DOCUMENT RESUME

ED 481 226 PS 031 574


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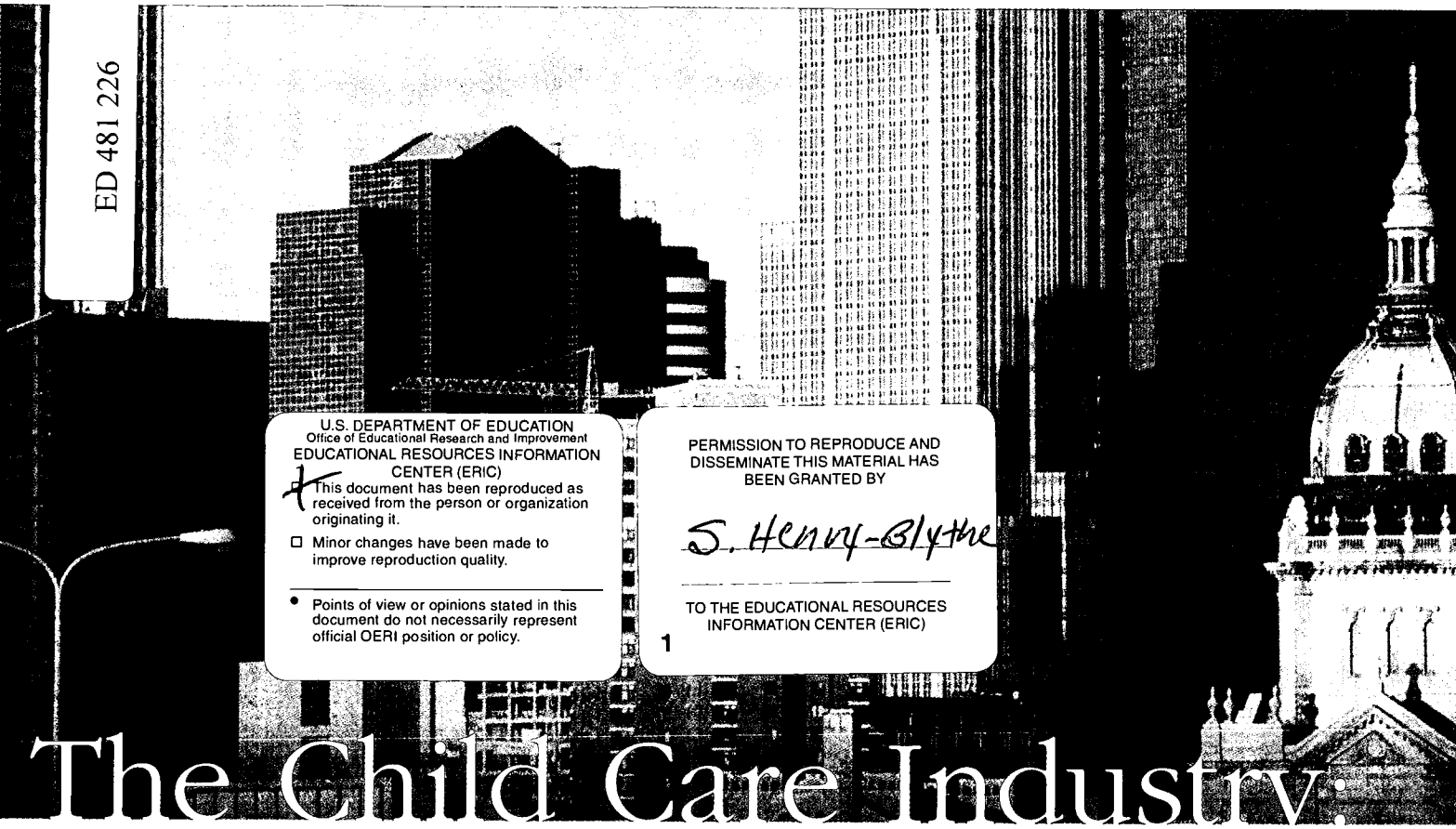
| AUTHOR | Miels, Gayle, Ed. |
| TITLE | The Child Care Industry: Supporting Jobs and Economic Development in Minneapolis. Report and Recommendations. |
| INSTITUTION | Greater Minneapolis Day Care Association, MN. |
| PUB DATE | 2003-08-00 |
| NOTE | 21p. |
| AVAILABLE FROM | Greater Minneapolis Day Care Association, 1628 Elliot Avenue South, Minneapolis, MN 55404. Tel: 612-341-1177; Web site: http://www.gmdca.org. |
| PUB TYPE | Reports - Descriptive (141) |
| EDRS PRICE | EDRS Price MF01/PC01 Plus Postage. |
| DESCRIPTORS | *Child Care; Child Caregivers; Cost Effectiveness; *Early Childhood Education; *Economic Impact; *Educational Quality; Employed Parents; Labor Supply; Mothers |



ABSTRACT

Once generally perceived as a service for working parents, child care is now recognized as an early education setting where children learn skills and behaviors for life. The child care and early education industry is also a powerful economic force that experienced significant growth in the past three decades in response to family, economic, and policy changes. The child care industry in Minneapolis, Minnesota, generates substantial revenue, creates and supports local jobs, and stimulates significant economic activity that ripples through the city economy. This report examines the economic impact of child care and early education businesses in Minneapolis, focusing on four main areas: (1) jobs and economic development; (2) providing key economic infrastructure; (3) supporting businesses and working parents; and investing in future workforce development. It is noted that because the report draws only on information available on licensed child care and early education providers, the total size and full economic impact of the industry is underrepresented because of the lack of data for informal care arrangements. Among the findings are the following: (1) for every $1 million spent on child care and early education in Minneapolis, child care and early education business spending supports $787,000 of additional economic activity; (2) total earnings for parents using child care and early education in Minneapolis is $224.4 million; and (3) parents who join the labor force with the help of child care and early education assistance earn $1.40 in new income for every $1.00 invested. The report then advocates improvement in the quality of early childhood care and education as an investment in future workforce development, and offers recommendations for strategic investment in early care and education at the business, city, county and state levels. The report concludes by detailing data sources for the report. (Contains 20 endnotes.) (HTH)





# The Child Care Industry:

## Supporting Jobs and Economic Development in Minneapolis

Report and Recommendations | *August 2003*



*Child care is a critical service*
*for working parents and their children.*
*It is also a vital component of the Minneapolis economy,*
*creating jobs and stimulating significant local revenues*
*through the purchase of goods and services.*

# The Child Care Industry: Supporting Jobs and Economic Development in Minneapolis

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The Jay and Rose Phillips Family Foundation


# Contents

# Report Background

Once generally perceived as a service for working parents, child care is now recognized as an early education setting where children learn skills and behaviors for life. The child care and early education industry is also a powerful economic force that experienced significant growth in the past three decades in response to family, economic, and policy changes. The child care industry in Minneapolis generates substantial revenue, creates and supports local jobs, and stimulates significant economic activity that ripples through the City's economy with the purchase of goods and services. Like roads and public transportation, child care is an integral part of the City's economic development infrastructure that enables parents to work. The City of Minneapolis, Hennepin County, and the State of Minnesota share a long history of investing in child care, recognizing its value as early education as well as infrastructure for economic development.

This report examines the economic impact of child care and early education businesses in Minneapolis, focusing on four main areas: Supporting Jobs and Economic Development; Providing Key Economic Infrastructure; Supporting Businesses and Working Parents; and Investing in Future Workforce Development.

## *Scope of this Report*

Many parents needing child care use family members, friends, or other adults not required to be licensed by the Minnesota Department of Human Services (DHS) because of the small number of children in their care. Forty percent of children age 12 and under in nonparental care are in licensed child care and early education settings.[1] Data are not available for providers who are unregulated. Therefore, this report draws only on information available on licensed child care and early education providers, including centers, family child care providers, Head Start programs, part-day nursery schools, and before- and after-school programs. The total size and full economic impact of the industry is under-represented in this report because of the lack of data for informal child care arrangements. Nevertheless, statistics on licensed providers clearly demonstrate the importance of the child care and early education industry to the economic vitality of Minneapolis.

Child care and early education industry statistics used in this report are from the Child Care Resource and Referral database collected and maintained by the Greater Minneapolis Day Care Association under contract with the Minnesota Department of Education, the Minnesota Department of Economic Security, and Hennepin County. Although programs for school-age children operated by a school district are monitored by that district and are not required to be licensed, we have included data on those programs, along with all licensed programs.

## *Measuring the Child Care Sector's Local Economic Impact*

The estimates for the impact of child care services in this report utilized IMPLAN Professional 2.0 and the 2000 Minneapolis IMPLAN Database. The IMPLAN input-output modeling system provides information on the economic linkages between industries in a region. The IMPLAN database provides employment, output, and value-added multipliers for over 500 industries. Initially developed for use by the U.S. Forest Service, IMPLAN is now used in many fields. The IMPLAN data and accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations.

*Child care is now recognized as an early education setting where children learn skills and behaviors for life. The child care and early education industry is also a powerful economic force that experienced significant growth in the past three decades in response to family, economic, and policy changes.*

IMPLAN quantifies both the dollars spent and the jobs sustained by child care industry purchases from other industries in the local economy. The IMPLAN program measures economic activity by determining the gross dollars of total sales that would be generated throughout the economy by direct child care spending and by determining the number of jobs in other industries that are sustained by household spending of workers employed in licensed child care. Since most of the child care industry's purchases are local, the sector's spending impact is greatest on the local economy.

The IMPLAN multipliers help researchers and policy makers compare the relative economic impact and benefit to the local economy of expenditures in different infrastructure sectors such as transportation, job-training programs, or water and sewer. While local investments in these other infrastructure sectors are seen as intrinsically valuable to the City based on their impact on economic development, child care generally is not viewed as economic development. Additionally, the full economic value of the child care sector results from the sector's contribution to increasing and stabilizing the labor pool and leveraging federal, state and private dollars.


## *Acknowledgments*

We gratefully acknowledge our debt to the work of Dr. Mildred Warner, Cornell University; Louise Stoney, Stoney and Associates; Janice Stokeley, Executive Director of the Child Care Coordinating Council, San Mateo, CA; and the National Economic Development and Law Center. We drew inspiration, concepts, and specific methodology for researching the economic impact of child care from all of them. For more information about the rationale and methodology of conducting an economic impact study, go to www.cce.cornell.edu/restructuring/doc/reports/childcare/?.

Minnesota is fortunate that Dr. Arthur Rolnick and Dr. Rob Grunewald of the Minneapolis Federal Reserve Bank researched the rate of return of investments in early child development. Their report, *Early Childhood Development: Economic Development with a High Public Return*, shows that investments in effective early education for children who are at risk of school failure provide tax savings for all tax payers and long-term advantages for local economies.

A number of people were instrumental in developing this report; in particular, we wish to thank the members of our Advisory Committee who helped shape the methodology, determined rationales for which data to use, and kept the project focused on the critical questions facing Minneapolis. We also wish to thank their agencies or organizations that assisted with data collection and analysis.

This report could not have been completed without data on the child care market supply and demand and related statistics collected on an ongoing basis by the staff of the Greater Minneapolis Day Care Association serving Hennepin County as a member of Minnesota Child Care Resource and Referral Network.

Funding for this report was provided by a grant from the U.S. Department of Education OERI Fund for the Improvement of Education for the GMDCA Early Education Finance Demonstration and by the Jay and Rose Phillips Family Foundation.


*...the full economic value of the child care sector results from the sector's contribution to increasing and stabilizing the labor pool and leveraging federal, state and private dollars.*

# The Child Care Industry: *Supporting Jobs and Economic Development in Minneapolis*

Child care and early education is a critical service for working parents and provides environments where young children learn skills and behaviors for life. As an industry, it is a vital component of the Minneapolis economy, creating jobs and stimulating significant local economic activity through the purchase of goods and services. In Minneapolis alone, the licensed child care industry has 711 for-profit and non-profit businesses that generated gross receipts of $90.4 million in 2002 and provided 9,256 working parents with care for their children.[2] The industry's 1,867-person workforce is comparable to that of the radio and television broadcasting industry.[3]

**The size of the licensed child care and early education workforce in Minneapolis is on par with the radio and television broadcasting industry.**

**Minneapolis Industry Workforce Comparisons**

| Industry | Number in Workforce |
|---|---|
| Elementary & Secondary Schools *(Private)* | 3,711 |
| Newspapers | 2,869 |
| Surgical Appliances & Supplies | 2,012 |
| **Child Care Services** | **1,867** |
| Radio & TV Broadcasting | 1,714 |

*Implan, Standard Industrial Classification (SIC), Base Year 2000.*

In Minneapolis, there are approximately 37,000 children ages birth to 12 with both parents or a single parent in the workforce.[4] Many working parents, especially those working evenings and weekends, arrange for child care with friends and relatives who are not required to be licensed by the State because of the small number of children in their care. However, in the last decade, the number of licensed child care and early education slots in the City grew 23% to meet the demand of working parents. In 2002, 12,494 children in Minneapolis, ages 12 and younger, were in a licensed child care and early education setting.[5]

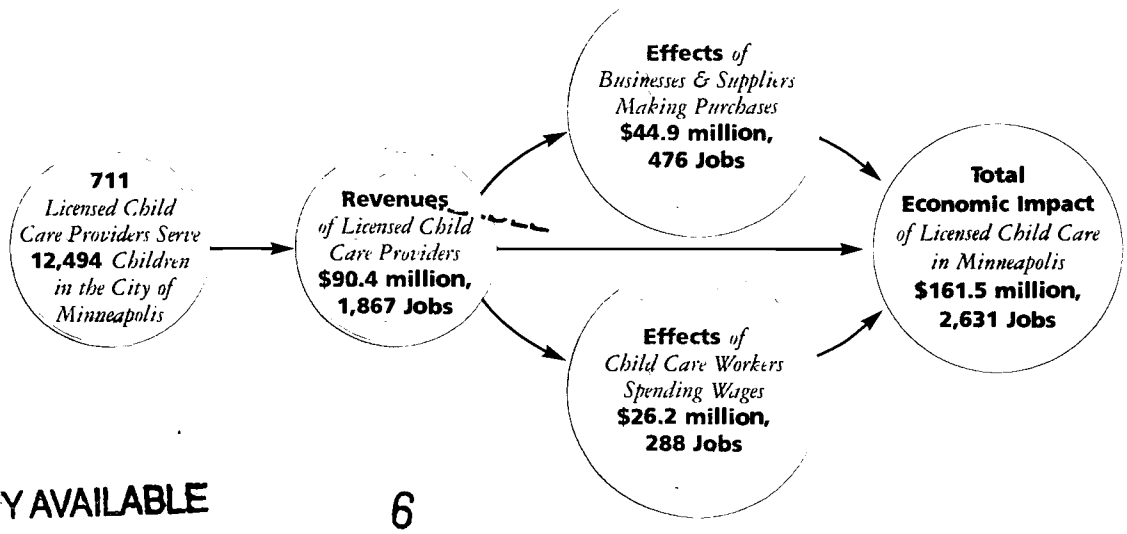
**For every $1 million spent on child care and early education in Minneapolis, child care and early education business spending supports $787,000 of additional economic activity.**

When circulated through the local economy, the $90.4 million in revenue generated by child care providers stimulated an additional $44.9 million in economic activity and supported 476 additional local jobs.

Spending by child care and early education workers and by local vendors' employees stimulated another $26.2 million in output from local businesses and an additional 288 jobs in the City.

The total economic impact of child care and early education, including revenue and the economic activity stimulated by these businesses, totals $161.5 million and supports 2,631 jobs.[6] (See figure below.)

Economic Impact of the Licensed Child Care Industry in Minneapolis



# Child Care and Early Education: *Providing Key Economic Infrastructure*

Child care and early education is beginning to be recognized as an integral part of the economic development infrastructure that supports work, much like roads and public transportation. Roads receive public support for capital construction while transit services receive public support for infrastructure and equipment needs and to keep user fees reasonable. Similarly, child care and early education relies on public support, both to build infrastructure and to make the costs affordable for low-income families. In turn, these public subsidies stimulate economic development and encourage private investment.

In the past three years, the City of Minneapolis has helped 101 child care and early education businesses improve their facilities through the Greater Minneapolis Day Care Association's Renovation Loan Program. From June 2002 through May 2003, the City invested $323,000 in renovation funds for 30 licensed child care and early education businesses in homes and centers. This infrastructure funding is often used to improve indoor air quality and reduce exposure to lead in child care and early education environments. The result is improved respiratory health and protection from lead poisoning, which is associated with a drop in IQ and lower learning potential in children. Other benefits resulting from funding include fewer absences from school and work, along with helping to stabilize these small businesses and improve the City's aging housing stock.

## *A Workforce Link*

The Minnesota Department of Economic Security reports in *Minnesota Economic Trends*, January, 2003, that the State's workforce participation rate increased at twice the rate of the nation's from 1970 to 2000. At 66%, workforce participation by women in Minnesota is now the highest in the country, compared to 58% nationwide. The number of women with children entering the workforce in Minnesota grew by almost 40% between 1990 and 2000, compared to 30% in the rest of the country. In 2000, 79% of Minnesota mothers were in the workforce, compared to 69% nationwide; women with young children represent the fastest growing sector.[7] Businesses rely on a dependable supply of market-based child care to meet working parents' needs.

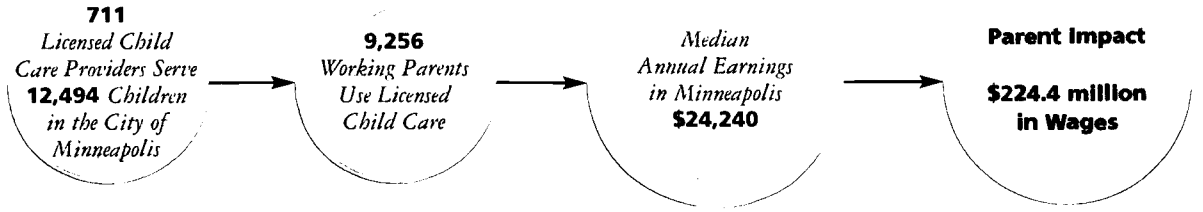
**Women with young children is the fastest-growing group in Minnesota's workforce.**

With a workforce participation rate already among the highest in the country, Minnesota's workforce is projected to maintain a growth rate of 12.3% over the next decade (2000 to 2010). In comparison, the number of jobs is projected to grow by 13.2%. Even with the current economic downturn, workforce shortages are projected to develop again at the end of the decade.[8] Given this trend, the ability of employers to attract and retain employees who are parents, particularly those with young children, will be critical to the future vitality and growth of our economy.

**Total earnings for parents using child care and early education in Minneapolis is $224.4 million.**

The median annual wage of $24,240 earned by the 9,256 parents who went to work while their children attended licensed child care and early education in Minneapolis generated total earnings of $224.4 million.[9] The availability of dependable, safe child care and early education that enables parents to work benefits the local economy because parents spend their wages, pay taxes, and contribute to the economic life of the community.

**Economic Impact of Working Parents' Wages**



# Child Care Assistance:
# *Supporting Business and Working Parents*

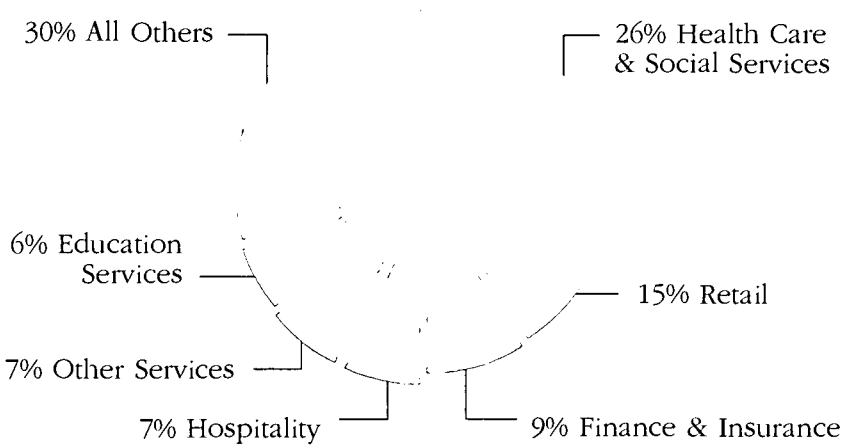
It is widely acknowledged that employers who sponsor child care reap the benefits in satisfied, productive employees. Less recognized is the significance of subsidies in supporting businesses. Major industries important to the City's economic strength depend on employees currently receiving child care assistance for their labor force. In Minneapolis, these industries include health care, retail, financial services, and hospitality. (See pie chart below.) Many employers—both large and small—do not pay wages that can support a family and pay for child care. Parents earning low wages need assistance to meet the cost. Last year, 4,333 parents with median annual earnings of $9,874 worked in Minneapolis with the help of the Minnesota Child Care Assistance Program (CCAP). These parents earned a total of $42.8 million[10], boosting the local economy while helping employers recruit and retain employees with the children. (See figure below).

In four Minnesota counties, including Hennepin, the health care, retail, administrative support, and hospitality industries have significant employment vacancies. Research completed by Liz Davis and Marcie Jeffreys, of the University of Minnesota, under contract with the Minnesota Department of Children, Families and Learning (now Department of Education) found that these industries also disproportionately employ parents using child care assistance compared to their percentage of workers in the total workforce. The percent of each industry's total work-force compared with the jobs held by parents receiving child care subsidy is as follows:

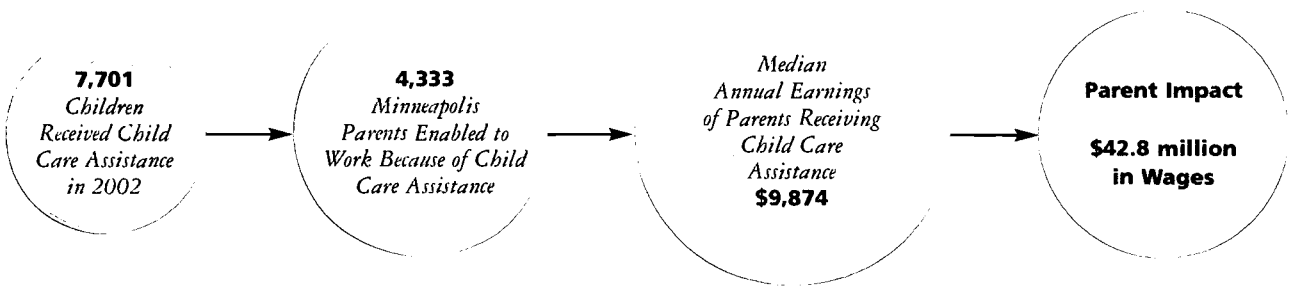
| | Percent of Total Workforce | Percent of Jobs Supported by CCAP |
|---|---|---|
| Health care | 10.1% | 23.1% |
| Administrative and Support | 6.2% | 16.4% |
| Retail Trade | 10.3% | 13.7% |
| Accommodation & Food Service | 6.6% | 8.9% |

Low- and middle-income families experience sticker shock at the cost of child care. Full-time child care and early education for a three-year-old in a

Industries Employing Parents who Receive Basic Sliding Fee Child Care Assistance through GMDCA (Dec. 2002)




Economic Impact of Parents Receiving Child Care Assistance



# Child Care Assistance:
# *Supporting Business and Working Parents*

Minneapolis center averages $9,350 a year—considerably more than $6,280 in tuition for two semesters at the University of Minnesota. At the same time, young parents are at the beginning of their earning cycle, placing the cost of child care out of reach for many families.

Young children need constant adult supervision and caregivers who are responsive to their physical and developmental needs. Despite low wages paid to providers that leads to high staff turnover and inconsistent quality, the labor-intensive nature of child care drives up the cost. Rigorous health, safety, and facility requirements to protect children also increase costs and hold down profit margins. While the bottom-line of many industries benefit from using technology or economies of size, these cost-cutting measures are only marginally effective options for early care and education providers.

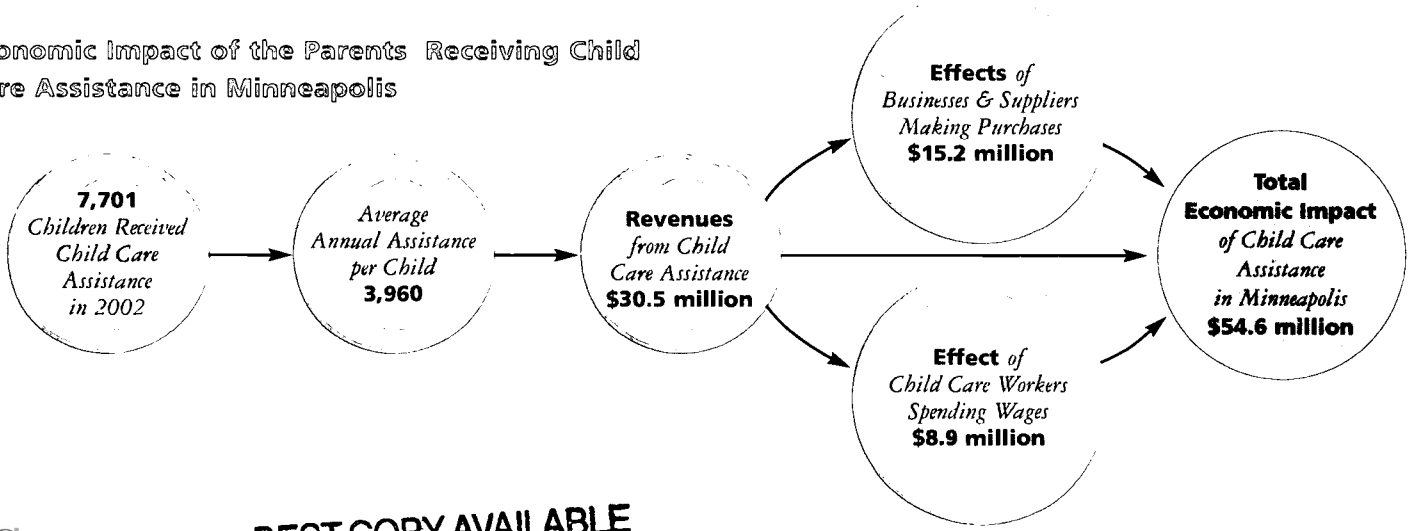
In spite of the benefit to the entire community when children experience quality early care and education, which enhances their learning and prepares them for kindergarten, most programs depend on parent fees for over 85% of their costs. Combining all sources of funding for early care and education programs nationwide, parents pay 60% of the cost; the public sector contributes 39%; and the private sector only 1%. In contrast, only 35% of total revenues of public and private higher education are paid by student tuition while K-12 public schools are funded 100% through tax dollars.[11]

**Average Annual Full-time Minneapolis Child Care Rates**
January 2003

| Ages | Centers | Family Child Care |
|---|---|---|
| Infant | 13,150 | 7,750 |
| Toddler | 10,900 | 7,400 |
| Preschooler | 9,350 | 6,900 |
| School-Ager | 7,840 | 5,900 |

Minnesota's Child Care Assistance Program provides partial fee payment for child care on a sliding scale based on family size and income for low- to moderate-income working parents. Dependent Care Tax Credits (DCTC) and employer sponsored pre-tax accounts are additional child care financing tools that reduce a family's expense for child care and enable parents to work and provide for their families. Approximately 70% of families receiving child care assistance in Minneapolis earned less than 150% of the federal poverty guidelines (FPG) for their family size and 84% earned less than 200%. For a family of three, typically consisting of a parent and two children, 150% of FPG equals annual earnings of less than $22,500.[12] The median annual earnings of parents receiving subsidies in Minneapolis is $9,874.[13] Parent co-payments for child care range from 4% to 22% of their gross income; without assistance, they would be forced to spend 30% to 40% of their income for child care and early education. While the DCTC and pre-tax accounts provide modest fee relief, the CCAP brings child care fees within reach of all working families and

Economic Impact of the Parents Receiving Child Care Assistance in Minneapolis



enables parents to choose dependable, quality care for their children.

**Parents who join the labor force with the help of child care and early education assistance earn $1.40 in new income for every $1.00 invested.**

Investment of $30.5 million in child care and early education assistance stimulates an additional $15.2 million in economic activity as providers' purchases are re-circulated in the local economy. An additional $8.9 million from spending by child care and early education workers brings the total economic impact of both the spending from child care and early education assistance revenues and workers' wages to $54.6 million. In other words, every child receiving $3,960 in child care assistance supports $7,079 in local economic activity.[14] The case is compelling for greater public and private investment in quality child care and early education.

# Who Needs Help

Many jobs in Minneapolis, including some with high demand for workers, do not pay enough to cover basic necessities for a family. After a decade of job growth in the 90s during which over one-half million jobs were created in Minnesota, more than a third of the State's workers earned less than $10.50 per hour.[15] A couple with two children would have to work four full-time jobs at the minimum wage of $5.15 per hour to provide for their family's basic needs. Retail sales is one of the occupations with the most vacancies in Minnesota today.[16] Yet, with an average salary of just $6.65 an hour and no benefits, a sales clerk hardly earns enough to live on, let alone bear the cost of child care. The cost of child care and early education for two children rivals the cost for housing in a family's budget and is out of reach for low-wage-earner families. The tight affordable housing market in Minneapolis places additional stress on low-income working parents struggling to meet high rent or mortgage payments.

**Who Needs Help Paying for Child Care?**

| Occupations | Mean Annual Income* |
|---|---|
| *Health Care & Social Services* | |
| Ambulance Driver & Attendant | $22,330 |
| Home Care Aide | $20,270 |
| Nursing Aide | $24,720 |
| **Child Care Worker** | **$17,840** |
| Pre-School Teacher | $23,700 |
| *Retail* | |
| Cashier | $17,500 |
| Retail Sales | $21,950 |
| *Finance & Insurance* | |
| Bank Teller | $21,500 |
| *Hospitality* | |
| Housekeeping | $19,580 |
| *Other Services* | |
| Parking Lot Attendant | $18,040 |
| *Educational Services* | |
| Teacher's Assistant (K-12) | $23,210 |
| *Other* | |
| Machine Operator | $26,410 |
| School Bus Driver | $25,620 |
| Receptionist | $22,550 |
| Janitor | $21,220 |
| Baker | $22,450 |

*2001 Twin Cities Metropolitan Area Occupational Employment and Wage Estimates, U.S. Department of Labor, Bureau of Labor Statistics

*Many jobs in Minneapolis, including some with high demand for workers, do not pay enough to cover basic necessities for a family.*

# Quality Child Care and Early Education:
## *Investing in Future Workforce Development*

There is no question that investing in quality child care and early education promotes school readiness and fuels our economy. Investments in quality early education impact the future workforce by ensuring that children will be ready to succeed in kindergarten. The 2003 Workforce Development Policy Position Statement of the Minneapolis Regional Chamber of Commerce underscores this point, stating:

> ***Workforce development is one of the most important issues facing employers in the Twin Cities metropolitan region. We know that the future of our businesses depends on a strong, well-educated workforce.***

As Minnesota's population ages and the size of its workforce declines, maximizing participation and productivity becomes increasingly crucial. Greater educational attainment translates to a more productive workforce. Quality child care supports the State's ability to succeed economically in the next several decades through boosting young children's ability to succeed in school. According to Minnesota State Economist Thomas Stinson, Minnesota's ability to position itself to take advantage of the national economic recovery depends on "continu[ing] to build on what has always been our competitive advantage: a well-trained, highly educated workforce."[17]

Developing a prepared, competitive workforce of tomorrow requires starting today with children ages birth to five years. We now know that the extent to which children are prepared during their early years for kindergarten sets them on a successful trajectory for school and life. The quality of their experiences at home and in a child care or preschool program affects their readiness for kindergarten.

In 2000, 74% of children entering kindergarten in Minneapolis Public Schools did not know printed word concepts and only 23% could identify most alphabet letters. Only 39% of entering kindergartners could identify and write numbers 0 – 10; 25% could count to 35.[18] These children could have benefited from positive early learning experiences, whether at home, in a part-time child development program such as Head Start, or in other quality child care and early education programs.

Safety, guidance, nurturing, and enrichment in the early years are the foundation for learning and for becoming a contributing member of society. By the age of 21, children in a longitudinal study who received high-quality child care and early education were 50% less likely to have required special education services and were 25% less likely to have been held back by the end of the third grade. Children who received quality preschool programs were more than twice as likely to go to a four-year college as children in the control group. They also had fewer arrests, higher incomes, and were more likely to own their own home.[19]

In a recently published report by the Federal Reserve Bank of Minneapolis, *Early Childhood Development: Economic Development with a High Public Return*, Arthur J. Rolnick and Rob Grunewald make the case for investing public and private funds in quality child development programming, particularly for disadvantaged children. They stated:

> *The conventional view of economic development typically includes company headquarters, office towers, entertainment centers, and professional sports stadiums and arenas ...we have argued that in the future any proposed economic development list should have early childhood development at the top. The return on investment from early childhood development is extraordinary, resulting in better working public schools, more educated workers and less crime... ensuring that children from low-income families are ready to learn by the time they reach kindergarten.*[20]

Investing in the quality of child care and early education is an investment in human capital and in the social structure. The child care industry provides innumerable benefits, now and in the future, as part of the infrastructure that supports a capable, ready workforce, a productive economy, and a healthy society.

# Recommendations:
## *Strategic Investments for Tough Fiscal Times*

The City of Minneapolis, Hennepin County and the State of Minnesota's investments in child care and early education support a vital part of the business infrastructure. Investing in quality early education also gives a high rate of return in an educated, skilled, and motivated citizenry. Like cities throughout the country, Minneapolis faces sharp reductions in revenues. But to decrease child care assistance for working families would be remarkably short-sighted. Ultimately, we would lose—in jobs, economic activity, tax revenues, the success of our children, and the productivity of the workforce.

At a minimum, the business sector, the City, the County, and the State should take the following steps:

### Business Sector

- Recognize the importance of quality, reliable child care and early education to the success of their business through employee stability and productivity, as well as future workforce development;
- Provide leadership to affect child care and early education policy;
- Promote employee benefits strategies for working parents;
- Provide knowledge and expert advice on effective business practices to the child care and early education industry.

### City

- Maintain current financial commitment of Community Development Block Grant dollars for child care and early education availability, affordability, and quality;
- Incorporate child care and early education into the City's economic development strategy;
- Seek continued funding for the Youth Coordinating Board's Early Literacy Training Program that enhances children's learning in child care and early education settings;
- Seek continued funding to reduce lead and other environmental hazards in child care and early education settings.

### Hennepin County

- Maintain current financial commitment to child care and early education availability, affordability, and quality;
- Incorporate child care and early education into Hennepin County's economic development strategy;
- Encourage improvements for providers caring for children whose families are using child care assistance.

### State

- Restore $98.9 million of cuts from the State Fiscal Year 04-05 Budget that supported:
- $86.2 million for Basic Sliding Fee Child Care Assistance
- $7.5 million for Early Childhood Family Education
- $3.2 million for Head Start
- $2 million for School Readiness
- Restore Child Care Assistance Program eligibility to families who earn up to 75% of state median income and limit co-payments to no more than 20% of family gross income, so that working families can afford child care.
- Lift freeze on market-rate reimbursements for licensed providers so that providers don't lose money or have to turn away children receiving assistance.

*The City of Minneapolis, Hennepin County and the State of Minnesota's investments in child care and early education support a vital part of the business infrastructure. Investing in quality early education also gives a high rate of return in an educated, skilled, and motivated citizenry.*

# End Notes

1. Richard Chase and Ellen Shelton, *Child Care Use in Minnesota: Report of the 1999 Statewide Household Child Care Survey* (St. Paul, MN: Wilder Research Center, 2001), 37, source data re-analyzed for Hennepin County.
2. See Data Elements 1, 3, & 5 in the Methodology Section.
3. See Data Element 4 in the Methodology Section.
4. U.S. Census Bureau, "Census 2000 Summary File 3: Minneapolis Table P46," *American FactFinder*, 14 January 2003, <http://factfinder.census.gov/servlet/BasicFactsServlet>.
5. See Data Element 2 in the Methodology Section.
6. See Implan Modeling in the Methodology Section.
7. Oriane Casale and Amy Fisher, "Labor Force Participation Rates," *Minnesota Economic Trends* (Minnesota Department of Economic Security, January 2003), <http://www.mnworkforcecenter.org/lmi/trends/dec02/labor.htm>.
8. Minnesota Department of Economic Security, "Minnesota Employment Projections," June 2003, <http://www.mnworkforcecenter.org/lmi/proj/index.htm>
9. See Data Elements 5 & 6 in the Methodology Section.
10. See Data Elements 9 & 10 in the Methodology Section.
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# Methodology

## Data Element 1: Number of Child Care Providers — 711

*Source* GMDCA (NACCRRAware)

*Data Collected* January, 2003

*Considerations* The decision we made regarding this element was which types of child care providers we wanted to include in the study. In the end, we decided to include all providers in the GMDCA database (child care centers, licensed family child care homes, preschools/nursery schools, and school age care sites) as well as the Head Start/Early Head Start programs.

*Computation* The number of each type of provider was obtained from a frequency table for the "Type of Care" field. (see Table 1)

## Table 1: Calculation of Data Elements 1 through 4

| Type of Provider and Age Group | Number of Providers | Number of Employees | Enrollment | Weekly Fees | Annual Fees | Annual Revenue |
|---|---|---|---|---|---|---|
| **Child Care Centers** | **99** | **747** | **4,799** | | | **$47,531,465** |
| Infants | | 144 | 573 | $263 | $13,150 | $7,534,950 |
| Toddlers | | 164 | 1,143 | $218 | $10,900 | $12,458,700 |
| Preschoolers | | 223 | 2,230 | $187 | $9,350 | $20,850,500 |
| School Agers | | 57 | 853 | | | |
| School Year | | | | $155 | $5,294 | $4,515,918 |
| Summer | | | | $172 | $2,546 | $2,171,397 |
| Support Staff | | 159 | | | | |
| **Family Child Care** | **534** | **678** | **3,172** | | | **$21,450,517** |
| Infants | | | 440 | $155 | $7,750 | $3,410,000 |
| Toddlers | | | 530 | $148 | $7,400 | $3,922,000 |
| Preschoolers | | | 1,124 | $138 | $6,900 | $7,755,600 |
| School Agers | | | 1,078 | | | |
| School Year | | | | $118 | $4,038 | $4,352,663 |
| Summer | | | | $126 | $1,865 | $2,010,254 |
| **Preschools / Nursery Schools** | **24** | **137** | **1,027** | **$38** | **$1,482** | **$1,522,014** |
| **School Age Care Sites** | **45** | **151** | **1,512** | | | **$5,160,456** |
| School Year | | | | $47 | $1,607 | $2,430,389 |
| Summer | | | | $122 | $1,806 | $2,730,067 |
| **Head Start / Early Head Start** | **9** | **154** | **1,984** | | | **$14,691,740** |
| Head Start | | 124 | 1,852 | | $7,064 | $13,082,528 |
| Early Head Start | | 30 | 132 | | $12,191 | $1,609,212 |
| **Totals** | **711** | **1,867** | **12,494** | | | **$90,356,192** |

*Source* GMDCA (NACCRRAware) and Minnesota Department of Children, Families & Learning

*Data Collected* January, 2003

*Considerations* Although NACCRRAware has fields for total licensed capacity, total desired capacity, and total vacancies for every provider (as well as fields for age-specific capacity, desired capacity, vacancies, and enrollment), we decided that the calculation of the number of children served by each type of provider should be made with the best available data for that type of provider (i.e., most complete, accurate, and up-to-date). In general, we decided that all desired capacity data and the age specific data for preschools/nursery schools and school age care sites did not meet that standard. For the Head Start/Early Head Start programs, we knew that all NACCRRAware data on capacity, vacancy, and enrollment was incomplete and/or inaccurate so that data must be obtained elsewhere.

*Computation* (see Table 1)

*Child Care Centers*
The number of children served was computed by subtracting age-specific vacancies from age-specific licensed capacity. For example, 57 centers reported a total licensed infant capacity of 666 and 49 centers reported 93 full-time vacancies resulting in 573 (666 - 93) infants currently served by centers. Although the number of centers reporting data was less than the total number of centers in the database, neither the capacity nor the vacancy data was inflated to approximate all 99 centers since we know that not all centers care for all ages of children.

*Family Child Cares*
The number of children served was computed by first figuring out an average enrollment rate for each age of child based on those providers for which we did have data; then, that average rate was multiplied by the total number of providers in the database to arrive at the total number of children served. (This assumes that the providers for which we have data are substantially similar to the providers for which we have no data.) For example, 160 family child care homes reported caring for 132 infants, or 0.825 (132/160) infants per family. Therefore, we calculated that the total number of infants served by family providers is 440 (0.825 x 534).

*Preschools/Nursery Schools*
The number of children served was computed by subtracting total vacancies from total licensed capacity. Thus, 24 preschools reported a total licensed capacity of 1089 and 21 preschools reported 62 total vacancies resulting in 1027 (1089 - 62) children currently served by preschools. Although the number of preschools reporting vacancy data was less than the total number in the database, the data was not inflated to approximate all preschools.

*School Age Care Sites*
The number of children served was computed by subtracting total vacancies from total licensed capacity. Thus, 43 school age sites reported a total licensed capacity of 1856 and 42 school age sites reported 344 total vacancies resulting in 1512 (1856 – 344) children currently served by school age sites. Again, although the number of school age sites reporting capacity and vacancy data was less than the total number in the database, the data was not inflated to approximate all school age sites.

*Head Start/Early Head Start*
The number of children served in 2002 was obtained from the Minnesota Department of Children, Families & Learning.

## Data Element 3: Annual Revenue From Child Care — $90.4 M

*Source* GMDCA (NACCRRAware/2002 Rate Survey) and Minnesota Department of Children, Families & Learning

*Data Collected* October to December, 2002

*Considerations* The decision we made regarding this element was whether we wanted to calculate revenues assuming full-time, year-round care. For child care centers and family child care homes, because we know that parents are typically charged a "weekly" rate if their child is in care more than five hours a day for five days a week, we decided to use average weekly rates as the base rate unit for calculations. However, since we know that most parents do not have their children in care every week of the year, we calculated annual fees based on less than 52 weeks of care. For preschools/nursery schools, we had monthly rate data for most programs so we simply had to convert that to an average weekly rate. However, since we know that most programs are not year-round and typically only operate during the school year, we calculated annual fees based on 39 weeks (9 months) of care. For school age care sites, we obtained updated rates for each program and then calculated average rates for before school care, after school care, and full day/summer care. For annual "school year" fees, we estimated that 50% of children are in either before school or after school care and 50% are in both before school and after school care. For annual "summer" fees, we assumed that children are in care five days a week. For Head Start/Early Head Start programs, we obtained actual federal annual costs per child.

*Computation* First, the annual fee for a child in each age group for each provider type was calculated by multiplying the weekly fee by an estimated number of weeks of care per year. (For infants, toddlers, and preschoolers in centers and family care, we estimated 50 weeks of care per year; for all school age children, we estimated 34.2 weeks for the "school year" (171 school days/5 days per week) and 14.8 weeks for the summer and school vacation days, etc. (assuming three weeks not in care); and for children in preschools/nursery schools, we estimated 39 weeks of care.) Second, the annual fees were multiplied by the enrollment to calculate age specific annual revenue. Finally, the age-specific annual revenues were summed to calculate the total annual revenue from child care. For example, the average weekly cost for infant care in a center is $263; this produces an annual revenue of $13,150 ($263 x 50). Therefore, the 573 infants cared for in centers generate $7,534,950 in annual revenues ($13,150 x 573). (see Table 1)

## Data Element 4: Size of Child Care Workforce — 1,867

*Source* GMDCA (NACCRRAware) and Minnesota Department of Children, Families & Learning

*Data Collected* January, 2003

*Considerations* Two decisions had to be made regarding this element. First, what ratio of workers to children we wanted to use for the non-family child care sites because we know that some providers have lower than required ratios (e.g., instead of a 4:1 ratio for infants, some centers staff at a 3:1 ratio). We decided to use the state licensing standards for infants, toddlers, preschoolers, and school age children (4:1, 7:1, 10:1, and 15:1, respectively) since this would give us a conservative estimate of the number of child care workers. Second, what estimate of "non-classroom" support staff did we want to include for the non-family child care sites. After considering the differences between programs that rent their space and programs that own their space, we decided that a reasonable estimate of support staff for all programs would be one person for every 30 children enrolled.

*Computation* (see Table 1)

*Centers*

To calculate the number of center-based child care workers, we divided the number of children enrolled by the licensing standards for the appropriate age group. For example, the 573 infants would require a minimum of 144 classroom workers (573/4) while the 4,799 children enrolled in centers would require an additional 159 non-classroom support staff (4,799/30).

*Family Child Care Homes*

To calculate the number of family child care workers, we first looked at a frequency table of the license type to see the distribution of "A," "B1," "B2," "C1" and "C2" licenses (which each have one worker) and "C3" and "D" licenses (which each have two workers). We then doubled the number of "C3" and "D" licenses and added that to the number of "A," "B1," "B2," "C1" and "C2" licenses to get the total number of workers in family child care homes. Finally, knowing that we only had data on 501 of 534 homes, we proportionally increased the number of workers from 636 in 501 homes to 678 child care workers in family child care homes (636*534/501). (Again, this assumes that the providers for which we have data are substantially similar to the providers for which we have no data.)

*Preschools/Nursery Schools*

To calculate the number of preschool child care workers, we divided the number of children enrolled by the licensing standards for preschoolers and added an appropriate number of support staff. Thus, the 1027 preschoolers would require a minimum of 137 workers (1027/10 + 1027/30).

*School Age Care Sites*

To calculate the number of school age child care workers, we divided the number of children enrolled by the licensing standards for school age children and added an appropriate number of support staff. Thus, the 1512 school agers would require a minimum of 151 workers (1512/15 + 1512/30).

*Head Start/Early Head Start*

The number of paid positions in 2002 was obtained from the Minnesota Department of Children, Families & Learning. However, since the data was for the entire program (which also operates three site outside of Minneapolis), we estimated that 80% of those positions were supported by the nine programs in Minneapolis.

## Data Element 5: Number of Parents Enabled to Work Because of Licensed Child Care 9,256

*Source* U.S. Census

*Data Collected* 2000

*Considerations* Census data indicates the distribution of children by family type and parental employment status but does not indicate whether the parent uses any form of child care. However, knowing how many households have children that are "child care age," we can calculate the number of parents who are enabled to work because of child care by using a series of reductions based on previous studies of child care use (assuming that child care enables one parent per household to work).

*Computation* U.S. Census Table P17 was obtained for Minneapolis which indicates "family type by presence of related children under 18 years of age by age of related child." (There was no table with "any child under 18 years" and Table P17 was thought to be a more accurate representation than the table with only "own children under 18 years.") The total number of households with related children under 18 was then obtained by summing the three household types with related children under 18 years of age: married couple family; male householder, no wife present; and female householder, no husband present. Assuming that children are

proportionally distributed among families, the total number of households was then multiplied by 75% (the percentage of children under 18 years of age that are 12 and younger (from U.S. Census Table P8)) to obtain the number of households with children aged birth to 12. That number was then multiplied by 76% (the percentage of households that use some form of child care) and then again by 40% (the percentage of children in child care who are in licensed settings) to obtain the number of households with children in licensed child care. (see Table 2)

**Table 2: Calculation of Data Elements 5 and 6**

| | Number of Households with related children under 18 years | % of Total | 1999 Earnings (weighted) |
|---|---|---|---|
| Married-couple family | 22,960 | 56.6% | $12,288 |
| Male householder (no wife present) | 3,338 | 8.2% | $2,100 |
| Female householder (no husband present) | 14,297 | 35.2% | $7,652 |
| **Totals** | **40,595** | | **$22,040** |

| | |
|---|---|
| **Number of households with children aged 0-12 (75% of households with related children)** | 30,446 |
| **Number of households with children in child care (76% of households with children aged 0-12)** | 23,139 |
| **Number of households with children in licensed child care (40% of households with children in child care)** | **9,256** |

**1999 Earnings Adjusted to 2002 $24,240**

## Data Element 6: Median Earnings of Parents Enabled to Work Because of Licensed Child Care — $24,240

*Source* U.S. Census

*Data Collected* 2000

*Considerations* We did not have access to reliable data that directly measured the earnings of parents who use child care (or even data on the earnings of parents with children who are "child care age"); the best data that was available was from the U.S. Census. However, that data was from 1999 and was only for the general population " 16 years and over with earnings." The first problem was overcome by adjusting the 1999 dollars to 2002 dollars and the second by assuming that the median earnings of parents using licensed child care is substantially similar to the general population (if not higher so our computations would be conservative).

*Computation* Using the calculation of the number of households with children aged 0 to 12 for Data Element 5, the Census median earnings data was weighted by the proportion of households types. The contributions for each household type were then summed to obtain the median earning figure. Finally, the 1999 earnings were adjusted to 2002 dollars (using a 10.0% increase based on the Consumer Price Index for All Urban Consumers for the Minneapolis/St. Paul area). For example, "female householder (no husband present) with related children under 18 years" comprised 35.2% of all households with related children. Thus, the Census data on median earnings for females ($21,726) was multiplied by 0.352 to compute the proportional contribution of single mothers to the overall median earnings of parents enabled to work because of licensed child care. (see Table 2)

## Data Element 7: Number of Children Annually Receiving Assistance for Licensed Child Care — 7,701

*Source* Hennepin County Department of Children, Family & Adult Services (CSIS) and GMDCA (Rbase)

*Data Collected* 2002

*Considerations* The decision we made regarding this element was the time period for which we wanted data. We decided to use the data for January to December, 2002, since that would give us the most recent year's worth of data.

*Computation* The County and GMDCA's databases were each queried for an unduplicated count of the number of children for whom child care expenses were incurred and paid in calendar year 2002. The numbers from the two databases were then aggregated to obtain a total number of children (7,701) annually receiving subsidies for child care. (see Table 3)

### Table 3: Calculation of Data Elements 7 through 9

| | Number of Children | Number of Families | Total $ Disbursed | Average $ / Child |
|---|---|---|---|---|
| Hennepin County | 6,757 | 3,744 | $27,051,109 | $4,003 |
| GMDCA | 944 | 589 | $3,441,496 | $3,646 |
| **Totals** | **7,701** | **4,333** | **$30,492,605** | **$3,960** |

## Data Element 8: Average Annual Assistance Paid per Child for Licensed Child Care — $3,960

*Source* Hennepin County Department of Children, Family & Adult Services (CSIS) and GMDCA (Rbase)

*Data Collected* 2002

*Considerations* The decision we made regarding this element was the time period for which we wanted data. We decided to use the data for January to December, 2002, since that would give us the most recent year's worth of data.

*Computation* The County and GMDCA's databases were each queried for the total payments made to providers in calendar year 2002. That amount was then divided by the total number of children annually receiving subsidies for child care to obtain the average annual subsidy paid per child for licensed child care. (see Table 3)

## Data Element 9: Number of Parents Enabled to Work Because of Assistance for Licensed Child Care — 4,333

*Source* Hennepin County Department of Children, Family & Adult Services (CSIS) and GMDCA (Rbase)

*Data Collected* 2002

*Considerations* The decision we made regarding this element was the time period for which we wanted data. We decided to use the data for January to December, 2002, since that would give us the most recent year's worth of data.

*Computation* The County and GMDCA's databases were each queried for an unduplicated count of the number of families for whom child care expenses were incurred and paid in calendar year 2002. The numbers from the two databases were then aggregated to obtain a total number of families (4,333) annually receiving subsidies for child care. To estimate the number of parents enabled to work because of assistance for licensed child care, we assumed that child care assistance enables one parent per family to work. (see Table 3)

## Data Element 10: Median Annual Earnings of Parents Receiving Assistance for Licensed Child Care — $9,874

*Source* Hennepin County Department of Children, Family & Adult Services (CSIS) and Minnesota Department of Economic Security

*Data Collected* 2001

*Considerations* The decision we made regarding this element was the time period for which we wanted data. We decided to use the data for January to December, 2001, since that is the most recent year for which DES has complete wage data.

*Computation* The County database was queried to obtain the Social Security numbers of parents authorized to receive subsidy benefits. That list was given to DES who matched the SSNs to quarterly earnings data and summed the four quarters of data to obtain individual annual earnings. (Parents without wage data were excluded from the analysis.) The individual annual earnings were then sorted and the midpoint was found to obtain the median annual earnings of parents receiving assistance for licensed child care.

## IMPLAN Program Methodology

The estimates for the impact of the child care industry in this report utilized IMPLAN Professional 2.0 and the 2000 Minneapolis IMPLAN Database. In order to get an accurate view of the private and public sectors of the child care industry in Minneapolis, the numerical values of annual revenue and employment had to be redefined in the IMPLAN database with the values of Data Elements 3 and 4. Once the industry is redefined and the other value added ratios are updated, the impacts are run to produce the local child care industry's economic impact estimates. There are three levels of effects resulting from child care industry spending — direct, indirect, and induced (see definitions below). For each effect, we looked at two economic indicators — output and employment.

Developed by Minnesota IMPLAN Group, Inc., the IMPLAN input-output modeling system provides information on the economic linkages between industries in a defined geographic region. The IMPLAN database provides employment, output, and value-added multipliers for over 500 industries. The IMPLAN data and accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations. (For more information about IMPLAN see http://www.implan.com or call MIG, Inc. at 651-439-4421.)

## Definitions of IMPLAN results:

IMPLAN measures the effects of the child care industry's dealings with local suppliers (for example, food and supplies for the children, business equipment, etc.) and the impacts on all local industries caused by the expenditure of household income (for example child care workers purchase gas, insurance, food, and other products and services).

Total Economic Impact includes the "output" which is the amount of money spent in the community due to the child care industry's operation and "employment" which is the number of jobs supported as a result of the child care industry.


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