



Economic Development Strategies to Promote Quality Child Care

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*Linking Economic Development
&
Child Care Research Project*



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Overview and Purpose of this Guide

Across the country as state and local teams have conducted economic analyses of the child care sector, they have faced the challenge of how to take the next step and build linkages between economic development and child care policy. The intent of this document is two fold: 1) to educate the child care community in the core concepts of economic development, and 2) to assist the economic development community to see the connections between their work and the child care sector. To this end the document is split into two distinct sections.

STRATEGY GUIDE

The main text of the document allows the child care community to understand the intent, process and language of economic developers and economic development planning. It describes the basic principles of economic development and the process of economic development planning. It then makes the connection between child care and economic development.

TOOLBOX

The second part of this report is a toolbox that goes into more detail regarding the specific tools of economic development and examples of how these tools have been applied to child care. It is designed so that readers can easily identify alternative strategies most applicable to their communities. Short descriptions are provided of specific interventions communities have tried to strengthen the child care sector using economic development strategies.

This document is one of a series of extension reports created by the Cornell Linking Economic Development and Child Care project.

Other titles include:

Liu, Zhilin, Rosaria Ribeiro and Mildred Warner, 2004. "Comparing Child Care Multipliers in the Regional Economy: Analysis from 50 States," Ithaca, NY: Cornell University Department of City and Regional Planning.

Ribeiro, Rosaria and Mildred Warner 2004. "Measuring the Regional Economic Importance of Early Child Care and Education: The Cornell Methodology Guide." Ithaca, NY: Cornell University Department of City and Regional Planning.

Shellenback, K. (2004). "Child Care and Parent Productivity: Making the Business Case," Ithaca, NY: Cornell University Department of City and Regional Planning.

Stoney, Louise. 2004. "Collective Management of Early Childhood Programs: Approaches that Aim to Maximize Efficiency, Help Improve Quality and Stabilize the Industry." Ithaca, NY and Raleigh, NC: Cornell University and the National Smart Start Technical Assistance Center.

Stoney, L. 2004. "Framing Child Care as Economic Development: Lessons from Early Studies." Ithaca NY: Cornell University Department of City and Regional Planning.

All are available at the Cornell website <http://economicdevelopment.cce.cornell.edu>

ECONOMIC DEVELOPMENT STRATEGIES TO PROMOTE QUALITY CHILD CARE

Table of Contents

Acknowledgements	iii
Overview and Purpose of this Guide.....	iv
Table of Figures and Tables	vii
I. Child Care Supports Economic Development.....	1
WHAT IS ECONOMIC DEVELOPMENT?.....	2
PRINCIPLES OF ECONOMIC DEVELOPMENT	2
Exports	2
Productivity	3
Sustainability	4
UNDERSTANDING THE CHILD CARE MARKET	4
Private Good: Challenges of an Underdeveloped Market	4
Public Good: Market Failures	5
II. Economic Development Planning: How to Begin	7
WHAT IS ECONOMIC DEVELOPMENT PLANNING?	7
WHAT ARE THE GOALS OF ECONOMIC DEVELOPMENT PLANNING?	7
WHO PARTICIPATES IN THE PROCESS?	7
Actors, Language and Governance	8
HOW DOES THE PROCESS WORK?	9
Convenors Build Team of Community Actors	9
Community Values and Goals	10
SWOT Analysis and Data Gathering	11
Strategies, Tools, Implementation, and Monitoring	11
Economic Development Planning as a forum for change	12
III. Making the Connection Between Child Care and Economic Development	13
Traditional Economic Development Strategies Applied to Child Care.....	13
Framing Traditional Child Care Policies as Economic Development	14

ECONOMIC DEVELOPMENT TOOL BOX: WHAT'S INSIDE

Introduction	19
I. Exports: Bringing in New Resources.....	20
A. PROMOTING EXPORTS: TAX-INCENTIVES FOR BUSINESS	20
B. ATTRACTING INDIVIDUAL INVESTMENT	22
C. ATTRACTING FEDERAL TRANSFERS.....	22
II. Productivity: Working Smarter	24
A. INFORMATION, TECHNOLOGY AND MANAGEMENT STRATEGIES	24
Business Retention and Expansion (BR&E)	24
Collective Management	25
Consumer Information: A New Role for CCR&Rs	26
B. LABOR STRATEGIES	28
Work/Life Policies	28
Professionalization in the Child Care Sector	29
Workforce Development and Child Care Subsidies	30
C. CAPITAL STRATEGIES	31
D. LAND & INFRASTRUCTURE STRATEGIES	32
Transportation and Housing Funding	32
Land Use Planning	33
Enterprise Zones	34
III. Sustainability: Linking the Short and Long Term	35
A. QUALITY OF LIFE	35
B. HUMAN DEVELOPMENT	36
C. STRATEGIES TO BUILD THE SUSTAINABILITY OF THE CHILD CARE SECTOR	36
Community Coalitions	36
Parental Tax Credits	37
Glossary of Terms	40
Bibliography	43

TABLE OF FIGURES AND TABLES

Figures

FIGURE 1: ECONOMIC DEVELOPMENT PRINCIPLES AND STRATEGIES	2
FIGURE 2: THE ECONOMIC DEVELOPMENT PLANNING PROCESS	10
FIGURE 3: APPLYING TRADITIONAL ECONOMIC DEVELOPMENT STRATEGIES TO CHILD CARE	13
FIGURE 4: FRAMING TRADITIONAL CHILD CARE POLICIES AS ECONOMIC DEVELOPMENT	14
FIGURE T-1: ECONOMIC DEVELOPMENT PRINCIPLES—EXPORTS	20
FIGURE T-2: PROJECTED GROWTH OF THE SERVICE SECTOR	23
FIGURE T-3: ECONOMIC DEVELOPMENT PRINCIPLES—PRODUCTIVITY	24
FIGURE T-4: ECONOMIC DEVELOPMENT PRINCIPLES—SUSTAINABILITY	35
FIGURE T-5: ECONOMIC DEVELOPMENT PRINCIPLES AND STRATEGIES LINKED TO CHILD CARE	39

Tables

TABLE 1: UNDERDEVELOPED MARKETS HAVE ECONOMIC DEVELOPMENT SOLUTIONS	5
TABLE 2: MARKET FAILURES HAVE PUBLIC SECTOR SOLUTIONS	6
TABLE 3: COMMUNITY ACTORS AND HOW TO FIND THEM	8
TABLE 4: COMMUNITY ACTORS AND THEIR LANGUAGE	9

SECTION I: CHILD CARE SUPPORTS ECONOMIC DEVELOPMENT

The child care sector¹ faces many market challenges to achieve quality and affordability. In the past, these issues have been addressed with a welfare approach, veiling the vital role child care plays in economic development. Across the nation, states and localities are coming together to address the role of *child care as a critical social infrastructure for economic development*. They are finding that child care has much to offer communities striving for economic prosperity. By reframing the issues facing the child care sector as market failures and challenges of an underdeveloped market, we can begin to find economic development solutions.

This strategy guide provides a conceptual framework for child care as economic development and offers tools for practical application. We present a collection of economic development strategies for communities working to improve access to high quality child care. We hope to make policy makers, the business community, and those working in the child care field aware of the vital role that child care plays in community economic development.

Through this guide we attempt to delineate the essential principles, strategies and tools of economic development. We

also describe the market challenges of the child care sector, and give specific examples of some innovative and successful strategies used by communities and states to improve both the quality of child care and economic development.



It is our hope that through this guide a bridge will be created between these two arenas, allowing for a collaboration of efforts and a new conception of both child care and economic development.

The economic importance of child care is illustrated by the trillium flower. Investment in children, their school readiness, and the productivity of our future workforce is a long term investment in human development. This is a critical component of economic development. Child care also provides more choices to working

parents, enabling them to explore career ladders and be more productive at work, knowing their children are safe. At the regional level, it is time we recognized the importance of child care as an economic sector in its own right. The challenge is to move forward to improve the quality and productivity of the child care sector. This guide provides a framework for articulating how quality child care and economic development are linked.

¹ In this report, the term child care refers to the full range of non-profit and for-profit early education and child care programs.

SUCCESS STORIES

Matching Child Care Needs with Transit Money: The Santa Clara Valley Transportation Authority used \$2.3 million in transportation funding to finance a child care center in the Tamien CalTrain Station transportation hub, which serves over 100 children. The Center is convenient for commuting parents to drop off and pick up their children (Santa Clara Valley Transportation Authority, 1996). http://www.vta.org/services/child_care.html

Earning Interest While Investing in Child Care: The Self-Help Credit Union in North Carolina sells certificates of deposit (CDs) at market rates to help capitalize Self-Help's loan fund for child care facilities. <http://www.selfhelp.org/webupdates0402/depositaccounts/childcarecds.asp>

Economies of Scale Child Care Ventures in Santa Cruz, CA is currently planning a child care "centralized services" center. The Center would operate as an alliance of child care centers, offering services that would reduce administrative costs at individual child care centers by using an economies of scale approach. http://www.santacruz.k12.ca.us/ed_services/child_dev.html

Child Care Business Development: The Development Corporation for Children in Minneapolis, MN is building a child care incubator in a mall-type center with a hospital and YWCA. It will foster the creation of a number of small childcare businesses. <http://www.dcc-corner.com>

What is Economic Development?

Economic development fosters a community's capacity to generate wealth for its residents by focusing on job creation. When economic development is successful and targets the critical factors – information technology and management, labor, capital – and land it can maintain a high-level of employment and job quality (U.S. Economic Development Administration, 2000). However, economic development is about more than just jobs and income; it seeks to improve productivity of local resources, encourage business profitability and promote community sustainability and quality of life (Poole, 1999).

Principles of Economic Development

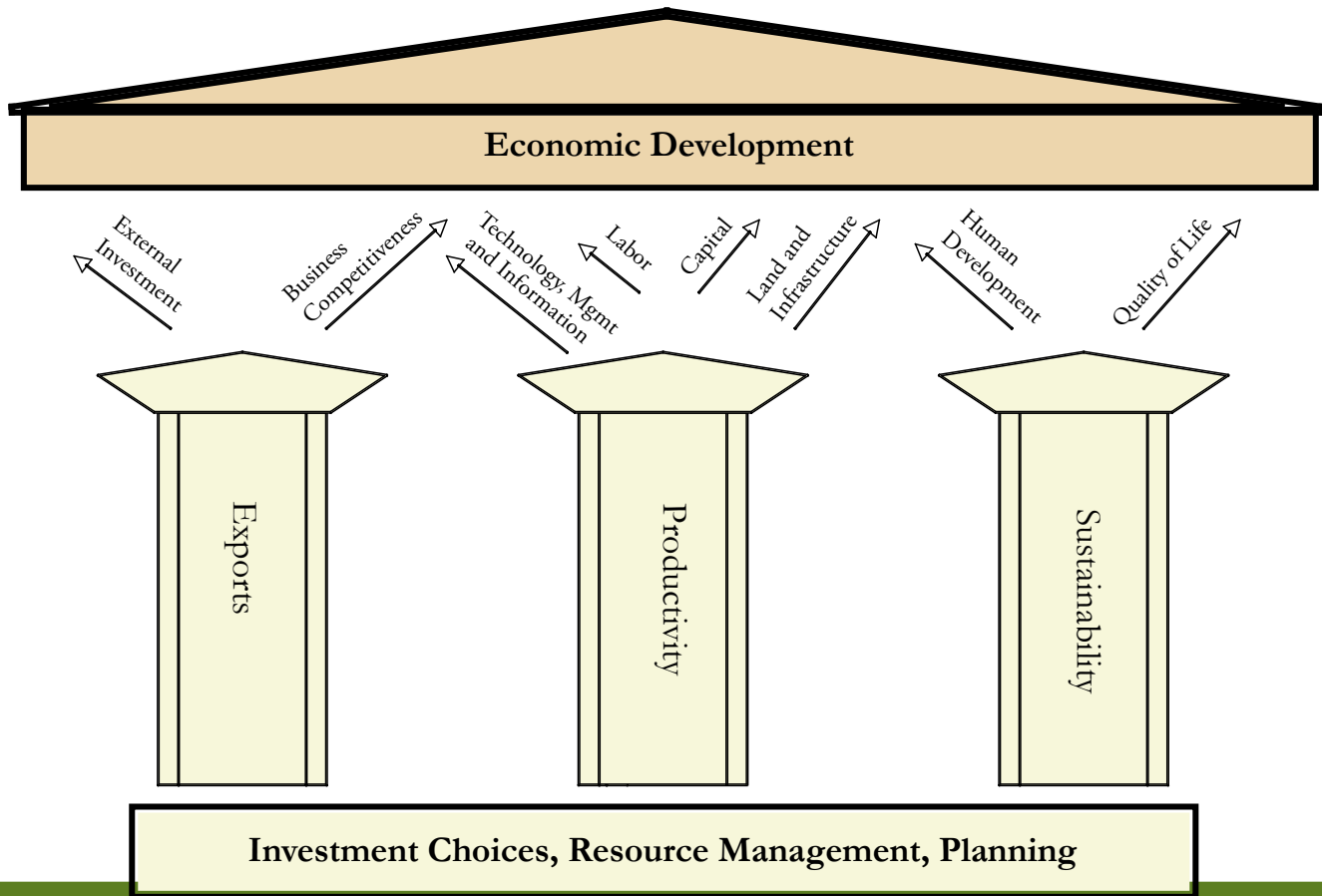
The base of all economic development is investment. When private investment fails to meet a community's particular needs, public investment or public/private partnerships may be necessary. In this document, we have organized our discussion of economic development investments around three primary principles: exports, productivity, and sustainability. These principles are based on the current realities and future challenges of economic development. Enhancement of exports has traditionally been the most popular strategy for economic development. However, the shift from a manufacturing to a

service based economy and increasing global competition has emphasized the importance of productivity, especially in information technology. (see Tool Box on p 14). Finally, a growing awareness of the need for human development and the scarcity of natural resources highlights the need for a sustainable approach to economic development.

We have conceptualized the process of economic development as a building, in which the foundation involves planning to invest resources. The three principles of economic development - exports, productivity and sustainability - are the pillars that form the core supports for the economic development edifice. The targets of investment connect the pillars to the goal of economic development. Figure 1 illustrates this concept. When private investment is inadequate, public investment or public/private partnerships may be required. This is the focus of economic development policy. See the Tool Box for more detail on these economic strategies and links to specific applications to child care.

Exports are the most traditional form of economic development. Communities export products and services, trading them for imports of new money from outside. The purpose of export strategies is to enhance business competitiveness in external markets and to attract external investments to the community. Some communities attempt to

Figure 1: Economic Development Principles and Strategies



maximize government transfers as from military investment, retirees (with pensions), or attracting federal or state money for infrastructure and social welfare investments (Markusen, 1987). Another way to attract new money is by offering services that individuals might come to the community to use, such as higher education, medical care, or tourist attractions (Drennan, 2002; Pendall, Drennan, & Christopherson, 2004). Tax abatements are the most common economic development tool, used by more than 70% of all communities (Warner, 2001). Although the strategy of giving tax abatements to businesses has been criticized as ineffective and for creating a “race to

that promote cross-business communication and industrial competitiveness also contribute to increased business productivity (Rosenfeld, 2001; Tracey & Clark, 2003).

- *Labor.* Local governments must ensure that the local labor supply meets the needs of businesses (National Governor’s Association, 2002). This will encourage companies to expand and stay in the community. Strategies supporting this principle include establishing a sound workforce development policy, often through

COMMUNITY ECONOMIC DEVELOPMENT HAS FIVE OBJECTIVES:

1. Stimulating a self-sustaining process of economic development.
2. Creating jobs with decent wages, benefits, and upward mobility.
3. Establishing community participation in the economic development process.
4. Stimulating entrepreneurship.
5. Enhancing the social infrastructure for economic development such as affordable housing, healthcare and quality child care (U.S. Economic Development Administration, 2000)

the bottom mentality” (Bartik, 2003; Lynch, 2004) (see <http://economicdevelopment.cce.cornell.edu/> for more detail on this debate), tax credits can be applied to child care to encourage business investment and increased charitable contributions to ensure quality in the sector. States and localities can maximize their drawdown of federal funds for child care – these funds stimulate economic development directly and support workers and their employers.

PRODUCTIVITY

While exports remain the principal focus of economic development policy, in recent years economic developers have recognized the essential role of productivity (Porter, 1995). States and communities that prioritize productivity enhancement increase business efficiency and profitability and promote a competitive workforce and a positive business environment. According to the Economic Development Administration (2000), productivity strategies promote the effective use of the factors of production: information, technology & management, labor, capital, and land.

- *Information, technology and management.* Universities, government and the private sector all play critical roles in research and development to create productivity-enhancing technology (National Governor’s Association, 2002). Improvements in business management strategies and the creation of information networks

public-private partnerships such as local workforce development boards, and investment in public (K-12) and community college education, job training, and early childhood education (Heckman and Masterov, 2004; Schultz, 1971). Investments in the health of the workforce, both present and future, are also keys to increasing productivity.

- *Capital.* Financing must be available for businesses tackling expansion and entrepreneurs seeking start-up funds. Banks and venture capital funds are the primary sources of capital. In underserved areas, more innovative financing strategies and loan-assistance programs are implemented by various non-profit and government agencies (U.S. Small Business Administration, 2004).
- *Land.* Governments need to invest in physical infrastructure (transportation, water and sewer systems, and housing) and telecommunication infrastructures (wireline, wireless, and internet-based services) because a sound infrastructure lays the groundwork for a healthy economy (American Economic Development Council, 1998). They also must design land use policies to balance competing development objectives and enhance underutilized sites to restore their productivity in the local economy (Bartik, 2003).



SUSTAINABILITY

Although productivity is extremely important, it cannot be the sole focus. If technological advances lead employers to hire fewer workers, business productivity can lead to job losses. (See the Tool Box for a description of the changing economic context in the U.S.) States and communities recognize the fundamental goal of economic development is improvement in the environment, promotion of human development, and a higher quality of life. Businesses conceptualize these goals as a triple bottom line in which business profitability is linked to environmental and community sustainability (Bowden et al 2001). Sustainability requires an accounting of the linkages between goals that may be competing or synergistic. Planners, such as Richard Florida, point to the value of quality of life investments in enhancing the creativity that is critical to economic innovation (Florida, 2002). Economists, such as Nobel Prize winning Amartya Sen, James Heckman, and Theodore Schultz, emphasize the importance of education and human capital in enhancing choice and productivity (Heckman, 1999; Schultz, 1971; Sen, 1999).

Attention to quality of life and human development are important not just in the short-term, but also for long-term economic development. We have identified investments in child care as part of the “social infrastructure” that ensures our communities are prepared for business change and growth (Warner and Liu 2004). Around the nation business coalitions are joining with child care advocates and state and local governments to develop public-private partnerships to strengthen the quality of the early care and education infrastructure (Ribeiro & Warner, 2004; Stoney, 2004c). These coalitions support innovative local programs that help the child care sector reach out to new partners in the education, business and government sectors to enhance quality and affordability.

Understanding the Child Care Market

In order to participate in the economic development planning process and devise strategies to improve the sector, community leaders must understand the intricacies of the child care market. Child care is a special market sector like private education, in

that it serves both private and public needs. Unfortunately the sector suffers from the lack of affordable, high quality care (Helburn & Bergmann, 2002). This central problem results both from the underdeveloped child care market and from market failures within the child care industry, limiting both the private and public benefits of child care.

PRIVATE GOOD: CHALLENGES OF AN UNDERDEVELOPED MARKET

As a private good, child care supports working parents. Both parents and their employers recognize the positive return on investment (ROI) from child care due to increased worker productivity. As a result, work/life policies are becoming more common among private sector employers who recognize the benefits to worker productivity (See (Shellenback, 2004) for a more in-depth discussion of these policies and their ROI). However, there are four areas where the child care market is underdeveloped. These market development challenges contribute to the lack of affordable, high quality care:

- First, there is a *lack of effective demand* from parents for high quality child care. High quality care is costly; low-income families can spend as much as 25-30% of their net income on child care (Helburn & Bergmann, 2002). These costs do not include the value of parents’ time. This lack of purchasing power sends market signals that discourage higher quality.
- Second, there is *low profitability* in child care due to high labor expenses required by high staff/child ratios. Labor costs constitute the majority of expenses for a child care business; to keep costs down, firms pay low wages, resulting in a lower skilled workforce and high staff turnover.
- Third, the child care sector *lacks economies of scale*. The sector is largely composed of scattered small businesses, reducing opportunities for cost reduction on the supply side and making it difficult for parents to access care from the demand side. (For a detailed discussion of collective management strategies see (Stoney, 2004a).)
- Finally, the sector *lacks intermediaries* with enough resources to provide sufficient information for parents on quality and availability of child care. For this reason, it is hard for parents to assess differences in quality.

These problems can be addressed with economic development solutions, many of them with leadership from the private sector. Table I provides an overview of these problems with their corresponding economic development solutions.

Table 1: Underdeveloped Markets have Economic Development Solutions

Underdeveloped Areas of the Child Care Market	Economic Development Solutions
<p>LACK OF EFFECTIVE DEMAND</p> <ul style="list-style-type: none"> • Most parents want high quality child care but are unable to afford it so their preference is not 'effective' in influencing the supply of child care in the market place. 	<p>EMPLOYER SUPPORT, TAX CREDITS, AND SUBSIDIES</p> <ul style="list-style-type: none"> • Work/life policies, including on-site child care • Vouchers/subsidies for child care from employers and the public sector • Tax credits for businesses that support child care for their employees • Tax credits for parents using child care
<p>LOW PROFITABILITY</p> <ul style="list-style-type: none"> • Low profitability leads to high turnover of child care staff • Limited use of career ladders • Ease of market entry for low-cost providers suppresses quality 	<p>BUSINESS RETENTION AND QUALITY ENHANCEMENT</p> <ul style="list-style-type: none"> • Business retention and enhancement strategies for child care providers • Investment capital to support start-up and expansion • Wage and education incentives to promote both worker professionalization and provider retention • Support for system-wide career ladders
<p>LACK OF ECONOMIES OF SCALE</p> <ul style="list-style-type: none"> • Many scattered small firms lack economies of scale and are economically fragile 	<p>NETWORKS AND COLLECTIVE MANAGEMENT</p> <ul style="list-style-type: none"> • Networks and purchasing pools for information exchange and shared services • Business management training and collective management strategies (pooled purchasing, shared recruitment and training) can enhance efficiency and increase profitability, enabling providers to focus more on direct care to children
<p>LACK OF INFORMATION</p> <ul style="list-style-type: none"> • Hard to assess quality and availability of care • Limited return for investments in quality 	<p>ADVERTISING AND COORDINATION</p> <ul style="list-style-type: none"> • Stronger information intermediaries, advertising, and parent education • Child care quality rating systems • Loans, grants, tax-credits and reimbursement rates tied to quality to create appropriate market signals

PUBLIC GOOD: MARKET FAILURES

As a public good, high quality early care and education prepares children for school and improves the human capital critical for a competitive economy. High quality early care and education has positive societal externalities which are recognized by business and economic leaders as deserving of increased public investment to ensure future economic prosperity (Committee for Economic Development, 2002; Rolnick & Grunewald, 2003). The Invest in Kids group estimates that the public finance value of a child is approximately \$150,000 over their lifespan, when taking into account government assistance received relative to taxes paid (Dugger, 2004). Child care is not a pure public good; as a merit good access can be restricted and this has led to underinvestment in quality care.

There are market failures inherent to the sector that lead to inadequate access to high quality child care, thereby limiting the positive externalities of child care. There are three market failures that serve as obstacles to maximizing the public good of child care:

- First, the sector requires regulation to ensure quality. High quality depends on the child-caregiver relationship, which is based primarily on high staff-child ratios. The sector does not lend itself to technical innovation, and market stimuli for quality are limited. More typically, competition erodes quality (Folbre, 2001).
- Second, unlike most market goods, *child care has multiple consumers*. Children are the direct consumers of care, and high quality care is in their best interest. However, parents actually purchase care, and research has shown that parents often choose based on cost and convenience rather than quality (Helburn & Bergmann,

2002; Mocan, 2001, Blau & Hagy, 1998). Government acts as the third consumer, and seeks to maximize the positive externalities of child care for society's best interest.

- The greatest positive returns of high quality child care are the *long-term effects* on human development. Not only does high quality care save money in the long run through improved health and employment and reduced special education and welfare expenditures (Masse & Barnett, 2002); high quality care and education promotes positive human development and creates a more educated society. However, these benefits take years to become apparent, while most child care expenses are borne by parents in the short term. Inadequate public investment in the sector results in underinvestment of resources to promote a high-quality system of care.

Market failures require collective responses to promote the public good of child care. Economic development can not be sustained without investments. When market failures occur, as in the case of child care, public and public/private partnership investments are required. See Table 2 for an overview of these market failures and public investment policies that can address each.

In addition to the promotion of human development, our society places high value on parental choice in child care arrangements. There is great diversity among early care

and education providers, and in theory parents can choose among them. That is the benefit of a market-based system of early care and education. Child care businesses include both public pre-K and Head Start providers as well as private and non-profit child care centers, preschools, family child care homes, and family, friend and neighbor caregivers (Helburn & Bergmann, 2002; Helburn & Howes, 1996). However, due to a lack of effective demand, many parents do not have real choice. Public support is needed to address affordability and enhance parental choice and insure the quality necessary for long-term societal interests in human development and sustainable economic development.

The U.S. is a nation facing a crisis of care (Harrington, 2000). Our respect for the privacy of families and the role of markets has limited our ability to articulate a collective responsibility for care (for a detailed discussion of the challenges in the child care market see the summary of Harrington 2000 and Helburn and Bergman 2002 at <http://economicdevelopment.cce.cornell.edu>). The business community has been a leader in crafting “family friendly” workplace policies. Business leadership can go a long way to help find the language and approach to build a more systemic infrastructure of child care in our nation. Economic development depends on a comprehensive systemic approach to building high-quality early education infrastructure. Public-private partnerships of business, government and community leaders are making exciting and positive improvements to child care across the nation (see the Tool Box for more details).

Table 2: Market Failures have Public Sector Solutions

Market Failures in Child Care	Public Sector Solutions
<p>LOW QUALITY</p> <ul style="list-style-type: none"> • A significant percentage of child care is of low quality • The quality of care is based on the relationship between child and caregiver • Competition can undermine quality 	<p>REGULATIONS AND PUBLIC SUPPORT</p> <ul style="list-style-type: none"> • Government subsidies to enhance quality • Regulation of staff to child ratios • Provider educational requirements
<p>MULTIPLE CONSUMERS</p> <ul style="list-style-type: none"> • Children: Need high quality care • Parents: Seek low-cost and convenient care, may not be able to assess quality • Government: Interested in long-term human development and societal externalities 	<p>INCREASED AVAILABILITY OF KNOWLEDGE AND INFORMATION</p> <ul style="list-style-type: none"> • Educating parents about quality • Enhanced public support (as in K-12 education) • Quality Rating Systems • Stronger intermediaries • Financing linked to quality • Less categorical funding; more ability to layer funds from multiple sources.
<p>SHORT-TERM FOCUS</p> <ul style="list-style-type: none"> • Market is focused on short-term effects • Want to encourage long-term human development for a sustainable society 	<p>INCREASED PUBLIC SUPPORT</p> <ul style="list-style-type: none"> • Increased investment in quality facilities and workforce training • Financing linked to quality

SECTION II: ECONOMIC DEVELOPMENT PLANNING: HOW TO BEGIN

What is Economic Development Planning?

Economic development attempts to intervene in the local economy in order to generate new employment and business opportunities for the local population. Economic development planning represents an effort on the part of the local government and community based organizations to ensure that equitable and balanced opportunities for employment occur within the community. While this process can be very political, most communities also recognize the need to engage in a thorough and pragmatic planning process. “The local economic development approach recognizes the value in the people who need services and jobs and attempts to intervene to correct the market to generate new opportunities using the resources of the local population and the physical resources of the community” (Hoch, 2000:287).

Why doesn't the market provide adequate economic development opportunities on its own, without planning? Simply because the role of the market is to foster efficiency, while local communities may desire other goals and values in addition to efficiency, such as equity and balanced growth (Griffin & Enos, 1970:22). Through the planning process actors can consciously and deliberately choose the values that matter most to their community, and use economic development strategies and tools to integrate them into economic growth.

At the same time, planning recognizes the value of the market system, which works to enhance efficiency and quality through competition. Local communities compete both to bring new businesses into their community and to improve quality of life for their residents. Economic development planning attempts to integrate efficiency and competitiveness with other important community values.

More than 50 localities and states throughout the U.S. have made the link between economic development and child care by conducting analyses of the regional economic importance of child care. Most of these communities have engaged in a planning process similar to the one outlined below, forming coalitions of relevant actors from the child care and business communities. (See the searchable database on Cornell's webpage at <http://economicdevelopment.cce.cornell.edu> to view the work of these coalitions).

What are the Goals of Economic Development Planning?

- First and foremost, economic development planning aims to create job opportunities (Levy, 2003). In communities experiencing economic growth, wages will be higher and job opportunities more plentiful (Bartik, 2003; Lynch 1996, 2004)
- Second, economic development planning aims to enhance business productivity. Businesses that are more efficient and better utilize resources also contribute to economic growth (Rosenfeld, 2001).
- Third, economic development planning aims to increase the tax base. Local governments and school districts receive primary funding from local property taxes. By expanding the tax base, the local government can increase revenues without raising taxes (Bartik, 2003; Levy, 2003).

Who Participates in the Planning Process?

Economic development planning is a process by which diverse actors in the community come together to set goals, clarify shared values, and delineate a plan by which to reach them. Economic development planning represents an effort on the part of the local government to ensure equitable and balanced opportunities for community employment and business development. Stakeholders must consciously highlight the values that matter most to their community and select appropriate economic development strategies and tools to achieve their economic development goals.

While planning strives to create equity, it also recognizes the positive attributes of the market system - enhancing efficiency and quality through competition - and seeks to integrate these ideals with community values (Griffin & Enos, 1970; Hoch, 2000). Although the primary objective of economic development is to create jobs and support local businesses, investments in the social infrastructure critical for economic productivity, such as child care, have received growing attention from business leaders and economic developers (Ribeiro & Warner, 2004; Warner et al., 2003).



Table 3: Community Actors and How to Find Them

Public	Private	Community
Economic Development Agencies Economic Development Administration http://www.eda.gov/Resources/StateEconomic Development.xml	Foundations http://www.foundationcenter.org	Community Development Financial Institutions (CDFIs) Coalition of Community Development Financial Institutions, http://www.cdfi.org
Local and State Government Industrial Development Agencies	Banks	Social Service Organizations, Unions, Neighborhood Associations, and Churches
School Districts, Junior and Community Colleges	Private Businesses	Small Business Development Centers (SBDCs) United States Small Business Administration, http://www.sba.gov/sbdc/sbdcnear.html
	Chambers of Commerce U.S. Chamber of Commerce http://www.uschamber.com/chambers/chamber_directory.asp	Service Corps of Retired Executives (SCORE) The Score Association, http://www.score.org/findscore/chapter_maps.html
		Enterprise Zones (State or Federal)
		Community Development Corporations (CDCs) National Congress for Community Economic Development, http://www.ncced.org/

ACTORS

Successful economic development planning occurs through the concerted efforts of many different local actors. These can be divided roughly among three groups: the public sector, the private sector, and the community (Hoch, 2000). There are more than 15,000 organizations in the United States devoted to economic development, most of which work at the county, city, town, and neighborhood level (Levy, 2003). Table 3 delineates these three groups, and describes how to find the local actors in your state/region.

LANGUAGE

Because the economic development planning process involves a multi-agency effort, actors will use different words to communicate their interests, as displayed in Table 4. This means that actors must become proficient in the language of their colleagues in order to move forward with common goals. Because the differences in language reflect differing values, such proficiency will help participants better understand each other's perspectives.

Most of the language used by child care professionals revolves around the educational and developmental functions of early childhood education. This viewpoint is much more systematically explored within the child care community than that of business survival, growth and profitability, although many child care

facilities are in fact operated as for-profit businesses and all must balance their budgets to stay in business. The September/October 2004 issue of *Exchange*, a magazine for the child care community, for example, had twelve articles on childhood education and development and only one on the financial management of child care facilities (Neugebauer, 2004). In the business and economic development communities, however, the financial stability and sound management practices of organizations are nearly always the central focus of discussion. These two groups need to learn each other's languages in order to appreciate and support each other's concerns. The challenge is to find a common language and organizational style to meet the needs of all stakeholders. A detailed discussion of team organization and communication issues is found in sections 2 and 7 of the Cornell Methodology Guide (Ribeiro & Warner, 2004).

GOVERNANCE

The multi-agency approach involved in applying economic development strategies to child care brings with it certain challenges to governance. With diverse actors come diverse backgrounds, interests, and values. While bringing together a diversity of expertise enriches the planning process, it can also pose challenges in communication and policy implementation.

Child care specialists, economic development professionals, and government officials have different backgrounds and knowledge which inform their approaches. The degree and substance of these differences varies from community to community, but each community's planning coalition must be aware that differences in opinions can be both a strength and a weakness.

Economic development planning coalitions must balance values of accountability and representation with the goal of effectiveness. While it is important that all voices be heard, coalitions need to be effective to maintain interest and commitment. Actors have varying interests, and the participants with the least stake in the project are the most likely to leave the table. This can lead to undue influence being given to a few key actors. In order to retain each voice, it is important to engage each stakeholder. The business community, whose members are typically very task-oriented and not interested in the lengthy details of the governmental or regulatory process, may benefit from a streamlined process as was done by the Metropolitan Council on Early Learning in Kansas (see Toolbox) with the creation of specialized committees. As all actors juggle multiple responsibilities, it is important to maintain realistic expectations concerning time commitments and progress to ensure momentum is maintained.

While public-private partnerships can be very effective, their streamlined nature presents some challenges for accountability and representation. Actors must be aware of the roles they play and the interests they represent. For example, because Child Care Resource & Referral (CCR&R) agencies are intermediaries between parents, providers, and the government, they are ideally positioned to facilitate these discussions. However, as CCR&R's are expected to represent all three perspectives, they may have difficulty articulating divergent points of view. Independent representatives from each group of stakeholders might be preferable to one inclusive body. For greater discussion on issues of governance and cooperation among private-public partnerships, see the report *Bringing Business to the Table* (2000).

How Does the Process Work?

Economic development planning can help a community ascertain its goals and visions. It can also systematize the development process, and ensure that goals and visions are linked in practice to strategies and tools. In short, the economic development plan ensures that all the actors are on the same page.

Community economic development focuses on a decision-making process that reflects both the economic factors of markets and resources as well as a community's social structure and decision making process (Shaffer, et. al., 2004). Several California counties, faced with development pressures and the need to increase child care facilities, have developed a Theory of Change that includes four strategies: influencing land use policy, integrating child care into economic development, supporting child care facility development and improving and enhancing the business skills of child care providers (Hildebrand and Upp, 2001). We have identified a seven step process beginning with articulation of values and goals and SWOT analysis, and continuing through strategy selection, implementation and evaluation.

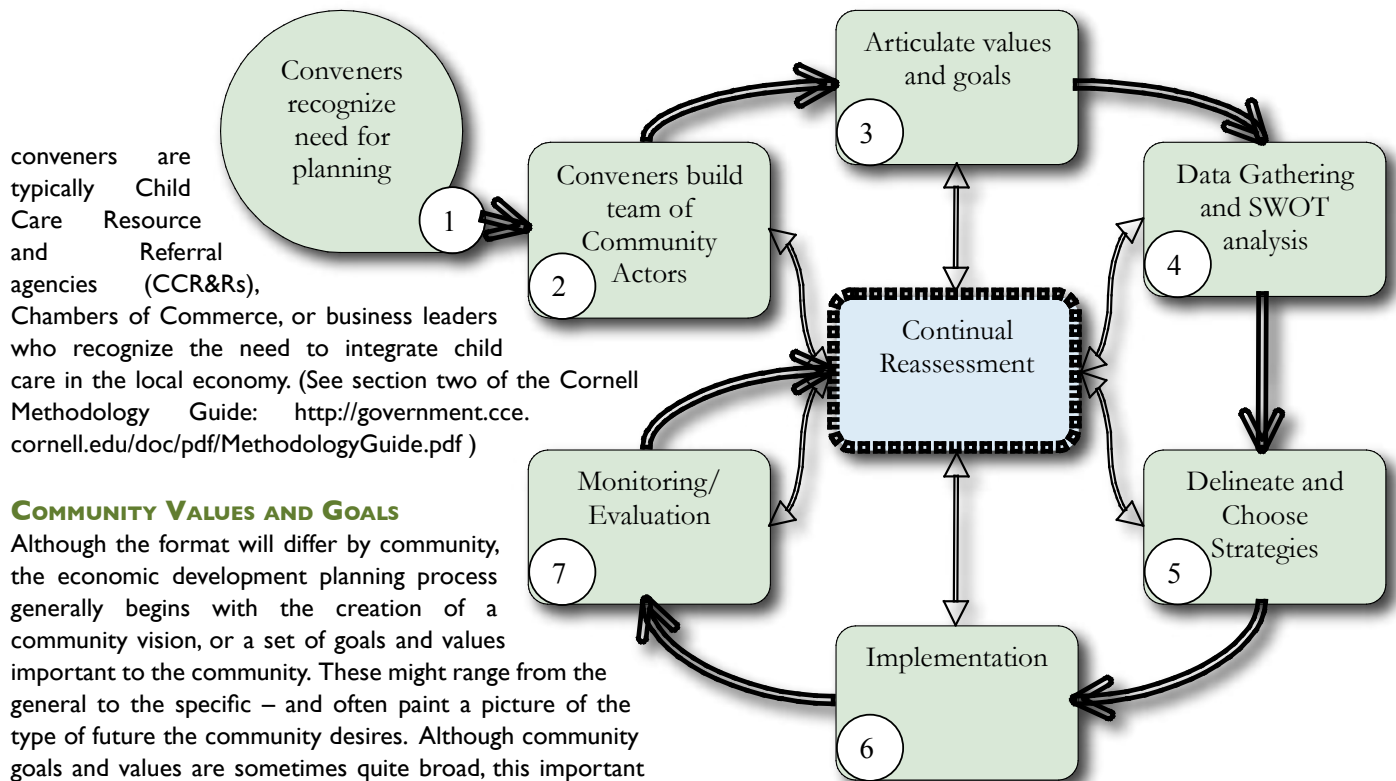
CONVENORS BUILD TEAM OF COMMUNITY ACTORS

Before the planning process can begin, a convener needs to create a team of community actors to participate in the process. Often this occurs through a series of meetings advertised by the local Economic Development Agency, to which the public is invited. Although the individual actors bring their own goals and values into the process, it must be recognized that the facilitator also begins the process with its own set of goals and values. For child care,

Table 4: Community Actors and their Language

<p>ECONOMIC DEVELOPERS Job creation Taxes Bottom Line Quality of Life Infrastructure Industrial Attraction Retention and Expansion</p>		<p>BUSINESS/BANKS Profits Return on Investments (ROI) Productivity Collateral Labor Force Market</p>
	<p>Child Care Human Development Quality Retention Licensing</p>	
<p>GOVERNMENT Workforce Development Job Creation Tax Base Tax Rate Tax Abatements Wages Quality of Life</p>		<p>ECONOMISTS Productivity Exports Sustainability Market Failure Market Development Import Substitution</p>

Figure 2: Economic Development Planning Process



COMMUNITY VALUES AND GOALS

Although the format will differ by community, the economic development planning process generally begins with the creation of a community vision, or a set of goals and values important to the community. These might range from the general to the specific – and often paint a picture of the type of future the community desires. Although community goals and values are sometimes quite broad, this important first step allows all stakeholders to establish their shared values, and to become aware of their differences. Shared community values can be incorporated into the Plan’s strategies as the process progresses.

Many communities are recognizing the importance of child care in their economic development planning. Although the private role of child care may mask its public benefit as a critical social infrastructure for economic development, across the country, states and localities are recognizing the value of child care (Ribeiro & Warner, 2004; Stoney, 2004c).

In California, counties have included child care in the planning process, which has led to the creation of a planning guide linking child care and land use planning (Hildebrand & Upp, 2001) <http://www.nedlc.org>. Tompkins County, NY, has incorporated child care into one of its three economic development goals in Tompkins County Economic Development Strategy (Tompkins County Area Development, 1999). As a result of Vermont’s economic impact study, the state has included child care in the state’s thirteen planning goals for municipalities. Local planners now must incorporate child care into every plan that is created across the state (Ellen Pratt, interview March 2004). This is a good example of how a discussion of values can lead to real action.

Tompkins County Economic Development Strategy

•Build the Economic Foundations of Tompkins County

- *Develop Human Resources* — basic skills, continuing training, recruitment
- *Improve Physical Infrastructure* — water and sewer, air service, scenic by-way roads
- *Enhance Business Resources* — finance, real estate, business information
- *Improve Community Infrastructure* — planning, child care, housing, the arts

•Create Employment and Business Opportunities

- *Retain, Expand, and Attract* — businesses with a focus on exporting industries.
- *Target Activities to Key Sectors* — Education, Manufacturing, High-Tech, Agriculture, Tourism, Retail.

•Reflect Community Values in the Economic Development Process

- *Create Opportunity for All* — income groups, personal abilities, rural and urban areas.
- *Work Together* — inter-municipal cooperation, business-government-community partnerships.
- *Build on Assets* — highly educated workforce, entrepreneurial climate, academic institutions, quality of life.
- *Work Smart* — inform, evaluate, and target programs to optimize economic development investments.

SWOT ANALYSIS AND DATA GATHERING

After the community goals and values have been delineated, the participants analyze the community's economy, in order to understand its potential and its weaknesses, as well as its resources. This is often called SWOT analysis (assessment of strengths, weaknesses, opportunities, and threats). The assessment process is supported through 1) data gathering and analysis, 2) an assessment of the community's future, both in terms of expected population and business needs and 3) a planning process.

The child care impact study reports prepared by most states are an important contribution to SWOT analysis. The Massachusetts child care impact study discusses labor force needs, with the concomitant need to expand both child care and subsidies (Traill & Wohl, 2004). The New York child care impact study shows that the highest job growth has been in areas - such as the retail and service sectors - in which employees have the greatest need for child care support (Warner et al. 2004). A four state study (Okuyama & Weber, 2001) has found that the majority of subsidy recipients work in retail and service sectors. Florida used this kind of labor market analysis to encourage private employers to match federal dollars to expand subsidies to eligible workers (Stoney, Mitchell, & Dichter, 2001).

STRATEGIES, IMPLEMENTATION, AND EVALUATION

Based on the vision, goals, and SWOT analysis, participants next begin to identify appropriate objectives, along with strategies and tools, which can aid in creating the community's desired future. At this point an implementation strategy is also

delineated, along with a strategy for monitoring the progress of the community's plan as it is carried out (Kelly & Becker, 2000). Strategies and tools that are commonly used in economic development plans include (Levy, 2003):

- An advertising or marketing program
- A plan for the use of subsidies (such as tax abatements) to encourage business development and industrial recruitment
- A program of capital investments in physical infrastructure such as water, sewer, roads and other facilities, or social infrastructure such as child care, workforce development, or business retention and expansion strategies
- The adjustment of land use controls to provide adequate commercial/industrial sites, or the purchase or optioning of land for future development
- Maximizing revenues (i.e. importing Federal and State funding)
- Strategies to enhance exports of existing businesses (clusters, Business Retention, Development, and Expansion)
- Strategies to enhance worker productivity and workforce development
- Development of underutilized resources: *land* (brownfield, enterprise zones), *business* (clusters, business retention, development, and expansion), and *labor* (workforce development/human development)
- Sustainability and quality of life goals

A thorough description of these tools and how they can be applied to child care is provided in the Tool Box.

The San Antonio, Texas child care economic impact study addresses the use of local and federal subsidies for child care as an economic development strategy. They argue that increasing subsidies to child care will result in increased annual San Antonio tax revenues, increased employment and earnings opportunities for residents, and increased local spending. The report views child care as part of the local social infrastructure, and as a viable economic development strategy to be incorporated into the planning process (San Antonio, 1999). Kansas had a similar approach in its report when it pointed out that child care subsidies are an external investment strategy for the state. Child care funding is an economic development policy in both the short and long term. When Kansas maximizes its allotment of federal child care funds it builds both its current and future workforce. Furthermore, the child care subsidies provided to low-income parents help make work profitable, and stimulate the state economy (Stoney, Warner, Woolley, & Thorman, 2003).



ECONOMIC DEVELOPMENT PLANNING AS A FORUM FOR CHANGE

As is evident from the above description of the planning process, the creation of an economic development plan presents an opportunity for local actors to incorporate common goals, such as child care, into a process of growth. In short, child care can be:

- A community goal, as we value the development of human capital and social infrastructure within our communities, as well as support for families.
- A contribution to the analysis of a community; what role does child care play, and how important is it to workforce, business and quality of life in our changing communities?
- An important strategy and tool in the economic development process.

Child care can contribute to the community planning process at each step in the plan creation. By making child care an integral part of economic development, communities will benefit. The Kansas study pinpointed the creation of a Knowledge Economy, based on information and high technology, as a core strategy for economic growth. A key component of this strategy is the role of child care in early childhood education. The private and public sectors are increasingly recognizing their shared interest in promoting social infrastructure, including child

***“The core strategy is no more and no less than the conversion of Kansas to a Knowledge Economy, in which the majority of the jobs and income in Kansas are derived from the application of knowledge.”
--Kansas Strategic Plan for Economic Development***

care, as a means to economic development (Ribeiro & Warner, 2004). Furthermore, by viewing child care within an economic development framework, its market challenges can be addressed with economic development solutions. More detail on how state and local teams have approached policy planning can be found in qualitative evaluation reports (Stoney 2004c, and Adriance et al 2005) and in case study profiles on Cornell’s web site <http://economicdevelopment.cce.cornell.edu>.



SECTION III: MAKING THE CONNECTION BETWEEN CHILD CARE AND ECONOMIC DEVELOPMENT

As child care has traditionally been viewed from a welfare or education perspective, understanding child care as economic development can be difficult to conceptualize both for the child care community and economic development leaders. To facilitate this process, we provide specific examples of how child care policies can be viewed as economic development, and how economic development strategies can be applied to the child care sector.

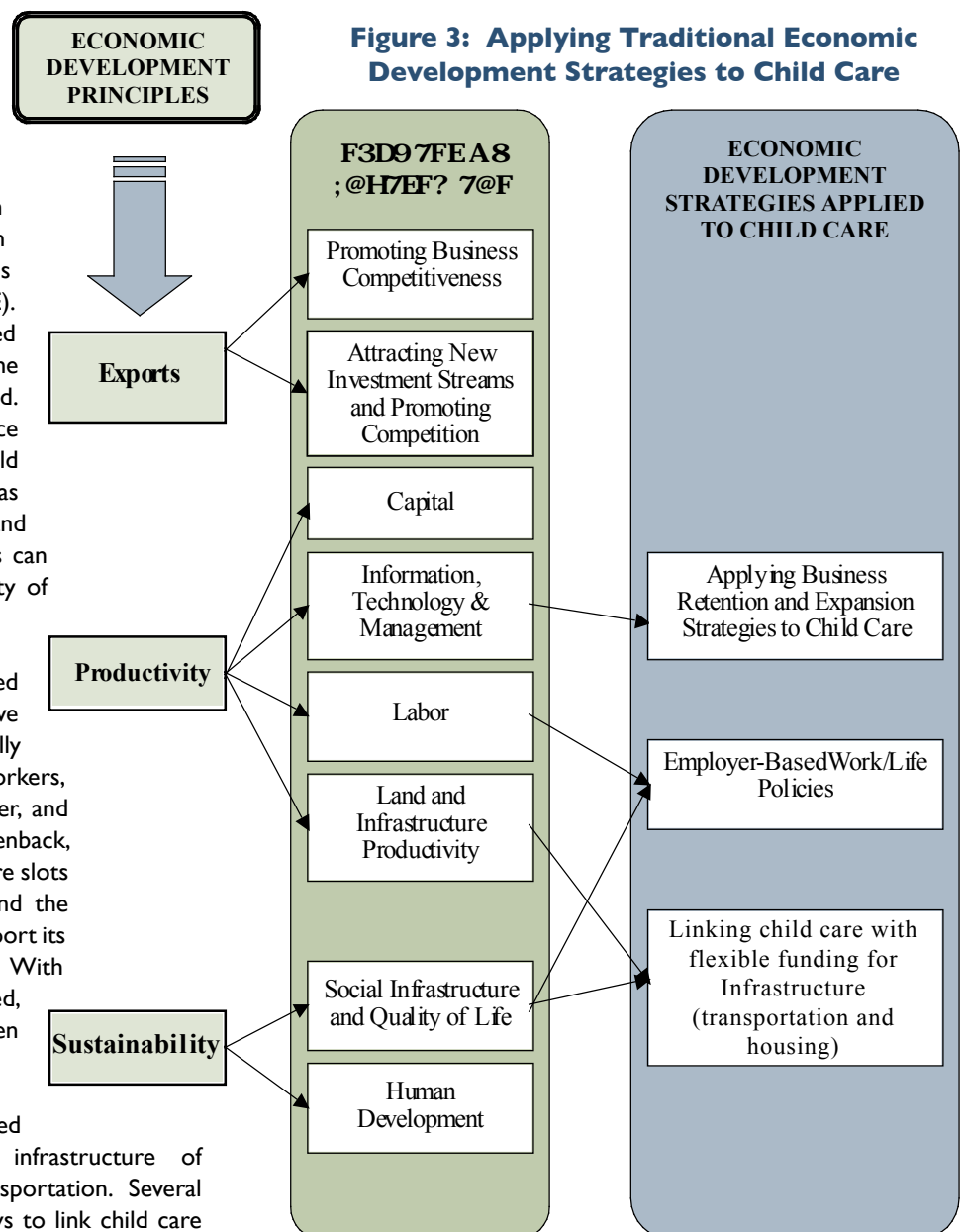
with housing and transportation funds. Locating child care in or next to housing developments reduces the number of daily trips parents must make, which makes the neighborhood more attractive to families, while reducing car use. For example, the San Francisco Housing Authority channeled HOPEVI funds to include a child care facility in Bernal Housing Development (San Francisco Housing Authority, 2003). Transportation dollars are another source of potential funding for child care facilities. By integrating child care with transportation needs, communities can make child care more accessible, reduce commuting time for parents, alleviate congestion and pollution, and encourage

TRADITIONAL ECONOMIC DEVELOPMENT STRATEGIES APPLIED TO CHILD CARE

In Figure 3, the connection between economic development and child care is shown by linking the economic development principles of exports, productivity and sustainability to strategies that could be used by the child care sector. For example, Productivity can be enhanced by improving information exchange and management through Business Retention and Expansion Services (BR & E). In Philadelphia, with funding from the United Way and the William Penn Foundation, the TRF Reinvestment Fund (<http://www.trfund.com/>) provides intensive technical assistance on fiscal management issues to thirty child care centers. By focusing on issues such as budget preparation and reconciliation, and cash flow management, BR & E programs can improve the productivity and sustainability of the child care sector (Stoney, 2004a).

Labor productivity can be enhanced through work/life policies. Employers have recognized that work/life policies, especially providing reliable child care for their workers, reduces absenteeism and worker turnover, and increases worker productivity (Shellenback, 2004). ConAgra Foods purchased child care slots in community day care centers to expand the supply of weekend and evening care to support its second shift workers (Stoney et al., 2001). With this guarantee that their slots would be filled, more providers were willing to remain open for longer hours.

Economic development is also achieved through investment in the physical infrastructure of communities—especially housing and transportation. Several communities have adopted innovative ways to link child care



the use of public transportation. By aligning child care needs with housing and transportation needs, communities can tap an alternate stream of federal and state funds while enhancing productivity and sustainability. The Tamien Child Care Center, built in 1995 at a transportation hub in Santa Clara County, California, was designed to address all these goals and concerns (Santa Clara Valley Transportation Authority, 2004).

FRAMING TRADITIONAL CHILD CARE POLICIES AS ECONOMIC DEVELOPMENT

Most child care policy comes from an education or welfare perspective, but these tools can be viewed from an economic development perspective as well. See Figure 4. For example, child care subsidies have traditionally been viewed and justified as a form of welfare. However, subsidies also can be understood as an example of economic development in the form of Exports and Productivity. Since welfare reform, government subsidies for low-income working parents have increased over

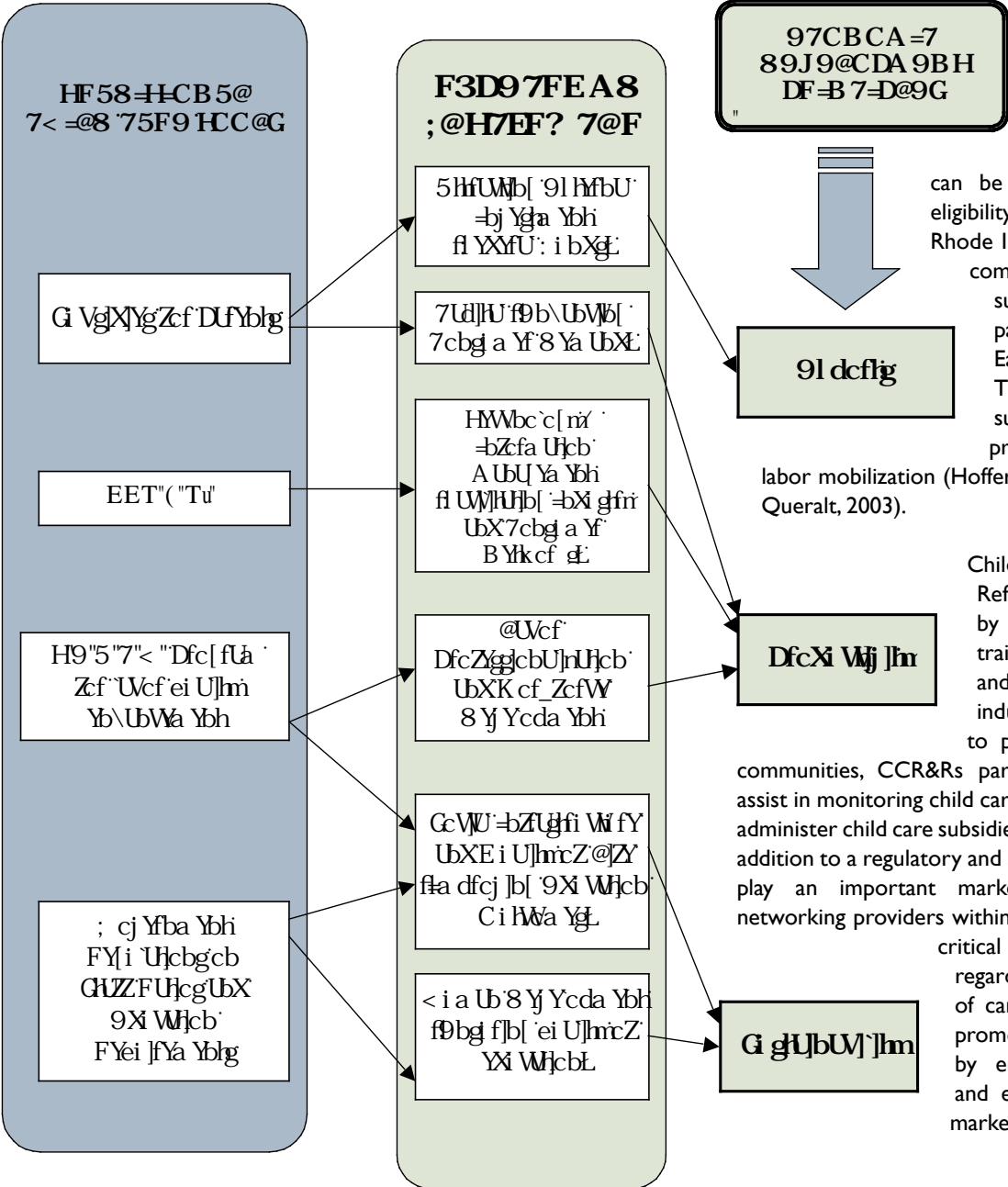
250 % (Mezey, Greenberg, & Schumacher, 2002).

Subsidies are portable funding for low-income parents and bring new federal and state funds into local communities.

This import of money can be maximized by expanding eligibility ceilings as was done in Rhode Island, or using the business community to help advertise subsidies to eligible working parents (Tompkins County Early Education Partnership). The provision of child care subsidies also increases productivity by supporting labor mobilization (Hofferth & Collins, 2000; Witte & Queralt, 2003).

Child Care Resource and Referral networks are used by most states to provide training, technical assistance and support to the child care industry as well as information to parents. In some states or communities, CCR&Rs partner with government to assist in monitoring child care program quality and/or to administer child care subsidies to low-income parents. In addition to a regulatory and social service role, CCR&Rs play an important market intermediary function, networking providers within the industry and providing critical information to parents regarding quality and availability of care. This intermediary role promotes economic development by enhancing the productivity and efficiency of the child care marketplace.

Figure 4: Framing Traditional Child Care Policies as Economic Development



Many states recognize the problems of low wages and high turnover of employees in the child care sector. The T.E.A.C.H. Early Childhood Project is a public-private collaborative in 23 states that provides educational scholarships for teachers, directors, and family child care providers. T.E.A.C.H. increases professionalism and quality within the child care sector and has implications for economic development. T.E.A.C.H. applies workforce development strategies to the child care labor force by focusing on increasing workforce retention and improving worker skills. Enhancing quality of child care providers will further the goals of human development and quality of life, which promote long-term sustainability. The Cost Quality and Outcomes Study found that better wages are correlated with better care (Frank Porter Graham Child Development Center, 1999).

States use licensing regulations as a consumer protection measure and, in some cases, to improve the quality of care through higher staff/child ratios and higher training requirements for providers. An increasing number of states are augmenting regulatory requirements with a new Quality Rating System that encourages providers to meet standards that exceed minimum licensing. However, simply raising

licensing and regulation requirements or establishing a Quality Rating System without giving attention to cost and price constraints faced by child care providers and parents can have the adverse effect of driving child care providers and parents out of the formal child care system. When public or private financing is linked to quality, it can create market signals that promote higher quality care, thereby enhancing sustainability and the development of human capital critical to economic development (Stoney, 2004b).

These are just a few of the many ways the child care sector can be strengthened through economic development approaches. A more detailed description of the basic principles of economic development policy and strategies which could be applied to child care is provided in the Tool Box, which also describes the challenges of economic development in the context of a jobless recovery. The language and tools of economic development are new to the child care community, and child care is a new target for economic development policy. This guide is designed to facilitate dialogue between these two policy arenas. Both our children and our local economies stand to benefit from such a collaboration.



ECONOMIC DEVELOPMENT TOOL BOX: What's Inside

INTRODUCTION	19
I. EXPORTS: BRINGING IN NEW RESOURCES	20
Exports bring in new money from outside the community to promote economic growth. Communities typically use tax credits to attract or retain industry. Tax credits can be applied to child care to promote private sector investment. State and local investments also can leverage Federal funding.	
A. Promoting Exports: Tax-Incentives for Business	20
B. Attracting Individual Investment	22
C. Attracting Federal Transfers	22
II. PRODUCTIVITY: WORKING SMARTER	24
A. Information, Technology and Management Strategies	24
We can make better use of the resources we have by employing strategies that enhance productivity. Information and management can be improved through business retention and expansion. Programs that encourage child care businesses to work together can improve performance and reduce costs. Rating systems for early childhood education and improved consumer information help make quality marketable.	
Business Retention and Expansion Services (BR&E)	24
Collective Management	25
Consumer Information: A New Role for CCR&Rs	26
B. Labor Strategies	28
Development of human capital in all sectors, including child care, contributes to economic development. Work/life policies that include child care provisions reduce turnover and absenteeism, making businesses more competitive. The professionalization of the child care sector raises the wages that employees spend in the community, and contributes to the quality of care. Subsidies for child care expand the available parent workforce for local business needs.	
Work/Life Policies	28
Professionalization in the Child Care Sector	29
Workforce Development and Child Care Subsidies	30

ECONOMIC DEVELOPMENT TOOL BOX: What's Inside

C. Capital Strategies	31
-----------------------------	----

Financing sources for child care include banks, community development funds, and bonds. The Community Reinvestment Act provides leverage to promote private banks' interest in lending to the child care sector. Some funding strategies, such as the loan program of Self-Help in North Carolina, reward quality.

D. Land & Infrastructure Strategies	32
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Policy planners can use transportation and housing funding to include child care facilities in new infrastructure construction. Programs like the New Markets Tax Credit program make it possible to include child care in redevelopment projects. Some communities make planning for child care mandatory in land use planning, and others use developers' impact fees to fund child care facilities.

Transportation and Housing Funding	32
--	----

Land Use Planning	33
-------------------------	----

Enterprise Zones	34
------------------------	----

III. SUSTAINABILITY: LINKING THE SHORT AND LONG TERM	35
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Quality child care improves quality of life for working parents, builds human capital, and creates a favorable environment for businesses to grow and to attract and keep employees. Community coalitions that include business leadership can build local partnerships to create a more comprehensive early education system and help working parents afford quality care.

A. Quality of Life	35
--------------------------	----

B. Human Development	36
----------------------------	----

C. Strategies to Build the Sustainability of the Child Care Sector	36
--	----

Community Coalitions.....	36
---------------------------	----

Parental Tax Credits	37
----------------------------	----

Glossary of Terms	40
-------------------------	----

Bibliography	43
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ECONOMIC DEVELOPMENT TOOL BOX

“Today, most Americans . . . say that raising children is the responsibility of parents with support of others in the community. More people now actually believe the ancient African proverb that ‘it takes a village to raise a child.’”

—Ad Council, *Turning Point: Engaging the Public on Behalf of Children*, 2004.

The tools of economic development can help child care planners get the support they need from their constituent communities at the local, state and federal levels. Quality child care benefits more than parents and children; it supports the local economy as well, making child care a good investment in the future of the community. Using economic development tools effectively, however, means making some changes in how we think about and talk about child care.

When many of us think of industry, we think of factories with smokestacks and assembly lines. An industry can be any community of practitioners that provides a particular type of goods and services to a larger community that wants them. In this larger sense, child care is an industry just as health care is an industry, contributing to the economy as employees spend their paychecks, and providers buy or rent property and

purchase goods and services in the local community. Economic development professionals understand the importance of providing quality systemic child care when the need for it is expressed in the language they are used to hearing.

One of the advantages of using the language of business is that it gives those in the business and economic development communities a vocabulary and conceptual framework for the support of child care that is consistent with their worldview.

In this toolbox we describe in more detail the principles and strategies of economic development, typical economic development applications, and some caveats about economic development policy. We also provide examples of how these strategies can be applied to child care.



SECTION I

EXPORTS: BRINGING IN NEW RESOURCES

Exports (whether to the surrounding region, nation or international markets) generate new revenue and wealth in a community. States and communities can increase revenue from exports by focusing on those industries in which they have a comparative advantage (agricultural, manufacturing, or service sectors), attracting individuals who purchase local services, and maximizing federal and state funds. Communities have traditionally placed emphasis on attracting, retaining, and expanding export-oriented businesses through the use of tax incentives. More recently, attention is being given to the importance of service sector businesses, such as producer services (finance, insurance and real estate), or attracting individuals from outside the community to purchase local services, such as education, tourism, and health care (Drennan, 2002). Finally, local governments can bring in new revenue through maximizing federal and state funds for a variety of economic development and social programs. For example, military funding and transfer payments to individuals are credited with much of the suburban economic boom of the 1970s and 1980s (Markusen, 1987).

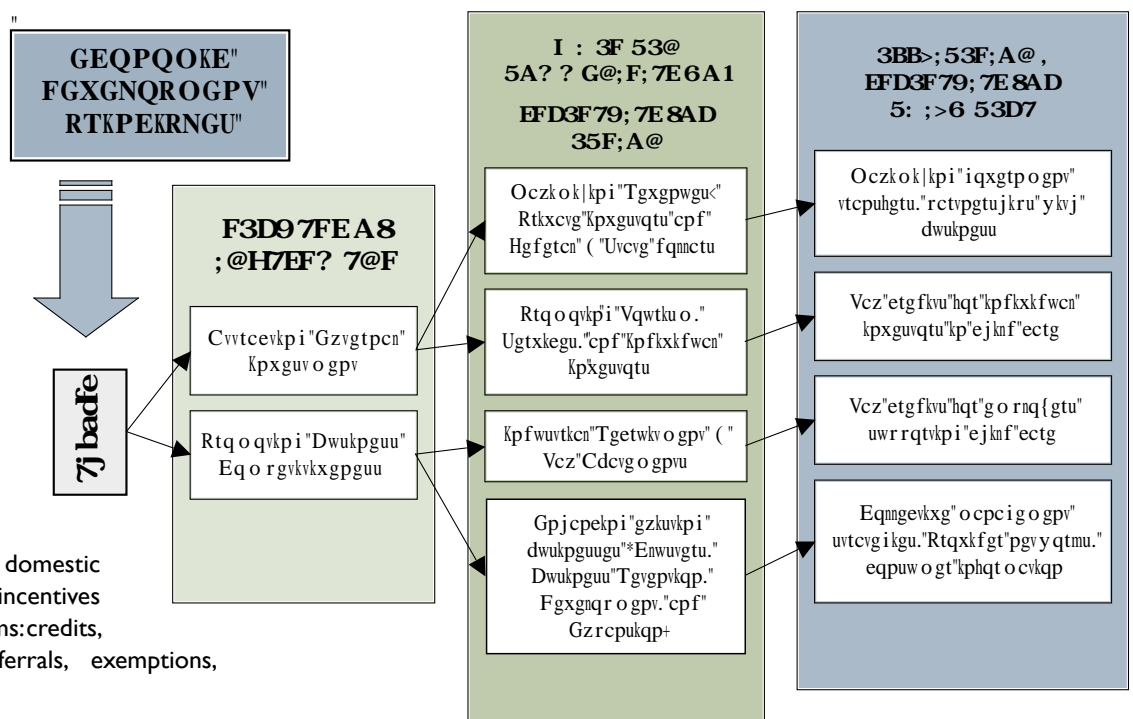
A. Promoting Exports: Tax-Incentives for Business

State and local governments seek to maximize the benefits of exporting sectors by offering tax incentives for businesses under the assumption that communities will benefit from jobs and income generated by export businesses. Jobs supported by exports tend to pay 13 to 18 percent higher than the national average (U.S. Trade Representative, 2000). Tax-incentives are the most popular strategy used by state and local governments for attracting businesses – they aim to reduce the cost of operations to allow businesses to remain competitive in the domestic and global economies. Tax incentives commonly appear in five forms: credits, abatements/reductions, deferrals, exemptions, and refunds (Poole, 1999).

Tax incentives are typically used for manufacturing firms, the industry most likely to export. However, they also are used for other large businesses, such as retail. A 1998 survey by the American Economic Development Council found that 40 percent of state business incentive programs revolve around tax incentives (American Economic Development Council, 1998). A recent International City/County Management Association survey indicates that 70 percent of local governments use tax-incentives to recruit businesses into their communities (Warner, 2001). States and local communities are typically under the impression that tax-incentives may lower the cost of business, and promote job creation (Bartik, 2003). States with lower taxes have historically been seen as having a positive business climate and now most states feel compelled to offer tax-incentives to remain competitive (Lynch, 1996, 2004).

Receiving a tax credit means that the business pays a reduced tax rate or local property tax is waived for some period of time. Tax-incentives granted by local government tend to free businesses from property taxes, and those granted by state government tend to affect corporate income tax. The United States collectively allocated \$4.6 billion in lost state tax revenues for tax-incentive programs (Poole, 1999).

Figure T-1
Economic Development Principles - Exports



Tax incentives should be used with caution. “Economic development professionals and policy makers require access to better tools for assessing the costs and benefits of these economic development incentives” (Poole, 1999: 2). When considering the total cost of operating a business, the effect of state and local taxes is minimal (Bartik, 2003). Furthermore, tax incentives promote excessive inter-community competition and the effectiveness of this strategy is limited by its popularity. Since all states can offer tax incentives, businesses are not likely to locate in a particular state or community on the basis of tax-incentives alone (Lynch, 2004). Furthermore, tax-incentives are usually offered only to large corporations, since small businesses do not have the necessary job creation power to be the focus of such attention. Studies have consistently

proximity to markets, quality of public services, and quality of labor (Lynch, 2004). Investment in physical and social infrastructure, such as transportation, healthcare, education, and child care, positively influence business location and bring about economic development, and may be more important than tax breaks (Brunori, 1997; Lynch, 1996; Bartik, 2003). In fact, even developers recognize their most important task is to promote business competitiveness and tax abatements are not always the most effective strategy to achieve this.

A report by the National Women’s Law Center has shown that there are a number of problems with employer child care tax credits. These tax credits tend to be under utilized. Most corporations have little or no state tax liability to which to

JOBLESS RECOVERY AND IMPLICATIONS FOR ECONOMIC DEVELOPMENT POLICY

The end of a recession is typically marked by a sharp increase in jobs, but in recent years it has been marked by a growth in domestic output without an increase in employment. This phenomenon has become known as the “jobless recovery.” This may be due in part to a structural change in the marketplace – productivity shifts in the manufacturing industries have forced workers to find a new industry, location, or skill (Groshen & Potter, 2003).

Unreliable employment and low wages can create an economy that becomes dependent on low-paying jobs. Such places will experience a shrinking tax base, a decline in consumer spending, government services, and quality of life. It is necessary to focus on the provision of services that will actually promote economic development. Communities must enhance factors that truly matter for business location: access to raw materials, proximity to markets, quality of public services, and quality of labor (Lynch, 1996; Bartik, 2003). Communities can provide efficient infrastructure (transportation, telecom) and assistance in market development as well as an economic development policies to enhance the quality of public services and the labor force.

A strong economy requires strong business, which necessitates productive workers. Public policy makes provisions for tax incentives for businesses because they are crucial for economic development. Physical infrastructure, such as roads and transportation, receives public subsidies because it supports and facilitates business. Likewise, the child care sector is part of a critical social infrastructure, similar to K-12 education, that helps businesses attract and retain workers, reduces absenteeism, and increases productivity (Greater Minneapolis Day Care Association, 2003). State and local governments can utilize economic development policies to invest in human capital, which supports businesses and working families.

found that incentives are offered to companies that would have relocated or expanded without these tax-incentives (Brunori, 1997; LeRoy, 1997).

In the long run, tax incentives reduce government revenue and impact the ability of state and local government to provide and maintain critical physical and social infrastructure (Bartik, 2003; Brunori, 1997), which is particularly troublesome during a period of state fiscal crisis. More detail on this debate can be found on the Cornell web site (<http://economicdevelopment.cce.cornell.edu>). If states are forced to reduce public services, long term economic growth may decline and local governments will not be able to meet the physical and social infrastructure needs of businesses and workers (Brunori, 1997; Lynch, 1996). Numerous studies have indicated that business location decisions are driven primarily by access to raw materials,

apply a tax credit, and even when they do, the credit itself is often too weak to act as an incentive to increase child care supply (Fitzpatrick & Campbell, 2002).

Texas: The Texas Legislature created a \$50,000 a year franchise tax credit for child care expenditures. The credit is available to firms that make expenditures to establish and/or operate a day-care center primarily to provide care for the children of employees of the corporation. Firms may also qualify if they pay to purchase child-care services provided to the children of the corporation’s employees at a day-care center or a registered family home (Johnson & Sabo, 2004), available at http://www.window.state.tx.us/taxinfo/taxpubs/tx96_687.html#childcare.

Oregon: The state of Oregon's Employer Dependent Care Tax Credit is worth 50% of an employer's costs (up to \$2,500 per employee per year) for providing child care access to employees. Employers qualify for this credit if they operate a child care facility, purchase child care for their employees, provide subsidies/vouchers to employees or contract for CCR&R services for employees. A new return on investment calculator on the value of child care investments is available at: www.oregonemployersofchoice.org

B. Attracting Individual Investment

Historically, exports are most likely to come from the manufacturing sector (U.S. Congressional Budget Office, 2004). Thus, state and local governments often targeted manufacturing businesses with tax incentives. However, in recent years, trends in the U.S. economy indicate a declining role for manufacturing and a rise in the service industry. At the same time, there has been an increase in consumer spending on services, such as healthcare and education. As a result, increasing attention has been given to the role of the service sector, especially producer services (finance, insurance and real estate), in the regional economy (See Box: Services in Context). The role of consumer expenditures in the larger economy is also beginning to be recognized and child care is an example of this type of spending (Warner and Liu 2004).

The child care sector can attract reinvestment. Many states have designed tax credits to attract charitable contributions for child care. Receiving a tax credit for the donation reduces the financial cost of the donation by compensating the donor with tax benefits. Generally, tax payers who itemize their deductions are allowed to deduct from their federal taxable income the value of contributions made to charitable organizations (National Women's Law Center, 2001). <http://www.nwlc.org/pdf/ACatalogOfTaxBasedApproachesForFinancingChildCareAndAppendixRev.pdf>.

Colorado's contribution tax credit for child care is a state tax credit under which an individual or corporation that makes a donation to promote child care is eligible for a tax credit of up to 20 per cent of the gift. The donation can be in the form of money or tangible personal property for the operation of a licensed care center, family child care home, or foster home. In 1998, Colorado expended over \$700,000, which indicates a contribution of \$2.8 million. (<http://www.nwlc.org/pdf/ACatalogOfTaxBasedApproachesForFinancingChildCareAndAppendixRev.pdf>).

Oregon's Corporate Child Care Tax Credit authorizes the Child Care Division of the Oregon Employment Department to allocate \$500,000 in tax credit certificates for tax payers who make contributions to the Child Care Division or another selected community agency for the purpose of promoting child care. Individuals apply and compete for credits on the basis of how much they are willing to contribute in exchange for a tax credit, specifying both amounts. The Child Care Division then selects which offers it will accept. The Oregon credit strategically allocates the money to address both the supply and quality aspects of child care (National Women's Law Center, 2001) <http://www.nwlc.org/pdf/ACatalogOfTaxBasedApproachesForFinancingChildCareAndAppendixRev.pdf>.

C. Attracting Federal Transfers

Exports are, essentially, the import of money. Although federal and state transfers are not technically exports, they do bring new revenue and wealth into a community and can be considered sources of external investment. Federal funds for states have typically been directed towards the military industrial complex or physical and social infrastructure needs.

Federal funds have historically been a significant component of early education programs. Revenues from federal and state funds can be maximized through federal/state and public-private partnerships. Many states recognize that state investments help leverage federal dollars. Kansas showed this when it decided not to reduce the subsidy eligibility level from 185 to 150 per cent of poverty, recognizing that these investments "make work pay" for low income working parents and leverage federal dollars into Kansas, promoting economic activity directly (Stoney et al., 2003).

Florida, through the Florida Child Care Partnership Act of 1996, attracts private business investment as a match to help draw down federal child care subsidy funds. Employer contributions are matched dollar for dollar and have resulted in an increase in subsidy funding for Florida's children (Florida. Office of Program Policy Analysis and Government Accountability, 2000; Stoney et al., 2001).

The Child and Adult Care Food Program (CACFP) of the U.S. Department of Agriculture's Food and Nutrition Service provides assistance to licensed nonprofit child care providers to improve the nutrition of children age 12 and under. This funding for children's meals is one of the ways in which the child care community imports money from outside the community, helping to support economic development.

Services in Context: The Decline of the Manufacturing Sector

To understand economic development policy, you must first understand the changing economic context of the United States. Historically, exports have been most likely to come from the manufacturing sector, which was the largest industry in the U.S. economy in the 1970's and 1980's (U. S. Congressional Budget Office, 2004). Thus, state and local governments often targeted manufacturing businesses with tax incentives. However, in recent years, trends in the U.S. economy indicate a declining role for manufacturing. The manufacturing sector has experienced substantial job losses over the past 30 years due to technological innovation, cyclical recessions, and global outsourcing.

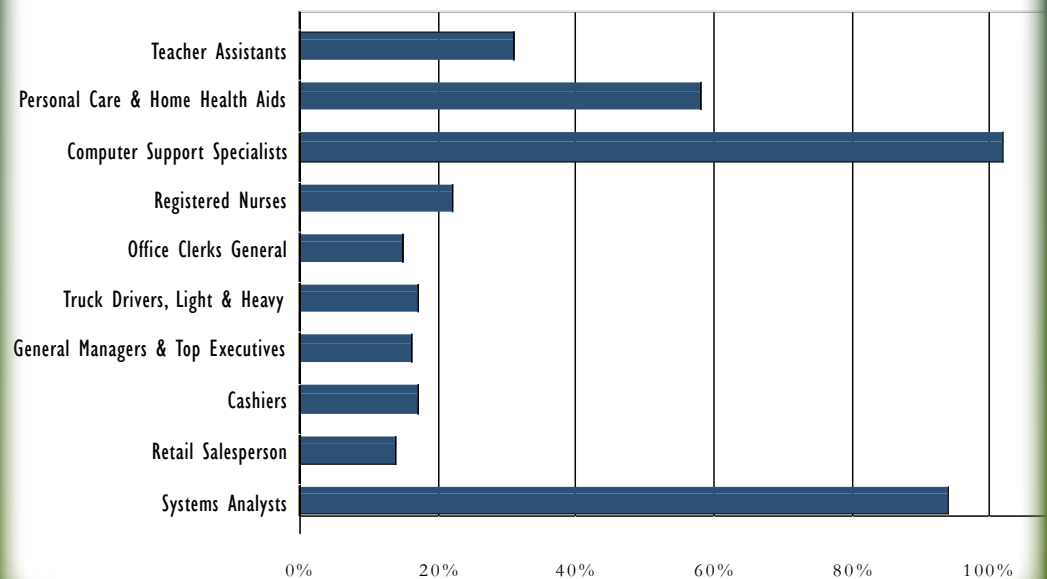
In the past two decades, the decline of manufacturing has been offset by growth in the service sector, which expanded by 60 percent from 1980-1992 (Kutscher, 1993, November), particularly in the areas of education, health, and business services (Bernstein, 2003; U. S. Bureau of Labor Statistics, 2003). Even as employment grew in the 1980's, "the quality of American jobs as measured by wages, benefits, and job security, deteriorated. The decline of jobs in the high-paying manufacturing sector, growth of jobs in the low paying service sector, the growth of part-time and temporary employment, and the general decline in real wages among less-educated, less-skilled workers have been presented as evidence of an erosion of job quality" (Houseman, 1995).

While productivity in the manufacturing sector and certain service sectors, such as Information Technology, is increased through technological innovation and may result in job loss over time; in human services, such as child care, increased demand is primarily met through an expanded work force. At present, the service sector accounts for 80 percent of domestic output and creates many low-skilled, low-wage, and no-benefit jobs (Labor Research Association, 1999). According to the Bureau of Labor Statistics, half of the occupations that will create the largest number of new jobs between 1998 and 2008 are retail salespersons, cashiers, truck drivers, office clerks, and personal care and home health aids (U. S. Bureau of Labor Statistics, 1997). While job growth in certain service industries, such as education, healthcare, and tourism, puts money in the economy, the type of employment they produce creates concerns about job quality.

Nearly 40 percent of all low-wage paying businesses are in the service sector, while less than 4 percent of low-wage businesses are in the manufacturing sector. It is important to note, however, that 42 percent of medium wage businesses, and 25 percent of high wage firms are also in the service industry. This suggests that service jobs have the potential to generate high wages and a high standard of living within a community (Andersson, Holzer, & Lane, 2003).

However, studies have found the majority of low wage workers who receive child care subsidies are concentrated in the retail and service sector (Okuyama & Weber, 2001). Wages are associated with worker turnover – 75 percent of low-wage firms experience at least 100 percent turnover annually, compared to 33 percent turnover in high wage firms. Smaller firms in the retail trade and service industries tend to pay lower-wages than other employers when the quality of the labor pool is held constant (Andersson et al., 2003). The plentiful low-wage jobs with high turnover in the child care sector exemplify this dilemma.

Figure T-2 Projected Percent Increases 1998-2008



SECTION II

PRODUCTIVITY: WORKING SMARTER

Attracting export income is only a small portion of an economic strategy. Economic development is primarily about improving productivity—promoting the most effective use of the factors of production: land, labor, capital, and technology & management. Increased productivity generates local wealth. When businesses are able to keep production costs down, while increasing their outputs of goods and services, this productivity improvement, and the consequent increase in profits, helps the community as local wages rise and jobs are created.

Typically economists delineate four types of resources that can be used to promote economic productivity: 1) information, technology & management, 2) labor, 3) capital, and 4) land/ infrastructure.

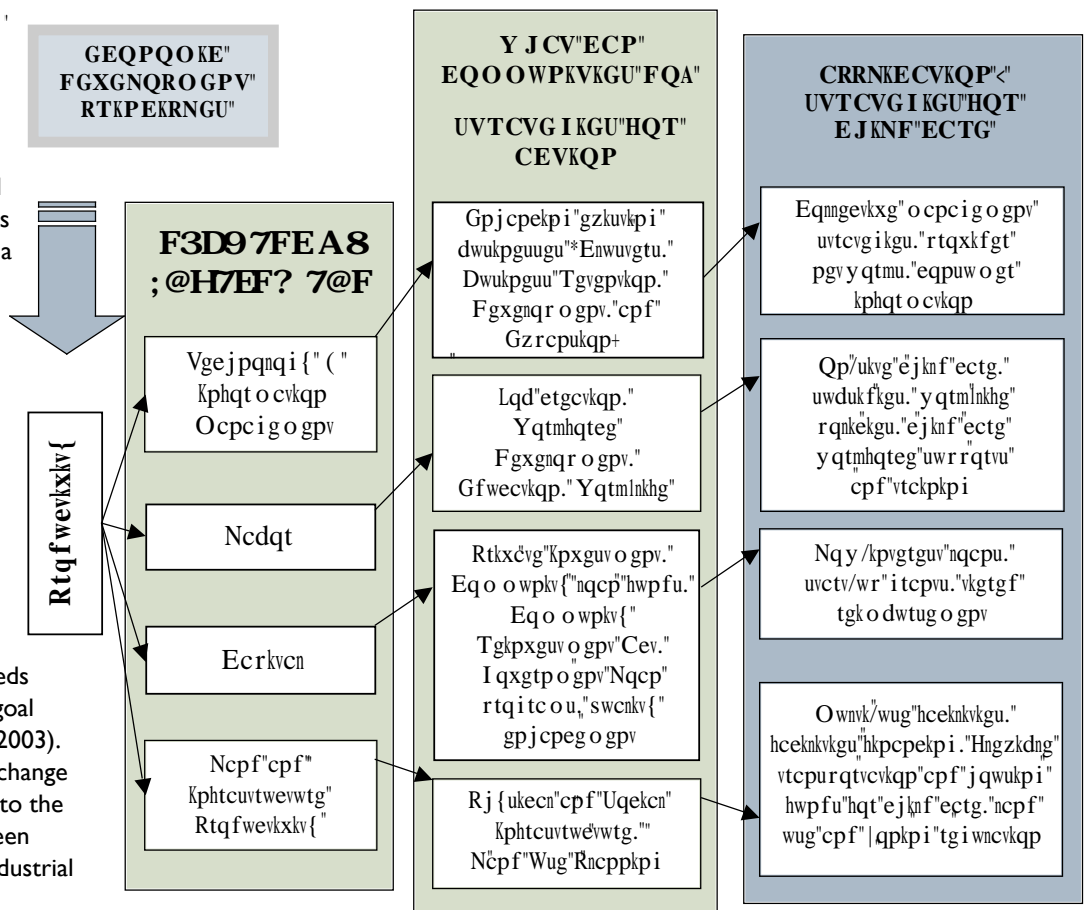
A. Information Technology and Management Strategies

Economic development requires new technology, improved information networks, and management strategies to foster the innovation necessary for productivity. In our modern economy, standard products can be manufactured in other countries at a lower cost. Thus it is critical that states and localities invest in innovation and effective management strategies that will help them compete in a global market.

BUSINESS RETENTION AND EXPANSION SERVICES (BR & E) are an excellent way the public sector can facilitate information exchange and management training and support. “Getting information on the needs of local businesses and then encouraging government actions to better meet those needs and increase local benefits” is a goal of BR & E programming (Bartik, 2003). Improvements in information exchange and management strategies lead to the sharing of innovative ideas between organizations within the same industrial

sector and enhance efficiency (Rosenfeld, 2001; Tracey & Clark, 2003). Business clusters and industrial districts represent a category of such management strategies. A business cluster is an alliance between individual organizations within the same industry. Businesses in these alliances benefit from economies of scale by sharing the same infrastructure, customers, technologies, or skills base. Individual businesses within clusters carve out a specific phase of production or a particular geographic area to focus upon, rather than competing with other firms. These strategies enhance productivity by decreasing transaction costs and encouraging innovation as businesses are pressured by their partners to remain on the “cutting edge” (Porter, 1995) For more information see S.A. Rosenfeld (2001), “Networks and Clusters: The Ying and Yang of Rural Development.” <http://www.rtsinc.org/publications/KCFed.pdf> A debate on Porter’s productivity strategies is found in Warner and Liu 2004 and on our website.

Figure T-3
Economic Development Principles - Productivity



Because the child care sector cannot substitute capital for labor (because quality depends on high staff/child ratios), R&D strategies are largely inapplicable and such funding sources typically are not targeted to child care. However, many actors in the child care sector would benefit from improved management strategies and strengthened industry information networks. Most states use child care quality funding for business management training. However, economic development agencies such as CDC's or SBDC's can provide management and financial support for these same services.

With funding from the United Way and the William Penn Foundation, the Reinvestment Fund provides intensive technical assistance on fiscal management issues to thirty child care centers in Philadelphia. The Trust has worked individually with local centers on a range of fiscal management issues including budget preparation and reconciliation, cash flow management, staffing, and many others. <http://www.trfund.com/>

Child Care Ventures in Santa Cruz, CA received a grant from their local community foundation to plan a child care "centralized services" center. The Center would operate as an alliance of child care centers, offering services that would reduce administrative costs at individual child care centers by using an economies of scale approach. http://www.santacruz.k12.ca.us/ed_services/child_dev.html

Long Island used funding from the New York Small Business Development Centers to create a CD-ROM that provides business management planning software for child care businesses. <http://www.nyssbdc.org/>

Coastal Enterprises, in Maine, teaches child care providers about federal and state sources of funding, provides technical assistance to providers developing funding proposals, and teaches business management techniques. The project also issues loans to support the education and training of providers. <http://www.nccic.org/ccpartnerships/profiles/cei.htm>

COLLECTIVE MANAGEMENT

Provider networks and clusters can increase communication and idea exchange. Most providers are small enterprises, usually with small numbers of staff, and lack internal economies of scale. Through networks, child care providers can benefit from external economies of scale, allowing for shared services and the bulk purchasing of supplies and insurance. Child Care Resource & Referral (CCR&R) agencies, Community Development Financial Institutions, Chambers of Commerce, and others can assist providers to organize networks. The

business community can help child care establishments identify new management strategies that maintain quality of service and reduce overhead costs.

With less than 25% of child care expenses occurring in administrative functions the benefits of collective management are limited. Yet, there is still potential for economies of scale in administration, staffing, and purchasing. Some examples are outlined below. For more information, see Louise Stoney's 2004 report on *Collective Management* found at: <http://government.cce.cornell.edu/doc/pdf/CollectiveManagement.pdf>.

Community Day Care, Inc./Community Day Charter School (Lawrence, MA) is a non-profit corporation that serves approximately 900 children each day in 7 center-based sites and a network of family child care homes. An additional 300 children are served in a charter school which is located at 3 sites -- an upper school for grades 5-8, a lower school for grades K-4, and a new early learning center for 4 year olds. The child care centers, family child care network and charter school share the same administration, including the following services: fiscal (billing, fee collection, payroll) human resources, staff development, support services (nurses, therapists, bi-lingual/bi-cultural issues, etc.), food services (CACFP program management & purchasing), data analysis, technical support, maintenance and transportation. (Stoney, 2004a).



The Children's Home (Chatanooga, TN) is a non-profit agency that directly operates a child development center for 350 children and also provides management services to 4 additional community-based early childhood programs that collectively serve approximately 200 additional children, 6 weeks through 5 years of age. Each contract site has its own non-profit status, board of directors and a separate banking account. However, the board of each participating center hires the Children's Home to provide all management/support services, and management staff is shared. The sites all have the same wage scale, benefits, employment policies, and curriculum. All fiscal and administrative services are coordinated, using the same automated systems and reports. The CEO of the Children's Home reports to the boards of each contract agency and attends their monthly board meetings. The President of the board of each contract agency is an "ex officio" member of the Children's Home board (Stoney, 2004a).

Infant Toddler Family Day Care, Inc. (Fairfax, Virginia) is an independent, non-profit early care and education network of home-based child care providers serving approximately 340 children six weeks and up. Providers under this umbrella receive a wide range of support and services including: marketing, training (start-up and on-going), monthly support visits, billing and collection of child care fees, paid vacation, liability insurance, field

trips, group activities, a professional network, emergency consultation and technical assistance. Parents also have access to support groups, parenting education (there is a special group for dads and toddlers) and stable care (substitute care is available if a provider is ill) (Stoney, 2004a).

Centers that Care is a project of a non-profit CCR&R agency, Action for Children in Columbus, Ohio. Centers that Care staff recruit and screen individuals interested in employment in early care and education programs. The goal is to give center directors a place to go for a pool of eligible applicants, rather than spending so much of their own time recruiting and screening staff. Centers that Care recruits a broad pool of qualified applicants (including on-site recruiting at college campuses), screens each applicant according to Ohio licensing standards (including background and reference checks), creates an assessment profile on each applicant, maintains a website, accessible by passcode for member centers, that includes a pool of screened applicants ready for employment. (Stoney, 2004a).

PEO for Child Care Employees –The Association of Early Childhood Professionals in Greensboro, NC has proposed the development of a Private Employment Organization (PEO) to obtain more cost effective health insurance for providers through collective purchase. A PEO becomes the "Employer of Record," and allows small firms, such as child care providers to benefit from group purchases. Additional information on PEOs is available at <http://www.napeo.org/>. The Greensboro proposal will explore the possibility of extending the Keystone Research Center's PEO model to child care.

CONSUMER INFORMATION

One requirement for a healthy market is access to information for both buyers and sellers. The child care sector lacks product differentiation, and needs information intermediaries to help consumers evaluate the quality of various child care options. Some states have funded child care intermediaries and/or implemented quality rating systems to help address this information deficit.

Child Care Resource and Referral Agencies (CCR&Rs) provide an intermediary infrastructure for child care providers and consumers by assessing the community's need, providing referral services, and developing supply. (<http://www.nccic.org/ccpartnerships/profiles/cc2000c.htm>).



Child Care Aware provides a consumer hotline that connects parents to the local CCR&R.s Special emphasis is placed on teaching parents how to identify a quality child care environment by using a five step quality checklist which considers both center-based and home-based care. Their choosing checklist is available on-line at <http://www.childcareaware.org/en/tools/pubs/pdf/106e.pdf>.

The mission of the public-private partnership, Child Care 2000, in Washington State is to empower consumers and policymakers to recognize and demand quality child care and to re-frame child care as a valuable industry. Businesses give their financial support, media outlets donate advertising space, and the public and private child care community guides the direction of the consumer information campaign. <http://www.nccic.org/ccpartnerships/profiles/cc2000c.htm>

Quality Rating Systems

A quality rating system (QRS) is a tool to evaluate the quality of an early childhood program that uses easily understood icons such as stars or gold/silver/bronze seals. In some states -- such as North Carolina and Tennessee -- quality rating is mandatory. However, in most states participation in a QRS is voluntary, although it is often used as a funding standard or accountability tool. For example, a specific rating may be required to secure funds from a philanthropy or to obtain a government contract. Often higher child care subsidy payments are made available to programs that attain higher quality levels (a strategy that is typically referred to as "tiered reimbursement".) Quality rating can also guide tax policy.

Maine doubles the state dependent care tax credit for parents who enroll their children in programs that have attained a Maine Quality Certificate. Quality ratings are also an important consumer tool. Many states post quality rating information on the web, and encourage child care resource and referral agencies to share this information with parents (Stoney, 2004b).

Colorado's QRS, called Qualistar, was developed by Educare, a public-private partnership aimed at educating and empowering parents to make the best choices for their young children. By developing and implementing a Quality Rating System validated by scientifically based research they are providing government and donors with a way to measure the return on their investments. (<http://www.educarecolorado.org/welcome.html>)

Tennessee's QRS is rooted in the state child care licensing division. All licensed child care programs are required to participate in a "Report Card" evaluation which is shared with the public. Programs may also elect



to participate in a Star Quality Child Care Program that awards higher reimbursement rates to higher quality programs. (<http://www.state.tn.us/humanserv/childcare.htm>)

Vermont's Step Ahead Recognition System (STARS) was designed to build on the quality assessment criteria used by early care and education funders and administrators in many domains. Unlike Tennessee and Colorado, which have specific requirements for each star level, the Vermont system is based on totaling points across five areas -- licensing compliance history, staff qualifications and training, families and community, program assessment and administration. (www.starsstepahead.org)

To date, approximately thirty-six states have implemented some form of tiered quality strategy (Dry & Collins, 2004; Taylor & Bryant, 2002). Comprehensive information on tiered quality strategies in all states is available at <http://nccic.org/poptopics/index.html#tiered>.

B. Labor Strategies

Beginning with Nobel Prize-winning economist Theodore Schultz, economists have recognized the critical importance of human capital to economic productivity (Schultz, 1971). When individuals forgo immediate earnings to invest in education and training, they improve their future earning power by investing in their own human capital.

A commitment to a strong education system at all levels is a commitment to human capital and economic productivity. The American business community has long embraced this truth, demonstrated most recently by their dedication to universal pre-kindergarten education (Committee for Economic Development, 2002). In addition to investing in a strong K-12 system, governments encourage human capital and productivity through their support for public universities and scholarships, grants and low-interest loans for students pursuing higher education opportunities. Higher education fosters the advanced knowledge and specialized skills that lead to the innovation that drives productivity (National Governor's Association, 2002). The child care sector lends itself to labor strategies in three areas. To promote labor productivity in general, employers recognize the need to invest in child care through work/life policies for their employees. Within the child care sector itself, professionalization can reduce turnover and promote higher quality. Finally, for lower-income working families and their employers, child care subsidies are a very important component of workforce development policy.

WORK/LIFE POLICIES

In recent years, employers have given increased attention to promoting work/life balance, by crafting workplace policies which help workers balance their professional obligations with their personal responsibilities and aspirations. Most Fortune 500 companies address issues such as flexible hours, job-sharing, and accessibility to child care for good reason; studies have shown that "family supportive companies" consistently surpassed the performance of the Standard & Poor 500 companies over the past three years. (For a more complete discussion of work/life policies see Shellenback (2004). Research has connected employee satisfaction, consumer satisfaction, and increased profits, supporting the case for work/life policies (Rucci, Kirn, & Quinn, 1998). These private sector trends highlight the critical importance of child care to economic productivity (Families and Work Institute, 1989). When parents have access to high-quality, reliable child care, they can be expected to be more productive in the workplace, because less time is devoted to personal issues and their employers benefit from reduced turnover and absenteeism.

Most businesses employ parents who need child care to work. While large companies may have the resources to build an on-site child care facility to serve their employees, this is not a realistic option for most employers. It may be possible for several small businesses to pool together their resources to create more community based care for their employees. Federal tax policy establishes flexible spending accounts (FSAs) for child care, such as the Dependent Care Assistance Plan (DCAP), in which employees deposit a percentage of pre-tax wages into an account with money that will be available for child care.

On-Site Child Care

Some employers have established on-site child care centers or contract with a non-profit or proprietary child care company to provide on-site child care for their employees. By providing high quality, reliable child care, employers can reduce employee absenteeism, retention, and productivity. Bright Horizons, a national child care company that specializes in employer-supported child care, offers a Return on Investment (ROI) calculator on their website at www.brighthorizons.com/roicalculator to help employers assess the benefits of investing in child care.

Employer Contracts with Child Care Centers

ConAgra Refrigerated Foods reached out to local Head Start and child care programs to help create a child care initiative for workers who earned hourly wages. These public/private partnerships made it possible to expand public Head Start and child care programs to meet the needs of low-wage employees who do shift work and live in rural areas where regulated child care is scarce (Mitchell, Stoney, & Dichter, 1997).

Additional Resources on State Labor Policies:

Comparison of Current Publicly Funded State Initiatives for Compensation & Retention

Provides a table of state initiatives for compensation and retention of the early care and education workforce listed by program, including North Carolina's W.A.G.E.\$ Program and Washington's Pilot ECE Career Ladder. <http://www.nccic.org/pubs/comparison.pdf>

Early Care and Education Career Development Initiatives

Provides a table of initiatives for professional development of the early care and education workforce listed by state. <http://www.nccic.org/pubs/stateplan/stateplan-intro.html>



Flexible Spending Accounts (FSA)

Employers can create benefits accounts for individual employees, where each employee determines how much of his or her income is deposited in the account per year for child care expenses. Employers reduce costs because the money in FSAs is exempt from payroll taxes and the cost of implementing the FSA plan is tax deductible. The funds are exempt from Medicare, Social Security, and Federal and State Income taxes, saving between \$1000 and \$2500 per employee per year; see <http://government.cce.cornell.edu/doc/pdf/FSA%20employee%20info.pdf>.

Employer Sponsored Child Care

Many employers make direct contributions to employee FSA accounts. Since 2002 Cornell University's Child Care Grant Subsidy Program provides financial support for their employees' child care expenses. Grants are awarded based on each family's total child care costs as a percentage of income. The program is run through Cornell's Flexible Spending Account (FSA), making the funds tax-free. See <http://www.ohr.cornell.edu/benefits/childcareGrant/CCGSFAQ2005.pdf>.

PROFESSIONALIZATION IN THE CHILD CARE SECTOR

The child care workforce needs professionalization. Low returns lead to low staff wages, and high turnover frustrates attempts to raise the level of educational attainment. Furthermore, there is still a limited career ladder, particularly in home-based care, although child care professionals are working to change this (Helburn & Bergmann, 2002; Helburn & Howes, 1996). There are many programs that focus on improving the qualifications and compensation of child care workers, including T.E.A.C.H. AND WAGES. Financing scholarships and increased wages for child care staff can be considered part of an economic development strategy.

Creating Links between Training and Compensation

T.E.A.C.H. Early Childhood® Project is a public-private partnership that provides educational scholarships for teachers, directors, and family child care providers serving young children. As a result, the program has increased workforce retention and improved the capacity of providers to deliver high quality care. Currently in 23 states, the program is funded through collaboration with the federal Child Care and Development Fund, corporate and foundation grants (Stoney et al., 2001). California has a similar program named CARES <http://www.nccic.org/ccpartnerships/profiles/teach.htm>

The Child Care W.A.G.E.\$ Project aims to reduce turnover and increase the education of practitioners through salary supplements based on each individual's level of education. Salary supplements are available to teachers, assistant teachers, directors, and family child care providers who have been employed for at least six months. The amount of supplement increases with the provider's level of education (Stoney et al., 2001). [http://www.childcareservices.org/WAGE\\$/WAGES.html](http://www.childcareservices.org/WAGE$/WAGES.html)

Creating Links to Quality Rating Systems

Pennsylvania has established several grant programs linked to its Keystone Stars child care quality rating system, and one of these is aimed at making additional funds available to support the cost of recruiting, training and retaining qualified teachers. These education and retention awards are available, however, only to programs with ratings of two stars or higher (Stoney, 2004b).

Business-College Partnerships

Businesses contract with institutions of higher education, often junior colleges, to train employees. Employers offer tuition reimbursements, scholarships, and/or supplements to encourage the further education of their workforce. Workforce development monies can be used for tuition scholarships or low-interest loans to better educate the child care workforce. IBM is an example of making this kind of employer investment in quality child care <http://www-306.ibm.com/employment/us/ibm/benefits.shtml> - skill.

WORKFORCE DEVELOPMENT AND CHILD CARE SUBSIDIES

Workforce development helps mobilize the labor force, by identifying the needs of employers and providing workers with the training necessary to fill those needs. Public-private partnerships are longstanding in the workforce development arena. The Job Training Partnership Act (JTPA), enacted in 1982 to place low-income individuals in private sector employment, focused on developing the skills that local employers demanded in job applicants. The JTPA increased the business community's participation by establishing Private Industry Councils (PICs) (Eberts & Erickcek, 2002).

In 1998, the JTPA was replaced by the Workforce Investment Act (WIA), which calls for the establishment of both state and local Workforce Development Boards. These community coalitions are comprised of local business people and civic leaders, but business people comprise the majority of board members. The WIA also requires local workforce development boards to establish one-stop job service centers available to all job seekers regardless of income or employment status.

These services include a preliminary assessment of the job seeker's skills and support service needs; the provision of information concerning employment-related services, training opportunities and labor-market information; assistance with unemployment insurance claims; job search, placement assistance and career counseling. The boards contract with various nonprofit and government agencies to provide these services (Eberts & Erickcek, 2002). For example, in Texas, the Workforce Development Boards allocate child care subsidies. With proper collaboration a strong coalition could devise creative uses of child care funds to address both child care quality and workforce needs.

Publicly funded child care also plays a key role in supporting business. In order to stay competitive and keep their overhead costs low many employers, especially small businesses, do not pay wages that are high enough to cover the cost of purchasing child care. Thus, when government makes child care subsidies available to low-income working families, it is actually helping many small businesses recruit and retain employees (Stoney et al., 2003). Indeed, as a result of increased workforce participation and the growth in low-paying jobs, the public provision of child care subsidies has helped millions of parents to obtain and maintain employment. In 2001, \$5.2 billion in federal and state child care funds were made available to low-income families (U.S. Department of Health and Human Services, Administration for Children & Families, 2004). Research shows that most parents who receive public child care subsidies work in the service and retail sectors which are the most rapidly growing employment sectors in the U.S. economy (Okuyama & Weber, 2001).

In Tompkins County, NY the Chamber of Commerce launched a campaign among local employers to advertise child care subsidies to their employees and pressured the state to increase the county's subsidy allocation. <http://www.daycarecouncil.org/eep/>

Florida was the first state to analyze where parents who receive child care subsidies work. As a result of this research, the State passed the Child Care Partnership Act to encourage businesses to help their low-income employees pay for child care. Based on this law, the state government will match the funds used by employers to subsidize child care. Since 1996, Florida's Child Care Partnership Act has attracted \$19 million in private sector support (Stoney et al., 2001).

C. Capital Strategies

Typically, entrepreneurs and businesses look to banks and venture capital funds for financing. Firms need both operating capital for business expenses and investment capital for new equipment and facilities. Venture capital is also an important source of equity for start-up companies. (National Venture Capital Association, 2004).

Unfortunately, if we rely solely on these traditional sources of financing, many potential business owners will not have reliable access to capital they need, particularly in underserved communities. The Community Reinvestment Act responds to this dilemma by requiring financial institutions to reinvest in the communities where their deposits originate. Under this Act, not only are banks helping to meet the credit needs of the communities they operate in, but the financial interests of the banks become more deeply intertwined with the development goals of the community. CRA funds can be targeted towards child care.

To address underserved populations, community and government agencies have developed programs to create a more balanced distribution of capital. Community agencies include: Community Development Corporations (CDCs) and Community Development Financial Institutions (CDFIs). Government agencies include: the United States Small Business Administration (SBA) and the SBA administered Small Business Development Centers (SBDCs). These agencies provide loans, grants, and other forms of business support to qualifying small firms, including microloans and revolving loan funds.

Child care businesses often have difficulty securing loans from conventional lending institutions to cover business needs (Helburn & Bergmann, 2002). Many states offer qualifying child-care providers grants to cover start-up expenses around health and safety, but the sums are inadequate to capitalize all start-up needs.

Facility finance strategies: Banks, bond financing, and community development funds can be used to support child care facility development.

The Community Investment Collaborative for Kids (CICK), affiliated with the Local Initiatives Support Corporation, combines technical expertise in real estate development and finance with knowledge of the child care sector to devise innovative strategies for funding and building child care centers. CICK attempts to bring all parties to the table—public officials, providers, members of the business community, and others—in order to accomplish this goal. Projects vary across the nation. In Connecticut, CICK played an instrumental role in designing legislation that would provide bond financing for facilities in the state's most distressed communities. http://www.lisc.org/resources/assets/asset_upload_file866_160.pdf.

The Ohio Community Development Finance Fund (CDFF) has used the strategy of linked deposits to improve child care providers' access to facility financing. This involves depositing funds into a conventional lending institution for the specific purpose of enabling the bank to loan funds to child care and Head Start programs for short term construction projects at a lower cost.

<http://www.nccic.org/pubs/financing-cc/child061.html>

The Development Corporation for Children, based in Minneapolis MN, provides financing for early childhood education through First Children's Finance. The Corporation is building a hospital campus that will serve as an incubator for child care businesses, which will get space, development assistance, and training with the goal of making them sufficiently stable to move



into their own spaces elsewhere. The incubator will have bungalows for multi-cultural child care centers of the family type that will serve as a hub for training and resources. The bungalows are expected to house mainly New Americans (Somalis, Hmong, Tibetan, etc.) in culturally-specific contexts. Funding is already available and construction will begin soon. www.DCC-corner.com

Using the Community Reinvestment Act for Child Care: The Community Reinvestment Act provides leverage to promote private banks' interest in lending to the child care sector.

Like all financial institutions, Provident Financial is required under the Community Reinvestment Act to make credit and other banking services more accessible to underserved communities across the country. Working in cooperation with the National Community Capital Association, Provident Financial provided \$11.7 million to support child care financing projects, with the goal of increasing accessibility of quality child care. For more information visit their webpage: <http://www.communitycapital.org/financing/childcare.html>

Capital strategies which enhance quality: In a market, incentives such as larger reimbursements to child care providers and loan forgiveness linked to quality rating systems can be used to improve learning environments.

The Center for Community Self-Help in North Carolina has made loans up to \$50,000 per provider at five percent interest. Up to half of the loan may be forgiven if the provider maintains or increases quality based on the state's star-rated license system (<http://www.self-help.org/whatsnew/prstars.asp>). The organization reports that "To date, Self-Help has made over 190 loans for over \$12.7 million to child care providers across the state of North Carolina, creating or preserving over 9,500 child care spaces."

D. Land & Infrastructure Strategies

Businesses depend on infrastructure. Possessing a solid transportation infrastructure, including waterways, railways, interstate highways, and airports, is a crucial component of economic development. Federal, state and local governments have long recognized this and have supported transportation infrastructure by building and improving roads and subsidizing public transport and other transportation initiatives. Federal grants devoted to transportation totaled over \$36 billion in the year 2001 (U.S. Bureau of Transportation Statistics, 2003). Increasingly transportation planners are including attention to child care in their development strategies. Transportation dollars have been directed towards facilities financing and

adaptive reuse of facilities for child care, as a means of reducing congestion, encouraging the use of public transportation, and building an important social infrastructure.

Child care is part of the infrastructure for economic development and as such can be incorporated in transportation and housing projects, tapping into a new source of public investment. Similarly, child care can be included in the land use planning process to facilitate new center development. Child care establishments have traditionally made efficient use of underutilized sites and can be included for financing under enterprise zones.



TRANSPORTATION AND HOUSING FUNDING

Transportation Funding for Child Care Facilities

Florida and California are two states that have used transportation flexible funding to fund child care sites. By combining child care needs with transportation needs, communities can make child care more accessible (for example, siting a child care facility in or near a transportation hub), reduce commuting time for parents, alleviate congestion and pollution, and encourage the use of public transportation. Examples of TEA-21/IS-TEA funding for Child Care include:

Santa Clara Valley Transportation Authority, Tamien Child Care Center (Santa Clara Valley Transportation Authority, 1996, 2004), <http://www.nccic.org/ccpartnerships/profiles/tamien.htm>.

Orlando, FL, "Park and Play Center", http://www.ncbg.org/transit/other_tod.htm

Oakland, CA, Fruitvale Transit Village, http://www.ncbg.org/transit/other_tod.htm



Housing Funding for Child Care Facilities

Similarly, flexible funding for housing can be used to increase accessibility to child care and reduce congestion. Locating child care in or next to housing developments reduces the number of daily trips parents must make, and allows child care centers to easily serve the local community. Examples of communities using HOPEVI funds for child care include:

Housing Authority of Winston-Salem, NC, Kimberly Park Terrace Community and Happy Hill Gardens <http://www.nclhc.org/issues/winston-salem.shtml/>

San Francisco Housing Authority's Bernal Dwellings, <http://www.sfha.org/hope/bernal.htm>

Child Welfare League of America, 8 sites, <http://www.cwla.org/programs/housing/housingaboutpage.htm>

City of Newark Housing Authority's Walsh and Kretchmer Project Homes, <http://www.ncfc.rutgers.edu/hope6.html>

Community Development Block Grant (CDBG):

The city of Colusa, California used a housing needs assessment to apply for a \$350,000 CDBG grant to rehabilitate a prominent local building for the purpose of housing a child care center, the proprietor and her family. Mercy Housing of California bought the property and deeded it to the city for rehabilitation. The child care provider received loan assistance to purchase the site from Home Funds and a small business loan from a Community Development Block Grant. The Packard Foundation assisted in the acquisition of licensure and equipment. The center has approximately 55 slots and 10 staff members. <http://www.ruralisc.org/mhc.htm#overview>.

Low Income Housing Tax Credit (LIHTC) was expanded to include child care facilities in low-income housing developments. A designated corporate child care tax credit provides investors with a return on their investment in child care. The return comes in the form of "federal tax credits spread over ten years based on the depreciable cost attributable to the low-income units of the project" (National Women's Law Center, 2001) <http://www.nwlc.org/pdf/ACatalogOfTaxBasedApproachesForFinancingChildCareAndAppendixRev.pdf>, p. 4).

LAND USE PLANNING

Land use planning is an important way that communities link land and infrastructure to economic development, usually through the siting and permitting process. This process helps preserve property values and ensure a rational growth strategy critical to business competitiveness. Child care can be an important part of a community's land-use and economic development plan. Land use plans need not restrict development of child care, especially home-based care. To ensure appropriate stability in land use regulations, the LINCC project in California has developed a land use planning guide for local use (Hildebrand & Upp, 2001) at <http://www.thecouncil.net/report.html>.

In California, several cities are creatively using impact fees to fund child care centers. Impact fees anticipate the impact of private sector actions on services. Three California cities (San Francisco, Concord, and Santa Cruz) have established laws that require new real estate development projects to make space available for a child care center or pay an exaction tax to help fund child care facilities. Santa Cruz uses these funds for a child care "loan" program, in which the loans are often converted to grants. Fees collected are held in a separate Child Care Trust Fund. In 1999, the Santa Cruz program had \$165,000 available to fund child care facilities. For more information, see <http://www.nccic.org/pubs/ccfinancingmatrix.html>, or *Child Care and its Impact on California's Economy* at <http://www.nedlc.org/summary.pdf>.

In Butte County, California the Assessing Child Care Economics Needs and Transportation (ACCENT) project used transportation funding to quantify child care contributions in Butte County, and incorporate child care into local planning efforts. The study focuses on subjects linked with child care: the economy, service supply and demand, and transportation. Local child care, economic development, government, finance, and transportation professionals all participated in the project. <http://www.bcoe.org/ess/accnt/default.htm>.

Since 2003, child care has been a mandatory component of land use planning in Vermont at all levels. The state is currently developing a public-private partnership known as Building Bright Futures to "assure child care is integrated into the fabric of all Vermont communities" (Vermont Dept. for Children and Families, 2004).

ENTERPRISE ZONES

Strategies that focus on improving the productivity of land target economically depressed areas like brownfields and enterprise zones. Economic development agencies identify underutilized land and work with developers to reinvigorate downtown areas, abandoned factories and contaminated sites, in order to make them attractive locations for local commerce and housing (Bartik, 2003). Adaptive reuse of older buildings promotes economic efficiency and reduces sprawl (development of unused lands).

Typically enterprise zones are areas suffering from disinvestment that would benefit from certain types of business activity, job preservation, and job creation. Governments encourage business development in enterprise zones by offering incentives like low interest business loans, business incubator development, managerial training and counseling programs, utility discounts, tax abatement and credits, local infrastructure development, local regulatory flexibility, and workforce training programs. Enterprise zones also enhance community development by promoting child care and other social services for zone residents, upgrading public services, renovating housing, streets and public spaces, and enhancing education for zone residents.

New programs such as the New Markets Tax Credit that invest in distressed areas can be applied to child care. This tax credit (\$15 billion over 7 years beginning in 2002) can include investments in child care. Most states have their own enterprise programs which offer tax abatements for industry or business development. Child care centers can be included in the financing of such sites.

The St. Louis (MO) Economic Development Council has initiated a child care facility with an 88 child capacity as part of a community revitalization program that includes commercial, light industrial and housing development. The center will be built adjacent to a MetroLink commuter train station. Contact: Beth Noonan at St. Louis County Economic Council; bnoonan@stlouisco.com

SECTION III

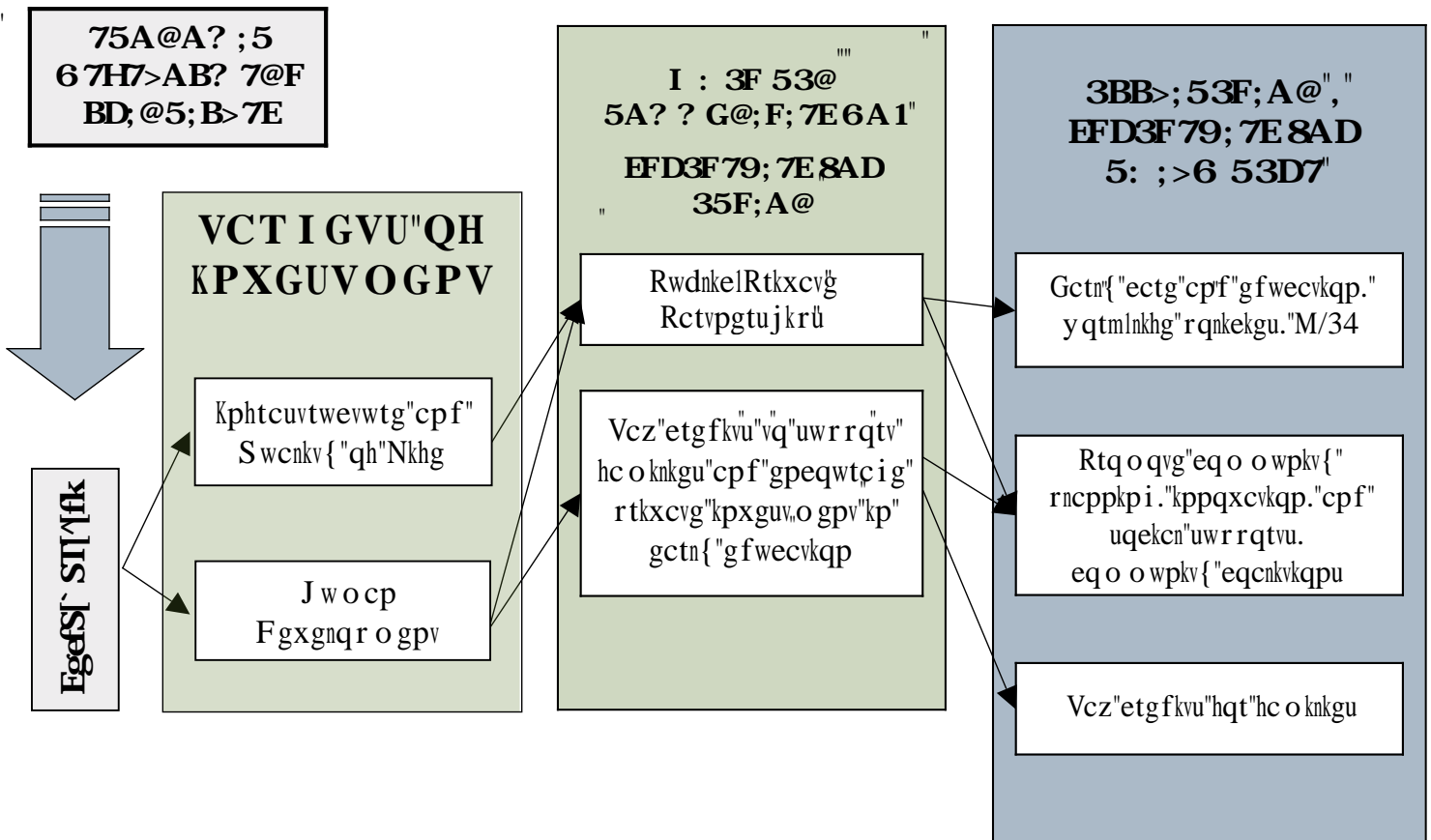
SUSTAINABILITY: LINKING THE SHORT AND LONG TERM

Economic development seeks to improve a local economy by protecting and enhancing the environment and quality of life. Incorporating the concept of sustainability into economic development promotes the simultaneous pursuit of economic prosperity, environmental quality and social equity. Sustainable development has become an important guide for many communities that have discovered traditional approaches to planning and development are creating, rather than solving, societal and environmental problems. To incorporate the importance of sustainability and human development, businesses are adopting a Triple Bottom Line (TBL) approach to measuring performance which takes into account social and environmental factors, as well as economics. By adopting a TBL approach, businesses not only make a positive impact on the environment and society, but they benefit from overall improvements in business performance (Bowden, Lane, & Martin, 2001).

A. Quality of Life

Economic development officials believe economic development can be enhanced if the local quality of life of an area is improved. As modern industries, particularly those in the high-tech sector, make location decisions based on quality of life conditions, communities have extra incentives to invest in community development. A high quality of life also allows firms to recruit more productive workers and recruit workers at a lower cost (Blair & Coulson, 1995). Richard Florida argues that economic development should work to enhance the creative features of a community to improve the quality of life and attract a creative class of workers—those who work in creative fields such as technology and innovation (Florida, 2002) www.creativeclass.org). Creative features include open space, unique urban amenities, vibrant street life, performance venues, and well reviewed entertainments and restaurants. A viable child care infrastructure also improves the quality of life in a community and makes communities more vital places to live and work.

Figure T-4 Economic Development Principles - Sustainability



Women have been entering the labor force in increasing numbers since the 1950s. In 1992, 76.8 percent of women between the ages of 35 and 44 were participating in the labor force (Kutscher, 1993, November; U. S. Bureau of the Census, 2002). A front page article in *Time* magazine (March 22, 2004) reported that among women with children under 6, labor force participation declined from 59 percent in 1997 to 53 percent in 2000, primarily among well-educated white women over 30 (“Case,” 2004). The article claimed that poor quality of life and the lack of quality, affordable child care are the major causes of this drop-off. However, most research has found that the majority of women must work and child care is a sheer necessity (Kimmel & Hoffman, 2002). In order to promote and retain women’s labor force participation, economic development must work to improve quality of life and address the child care needs of working women and families.

B. Human Development

At its core, economic development is about human development. In the late 1980s, the Nobel Prize winning economist Amartya Sen (1999) began to promote an approach to economic development that incorporated social and environmental aspects by emphasizing that economic development should work to develop human potential by enhancing education, health, and other social needs. The work of Sen, other innovative economists, and the lessons learned from traditional economic development, have led to the importance of considering human and social development in the economic development process (Schischka, 2002).

According to the Nobel Prize winning economist James Heckman, human capital investments in early childhood education and continuing investment in the education of children have the greatest return because younger persons have a greater chance over the course of their lives to recoup the returns on their investments and skills beget new skills (Heckman and Masterov, 2004). W. Steven Barnett of Rutgers has summarized multiple cost-benefit analyses of pre-school programs and found that such early intervention leads to improvements in the participants’ future education, increases in their civic and pro-social behavior, advances in their personal decision-making and household management (Masse & Barnett, 2002). The Invest in Kids Working Group focuses on youth human capital formation as a strategy for strengthening US economic growth and job creation. They argue that providing the 1.4 million four and five year olds living in poverty in the US today with two-years quality preschool at a cost of \$25.2 billion, would warrant \$754 billion in public budget savings thirty years from now through lower criminal justice costs, rising income tax revenues, and a more competitive labor force (Dugger, 2004).

Parent tuition represents the largest portion of spending in the child care sector and comprises a significant portion of total family expenditures (Helburn & Bergmann, 2002). Families often have to use multiple care settings such as preschool and family child care, but the coordination, transportation, and the quality of using multiple settings can present problems (Lekies, Heitzman, & Cochran, 2001). In recent years, state pre-kindergarten programs have been growing in number across the country (Helburn & Bergmann, 2002). Across the nation, community coalitions of business, government and child care leaders are coming together to design more systemic and coordinated child care infrastructure. The public investment in K-12 education demonstrates the societal value of education for school-aged children. Recent increases in government funding for child care and preschool programs show increased recognition of the importance of educating young children, but the current investments are not sufficient to provide services to all children.

C. Strategies to Build the Sustainability of the Child Care Sector

COMMUNITY COALITIONS

To develop a more systemic approach to early care and education, many communities have established local coalitions to ensure that every family in the community has access to quality affordable child care. These coalitions are public-private partnerships that combine the efforts and resources of local stakeholders to develop comprehensive solutions.

Tompkins County Early Education Partnership (New York)

The Tompkins County Early Education Partnership brought together representatives of business, government, philanthropic and social service communities to address the challenge of affordability. The Partnership was founded on three principles: every family should have access to quality affordable child care; child care staff should not have to subsidize the cost of care through unacceptably low wages; the Partnership will help all families pay for child care through a universal system which combines public, private, and charitable funds. (<http://www.daycarecouncil.org/eep/EEP/EEP%20Front%20page.htm>)

The Metropolitan Council on Early Learning (Kansas City)

The Metropolitan Council on Early Learning (MCEL) works with an extensive network of community partners from the public and private sector to develop and implement an early learning system that supports families and prepares children for success in school. Leaders from businesses, elected officials, and education specialists provide strategic planning, advocacy, and funding (www.marc.org/mccc). The partnership is

building a systemic response to child care challenges by reaching four goals: to improve child care quality, raise wages of child care workers, enhance parent affordability, and provide parent education.

Early Childhood Development Initiative (Rochester, NY)

Early Childhood Development (ECD) Initiative is a coalition of non-profit, government, religious, and business leaders. The ECD community fund has taken a comprehensive approach to funding voucher programs, certification training, and the construction of child care facilities. ECD strives to build a community-based network to promote a self-sustaining child care sector. The initiative links government subsidies along with substantial contributions from the Rochester United Way, local foundations, and the Diocese of Rochester to create a more comprehensive approach to early childhood education. www.pewtrusts.com/pubs.misc/childcare/child051.cfm



SOAR: Helping Kids Reach for the Sky (Seattle, WA)

United Way of King County leads a public-private partnership aimed at ensuring that all children are prepared for success in school and in life. SOAR accomplishes its goals by working with community partners to meet immediate needs and create long-term solutions for children and youth. These partnerships are called Action Teams, which work on community projects ranging from improving childcare to educating parents to developing youth leadership. Members include organizations serving children and youth, businesses, grant makers, governments, faith-based groups, parents and community leaders. (<http://www.uwkc.org/ourcommunity/initiatives/children/default.asp>)

PARENTAL TAX CREDITS

A variety of tax-credits at the state and federal level have been established to help families purchase child care. These credits increase the resources available to families for child care expenses, expanding effective demand. Some tax-credits are refundable and provide families with a cash refund, while others work as non-refundable tax-credits that reduce the total amount of income tax a family owes. Families owing little or no income tax can still benefit if the credit is designed to be refundable.

Dependent Care Tax Credit (DCTC)

The federal DCTC is a tax credit designed to assist families in meeting the costs of child and adult care by allowing tax payers to offset a portion of their dependent care expenses against their federal income tax liability. It is available to families with employment-related child care expenses for children under 13 and is equal to a percentage of eligible child care expenses. Twenty-six states and the District of Columbia provide their own state-level version of the DCTC; and ten states have made their tax-credit refundable. A few states such as Maine and Arkansas have designed their credit to provide greater benefits to parents using high quality child care, thereby creating market signals that encourage quality (www.nwlc.org)

Earned Income Tax Credit (EITC)

The federal EITC is a refundable tax-credit that allows low income working parents to receive a tax credit against their income tax liability or a cash supplement if their taxable income falls below a certain amount. Seventeen states have developed their own version of the EITC, typically calculated as a percentage of the federal EITC. These tax credits provide families with additional resources that can be used for child care expenses (www.nwlc.org).

Parental Leave Policies

Paid parental leave provides parents with the opportunity to take time off from their job to care for their young children without forgoing their paycheck. In addition to reducing family expenses for out of home care, paid leave also helps to build strong attachment bonds between parents and children. The Family and Medical Leave Act (FMLA) was approved in 1993 by Congress to grant working families the right to job-protected leave. Parents can currently take up to 12 weeks of unpaid leave for childbirth, adoption, personal illness, family illness, etc. While the current law provides job security for the period of leave, most families cannot afford to take time off without pay.

The US lags far behind most other advanced industrial countries in providing paid parental leave. Many parents would prefer paid leave, especially to care for infants.

- California has the most comprehensive law of all the states as it provides partial income replacement for up to six weeks a year for, among other things, taking care of a new baby. Parents in California can get up to 55% of their salary during the six weeks (www.paidleave.org).
- Utah provides a \$100 refundable tax credit to income-eligible families who provide full time, parental care to infants less than one year old (www.nwlc.org).
- In a pilot program Minnesota used child care subsidies for mothers of infants to stay home with their children. The subsidy is at 90% of the state's maximum rate paid to a licensed family child care provider for full time care of an infant and is available to those earning less than 290% of the poverty rate. Repealed in 2003 it has been reinstated. <http://www.nationalpartnership.org/portals/p3/library/PaidLeave/StateRoundUp2004.pdf>

Business Leadership

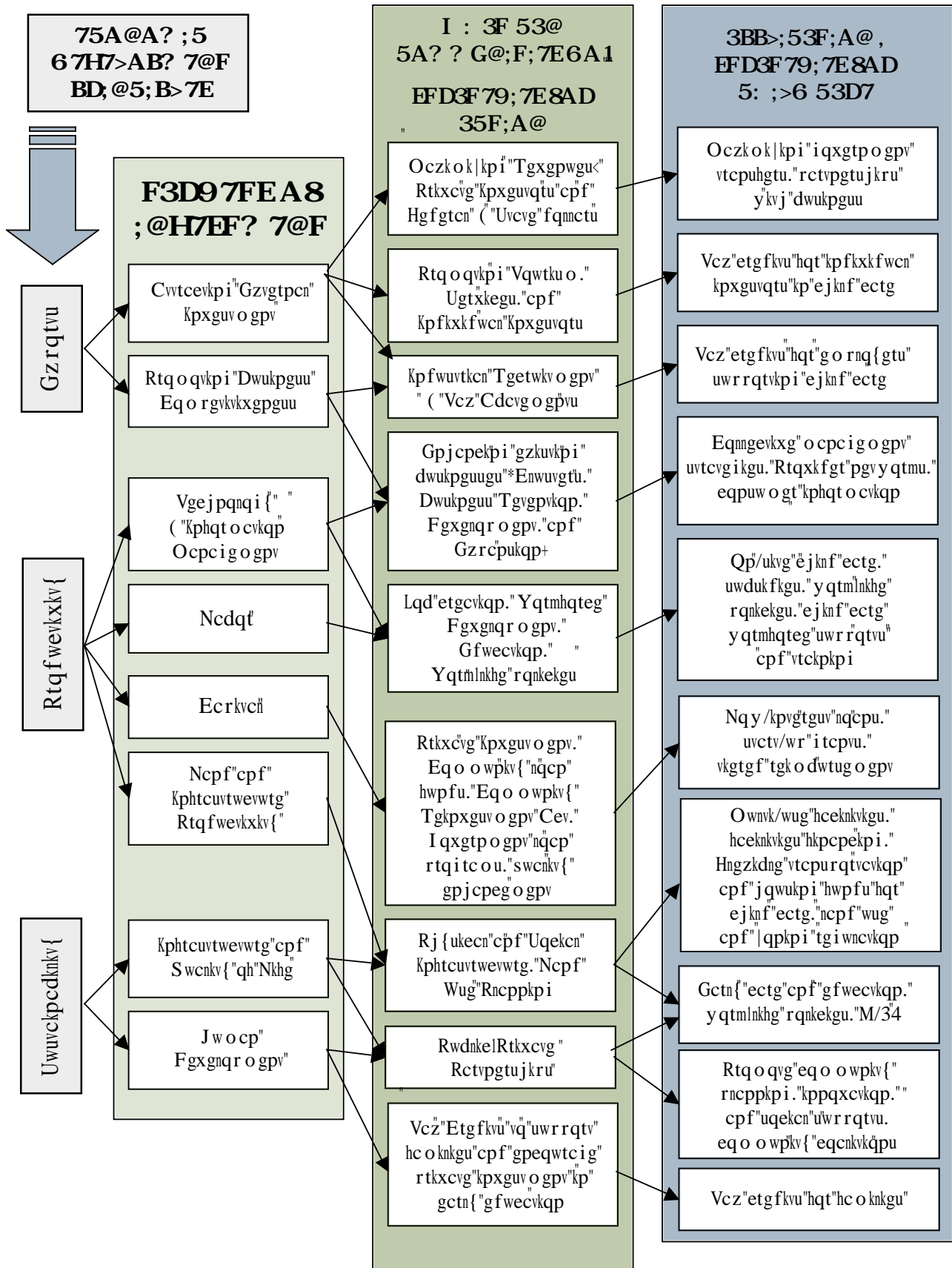
There has been increasing interest from the business community in the value of early care and education. The business community also has been a leader in crafting "family friendly" workplace policies. (For more information see the Families and Work Institute at www.familiesandwork.org). The Committee for Economic Development (CED) is calling for Preschool for All (2002). They argue that all children should have access to high-quality pre-kindergarten classes. Not only is the CED calling for greater federal and state government investment and collaboration to make free, high-quality early education available to all, but through policy analysis and strategic partnerships, the CED is mobilizing the business community to foster systemic improvements in early childhood investments and to help identify and disseminate best practices. The CED is also conducting an endorsement campaign seeking support from America's business community to help build public understanding about the economic and social need for early childhood education

(www.ced.org/projects/educ.shtml). Economic development depends on a comprehensive systemic approach to building high-quality early education infrastructure and partnerships with business can go a long way to help find the language and approach to achieve this goal.

The short term economic benefits to working parents and their employers are clear. The long term benefits to human development and the future workforce are also clear. The nation's future economic productivity depends upon investment in child care as a critical social infrastructure for economic development. The challenge is to move forward. This guide provides the framework for articulating more clearly how quality child care and economic development are linked.



Figure T-5 Economic Development Principles & Strategies Linked to Child Care



GLOSSARY

Banks: Banks provide loans and facility financing and can serve as partners for economic development of child care.

Brownfield site: Abandoned, underutilized industrial or commercial site where expansion or redevelopment is complicated by real or perceived hazardous environmental contamination and/or pollution.

Business development: A process in which agencies work with companies to create wealth and jobs by improving productivity.

Business clusters: A business cluster is an alliance between individual organizations within the same industry with the goal of enhancing productivity.

Business Retention and Expansion (BR & E): BR & E involves obtaining information on the needs of local businesses and then encouraging government actions to better meet those needs in order to increase competitiveness. Strategies typically include business visitation and surveying and free or low-cost consulting services.

Chamber of Commerce: An organization of local businesses in which members use collective power to enhance communication, collective purchasing, and political voice.

Child Care and Development Fund (CCDF): The CCDF is a federal block grant that allocates funds to states to increase the accessibility and quality of child care.

Child Care Resource & Referral (CCR&R) agency: Intermediary agencies that help assess community need, develop supply, provide parent referral services, and help families make informed child care choices. Many CCR&R agencies train providers in child development, health and safety, and business management and may manage government subsidies.

Collective management strategies: Firms organize in networks or clusters to enhance efficiency through increased communication and shared administrative tasks.

Community development: Cooperative, collective action taken by local actors to improve the long-term social, economic, and environmental conditions of their community, in order to create a better overall quality of life for everyone.

Community Development Corporations (CDCs): CDCs are local organizations, typically non-profit, formed by residents, small business owners, congregations and other local stakeholders to revitalize a low and/or moderate income community primarily by improving housing and creating jobs.

Community Development Financial Institutions (CDFIs): CDFIs are private-sector financial intermediaries with community development as their primary mission.

Community Reinvestment Act (CRA): Enacted by Congress in 1977, the CRA encourages banks to help meet the credit needs of their communities for housing and other purposes, by reinvesting in the communities of their depositors.

Community Vision: A set of goals and values important to community actors typically articulated in an economic development plan.

Dependent Care Tax Credit (DCTC): Credit designed to assist families in meeting the costs of child and adult care by allowing taxpayers to offset a portion of their dependent care expenses against their federal income tax liability.

Early care and education: The term early care and education encompasses child care and early education programs and providers.

Earned Income Tax Credit (EITC): A tax credit for low-income workers based on their income and the size of their family.

Economic development policies: States and communities use economic development policies to create sustainable, high quality jobs, by implementing strategies such as: industrial recruitment, business development, job training, and redeveloping underutilized sites.

Economic development planning: A process by which diverse actors in the community come together to set goals, clarify shared values, and delineate a plan by which to reach them. Economic developing planning aims to create local job opportunities, enhance business productivity, and build the local tax base.

Effective Demand: A consumer's ability to buy in the market place.

Enterprise zones: Specific areas targeted for economic revitalization by a city or state, usually through tax breaks. Typically Enterprise zones are areas suffering from disinvestment, and which could benefit from certain types of business activity, job preservation, and job creation.

Environmental sustainability: Satisfying the needs of today without compromising the ability of future generations to meet their resource needs.

Exports: Goods or services that are produced in one locality and sold to and consumed in another. Exports can be to a neighboring locality, state, or another nation.

Flexible Spending Account: Employer-based program where employees deposit a percentage of pre-tax wages into an account that can be used to reimburse dependent care or medical expenses.

Hope VI: Federal program providing grants and regulatory flexibility to address community housing and social service needs in order to revitalize the nation's most distressed public housing developments.

Human capital: Human capital is the stock of accumulated skills and experiences that improves a worker's productivity (e.g. education, work experience).

Human development: Strategies to enhance human capital and improve quality of life, which may include education at all levels, including universal prekindergarten, K-12, higher education, and healthcare.

Impact fees: Fees charged to developers that anticipate the impact of private sector actions on public services. A common example is an impact fee charged to housing developers for infrastructure provision.

Industrial Development Agency: Quasi-public agency given the power to grant tax abatements to selected businesses to meet community economic development goals.

Jobless recovery: An increase in domestic output without an increase in employment. After the economic downturn in the 1980s, the economy rebounded during the 1990s through enhanced technology and productivity but failed to create a large number of quality jobs.

Market Failure: Misallocation of resources in a market. Public goods and services are created by market failures due to externalities and free riders. Market failures must be resolved by regulatory intervention.

New Markets Tax Credit: The largest federal community development tax credit, administered by the US Treasury Department's Community Development Financial Institutions (CDFI) Fund, to stimulate \$15 billion in new capital investment in America's urban and rural markets to bring them into the mainstream economy.

Operating costs: Child care businesses face high operating costs, because the majority of their costs are labor and there are limited opportunities to substitute capital for labor (technological innovation) and still ensure quality care.

Parent productivity: Employers seek to enhance worker productivity. High quality, reliable child care has been shown to decrease parent absenteeism and enhance productivity.

Physical infrastructure: Physical resources vital for human settlements and economic development. These include: water, sewer, roads, transportation, telecommunications/information technologies, housing, schools, public parks, and post offices.

Productivity: Promoting more effective use of the factors of production: land, labor, capital, and information, technology, and management

Provider networks and clusters: Child care providers' organizations that use "power in numbers" to enhance communication, purchasing power, and political voice.

Public-private partnerships: The public sector (government) and the private sector (businesses, foundations, community groups) collaborate to enhance the quality, availability and affordability of child care within a community.

Quality of life: The characteristics of the economic, social and physical environment that make a community a desirable place in which to live or do business.

Research and development (R&D): R&D refers to the scientific and marketing evolution of a new product or service through basic and applied research in engineering, designing, developing, or testing prototypes and processes.

Revolving loan funds (RLFs): RLFs are funds structured to use loan repayments to back new loans. RLF capital comes from a variety of sources, including federal, state and local governments, as well as private banks, corporations, individual investors or foundations.

Social Infrastructure: Systems supporting the human development of a community including education, housing, health care, culture, arts, parks and recreation.

Staff turnover: Child care workers and providers enter and exit the field often. The turnover rates for employees and home-based providers average between 20% and 40% annually.

Start-up grants: Child care providers are awarded start-up funds to assist in creating their businesses. These are primarily used to enhance the health and safety of facilities.

Subsidies: Subsidies provide financial support in child care. *Direct subsidies* are funds paid to child care centers and providers for quality enhancement, and *portable subsidies* are given to families to help pay provider fees.

SWOT Analysis (assessment of strengths, weaknesses, opportunities, and threats): Tool used in the planning process through which the participants analyze the community's economy, in order to understand its potential and its weaknesses, as well as its resources.

Tax credits: Monetary incentives outlined in the tax code designed to encourage individuals or businesses to take particular actions in exchange for a reduction in taxes owed. Industrial Development Agencies typically provide the credit on an ad hoc basis to individual firms.

Tax incentives: An economic development strategy designed to attract, retain, and expand businesses. Tax incentives reduce or waive taxes for businesses. They come in the form of credits, abatements/reductions, deferrals, exemptions, and refunds.

Transportation Equity Act for the 21st Century (TEA 21): Federal legislation authorizing federal highway, highway safety, transit and other surface transportation programs, one of the largest sources of Federal funding for states and localities.

Triple Bottom Line: A business performance indicator that measures, not just the economic value a corporation creates, but also how it impacts society and the environment.

United States Small Business Administration (SBA): The SBA acts in cooperation with State and Federal agencies to foster small businesses in a variety of ways, including facilitating technology transfers, enhancing small businesses' ability to export, and increasing the access of small businesses to long-term capital.

Venture capital: Money used to support new undertakings through equity, risk or speculative investment capital. Venture capitalists typically take an equity position in new or existing firms which exhibit potential for above-average growth.

Work/life policies: Employers offer work/life policies to increase the quality of life of workers and to promote worker productivity. Policies can include on-site child care or flexible work hours.

Workforce Development Boards: Public-private partnerships, comprised of both local business people and civic leaders organized to respond to local hiring needs and promote workforce training. These boards often operate one-stop job service centers.

Workforce Investment Act of 1998 (WIA): Program reforming federal job training programs and creating a new business-government partnership structure, to ensure that businesses find the workers they need.

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