The Benefits of the Child Care Contribution Credit in Colorado

Prepared For:

EPIC
Executives Partnering to Invest In Children

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About Executives Partnering to Invest in Children (EPIC):

Executives Partnering to Invest in Children is a coalition of business leaders, nonprofits, and foundations who are committed to making early childhood care, education, health, and parenting among the highest priorities of Colorado's public and private investments.

About the Early Childhood Leadership Commission (ECLC):

The Early Childhood Leadership Commission aims to improve outcomes for young children from birth through 3rd grade. Established in statute, the Commission is a bi-partisan, public-private partnership that includes business and philanthropic leaders, legislators, early childhood service providers, and representatives from public education, health, human services and other state and community stakeholders.

About Development Research Partners:

Development Research Partners specializes in economic research and analysis for local and state government and private-sector businesses. Founded in 1994 in Jefferson County, Colorado, Development Research Partners provides clients with reliable consulting services in four areas of expertise: economic and demographic research, industry and workforce studies, fiscal and economic impact analysis, and real estate economics.

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According to the Child Care Contribution Credit (CCCC), any taxpayer who makes a monetary contribution to promote child care in Colorado is eligible for a 50 percent tax credit when filing a Colorado income tax return, thereby encouraging contributions from the public to benefit such programs (39-22-121, C.R.S.). The intent of this study is to estimate the benefits to Colorado of providing the CCCC. The benefits include direct and indirect economic benefits of the child care industry, as well as the positive societal impact of providing quality, affordable child care to the state's working families.

Qualifying contributions support many types of child care programs. The contributions must support care given to children in the following categories:

- Donating money for the establishment or operation of a child care facility or program in Colorado.
- Donating money for a registered grant or loan program for parents in Colorado requiring financial assistance for child care.
- Donating money for a registered training program for child care providers in Colorado.
- Donating money for child care referral services and consumer education that assist parents with child care information and services.
- Donating money for a registered grandfathered child care organization. Grandfathered organizations are those that met the guidelines for CCCC dollars before age eligibility and other criteria in the law were changed.

The CCCC ultimately benefits Colorado's children. CCCC contributions benefit children from all different levels of family income, in a variety of settings. CCCC contributions can benefit children directly through upgrades to facilities, equipment, educational resources, program availability, and financial assistance. The benefits also include care provider training, consumer education, and quality ratings.

While many of the agencies and facilities that utilize CCCC contributions provide educational opportunities for children, some of them also provide developmental screenings, meals, mental health services, counseling, and other services. CCCC funds support programs that are health and fitness based to help kids stay active and live healthily. Contributions also help children who are victims of abuse and neglect, providing services ranging from therapy and treatment to education.

Direct Economic Activity

The Colorado Department of Revenue estimates that the value of the CCCC in 2009 was $11.4 million – a conservative figure as corporate contributions are not included. Based on this CCCC value, contributions to child care totaled an estimated $22.8 million (as the CCCC is 50 percent of the total contributions). A portion of these dollars may also be used by the state to qualify for federal matching funds. According to data from the Colorado Division of Child Care, the contributions supported federal matching dollars of about $1.2 million in 2009.

In total, this impact analysis focuses on the $24 million in child care industry spending supported by the CCCC. This includes spending on salaries and benefits, equipment, purchased services, utilities, transportation, and other spending. Of this amount, the majority of the spending likely is transacted with other Colorado residents and businesses.

- Of the total $24 million in child care industry spending, total spending on goods and services by the child care industry that is supported by the CCCC is about $9.6 million. Of this amount, about $7.6 million is estimated to be transacted with in-state suppliers.
- About $14.4 million of the industry's total expenditures supported by the CCCC is for wages and benefits. Given the average annual wage in the child care industry of $23,440, this salary and benefit value supports about 510 workers. Of the $14.4 million, an estimated $13.8 million directly benefits Colorado

Child Care Industry Economic Benefits

Total Annual Direct and Indirect Value of Output

$24 million direct + $29 million indirect = **$53 million**

Total Annual Direct and Indirect Employment

510 direct + 170 indirect = **680 workers**

Total Annual Direct and Indirect Earnings

$12.6 million direct + $11.7 million indirect = **$24.3 million**

residents and businesses whereas the remainder exits the state to pay for various insurance programs and legally required benefits.

- Combining the two categories, of the total $24 million in child care industry spending supported by the CCCC, the industry spends about $21.4 million in Colorado. This local spending creates the spin-off or multiplier effects of the industry.

Direct and Indirect Economic Activity

The initial dollars spent in Colorado by the child care businesses on either purchases or payroll circulate throughout the economy a number of times. The number of times that the initial dollar circulates throughout the economy is estimated using economic multipliers. These multiplier impacts, or "indirect" economic impacts, are estimated using the RIMS II multipliers by the U.S. Bureau of Economic Analysis, which are the most widely used and respected for economic impact analysis.

- The presence of the child care industry and its employees supports $29 million in additional output in all industries throughout the state. Therefore, ***the total direct and indirect impact of the on-going operations of the child care industry is $53 million annually in regional total output***.
- The production of the $29 million in additional output in all industries throughout the state requires about 170 workers. Adding the indirect workers to the 510 direct workers reveals a ***total employment impact of 680 workers annually in Colorado. Direct and indirect earnings by the workers total $24.3 million.***

Societal Benefits

The CCCC has impacts to the industry and state beyond the direct and indirect economic benefits. An examination of these other impacts shows that spending on child care has far reaching benefits and broad implications for the state of Colorado; benefits that are not always quantifiable, but are tangible and important factors in the discussion of any policy.

Child care spending helps expand the availability of child care, which benefits both workers and businesses. Quality child care can increase worker productivity and encourages more participation in the workforce from low-income men and women. Child care spending benefits children through better educational outcomes, less juvenile and adult delinquency, increased social competence, and reduced reliance on social assistance programs as they reach adulthood.

Summary

The CCCC is critical as it leverages private dollars with public dollars, especially at a time when public funding sources are diminishing. Indeed, ***for every dollar that the state invests in the child care industry via the CCCC, $4.65 is added to the Colorado economy through private contributions, federal matching dollars, and the multiplier effects of the spending.*** Further, the CCCC is vital as it:

- Creates an incentive for businesses and individuals to invest in child care,
- Creates a funding pool of private contributions to help promote and sustain quality affordable child care businesses by leveraging federal dollars,
- Makes child care services more affordable to low-income families by strengthening the agencies and programs that provide child care,
- Increases the availability of child care and out-of-school time programs for working families.

INTRODUCTION

According to the Child Care Contribution Credit (CCCC), any taxpayer who makes a monetary contribution to promote child care in Colorado is eligible for a 50 percent tax credit when filing a Colorado income tax return, thereby encouraging contributions from the public to benefit such programs (39-22-121, C.R.S.). The intent of this study is to estimate the benefits to Colorado of providing the CCCC. These include direct and indirect economic benefits of the child care industry, as well as the positive societal impact of providing quality, affordable child care to the state's working families.

While many of the agencies and facilities that utilize CCCC contributions provide educational opportunities for children, some of them also provide developmental screenings, meals, mental health services, counseling, health and fitness programs, youth homeless shelters, and foster care services. The CCCC leverages and supplements public spending on a wide variety of services that benefit children in Colorado. While this study generically refers to the "child care industry," it should be understood that the study is referring to this broader array of services that benefit children.

Economic Impacts Defined

Economic impact analysis is the analytical approach used to assess the measurable direct and indirect benefits resulting from an industry over a specific time period. Only those benefits that can be measured or quantified are included. Intangible benefits, such as enhancement of community character or diversification of the job base, are not included. Further, economic impact analysis highlights that activity which occurs within a specified geographic area.

This analysis estimates the impact in Colorado of that portion of the child care industry supported by the CCCC. The spending patterns associated with the child care industry have spin-off effects or multiplicative impacts throughout the state. Therefore, multiplier analysis is used to trace the impacts on businesses, organizations, and individuals affected by the industry's operations.

The multiplicative impacts are discussed in terms of "indirect" and "induced" economic impacts (often collectively referred to as simply indirect impacts). For example, when a child care business purchases supplies from a local vendor, that local vendor in turn provides payroll to its employees and makes purchases from other vendors. These other vendors in turn provide payroll to their employees, and so on, providing the indirect impact of the initial dollar spent. On a separate but similar spending track, when employees working at a child care business spend their paychecks at other local businesses, these local businesses provide payroll to their employees, make purchases from other vendors, and so on, creating the induced impact of the industry.

As a result, the initial dollars spent by the child care industry on either business purchases or payroll circulate throughout the local economy a number of times. The number of times that the initial dollars circulate throughout the local economy may be estimated using economic multipliers. An economic multiplier summarizes the total impact that can be expected within a specific geographic area due to a given industry's level of business activity. Generally, larger multipliers are associated with industries that (1) spend more dollars locally, (2) pay high salaries, and/or (3) sell their goods and services outside of the local area.

The indirect and induced jobs and income flows generated by the direct local spending patterns are estimated using the Regional Input-Output Modeling System II (RIMS II) multipliers developed by the Bureau of Economic Analysis of the U.S. Department of Commerce. The RIMS II multipliers are the most widely used and respected for economic impact analysis. These multipliers are geographic and industry specific, and are used to estimate the total benefits of an industry according to three measures of economic impacts: regional output, payroll or earnings, and employment.

INTRODUCTION

First, the direct and indirect impact of the child care industry on the gross output of the state is estimated. This includes the value of the output produced by the child care industry (direct output) plus the value of the additional output in all industries throughout the state (indirect output) supported by the spending patterns associated with the child care industry's local suppliers and employees.

Second, the total direct and indirect employment needed in the state to produce this level of gross output is determined. These employees may be full-time or part-time, local or non-local workers. It should be noted that the indirect employment supported might represent fractions of jobs, added to reflect whole positions. That is, the indirect spending may support the annual employment of one-half of a grocery store worker and one-half of a retail apparel store worker. Combined, these two workers represent one indirect employee.

Third, the analysis includes an estimate for the typical direct and indirect payroll or earnings paid to the employees that are producing this level of gross output.

Development Research Partners completed the economic impact analysis described in this report using primary data collected about the industry and the CCCC. In addition, the analysis uses a variety of standard secondary sources, including data from the U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, the U.S. Census Bureau, the Colorado Department of Labor and Employment, and the Colorado Division of Child Care.

The total output, employment, and earnings from the child care industry are estimated using the RIMS II multipliers for Colorado. Some numbers may not add exactly due to rounding. This analysis considers the economic impacts in 2009 dollars, which represents the latest year of CCCC expenditure data.

Report Organization

Following the Introduction, the CCCC Background section describes the history of the CCCC, including specifics regarding what contributions qualify for the credit and the value of these credits. The next section on Who Benefits from the CCCC provides some examples of the agencies that benefit from the credit and the types of services provided.

The Direct & Indirect Economic Impacts section details the direct economic benefits from annual child care industry operations, including the benefits from goods and services purchases and employee payroll. This section also describes the indirect and induced employment, earnings, and output supported by the child care industry. The on-going operations of the child care industry have significant impacts on various local suppliers and individuals throughout the state. These categories of direct and indirect impacts are combined to establish the overall economic benefits of that portion of the child care industry supported by the CCCC.

Next, the Societal Benefits section of the report details the important benefits of child care spending in Colorado beyond the initial spending impacts and multiplier effects. This includes factors such as the availability of child care, the impacts on businesses and workers, the impacts on education, and the long-term economic benefits to the state. Benefits such as these are not always quantifiable, but are tangible and important factors in the discussion of any policy. The Conclusion section of the report summarizes the total direct and indirect economic impact values and provides final thoughts regarding the benefits of the CCCC.

Development Research Partners gathered information from a variety of sources for the study. Development Research Partners made every attempt to collect necessary additional or missing information and believes the information used in this report is from sources deemed reliable but is not guaranteed.

Child Care Contribution Credit

According to the Child Care Contribution Credit (CCCC), any taxpayer who makes a monetary contribution to promote child care in Colorado is eligible for a 50 percent tax credit when filing a Colorado income tax return, thereby encouraging contributions from the public to benefit such programs (39-22-121, C.R.S.). The purpose of the credit is to encourage private contributions to leverage and supplement public spending to benefit children in Colorado.

Qualifying contributions support many types of child care programs. According to the Colorado Department of Revenue, the contributions must support care given to children 12 years of age or younger and must fall into one of the following categories:[1]

- Donating money for the establishment or operation of a child care facility or program in Colorado limited to:
  - Licensed child care centers,
  - Licensed child placement agencies,
  - Licensed family child care homes,
  - Licensed foster care homes,
  - Licensed youth homeless shelters,
  - Licensed residential child care facilities,
  - Licensed residential treatment centers,
  - Other registered child care programs that provide similar services as child care centers.
- Donating money for a registered grant or loan program for parents in Colorado requiring financial assistance for child care.
- Donating money for a registered training program for child care providers in Colorado.
- Donating money for child care referral services and consumer education that assist parents with child care information and services.
- Donating money for a registered grandfathered child care organization. Grandfathered organizations are those that met the guidelines for CCCC dollars before age eligibility and other criteria in the law were changed.

The CCCC cannot exceed the taxpayer's liability for the year, up to a maximum of $100,000 per year. Excess credits can be carried forward for up to five years.

Pursuant to House Bill (HB) 08-1049, child care contribution credits will be deferred by the state during fiscal years when the Colorado Legislative Council Staff (CLCS) forecasts general fund revenues will grow by less than six percent over the previous year. Based on the CLCS December 2010 forecast, tax year 2011 is the first year that the credit is deferred. Further, the current CLCS forecast does not anticipate general fund revenue growth of six percent or more in tax years 2012 or 2013. Therefore, the state will defer payment of these credits until general fund revenues are forecast to grow by at least six percent.

The CCCC will sunset in 2019 under current law. The credit can be claimed on contributions made in 2019 for up to five years through 2024.

History of the CCCC

The CCCC was instituted in January 1999, as authorized by the passage of Senate Bill (SB) 98-154, sponsored by Senator Doug Linkhart. The law expanded the 25 percent credit available for contributions to child care facilities in enterprise zones to facilities located throughout the state.

In an article from the Denver Post published in February 1998, Senator Linkhart made the case that the bill would help alleviate the shortage of child care in the state. He also noted that the extra

[1] Refer to Colorado Department of Revenue, FYI Income 35: Child Care Contribution Credit, August 2010 for additional information.

financial backing for child care raised through qualifying contributions and the credit would help increase wages for child care workers and contribute to higher quality child care services. Fiscal notes provided with the bill expected the state's expenditures on the credit to increase from $678,000 in FY 1997-1998 under the enterprise zone system, to about $1.6 million after the credit was expanded. The credit was set to sunset in 2005.

One year after the law went into effect, HB00-1351 expanded the value of the credit to equal 50 percent of the value of a qualifying contribution. The bill also restricted the types of contributions qualifying for the credit to monetary contributions. Prior to HB00-1351, in-kind contributions of real estate, equipment, property, or services also qualified for the tax credit. The credit was estimated to cost an additional $1.2 million.[2]

In 2004, the credit was extended through tax year 2009 through HB04-1119. The bill also expanded the types of facilities that qualified for contributions under the credit, but limited the qualifying contributions to care for children 12 years of age or younger.

The credit was extended again in 2008 through tax year 2019. However, the bill also included the current trigger on the credit that deferred the state's payment of the credit in any year where state general fund revenues did not meet a minimum amount of growth. CCCC's availability is contingent upon an increase in state general fund revenue of at least six over the previous year, meaning that it was deferred January 1, 2011.

The Colorado legislature is currently considering HB11-1014 that would eliminate the six percent growth trigger. The bill as originally introduced would have made it available for tax years on or after January 1, 2011. However, the legislative committee reviewing the bill amended it to make it available for income tax years on or after January 1, 2012. A second amendment added to the bill requires that any state general fund revenue shortfall from the credit be offset by an equal decrease in general fund expenditures.

Summary of legislation:

- 1998: SB98-154 Concerning a Credit Against the State Income Tax for Contributions to Promote Child Care (short title: Child Care Tax Credit)
- 2000: HB00-1351 Concerning Modification of the State Tax Policy Relating to Child Care (short title: Increase Child Care Tax Credits)
- 2004: HB04-1119 Concerning the Income Tax Credit for Child Care Facilities (short title: Extend Child Care Facilities Tax Credit)
- 2008: HB08-1049 Concerning the Extension of the Years for which a Taxpayer may Claim the Income Tax Credit for Child Care Facilities (short title: Extend Child Care Income Tax Credit)
- 2011 (currently under consideration): HB11-1014 Concerning the Repeal of a Limiting Trigger Associated With the Child Care Contribution Income Tax Credit (short title: Child Care Contrib Income Tax Credit)

Value of the CCCC

Prior to 2011, data on the value of the state's expenditure on the CCCC was limited. The Colorado Department of Revenue (DOR) collected and stored tax data under a 40-year-old system and could not differentiate the value of the credit from the value of other special income tax credits offered in the state. Reports on state tax credit expenditures published by DOR combined all of these special credits.

In 2009, DOR conducted a one-time sample of state tax returns to examine the value of state tax credits. This data was analyzed by Tom Dunn at the University of Denver for state fiscal year 2005-

[2] A detailed history of the CCCC can be found in a Colorado Legislative Council Staff memorandum dated November 26, 2009.

2006.[3] The results of the study concluded that the value of the tax credit was about $17.5 million. However, further analysis by DOR revealed that this number was likely overstated. As a result, and because of the questionable accuracy of the estimate, no inference as to the trend in contributions over the last several years can be made.

DOR recently was able to provide preliminary numbers for the value of the CCCC in tax year 2009. DOR has been converting to a new integrated tax system that started in 2007 and is slated for completion in 2012. Under this new system, the value of the CCCC will be readily available.

According to DOR preliminary figures, the value of the CCCC for individual tax returns in tax year 2009 was about $11.4 million.[4] Assuming the value of the credit equals 50 percent of the value of the contributions, $11.4 million is associated with an estimated $22.8 million in private contributions. The credit was associated with approximately 13,300 individual tax returns with an average contribution of about $1,700.

As of February 2011, DOR is unable to estimate the value of the CCCC included on corporate tax returns. While this information will be available in the future, the current estimate of the value of the CCCC of $11.4 million is a conservative figure as corporate contributions are not included.

Child Care and Development Fund and Federal Matching Dollars

An integral part of the funding for child care in Colorado is the federal Child Care and Development Fund (CCDF) administered through the U.S. Department of Health and Human Services. Colorado utilizes this funding for increasing quality in child care settings; expanding the availability, accessibility, and affordability of child care; supporting automated systems used to determine eligibility and make payment related to direct services; administration; and direct services through the Colorado Child Care Assistance Program (CCCAP).

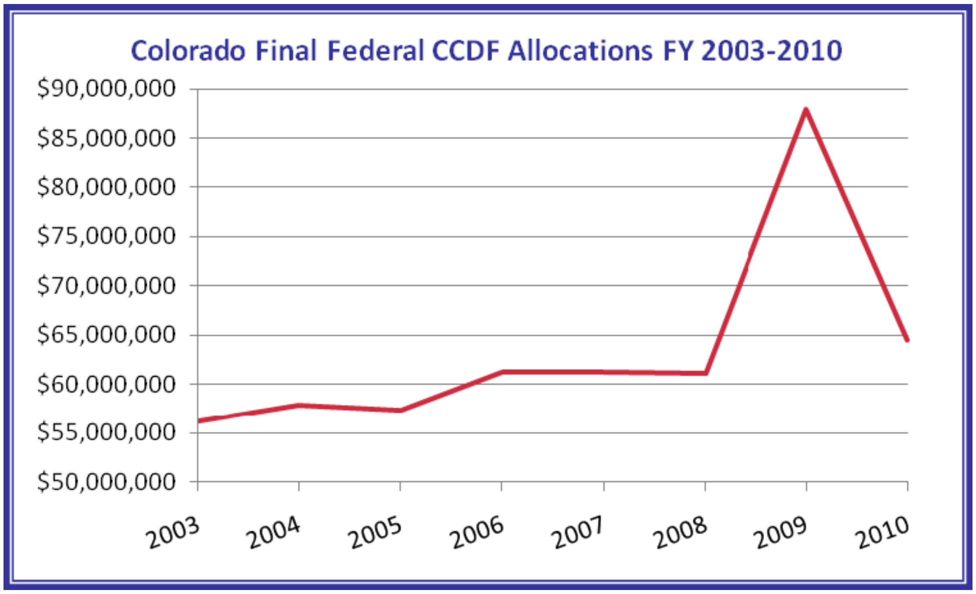
A key aspect of the CCDF is the allocation of money to states based on their contributions to child care programs. The CCDF program matches these state dollars with federal dollars up to a limit dependent on the states' demographic and income characteristics. In 2009, Colorado qualified for $27.7 million in federal matching funds.

The CCDF allows states to raise a portion of their matching dollars through private contributions. Colorado designated Mile High United Way (MHUW), a private, non-profit organization, as the state's sole authorized source of the private contributions that qualify the state to access federal matching dollars. MHUW receives contributions or donations and distributes these dollars to facilities and counties across Colorado after determining the eligibility of the programs offered. Contributions that qualify to be certified as state match for the CCDF also qualify for the state CCCC. MHUW conducts two programs that qualify to be certified as state match for federal matching dollars: the School Readiness Initiative and the MHUW Child Care Fund.

Because of MHUW's role in child care in the state and the CCDF, some of the CCCC contributions bring additional federal funding to Colorado through the Colorado Department of Human Services. The state has used private contributions to draw down federal matching dollars since 2002, averaging about $1.6 million per year. In 2009, Colorado used about $1.2 million in private contributions to qualifying programs as part of the state's matching dollars. In other words, $1.2 million in private contributions that qualified for the CCCC in 2009 brought an additional $1.2 million in federal matching funds into the state.

[3] Dunn, Tom, "Colorado Tax Expenditures: A Compendium," University of Denver (2009), http://www.du.edu/economicfuture/documents/TaxExpenditureCompendium_000.pdf.

[4] Colorado Department of Revenue, e-mail February 2011.



Source: U.S. Department of Health and Human Services, Office of Child Care, http://www.acf.hhs.gov/programs/occ/index.html.
Note: Data is for specific allocations for each year and is not adjusted for inflation.

In 2009, CCDF state and federal program funds for Colorado totaled about $124.5 million. This included $87.9 million in federal funds, about $9 million in state maintenance of effort (MOE) funds, and $27.7 million of state matching funds. Of the state matching funds, private contributions made up $1.2 million. Since 2003, federal CCDF appropriations have grown by about two percent each year. Funding increased from $61.1 million to $87.9 million in 2009 due to American Reinvestment and Recovery Act dollars, but the funding dropped back down to a more historically consistent level in 2010 of about $64.5 million.

State matching dollars have grown by about 3.1 percent each year since 2003. At the same time, the utilization of private source dollars has declined. The private source portion of the state's federal match peaked in 2003 at $2.3 million but fell to $1.2 million in 2009 and $1.1 million in 2010. The trend in private source matching dollars tends to be inversely correlated with the growth in the state's portion of the state match. This inverse relationship may be a result of the state using private source contributions to help with its match after other sources are tabulated. In other words, the reported value of the private source portion of the state match may not represent the total amount of contributions that met the federal guidelines. The state only uses a portion of the contributions from private sources to meet the shortfall in the state's total matching dollars.

In general, CCDF serves children from birth to 19 years old in families with income at or below 130 percent of the federal poverty level. The Colorado Children's Campaign reports that eligibility started at or below $28,668 for a family of four in 2010. Counties have the option of allowing funding for families with income up to 85 percent of state median income, which in 2010 was approximately 300 percent of the federal poverty level. In order for funds to qualify for both CCCC and federal matching dollars, the children served must be 12 years of age and younger. In addition, children with identified disabilities are eligible up to 19 years of age.

The Colorado Division of Child Care estimates that this money supported 25,200 families and 40,000 children in 2009. The average appropriation per child for 2009 was about $4,570.[5] This money was distributed to approximately 3,757 child care agencies across the state. About 82 percent of the care recipients used the money for employment purposes.

[5] Leslie Bulicz, Colorado Department of Human Services, Division of Child Care, e-mail April 2011.

WHO BENEFITS FROM THE CCCC

The CCCC ultimately benefits Colorado's children. CCCC contributions are available to benefit children 12 years of age and younger (unless the services are offered through a grandfathered organization) throughout Colorado, from all different levels of family income, in a variety of settings. CCCC contributions can benefit children directly through upgrades to facilities, equipment, educational resources, program availability, and financial assistance. The benefits also include care provider training, consumer education, and quality ratings. In accordance with the law, CCCC contributions serve children in:

- licensed child care centers,
- licensed child placement agencies,
- licensed family child care homes,
- licensed foster care homes,
- licensed youth homeless shelters,
- licensed residential child care facilities,
- licensed residential treatment centers, and
- other registered child care programs that provide similar services as the above child care centers.

The facilities listed above offer a broad array of services to children in a wide variety of programs including day-care programs, preschool programs, before and after school programs, homeless shelters, and other youth-focused agencies and programs.

For example, Denver Public Schools (DPS) implements the Lights on After School program that is supported through CCCC dollars and benefits an estimated 12,000 elementary and middle school students. The funds provide grants to elementary and middle schools so they can provide after-school programs. Any DPS student in elementary or middle school can participate in the programs that are offered from 3:00 p.m. to 6:00 p.m. on school days.[6]

While many of the agencies and facilities that utilize CCCC contributions provide educational opportunities for children, these funds support a wide range of services that support the healthy development of youth across the state, giving them a strong foundation for future success. CCCC dollars support developmental screenings, meals, mental health services, counseling, and other services. They also support programs that are health and fitness based to help kids stay active and live healthily. These dollars also support programs that help children who are victims of abuse and neglect. The services offered to these children can range from therapy and treatment to education.

The following sections describe just a few of the numerous agencies and programs that rely on CCCC contributions as part of their funding sources. Thousands of children benefit from this money each year.

Agencies Administering CCCC Qualifying Programs

The CCCC can benefit several types of child care-related industries ranging from direct care to provider-training services to referral and quality rating agencies. The CCCC qualifying contributions are one of several funding sources used by child care facilities in the state. A survey conducted by Qualistar Colorado in January 2011 found that 84 percent of the survey respondent agencies that received contributions through the CCCC would have to reduce the quality of care they provided, reduce professional development opportunities, close classrooms, layoff staff or cut staff time, and decrease child care scholarship funds if they lost the CCCC contributions.[7] Some of these agencies would have to raise tuition fees to compensate for the loss in funding. The survey had 34 percent of its survey respondents, or 68 of 199 child care agencies, say they received contributions through the CCCC. Further, the survey identified 10 programs within the

[6] Denver Public Schools Foundation, http://www.dpsfoundation.org/programs_lights_on.php

[7] Jennifer Landrum, Qualistar Colorado, e-mail February 2011.

respondent agencies that would have to close 25 classrooms if they did not have CCCC funding. The survey indicated that 72 or more full-time equivalent employees from 24 programs within the CCCC supported agencies would lose their jobs without CCCC funding.

Many of the facilities that rely on CCCC contributions serve large percentages of low income or impoverished children in their programs. From the Qualistar Colorado survey, 51 percent of the survey respondents that received CCCC qualifying contributions had at least 25 percent of their children from low income or impoverished families.

A sample list of agencies located in the Denver metropolitan area with CCCC qualifying programs is included in Appendix A, but qualifying programs exist throughout the entire state of Colorado. Listed below are the mission statements of just a few of the agencies that have programs that qualify for CCCC funding. A listing of some of the specific programs administered by these agencies is included in the next section.

- **Boys & Girls Clubs of Metro Denver**: The mission of the Boys & Girls Clubs of Metro Denver is to inspire and enable young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible, and caring citizens. Nine safe, positive neighborhood centers provide after school, weekend, and summer programs for young people between the ages of 6-18 years old.[8]

- **Denver Children's Home**: The mission of Denver Children's Home is to provide a therapeutic, safe place for emotionally distressed children, adolescents, and their families to heal and grow.[9]

- **Denver Public Schools Foundation:** In partnership with Denver Public Schools, we raise and manage funds, make strategic program investments, and serve as community leaders so that all students have the opportunity to succeed.[10]

- **Florence Crittenton Services of Colorado (Parent Pathways)**: To help teen parents raise healthy families.[11]

- **Grand Beginnings**: Grand Beginnings' mission is to promote a child-centered school readiness system that fosters early learning, facilitates healthy child development, and promotes family success in Grand County.[12]

- **Mile High United Way**: Mile High United Way mobilizes the community to take collective action to create positive, lasting change.[13]

- **Partners In Housing, Inc.**: Partners in Housing provides homeless families with children the hope and opportunity to achieve self-sufficiency through supportive services and transitional housing.[14]

- **Silverton Family Learning Center:** The Silverton Family Learning Center's (SFLC) mission is to guide students to reach their creative, intellectual, social, and physical potential. SFLC's school works in partnership

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[8] Boys & Girls Clubs of Metro Denver, http://www.bgcmd.org/home/about-us
There is a statewide network of Boys & Girls Clubs across Colorado including La Plata County, Larimer County, Pueblo, San Luis Valley, South Park, Southern Ute Indian Tribe, Weld County, and Pikes Peak regions.

[9] Denver Children's Home, http://www.denverchildrenshome.org/about.php
[10] Denver Public Schools Foundation, http://www.dpsfoundation.org/
[11] Florence Crittenton Services of Colorado, http://www.parentpathways.org/mission/html
[12] Grand Beginnings, http://www.grandbeginnings.org/about/html
[13] Mile High United Way, http://www.unitedwaydenver.org
[14] Partners In Housing, Inc., http://www.partnersinhousing.org/page.asp?id=10

with families to teach personal and social responsibility, and to create a community that honors diversity and our common humanity.[15]

- **Qualistar Colorado**: Advancing quality early childhood education across Colorado. Qualistar serves all of Colorado's 64 counties and manages Colorado's network of 17 CCR&R (child care resource and referral) agencies.[16]
- **YMCA**: The YMCA, with programs and facilities located throughout Colorado, is dedicated to providing high-quality, affordable child care with family-centered, values-based programs to nurture children's healthy development.[17]

For the most part, CCCC qualifying contributions are meant to benefit non-profit child care agencies. However, contributions can help for-profit businesses if the contribution is used directly for improving the quality of child care. This includes improvements to the facility and equipment and improvements to the staff through increased salaries and training.

CCCC Qualifying Programs

The following are just a few examples of CCCC qualifying programs and descriptions of the programs per the organizations' websites:

- **Child Enrichment Center:** The Child Enrichment Center (CEC) is a collaboration between the Colorado House and Resource Center and Partners in Housing, both located in Colorado Springs. These organizations provide transitional housing for homeless families. The CEC is a facility used for these families to have a safe and secure place for family time and activities. The CEC also provides a place for parents working to regain custody of their children to have supervised time as a family.[18]
- **Early Connections Learning Centers Nutrition and Health Programs:** Early Connections Learning Centers of Colorado Springs encourages nutritious eating and health for all of their enrolled children. Children are served nutritious breakfasts, lunches, and afternoon snacks daily. These meals are prepared using the nutritional requirements of the Child and Adult Care Food Program (CACFP). Early Connections Learning Centers also employs medical staff that tracks immunizations, physicals, and other health records for the children. The centers' family services staff can make recommendations and referrals for medical and dental assistance for the kids if the parents need it. A key aspect of the nutrition and health program area is the Get Well Center. This center offers care for mildly-ill children so their parents can still attend work or school.[19]
- **Lights On After School:** The Lights on After School (LOAS) Initiative funds several after school programs that include athletics, arts, academics, tutoring, leadership development, and technology. These programs are available for Denver Public Schools (DPS) elementary and middle school students. Funds from LOAS can also be used towards reduced rates for school lunches, site specific contributions and grants, neighborhood centers or programs, and improvements in program quality.

[15] Silverton Family Learning Center, http://www.silvertonfamilies.org/Mission_Statement.pdf
[16] Qualistar Colorado, http://www.qualistar.org/about-us.html
[17] YMCA, http://www.denverymca.org/childcare/ChildCare.aspx YMCA is located throughout Colorado, notably YMCA of Boulder Valley, YMCA of Metro Denver, YMCA of Pikes Peak Region, YMCA of Pueblo, YMCA of the Rockies.
[18] Colorado House and Resource Center, http://www.colorado-house.org/cec.htm Partners In Housing, Inc., http://www.partnersinhousing.org/page.asp?id=20
[19] Early Connections Learning Centers, http://www.earlyconnections.org/?page_id=86

The LOAS initiative is a collaborative between the Denver Mayor's Office for Education and Children, Denver Public Schools Foundation, and Mile High United Way.[20]

- **Project Learn:** One of the core program areas of the Boys & Girls Clubs of Metro Denver is education and career development. Project Learn is a key part of this program area. Project Learn is an after school program that focuses on reading, writing, tutoring, help with homework, and overall cognitive skill development. The Boys & Girls Clubs of Metro Denver emphasize parental involvement and effective coordination between staff and schools as vital to achieving success for the children in the Project Learn program.[21]
- **Renaissance Children's Center:** The Renaissance Children's Center (RCC) is a facility utilized by the Colorado Coalition for the Homeless for the care of children. The facility serves children from homeless and low-income families aged six weeks to five years. In addition to teaching academic skills and problem solving, programs at RCC promote social skills, conflict resolution, and teamwork. RCC is a safe environment for kids who may lack the support and opportunity for these skills to develop otherwise. The ultimate goal of RCC is to prevent future homelessness and delinquency among the children they serve.[22]
- **Respite Care:** Respite Care is a specialized program in Larimer County that serves children with a variety of developmental disabilities. Disabilities range from physical or sensorial disabilities stemming from childhood disease, genetic abnormalities, or accident, to mental disabilities resulting from Down syndrome, birth trauma, or other means. Respite Care serves children from birth to 21 years of age. Services provided by Respite Care range from infant care to before and after school care to overnight and emergency care.

  Respite Care exists to allow families to care for and keep their children at home. Respite Care benefits both developmentally disabled children and their families that may need short-term respite.[23]

[20] City and County of Denver, http://www.denvergov.org/educationandchildren/EducationandChildren/AfterSchoolPrograms/LightsOnAfterSchool/tabid/440524/Default.aspx
[21] Boys & Girls Clubs of Metro Denver, http://www.bgcmd.org/home/programs/education-and-careers
[22] Colorado Coalition for the Homeless, http://www.coloradocoalition.org/what_we_do/childcare.aspx

[23] Respite Care, Inc., http://www.respitecareinc.org/care_care.html

Colorado's Child Care Industry

Colorado's child care industry is conservatively described as a $570 million industry yielding a $1.1 billion impact on the state's economy when the indirect effects are considered.[24]

According to Qualistar Colorado, there are about 6,100 licensed facilities located throughout Colorado.[25] About 80 percent of these facilities are located along Colorado's Front Range, stretching from Pueblo County on the south to Weld and Larimer Counties on the north. This is not surprising, as this area includes 82 percent of the state's population and 83 percent of the total jobs in Colorado.

About 53 percent of the licensed facilities are family child care homes. Licensed child care centers represent the next largest share, or nearly 20 percent of the facilities. Preschool programs, serving children between the ages of two and five, represent 14 percent of the licensed facilities. Finally, about 13 percent of the facilities are licensed to provide school-age programs, or programs for children ages six to 12.

The number of licensed facilities in Colorado has decreased by about 1.3 percent per year since June 1999 when there were nearly 7,200 facilities.

The licensed facilities have the capacity to serve about 207,900 children. Even as the number of facilities has declined by 1.3 percent per year over the last 12 years, the number of children served has declined by only 0.1 percent per year.

Although family child care homes represent 53 percent of the licensed facilities, they only provide care for 14 percent of the children due to the smaller number of children per caregiver allowed. Instead, licensed child care centers provide services for about 47 percent of the children. Preschool programs provide care for about 25 percent of the children and school age programs provide services for the remaining 14 percent of the children.

Child Care Workers' Earnings

Child care workers care for and educate children in a variety of center- and home-based settings. They teach and supervise children, most often while their parents are working, and help them to be ready to learn when they enter school. There are many different roles within the industry. For clarity, this report generically refers to "child care workers," a term intended to include a variety of occupational titles and roles including:

- Early Childhood Professional
- Child Care Provider
- Family Child Care Provider
- Child Care Center Director
- Early Childhood Teacher
- Preschool Teacher
- Infant Nursery Supervisor
- Child Care Aide
- Assistant Teacher

Qualistar Colorado estimates that the four types of licensed facilities employ about 32,600 child care workers. This means that there are about 6.4 children under the care of each staff member, assuming that all licensed capacity is filled. However, it is likely that not all capacity is currently filled as many programs are struggling to maintain their enrollment. As over 130,000 jobs were lost throughout the state of Colorado in 2009 and 2010, parents pulled their children out of care when jobs were lost. As job recovery is expected to take hold in 2011, more capacity will likely be utilized.

[24] Miles K. Light, University of Colorado, LEEDS School of Business, Business Research Division, *The Economic Impact of Child Care in Colorado* (Colorado Children's Campaign, 2004), http://www.coloradokids.org/our_issues/early_childhood/projects.html

[25] Data discussed in the Colorado's Child Care Industry section provided by Stacy Buchanan, Qualistar Colorado, email February 2011.

The individuals entrusted with the care of our state's future workforce earn an average wage of $11.27 per hour.[26] Wages are notably higher in the rural resort regions of the state. Assuming 2,080 working hours per year, this equates to an average annual salary of $23,440.

Based on Quarterly Census of Employment and Wages data from the U.S. Bureau of Labor Statistics, the average annual salary in Colorado for all Child Day Care Services (NAICS 624410)[27] and Child & Youth Services (NAICS 624110) workers was $20,850 in 2009. There is nearly a $10,000 annual difference between the average earnings of Child Day Care Services workers ($19,300) and Child & Youth Services workers ($29,000).

According to the Occupational Employment Statistics (OES) from the Colorado Department of Labor and Employment, the average wage for all child care workers is $20,760. Wages vary according to experience, with entry level workers earning an average of $17,000 per year and experienced workers earning $25,830.

The Qualistar Colorado average wage is banded by the average wage for workers in both NAICS categories and by the findings in the OES data. As these standard source databases may be based on narrower definitions of child care workers and may exclude some child care workers included in the Qualistar Colorado survey, the impact analysis is based on the average annual salary of $23,440.

Child Care Industry Purchases

Several different sources were reviewed to establish estimated expenditure patterns by the child care industry.[28] Salaries and benefits generally represent about 60 percent of the total spending by a child care business. The remaining spending is for equipment, materials, purchased services, utilities, transportation, facility costs, and other spending. Given the types of purchases made by this industry, the majority of the spending is transacted with other Colorado residents and businesses. Indeed, based on an analysis of the probability of local spending by Development Research Partners, nearly 90 percent of the industry's total spending is transacted within Colorado.

Economic Benefits of the CCCC

According to the Colorado Department of Revenue, the preliminary estimate of the value of the CCCC in 2009 was $11.4 million. Based on this CCCC value, and assuming that all credits allowed in 2009 represent contributions from that same year,[29] contributions to child care totaled $22.8 million (as the CCCC is 50 percent of the total contributions). A portion of these dollars may also be used by the state to qualify for federal matching funds. According to data from the Colorado Division of Child Care, the qualified contributions tracked through Mile High United Way support federal matching dollars of about $1.2 million in 2009.

In total, this impact analysis focuses on the $24 million in child care industry spending supported by the CCCC. This includes spending on salaries and benefits, equipment, materials, purchased services, utilities, transportation, and other spending. Of this amount, the majority of the spending likely is transacted with other Colorado residents and businesses. Indeed, it is estimated that ***the direct local spending from the on-going operations of the child care industry in Colorado supported by the CCCC is $21.4 million per year***, as detailed in Table 1 and described below.

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[26] Stacy Buchanan, Qualistar Colorado, based on a sample of 476 center teachers applying for T.E.A.C.H. scholarship since May 2009, e-mail February 2011.
[27] The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies for business data purposes.
[28] These sources included the Business Expenses Survey by the U.S. Census Bureau, the Mile High United Way budget, Insight Center for Community Economic Development, and scribd.com.
[29] The credit cannot exceed the taxpayer's liability up to a maximum of $100,000. Any unused credits can be carried forward and applied to future tax returns for up to five years.

Spending on Goods & Services

- Of the $24 million in child care industry spending, an estimated eight percent is spent on equipment, materials, and supplies. Depending on the facility, this category of spending may include tables, chairs, beds, cribs, and other furniture. Further, this includes educational materials, food, and other business supplies.
- Only part of the equipment and supplies purchases are transacted with businesses and vendors located in the state. Based on the availability of in-state suppliers and recognizing some spending leakage to suppliers located outside the state, the local equipment and supplies spending supported by the CCCC is about $1.7 million per year.
- About seven percent of the child care industry's total spending is on utilities and services. Depending on the type of facility, these services may include telephone, other utilities, advertising, accounting and legal, and other business services. This analysis assumes that all service purchases are transacted with Colorado-based suppliers. Therefore, the total $1.7 million utilities and services spending supported by the CCCC supports the local economy.
- Child care industry businesses devote about 25 percent of their total expenditures to "other" spending that typically includes occupancy costs, insurance, transportation, staff development, licenses and fees, interest, and the like. Based on the availability of in-state suppliers and recognizing some spending leakage to suppliers located outside the state, the local other spending supported by the CCCC is about $4.2 million per year.
- ***Total spending on goods and services by the child care industry that is supported by the CCCC is about $9.6 million. Of this amount, an estimated $7.6 million is likely to be transacted with in-state suppliers.***

Worker Earnings

- The remaining 60 percent of the industry's total expenditures is for wages and benefits, with about 50 percent spent on salaries and wages and 10 percent on benefits. Given the average annual wage for the child care industry of $23,440, the $12 million in salaries and wages supports about 510 workers. Assuming that all of these workers are Colorado residents, this full payroll value is a direct benefit to the state.

Table 1: Direct Economic Activity From Child Care Contribution Credit, Donations, and Federal Awards in FY 2009

	Total	Colorado
Direct Economic Benefits		
Operational Spending		
Equipment, Materials, Parts, Supplies	$1,919,000	$1,703,000
Purchased Services & Utilities	$1,679,000	$1,679,000
Other Spending	$5,998,000	$4,199,000
Payroll	$11,996,000	$11,996,000
Employee Benefits	$2,399,000	$1,799,000
Total Direct Economic Benefits	**$23,991,000**	**$21,376,000**
Employees	510	510

- Total benefit spending for the 510 employees is about $2.4 million, bringing total personnel expenses supported by the CCCC to $14.4 million annually. Employee benefits include such items as paid leave and supplemental pay, health and dental insurance, retirement programs, and various legally required benefits (Social Security, Medicare, federal and state unemployment insurance, and workers compensation). About 75 percent of the benefits are paid either directly to the employees or to Colorado-based entities. As a result, an estimated $1.8 million in payroll benefits directly impact Colorado residents and businesses.
- ***Total spending on wages and benefits by the child care industry that is supported by the CCCC is about $14.4 million. Of this amount, an estimated $13.8 million directly benefits Colorado residents and businesses.***

As revealed in Table 1, of the total $24 million in child care industry spending supported by the CCCC, the industry spends about $21.4 million in Colorado. This local spending creates the spin-off or multiplier effects of the industry described in the next section.

Indirect Output, Earnings, and Employment

As described in detail in the Introduction, the multiplier impacts include "indirect" and "induced" impacts. When a child care business purchases supplies from a local vendor, that local vendor in turn provides payroll to its employees and makes purchases from other vendors. These other vendors in turn provide payroll to their employees, and so on, providing the indirect impact of the spending by the industry.

On a separate but similar spending track, when an employee associated with a child care business spends their paycheck at other local businesses, these local businesses provide payroll to their employees, make purchases from other vendors, and so on, creating the induced impact of the industry. In this manner, the initial dollars spent by the child care businesses on either purchases or payroll circulate throughout the economy a number of times. The number of times that the initial dollar circulates throughout the economy is estimated using economic multipliers. The RIMS II multipliers by the U.S. Bureau of Economic Analysis used in this analysis combine both the indirect and induced impacts; the two tracks of impacts are not separated.

These multipliers are geographic and industry specific, and are used to estimate the total benefits of an industry according to three measures of economic impacts: regional output, payroll or earnings, and employment. The following sections describe the total direct and indirect impacts from the on-going operations of the child care industry, based on the RIMS II multipliers for the child day care services industry throughout Colorado.

- **Value of Output:** The impact analysis assumes that the value of the industry's total gross output is equal to its known annual expenditures of $24 million supported by the CCCC. Based on industry relationships revealed through the RIMS II multipliers, the child care industry and its employees in Colorado supports $29 million in additional output in all industries throughout the state. This includes the value of the output supported by the local spending by the child care industry employees (the induced impact) and the industry's local supplier companies and their employees (the indirect impact). Therefore, ***the total direct and indirect impact of the on-going operations of the child care industry is $53 million in regional total output*** ($24 million direct output + $29 million indirect and induced output), as shown in Table 2.
- **Employment:** The CCCC supports the employment of about 510 direct employees that produce the $24 million in direct output. Based on the RIMS II multipliers, the production of the $29 million in indirect and induced output in all industries throughout the

Table 2: Total Economic Activity From Child Care Contribution Credit, Donations, and Federal Awards in FY 2009
($ in millions)

	Direct Impact	Multiplier	Indirect & Induced Impact	Total Impact
Total Economic Benefits of Operations				
Value of Output	$24.0	2.2084	$29.0	$53.0
Earnings	$12.6	1.9279	$11.7	$24.3
Employment	510	1.3339	170	680

Calculation Notes: Direct x Multiplier = Total Impact
Total Impact - Direct Impact = Indirect & Induced Impact

region requires about 170 employees. Therefore, ***the on-going operations of the child care industry support the employment of 680 workers annually*** (510 direct employees + 170 indirect employees), as shown in Table 2.

- **Earnings:** The earnings multiplier applies only to that portion of the total wages and benefits of $14.4 million that reflects a direct payment to the employees. As some portion of the legally required benefits and insurance payments are not paid directly to the employees, these dollars do not have multiplicative effects in the community.

  Based on a benefits analysis, the 510 direct child care industry employees earn approximately $12.6 million in wages, salaries, and take-home employee benefits each year. Based on the industry relationships revealed through the RIMS II multipliers, the 170 indirect employees that produce the $29 million in indirect and induced output have associated earnings of about $11.7 million. As a result, ***the 680 direct and indirect employees have estimated annual earnings of $24.3 million*** ($12.6 million direct earnings + $11.7 million indirect earnings), as shown in Table 2. Please note that all earnings values are included in the total value of output; earnings are not in addition to the value of output.

- These impacts occur annually assuming similar business operations and tax structures.

Therefore, the state's investment in the child care industry of $11.4 million via the CCCC supports a total direct and indirect economic impact of $53 million. That is, ***for every dollar that the state invests in the child care industry via the CCCC, $4.65 is added to the Colorado economy through private contributions, federal matching dollars, and the multiplier effects of the spending.***

Contributions to child care through the CCCC, state, federal, and other spending have benefits and impacts to the industry and state beyond the direct and indirect economic benefits described in the preceding section. Many studies focus on the importance of early childhood care and education, before and after school programs, the impact of quality child care on working parents and families, and the long-term economic benefits of child care. Benefits such as these are not always quantifiable, but are tangible and important factors in the discussion of any policy. An examination of these impacts shows that spending on child care has far reaching benefits and broad implications for the state of Colorado.

Benefits to Business

The need for affordable child care by Colorado's workers is rising. Over the last several decades, the percent of women with children who are in the labor force has increased dramatically nationwide. The U.S. Bureau of Labor Statistics estimated that in 1975, two out of every five mothers with a child under age six were in the labor force. By 2009, nearly 64 percent of mothers with a child under age six were in the labor force. Overall, 71.6 percent of women with a child under the age of 18 were in the labor force in 2009.[30]

Finding quality, affordable care can be challenging for working parents. Qualistar Colorado estimates that Colorado had about 207,900 licensed child care slots available in 2010. Yet, the National Association of Child Care Resource and Referral Agencies (NACCRRA) estimates that just the number of children under age six who needed child care as parents worked was nearly 244,300.[31]

At the same time, rates for child care in Colorado remain among the highest in the nation. In 2009, the NACCRRA ranked Colorado as the fourth least-affordable state for full-time infant care and the fifth least-affordable state for four-year-old care (ranked by child care cost as a percentage of two-parent family income). The average annual cost for full-time infant care in Colorado is $12,378 and is $8,993 for four-year old child care.[32] At this cost, infant care consumes 15 percent of the median income for married couples and 44 percent of median income for single parents.

Access to quality and affordable child care positively benefits the Colorado workforce while cuts to CCCAP and other child care programs have had negative impacts to the state. Consistent with anecdotal evidence, a study from the Families and Work Institute found that employed parents with access to consistent, quality child care arrangements are less likely to miss work, be tardy, and more likely to maintain higher levels of concentration at work.[33] A study from the Colorado Children's Campaign found that one of the positive economic externalities of subsidized child care was that those subsidies enabled low-income parents to work full-time and reduce their dependence on welfare. The study found this generated a net-savings for state and county welfare budgets. Subsidies for child care in Colorado enabled very low-income families to earn $111 million per year.[34]

Further, the study also analyzed cuts to the CCCAP program that occurred between 2001 and 2002. The

[30] U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, "Women in the Labor Force: A Databook (2010 Edition)," http://www.bls.gov/cps/wlf-databook2010.htm.

[31] National Association of Child Care Resource & Referral Agencies, 2010 Child Care in the State of Colorado.

[32] Stacy Buchanan, Qualistar Colorado, email March 2011.

[33] E. Galinsky, J.T. Bond, and K. Sakai, "2008 National Study of Employers," Families and Work Institute (2009), http://familiesandwork.org/site/research/reports/2008nse.pdf.

[34] Miles K. Light, University of Colorado, LEEDS School of Business, Business Research Division, *The Economic Impact of Child Care in Colorado* (Colorado Children's Campaign, 2004), http://www.coloradokids.org/our_issues/early_childhood/projects.html

analysis found that the cuts saved the program $22 million, but reduced low-income family incomes by $42 million and increased other welfare budget costs by $26 million.

Benefits to Education

Spending on child care has significant long term impacts on the education of the children, juvenile delinquency, social competence, and economic well-being. Longitudinal studies consistently show that quality child care greatly benefits children who are at-risk of school failure in terms of higher scores on reading and math tests, less grade retention, fewer placements in special education, and higher educational attainment.[35] Recent data from the Colorado Preschool Program (CPP) show that at-risk students benefit from the program through their high school years.[36] They found that the social and cognitive gap between CPP participants and their more advantaged peers nearly closes by the time CPP children enter first grade, and this positive effect does not fade as children approach middle school. At-risk children participating in CPP were also less likely to be held back a grade in school. Further, CPP graduates attending DPS were more likely to have higher CSAP (Colorado Student Assessment Program) scores than the district averages in grades three through 10. Later on, CPP graduates in DPS were more likely to score at or above the rest of the district on the ACT college entrance exam in 11th grade.

According to a study published by the Cambridge University Press, early child care and education decreases the likelihood of special education enrollment, remedial education, juvenile delinquency, adult incarceration, drug use, and welfare participation.[37] This ultimately reduces government spending over the long-run for corrections and other social assistance programs. This finding is confirmed in several other studies as well. The aforementioned Colorado Children's Campaign study and a study from the Committee for Economic Development both highlight the savings resulting from targeted investments in child care for at-risk children. The stream of dividends can be seven times as large as the initial investment. This is due to lower incarceration rates, lower public program costs, higher lifetime incomes, and improved worker productivity. Compared with high schools or universities, child care spending offers a relatively high return on public spending because the cost of early education is lower, and because 90 percent of a child's brain development and cognitive abilities are formed before reaching kindergarten.[38]

Other studies come to the same conclusions. A 2001 cost-benefit analysis on the Chicago Child-Parent Center Program estimated that high-quality preschool generated between $7 and $16 for every dollar spent, saving the government from spending more on welfare, education, and criminal justice programs.[39]

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35 E. Galinsky, *The Economic Benefits of High-Quality Early Childhood Programs: What Makes the Difference?* (Families and Work Institute, 2006), http://familiesandwork.org/site/research/reports/ced.pdf.

36 Colorado Department of Education, Colorado Preschool Program 2011 Legislative Report, http://www.cde.state.co.us/cpp/download/CPPDocs/2011_CPP_Legislative_Report.pdf

37 E. Zigler, W. Gilliam, and S. Jones, *A Vision For Universal Preschool Education*, (New York: Cambridge University Press, 2006), http://www.cambridge.org/gb/knowledge/isbn/item1172596/?site_locale=en_GB

38 Light, op. cit.
J. Henchman, *Investing in Disadvantaged Young Children is an Economically Efficient Policy*, (Committee for Economic Development, 2006), http://jenni.uchicago.edu/Australia/invest-disadv_2005-12-22_247pm_awb.pdf

39 A. Reynolds, J.A. Temple, D.L Robertson, & E.A. Mann, "Age 21 Cost-Benefit Analysis of the Title 1 Chicago Child-Parent Center Program, Executive Summary" (2001), http://www.preschoolcalifornia.org/assets/documents/0106-age-21-cost-benefit-analysis-of-chicago-child-parent-center.pdf

Child Care Funding Implications

Child care is an economic well-being issue. Child care impacts employee productivity, labor force trends, the state and local governments, communities, taxpayers, parents, and most of all children. Colorado's child care system relies heavily on public funding which is steadily declining. Nearly every federal funding source used for child care decreased between 2005 and 2009.[40] Moreover, the Early Childhood Leadership Commission found that Colorado invests only minimal amounts in early child care and education. The state spends almost eight times less on children five and younger compared to school-aged children.

As part of the funding for child care in the state, the CCCC leverages private dollars with public dollars. The CCCC is vital as it:

- Creates an incentive for businesses and individuals to invest in child care,
- Creates a funding pool of private contributions to help promote and sustain quality affordable child care businesses by leveraging federal dollars,
- Makes child care services more affordable to low-income families by strengthening the agencies and programs that provide child care,
- Increases the availability of child care and out-of-school time programs for working families.

[40] First Focus, Children's Budget 2009, http://www.firstfocus.net/library/reports/childrens-budget-2009

CONCLUSION

Direct and Indirect Economic Benefits

The CCCC directly supports $24 million in spending by the child care industry. About 510 workers earning $14.4 million in payroll and employee benefits produce this output. Of this amount, about $12.6 million ultimately represents take-home pay for the employees; the remainder is paid to insurance industries and various governmental organizations. The presence of the child care industry and its employees supports $29 million in additional output in all industries throughout the state. The production of the $29 million in additional output in all industries throughout the state requires about 170 workers, referred to as the indirect workers. These workers have associated earnings of approximately $11.7 million. All earnings values are included in the total value of output; earnings are not in addition to the value of output.

The annual operations of the child care industry generate direct and indirect output valued at $53 million produced by 680 workers earning a total of $24.3 million in payroll.

Societal Benefits

The CCCC has impacts to the industry and state beyond the direct and indirect economic benefits - benefits that are not always quantifiable, but are tangible and important factors in the discussion of any policy.

Child care spending helps expand the availability of child care, which benefits both workers and businesses. Quality child care can increase worker productivity and encourages more participation in the workforce from low-income men and women. Child care spending benefits children through better educational outcomes, less juvenile and adult delinquency, increased social competence, and reduced reliance on social assistance programs as they reach adulthood.

The CCCC is critical as it leverages private dollars with public dollars, especially at a time when public funding sources are diminishing. Indeed, ***for every dollar that the state invests in the child care industry via the CCCC, $4.65 is added to the Colorado economy through private contributions, federal matching dollars, and the multiplier effects of the spending.*** Further, the CCCC is vital as it:

- Creates an incentive for businesses and individuals to invest in child care,
- Creates a funding pool of private contributions to help promote and sustain quality affordable child care businesses by leveraging federal dollars,
- Makes child care services more affordable to low-income families by strengthening the agencies and programs that provide child care,
- Increases the availability of child care and out-of-school time programs for working families.

Child Care Industry Economic Benefits

Total Annual Direct and Indirect Value of Output

$24 million direct + $29 million indirect = **$53 million**

Total Annual Direct and Indirect Employment

510 direct + 170 indirect = **680 workers**

Total Annual Direct and Indirect Earnings

$12.6 million direct + $11.7 million indirect = **$24.3 million**

APPENDIX

Sample of Organizations with Child Care Contribution Credit Eligible Programs

The following organizations, primarily located in the Denver metropolitan area, demonstrate the broad variety of programs supported by the Child Care Contribution Credit. The credit supports numerous programs throughout the state of Colorado

- Adams 14 – Stars Early Learning
- Arapahoe County Early Childhood Council
- Bal Swan Children's Center/Early Learning Ventures
- Big Brothers Big Sister of Colorado
- Boy Scouts, Denver Area Council
- Boys & Girls Clubs – Colorado Alliance
- Bridge Project
- Catholic Charities
- Cerebral Palsy of Colorado
- Children's Outreach Project
- Clayton Foundation
- Colorado Coalition for the Homeless
- Colorado "I Have a Dream" Foundation
- Denver Children's Home
- Denver Inner City Parish
- Early Childhood Partnership of Adams County
- Early Excellence
- Escuela Tlateloleco
- Family Star, Inc.
- Florence Crittenton Services of Colorado (Parent Pathways)
- Friends for Youth
- Friends of the Haven – Baby Haven
- Girl Scouts of Colorado
- Girls Inc
- HOPE Center
- Invest in Kids
- Kempe Foundation
- KIPP Colorado Schools
- Lutheran Family Services
- Mile High Montessori ELC
- Mount Saint Vincent Home
- Qualistar Colorado
- Salvation Army
- Sewall Child Development Center
- Summer Scholars
- Tennyson Center
- VOA
- Warren Village
- Washington Street Community Center
- Whiz Kids Tutoring
- YMCA
- YouthBiz

Source: Mile High United Way Impact Investment Agencies with Tax Credit Advantage, http://www.unitedwaydenver.org, (accessed March 2011).

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