

MEMORANDUM

Date: May 25, 2017
To: Joy Lyon, Best Starts
From: Jim Calvin and Kirsten Shelton Walker, McDowell Group, Inc.
RE: Best Starts for Juneau's Kids – Economic Analysis

McDowell Group is pleased to present our findings on anticipated benefits to the Juneau economy from implementation of the Best Starts for Juneau's Kids initiative.

Today, Juneau's early care and learning industry serves approximately 1,300 of 2,400 pre-K children in the community. Current spending on early care and learning services in the community totals an estimated \$11.1 million. This spending includes \$6.7 million by households, \$1.7 million in private and government-sponsored financial assistance, and \$2.6 by government entities. Total spending on early care and learning in Juneau is a significant part of the economy, generating an estimated 200 jobs, \$8.4 million in wages, and \$16.5 million in total economic (spending) activity annually.

While current investment in early care and learning is important to Juneau families and the economy, limited access to these services is a challenge for many households. This restricted access results in an economic burden for the community. Approximately 150 households do not receive early care and learning services for pre-K children due to cost, quality, or availability issues. In addition, over 550 households report restricted employment opportunities due to inadequate access to early care and learning services for pre-K children. These restrictions impact businesses in need of workers as the available labor force is reduced, and result in an annual opportunity cost for Juneau households of approximately \$6.6 million in income not earned due to early care and learning-related employment constraints.

Juneau will benefit in a number of ways from additional investment in early care and learning. Investment of one half of 1 percent of annual City sales tax revenue (approximately \$4.5 million) will generate the following estimated economic benefits for the local economy:

1. **\$2.3 million in increased annual disposable household income** for families with pre-K children. This income will be generated through wages earned by additional adults able to participate in the workforce thanks to improved access to early care and learning services.
2. **\$500,000 to \$1.0 million in additional spending on early care and learning services** by families with new access to services.
3. **Over 110 new jobs in the community.** Additional investment of sales tax revenue, coupled with additional household spending generated by this investment, could create an estimated 115 direct, indirect, and induced jobs for early care and learning private and public providers and others.
4. **\$4.0 million in new labor income** (direct, indirect, and induced) for early care and learning private and public providers and others.

5. **\$7.9 million in total economic activity in Juneau.**

Importantly, implementation of the Best Starts initiative will address a main goal of the *Juneau Economic Plan*: to increase availability of child care year-round, with an emphasis on Kindergarten readiness. More and higher quality pre-K programs may also support the economy by attracting location-neutral professionals who are looking for the best educational opportunities for their children.

Additional long-term benefits not quantified in this analysis are likely to result from increased access to high quality early learning and care. Research completed throughout the country demonstrates an inverse relationship between a variety of costly, negative social outcomes and quality, affordable early education. Investment in education, particularly in early care and learning, can produce savings for communities from improved educational outcomes, reduced crime, less delinquency, lower reliance on welfare, fewer lost wages, and less spending on health care treatment.

In summary, in addition to a number of important societal benefits, the investment in early care and learning services in Juneau proposed by the Best Starts initiative will mean increased opportunity for Juneau residents to work and earn income, a larger more productive resident workforce available to for Juneau employers, and increased overall economic activity in the community.