Florida TaxWatch

Florida TaxWatch Report

ECONOMIC BENEFITS OF A ROBUST CHILDCARE SYSTEM IN FLORIDA

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Dear Fellow Taxpayers,

Access to affordable, quality child care and early learning programs is essential for keeping parents in the workforce. In July 2022, Florida TaxWatch released *"How Childcare Impacts the State's Economy and Shapes Florida's Workforce"* to examine the risk unstable childcare options pose to the state's economy. The briefing found that childcare-related turnover can cost $5.7 billion in lost earnings for families, $1.2 billion in turnover expenses for businesses, and $518.3 million in tax revenues, annually. Yet, the availability and capacity of high quality child care and early learning programs remain limited, and often unaffordable, for many Florida families.

In response to the COVID-19 pandemic, Florida received more than $3 billion in federal emergency relief funding to stabilize and support the state's childcare industry so parents could continue to work, businesses could remain open, and the economy could continue to function. While this funding was absolutely critical, it will be gone by September 2024—with most of the funds set to expire September 30th of this year—leaving Florida staring down the edge of a $3 billion fiscal cliff in the absence of additional funding. Florida's legislature must take action to prevent the devastating effects of this fiscal cliff from becoming reality and to improve the affordability and availability of child care and early learning in the state.

Florida TaxWatch is pleased to present this report and its findings and looks forward to engaging policymakers in the 2024 legislative session and beyond.

Sincerely,

Dominic M. Calabro
President & Chief Executive Officer

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Key Findings

Quality, affordable child care and early education are critical to the health and functioning of Florida's economy.

- Parents who are able to participate in the workforce can maintain a stable income and increase the likelihood for higher future earnings as they advance.
- Higher incomes and sales revenues increase tax revenues and bolster the economy, which supports the workforce, businesses, and communities.

With a stable and productive workforce, businesses can increase productivity and output and, in turn, increase sales revenues and tax revenues.

- Florida TaxWatch estimates that Florida's businesses lose almost $1.2 billion every year due to reduced revenue and extra recruitment costs as a result of employee-related childcare challenges.
- Florida TaxWatch estimates that absenteeism by working parents creates an earning loss of $1.5 billion per year in Florida.
- Florida TaxWatch estimates that Florida's workforce with young children experiences an aggregate income loss of $5.7 billion annually due to child-care-related turnover.

Federal emergency relief funding has been made available through the Federal American Rescue Plan (ARP) to support and stabilize the childcare industry and workforce, but the funding is scheduled to run out in September 2024.

- The ARP funds support higher wages to childcare and early learning workers and provide financial assistance to parents to help pay for childcare costs so they can remain in, or reenter, the workforce. The ARP funding has also permitted childcare providers to make critical, long-overdue investments in childcare infrastructure and to pay for other expenses, including operating costs.
- The Bipartisan Policy Center estimates that Florida will face a $3.18 billion childcare fiscal cliff when those relief funds run out.

Even beyond the COVID-19 pandemic, the childcare industry continues to face challenges that limit the availability and affordability of childcare services for many working Florida families.

- Staffing shortages at childcare facilities caused by low compensation are leading to supply shortages that negatively impact families' ability to work; children's access to safe and quality care; and the health and well-being of staff.
- Florida TaxWatch estimates that the average statewide capacity (614,000) to serve children under the age of six is currently insufficient to meet the childcare needs of Florida's working parents.
- Thirty-eight percent of Florida's families with children under the age of five live in a "childcare desert."

Recommendations

Before the ARP funds run dry, Florida needs to develop sustainable childcare infrastructure to maintain the state's economic growth and the wellbeing of Florida taxpayers. Florida's economy benefits from public investments in child care and early learning programs. As federal relief dollars that saved the sector from complete collapse begin to dry up, the stability those dollars brought to programs will disappear with the funding. Florida TaxWatch recommends the legislature use a portion of its record budget surplus to get out in front of the impending fiscal cliff to:

- Support increased wages for the childcare workforce and ensure that all childcare workers are paid a living wage and earn wages comparable to other professions with similar credentials and experience requirements;
- Increase training and coaching so that childcare workers are better prepared to perform their role and to limit the risks of burnout or dismissal due to lack of experience; and
- Provide grants to cover start-up and licensing costs to help establish new providers.

Introduction

Like so many other industries, Florida's childcare industry was decimated by the COVID-19 pandemic. Many longtime licensed childcare providers were forced to temporarily shutter their operations as thousands of low-paid, highly skilled childcare workers lost their jobs. Much needed, albeit short-lived, federal emergency relief funds[1] served as a temporary lifeline, permitting many licensed providers to reopen and many childcare workers to return to work.

Federal emergency relief funding has been made available through the Federal American Rescue Plan (ARP) to support and stabilize the childcare industry and workforce. This includes paying higher wages to childcare and early learning workers and providing financial assistance to parents to help pay for childcare costs, enabling the parents to participate in the workforce. The ARP funding has also permitted childcare providers to make critical, long-overdue investments in childcare infrastructure and to pay for other expenses, including operating costs (such as rent and maintenance).

The federal ARP moneys are scheduled to run out in September 2024 and, absent a new infusion of federal and/or state funds, Florida's childcare system will likely go into another supply freefall. The Bipartisan Policy Center estimates that the 50 states and District of Columbia will face a $48 billion childcare fiscal cliff[2] when those relief funds run out --- Florida's childcare fiscal cliff is estimated at $3.18 billion.[3]

So… why is child care in Florida such an important public policy issue? Access to high-quality early childhood education and care, especially for children in lower-income families, promotes healthy childhood development and results in long-term, life-long benefits. Children that participate in high-quality, early childhood education programs, such as Voluntary Prekindergarten (VPK) and School Readiness programs, are significantly more prepared when starting school and, in turn, are more likely to be successful in school. In addition, as more families use child care, more parents are able to join or return to the workforce.[4]

Florida TaxWatch undertakes this independent research project to better understand the impacts of high-quality child care on Florida's economy and to make appropriate policy recommendations to mitigate the economic impacts of the oncoming childcare fiscal cliff.

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[1] Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan (ARP).

[2] A fiscal cliff is a situation in which a particular set of financial factors causes, or threatens to cause, sudden and severe economic decline.

[3] Linda Smith and Victoria Owens, "States Face a $48 Billion Child Care Fiscal Cliff, Bipartisan Policy Center, retrieved from https://bipartisanpolicy.org/blog/states-face-a-48-billion-child-care-funding-cliff/, December 23, 2022.

[4] Florida TaxWatch, "How Childcare Impacts the State's Economy and Shapes Florida's Workforce," July 2022.

Florida's Childcare System

In Florida, there are three primary types of licensed childcare programs that serve children under the age of six:

- **Childcare Facilities** --- "Any child care center or child care arrangement that provides child care for more than five children, unrelated to the operator and that receives a payment, fee, or grant for any of the children receiving care, wherever operated, and whether or not operated for profit."[5]
- **Licensed Family Day Care Homes** --- "An occupied residence in which child care is regularly provided for children from at least two unrelated families and which receives a payment, fee, or grant for any of the children receive care, whether or not operated for profit."[6]
- **Large Family Childcare Homes** --- "An occupied residence in which child care is regularly provided for children from at least two unrelated families, which receives a payment, fee, or grant for any of the children receiving care, whether or not operated for profit, and which has at least two full-time child care personnel on the premises during the hours of operation."[7]

The state of Florida provides access to, and funding for, early childhood care and education to families with younger children through two early learning programs, which are administered by the Department of Education's Division of Early Learning:

- **School Readiness Program** --- provides financial assistance for early education and child care to low-income, working families. The program enhances children's learning by preparing them for kindergarten and helps working families to remain in the workforce and to become financially independent.[8]
- **Voluntary Prekindergarten Program (VPK)** --- offers vouchers for prekindergarten to all children living in Florida and aged four on or before September 1st of the current school year regardless of a family's income. VPK prepares early learners for success in kindergarten and beyond by building a strong foundation for school using educational material corresponding to various stages in a child's development.[9]

[5] §402.302(2), Fla. Stat. (2022).

[6] §402.302(8), Fla. Stat. (2022).

[7] §402.302(11), Fla. Stat. (2022). The criteria for Large Family Childcare Homes are more stringent than the criteria for Licensed Family Day Care Homes. For example, before applying for a license to operate a Large Family Childcare Home, the operator must have been licensed as a Family Day Care Home in Florida for two consecutive years.

[8] §1002.81-1002.995, Fla. Stat. (2022). See also, the Florida Division of Early Learning, "Florida's School Readiness Program Fact Sheet for Families."

[9] §1002.51-1002.79, Fla. Stat. (2022).

Funding Florida's Childcare System

Each year, the Florida legislature invests in the state's childcare system. In FY2023-24, the Florida legislature appropriated a total of $1.6 billion for early learning services. Within these funds, the Florida legislature allocated $1.1 billion for the School Readiness Program and $427 million for the VPK program.[10]

Florida's childcare system is supported in part by federal dollars, in the form of Child Care and Development Block Grants (CCDBG). This year (FY2023-24), the Florida legislature allocated a nonrecurring sum of $315 million from the CCDBG Trust Fund to the state's Discretionary Grant Program. Early Learning Coalitions and School Readiness Providers are invited to apply for the grant program—which is overseen by the state Department of Education—to achieve one of the following objectives: "increasing/building the supply of childcare, training and professional development activities, workforce initiatives, local initiatives/pilot projects t6o improve kindergarten readiness, community outreach and family engagement, mental health supports, and equipment, supplies, classroom/childcare materials, curriculum, business administration computer software, and school learning computer software."[11]

In reaction to the COVID-19 pandemic, the value of CCDBGs has been greater than previous allocations. In 2018—before the COVID-19 pandemic—the federal government obligated $455 million dollars to Florida to be used over the course of three years. By the spring of 2021, Florida received an additional $3.3 billion worth of supplemental CCDBGs as part of the ARP.[12]

As the country furthers itself from the COVID-19 pandemic, CCDBG funding will drop. The last of the supplemental CCDBGs are set to end September 2024.[13] Currently, the only grant that will remain active through September 2025 is worth $379 million. The grant is meant to be spent over the course of three years (2022-2025), suggesting the state will have even less funding available by the time the supplemental CCDBGs run dry unless a new grant is obligated.[14]

[10] General Appropriations Act, FY2023-24.

[11] Ibid.

[12] U.S. Department of Treasury, retrieved from USASpending.gov, accessed on June 29, 2023. $3.3 billion is the sum of COVID-19 Obligations for Childcare and Development Block Grants to the Florida Department of Education. The largest of the supplemental grants, worth $1.5 billion, will be spent by September 2023.

[13] U.S. Department of Treasury, retrieved from USASpending.gov, accessed on June 29, 2023.

[14] Ibid.

Florida has grown accustomed to the extra ARP funds. In FY2023-24, ARP funds compose 16 percent of the total government spending that is used upon the development of the state's childcare system.[15] Without additional funding from the state or federal government, Florida's childcare system approaches a considerable fiscal cliff, adding to the challenges Florida's childcare system already faces.

[15] General Appropriations Act, FY2023-24. The state appropriated $1,635,088,714 to early learning programs and allocated $315,000,000 to the Discretionary Grants Program. $315,000,000 ÷ ($1,635,088,714 + $315,000,000) = 16.15 percent of the total funds spent.

Issues Facing Florida's Childcare System

Low Wages Create High Turnover Rates Among Childcare Workers

High turnover rates have long been a challenge in the childcare industry. Data from the National Survey of Early Care and Education (NSECE) show that one in ten educators left their positions at early childhood education centers in 2012. An analysis of the NSECE data revealed a positive correlation in turnover and pay, with centers in the bottom quartile of wage distribution experiencing an average turnover rate of 19 percent and those in the top three quartiles of wage distribution experiencing an average turnover rate of 12 percent.[16]

An October 2022 survey of more than 12,000 early childhood educators nationwide by the National Association for the Education of Young Children (NAEYC) reported that staffing shortages at childcare facilities caused by low compensation are leading to supply shortages that negatively impact families' ability to work; children's access to safe and quality care; and the health and well-being of staff. Large numbers of surveyed workers reported they are considering leaving the field, threatening to create an exodus that, if not reversed, will create long-term problems regarding supply, availability, and quality.[17]

NAEYC survey data from Florida show that:

- 25 percent reported that their childcare program would have closed if not for the federal emergency relief funds;
- 57 percent reported that, when the federal emergency relief funds end, they will have to raise tuition;
- 25 percent reported that, when the federal emergency relief funds end, they will either have to cut wages or have no ability to increase wages;
- 39 percent reported they are serving fewer children;
- Almost one-half (43 percent) of childcare workers in the field for five years or less are considering leaving the field or closing their childcare facility. The number one thing needed to stay --- competitive wages.[18]

[16] U.S. Department of Education, "Study Brief: Center- and Program-Level Factors Associated with Turnover in the Early Childhood Education Workforce," March 2021.

[17] NAEYC, "State Survey Briefs," retrieved from https://www.naeyc.org/state-survey-briefs, December 26, 2022.

[18] NAEYC, "Uncertainty Ahead Means Instability Now," Florida, December 2022, retrieved from chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/florida_naeyc_2022_fall_survey.pdf, December 26, 2022.

The NAEYC's December 2022 state of Florida fact sheet concludes that "[F]amilies can't find or afford child care because compensation is too low to attract and retain early childhood educators. As federal relief dollars that have saved the sector from complete collapse begin to dry up, the stability those dollars brought to programs will disappear with the funding."[19]

Low Wages Threaten Quality

High-quality, education-oriented childcare options support the healthy development of young children, preparing them for the school years to come; however, beyond Voluntary Pre-Kindergarten Programs, the state does not have stringent training requirements to address the educational needs of childcare programs.[20] Operators at family day care homes, operators at large family child care homes, and all childcare personnel at child care facilities are required to complete a single, five-hour training course in early literacy and language development of young children.[21]

Lack of comprehensive training sets childcare workers up for failure. A single course in early literacy and language development cannot ready childcare workers for the challenges of managing child behaviors nor prepare childcare workers to coordinate daily, age-appropriate activities. In the absence of preparation, not only may childcare workers fail to adequately deliver instruction, but they may also experience burnout. Burnout can lead to the resignation of employees, disrupting the operations of childcare programs and creating greater loads of work for the remaining employees.

Although childcare programs can encourage their employees to pursue a training or degree, the associated costs are expensive when compared to the salaries typical of the childcare industry ($14.22 per hour).[22] The previously discussed NSECE study observed the resulting employment patterns of childcare workers with lower educational attainment. A third of educators with a high school degree were employed by centers experiencing high turnover. About half of educators with a high school degree were employed by low-wage centers—compared to only nine percent of educators with a bachelor's degree—leaving the employees unequipped to afford the higher education that could reap better outcomes.[23]

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[19] Ibid.

[20] Voluntary Pre-Kindergarten requires credentialed instructors, as stated in §1002.55(3)(c) Fla. Stat. (2022).

[21] Florida Department of Children and Families, "Family Day Care Home and Large Family Child Care Home Handbook," October 2021; and Florida Department of Children and Families, "Child Care Facility Handbook," October 2021. Although the literacy and language development course is the only training required in regard to children's educational needs, all types of childcare program do require operational trainings, regarding topics such as health, safety and nutrition; child growth and development; and identifying and reporting child abuse and neglect.

[22] U.S. Bureau for Labor Statistics, "Occupational Employment and Wage Statistics," May 2022. The hourly wage of a nonsupervisory childcare work.

[23] Supra, see footnote 16.

Florida has policies in place to make training more accessible despite high costs. Most notably, the Teacher Education and Compensation Helps (T.E.A.C.H.) Early Childhood Scholarship Program provides scholarships for early educators, directors, and owners to help them attain credentials, college credits, and degrees in early learning. Since 1998, more than 34,000 scholars have received scholarships, and more than 210,000 young children across the state benefit from early learning programs that participate in T.E.A.C.H.[24]

The Supply of Available Childcare Slots is Limited

In July 2022, Florida TaxWatch released "*How Childcare Impacts the State's Economy and Shapes Florida's Workforce*." Of the state's approximately 1.3 million children under the age of six, Florida TaxWatch reported about 68.1 percent (878,949 children) had all available parents participating in Florida's workforce.[25] In the absence of informal childcare arrangements, these working parents rely upon Florida's childcare system.

As of November 2022, the Florida Department of Children and Families (DCF) licenses and regulates more than 7,100 childcare facilities and family day care homes that serve children under the age of six, with an estimated total statewide capacity to serve approximately 614,000 children.[26] Compared to the number of young children with all available parents in the workforce (878,949), the capacity of the state's childcare system falls short by more than 250,000 seats.[27]

In addition to the limited total number of childcare slots, it is important to look at where child care is and is not available. The Center for American Progress estimates that 38 percent of Florida's families with children under the age of five live in a "childcare desert," which is defined as "any census tract with more than 50 children under age five that contains either no childcare providers or so few options that there are more than three times as many children as licensed childcare slots."[28] In Florida's rural areas, approximately 54 percent of families with children under the age of five live in a childcare desert. That percentage decreases to 40 percent in Florida's urban areas, and to 35 percent for families in suburban areas.[29]

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[24] T.E.A.C.H. Early Childhood Florida, "General Information," retrieved from General Information - T.E.A.C.H. Early Childhood® Florida (teach-fl.org), accessed on September 13, 2023.

[25] Supra, see footnote 4.

[26] Office of Program Policy and Government Analysis, Department of Children and Families, Child Care Regulation, Program Summary, retrieved from, https://oppaga.fl.gov/ProgramSummary/ProgramDetail?programNumber=5011, accessed on July 6, 2023.

[27] 614,000 ÷ 878,949 = 69.86 percent.

[28] Center for American Progress, https://childcaredeserts.org/2018/?state=FL&split=true, accessed on June 29, 2030.

[29] Ibid.

Child Care is Unaffordable for Many (Particularly Lower-Income) Florida Households

According to the U.S. Department of Health and Human Services, the cost of child care is considered affordable if it accounts for no more than seven percent of a household's income. For those earning the state's median household income or lower, child care is often unaffordable (Table 1). If a household were earning the median income for married couples in Florida, the average annual costs of child care in a center-based childcare facility would cost 8.9 percent to 12.1 percent of the household's income, depending on the age of their child. The situation becomes more dire for single parents, with child care in a center-based childcare facility costing 25.3 percent to 34.5 percent of the state's median income for single-parent households.[30]

Table 1. The Average Annual Costs of Center-Based Child Care Facilities are Unaffordable for Florida Households Earning the State's Median Income or Less.

	Average Annual Cost for Center-Based Child Care	Single-Parent Family		Married-Couple Family	
		Median Income	Percent of Median Income	Median Income	Percent of Median Income
Infant	$10,774	$31,192	34.5%	$89,094	12.1%
Toddler	$9,508	$31,192	30.5%	$89,094	10.7%
4-Year Old	$7,907	$31,192	25.3%	$89,094	8.9%

Source: ChildCare Aware of America, 2021.

Although less expensive than center-based childcare facilities, family home day cares are also too expensive for households earning the state's median income or less (Table 2). A married couple earning the state's median income would need to spend 8.1 percent to 9.9 percent of their income to afford the average annual costs of child care in a family home day care. Again, the situation becomes more dire for single parents. A single parent earning the state's median income would need to spend 23.1 percent to 28.4 percent of their income to afford the average annual costs of childcare in a family home day care. [31]

[30] ChildCare Aware of America, 2021 Child Care Affordability Analysis.
[31] Ibid.

Table 2. The Average Annual Costs of Family Home Day Cares are Unaffordable for Florida Households Earning the State's Median Income or Less.

	Average Annual Cost for Family Home Childcare	Single-Parent Family		Married-Couple Family	
		Median Income	Percent of Median Income	Median Income	Percent of Median Income
Infant	$8,843	$31,192	28.4%	$89,094	9.9%
Toddler	$8,104	$31,192	26.0%	$89,094	9.1%
4-Year Old	$7,199	$31,192	23.1%	$89,094	8.1%

Source: ChildCare Aware of America, 2021.

In 2021, the average annual costs for both center-based child care and family home child care—for all three age cohorts—exceeded seven percent of the median income for both single-parent and married-couple households in Florida. Moreover, the average annual costs for both center-based child care and family home child care for all three age cohorts exceeded the average annual in-state tuition rate of $6,099 at a Florida public university for school year 2022-23.[32] This puts the costs of child care out of reach for low-income families and creates a financial hardship or strain on many middle-income families.

[32] State University System of Florida, "Fall/Spring Cost of Attendance On-Campus for Full-Time Undergraduate Florida Residents 2022-2023," https://www.flbog.edu/wp-content/uploads/2022/11/Cost_of_Attendance-updated-for-New-College_Nov-2022.pdf.

Impacts of Child Care on Florida's Economy

Impacts on Florida's Working Parents

For parents, there are immediate job-related consequences from childcare challenges. Unreliable childcare arrangements—whether due to affordability or availability—can reduce the amount a parent works, limit the effort they place into their work, hurt relationships with their employer, and diminish their career pathways; all of which can place a parent's income at risk. Big disruptions early in a parent's career, such as turning down further education or a job advancement, limit the parent's lifelong earning potential.

Although often associated with the COVID-19 pandemic, childcare shortages have long affected working parents, and continue to do so, nationally (Table 3). In 2018, the ReadyNation Council for a Strong America (ReadyNation) surveyed working parents with a child under the age of three. Of those surveyed, more than half exhibited indicators associated with lower effort and productivity at work and more than a quarter exhibited indicators associated with diminished career pathways. ReadyNation estimates that overall, the job-related consequences cost families $3,350 per working parent.[33]

In December 2022, ReadyNation repeated the survey. Following the pandemic, childcare troubles became exacerbated. Since 2018, almost every indicator increased by ten percentage points or more.[34] Based upon the latest survey, job-related consequences cost families $5,530 per working parent, about 65 percent more than four years prior.[35] In Florida, Florida TaxWatch estimates an aggregate income loss of $5.6 billion annually due to child-care-related turnover and an earning loss of $1.5 billion due to absenteeism for working parents with a child under the age of six.[36]

[33] ReadyNation Council for a Strong America, "The Economic Impacts of Insufficient Child Care on Working Families," September 2018.

[34] "Been distracted at work" is the only exception, dropping one percentage point since 2018.

[35] ReadyNation Council for a Strong America, "$122 Billion: The Growing Annual Cost of the Infant-Toddler Child Care Crisis," February 2023. Percent change calculated by (5,530 - 3,350) ÷ 3,350 = 0.6507.

[36] Florida TaxWatch, "How Childcare Impacts the State's Economy and Shapes Florida's Workforce," July 2022.

Table 3. In 2022, a Higher Percentage of Working Parents Feel Job-Related Consequences Due to Child Care Problems.

	2018	2022
Less Time at Work As a result of childcare problems have you ever:		
Reduced your regular work hours	25%	44%
Had your pay or hours reduced	13%	37%
Changed from full-time to part-time work	15%	33%
Lower Effort and Productivity at Work As a result of childcare problems have you ever (2018): As a result of childcare problems, within the past three months, have you ever (2022):		
Been late for work	56%	64%
Left work early	63%	64%
Missed a full day of work	55%	58%
Been distracted at work	54%	53%
Missed part of the work shift	32%	44%
Work Disruptions As a result of childcare problems have you ever:		
Been reprimanded by a supervisor	20%	30%
Quit a job	13%	26%
Been let go or fired	8%	23%
Been demoted or transferred to a less desirable position	7%	17%
Diminished Career Pathways As a result of childcare problems have you ever:		
Turned down a new job offer	25%	41%
Turned down further education/training	25%	36%
Had problems participating in work-related training	25%	33%
Turned down a promotion/ reassignment.	16%	28%

Source: ReadyNation Council for a Strong America, "The Economic Impacts of Insufficient Child Care on Working Families," September 2018; and ReadyNation for a Strong America, "$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis," February 2023.

Impacts on Florida's Businesses

By supporting workforce participation and advancement, access to child care enhances Florida's economy. With a stable and productive workforce, businesses can increase output and, in turn, increase revenues. Higher incomes and sales revenues increase tax revenues and bolster the economy, which further supports businesses. Alternatively, when parents face childcare challenges, businesses are also negatively impacted due to reduced productivity and business output, decreased revenues, and extra costs related to turnover and recruitment.

Based on the most recent survey (December 2022), ReadyNation estimated that each working parent with a child aged under three loses their employer an average $1,640 in reduced revenue and extra hiring costs. Compared to ReadyNation's estimate from 2018 ($1,150), the cost is growing. Annually, working parents cost businesses a cumulative $23 billion.[37] In Florida, Florida TaxWatch estimates that businesses lose $1.2 billion each year due to extra hiring costs brought upon by working parents with a child under the age of six.[38]

Impacts on Florida's Children

Children are the future of Florida's workforce, and their earliest years often determine their long-term outcomes. According to a report commissioned by the Annie E. Casey Foundation, failure to read by the end of third grade is linked to "ongoing academic difficulties in school, failure to graduate from high school on time and [reduced] chances of succeeding economically later in life."[39] Encouraging school readiness is not only important for ensuring children have a pathway to self-sufficiency but also for producing the talent needed to sustain Florida's growing economy.

Currently, Florida's children are struggling to hit the mark. In Spring 2023, 50 percent of Florida's third grade students read at grade level or higher.[40] Many of these students have been struggling since they started school. For the same cohort, only 57 percent had high enough literacy scores to be considered "ready" for kindergarten as they began elementary school.[41]

[37] Supra, see footnote 33.

[38] Supra, see footnote 4.

[39] The Annie E. Casey Foundation, "Early Warning Confirmed," 2013.

[40] Florida Department of Education, "Spring 2023 Florida Assessment of Student Thinking English Language Arts Grade 3 PM3 District Results."

[41] Florida Department of Education, "Fall 2020 Florida Kindergarten Readiness Screener (FLKRS) District/State Results."

A literature review by the Learning Policy Institute suggests that early learning programs can help the development of language, literacy, and mathematic skills and impart positive effects on grade retention throughout elementary school.[42] Not all programs, however, produce the same outcomes. Effective early learning programs incorporate the following elements:

- "Sufficient learning time and small class sizes with low student-teacher ratios;
- "Well-prepared teachers who provide engaging interactions and classroom environments that support learning;
- "Ongoing support for teachers, including coaching and mentoring, with program assessments that measure the quality of classroom interactions and provide actionable feedback for teachers to improve instruction;
- "Research-based, developmentally appropriate early learning standards and curricula;
- "Assessments that consider children's academic, social-emotional, and physical progress and that contribute to instructional and program planning; and
- "Meaningful family engagement."[43]

[42] Learning Policy Institute, "Untangling the Evidence on Preschool Effectiveness *Insights for Policymakers*," January 2019.

[43] Ibid.

Conclusions and Recommendations

Quality, affordable child care and early education are critical to Florida's economy. Accessible child care allows parents to participate in the workforce and, thus, support families at a stage in their lives where small investments return large social dividends. With a stable and productive workforce, businesses can limit the costs of turnover and increase productivity, which, in turn, increases sales revenues. Higher incomes and sales revenues increase tax revenues and bolster the economy, further supporting the needs of the workforce, businesses, and communities.

Moreover, economic development is a continuum that starts in early learning centers, travels from kindergarten through 12th grade onto colleges and universities and, ultimately, to the workforce needs of our state. When we fail to provide adequate child care for our children, we not only harm children and their families but also endanger the long-term growth and vitality of the state economy.

Despite receiving more than $3 billion in federal emergency relief funds to support Florida's childcare industry, low wages continue to cause high turnover rates among childcare workers; the supply of available childcare slots remain insufficient to meet projected demand; and child care is unaffordable for many (especially low-income) families. Unless this emergency relief funding is reauthorized and extended, it is set to expire in September 2024, adding to the problems currently experienced by Florida's childcare industry.

Florida tax collections have exceeded projections every month since the beginning of the 2022-23 fiscal year. Florida TaxWatch recommends the legislature use a portion of the unexpected, unprecedented surplus to get out in front of the impending fiscal cliff to:

- Support increased wages for the childcare workforce and ensure that all childcare workers are paid a living wage and earn wages comparable to other professions with similar credentials and experience requirements;
- Increase training and coaching so that childcare workers are better prepared to perform their role and to limit the risks of burnout or dismissal due to lack of experience; and
- Provide grants to cover start-up and licensing costs to help establish new providers.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high-quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

Florida TaxWatch is supported by voluntary, tax-deductible donations and private grants. Donations provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves since 1979.

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All Florida TaxWatch research was done under the direction of Dominic M. Calabro, President, CEO, Publisher and Editor.

The findings in this Report are based on the data and sources referenced. Florida TaxWatch research is conducted with every reasonable attempt to verify the accuracy and reliability of the data, and the calculations and assumptions made herein. Please feel free to contact us if you feel that this paper is factually inaccurate.

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