



**CHILD CARE
IS AN IMPORTANT COMPONENT OF THE
ECONOMIC RECOVERY EFFORTS IN AREAS AFFECTED
BY KATRINA**

TO: Economic Developers, Planners, and Civic and Business Leaders
RE: Child Care Needs of Families, Businesses, and Communities

As you begin to develop plans for reconstruction of areas directly affected by Katrina and for economic relief for States and local governments providing assistance to displaced families and children, keep in mind that child care contributes many short- and long-term benefits to the economy. A high-quality child care system is an important component of a healthy and thriving economy. The child care system includes many types of providers—private and nonprofit, centers and family homes, licensed and license-exempt—therefore, it is important to consider initiatives that will address the needs of all types of providers.

In the short term...

- Child care is an essential service for families, businesses, and communities. Child care allows parents to participate in the labor force, providing economic security for their own lives, and helps businesses by improving productivity and reducing absenteeism and turnover.
- Child care is a large and growing economic sector composed of many small businesses that generate jobs and income. Nationwide, the child care sector has approximately 70,000 small businesses that employ 750,000 workers and generates 22 billion dollars in revenue; and there are another 630,000 self-employed providers (mostly family child care providers) that generate more than 7 billion dollars in revenue. Additional economic data for the States affected by Katrina are available on the U.S. Census Bureau Web site at <http://www.census.gov/econ/www/Katrina.htm>.
- Child care contributes to the economy through its purchase of goods and services that stimulate economic activity in other industries. Child care businesses and workers generate State and local tax revenue.

Organizations with information about the short-term economic impact of child care:

- **Linking Economic Development and Child Care Research Project** has developed a policy framework for child care that addresses the sector's importance from an economic development perspective, <http://economicdevelopment.cce.cornell.edu>
- **National Economic Development and Law Center (NEDLC)** has developed a model of economic analyses of the early care and education industry that demonstrates the link between child care and economic development, http://www.nedlc.org/Programs/divisions_cyf_childcare_impact.htm

In the long term...

- The early care and education benefits available in child care settings have long-term effects on the economy. A child who participates in high-quality early education programs is more likely to succeed in school, and later become a productive worker.

The following resources examine the research on the long-term benefits of investments in early education:

- *Exceptional Returns: Economic, Fiscal, and Social Benefits of Investment in Early Childhood Development* (October 2004), http://www.epinet.org/content.cfm/books_exceptional_returns
- *How Does High Quality Child Care Benefit Business and the Local Economy?* (2003), <http://www.eoionline.org/ECEChildcareEconomyBenefits.pdf>

MEASURING the ECONOMIC IMPACT of CHILD CARE

Several States have conducted child care economic impact studies that demonstrate the importance of child care in their economy, including the following States affected by Katrina:

- In Florida, child care generates approximately \$2.08 billion in revenue and an estimated \$74.5 million in taxes at the State and local levels. There are approximately 15,000 child care programs in Florida, including centers and family child care providers. An estimated 47,000 workers are employed in Florida's child care industry. This study is available on the Children's Forum Web site at <http://www.fcforum.org/publications.htm>.
- In Louisiana, child care has more than 12,700 small businesses that directly employ more than 22,000 people, and generates more than \$650 million per year in gross receipts. It supports working families by serving more than 149,000 children and assisting more than 130,000 working parents. http://www.dss.state.la.us/Documents/OFS/Investing_In_The_Chil1.pdf
- In Texas, the child care industry is projected to be the 11th fastest growing industry sector through 2010. The sector has more than 23,000 businesses that employ more than 109,000 workers. There are 762,500 children under age 13 in licensed and regulated child care with 558,000 working parents in Texas who use child care. These working parents earn an estimated \$14.5 billion in wages. <http://www.twc.state.tx.us/svcs/childcare/ccimpact2003.pdf>

State economic impact studies are available from the NCCIC Online Library at <http://nccic.acf.hhs.gov>. Select "Economic Impact of Child Care" using the library "Quick Search" function.

PROMOTING INVESTMENT IN CHILD CARE

Resources that explore strategies to expand investment in quality child care:

- *Economic Development Strategies to Promote Quality Child Care* (2005), <http://government.cce.cornell.edu/doc/pdf/EconDevStrat.pdf>
- *Child Care Financing Matrix* (updated 2003), <http://nccic.acf.hhs.gov/library/index.cfm?do=oll.viewitem&itemid=23233>

ADDITIONAL RESOURCES AVAILABLE on the NCCIC WEB SITE

- *Economic Analysis of the Early Care and Education Sector*, <http://nccic.acf.hhs.gov/poptopics/econimpact.html>
- *Financing the Early Care and Education System*, <http://nccic.acf.hhs.gov/poptopics/funding.html>
- *Financing Early Care and Education: Local Initiatives*, <http://nccic.acf.hhs.gov/poptopics/financing-local.html>

For more information, visit the Child Care Bureau's Web site at <http://www.acf.hhs.gov/programs/ccb//katrina/index.htm>.