry-industry interaction, additional revenue and jobs are created called indirect effects. The child care industry creates 9,741 indirect jobs (jobs created as a result of the child care industry and the interactions with other industries, but not within the industry itself). Through this spending, an additional \$951 million is generated by the child care industry (indirect effects). Exhibit 3-5 illustrates the industries from which child care makes these purchases.

Purchases of particular interest to the child care industry are as follows:

- The child care industry's predominant expenditures include more than \$168 million from the real estate industry and \$70 million from combined food industries.
- The child care industry also makes relatively high contributions to the wholesale trade industry and Games, Toys, Children's Vehicles, and Dolls.
- The child care industry spends approximately \$27 million on Cleaning Materials, Sanitary Paper, and Plastic Products (including diapers). The industry also spends approximately \$23 million in related Book Publishing and Periodical industries.

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When employees in both the child care industry and the industries in which the child care industry makes purchases spend their earnings, additional revenue is generated. Through this spending, additional jobs are created. Economic effects resulting from these kinds of spending are called induced effects. The child care industry creates a total of 10,742 induced jobs (jobs created through the direct and indirect effects of the child care industry). When employees, both in the child care industry and employees in the industries from which the child care industry makes purchases, spend their earnings, more than \$841 million in additional revenue is generated (induced effects). (See Appendix B for details about the comparative industries.)

Tax Revenues

For the purposes of this report, tax revenues have been calculated using a separate methodology than provided through IMPLAN, as IMPLAN has acknowledged limitations in its tax revenue estimates at the state level.²⁸

To calculate this effect, the final tax revenue collection levels for 2000–2001 for the state of Florida²⁹ and the estimated Gross State Product (GSP)³⁰ have been utilized. These two figures provide an estimate of the amount of taxes generated from a given level of output (or gross receipts). For example, in Florida's case, IMPLAN estimates a total economy output of more than \$771 billion. Total state and local taxes are estimated at more than \$27 billion. By dividing total taxes by GSP, the

ratio of taxes to output is calculated to be approximately \$36 per \$1,000 in output (or gross receipts).

This ratio can then be applied to the output generated within the child care industry (direct effects) and to the additional output generated from the spending of the child care industry and its employees (indirect and induced). With each of these types of output is an associated level of tax revenue generated at the state and local levels. Given this updated and more accurate methodology, MGT estimated that the child care industry itself generates an estimated \$74.53 million in taxes at the state and local levels. Revenue collected through the indirect and induced effects of the child care industry generates an additional \$34.08 million and \$30.14 million, respectively. Exhibit 3-6 shows that the total annual state and local tax collections are approximately \$138.75 million annually for the state of Florida.

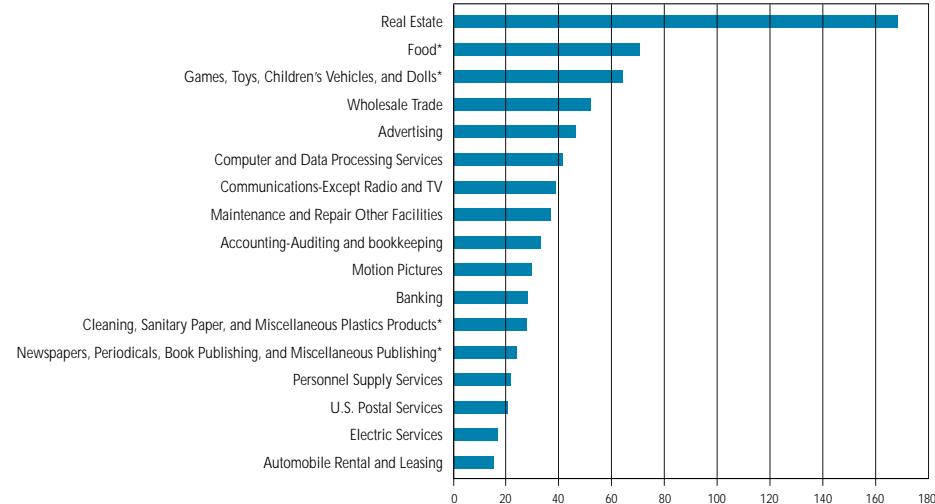
Multiplier Effects

One method of evaluating the impact of an industry on the local economy is to determine its multiplier effects. These effects are the ripple effects of an industry's spending on the state's economy. Exhibit 3-7 shows the multiplier effects (employment and output) for the child care industry as well as other related industries.

The economic benefits to Florida's economy are summarized in terms of a given monetary input in the child care industry as follows (see also Appendix B for details about the comparative industries):

EXHIBIT 3-5

EXPENDITURES BY THE CHILD CARE INDUSTRY IN OTHER FLORIDA INDUSTRIES



Source: MGT of America, Inc. using IMPLAN (2000), *Industry Balance Sheets, Industry 499*. Note: These estimates do not include expenditures by Family Providers. *See Appendix B for details of the industries and the combined industries.

EXHIBIT 3-6

TAX EFFECTS

Type of Effect	Revenue (Gross Receipts)	Tax Ratio	Total Tax Effect
Direct	\$2.08 billion	\$35.83 per \$1,000	\$74.53 million
Indirect	\$1.02 million	\$35.83 per \$1,000	\$34.08 million
Induced	\$865 million	\$35.83 per \$1,000	\$30.14 million
TOTAL	\$3.87 billion		\$138.75 million

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EXHIBIT 3-7

MULTIPLIER EFFECTS (EMPLOYMENT AND OUTPUT)

Labor Force Participation Rates		
Industry	Total Employment Multiplier	Total Output Multiplier
Advertising	20.34	1.89
Child Day Care Services	32.29	1.86
Residential Care	41.88	1.85
Colleges, Universities, Schools	37.39	1.85
Nursing and Protective Care	37.88	1.77
Hotels and Lodging Places	25.67	1.74
Newspapers	19.04	1.71
Local, Interurban Passenger Travel	30.65	1.70
Automobile Rental and Leasing	16.96	1.57

Source: MGT of America, Inc. using IMPLAN (2000), *Employment Multipliers, Output Multipliers, and Total Value-Added Multipliers, Industry 499*.

EXHIBIT 3-8

ESTIMATION OF PARENT EARNINGS (FORWARD LINKAGES)

Labor Force Participation Rates						
Family Type-	Number of Families ¹	Estimated Number and Percent of Families in the Labor Force ²	Percent of Working Families Who Pay for Child Care	Estimated Number of Families in the Labor Force Who Pay for Child Care	Average Annual Wage in Florida	Total Impact on Parent's Wages
Two-Parent Families with children under the age of six	310,456	185,032 (59.6%)	64%	118,420	\$30,226	\$3.58 Billion
Single-Mother Families with children under the age of six	103,495	71,515 (69.1%)	64%	45769,420	\$30,226	\$1.38 Billion
Single-Father Families with children under the age of six	39,294	34,579 (88.0%)	64%	22,131	\$30,226	\$669 Million
TOTAL	453,245	291,126	64%	186,320	\$30,226	\$5.6 Billion

¹ Kids Count Census Data Online, 2000 Census Data-Living Arrangements Profile for Florida, Table 5. Families by Family Type and Age of Related Children in the 2000 Census. ² Bureau of Labor Statistics, Table 4. Families with own children: Employment status of parents by age of youngest child and family type, 2000-01 annual averages

- For every \$1 million in child care revenue, approximately 22 jobs are created within the child care industry, and a total of 32 jobs are created in the overall economy. (The employment multiplier for the child care industry is lower than Residential Care and Colleges, Universities, and Schools.)
- For every \$1 million in child care revenue, \$863,000 of additional revenue is generated in the regional economy. (The output multiplier for the child care industry is comparable to the other industries shown in Exhibit 3-4.)
- The total output multiplier for child care exceeds those of other industries that have comparable levels of employees.

3.5 PARENT EARNINGS

The income generated by parents who work can be incorporated in an economic analysis of child care. The effects of parents' earnings (or "forward linkages") are quantified as the added income available to a family due to the utilization of child care services. Children under the age of six are of prime importance to the child care industry and working parents since these children are preschool-aged and therefore require care for every hour that a parent is working. The calculation assumes that, without these services, this additional income would be unavailable and unattainable for many families.

To calculate this impact, the number of families is estimated as those families who are both in the labor force and have

children under the age of six. There are 453,245 families in Florida with children under the age of six (two-parent and single-parent families). Of those families, 291,126 families are in the labor force.³¹ According to a study published by the Urban Institute, an estimated 55 percent of working families in Florida pay for child care.³² This percentage is higher (64%) when considering families with nonschool-aged children.³³ If we assume that 186,320 working families with children under the age of six (64% of 291,126 families) pay for care, we can estimate the parental impact in terms of wages earned. By multiplying that number of families by the average annual wage in Florida (\$30,226),³⁴ the economic impact of parental earnings is estimated at more than \$5.6 billion in the State of Florida. This additional income available to Florida families contributes to the state's economy as well as to the productivity and spending power of families who are in the labor force (see Exhibit 3-8).

MGT has considered only families with children under the age of six in this estimate; therefore, the total impact on parental earnings is underestimated by the amount of income parents earn due to the before - and after-school care of their school-aged children. Additionally, the estimate accounts for only one parent in each family type. For example, in a two-parent family, child care services enable at least one parent to work, but not necessarily both parents to work. Therefore, the forward linkages account for the income of the single father, the single mother, and one parent in a two-parent family.

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3.6 ADDITIONAL CONSIDERATIONS

Although essential to the existence of the child care industry, individuals employed in the government sector with responsibilities for the administration and/or governance of child care programs are not included in this analysis. This would include child care licensing staff and other state-level administrators. Additionally, it is important to recognize that a large portion of child care in the economy goes unreported. Child care services provided by family or friends, for compensation or without pay, are often unaccounted for in the estimates by almost all data collection sources. Because this section of the industry does not usually report its income or services provided, there is an underestimation of child care inherent in this and every study. Although we cannot estimate the monetary contribution of this section of the child care industry, we can quantify the estimated size. In a recent national study, the number of unpaid caregivers was estimated to be more than 2.4 million individuals,³⁵ relative to approximately 805,000 employees in the child care field. This ratio indicates that unpaid child care is almost triple the size of formal paid child care. Using the same ratio for Florida, for 46,561 Florida child care employees, more than 138,000 additional individuals may provide unpaid care.

CONCLUSIONS AND RECOMMENDATIONS

4.1 CONCLUSIONS— WHAT IS THE ECONOMIC IMPACT OF CHILD CARE?

This report is intended to engage the business, financial, and governmental sectors in a discussion about generating funds and policies that support the child care industry. To that end, this report provides policy makers and child care administrators with information to quantify the economic impact of the child care industry in Florida, and recommendations to guide the development of innovative systems for child care. Based on analysis by MGT of America, Inc. using 2000 Florida economic data and IMPLAN's analysis software, the study yields the following conclusions:

Child care enables parents to work.

Working parents depend on child care for their personal economic stability—that is, child care enables parents to work and earn money to support their families.

- With more than 180,000 families in Florida with both parents in the labor force who pay for child care for their children under the age of six, the child care industry provides the infrastructure that enables these parents to work.

The child care industry is a significant contributor to the state's economy.

The overall contribution of the child care industry can be quantified in terms of industry revenue, jobs, tax revenue, and employee compensation:

- 67,044 in jobs were supported;
- \$3.87 billion in total revenue to industries (including the child care industry itself) was generated;
- \$138.75 million in tax revenue to local and state governments was paid; and
- \$1.37 billion in employee compensation was earned.

- For every \$1 million in child care revenue, \$863,000 of additional revenue is generated in the regional economy.
- For every \$1 million in child care revenue, approximately 22 jobs are created within the child care industry, and a total of 32 jobs are created in the overall economy.

Child care increases household earnings.

Child care enables parents to work, earn higher incomes, and reduce their absenteeism and turnover rates.

- The “productivity impact” of child care in Florida is an estimated \$5.6 billion in annual earnings.

In summary, the level of supply and demand for child care determine the amount of revenue produced and the number of jobs created within the economy. The resulting impact on the economy can be quantified as total revenue, jobs, taxes, employment compensation, and parent earnings. Exhibit 4-1 illustrates these relationships.

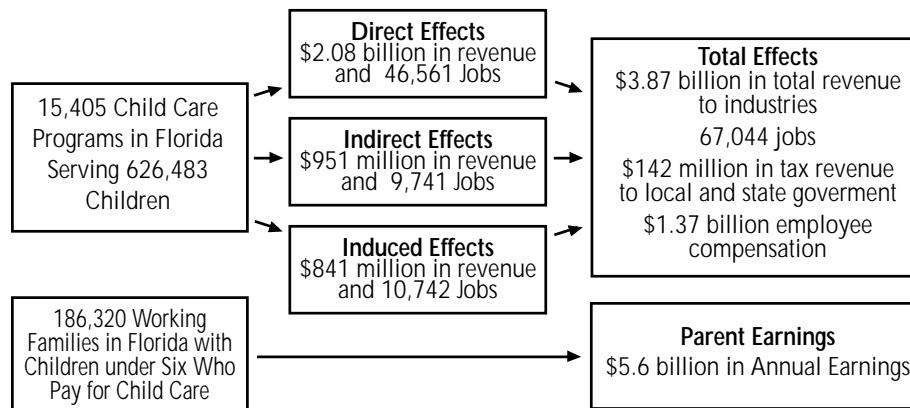
4.2 RECOMMENDATIONS— HOW SHOULD GOVERNMENT AND THE COMMUNITY RESPOND?

Child care needs are a shared responsibility of parents, employers, and communities, as well as government. Child care operates primarily as a private, fee-for-service market in which parents purchase care for their children in order to work or participate in education or training opportunities. Government, particularly at

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the state level, influences child care in a variety of ways: establishing and enforcing regulations, providing grants to expand the supply and improve the quality of child care, educating consumers on child care options and quality measures, and subsidizing the cost of child care for low-income families or establishing payment systems (such as vouchers) that provide low-income parents with the economic means to select and purchase child care of their choice.

While some government actions affect families at all income levels, government is particularly concerned about low-income families. Resources are allocated to ensure that these families have access to the child

care they need to become self sufficient and that their children receive the early care and education they need to succeed. To this end, government needs information that can help determine if public funds have been invested in ways that meet these objectives. Research can equip state administrators with data that can help them make decisions about allocation of these public funds. State and local governments generally allocate scarce resources to that which will provide a positive return on the investment. Child care administrators can use the information included in this report to guide the development of comprehensive, statewide child care delivery systems, and community planning.¹

The Florida Children's Forum assembled a group of child care stakeholders to consider the implications for Florida of the MGT analysis. The group's recommendations are as follows:

1. Explore methods of restructuring the early childhood care and education financing system to provide both direct aid and portable aid.

Portable aid could be made available in the form of child care vouchers, purchase-of-service contracts, tax credits, or scholarship programs designed to assist all families that cannot afford to pay full fees, not just low-income families. There is no stigma associated with applying for higher education financial aid; it is seen as an appropriate public investment in young minds and in ensuring an educated citizenry.

Government-subsidized low-interest loans, similar to those available for higher education, could be made available and repayment could either be delayed until the family income is higher and more stable or spread out over a 15-year period so that monthly payments are small and manageable. The loan program could also be financed privately, and administered by a private sector entity, similar to the kinds of loans that are currently available through lenders such as Academic Management Services.

2. Establish new strategic alliances that can create economies of scale and help early childhood programs become more efficient and more financially stable.

Modeled on the Management Services Organizations or Administrative Services Organizations established within managed care, these kinds of alliances might allow providers to consolidate, or jointly contract for, such administrative costs and operations such as billing and fee collection, management of the USDA Child and Adult Care Food Program, accounting, purchase of equipment and supplies, staff development (or possibly some shared staff), janitorial services, transportation, social services, or marketing. Additionally, forming this type of alliance might allow a select group of providers to negotiate together to provide services for the public sector, an employer, or a group of employers.

Similarly, without increased compensation and benefits, early care and education practitioners will move on to more lucrative fields. Some examples of wage and benefit initiatives:

- Wisconsin Quality Improvement Grants, and compensation initiative (R.E.W.A.R.D.S.);
- North Carolina's and Florida's compensation initiative (Child Care WA.G.E.\$) and North Carolina's subsidized health insurance;

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- Florida is piloting the Child Care WAGE\$ program in 2002-2003 in Orange County through a collaborative agreement between the Orange County School Readiness Coalition and the Florida Children's Forum;
- Florida's TEACH Early Childhood program (Teacher Education and Compensation Helps); and
- New York Child Care Professional Retention Program (practitioner stipends).³⁷

3. Think carefully about how early childhood care and education funds and initiatives can be used to support a wide range of strategies that promote early learning and nurturing.

Transportation policy wisely recognizes the importance of supporting a wide range of strategies that reduce congestion on public transportation, roads, and bridges. These include bicycle and pedestrian projects, High Occupancy Vehicle lanes (that encourage car-pooling) and new off-peak toll strategies (to help reduce highway congestion at peak travel times). Similarly, early care and education policy makers could explore methods to reduce the need for infant care (which is very expensive and often difficult to provide) by supporting paid parental leave or new strategies that draw relatives, friends, and neighbors who provide early care and nurturing into the broader early childhood care and education system.³⁸

4. Financial assistance linked to meeting high-quality standards is essential.

Public investments in the infrastructures of industries other than child care are often seen as good public and economic policy, rather than "welfare." For example, housing and transportation subsidies are clearly seen as investments in the construction trades as well as supports for families. Economic incentives are commonly used to help promote compliance with quality standards. For example, current housing policy often rewards investors who maintain housing in good repair and keep it rented to low-income families. Transportation policy includes measures that allow contractors to make more money if they perform repairs at night or during off-peak hours. Managed care has encouraged a host of new cost-saving and quality assurance alliances among health care practitioners. Although these incentives do not replace regulation and contract monitoring, they do recognize that economic development is a cornerstone of the industry and an approach that can be used strategically to achieve policy goals.

Without targeted funds for quality initiatives (in addition to parent fees and child care vouchers or certificates) most programs will not be able to maintain high-quality standards over time. Direct aid could be made available as "special purpose funding" and used to support specific initiatives such as: staff development, facility improvement, special equipment and supplies, and on-site social services.

5. Focus on innovative ways to leverage new public and private funds for child care.

In other fields—health care, higher education, housing, and transportation—strategies that effectively encourage private sector investment in the industry have been developed. Housing policy has leveraged tremendous private sector investment in low-income communities, even when the housing in which it invests cannot generate enough income to repay debt. Managed care has created a host of new private sector partnerships in the health care industry. Federal transportation funds are routinely used to leverage private investment in transit systems and highways. Institutions of higher education are able to attract billions of dollars in investments and research grants each year—investments that are used to build endowments, help pay operating costs, and provide financial stability for colleges and universities. In each example, the private sector has become an active partner in both building and maintaining a high-quality service delivery system.

APPENDIX A GLOSSARY OF TERMS

Affordability:

The Department of Health & Human services recommends that a family's fee for child care services be no more than 10 percent of its income. This benchmark is offered as a reference point for Lead Agencies to consider when designing fee structures for affordable care. (63 CFR 39960, July 24, 1998)

Direct Effects:

Revenue generated within the industry and the number of jobs that exist within the industry.

Employee Compensation:

Wages, salaries, and benefits.

Indirect Effects:

Revenue generated in other industries through purchases made by child care providers; for example, purchases of food, supplies, toys, or other goods and services. This industry-industry interaction creates additional revenue and jobs.

Induced Effects:

When employees in both the child care industry and the industries in which the child care industry makes purchases spend their earnings, additional revenue is generated and additional jobs are created.

Input-output analysis:

A means of examining relationships within an economy, both between businesses and between businesses and final consumers (IMPLAN Pro, User's Guide, Chapter 8)

Multiplier Effects:

The change in the economy brought about by a change in final demand.

Opportunity Cost:

The forgone value associated with one decision in favor of an alternative decision.

Parent Earnings (forward linkages):

The estimated additional income available to a family due to the use of child care services.

Quality:

A term used in the field of early care and education to describe environments, experiences, and interactions that are of value to young children's development. This definition is based on two components: structural components, which include adult-to-child ratio groups, group sizes, health and safety standards, and staff preparation, qualifications, wages, and benefits; and process components, which include caregiver-child interactions, child-to-child interactions, staff-staff interactions, and parent involvement.

Revenue:

Expenditures made by households and state/local governments collected by child care providers.

APPENDIX B COMPARATIVE INDUSTRY DEFINITIONS

Implan Code	SIC Code	Industry Title	Definition (Relevant Components)
507	872,89	Accounting-Auditing and Bookkeeping	Establishments engaged primarily in furnishing accounting, bookkeeping, and related auditing services. These establishments may use data processing and tabulating techniques as part of providing their services. However, establishments engaged primarily in providing data processing and tabulating services are classified in Industry 7374. Establishments providing income tax return preparation service without also furnishing accounting, auditing, or bookkeeping services are classified in Industry 7291. Including: Accounting service, Auditing service, accounts, Bookkeeping and billing service, Certified Public Accountants (CPAs); Payroll accounting service, Public accountants certified.
469	731	Advertising	Advertising Agencies; Outdoor Advertising Services; Radio, Television, and Publishers' Advertising Representatives; and Advertising, Not Elsewhere Classified.
1-23	%1, %2	Agriculture	Dairy Farm Products; Poultry and Eggs; Ranch Fed Cattle; Cattle Feedlots; Sheep, Lambs, and Goats; Hogs, Pigs, and Swine; Other Meat Animal Products; Miscellaneous Livestock; Cotton; Food Grains; Hay and Pasture; Grass Seeds; Tobacco; Fruits; Tree Nuts; Vegetables; Sugar Crops; Miscellaneous Crops; Oil Bearing Crops; Forest Products; Greenhouse and Nursery Products.
452	56	Apparel and Accessory Store	Men's and Boys' Clothing and Accessory Stores; Women's Clothing Stores; Women's Accessory and Specialty Stores; Children's and Infants' Wear Stores; Family Clothing Stores; Shoe Stores; Miscellaneous Apparel and Accessory Stores.
477	751	Automobile Rental and Leasing	Truck Rental and Leasing, Without Drivers; Passenger Car Rental; Passenger Car Leasing; Utility Trailer and Recreational Vehicle Rental.
456	60	Banking (Depository Institutions)	This major group includes institutions that are engaged in deposit banking or closely related functions, including fiduciary activities.
466	723,724	Beauty and Barber Shops	Beauty and barber shops, combined; Beauty culture schools; Beauty shops or salons; Cosmetology schools; Cosmetology shops or salons; Facial salons; Hairdressers; Manicure and pedicure salons; Unisex hairdressers; Barber college Barber shops Hair stylists, men's.
176	273	Book Publishing	Books: Publishing or Printing.
428	399	Brooms and Brushes	Miscellaneous Manufacturing Industries: Brooms and Brushes.

Implan Code	SIC Code	Indsutry Title	Definition (Relevant Components)
499	835	Child Day Care Services	Establishments engaged primarily in the care of infants or children, or in providing prekindergarten education, where medical care or delinquency correction is not a major element. These establishments may or may not have substantial educational programs. These establishments generally care for prekindergarten or preschool children, but may care for older children when they are not in school. Establishments providing babysitting services are classified in Industry 7299. Head Start centers operating in conjunction with elementary schools are classified in Industry 8211. Including: Child care centers, Day care centers, child, Group day care centers, child Head Start centers, except in conjunction with schools, Nursery schools, Preschool centers.
496	822	Colleges and Universities	Colleges, Universities, and Professional Schools and Junior Colleges and Technical Institutes.
179	275, 276	Commercial Printing	Commercial Printing, Lithographic; Commercial Printing Gravure; Commercial Printing, Not Elsewhere Classified.
441	481, 482, 489		Communications, Except Radio and TV Telephone Communications; Telegraph and Other Message Communications; Communications Services, Not Elsewhere.
419	394	Dolls	Dolls, Toys, Games and Sporting and Athletic (some percentage).
	454	58	Eating and Drinking Eating establishments; drinking establishments (alcoholic beverages).
443	491, %493	Electric Services	Electric services; Combination Electric and Gas, And Other Utility (some percentage).
495	821	Elementary and Secondary Schools	Elementary and Secondary Schools including academies, elementary and secondary schools; Boarding schools; Finishing schools, secondary; High schools; Kindergartens; Military academies elementary and secondary level; Parochial schools, elementary and secondary; Preparatory schools; Schools for the physically handicapped, elementary and secondary; Schools for the retarded; Schools, elementary and secondary; Seminaries, below university grade; Vocational high schools.
59-68, 72-73, 79-82, 84, 90, 102-103	201, 202, 203, 204, 207, 205, 206, 209	Food*	Sausages and Other Prepared Meats; Poultry Processing; Creamery Butter; Cheese-Natural and Processed; Condensed and Evaporated Milk; Ice Cream and Frozen Deserts; Fluid Milk; Canned Specialties; Canned Fruits and Vegetables; Dehydrated Food Products; Flour and Other Grain Mill Products; Cereal Preparations; Bread- and Cake-Related Products; Cookies and Crackers; Sugar; Confectionery Products; Shortening and Cooking Oils, Flavoring Extracts and Sugars, NEC; Macaroni and Spaghetti, Food Preparations, NEC.

*Food industries in this category include only those industries from which child care made purchases.

Implan Code	SIC Code	Industry Title	Definition (Relevant Components)
420	%394	Games, Toys, and Children's Vehicles	Games, Toys, and Children's Vehicles, Except Dolls and Bicycles.
463	70	Hotels and Lodging Places	Hotels and Motels; Rooming and Boarding Houses; Camps and Recreational Vehicle Parks; Organization Hotels and Lodging Houses.
464	721, 725	Laundry, Cleaning, and Shoe Repair	Laundry, Cleaning, and Garment Services; Shoe Repair Shops and Shoeshine Parlors.
434	41	Local, Interurban Passenger Transit	Local and Suburban Passenger Transportation; Taxicabs; Intercity and Rural Bus Transportation; Bus Charter Service; School Buses; Terminal and Service Facilities for Motor Vehicle.
56	%15, %16, %17	Maintenance and Repair, Other Facilities	Building Construction General Contractors and Operative Builders; Heavy Construction and Other Building Construction Contractors; Construction Special Trade Contractors (some percentage of these industries).
220	308	Miscellaneous Plastic Products	Unsupported Plastics Film and Sheet; Unsupported Plastics Profile Shapes; Laminated Plastics Plate, Sheet, and Profile Shapes; Plastics Pipe; Plastics Bottles; Plastics Foam Products; Custom Compounding of Purchased Plastics Resins; Plastics Plumbing Fixtures; Plastics Products, Not Elsewhere Classified.
178	274	Miscellaneous Publishing	Miscellaneous Publishing, not elsewhere classified.
483	781-783, 784	Motion Pictures	Motion Picture Production and Allied Services (some percentage); Motion Picture Distribution and Allied Services(some percentage); Motion Picture Theaters (some percentage); Video Tape Rental.
174	271	Newspapers	Newspapers: Publishing, or Publishing and Printing.
491	805	Nursing and Protective Care	Nursing and Personal Care Facilities including Skilled Nursing Care Facilities, Intermediate Care Facilities, and Nursing and Personal Care Facilities, Not Elsewhere Classified.
497	823-829	Other Educational Services	Libraries; Vocational Schools; and Schools and Educational Services, Not Elsewhere Classified.
175	272	Periodicals	Comic books, Magazines, Periodicals, Statistical reports (periodicals), Television schedules, Trade journals.
474	736	Personnel Supply Services	Employment Agencies; Help Supply Services.
197	%284	Polishes and Sanitation Goods	Soap, Detergents, and Cleaning Preparations (some percentage).
462	65	Real Estate	Real Estate Operators (except Developers); Real Estate Agents and Managers; Title Abstract Offices; Land Subdividers and Developers.
505	866	Religious Organizations	Churches, Convents, Monasteries, Religious instruction, provided by religious organizations, Religious organizations, Shrines (religious), temples.

Implan Code	SIC Code	Indsutry Title	Definition (Relevant Components)
501	836	Residential Care	Residential Care including: Alcoholism rehabilitation centers, Boys' towns; Children's boarding homes; Children's homes; Children's villages; Drug rehabilitation centers, Group foster homes; Halfway group homes for persons with social or personal problems; Halfway homes for delinquents and offenders; Homes for children, with health care incidental; Homes for destitute men and women; Homes for the aged, with health care incidental; Homes for the deaf or blind, with health care incidental; Homes for the emotionally disturbed, with health care incidental; Homes for the mentally handicapped, with health care incidental; Homes for the physically handicapped, with health care incidental; Juvenile correctional homes; Old soldiers' homes; Orphanages; Rehabilitation centers, residential: with health care incidental; Rest homes, with health care incidental; Self-help group homes for persons with social or personal problems; and Training schools for delinquents.
170	%267	Sanitary Paper Products	Sanitary Paper Products including: cleansing tissues; diapers; facial tissues; handkerchiefs; napkins; tampons; toilet paper; towels.
196	%284	Soap and Other Detergents	Soap, Detergents, and Cleaning Preparations (some percentage).
513	N/A	U.S. Post Office	Government Service: Not provided
447	50,51	Wholesale Trade	Motor Vehicles and Motor Vehicle Parts, Furniture and Home Furnishings, Lumber and Other Construction Materials, Professional and Commercial Equipment, Metals and Minerals (Except Petroleum), Electrical Goods, Hardware, and Plumbing and Heating Equipment, Machinery, Equipment, and Supplies, Miscellaneous Durable Goods, Paper and Paper Products, Drugs, Drug Proprietaries, and Druggists' Sundries, Apparel, Piece Goods, and Notions, Groceries and Related Products, Farm-product Raw Materials, Chemicals and Allied Products, Petroleum and Petroleum Products, Beer, Wine, and Distilled Alcoholic Beverages, and Miscellaneous Nondurable Goods. Sources: Minnesota IMPLAN Group, Inc. IMPLAN Pro User's Guide/Analysis Guide/Data Guide. 1725 Tower Drive West, Suite 140, Stillwater, MN, 55082, www.implan.com , 1997 and Occupational Safety and Health Administration, U.S. Department of Labor, http://www.osha.gov/cgi-bin/sic/sicser5 .

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²⁰ Accreditations are granted by the National Association for the Education of Young Children or NAEYC.

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²⁴ Other economic impact reports have established common methods for calculating alternative employment levels and/or gross receipts by using staff-child ratios and enrollment data (by age and type of care), respectively. In Florida, enrollment data available are incomplete and therefore inappropriate to replace the data provided through IMPLAN. The employment count from IMPLAN was modified appropriately to include family home care providers.

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