

**Economic Development
and
Early Childhood**

A Paper Prepared for the
Strongest Links
Conference

**Strongest
LinkS**

January 13, 2006
Madison, Wisconsin

Economic Development And Early Childhood

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On Behalf of the Wisconsin Department of Workforce Development

This document is prepared as a guide to orient economic development practitioners to the role of early childhood care in local economic development. The views and opinions expressed in this report are those of the author and not necessarily those of the reviewers or funding organizations.

Economic Development and Early Childhood

Table of Contents

Early Care and Education.....	1
Survey of WEDA Members	
Early Childhood Settings	
Economic and Demographic Factors	
Child Care Facility Growth	
Role of Economic Development	6
Industry Description and Impact	
Workforce Development	
Structural Labor Shortage	
Human Capital Investment	
Employer Child Care Support	
Other Employer Child Care Support	
Child Care as a Business	13
Business Planning	
Regulations/Licensing	
Financing	
Building on Existing Partnerships/Community Cooperation	
Conclusion	16

References

Appendices

Economic Development and Early Childhood

Community Economic Development "...the creation and implementation of strategies to promote the economic well-being of the community." Ron Shaffer, former UW Emeritus Professor

"...Early care and education is being recognized as an important economic sector in its own right, and as a critical piece of social infrastructure that supports children's development and facilitates parents' employment." Anon. Cornell University Website

Early Care and Education

What is the relationship between early care and education and economic development in Wisconsin? Ask these questions of economic development practitioners and there is a lot of confusion in the answers. Presently, early learning is a very topical issue with strong feelings and arguments on both sides of the issue. Early learning takes place in a variety of settings, including child care, 4-year-old kindergarten and Head Start. Child care itself is somewhat less confusing. Again, there are many settings in which child care is provided, and recent efforts to integrate learning into child care blurs the distinctions. However, all of these programs for young children are extremely important to the economic health of the state. Child care is an economic sector in its own right and it is important to both working parents and employers. Early learning and the cognitive and social benefits it provides are important parts of a sustainable, productive society, now and in the future. Economic development, child care and early learning are strongly linked in Wisconsin. But, economic development practitioners often have little experience with these sectors. Correspondingly, education and child care providers are often inexperienced in business.

Survey of WEDA Members

From the recent 2005 Wisconsin Economic Development Association (WEDA) Member Survey, WEDA members agree that early childhood education is a critical economic development (ED) strategy (48%), but that awareness is not shared by their local communities (44% said no and 34% were not sure). And, 15% of respondents indicated that early child care was not an important issue. The Wisconsin Economic Development Association is a statewide non-profit organization of economic development professionals dedicated to expanding the economy of the State of Wisconsin. These results are very similar to a survey of businesses conducted in 2003 by the Minneapolis Federal Reserve (a long time advocate for early education as an economic development objective). Their survey found 55% of business respondents in agreement and 24% in disagreement with getting government involved in preparing children for kindergarten.

Early Childhood Settings

In a follow-up survey of WEDA members, when asked to name local examples of early childhood education being linked to economic development, the results indicated a great deal of uncertainty as to what was being asked. Much of the confusion probably stems from the large number of different types of early childhood settings. In Wisconsin, there are child care centers, Head Start /Early Head Start Programs and public and private 3-

year-old preschool programs, 4-year-old kindergarten (4-K) and early childhood special education programs. Child care is further categorized as group care or family care; the latter can be either state-regulated or county-certified. Providers fall into the different categories based on capacity, facility type and services provided. Plus, there also are numerous, informal, small capacity in-home child care settings for family and friends, which are not regulated. Also, often lumped together with child care are before- and after-school programs as well as home-based education. A detailed understanding of the types of early care and education facilities is provided by the definitions in the Appendix A. In this report, the term early care and education will refer to the aggregate sector.

The Wisconsin Department of Health & Family Services (DHFS) is in charge of the regulations for child care facilities and the Department of Workforce Development (DWD) is charged with regulating certified providers. As of June 2005, DHFS, Bureau of Regulation & Licensing and DWD counted the following, not including schools (public, private or parochial):

3,150 Licensed Family Child Care Facilities, 25,113 Child Capacity
2,430 Licensed Group Child Care Facilities, 130,440 Child Capacity
4,850 Certified Providers (certified by counties) (26% are provisional, i.e.,
working toward certification)
10,430 Facilities Total

The Department of Public Instruction (DPI) oversees public education. And, as of school year 2005-06, 56% of Wisconsin School Districts have opted for a 4-K program, with an enrollment of 20,959 (234 of 416 Elementary School Districts, Source: Wisconsin Department of Public Instruction). These districts are listed by name on the DPI web site (http://dpi.wi.gov/fscp/doc/ec05-06_4yk.doc). The DPI website also contains directories of names of contacts for public and private schools. The number of districts with a 4-K program has increased by 70% since 2000-01. These are typically half-day programs operating 5 days per week, but they may also operate on a different schedule as long as they provide 437 hours per year of instruction.

Head Start is a program of the United States Department of Health and Human Services which focuses on assisting three- and four-year-old children from low-income families. Created in 1965, Head Start is the longest-running national school readiness program in the United States. It provides comprehensive education, health, nutrition, and parent involvement services to low-income children and their families. Wisconsin had 17,352 children in Head Start and Early Head Start in fiscal '04, for which the state received \$89,783,879 in federal dollars. State funding provides for another 1,416 children. The Department of Public Instruction oversees the state supplement Head Start Program in Wisconsin.

In the 2003-04 program year, 13.8 percent of Head Start participants were enrolled in a full-day, full-week program. The majority of children enrolled in Head Start are three- and four-year-olds. Three-year-olds were 39 percent of the enrollees and 46 percent were four-year olds. Early Head Start programs, on the other hand, serve low-income infants, toddlers, and pregnant mothers. The 32 Head Start and 11 Early Head Start programs in Wisconsin are located in a variety of child care and early learning settings, administered by the following types of agencies: public/private non-profit, government, school systems, and community action programs. (Head Start 2004 Annual Report)

Detailed information on the number of early childhood and care facilities by county, school district and city has recently been posted on the internet by the Wisconsin Child

Care Research Partnership (WCCRP) at the University of Wisconsin-Extension (<http://www.ecemap.uwex.edu>).

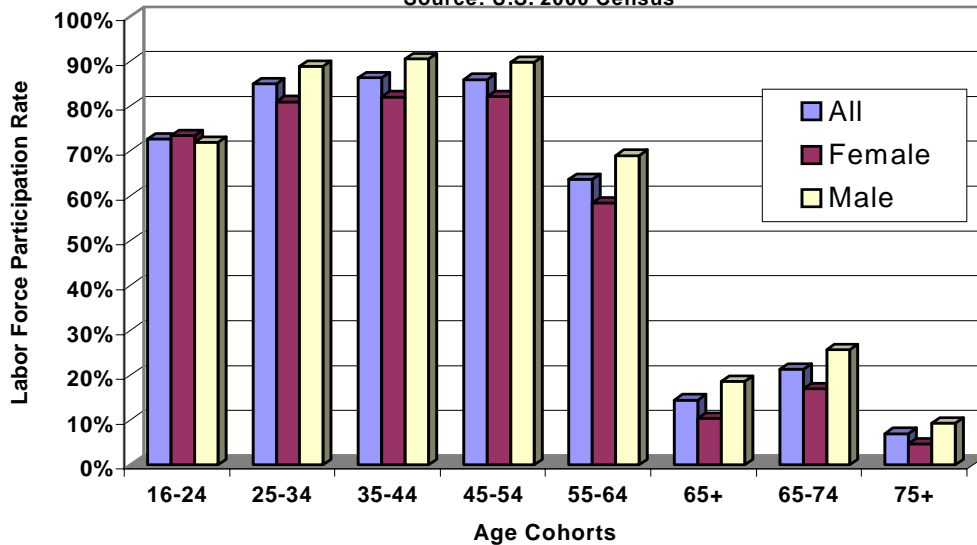
Economic and Demographic Factors

Fundamental economic and demographic issues underlie these early childhood facility numbers. In WI for 2004, the percent of children under 6 years old with all parents in the labor force was 66%. At this level, Wisconsin's ranked 10th among all states (Census Bureau, American Community Survey). This percentage is down from previous years. For example, it was 70% in 2001. Additionally, according to the 1980 U.S. Census, 48 percent of Wisconsin children under age six had employed mothers. By the time of the 2000 U.S. Census, this number had increased to 74 percent. In recent decades, the labor force participation rate for Wisconsin women has consistently outpaced the national average.

Looking at Wisconsin labor force participation rates by age groups is even more enlightening. During the peak wage earning years, female labor force participation rates were over 80% in 2000 (Graph 1.). County and place labor force participation rates from the Census are available from the Center for Community Economic Development "Economic Indicators" website. The 2000 Census for Wisconsin also showed there were 342,340 children under the age of 5, of which 13% (43,836) were tabulated as living in poverty.

Graph 1. Wisconsin Labor Force Participation Rates

Source: U.S. 2000 Census

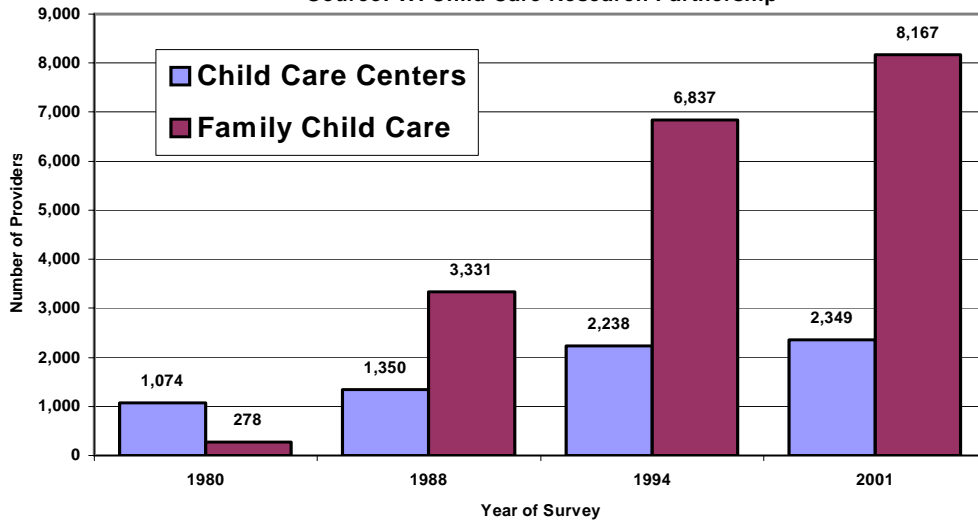


Child Care Facility Growth

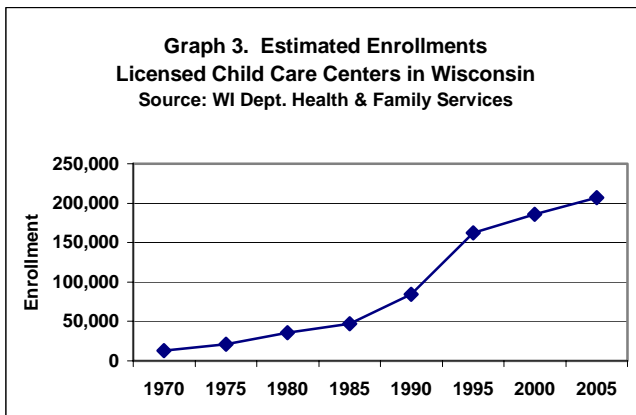
Consequently, as the need for non-parental child care has increased, so has the number of facilities providing this care. The following graph (Graph 2.) shows the growth since 1980 in licensed child care centers.

Graph 2. Number of Child Care Providers by Type

Source: WI Child Care Research Partnership



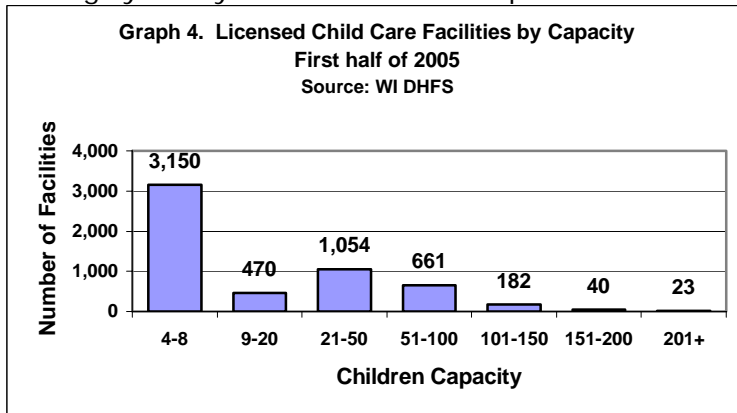
Because of volatility in the number of child care centers (i.e., high turnover rate), it is



difficult to accurately count the number of children enrolled at any one time. In 2004, roughly 17% of family centers were replaced, as were 8+% of the group centers. However, based on regulated capacity, the estimated enrollments grew rapidly in the early 1990's (Graph 3). DHFS estimates enrollment capacities by using a formula looking at number of providers by size.

These totals include the enrollments for licensed, seasonal camps which amount to about 50,000 children in 2005. And, the number of camps has been fairly stable since the late 1980's.

The majority of care facilities have small capacities (Graph 4.). More than likely these are largely family care facilities. Group care centers are concentrated in the range of

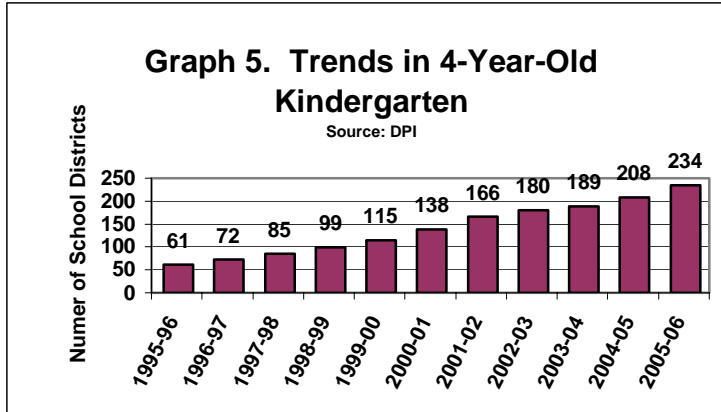


capacities between 21 to 100 children.

Adding the estimates for total enrollment in child care facilities plus those in four-year-old kindergarten would seem to account for roughly half the number of children under age five.

Wisconsin is the only state in the country that includes state

funding for four-year-old kindergarten in its regular school funding formula. State funds supported both four- and five-year-olds in kindergarten from 1898 to 1957. Funding for four-year-old kindergarten was repealed in 1957 and restored in 1985. The current four-year-old kindergarten (4-K) program is funded at 50 percent of the state equalization aid rate K-12 contribution for school districts who provide half-day classes for four-year-olds and at 60 percent of the rate when family outreach is also offered. Currently, most pre-kindergarten programs are offered in schools, but the state is also encouraging community-based models for serving 4-year-olds in Head Start and child care centers.



Recently, the number of Wisconsin school districts offering early learning has expanded rapidly. The number of districts with 4-K has expanded 325% in the last ten years (Graph 5).

By mandate of the Wisconsin Constitution, these programs must be open to all four-year-old children in the district, whether parents choose to enroll their children or not. In

these programs, implementation of Wisconsin’s Model Early Learning Standards is voluntary, but is recommended across all early childhood settings.

The Role of Economic Development

Why be concerned about economic development? The reasons are quite simple. Economic development helps pay the bills. Economic development is about working together to maintain a strong economy by creating and retaining desirable jobs, which provide a good standard of living for individuals, thereby increasing the tax base, so a community, county or state can provide the level of services residents expect.

A community needs ED in order to help pay for growing citizen wants, to retain and grow existing businesses, to attract new business and investment, to nurture local entrepreneurs (start-ups) and to replenish income lost by dollar "leakage" out of the community through the purchase of goods made elsewhere. Job growth and maintenance in local basic industries (which produce goods and services sold outside the area) brings new dollars into the community. New dollars invested or spent in a community generate more economic activity, creating a "multiplier" effect.

At Cornell University, the "Development and Child Care project conceives of the economic importance of child care as having three components: its effect on places (the regional economy), its effect on parents (social infrastructure supporting workers and their employers), and its effect on children (investing in human development and education for the future workforce)."

Describing the composite of organizations that provide early care and education services as an industry in order to link them with economic development is recommended in the literature. For those in the field of early care, most often the discussions center on how the individual parts compare or are different. Little effort is made to describe the industry as a whole, which in turn provides a framework of reference for the broader world outside of education (Stoney, 2004).

Industry Description and Impact

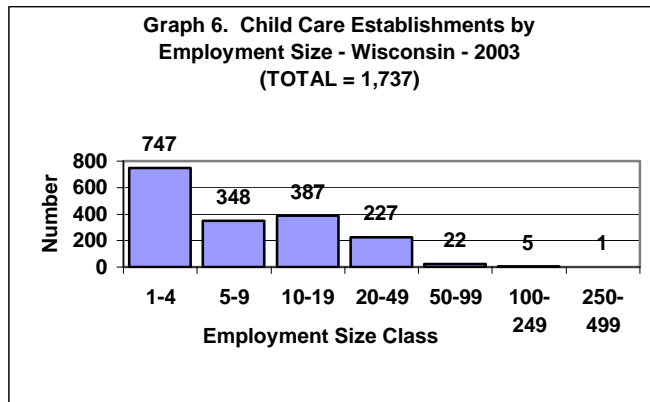
Regardless of how child care is defined or regulated, other than in school settings, it consists largely of small businesses. According to the 2002 Economic Census of Wisconsin for North American Industry Classification System (NAICS) category: 624410 (Child Day Care Services), there were 13,748 establishments with 17,357 employees plus 12,082 individual proprietorships with gross receipts of \$643 million (Table 1.).

Table 1. Wisconsin's Child Care Industry

Source: 2002 Economic Census (US Dept Commerce)

<u>Category</u>	<u>Number of Establishments</u>	<u>Receipts</u>	<u>Annual Payroll</u>	<u>Paid Employees</u>
Nonemployers	12,082	\$164,692,000	N.A.	N.A.
Taxable Employers	1,043	\$276,423,000	\$131,323,000	10,088
Nontaxable Employers	623	\$201,772,000	\$110,054,000	7,269
All w Employ	1,666	\$478,195,000	\$241,377,000	17,357
ALL WI	13,748	\$642,887,000	\$241,377,000	17,357

The employment estimates are quite conservative because federal statistics produce underestimated counts for small businesses. Overwhelmingly, child care businesses are very small businesses. Not counting the number of non-employing establishments (12,082), the majority (63%, almost two-thirds) of the businesses have less than 10 employees (Graph 6.).



Using teacher and child care employee licensing data, professional certification numbers total approximately 43,000 people currently employed in child care

(Appendix B.). With sales of almost two-thirds of a \$ billion and employment of almost 30,000, child care can lay claim to being a significant industry group in Wisconsin.

At a community level, the only previous economic impact study of child care in Wisconsin was done for Milwaukee for 2001. Some of the findings were:

“The regulated child-care services industry in Milwaukee County –including licensed and trained certified child-care providers-- generated an estimated \$203.7 million in gross receipts, or revenues, in 2001. This means that the trained regulated child-care industry in Milwaukee County is significantly larger than industries such as spectator sports, hotels and motels, advertising services, and engineering services –all industries considered vital to the county’s economic development.

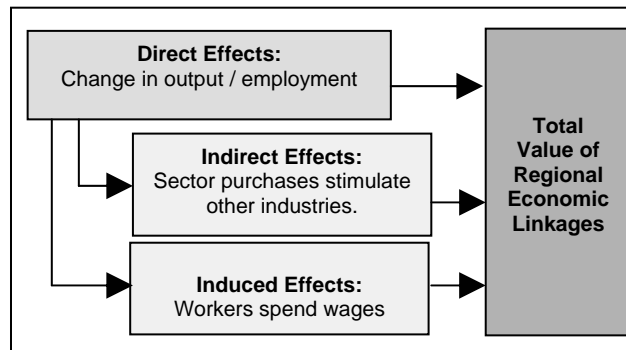
All told, when the “multiplier effects” of the purchasing and employee earnings in the child-care industry are taken into account, the industry generates around \$351 million annually in the Milwaukee County economy.

The regulated child-care industry directly employs over 7,200 people in Milwaukee County, more than such important local industries as transportation equipment manufacturing, printing and related activities, and legal services.

The child-care industry in Milwaukee County frees up approximately 21,000 parents for work. These working parents earn an estimated \$538.5 million annually.” (UWM, Center for Economic Development, 2002)

Cornell University has become a pioneer in developing information on the economic impact of child care. Estimates of the economic multipliers for child care have been computed for each state and are available on the university’s website (http://government.cce.cornell.edu/doc/viewpage_e.asp?ID=Child_Care) “Linking Child Care and Economic Development.” (Liu, Ribeiro & Warner, 2004) Multipliers are computed to determine the degree of interdependence among different sectors of an economy. The Type II output multiplier (includes direct, indirect, and induced effects) for Wisconsin is 1.98 (Figure 1, adapted from this publication). That is, for every \$1 of revenue generated in child care there is an additional \$0.98 generated in the local economy. Part of this \$0.98 provides support (supplies, etc.) to the industry. This is

Figure 1. Model of Child Care's Linkage Effects



the indirect impact. And, part of it is generated by the spending power (induced effect) unleashed from incomes produced by the industry and its indirect effects. Similar to the Milwaukee child care impact study, but applied to the statewide industry for 2002, the multipliers compute a total revenue impact of \$1.3 billion and an employment impact of well over 46,500 jobs. The Type II employment multiplier for Wisconsin is 1.58. Using

the alternative employment number of 43,000 indicates an employment impact of almost 68,000 jobs.

Workforce Development

One of the functions of economic development at the local level is workforce development. The National Governors' Association (NGA) defines workforce development as the education, employment, and job-training efforts designed to help employers get a skilled workforce as well as to help individuals to succeed in the workplace. Widespread skill shortages are impeding economic growth at this time. At the same time, many workers lack the skills to get and hold jobs that are good enough to make them self-sufficient.

"Workforce development is distinguished from training or education by its explicit focus on economic development." (Jacobs & Hawley, 2005) This provides the "why" for needing the training or education. Also according to Jacobs and Hawley, workforce development has become more important because of five converging concepts: 1) globalization, 2) technology, 3) the new economy, 4) political change, and 5) demographic shifts.

Structural Labor Shortage

Wisconsin is facing a structural labor shortage. This shortage is concerned with both the size of the workforce and its skill set. Most of the labor force growth over the past 30 years has been due to the entrance into the labor market of individuals who were born after World War II during the so-called "Baby Boom." As of this year, the first of the boomers is turning 60 years old and retirement is increasingly becoming an option for them. This is especially important since the birth rate has fallen since the early 1950s. And, now there are far fewer individuals available to annually enter the workforce. This is critical in Wisconsin where total population growth has lagged behind the national average and many other states. During the the decade of the 1990's, much of the national population growth has occurred because of immigration. Wisconsin has not been a major recipient of this type of growth, either.

Major changes in world and national economies are now taking place. In response to globalization, some companies are merging, moving, shrinking or closing, i.e., jobs are changing. Another major labor force issue is producing workers with the appropriate education and skills to allow U.S. companies to compete in world markets. The "New Economy" is dependent upon skilled and educated workers. Baby boom retirees tend to be the most skilled and experienced workers in the labor force. Loss of these workers will diminish the size of the labor pool and especially the number of skilled and trained workers available for work or for retraining. Consequently, for Wisconsin employers,

retention and recruitment of skilled labor will continue to be central issues for profitability and growth.

Human Capital Investment

Economic development is often characterized as an investment in the community. Funding for early care and education has historically been viewed as a welfare issue and responses have largely focused on the poor. (Stoney, 2004) This may be the reason that discussions of early learning generate emotional responses, at times. Recently, a number of studies have centered on the relationship between early learning and producing an adult workforce with the education and social skills to be productive and successful. Of special note, the recent "Economic Analysis of Four-year-Old Kindergarten in Wisconsin" (Belfield & Winters, 2005) shows positive investment analysis returns for 4-K for all children in Wisconsin, which partially offsets the cost of providing it. The total body of literature is extensive, complex and sometimes contradictory and will not be repeated here. While research shows a benefit for children of all income levels, there does seem to be general agreement that the greatest positive returns to society are early education investments made in response to at-risk children and families and that quality early childhood programming shows benefits of differing scales to all income levels. For example, quality child care has been shown to contribute to reductions in special education costs; lower school drop-out rates; decreased levels of criminal activity; more likely to go to college, more likely to hold a job and increased earning power, including reduced risks of poverty.

Largely because of this new research, "No area in education has grown like preschool in recent decades." However, "Affordability and availability of high-quality programs clearly remain major barriers to preschool participation." (Barnett, 2005)

The key issue is quality early childhood programming, which incorporates a focus on school readiness. Well-educated staff, adequate staff-child ratios, and age-appropriate educational programs characterize quality early childhood programs. "Research convincingly demonstrates that young children who participate in high-quality preschool programs at the ages of three and four perform significantly better when they enter kindergarten and beyond. The benefits to children include improved social and emotional competencies, such as increased self-control and more appropriate interactions with other children, and improved math and language skills." (Barnett, 2003) Children starting kindergarten at a disadvantage usually never catch up. The investment debate centers on what constitutes "quality early childhood programming" and identifying the return on investment for children at varying socio-economic levels.

A significant positive result of this debate is that education is increasingly being viewed as an investment. These studies bring into the spotlight the long-term societal issue of how best to invest in order to develop our human capital. How this issue is addressed may prove to be one of the most important to Wisconsin's long-term economic viability.

Employer Child Care Support

Even though the educational impact on children has been the primary focus of most early care discussions, there are other important facets. Characterizing child care as an industry expands the sphere of influence to include new partnerships. Employers, economic development practitioners, bankers, and others outside the educational community are now part of the equation for success. These new partnerships are critical in obtaining new child care investments. (Stoney, 2004)

Companies can “directly” assist in providing child care through the following programs:

- With **purchase of space/discount program** the company “owns” a number of spaces with participating vendors
- **School-age child care supports** programs for children between the ages of 5 and 14 for times when school is not in session.
- **Sick child care** sponsorship is a program to care for sick children.
- A **consortium center (multiple companies)** in conjunction with other nearby companies provides support for a child care center.
- **An on site/off site child care center** can be directly sponsored by a company or union.

As of the end of 2005, the CCR&R database of child care facilities included 96 employer-sponsored facilities in 49 cities in Wisconsin. The CCR&R manual, "Child Care Options for Employers," was created to assist employers in addressing a range of workforce child care needs. It describes and gives examples of all types of assistance.

Other Employer Child Care Support

“Indirectly”, companies can assist their employees by:

- Cooperating or contracting with their local CCR&R agencies, companies can provide **resource and referral** to their employees. Through a contract with the state, these agencies maintain a database of all child care facilities in their respective regions.
- **Parent seminars** in-house provide information to help employees with parenting.
- **Alternative work schedules** such as flex time, job sharing, part time and release time are several policies companies can use to help employee parents.
- **Family leave policies** allow employees to balance work and family without having to choose between the two.
- **Dependent care assistance plan** involves setting up tax-free set-aside programs to pay for such care.
- **Voucher or reimbursement systems** permit the company to reimburse part of the costs of child care in some fashion.

For those companies participating in providing child care, federal tax credits are available. Employers can receive a credit of 25 percent of their spending on the construction or rehabilitation of a child care facility or on contracts with a third-party child care facility to provide child care services to employees. This benefit is also extended to employers who are part of a child care consortium. In addition, employers can receive a credit of 10 percent of their spending on resource and referral services for employees.

The “Employer Toolkit Template for Engaging Business Partners,” prepared by the National Child Care Information Center (NCCIC), provides organizations with practical tools to effectively engage the business community in finding child care solutions. Most of these options are displayed and compared in Table 2.

Table 2. Comparison of Early Childhood Support Options for Employers

Option	Benefits	Considerations
<p>Providing Information</p> <ul style="list-style-type: none"> • Resource and Referral Services • Parenting/Child Care Seminars 	<ul style="list-style-type: none"> • Low cost • Addresses a variety of child care needs • Appropriate for any size company • Can be provided in a variety of locations 	<ul style="list-style-type: none"> • Depends on ample child care services in the community • Offers no assistance in paying for care
<p>Flex-Time and Leave Policies</p> <ul style="list-style-type: none"> • Flexible Scheduling, Compressed Time • Job Sharing, Part-time Options • Parental Leave • Use of Sick Leave for Family Illness • Personal Leave 	<ul style="list-style-type: none"> • Minimal investment with big payoffs • Reduces absenteeism, improves moral and productivity • Expands pool of potential employees • Enhances recruitment and retention 	<ul style="list-style-type: none"> • May require greater planning on the part of managers and work teams • May disrupt work flow if not carefully planned • May require manager training to effectively implement
<p>Providing Financial Assistance</p> <ul style="list-style-type: none"> • Dependent Care Spending Assistance Plan • Flexible Benefit Plans • Child Care Vouchers • Child Care Vendor Plan 	<ul style="list-style-type: none"> • Most options require little administrative responsibility • Can support and strengthen community services • Appropriate for any size company • Does not require large capital or start-up costs 	<ul style="list-style-type: none"> • Only directly impacts the cost of care; not a solution for low supply or poor quality • Depending on benefits offered, some options can be costly
<p>Creating and Supporting Services</p> <ul style="list-style-type: none"> • On-Site Or Near-Site Care • Partnering with Other Employers • Family Child Care Network • Back-Up, Sick Child, Or Odd-Hour Care 	<ul style="list-style-type: none"> • Can address specific needs and/or shortages in the community • Builds community resources for families • Can be a very effective recruitment 	<ul style="list-style-type: none"> • Initial start-up costs can be significant • Requires a long-term financial commitment • Demand may fluctuate or be difficult to predict

National Child Care Information Center at <http://nccic.org/ccpartnerships> or by phone at 1-(800) 616-2242, <http://www.nccic.org/ccpartnerships/toolkit/pulout4a.htm>

In a broader context, companies can also participate in other strategies for early learning such as, 4-K, Head Start and other efforts through support with facilities, volunteers, resources and by serving on boards and with local civic involvement.

Child Care as a Business

Economic developers can also assist by helping interested parties start child care businesses. The child care industry is increasingly recognizing the need for sound business planning in addition to educational aptitude and training. Child care as a business is no different in many respects than any other entrepreneurial endeavor. Economic development practitioners regularly work with local entrepreneurs.

Business Planning

A number of child care advocates have produced "tool kits" to guide this planning. The following is a sample of them:

The Wisconsin Women's Business Initiative Corporation (WWBIC) has just released its Family Child Care Business Planner. WWBIC is a statewide nonprofit economic development corporation focusing on women, minorities and low-income individuals. On a CD-ROM, the "Planner" is a guide to producing a business plan for a child provider. WWBIC is also scheduling a series of workshops around the state with the same topic.

Redleaf National Institute is a division of Resources for Child Caring, a nonprofit organization located in St. Paul, Minnesota, which publishes business resources and other materials for child care professionals. Founded in 1992, RNI is committed to improving the quality of family child care by helping providers successfully manage their businesses. The material addresses all of the business issues of professional family child care including record keeping, taxes, insurance, contracts and marketing. (www.redleafinstitute.org/)

An important component of preparing a business plan and seeking financing is to make comparisons to national financial ratios and benchmarks. Some of this information is available at Valuation Resources on the internet. This commercial site provides links to industry resources and data available from trade associations, industry publications, and research firms. Industry specific information is located at: Industry Information Resources, SIC 8351 / NAICS 624410, Child Daycare Centers. The site provides:

- Industry overview, issues, trends, and outlook,
- Financial ratios and benchmarking,
- Compensation and salary surveys
- Valuation resources

(www.valuationresources.com/Reports/SIC8351ChildDaycareCenters.htm)

General business startup information is available from the Wisconsin Department of Commerce and the Wisconsin Entrepreneurs Network (<http://www.wenportal.org>). The Entrepreneur's Toolkit (<http://toolkit.wi.gov>) from Commerce provides business start-up information and assistance, financing information, networking contacts and technical resources all on one CD-ROM. The information caters to individuals interested in starting any type of business.

Regulations/Licensing

Because child care facilities over a certain size are regulated by the state, it is recommended that the entrepreneur also check with the CCR&R agency for appropriate contacts for obtaining license application forms. For those wanting to check directly, the statewide child care licensing agency is:

Wisconsin Department of Health & Family Services
Division of Children & Family Services
Bureau of Regulation and Licensing
1 West Wilson Street
P.O. Box 8916
Madison, WI 53708-8916
Phone: 608-266-9314
Fax: 608-267-7252
(http://dhfs.wisconsin.gov/rl_dcfs/INDEX.HTM)

DHFS has a Child Care Start-up Information package of forms; instructions and business planning suggestions available for new child care businesses.

Other statewide and federal regulations pertain to taxes, employing others and health and safety issues. Contacts for this information are available from the Wisconsin Business Wizard, an interactive website program (<http://www.wisconsin.gov/state/app/wizard/LoadIntro>).

Financing

Obtaining financing is often the most critical part of launching a new facility or expanding an existing one. WWBIC has also recently started a new loan fund for family child care providers in Wisconsin.

The US Small Business Administration (SBA) assists small businesses. "How to Start a Quality Child Care Business," is their recently updated Publication MP-29. SBA also has a number of loan programs, which might be of use.

Wisconsin has resources available at the community level. Over 200 local revolving loan funds have been set up with federal Community Development Block Grant money in partnership with the Wisconsin Department of Commerce. These funds have been earmarked for economic development purposes at the community level.

These programs as well as other loan sources are described in the entrepreneur's toolkit from the Department of Commerce.

Once a business plan has been developed and outside financing is being sought, working with a local banker is recommended. Startup businesses, however, usually find it extremely difficult to obtain funding. Adequate amounts of individual equity are usually required when a business is first starting.

Building on Public/Private Partnerships and Community Cooperation

Wisconsin is currently advocating a community approach to early childhood programs (DPI, 2003). The community approach combines public and private efforts into a coordinated local system that put the well being of all children first. The community approach is distinctly different from the largely district-driven programs many districts already have in place. This approach is centered on expanding access to 4-K. However, different communities have different resources in place and different needs and a collaborative approach with blended services holds the promise of extending all types of quality services to all children. This is a good procedure to use for all types of community goal-setting.

“Not everyone has greeted the idea of 4-year-old kindergarten with open arms. Among the most vocal critics of 4-year-old kindergarten are Wisconsin child care providers. Child care administrators maintain that the results can be financially disastrous for child care providers in communities where school districts have started public school 4-year-old kindergarten in a non-collaborative manner.” (Landsverk, 2003).

Simply, the community approach brings together a broad range of early childhood stakeholders in the community-school district administrators and teachers, child care administrators and teachers, parents, family service providers, and others. Currently, child care centers may be housed at school sites, near hospitals, with community centers or stand-alone. They may share locations with Head Start, pre-kindergarten or programs for the developmentally disabled. Because they have broad based community support from leaders of cities, counties, school districts, economic development groups, business and industry, health care facilities and key individual community leaders, they are able to provide the needed services even if they don't have all the space, resources or staff to start from scratch.

Table 3 lists a sample of existing child care and early learning models in the state.

Model	Participant(s)	Location
Public/Private Community Approaches to 4-year-old Kindergarten	CESA 11/Head Start School/Child Care/ Head Start (For full listing of these models go to: www.collaboratingpartners.com) School/4&5-K Teachers in Child Care Centers School/Head Start/Montello School District School/Head Start/Parochial Schools	Barron County La Crosse, Eau Claire, Fond du Lac Milwaukee Montello Portage
Community Collaborative Centers	Local 95 UAW/Rock County Head Start/Parochial Schools/Preschools CAP Services/School District	Janesville Marshfield Stevens Point
Employer Sponsored Centers	Cargill Lands End New Berlin Child Care Center (Small Business Cooperative Effort) Quad Graphics S. C. Johnson Thrivent	La Crosse Dodgeville New Berlin Lomira/Pewaukee Racine Appleton
Industrial Park Location Centers	Head Start Day Care Promega (Employer Sponsored)	Boscobel Fennimore Fitchburg

Conclusion

Early care and education and economic development are tightly intertwined in Wisconsin. However, each needs to know more about the other.

Because of the high labor participation rates, especially for females, there is a great need for non-parental child care services. The industry has expanded to accommodate this demand and is now recognized as a significant economic sector. The industry is confronted with high volatility, some of it attributed to lack of business experience on the part of those starting child care facilities. Economic developers have this experience and know how to work with entrepreneurs wanting to start their own business.

Wisconsin is starting to experience a structural labor shortage. Population growth has not been very robust here and baby boomers are just starting to retire. This massive population bubble represents a significant part of the skilled labor force. Consequently, employers are and will increasingly be faced with skilled labor shortages. Assisting with child care can help employers with labor retention, productivity and recruitment. Labor force issues and business retention and expansion are frequent concerns of local economic developers.

At the same time, the world is changing; companies are being forced to compete in global markets, especially Wisconsin's traditional industries. The "New Economy" values education. In order to compete, greater educational success is required. Proponents from both education and business are attributing success in adulthood to early childhood development and learning. An increasing number of recent studies have attempted to measure the investment performance resulting from increased investment in early learning, specifically pre-kindergarten. The general findings of this research are captured in the following quote:

"Ultimately, early childhood development programs will improve the academic performance and quality of life of millions of our children - including many who live in poverty - reduce crime, make the workforce of the future more productive, and strengthen our nation's economy."

Robert G. Lynch, WestEd Policy Perspectives, *Early Childhood Investment Yields Big Payoff*. 2005.

Consensus building to achieve community success and produce these type of results is another common economic development function. Through collaborative action, individual communities can maximize their use of local resources to address their local child care and early learning needs, while adding to the economic development potential of the area.

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Appendix A

Early Care & Education Definitions

Term	Definition
Regulated Family Programs	Regulated family child care programs (operating in a provider's home) are licensed by the Department of Health and Family Services (DHFS), Bureau of Regulation and Licensing (BRL) or certified through counties and tribes. Last updated June, 2005.
Licensed Group Programs	Facilities providing care to 9 or more children must be licensed by Department of Health and Family Services (DHFS), Bureau of Regulation and Licensing (BRL) under Wisconsin Administrative Code HFS 46. Last updated June, 2005.
Licensed Exempt Programs in Public Schools(4-K, Head Start)	4K schools are public schools that offer free, 4-year-old kindergarten to all children. Head Start is a federal program for preschool children from low-income families. There are 54 Head Start agencies in Wisconsin, each of which offers early care and education at multiple locations referred to as "centers." Head Start centers operated by a school district are exempt from licensing; Head Start centers that are licensed by BRL are listed under licensed group programs. Last updated June, 2005.
Licensed Family	Facilities providing care for 4 to 8 children operating in a provider's home must be licensed by BRL under Wisconsin Administrative Code HFS 45. Note because dually regulated are also licensed, highlighting licensed family also highlights dually regulated programs. Last updated June, 2005.
Certified Family	Counties and tribes certify providers who receive public funding and are exempt from licensing. Most counties certify providers, whether or not public funding is involved. Certified family providers may serve no more than 3 unrelated children (0-6 years) at any one time. Note because dually regulated are also certified, highlighting certified family also highlights dually regulated programs. Last updated June, 2005.
Dually Regulated	Programs that are both licensed and certified are to be considered dually regulated. Last updated June, 2005.
Accredited	Multiple institutions offer accredited status to programs that exceed regulatory requirements for the quality of care for the children served. Accreditation from the following national institutions are included on the map: National Association for the Education of Young Children (NAEYC), National AfterSchool Association (NAA). Local institutions include City of Madison. Last updated June, 2005.
4K Community Approach	4K community approach districts work in collaboration with a local child care and/or Head Start center(s) to offer free, public 4K programs to 4-year-old children in their district. Schools working in collaboration are highlighted when this option is chosen.
Head Start	There are 54 Head Start agencies in Wisconsin, each of which offers early care and education at multiple locations referred to as "centers." Head Start programs operated by a school district are exempt from licensing; Head Start centers that are licensed by BRL are listed under licensed group programs. Last updated June, 2005.

Source: The Wisconsin Child Care Research Partnership (WCCRP) at the University of Wisconsin-Extension. <http://ecemap.uwex.edu/Definitions.htm>

Appendix B

Key Data on Child Care and Early Education in Wisconsin - January 2006

Compiled By: Wisconsin Child Care Research Partnership*,
DWD, DPI, and the Wisconsin Head Start Association

A. PROGRAMS (November, 2005)

Number of child care programs in Wisconsin:

- Licensed centers – 2,495
- Licensed family child care – 2,841
- Certified family child care – 4,310
- Dually regulated family child care – 342

Number of children (capacity) in regulated care – 173,365

Estimated enrollment in regulated child care (1.2 x capacity) – 208,038

Estimated enrollment in pre-kindergarten public schools – 20,959

Number of Head Start programs in Wisconsin

- Head Start programs – 32
 - Home-based groups – 290
 - Centers - 272
- Early Head Start programs – 11

Number of children served in Head Start by federal funds – 13,760

Number of children served in Head Start by state funds – 1,416

Number of children served in Early Head Start by federal funds - 941

B. SUBSIDIZED CARE (November, 2005)

Number of children of all ages receiving subsidy – 53,737

C. CHILD CARE WORKFORCE (Estimates from November, 2004 workforce study & other sources):

- Child care center directors – 2,500 (47% have a B.A. degree)
- Child care teachers – 20,721** (includes licensed Head Start)
- Child care assistant teachers – 11,000
- Licensed family child care – 2,841
- Assistants licensed family child care (est. 17% hire an assistant at \$6/hour) – 483
- Certified family child care – 4,310
- Dually regulated family child care – 342

TOTAL: 42,494

**Head Start teachers (in school district programs) – 300

Number of Head Start teachers employed – 631 (22% Assoc; 46% BA; 4% Grad; 23% CDA – all ECE related; remaining 5% are in CDA training)

Number of Head Start asst. teachers employed – 663 (37% Assoc; BA; or CDA – all ECE related)

Number of Home Visitors employed – 139

D. COST OF CHILD CARE: AVERAGE REPORTED RATES IN ALL COUNTIES in fall, 2005

Child Care Centers:

- Average cost of care (Rates survey, 2005) for ages 0-2: \$187.06
- Average cost of care for ages 2-3: \$163.16
- Average cost of care for ages 4-5: \$150.11
- Average cost of care for ages 6+: \$133.54

E. STATE MEDIAN INCOME (2000 Census, adjusted):

\$45,315 for a family of 4

F. ELIGIBILITY FOR CHILD CARE SUBSIDY (DWD Web site, 2006):

A family of four may be eligible if annual income is at or less than \$35,796

G. PRE-KINDERGARTEN IN WISCONSIN (DPI, 2005-6):

Approximately 234 districts have 4-year-old kindergarten – about 20,960 students age 4 were reported that year. There is a movement for districts to implement 4K through community approaches with services in child care and Head Start. These models exist in approximately 35 districts with the number increasing each year.

DPI received \$7,212,250 million in state GPR funds for the Wisconsin Head Start State Supplement, to help expand number of slots and full-day options for 34 grantee agencies.

H. 2005-07 STATE BUDGET INITIATIVES

- Quality (CCDF) dollars total: \$14,757,000
- Subsidy (CCDF and TANF) dollars total: \$623,764,200
- Four-year-old kindergarten start up funds and increased funding for community approaches (not passed)

*See Early Care & Education (ECE) Web Mapping site for comparisons between counties, communities and school districts, also using census data (www.ecemap.uwex.edu)

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