

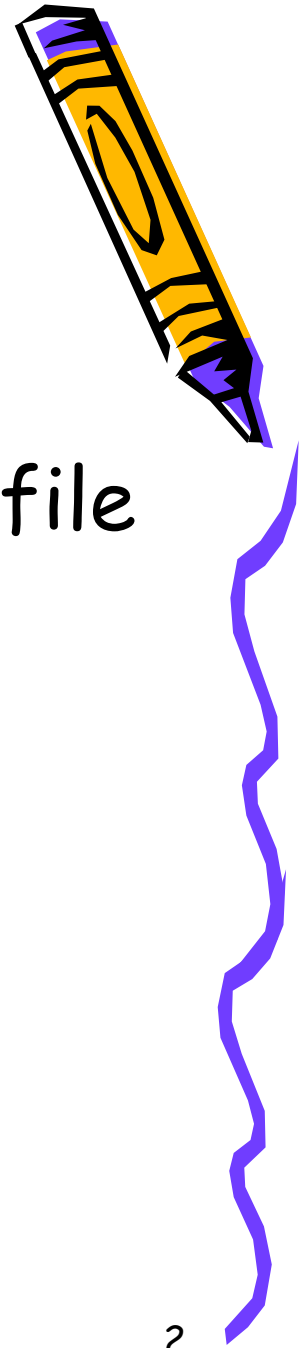
The Economic Impact of Child Care in Shelby County, Tennessee

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February 2005



Outline

1. Purpose of Study
2. Shelby County Demographic Profile
3. Profile of Shelby County Child Care Industry
4. Economic Impacts of the Child Care Industry
5. Conclusion



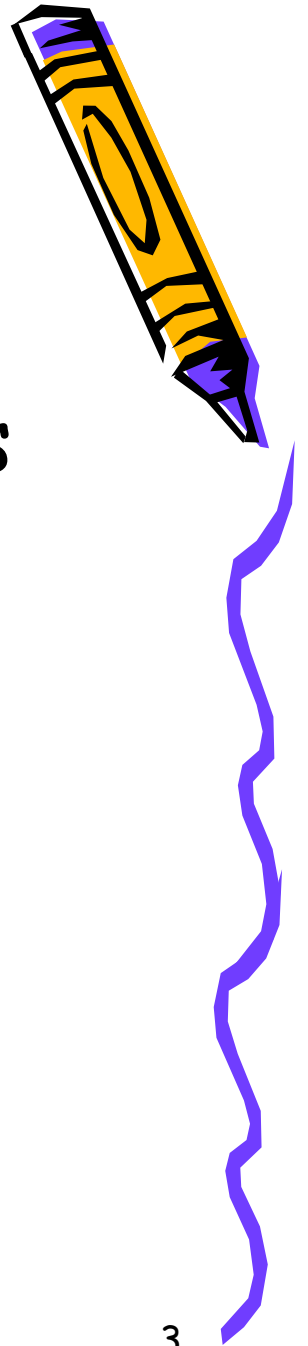
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Purpose of Study

To evaluate the economic impacts of the child care industry in Shelby County, Tennessee, by measuring the size of the child care industry and the economic contributions to the local economy.



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Four Questions

1. How large is the child care industry as measured by the number of providers, types of providers, and enrollment?
2. How significant is the child care industry to the economy of Shelby County, Tennessee?
3. How large is the economic impact of the child care industry on the local economy?
4. How significant is the incremental impact of Federal and State subsidies for child care?



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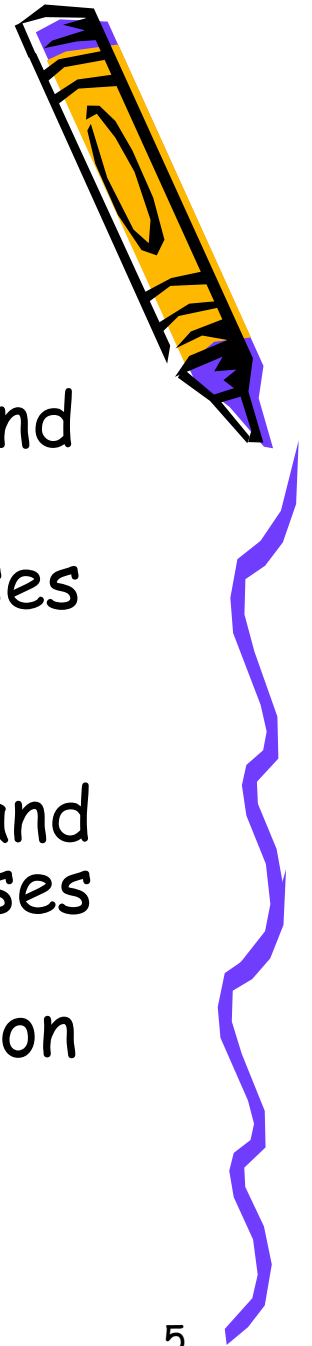


Types of Impact

- Direct impacts - Initial expenditures and purchases of child care services
- Indirect impacts - Subsequent purchases by businesses that supply goods and services to child care providers
- Induced impacts - Additional incomes and jobs created as workers in the businesses stimulated by the direct and indirect impacts spend their additional incomes on goods and services



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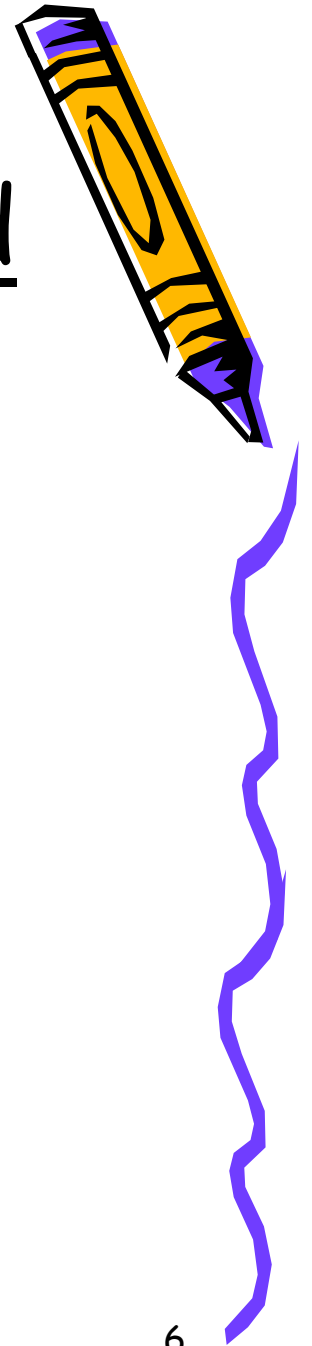


Child Care Providers Studied

- All licensed and unlicensed child care that were subsidized by TDHS or TDoE
- Excluded were unregulated providers that received no subsidies



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Child Care Defined

- Tennessee defines "child care" as the provision of supervision, protection, and at a minimum the basic needs of at least 5 children who are not related to the primary caregivers for 3 or more hours a day but less than 24 hours a day.



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Types of Child Care

1. **"Centers"** are regulated providers that provide care for thirteen or more children.
2. **"Family Homes"** are regulated providers that provide care for at least five but not more than seven children.
3. **"Group Homes"** provide care for at least eight children but not more than twelve children. Additionally, up to three school-age children may receive care before and after school, on school holidays and snow days, and during the summer at "Group Homes."
4. **"Registered Homes"** provide casual care for no more than fifteen children, not to exceed ten hours per week, and not for more than six hours per day for any individual child.
5. **"Unregulated child care"** is defined as child care that does not require licensure



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Data Source and Models

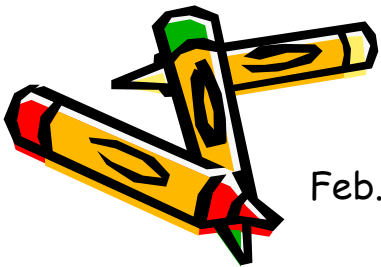
- Enrollment and financial data were provided by the Tennessee Department of Human Services
- Data were for the period June 1, 2003 - May 31, 2004
- Models used: RIMS II and IMPLAN® Model for Shelby County, Tennessee



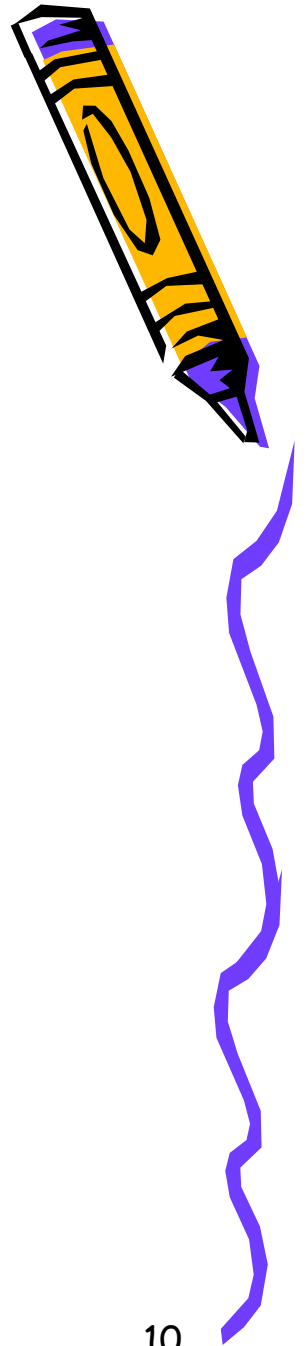
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Results at a Glance

- **Direct impacts:**
 - 10,773 jobs
 - \$312.9 million in economic output
 - 0.75% of Shelby County Gross Product (compared to Higher Education's 0.46%)



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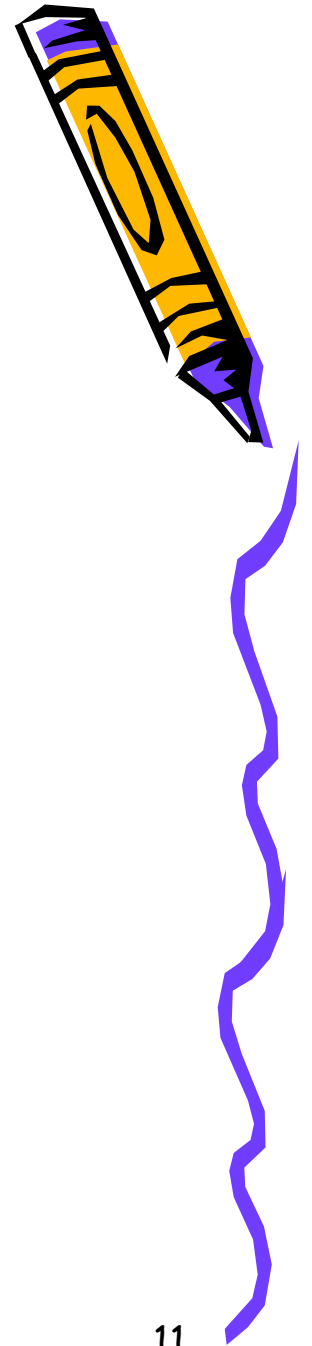


Results at a Glance (cont'd)

- **Indirect impacts:**
 - 670 jobs
 - \$168.8 million in economic output
- **Induced impacts:**
 - 712 jobs
 - \$157.3 million in economic output

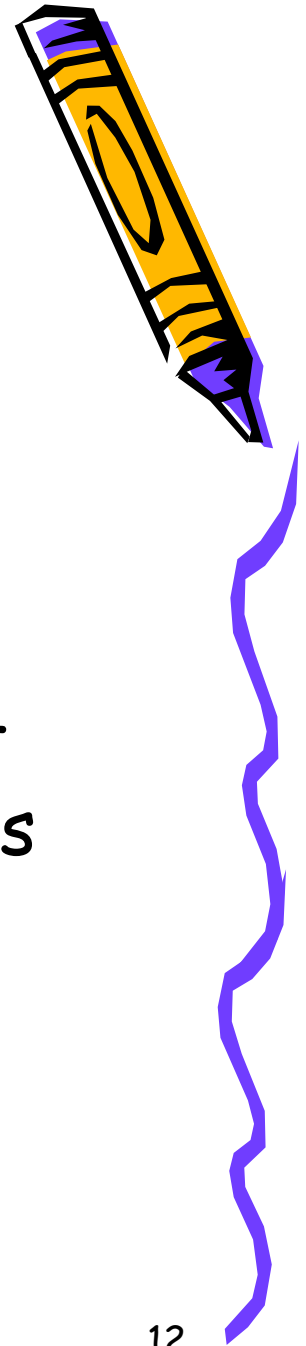


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Results at a Glance (cont'd)

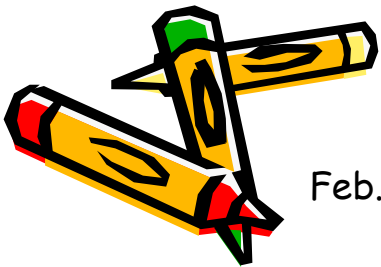
- **Total Impacts:**
 - 12,155 jobs
 - \$639 million in economic output
 - 1.5% of Shelby County Gross Product (compared to the 1.32% of the Hotels and Lodging sector)



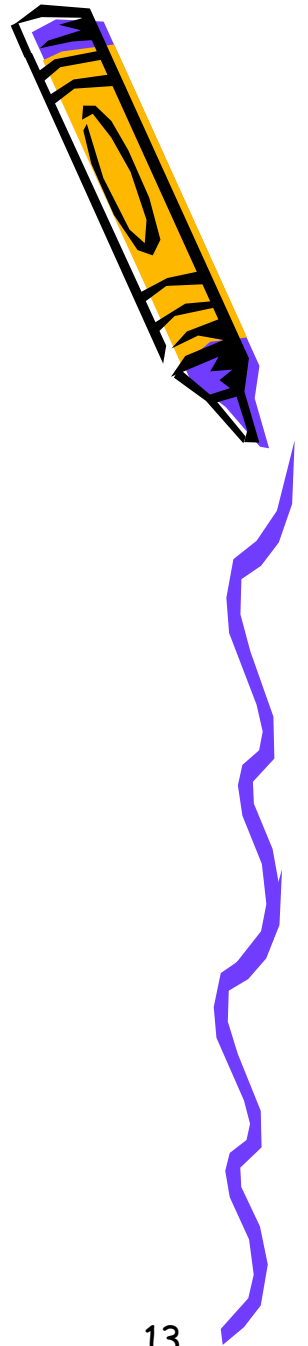
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Results at a Glance (cont'd)

- A total of \$92.4 million in Federal and State subsidies between 6/1/2003 - 5/31/04
- Shelby County's \$92.4 million represented 47% of the statewide subsidies for child care
- Davidson County's share of statewide subsidies was 18%, while the shares of Hamilton and Knox Counties were 6% each.

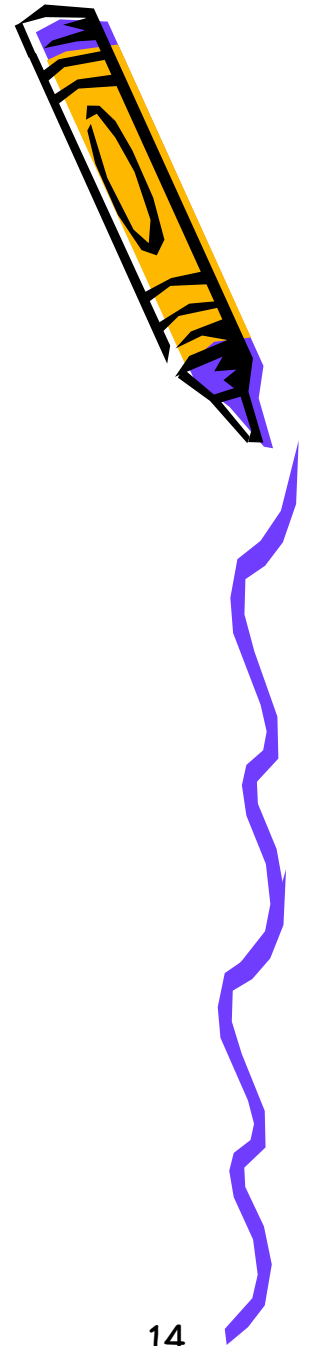


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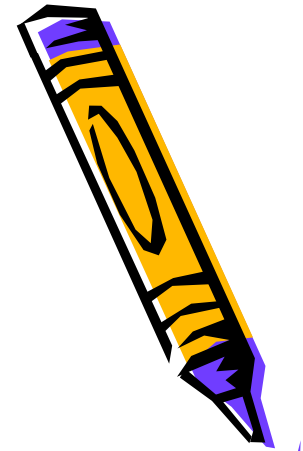
Shelby County Demographic Profile

- Total population 2003 - 906,178 with a near-zero growth rate
- 48% white and 49% black (2000 Census)
- Children under the age of 14 made up 24% of total population, and their number continues to grow.



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Shelby County Poverty and Income Comparison



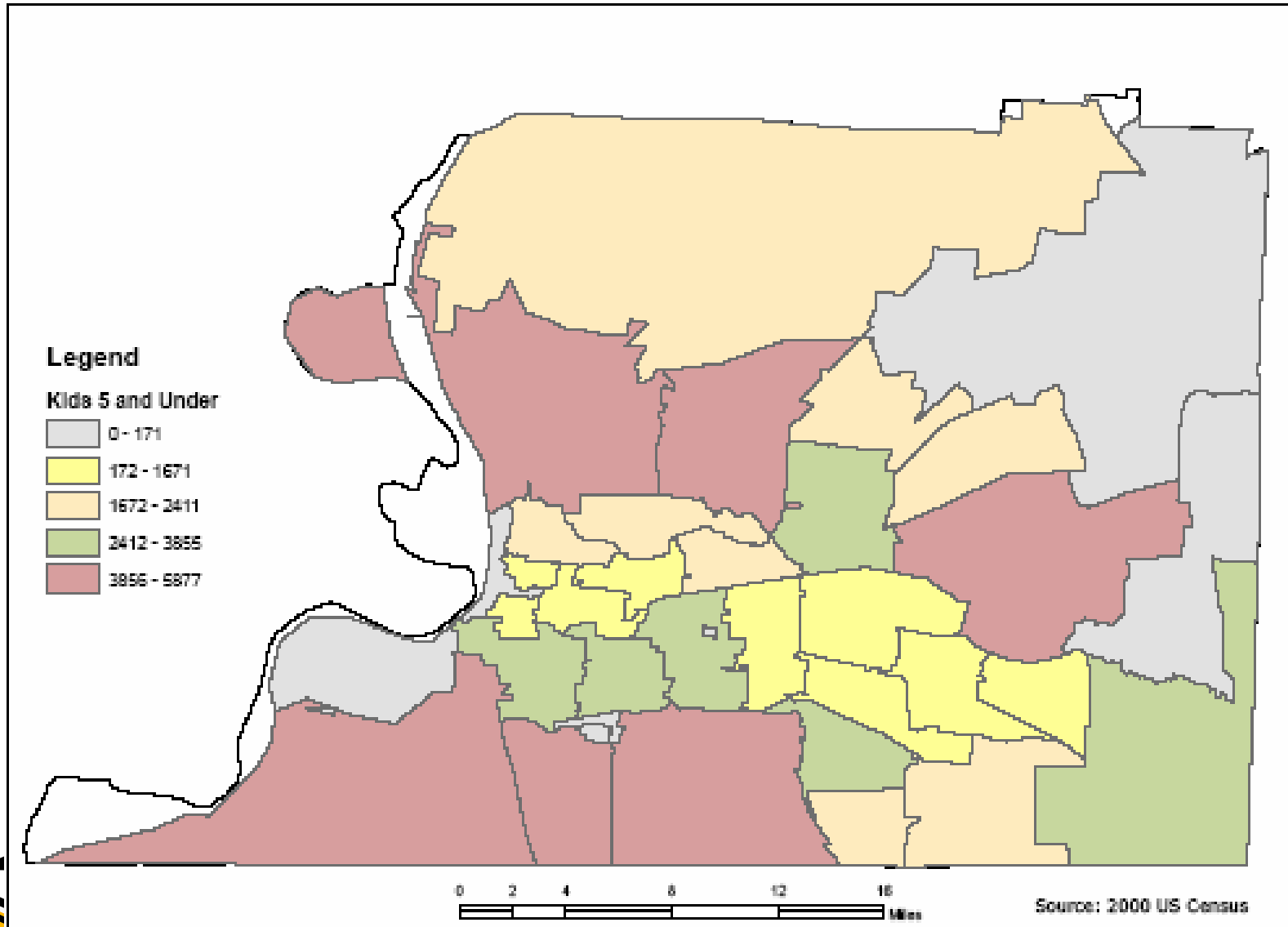
2000	Shelby County	Tennessee	US
All Ages in Poverty	14.30%	12.60%	11.30%
Age 0-17 in Poverty	20.50%	17.80%	16.20%
Age 5-17 in Poverty	17.50%	15.70%	14.60%
Median Household Income	\$41,048	\$35,760	\$41,990

Source: U.S. Census Bureau.



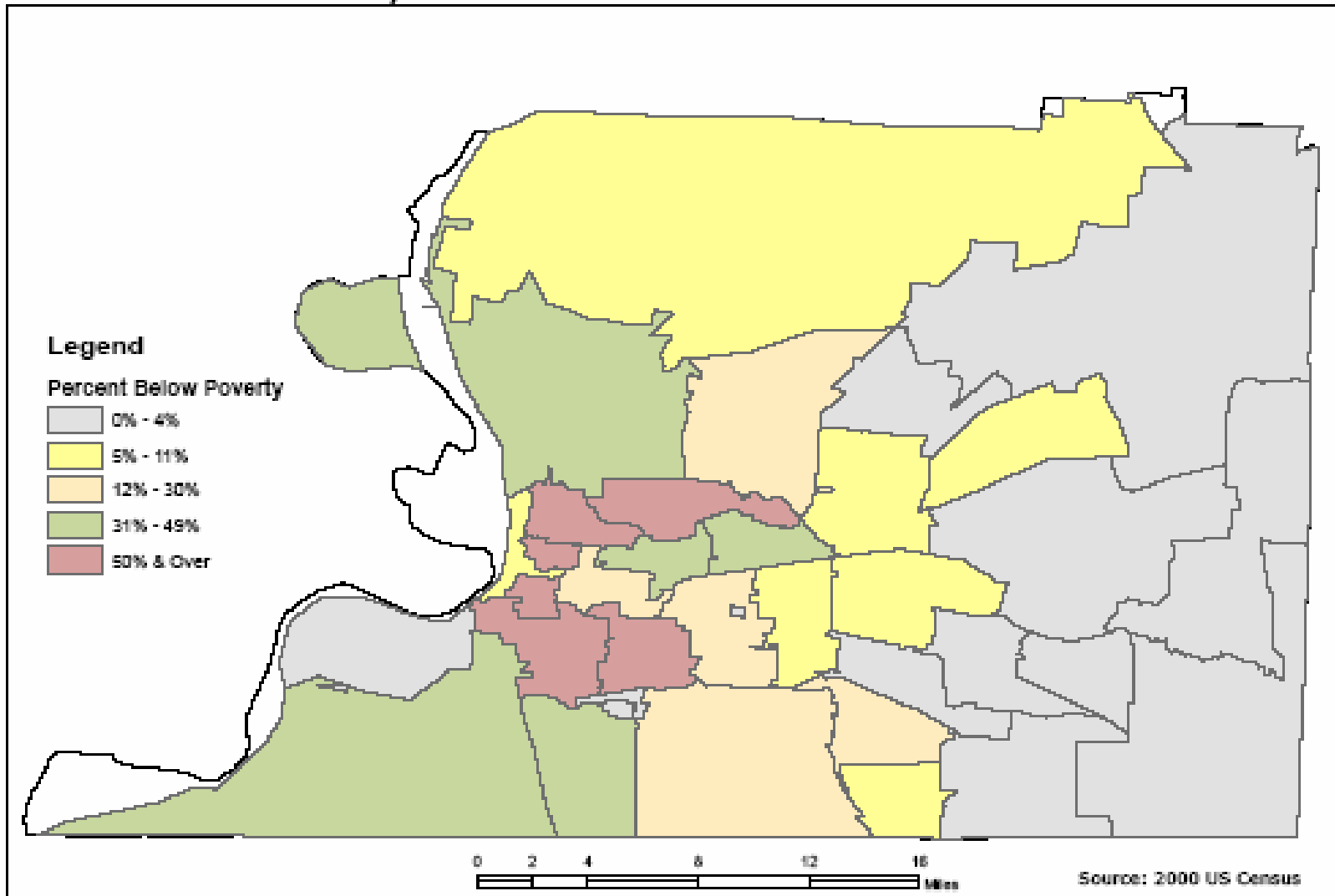
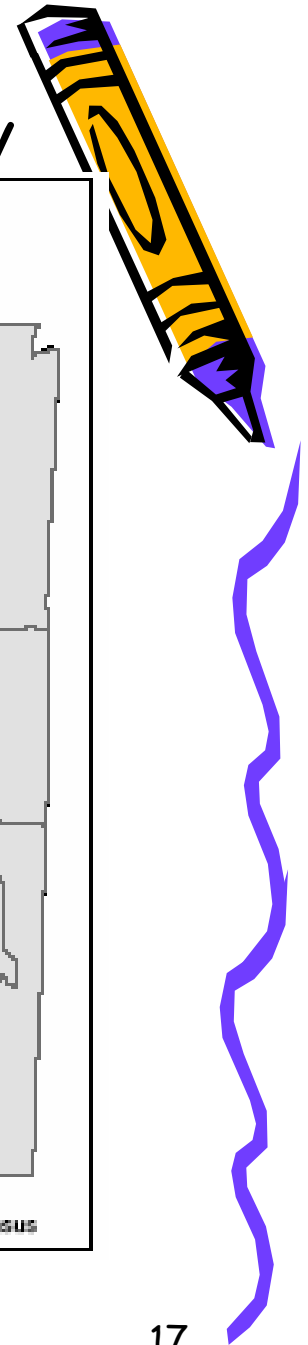
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Shelby County Children 5 and Under by Zip Code



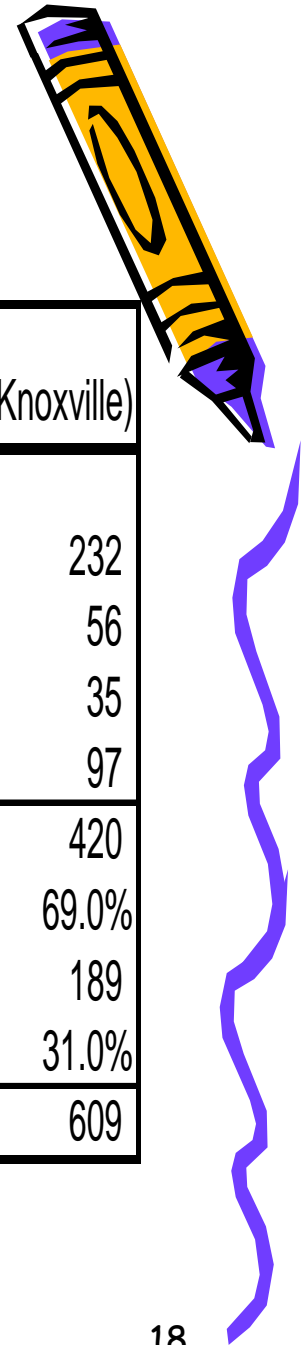
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Shelby County Children 5 and Under in Poverty



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Child Care Providers in Tennessee and 4 Major Urban Counties

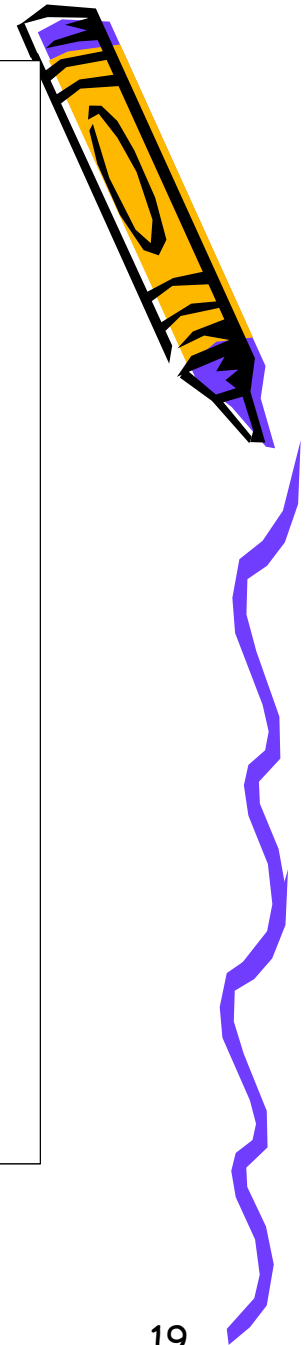
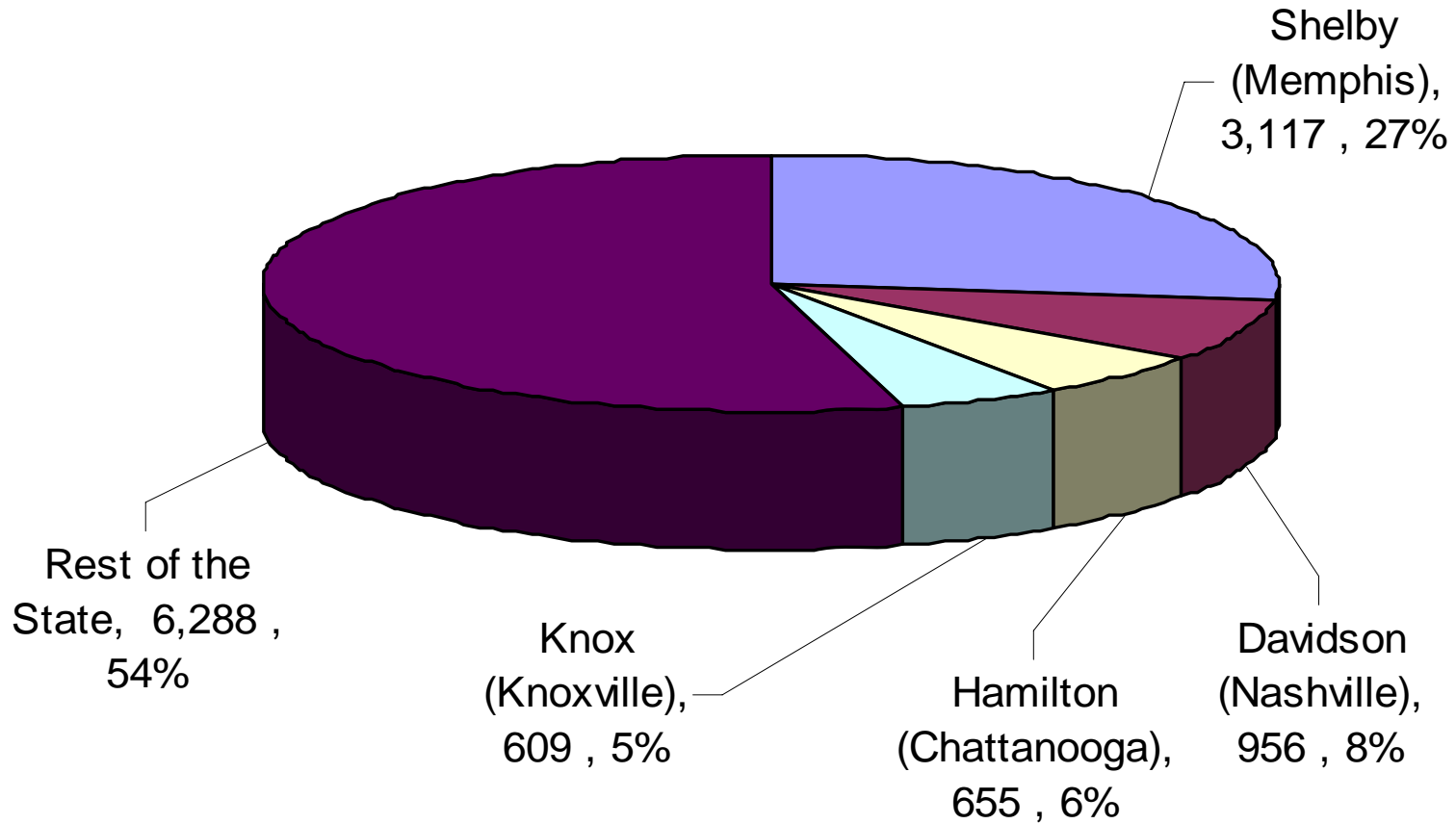


	Tennessee	Shelby (Memphis)	Davidson (Nashville)	Hamilton (Chattanooga)	Knox (Knoxville)
Regulated Providers					
Child Care Centers	3,904	874	409	218	232
Family Homes	1,003	321	23	59	56
Group Homes	814	10	118	47	35
Drop-In Centers and Homes	787	39	105	87	97
Total Regulated Providers	6,508	1,244	655	411	420
% of Total	56.0%	39.9%	68.5%	62.7%	69.0%
Total Unregulated Providers	5,117	1,873	301	244	189
% of Total	44.0%	60.1%	31.5%	37.3%	31.0%
Grand Total	11,625	3,117	956	655	609



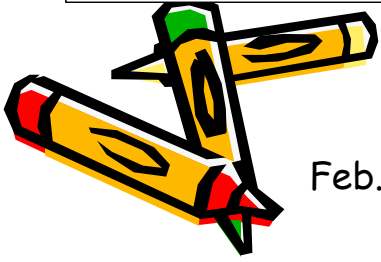
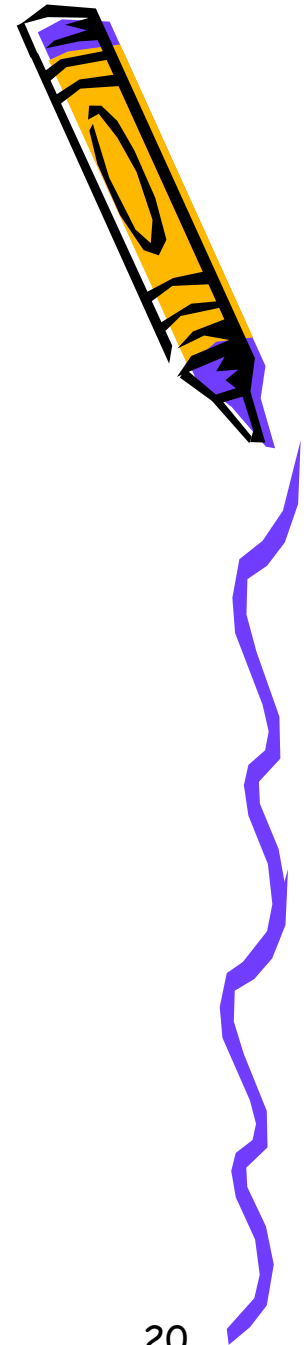
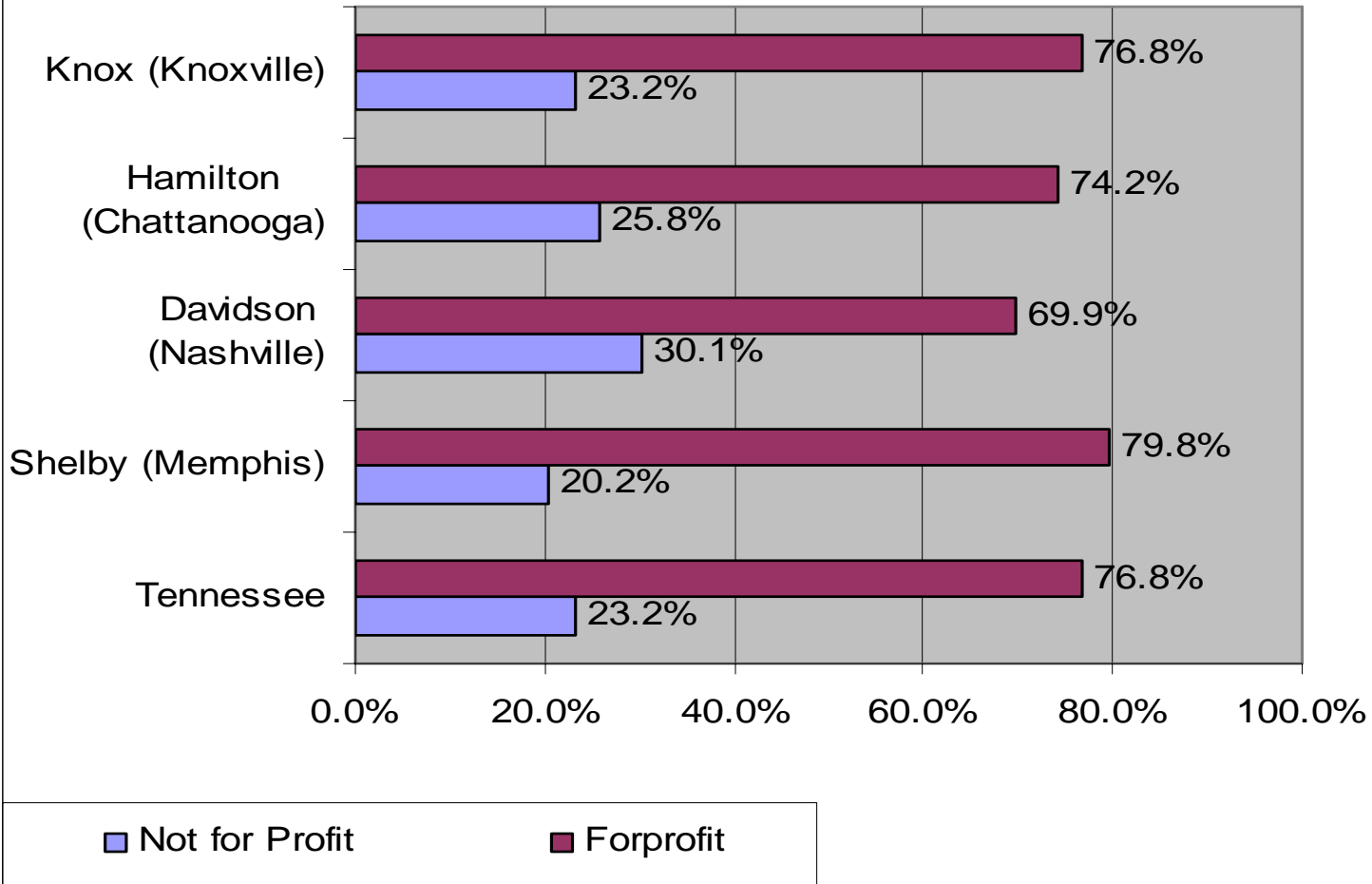
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Child Care Providers in Tennessee and Four Major Urban Counties, 6/1/2003 - 5/31/2004



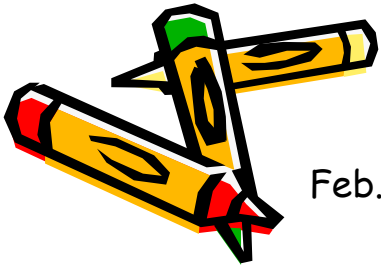
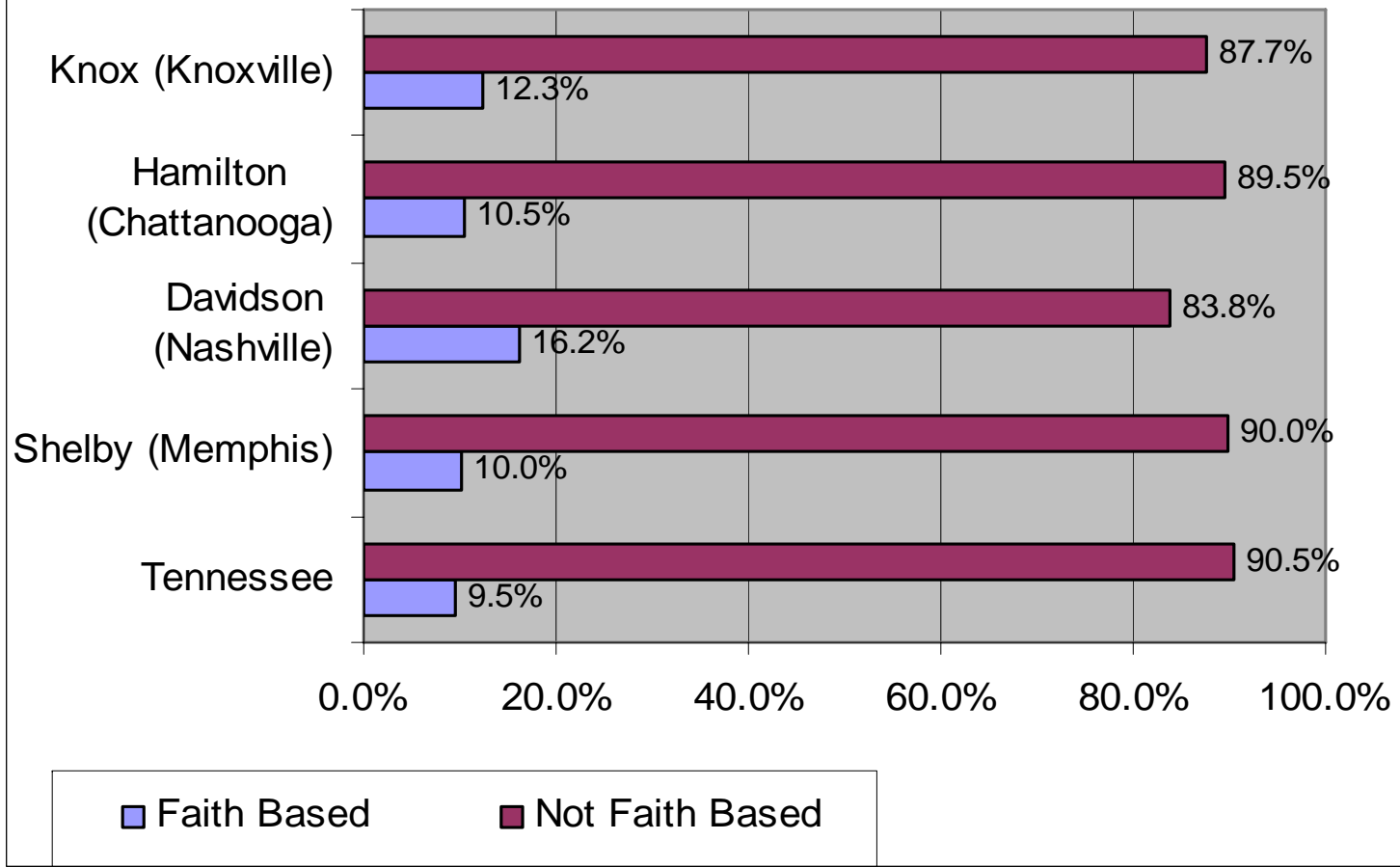
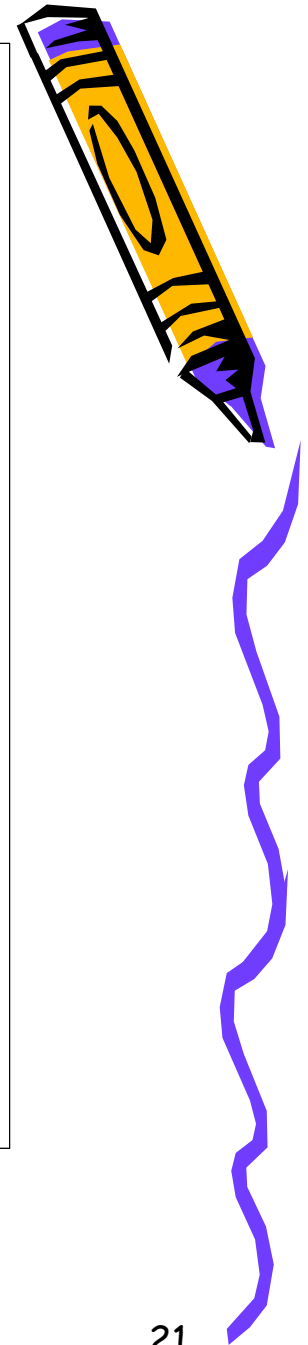
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Child Care Providers in Tennessee and Four Major Urban Counties by Ownership Type, 6/1/03 - 5/31/04



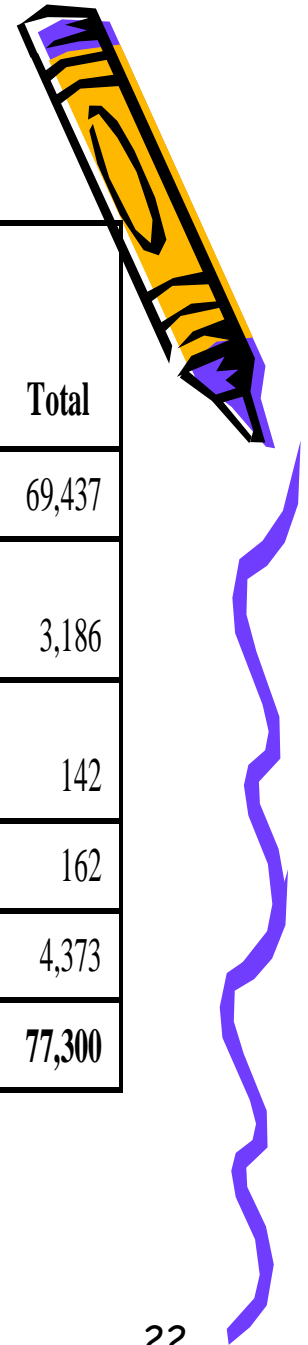
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Faith-Based vs. Non-Faith-Based Child Care Providers in Tennessee and Four Major Urban Counties, 6/1/03 - 5/31/04



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Enrollment by Age Group



Provider Type	Number	Enrollment by Age Category							Total
		Infant	Toddler	Two	Three	Four	Five	School Age	
Centers	874	2,622	3,857	4,827	8,627	11,063	5,266	33,175	69,437
Family Homes	321	417	509	523	482	366	218	671	3,186
Group Homes	10	22	27	12	20	13	6	42	142
Reg. Homes	39	25	32	35	25	13	6	26	162
Unreg. Pvdr.	1,873	174	250	305	515	648	311	2,170	4,373
Total	3,117	3,260	4,675	5,702	9,669	12,103	5,807	36,084	77,300

Source: Calculated from data supplied by the Tennessee Department of Human Services for the period June 1, 2003 – May 31, 2004.



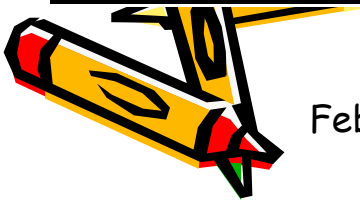
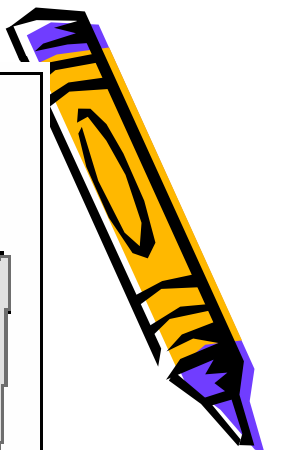
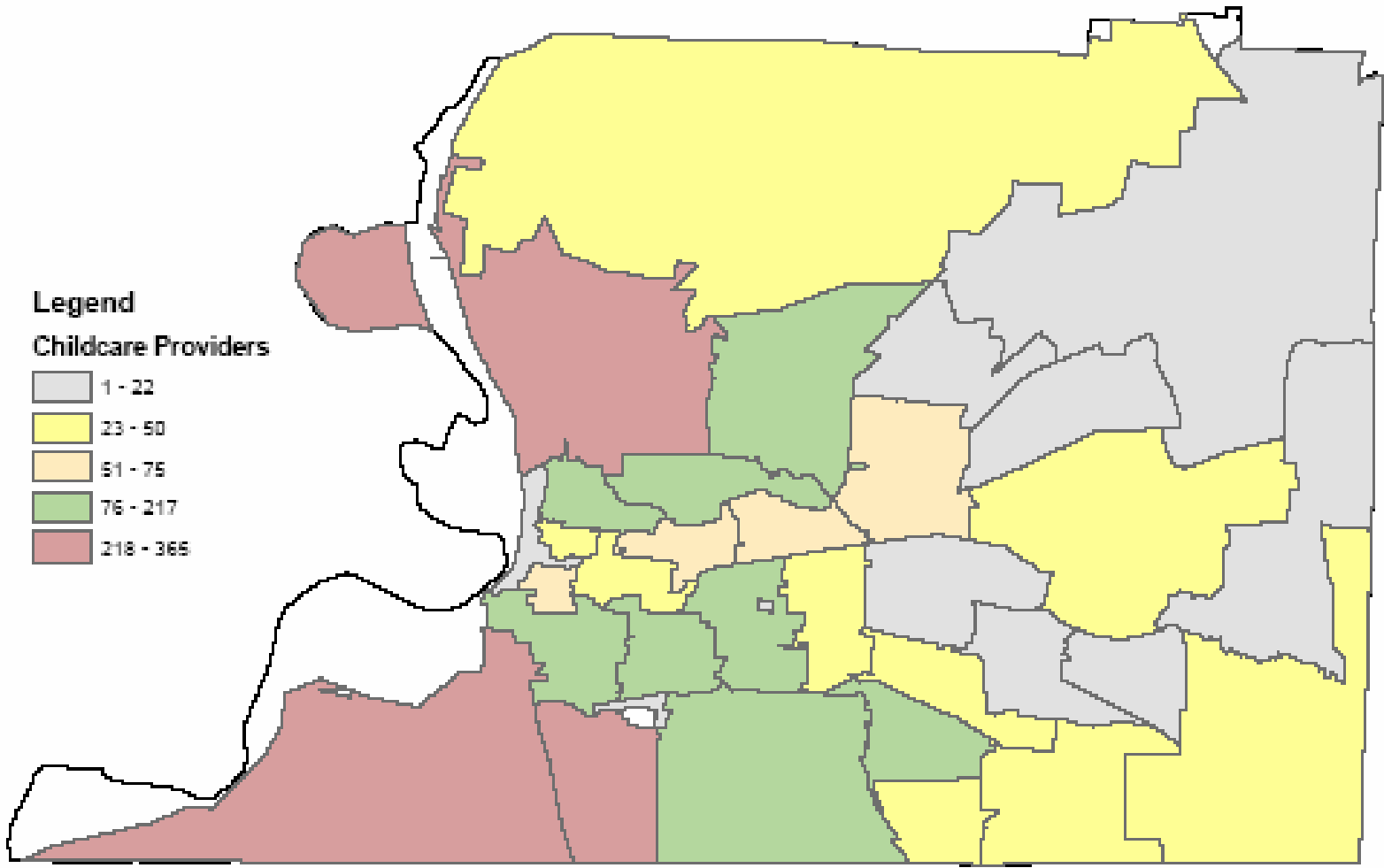
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Total Number of Providers

Legend

Childcare Providers

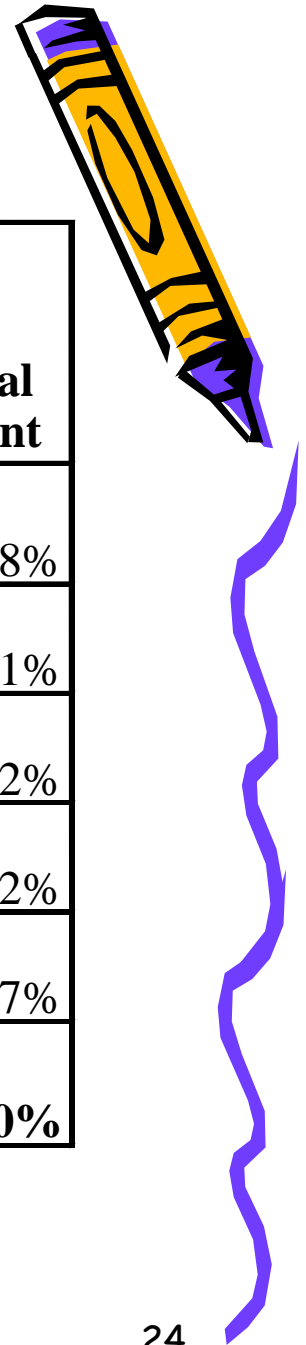
- 1 - 22
- 23 - 50
- 51 - 75
- 76 - 217
- 218 - 365



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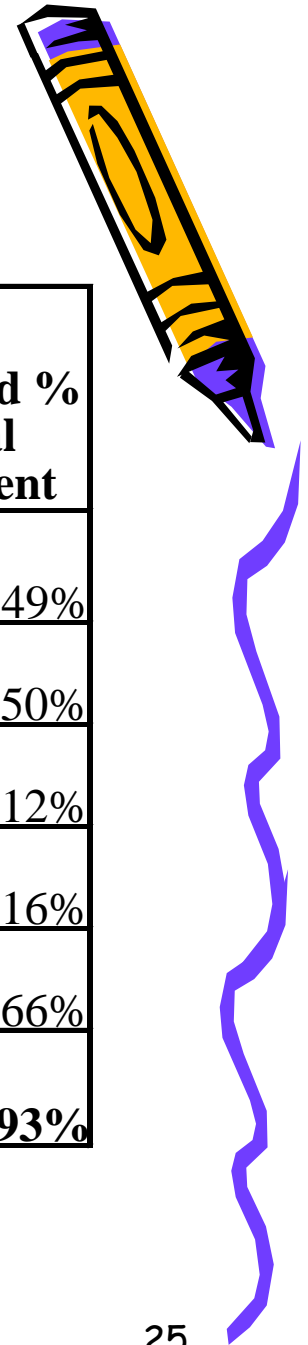
Enrollment by Providers

Provider Type	Number of Providers	% of Total Providers	Total Enrollment	% of Total Enrollment
Centers	874	28.0%	69,437	89.8%
Family Home	321	10.3%	3,186	4.1%
Group Home	10	0.3%	142	0.2%
Registered Home	36	1.2%	162	0.2%
Unregulated Provider	1,876	60.2%	4,373	5.7%
Total	3,117	100.0%	77,300	100.0%



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Subsidized vs. Unsubsidized Enrollment



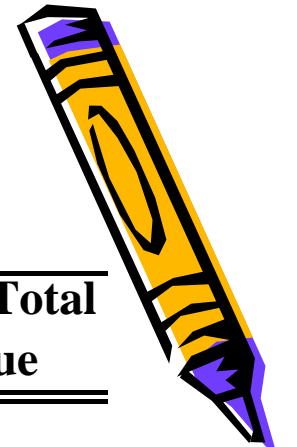
Provider Type	Unsubsidized Enrollment	Unsubsidized as % of Total Enrollment	Subsidized Enrollment	Subsidized % of Total Enrollment
Centers	48,961	63.34%	20,476	26.49%
Family Home	1,251	1.62%	1,935	2.50%
Group Home	51	0.07%	91	0.12%
Registered Home	35	0.05%	127	0.16%
Unregulated Provider	0	0.00%	4,373	5.66%
Total	50,298	65.07%	27,002	34.93%



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Total Revenue by Provider Type

Provider Type	Number of Providers	As % of Total Providers	Total Revenue	As % of Total Revenue
Centers	874	28.0%	\$294,522,858	94.1%
Family Home	321	10.3%	\$11,138,662	3.6%
Group Home	10	0.3%	\$774,080	0.2%
Registered Home	36	1.2%	\$562,300	0.2%
Unregulated Provider	1,876	60.2%	\$5,919,342	1.9%
Total	3,117	100.0%	\$312,917,242	100.0%

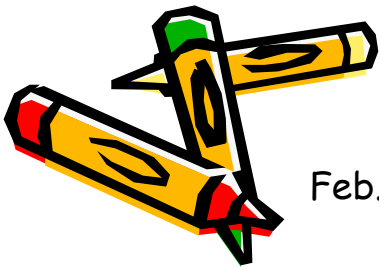


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Revenues by Provider Type

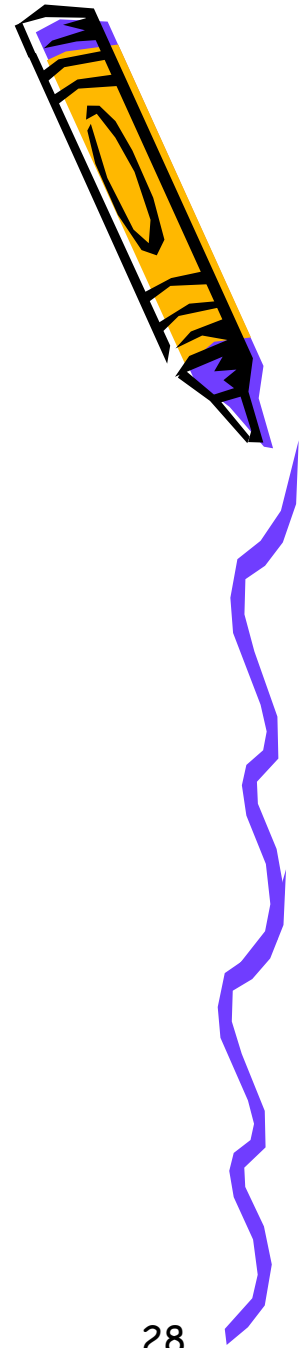
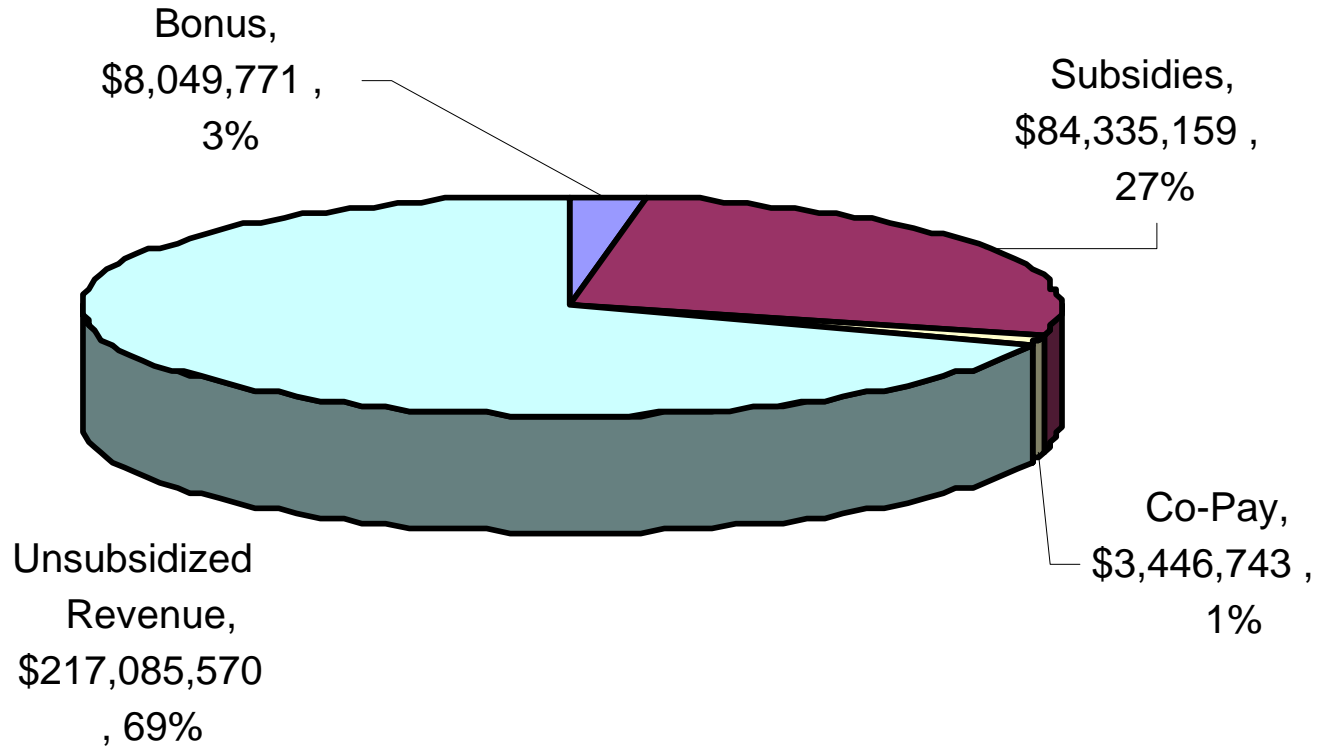
Provider Type	Bonus	Subsidies	Co-Pay	Unsubsidized Revenue*	Total Revenue
Centers	\$7,480,299	\$73,072,023	\$2,756,735	\$211,213,801	\$294,522,858
Family Home	\$501,942	\$5,197,337	\$259,629	\$5,179,754	\$11,138,662
Group Home	\$67,530	\$368,916	\$14,527	\$323,108	\$774,080
Registered Home	0	\$182,302	\$11,091	\$368,907	\$562,300
Unregulated Provider	0	\$5,514,581	\$404,761	0	\$5,919,342
Total	\$8,049,771	\$84,335,159	\$3,446,743	\$217,085,570	\$312,917,24

* Estimates of unsubsidized revenue were calculated using enrollment data provided by the Tennessee Department of Human Services and market rates prepared by the Center for Business and Economic Research, College of Business Administration, The University of Tennessee, Knoxville, TN, July 2002, for the Tennessee Department of Human Services."



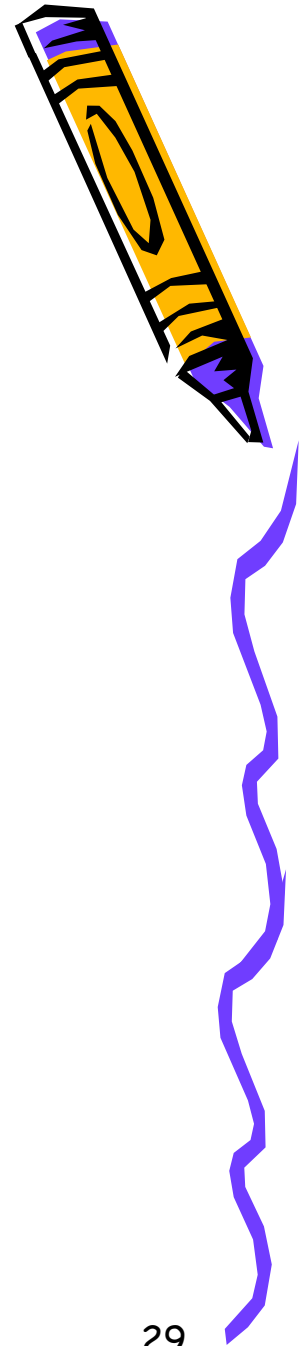
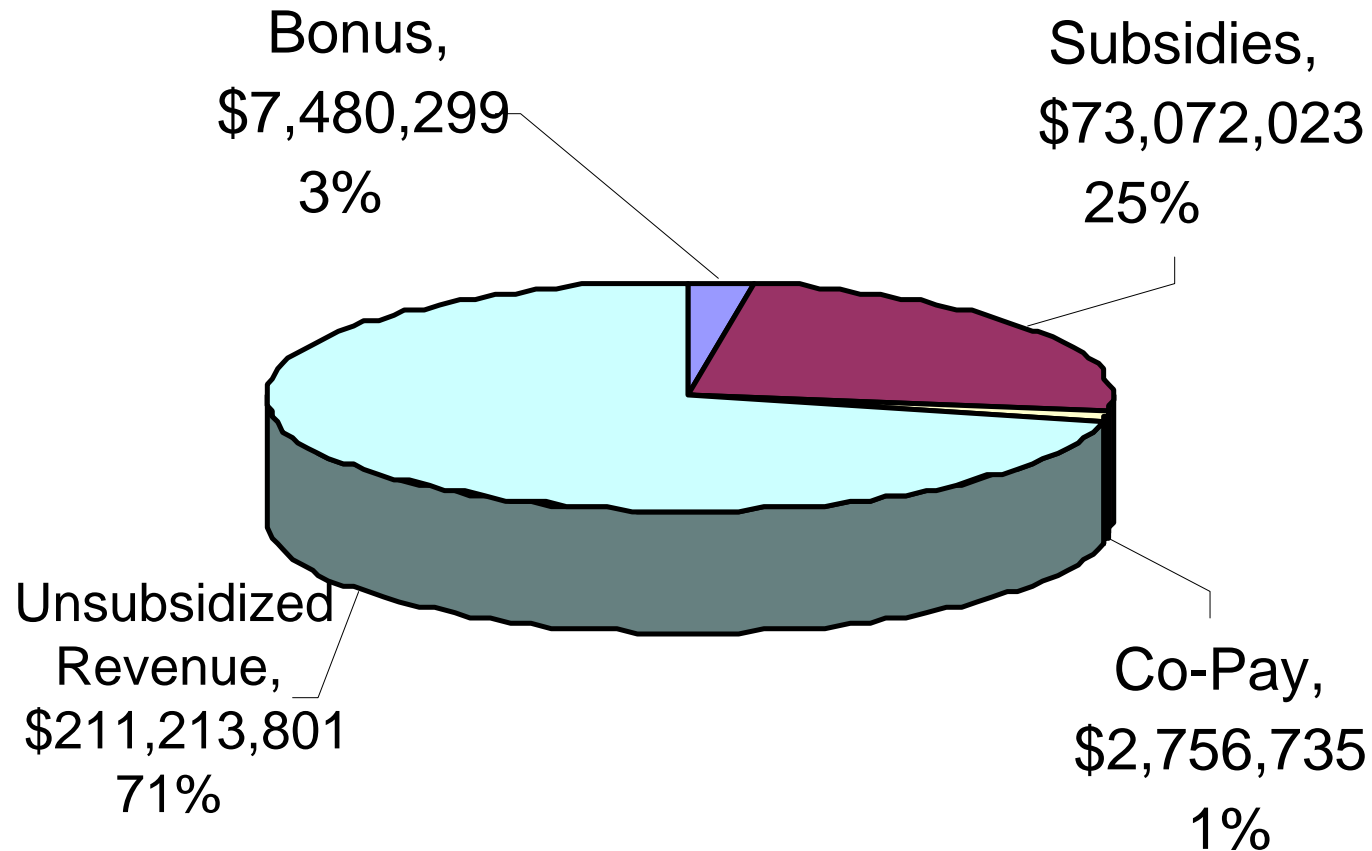
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Child Care Revenues of All Shelby County Providers



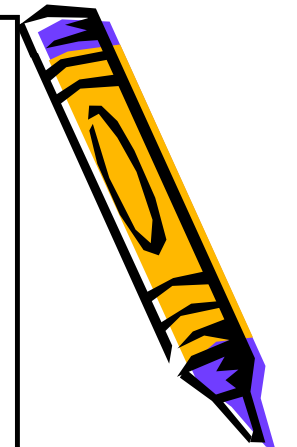
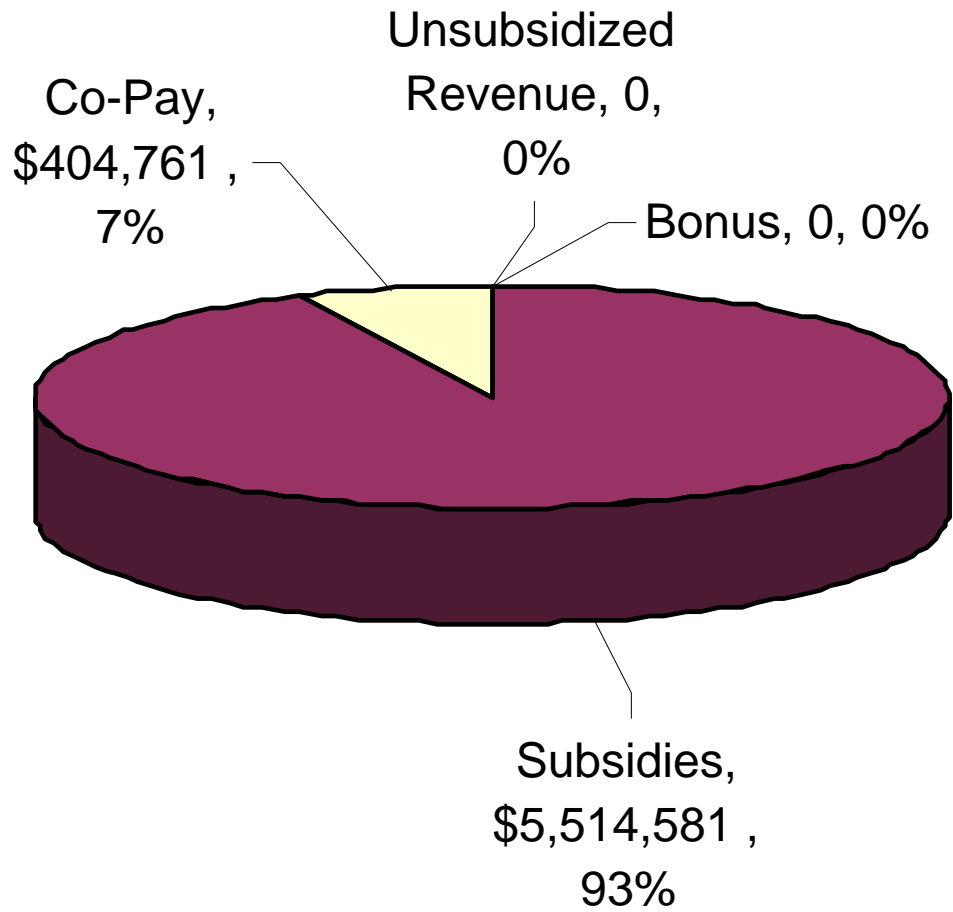
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Child Care Revenues of Shelby County Child Care "Centers"



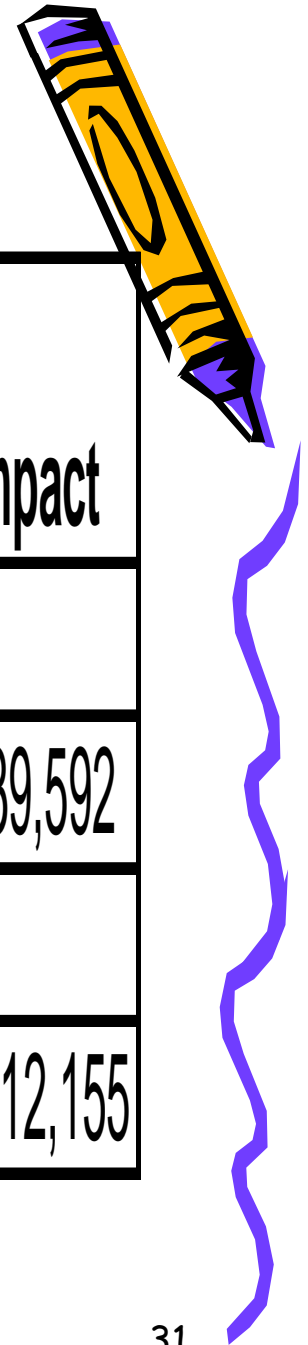
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Child Care Revenues of Shelby County "Unregulated Providers"



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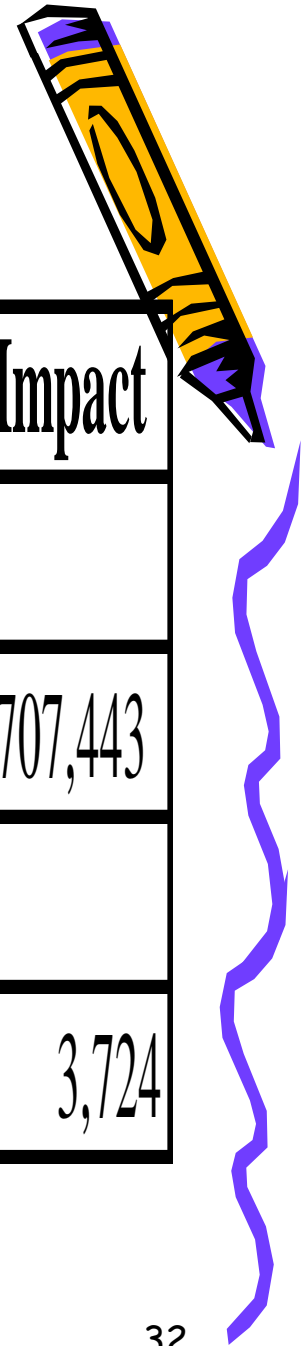
Total Economic Impacts of Child Care



	Direct Impact	Multiplier	Induced	Indirect	Total Impact
<i>Dollars</i>					
	\$312,917,242	2.0422	\$157,318,161	\$168,804,189	\$639,039,592
<i>Employment</i>					
	10,773	42.7053	712	670	12,155



Economic Impacts of Subsidies and Co-Payments

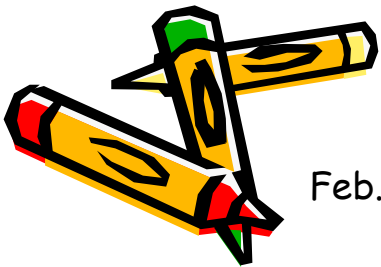


	Direct Impact	Multiplier	Induced	Indirect	Total Impact
<i>Dollars</i>					
	\$95,831,673	2.0422	\$48,179,073	\$51,696,697	\$195,707,443
<i>Jobs</i>					
	3,097	42.7053	323	304	3,724

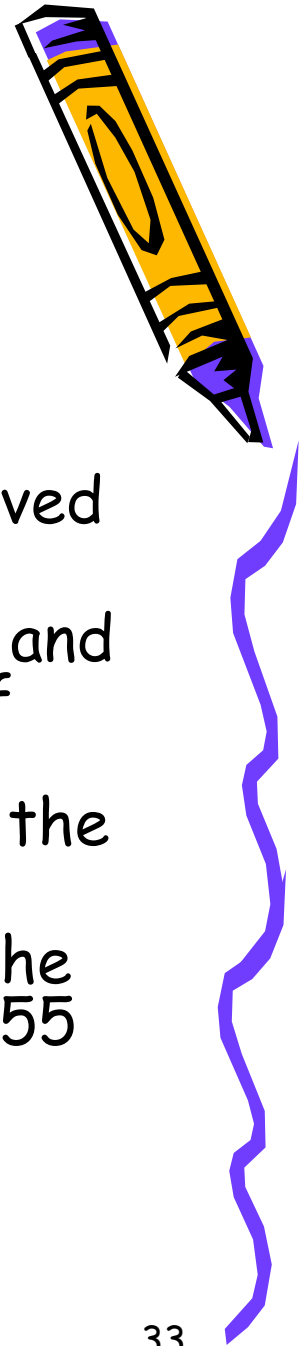


Economic Impacts of Subsidies and Co-Payments

- The total subsidies of \$95,831,673
 - Accounted for 31.0 percent of the \$312,917,242 of total direct revenue received by child care providers in Shelby County.
 - Created, through a combination of indirect and induced effects, a total economic impact of \$195,707,443 or 31.0 percent of the total economic contribution of \$639,039,592 of the child care sector.
 - Provided 31.0 percent (3,724 jobs) out of the total child care related employment of 12,155 jobs.

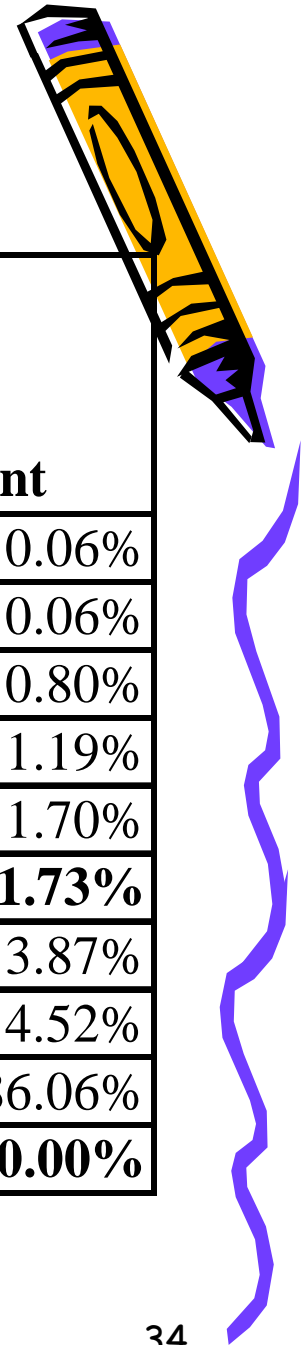


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Shelby County Jobs in Selected Sectors

Sector	Jobs Estimated by BEA of U.S. Dept. of Commerce	Percent
Mining	360	0.06%
Forestry	402	0.06%
Management of Companies	4,946	0.80%
Higher Education	7,355	1.19%
Information	10,552	1.70%
Child Care Services	10,733	1.73%
Real Estate	23,991	3.87%
Professional and Tech Services	27,967	4.52%
All Other Sectors	532,852	86.06%
Total Shelby County Employment	619,158	100.00%



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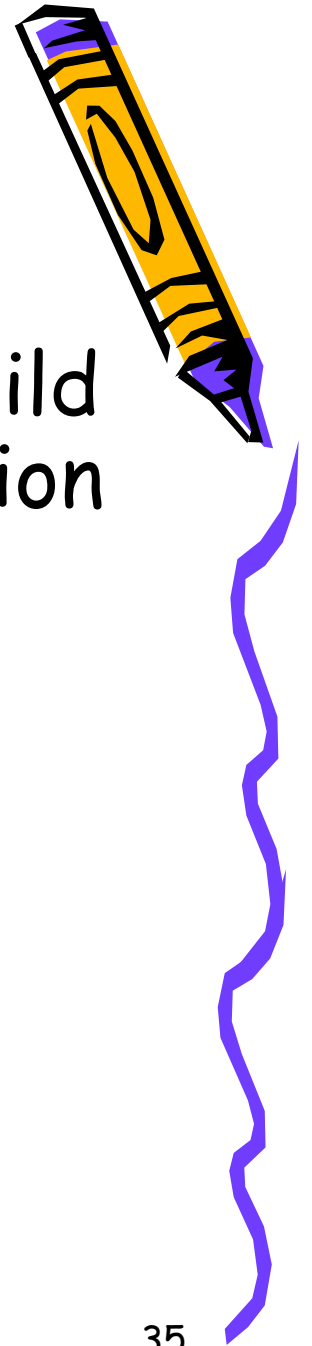
Conclusion

Between 6/1/03 - 5/31/04, the child care sector contributed \$639 million to the Shelby County economy.

- Direct impact: 10,773 jobs and 312.9 million in economic output
- Indirect impact: 670 jobs and 168.8 million in economic output
- Induced impact: 712 jobs and \$157.3 million in economic output



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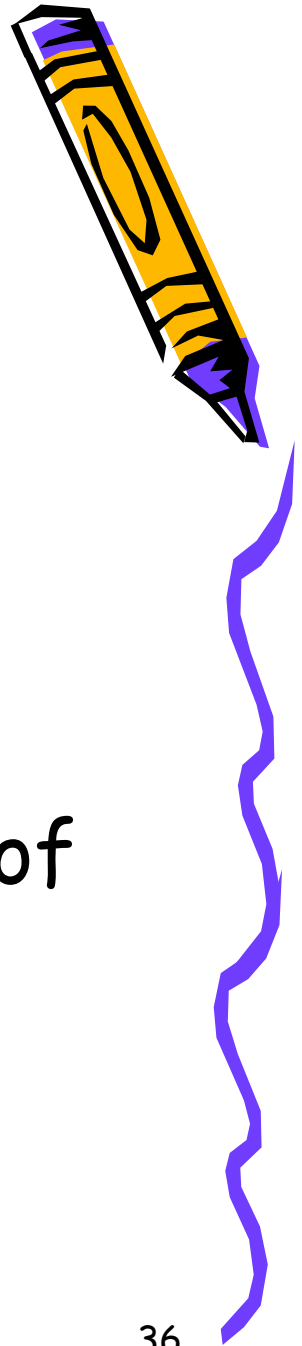


Total Impacts

- 12,155 jobs
- \$639 million in economic output
- 1.5% of Shelby County gross Product (compared to the 1.32% of the Hotels and Lodging sector)

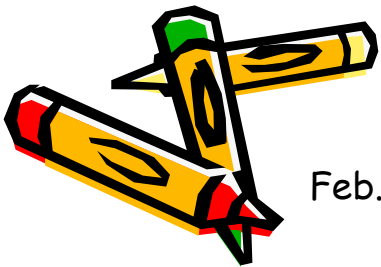
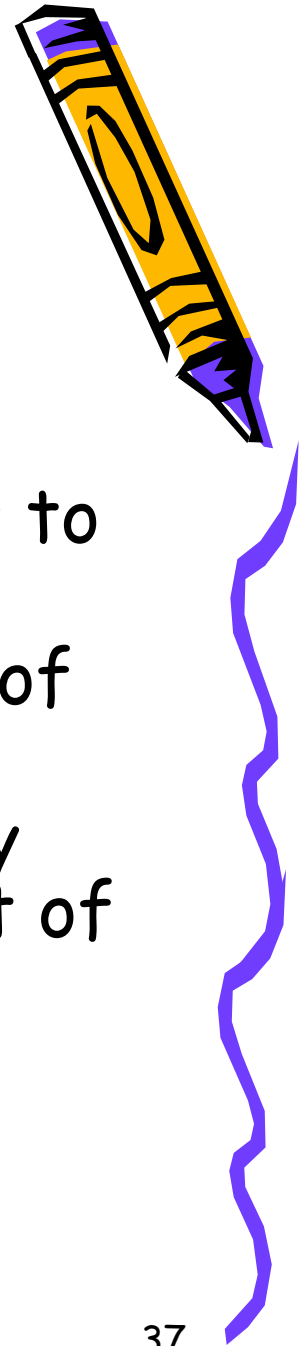


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Child Care Subsidies

- The \$95.8 million of Federal and State subsidies and parents' co-payments created \$195,707,443 of contributions to the local economy.
- This was 31% of the total contribution of the child care industry.
- Subsidies and co-payments also directly and indirectly supported 3,724 jobs out of the 12,155 total jobs supported by the child care sector.



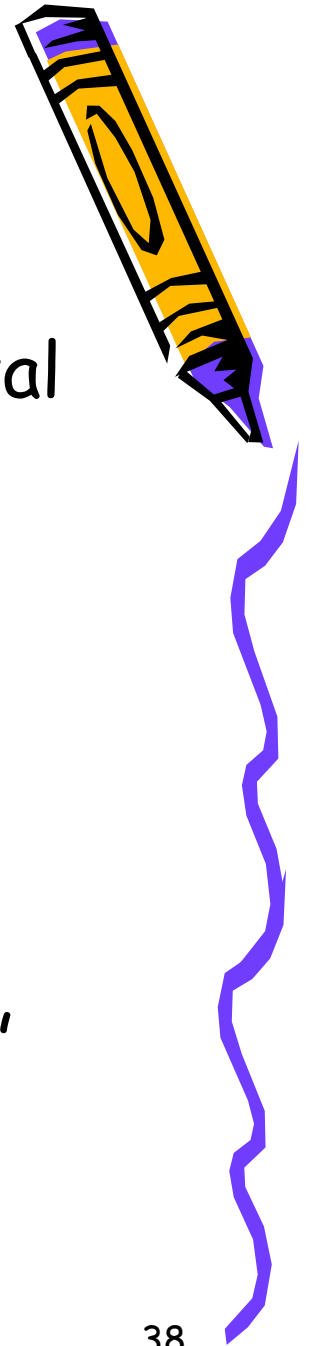
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Types of Providers

- 3,117 providers or 26.8% of State total
- 1,244 or 40% are regulated providers which include:
 - 874 "Child Care Centers"
 - 321 "Child Care Homes"
 - 10 "Group Homes" and
 - 39 "Drop-In Centers"
- 1,873 or 60% are "unregulated homes" that received subsidies



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Total Enrollment

- 77,300 children of both pre-school and school age
- 73% of these are served by the 874 larger Child Care Centers
- Child care providers serve 36.0 percent of the children fourteen years of age or younger in Shelby County.



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Additional Benefits

- Parents utilizing these child care services are more readily able to participate in the work force.
- Child care services make it possible for many economically disadvantaged parents to improve their job skills through education and job training
- Most important, child care provides a pre-school education base for children that will support a lifetime of learning

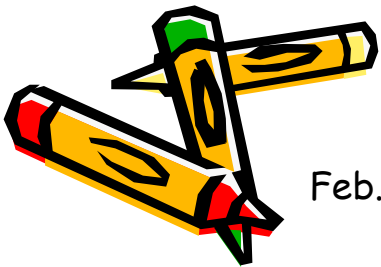


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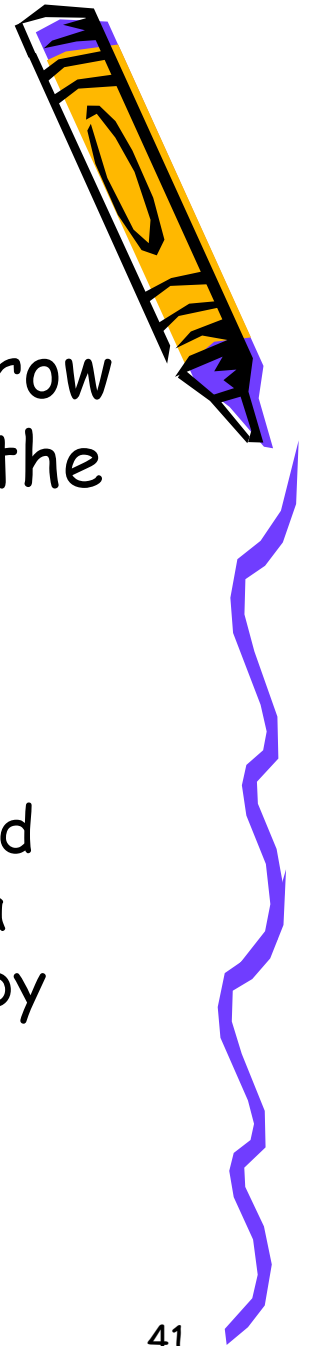


Observations

- The child care sector will continue to grow in Shelby County as the percentage of the population under 17 years of age is expected to grow for two reasons:
 - The continuing influx of Hispanic families
 - Additionally, both the African American and the Hispanic populations are increasing as a percentage of the total population of Shelby County.

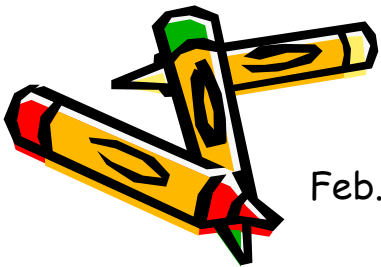


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Observations (cont'd)

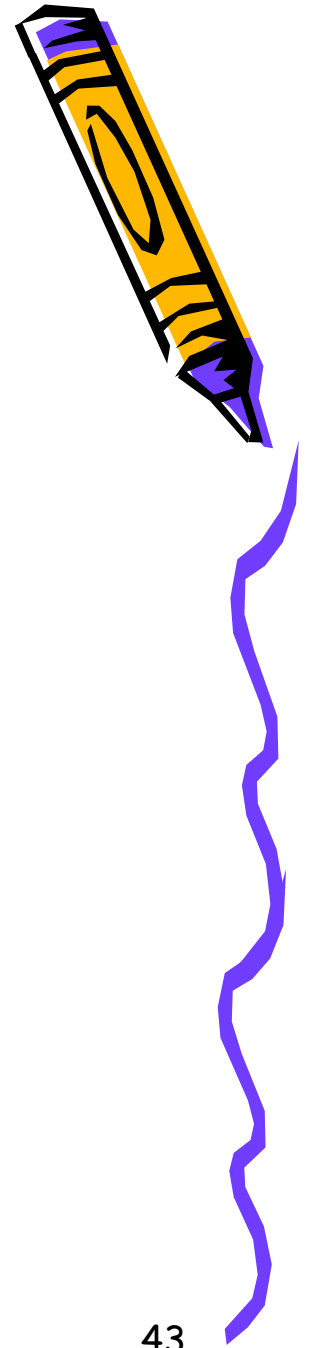
It is of critical importance to the future of Shelby County that Child Care continue to be closely regulated to ensure quality care is provided to enrolled children, thereby establishing a sound basis for their mental, physical, and educational wellbeing.



Feb. 2005



Kids Count!



Feb. 2005