



# CHILDCARE ACCESS & AFFORDABILITY

## ***From Unlocking Potential: Turn Arizona's Priorities into Economic Gains The Arizona Voters' Agenda Economic Analysis***

October 2025

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# FOREWORD

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*by Center for the Future of Arizona*

Arizonans agree more than they disagree on big, important issues. And that agreement holds powerful value – politically, socially, and economically.

The [Arizona Voters' Agenda](#), developed by Center for the Future of Arizona (CFA), reveals something meaningful: a strong consensus on the priorities voters want leaders to address. In a state often painted as highly partisan and divided, this level of agreement is striking. It's also a roadmap.

What if we built the future around what brings Arizonans together?

Voters overwhelmingly agree on the importance of education and the need for greater investment, housing that is affordable, reliable transportation, childcare that supports working families, and more pathways to opportunity. These aren't partisan talking points; they're everyday priorities that most people agree on, no matter their party affiliation or age.

What would it mean if the priorities of Arizonans were realized? This project begins to answer that question.

CFA commissioned Rounds Consulting Group to analyze five of the many priorities in the 2024 Arizona Voters' Agenda through the lens of economic return: dual enrollment, post-secondary education, childcare access, housing affordability, and transportation infrastructure. Taken together, these five issues represent key building blocks for the future and a foundation on which to build Arizona's success.

When we turn shared priorities into action, we unlock benefits that ripple across families, neighborhoods, and the entire state.

When childcare is reliable, parents and guardians can work. When housing is affordable, families and workers stay rooted, and communities remain stable. When students gain access to education and training beyond high school, they advance faster and build skills employers need. When roads connect people and jobs, economies grow. These priorities deliver a measurable return and make Arizona work for everyone. Together, they reveal a picture of what Arizona could be if we act on what voters already agree on.

We're cutting through the noise to help leaders focus on what voters truly want.

This work is part of CFA's broader mission to connect leaders with what Arizonans agree is important to them and their communities, and what they want for a prosperous and successful future for our state. Our goal is to provide decision-makers with sound data and a clear sense of what's possible. Investments will need to be made, and this report shows the potential for strong returns. By starting with the long-term return on investing in voters' priorities, we can make smart investments for the future.

Step back, look ahead, and build the prosperous future Arizonans want.

Voters have already told us what matters. The return on acting is real. It's measurable. And it's within reach.

Let's use that to move forward.





# EXECUTIVE SUMMARY

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Arizona's long-term economic health hinges not just on job creation or population growth, but on the strength of the systems that support individuals, families, businesses, and communities. A resilient and competitive economy is rooted in strong *economic fundamentals*.

Key economic fundamentals include workforce development, transportation and infrastructure, education, childcare, and housing. These fundamentals are core attributes that enable economic growth, not just in quantity, but in quality.

This report focuses on five voter-identified priorities that are building blocks of a healthy economy:

- |                                     |                              |
|-------------------------------------|------------------------------|
| 1. Childcare Access & Affordability | 4. Housing Affordability     |
| 2. Dual Enrollment                  | 5. Transportation Investment |
| 3. Post-Secondary Attainment        |                              |

Arizonans across political affiliations strongly agree on the need for action in these areas, as highlighted in CFA's 2024 Arizona Voters' Agenda. By analyzing the five issues through a return-on-investment (ROI) lens, the findings in this report help answer a central question: What would it mean for Arizona's economy if the outcomes voters want were realized?

Each voter-identified issue area offers an independent ROI, but the greatest economic benefits come when these areas are advanced together in a coordinated and strategic manner. By quantifying those returns, this report aims to guide data-driven policymaking and mobilize broad, cross-sector support for strengthening Arizona's economic foundation.

For instance, families cannot access education or jobs without reliable transportation and affordable housing; workers cannot fully participate in the economy without accessible childcare; and employers cannot thrive without a skilled and stable workforce.

Like any economy, Arizona operates with finite public resources – requiring strategic choices. While it may not be possible to simultaneously maintain a low tax burden and achieve a high level of investment in infrastructure, workforce, and support systems, it is possible to prioritize investments that deliver the strongest economic returns. That is why it is critical to assess these public policy areas based on the economic returns they deliver.

While this analysis does not evaluate specific policies, initiatives, or program costs, it provides a data-driven foundation to inform discussions, evaluate potential solutions, and guide decision-making focused on maximizing economic returns.

# What Happens When Arizona Invests in What Voters Prioritize? Key Takeaways by Topic Include:

## Childcare Access & Affordability

Arizona's lack of affordable, reliable childcare limits workforce participation, which costs the state nearly \$5 billion annually.

Expanding access and affordability could generate over \$12 billion in annual economic output and support over 115,000 jobs, while giving families an extra \$9,300 per year in household income.

## Dual Enrollment

Dual enrollment programs help high school students earn college credit while in high school, significantly lowering the time and cost of earning a degree.

These programs increase post-secondary completion rates and lifetime earnings, with each new cohort delivering more than \$47 million in economic output and over \$3 million in new state and local tax revenues each year.

## Post-Secondary Attainment

Arizona has a significant opportunity to better prepare its residents for the future workforce. Each year, the state is projected to have about 81,700 job openings requiring post-secondary education. Yet the state produces only about 10,400 post-secondary graduates annually,

leaving an opportunity for roughly 71,300 additional Arizonans to step into high-paying jobs. Seizing this opportunity, rather than leaving jobs unfilled or relying on out-of-state talent, could generate \$20 billion in economic output, \$8 billion in wages, and \$740 million in tax revenues annually.

## Housing Affordability

One in three Arizona households is cost-burdened by housing. On average, these households would gain an extra \$8,900 per year to spend on necessities, savings, or local purchases if the burden were reduced.

Collectively, that would unlock nearly \$7 billion in annual consumer spending, support over 126,000 jobs, and generate more than \$13 billion in economic activity, while stabilizing communities and reducing pressure on public services.

## Transportation Infrastructure

Investments in transportation pay long-term dividends by improving mobility, reducing congestion, and supporting business growth.

Local and national case studies show that every \$1 invested in infrastructure yields \$1.60–\$3.70 in return, with tens of thousands of jobs supported annually and billions generated in business sales and tax revenues.

# Investing in Arizona's Economic Foundation Promises Substantial Returns

Arizona's economic future will be determined by the willingness of the public, private sector, and elected leaders alike to invest in the fundamentals that make the economy "tick." The findings in this report make clear that these issues are not only widely supported but also foundational to long-term success. Together, they form the groundwork for sustainable growth, increased productivity, and a more inclusive economy that benefits all Arizonans.

This analysis demonstrates that targeted investments in these areas yield substantial returns: higher earnings for families, stronger labor force participation, more competitive businesses, and increased public revenues. In contrast, failing to act risks undermining Arizona's growth potential, widening opportunity gaps, and leaving billions in economic value unrealized.

As Arizona charts its path forward, data-driven solutions that reflect voter priorities will be essential. By investing in the fundamentals, Arizona can build a more resilient, inclusive, and prosperous economy – one that delivers for every community across the state.



# CHILDCARE ACCESS & AFFORDABILITY

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## What Voters Are Saying Loud and Clear

Arizona voters recognize the critical role that dependable childcare plays in supporting families, strengthening the workforce, and ensuring the state's long-term economic success.

Findings from the 2024 Arizona Voters' Agenda survey reveal that 77% of voters, including 64% Republicans, 90% Democrats, and 79% of independent/unaffiliated voters, agree with the following statement:

- “Arizona families are struggling to find affordable and reliable childcare. Without dependable access to childcare, caregivers may miss work or leave the workforce altogether. Arizona should invest more in childcare assistance programs for qualifying families.”

These findings underscore a strong consensus across all political affiliations on the importance of investing in childcare to support Arizona's workforce and long-term growth. With such broad voter

support, there is an opportunity for state policymakers and stakeholders to advance policies and initiatives that expand access to and improve the affordability of childcare.

## The Economic Impact of Realizing the Priorities of Arizonans

To quantify the economic benefits of expanding access to and improving the affordability of childcare in Arizona, we applied a data-driven approach using Arizona-specific socioeconomic and demographic data, as well as publicly available reports and national data sets.<sup>1</sup>

It is important to note that this analysis serves as an initial step in a broader effort to address childcare access and affordability, and that this analysis does not evaluate specific policies, strategies, or costs for achieving this.

Rather, it focuses solely on quantifying the potential economic implications that could result if childcare access and affordability were improved in Arizona, providing a quantitative foundation for policymakers and stakeholders as they consider potential solutions.

## What's Driving Childcare Access & Affordability Challenges & Why it Matters

Childcare, defined as any service that provides care for children under age 6, including infant care, daycare centers, preschools, and other early learning environments, is a foundational component of a functioning economy.

Access to childcare is generally defined as the ability of families to find reliable, high-quality care for their children at an affordable cost, enabling parents and guardians to work, pursue education, or participate in the labor force without undue financial strain.<sup>2</sup>

When childcare costs become unaffordable or unavailable, families are often forced to make difficult trade-offs, such as reducing work hours, leaving the workforce, or sacrificing other essential

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<sup>1</sup> See Appendix for a full description of the methodology used to calculate economic impacts.

<sup>2</sup> U.S. Department of Health & Human Services, *Defining and Measuring Access to Child Care and Early Education with Families in Mind*, 2024, <https://www.acf.hhs.gov/opre/report/defining-and-measuring-access-child-care-and-early-education-families-mind>.



expenses on items like housing, healthcare, and savings.<sup>3</sup> This limits workforce participation, reduces productivity, and hinders economic mobility.<sup>4</sup>

Arizona families face multiple and compounding challenges when it comes to accessing and affording childcare. These challenges are driven by a combination of economic, geographic, and structural barriers, including:

- **Limited Availability of Childcare Providers** – The demand for childcare in Arizona exceeds the available supply, especially for infants and toddlers. In 2024, an estimated 298,000 children aged 5 and under likely needed childcare (based on surveys and estimated children under age 6 in Arizona that have all parents/guardians in the labor force), yet only 254,000 licensed openings were available. This translates to a shortage of 44,000 openings, or a 17% gap between supply and demand.<sup>5</sup>
- **Geographic Disparities** – Rural and lower-income communities face some of the steepest challenges. Many rural communities lack sufficient licensed facilities, requiring families to travel significant distances or turn to informal arrangements that may not meet quality or safety standards.<sup>6</sup> The childcare shortage in rural parts of Arizona is estimated at 37%, more than double the statewide average.<sup>7</sup>
- **Workforce Shortages in Childcare** – Low wages and limited benefits for childcare workers have contributed to staffing shortages.<sup>8</sup> In Arizona, the median annual wage in 2023 for childcare workers (\$35,680) was less than the wage for customer service workers (\$39,620) and workers in sales and related occupations (\$36,600).<sup>9</sup> These low wages make it difficult to recruit and retain staff, suppressing capacity even when demand is high.
- **High Turnover and Rising Costs** – Low compensation contributes to high turnover. According to the National Survey of Early Care and Education (NSECE), 33% of childcare providers experience high workforce turnover (a provider is characterized as high turnover if more than 20% of their staff left their job in the last 12 months).<sup>10</sup> This instability forces

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<sup>3</sup> U.S. Census Bureau, *Estimated Revenue for Child Day Care Services Climbed as Child Care Options Declined in 2021*, January 9, 2024, <https://www.census.gov/library/stories/2024/01/rising-child-care-cost.html>.

<sup>4</sup> American Institutes for Research, *Expanding Child Care in Arizona*, May 31, 2024, <https://osi.az.gov/sites/default/files/2025-01/expanding-child-care-in-arizona-aca-final-report-5-31-2024.pdf>.

<sup>5</sup> American Institutes for Research, *Expanding Child Care in Arizona*, May 31, 2024.

<sup>6</sup> First Things First, *Arizona Taking Action on the State's Child Care Crisis*, August 2024, <https://www.firstthingsfirst.org/2024/08/arizona-taking-action/>.

<sup>7</sup> American Institutes for Research, *Expanding Child Care in Arizona*, May 31, 2024.

<sup>8</sup> National Association for the Education of Young Children, *State Data Report: Arizona*, August 2021, [https://azchildren.org/wp-content/uploads/2021/08/NAEYC\\_State\\_Data\\_Report\\_-\\_August\\_2021.pdf](https://azchildren.org/wp-content/uploads/2021/08/NAEYC_State_Data_Report_-_August_2021.pdf).

<sup>9</sup> Arizona Office of Economic Opportunity in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, April 2024 <https://oeo.az.gov/>.

<sup>10</sup> The National Survey of Early Care and Education, *Turnover in the Center-Based Child Care and Early Education Workforce: Findings from the 2019 NSECE*, March 2023, [https://acf.gov/sites/default/files/documents/opre/workforce\\_turnover\\_snapshot\\_apr2023.pdf](https://acf.gov/sites/default/files/documents/opre/workforce_turnover_snapshot_apr2023.pdf).

providers to increase fees to cover the operational costs of constant hiring and training, driving up prices for families.<sup>11</sup>

- **High Costs Relative to Income** – On average, childcare in Arizona costs \$14,995 per year (or about \$1,250 per month).<sup>12</sup> The U.S. Department of Health and Human Services (HHS) considers childcare affordable if it does not exceed 7% of household income.<sup>13</sup> Yet for a married couple earning the state median household income (\$107,900), childcare represents 14% of income – double the affordability threshold. For single parents earning a median income of \$49,500, the burden is even greater, consuming 30% of their income.<sup>14</sup>

## The Burden of Limited Childcare Access & High Costs

Limited access to affordable childcare is not solely a challenge for families – it is a broader economic issue with significant ripple effects across Arizona’s workforce, businesses, and the public sector. When childcare is unaffordable or unavailable, it constrains labor force participation, reduces productivity, and increases reliance on public assistance programs.

- **Reduced Workforce Participation** – Without affordable and dependable childcare, many parents, particularly women, are forced to reduce work hours, forgo job opportunities, or leave the workforce entirely. A statewide survey of Arizona households with children aged 5 and under found that about 3 in 10 parents/guardians experienced such employment disruptions due to childcare challenges.<sup>15</sup> This reduces Arizona’s labor supply, contributes to shortages in key industries, and lowers overall economic output.<sup>16</sup>
- **Barriers to Education and Training** – Childcare challenges not only affect parents’ employment but also their ability to pursue further education and skill development. According to a statewide survey of Arizona households with children aged 5 and under, 33% of parents reported disruptions to their education due to childcare.<sup>17</sup> This includes 14% who

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<sup>11</sup> Arizona Children's Action Alliance, *Arizona Ranks 39th in Child Well-Being but Inaccessible, Unaffordable Child Care Pushes Parents to the Breaking Point*, July 2023, <https://azchildren.org/news-and-events/arizona-ranks-39th-in-child-well-being-but-inaccessible-unaffordable-child-care-pushes-parents-to-the-breaking-point/>.

<sup>12</sup> Child Care Aware of America, *Child Care at a Standstill: 2023 Affordability Analysis*, 2023, [https://info.childcareaware.org/hubfs/2023\\_Affordability\\_Analysis.pdf](https://info.childcareaware.org/hubfs/2023_Affordability_Analysis.pdf).

<sup>13</sup> U.S. Department of Health & Human Services, *Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF)*, 2024, <https://www.federalregister.gov/documents/2024/03/01/2024-04139/improving-child-care-access-affordability-and-stability-in-the-child-care-and-development-fund-ccdf#citation-20-p15368>.

<sup>14</sup> U.S. Census Bureau, *Median Income in the Past 12 Months (in 2023 Inflation-Adjusted Dollars)*, American Community Survey, ACS 5-Year Estimates Subject Tables, Table S1903, 2023, <https://data.census.gov/table/ACSST5Y2023.S1903?q=Arizona&t=Income and Earnings&moe=false>.

<sup>15</sup> U.S. Chamber of Commerce Foundation, *Untapped Potential in AZ: How Childcare Impacts Arizona’s Workforce and Economy*, 2021, [https://chamber-foundation.files.svdcn.com/production/documents/EarlyEd\\_ARIZONA\\_2021\\_DIGITAL.pdf](https://chamber-foundation.files.svdcn.com/production/documents/EarlyEd_ARIZONA_2021_DIGITAL.pdf).

<sup>16</sup> U.S. Chamber of Commerce, *Understanding America’s Labor Shortage: The Impact of Scarce and Costly Childcare*, July 2023, <https://www.uschamber.com/workforce/understanding-americas-labor-shortage-the-scarce-and-costly-childcare-issue>.

<sup>17</sup> U.S. Chamber of Commerce Foundation, *Untapped Potential in AZ: How Childcare Impacts Arizona’s Workforce and Economy*, 2021.

reduced their course load from full-time to part-time, 13% who stopped attending school or training before completion, 11% who dropped from a class roster, and 3% who declined opportunities to move from part-time to full-time programs.<sup>18</sup> These disruptions limit parents' opportunities to advance their careers, increase earnings potential, and contribute more fully to the workforce.

- **Long-Term Earnings Penalties for Women** – Because women are more likely than men to leave the workforce to manage childcare responsibilities, the long-term financial impacts can be severe. According to the Institute for Women's Policy Research, women who took just one year off from work resulted in a 12% cut in earnings and earned 39% less annually over a 15-year period compared to those who remained continuously employed.<sup>19</sup>
- **Business Challenges** – Employers bear the burden of childcare gaps as well. Workers without stable childcare are more likely to experience absenteeism, reduced productivity, unpredictable schedules, and higher turnover – all of which drive up recruitment and training costs and disrupt business operations. Each year, businesses lose approximately \$2,020 in reduced revenue and in extra recruitment costs per Arizona parent with children.<sup>20</sup>
- **Economy-Wide Losses Due to Access Issues** – According to the Council for a Strong America, Arizona's lack of accessible childcare results in an estimated \$4.7 billion in annual economic losses. This includes \$2.9 billion in lost wages (due to reduced participation in the labor market), \$958 million in business losses (due to reduced revenue and extra hiring costs), and \$725 million in reduced tax revenues (due to lower workforce participation and reduced consumer spending).<sup>21</sup>
- **Affordability-Driven Financial Strain** – Assuming the state's 254,000 available childcare openings are fully utilized at the average cost of \$14,995 per year, Arizona families collectively spend \$3.8 billion annually on childcare. If these costs were reduced to align with the federal affordability benchmark (7% of income), families would save an estimated \$2.4 billion per year (about \$9,300 per family).<sup>22</sup> This figure represents a significant opportunity cost – dollars that could otherwise support savings, homeownership, education, or local spending.

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<sup>18</sup> U.S. Chamber of Commerce Foundation, *Untapped Potential in AZ: How Childcare Impacts Arizona's Workforce and Economy*, 2021.

<sup>19</sup> Institute for Women's Policy Research, *Women Earn Just Half of What Men Earn Over 15 Years*, November 2018, <https://iwpr.org/women-earn-just-half-of-what-men-earn-over-15-years/>.

<sup>20</sup> Council for a Strong America, *The Economic Value of Early Education for Arizona*, November 2023, <https://strongnation.s3.amazonaws.com/documents/1741/ab48786d-de4c-4cea-9f7d-0ca95be7baad.pdf?1701287355&inline;filename=%22The%20Economic%20Value%20of%20Early%20Education%20for%20Arizona.pdf%22>

<sup>21</sup> Council for a Strong America, *The Economic Impacts of Insufficient Child Care Cost Arizona \$4.7 Billion Annually*, December 2023, [https://strongnation.s3.amazonaws.com/documents/1740/5678dd3f-a838-4e54-9654-8db30c7bac34.pdf?1701287345&inline;filename=%22The%20Economic%20Impacts%20of%20Insufficient%20Child%20Care%20Cost%20Arizona%20\\$4.7%20Billion%20Annually.pdf%22](https://strongnation.s3.amazonaws.com/documents/1740/5678dd3f-a838-4e54-9654-8db30c7bac34.pdf?1701287345&inline;filename=%22The%20Economic%20Impacts%20of%20Insufficient%20Child%20Care%20Cost%20Arizona%20$4.7%20Billion%20Annually.pdf%22).

<sup>22</sup> Author's calculations, based on comparing the average annual childcare cost in Arizona (\$14,995) to the federal affordability benchmark of 7% of household income. Using average household income, the analysis estimates that aligning childcare costs with the benchmark would save families about \$9,300 annually.

- **Increased Reliance on Public Assistance** – Families priced out of the childcare market are often forced to lean more heavily on government support programs such as food stamps, housing subsidies, or emergency financial assistance. This increases demand for already-stretched social safety nets and creates long-term fiscal pressures on state and local governments. In Arizona, childcare assistance is limited, and a waitlist is in place for most families. As of May 2, 2025, there are 2,690 families and 4,439 children on the waiting list.<sup>23</sup>

## What Arizona Stands to Gain from Expanding Childcare Access & Affordability

Investing in childcare access and affordability has the potential to yield transformative economic benefits across Arizona. When families can access reliable, high-quality, and affordable care, parents/guardians are better able to participate in the workforce or pursue education – leading to higher household incomes, greater economic mobility, and more financial stability.

At the same time, reducing the financial burden of childcare frees up income that families can reallocate toward housing, healthcare, education, and local spending – strengthening communities and stimulating economic growth.

### Quantifying the Economic Opportunity of Improving Affordability and Reducing Burdens

Arizona’s current childcare challenges are estimated to cost the state \$4.7 billion annually in lost wages, diminished business productivity, and reduced tax revenues.<sup>24</sup> By expanding access, Arizona stands to reclaim this lost economic potential.

Additionally, improving affordability could unlock \$2.4 billion in annual discretionary income for Arizona families.<sup>25</sup> Lower childcare costs would allow parents to redirect spending to other essential needs and consumer purchases, supporting local businesses and fueling broader economic activity.

Together, these two components represent \$7.1 billion in direct economic benefits. The direct gains from higher wages, increased labor force participation, and improved affordability stimulate further economic activity across the state. As families and businesses spend more, demand increases across multiple sectors, from retail to entertainment to professional services.

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<sup>23</sup> Arizona Department of Economic Security, *How to Apply for Child Care Assistance*, May 2025, <https://des.az.gov/services/child-and-family/child-care/how-apply-for-child-care-assistance>.

<sup>24</sup> Council for a Strong America, *The Economic Impacts of Insufficient Child Care Cost Arizona \$4.7 Billion Annually*, December 2023.

<sup>25</sup> Author’s calculations, based on comparing the average annual childcare cost in Arizona (\$14,995) to the federal affordability benchmark of 7% of household income. Using average household income, the analysis estimates that aligning childcare costs with the benchmark would save families about \$9,300 annually.



These ripple effects lead to job creation, high labor income, increased business revenues and supply chain activity, and enhanced state and local tax collections (including sales, income, and property taxes).

Using IMPLAN multipliers and economic modeling, the estimated \$7.1 billion in direct gains is expected to generate \$12.4 billion in total economic output, support 115,400 jobs, \$4.9 billion in labor income, and contribute \$464.9 million in additional state and local tax revenues each year.<sup>26</sup>

The additional tax revenue generated by this economic expansion strengthens Arizona’s fiscal foundation – providing policymakers with more resources to invest in public services, infrastructure, education, and economic development. These gains are not one-time boosts but recurring annual benefits that compound over time.

### Estimated Annual Economic Gains from Improving Childcare Affordability and Reducing Economic Burdens

<b>115,400</b> <b>Jobs</b> Annual jobs supported through increased workforce participation and spending.	<b>\$4.9 Billion</b> <b>Labor Income</b> Total annual wages, salaries, and benefits generated.	<b>\$12.4 Billion</b> <b>Economic Output</b> Overall annual economic activity added across all sectors.	<b>\$464.9 Million</b> <b>Tax Revenues</b> State and local taxes generated each year from increased economic activity.
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Note: Figures are based on an estimated \$7.1 billion in direct annual economic gains from improving childcare affordability and access, comprising \$4.7 billion in increased labor force participation and \$2.4 billion in reduced childcare costs. Broader economic impacts were calculated using input-output modeling to capture the full effects across the Arizona economy, including indirect and induced impacts.

## The Ripple Effects of Expanding Childcare Access

While the immediate economic benefits of expanding childcare access are significant, the long-term impacts on child development and educational attainment offer additional benefits. High-quality early childhood programs lay the foundation for lifelong learning, improved academic performance, and greater economic opportunity.

Research shows that children participating in early learning programs, such as childcare or preschool, are 8% less likely to be held back a grade or placed in special education programs and

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<sup>26</sup> Author’s calculations, based on modeling the direct gains in labor income to calculate jobs, economic output, and tax revenue generation.

11% more likely to graduate from high school.<sup>27</sup> These outcomes have profound implications for both individual success and broader economic growth.

One of the most direct ways to measure the long-term value of education is through earnings potential. On average, individuals who graduate high school earn over \$500,000 more over their lifetime than those who do not.<sup>28</sup> These higher earnings translate into greater consumer spending, increased labor force participation, and higher tax contributions.

Arizona currently faces a shortfall of 44,000 licensed childcare openings for children aged 5 and under (i.e., the number of available spaces within childcare programs where a child can be enrolled and receive care), based on surveys and data of children with working parents/guardians.<sup>29</sup> Closing this access gap would mean that an additional 44,000 children could benefit from early childhood education (i.e., infant care, preschool, and other learning environments).

Applying the research-based estimate that 11% of those children are more likely to graduate high school, it is estimated that approximately 4,800 additional students would graduate compared to the current baseline.<sup>30</sup>

If each high school graduate earns an average of \$39,200 per year – roughly \$6,900 more than their peers without a diploma – then those additional graduates would collectively earn \$33.3 million more annually.<sup>31</sup> This difference represents new income circulating within the economy, driving local spending, savings, and long-term economic stability.

When modeled using Arizona-specific multipliers, this added income generates 500 new jobs, \$55.3 million in additional labor income, \$141.7 million in total economic output, and \$14.3 million in additional state and local tax revenues each year.<sup>32</sup>

It is important to note that these estimates only reflect the impact of increased high school graduation rates. The long-term benefits are likely much higher when considering that a portion of these students will go on to pursue post-secondary education. Individuals with a college degree earn, on average, approximately 65% more than high school graduates.<sup>33</sup>

Moreover, the impacts compound over time. Each year, the childcare access gap remains closed, and a new cohort of approximately 4,800 additional students is likely to graduate. By the second year,

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<sup>27</sup> McCoy, D. C., Yoshikawa, H., Ziol-Guest, K. M., Duncan, G. J., Schindler, H. S., Magnuson, K., ... & Shonkoff, J. P., *Impacts of Early Childhood Education on Medium-and Long-Term Educational Outcomes*, 2017, <https://pmc.ncbi.nlm.nih.gov/articles/PMC6107077/>.

<sup>28</sup> U.S. Census Bureau, 5-Year American Community Survey, *Median Earnings by Educational Attainment*, 2023, <https://www.census.gov/programs-surveys/acs/data.htm>.

<sup>29</sup> American Institutes for Research, *Expanding Child Care in Arizona*, May 31, 2024.

<sup>30</sup> Author's calculations, estimated based on applying an 11% increase in high school graduation likelihood to the 44,000 additional children who could be served if Arizona's childcare slot gap were closed.

<sup>31</sup> U.S. Census Bureau, 5-Year American Community Survey, *Median Earnings by Educational Attainment*, 2023.

<sup>32</sup> Author's calculations, based on economic modeling for the additional labor income circulating throughout the regional economy.

<sup>33</sup> U.S. Census Bureau, 5-Year American Community Survey, *Median Earnings by Educational Attainment*, 2023.

9,600 additional graduates would be contributing to the economy, and by year five, that number would reach 24,000. Over a decade, this sustained improvement could generate hundreds of millions in new income, economic output, and tax revenues.

## Key Takeaways – Childcare Access & Affordability

Affordable and accessible childcare is a critical economic factor in Arizona, influencing workforce participation, business productivity, and overall economic growth. This analysis examines how improved childcare access and affordability impact individuals, businesses, and public revenues, highlighting its broader economic implications.

Key takeaways include:

- **Increased Workforce Participation** – Expanding access to affordable childcare enables more parents/guardians to enter or remain in the workforce.<sup>34</sup> If families had access to reliable childcare, Arizona’s labor force could see a significant boost, enhancing economic productivity.
- **Expanding Opportunities for Parental Education** – 33% of Arizona parents/guardians with young children reported disruptions to their education due to childcare challenges, including cutting back coursework or leaving programs. Affordable childcare helps them pursue education and training, improving career advancement and long-term earnings.<sup>35</sup>
- **Increased Business Competitiveness and Workforce Retention** – Reliable childcare improves worker productivity, reduces absenteeism, and strengthens employee retention. Businesses benefit from a more stable workforce, reducing hiring and training costs.<sup>36</sup>
- **Significant Gains Through Investment** – Improving affordability could unlock an additional \$2.4 billion in discretionary income annually for Arizona families (approximately \$9,300 per family on average). Together, expanding access and improving affordability present a combined \$7.1 billion in direct annual economic gains.<sup>37</sup>
- **Job Creation and Economic Growth** – Increased workforce participation and higher household incomes support additional jobs, particularly in sectors such as retail, healthcare, and professional services, driving broader economic growth. Expanding access and improving affordability would create 115,400 new jobs, support \$4.9 billion in labor income,

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<sup>34</sup> U.S. Chamber of Commerce, *Understanding America’s Labor Shortage: The Impact of Scarce and Costly Childcare*, July 2023.

<sup>35</sup> U.S. Chamber of Commerce Foundation, *Untapped Potential in AZ: How Childcare Impacts Arizona’s Workforce and Economy*, 2021.

<sup>36</sup> Council for a Strong America, *The Economic Impacts of Insufficient Child Care Cost Arizona \$4.7 Billion Annually*, December 2023.

<sup>37</sup> Author’s calculations based on childcare costs and the number of families paying more than what is considered affordable.

generate \$12.4 billion in economic output, and produce \$464.9 million in state and local tax revenues.<sup>38</sup>

- **Long-Term Educational and Economic Returns** – Beyond immediate benefits, expanding access to childcare improves long-term educational outcomes. Children who attend early learning programs are more likely to graduate high school and earn higher lifetime wages. Closing the 44,000 childcare shortage would yield \$141.8 million in new economic activity each year, which would compound over time.<sup>39</sup>
- **Significant Economic Losses Without Action** – Arizona currently faces an estimated \$4.7 billion in annual economic losses due to inadequate childcare access, stemming from lost wages, business disruptions, and reduced tax revenues.<sup>40</sup>

## The Economic Case for Action on Expanding Childcare Access & Affordability

Childcare access and affordability are major issues for Arizona families, and voters are aligned in calling for solutions. Across age and party lines, they want leaders to prioritize investments that help working parents/guardians and strengthen the state's economy. That level of consensus is powerful.

Expanding access to affordable childcare is an economic necessity. When childcare is accessible, families gain stability, parents/guardians can fully participate in the workforce, and businesses benefit from more reliable, productive labor. Improving affordability unlocks billions in household spending power, supports job creation, and generates tax revenues that strengthen Arizona's future.

This analysis offers a clear, data-backed calculation of the return on action. While it does not assess specific policies, initiatives, or costs, it provides a solid foundation for further discussion and solution-building. By advancing childcare policies that reflect the priorities of Arizonans, the state can improve family well-being, strengthen the workforce, and build the economic foundation needed for long-term stability. It's a chance for Arizona's leaders to respond to what voters are asking for and deliver long-term gains for families, employers, and the broader economy.

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<sup>38</sup> Author's calculations based on increased household income and workforce participation, modeled using IMPLAN.

<sup>39</sup> Author's calculations based on expected improvements in high school graduation rates and lifetime earnings for children with access to early learning programs, applied to the estimated 44,000 additional childcare openings needed in Arizona.

<sup>40</sup> Council for a Strong America, *The Economic Impacts of Insufficient Child Care Cost Arizona \$4.7 Billion Annually*, December 2023.



# APPENDIX: ANALYSIS METHODOLOGY

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This report provides a data-driven analysis of five voter-identified priorities – childcare access and affordability, dual enrollment, postsecondary education attainment, housing affordability, and transportation infrastructure – selected from the Center for the Future of Arizona’s 2024 Voters’ Agenda.

Each analysis quantifies the potential economic benefits associated with achieving improved outcomes in these areas. Importantly, this report does not evaluate specific policies, program designs, or implementation costs. Rather, it focuses on estimating the scale and nature of economic gains that could result if the priorities of Arizona voters were realized.

To model the potential economic impacts, the following standardized approach was applied across each issue area:

- **Arizona-Specific Data Inputs:** Each analysis draws from local and regional datasets, including U.S. Census Bureau statistics, state wage data, education outcomes, labor force participation metrics, and household cost burdens. Where appropriate, national research and datasets were used to supplement state-level data.
- **Issue-Specific Model Inputs:** Unique assumptions were made for each topic to reflect the specific drivers of economic change:
  - Childcare: Number of families needing care, average annual costs, and lost wages from reduced workforce participation.
  - Dual Enrollment: Postsecondary enrollment and completion differences, wage gains by education level, and number of students affected.
  - Postsecondary Education: Wage differentials by educational attainment, lifetime earnings estimates, and degree completion rates.
  - Housing Affordability: Number of cost-burdened households, estimated discretionary income gains, and statewide consumer spending impacts.
  - Transportation Investment: Modeled outcomes from actual investment scenarios (e.g., Proposition 400e in Maricopa County), published benefit-cost ratios, and regional productivity data.
- **Economic Impact Modeling with IMPLAN:** To estimate the broader economic effects of each issue area, this analysis used IMPLAN, a nationally recognized input-output modeling system widely regarded as the industry standard for economic and fiscal impact studies.

IMPLAN is commonly used by economists, academic institutions, and government agencies to model how changes in economic activity, such as increased wages or household spending, ripple through an economy.

Arizona-specific IMPLAN multipliers were applied to estimate the total economic impact, which includes:

- Direct Effects – The immediate economic activity generated by the modeled change (e.g., increased earnings or reduced costs).
- Indirect Effects – Economic activity in industries that support affected sectors (e.g., increased business-to-business activity).
- Induced Effects – Household spending by workers whose income increases as a result of the direct and indirect effects.

Results are expressed in the following standard impact categories:

- Jobs – The estimated number of full-time and part-time positions supported by the modeled activity.
  - Labor Income – The total wages, salaries, and benefits earned by workers in the directly, indirectly, and induced affected sectors.
  - Economic Output – The total value of goods and services produced in the economy as a result of the activity (similar to how GDP is estimated).
  - State and Local Tax Revenues – Estimated revenues generated for state and local governments through various taxes, including sales, income, property, and other applicable levels.
- **No Policy Recommendations:** This report does not recommend specific actions or funding mechanisms. Instead, it is intended to provide neutral, evidence-based economic estimates that can inform future decision-making.

This consistent and straightforward methodology allows for a clear understanding of the economic value associated with addressing widely supported voter priorities. While each issue area presents unique dynamics, this common framework allows policymakers, stakeholders, and community leaders to compare outcomes and weigh the return on investment across multiple areas critical to Arizona's long-term success.

**Voter-backed priorities offer a high return for Arizona  
and a strong foundation for long-term prosperity.**

*Full report at [arizonafuture.org/UnlockPotential](https://arizonafuture.org/UnlockPotential)*

