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## Memorandum Analysis #1

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Rounds Consulting Group, Inc. (RCG) was commissioned by First Things First (FTF) to analyze the economic and fiscal impact of its early child care programs and assess potential funding solutions to ensure the programs' long-term sustainability.

As the leading early childhood development agency in Arizona, FTF plays a vital role in supporting young children and their families through programs that enhance early learning, health, and family support. While these initiatives generate significant economic and fiscal benefits, they are primarily funded through Arizona's tobacco tax, a revenue source facing long-term decline due to shifting consumer behaviors and changes in product delivery.

To address this challenge, the following analysis evaluates the impact of FTF's overall investments and quantifies the benefits from alternative funding options, including a potential tax extension on nicotine vaping, pouches, and other products – emerging products with growing consumer demand. This study also incorporates findings from Arizona State University's Seidman Institute (Seidman), which estimates the revenue potential of taxing these products similar to the current tobacco tax.

This report quantifies the economic impact of FTF's programs in the aggregate and in gross-impact terms, providing a consolidated analysis that captures the combined effects of multiple initiatives rather than evaluating each program separately and calculating any opportunity costs.

## Synopsis

FTF's annual investments in quality child care and preschool services increases workforce participation, supports businesses, and generates state and local tax revenues – without drawing from the state's General Fund. Annually, FTF-supported programs contribute \$323.6M in total economic output, sustain 2,800 jobs, and generate \$8.5M in state General Fund revenues and \$9.7M in local government tax revenues.

However, FTF's primary funding source, a state tobacco tax, is facing long-term decline as traditional cigarette use decreases while alternative product demand increases. Seidman estimates that extending such a tobacco tax on the alternative nicotine products could generate approximately \$80M annually. If allocated to FTF, these revenues could maintain current investments or expand child care services, creating additional economic and fiscal benefits.

## Introduction & Background

FTF, funded primarily through dedicated tobacco tax revenues, plays a vital role in early childhood development and education. Unlike state General Fund expenditures, a portion of the tobacco tax funds are earmarked exclusively for early childhood initiatives, ensuring they do not compete with other state budget



priorities.<sup>1</sup> As a result, FTF operates independently of the General Fund and does not impose a direct fiscal burden on other state resources.

However, while the funding sources remain separate, the economic benefits generated by FTF's quality child care and preschool services indirectly contribute to General Fund revenues. High-quality child care programs increase workforce participation, boost household earnings, and enhance long-term economic mobility – all of which generate state tax revenues through income taxes, sales taxes, and business growth.<sup>2</sup>

Additionally, research consistently shows that investments in early childhood programs yield substantial returns by reducing future costs associated with social services and educational remediation, and reduces future criminal justice expenditures.<sup>3</sup> Quality child care also leads to enhanced economic mobility and higher levels of academic achievement, ultimately resulting in greater lifetime earnings for impacted children and higher tax collections over time.<sup>4</sup>

This analysis represents the first phase of a multi-part assessment measuring the economic benefits of FTF's programs. The initial phase focuses on the impact of FTF's investments in quality child care and preschool services on workforce participation, earnings, and service quality improvements. Future phases will explore the long-term outcomes for children and families, including improvements in educational attainment, career success, and overall economic contributions.

**Note:** This analysis focuses on the gross economic impacts of FTF spending within the state's economy. The figures have been partially adjusted to account for the fact that taxpayers would have otherwise spent these funds.

## Monetizing FTF's Child Care & Preschool Services

Access to affordable, high-quality child care has measurable economic benefits for families, businesses, and the state. A 2023 Council for a Strong America study found that families in Arizona lose an average of \$6,320 per working parent due to lost earnings and time spent searching for work, while businesses incur \$2,020 per working parent in lost revenue and increased hiring costs.<sup>5</sup>

The FTF effort helps alleviate these challenges by providing approximately 6,700 scholarships annually to Arizona families, ensuring access to quality early education and child care.<sup>6</sup> If families and businesses experience similar financial recoveries, this translates to an estimated \$55.9M in additional earnings and business revenue circulating throughout Arizona's economy.<sup>7</sup>

To further strengthen the early childhood workforce, FTF awards nearly 500 college scholarships each year to early childhood educators pursuing credentials and degrees.<sup>8</sup> This not only helps address child care workforce shortages but also leads to higher earnings for scholarship recipients as they advance in their

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<sup>1</sup> First Things First, About FTF. <https://www.firstthingsfirst.org/what-we-do/how-we-work/>.

<sup>2</sup> American Progress (2024). *Providing Affordable, Accessible, and High-Quality Child Care*.

<https://www.americanprogress.org/article/playbook-for-the-advancement-of-women-in-the-economy/providing-affordable-accessible-and-high-quality-child-care/>

<sup>3</sup> Child Care Aware of America (2019). *Quality Child Care Pays Off!* [https://www.childcareaware.org/wp-content/uploads/2020/05/Quality\\_ROI-1.pdf](https://www.childcareaware.org/wp-content/uploads/2020/05/Quality_ROI-1.pdf)

<sup>4</sup> Child Care Aware of America (2019). *Quality Child Care Pays Off!* [https://www.childcareaware.org/wp-content/uploads/2020/05/Quality\\_ROI-1.pdf](https://www.childcareaware.org/wp-content/uploads/2020/05/Quality_ROI-1.pdf)

<sup>5</sup> Council for a Strong America (2023). *The Economic Impact of Insufficient Child Care Cost Arizona \$4.7 Billion Annually*.

[https://strongnation.s3.amazonaws.com/documents/1740/5678dd3f-a838-4e54-9654-8db30c7bac34.pdf?1701287345&inline;:20filename=%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;:20filename=%22The%20Economic%20Impacts%20of%20Insufficient%20Child%20Care%20Cost%20Arizona%20$4.7%20Billion%20Annually.pdf%22)

<sup>6</sup> Source: First Things First

<sup>7</sup> Author's Calculations

<sup>8</sup> Author's Calculations



career.

Additionally, FTF invests over \$50M annually to enhance child care facilities, improve program quality, provide in-home developmental and sensory screenings, support parenting education, and offer other critical family resources.<sup>9</sup> In total, FTF directly spends and invests approximately \$150M each year to expand and improve child care and preschool services and support families with young children across the state.<sup>10</sup>

FTF's ongoing investments in quality improvement also ensure that Arizona is able to maximize available federal child care funding. Many Arizona children access early learning through federal Child Care and Development Fund (CCDF) dollars, which are administered by the Arizona Department of Economic Security (DES).

However, a \$47M portion of Arizona's total CCDF grant (\$268M) is contingent on the state providing a non-federal funding match for child care-related activities.<sup>11</sup> Each year, FTF allocates the full matching amount required for DES to secure these federal funds – effectively bringing an additional \$47M into the state's child care system that would otherwise go unclaimed.<sup>12</sup>

Beyond the direct investments, FTF's economic activity generates significant multiplier effects. Increased spending supports additional jobs, wages, and business growth across multiple industries (such as education and health care services). When accounting for these indirect and induced impacts, FTF's annual activities support 2,800 jobs and generate \$323.6M in total economic output statewide.<sup>13</sup>

This heightened economic activity also strengthens Arizona's fiscal health. The FTF investments generate more than \$8.5M in annual state General Fund revenues – without drawing from the General Fund itself.<sup>14</sup> Additionally, local governments across Arizona collect an estimated \$9.7M in sales and property tax revenues from FTF-supported activity.<sup>15</sup>

These findings highlight how FTF's investment in child care not only supports working families and businesses but also drives economic growth and enhances Arizona's fiscal stability – at no cost to the state budget.

It is important to note that this analysis captures only the immediate gross economic impact of FTF's annual activities. It does not account for the long-term benefits associated with higher lifetime earnings for children and families, reduced social service costs, or other types of economic gains. Therefore, these estimates should be considered conservative.

The following table illustrates the annual gross economic and fiscal impacts generated by FTF's investments and activities across Arizona.

Annual Economic and Fiscal Impact of First Things First's Child Care & Preschool Services	
Jobs Supported <sup>(1)</sup>	2,800
Economic Output <sup>(2)</sup>	\$323,607,400

<sup>9</sup> Author's Calculations

<sup>10</sup> Source: First Things First

<sup>11</sup> Author's Calculations

<sup>12</sup> Source: First Things First

<sup>13</sup> Author's Calculations

<sup>14</sup> Author's Calculations

<sup>15</sup> Author's Calculations



State General Fund Revenues <sup>(3)</sup>	\$8,495,300
Local Tax Revenues <sup>(4)</sup>	\$9,689,600

(1) Jobs supported represents the total number of full-time equivalent jobs sustained annually. This includes direct employment within child care and preschool programs, as well as indirect and induced jobs created through increased economic activity in related industries. (2) Economic output measures the total value of goods and services generated annually as a result of FTF's investments, including spending by child care providers, employee wages, and the broader economic ripple effects as these dollars circulate through Arizona's economy. (3) State General Fund Revenues represents the estimated annual tax revenues collected by the state as a result of FTF-supported activities. These revenues primarily stem from income taxes, sales taxes, and other business-related taxes generated by increased workforce participation and economic activity. (4) Local tax revenues represent the estimated annual tax revenues collected by county and municipal governments due to FTF-supported economic activity. These revenues include local sales taxes, property taxes, and other municipal taxes that benefit communities across Arizona.

Note: Estimates include direct, indirect, and induced economic effects associated with FTF's child care and preschool programs.

Source: Rounds Consulting Group, Inc.

## Addressing the Decline in Tobacco Tax Revenue

FTF relies on tobacco tax revenues to fund early childhood education and healthcare programs across Arizona. However, these revenues are at risk due to a long-term decline in traditional smoking, shifts in consumer preferences, and the rise of alternative nicotine products like e-cigarettes and nicotine pouches. Without an extension of revenue sources, the sustainability of FTF's programs could be jeopardized in the coming years.

A 2024 Seidman study forecasts that while FTF's tobacco tax revenues will remain relatively stable in the short term, rising slightly from \$103.0M in FY 2025 to \$104.3M in FY 2032, the broader trends in declining cigarette consumption and increase in alternative nicotine products introduces significant long-term uncertainty.<sup>16</sup> The Seidman study estimates that the propensity to smoke will decline by 6.0% annually, and the shift toward e-cigarettes could further impact traditional tobacco tax revenues.<sup>17</sup>

Compounding this uncertainty, the cost of child care has risen sharply over the past decade, placing an increasing financial strain on families. According to the Consumer Price Index (CPI) data, which measures the average change over time in prices paid by consumers for goods and services, the child care and nursery school cost index has increased by approximately 30% over the last ten years.<sup>18</sup>

## Alternative Funding: Taxing Emerging Nicotine Products

To adjust for these risks, Arizona could expand its tobacco tax base to include vaping products, such as e-cigarettes and nicotine pouches (which are rapidly gaining market share) to support early childhood services. Additional studies by Seidman analyzed the potential tax revenues from these emerging products.<sup>19</sup>

The Seidman studies estimate that implementing a 42% wholesale tax on e-cigarettes and a 30% wholesale tax on nicotine pouches would generate approximately \$80.0M in annual tax revenues.<sup>20</sup> These projections account for factors such as price elasticity, population growth, and evolving usage trends. Note: Spending on nicotine products is expected to remain relatively inelastic, which means only very marginal reductions in the purchase of nicotine products will occur with additional taxation.

A critical component of this economic impact analysis is how tax revenues are allocated. The effectiveness of

<sup>16</sup> Arizona State University, Seidman Research Institute (2024). *Tobacco Tax Revenue Forecast Study*.

<sup>17</sup> Arizona State University, Seidman Research Institute (2024). *Tobacco Tax Revenue Forecast Study*.

<sup>18</sup> U.S. Bureau of Labor Statistics, Consumer Price Index, Tuition, Other School Fees, and Childcare in the U.S. (2025). <https://www.bls.gov/cpi/>

<sup>19</sup> Arizona State University, Seidman Research Institute (2024). *Vaping in Arizona: Preliminary Estimates of Potential Tax Revenues and Nicotine Pouches in Arizona: A Preliminary Estimate of Potential Wholesale Tax Revenues*.

<sup>20</sup> Arizona State University, Seidman Research Institute (2024). *Vaping in Arizona: Preliminary Estimates of Potential Tax Revenues and Nicotine Pouches in Arizona: A Preliminary Estimate of Potential Wholesale Tax Revenues*.



any taxation policy is directly tied to how the revenue is reinvested. In this case, funds from the expanded tobacco tax are directed toward early childhood programs, which have proven to generate significant return on investment.

These programs improve health outcomes, reduce the need for long-term social support, increase educational attainment, and lead to higher lifetime earnings for participating children – ultimately resulting in greater tax collections and economic growth over time.<sup>21</sup>

If FTF were allocated 60% of the expanded tobacco tax revenues, it would receive approximately \$48.0M annually – offsetting the anticipated decline in tobacco tax revenues.<sup>22</sup> Annual tobacco tax revenues are projected to total approximately \$100M over the next seven years.<sup>23</sup> This additional \$48M per year would cover the anticipated funding gap, ensuring FTF maintains its \$150M in annual investments in Arizona’s child care programs and services.

Alternatively, if FTF were to receive 100% of the expanded tobacco tax revenues, it could expand its services and investments by an additional \$32.0M.<sup>24</sup> This expanded funding would support approximately 800 additional jobs, generate more than \$93.2M in economic output, and contribute \$2.5M in state General Fund revenues, and provide \$2.8M in local government tax revenues.<sup>25</sup>

In total, if FTF received 100% of the potential tax revenues generated by e-cigarette and nicotine pouch sales, FTF’s annual activities would support 3,600 jobs, \$416.8M in economic output, \$10.9M in state General Fund Revenues, and \$12.5M in local government tax revenues annually.<sup>26</sup> Note: These figures represent the gross economic and fiscal impacts of expanding FTF’s investments proportionately to current activities.

Potential Annual Economic and Fiscal Impact of First Things First’s Child Care & Preschool Services	
Jobs Supported <sup>(1)</sup>	3,600
Economic Output <sup>(2)</sup>	\$416,793,000
State General Fund Revenues <sup>(3)</sup>	\$10,941,600
Local Tax Revenues <sup>(4)</sup>	\$12,479,800

(1) Jobs supported represents the total number of full-time equivalent jobs sustained annually. This includes direct employment within child care and preschool programs, as well as indirect and induced jobs created through increased economic activity in related industries. (2) Economic output measures the total value of goods and services generated annually as a result of FTF’s investments, including spending by child care providers, employee wages, and the broader economic ripple effects as these dollars circulate through Arizona’s economy. (3) State General Fund Revenues represents the estimated annual tax revenues collected by the state as a result of FTF-supported activities. These revenues primarily stem from income taxes, sales taxes, and other business-related taxes generated by increased workforce participation and economic activity. (4) Local tax revenues represents the estimated annual tax revenues collected by county and municipal governments due to FTF-supported economic activity. These revenues include local sales taxes, property taxes, and other municipal taxes that benefit communities across Arizona.

Note: Estimates include direct, indirect, and induced economic effects associated with FTF’s child care and preschool programs.

Source: Rounds Consulting Group, Inc.

<sup>21</sup> Child Care Aware of America (2019). *Quality Child Care Pays Off!* [https://www.childcareaware.org/wp-content/uploads/2020/05/Quality\\_ROI-1.pdf](https://www.childcareaware.org/wp-content/uploads/2020/05/Quality_ROI-1.pdf)

<sup>22</sup> Author’s Calculations.

<sup>23</sup> Arizona State University, Seidman Research Institute (2024). *Tobacco Tax Revenue Forecast Study*.

<sup>24</sup> Author’s Calculations.

<sup>25</sup> Author’s Calculations.

<sup>26</sup> Author’s Calculations.



## Example of Additional Long-Term Economic Benefits

To illustrate the broader economic benefits of early childhood education, this analysis presents a conservative example demonstrating the economic and fiscal impact of improved academic achievement. Research shows that children who participated in a high-quality preschool program are 8% less likely to be placed in special education or held back, and 11% more likely to graduate high school.<sup>27</sup>

One of the most direct ways to measure the long-term economic impact of educational attainment is through lifetime earnings. High school graduates, on average, earn over \$715,000 more in their lifetime than those who do not complete high school.<sup>28</sup> These higher earnings translate into increased consumer spending, greater workforce participation, and higher tax contributions, all of which drive economic growth.

For context, approximately 10,000 children who participated in FTF programs become eligible for high school graduation in any given year.<sup>29</sup> With FTF in place for over a decade, the first cohorts are now reaching this milestone. If participation in FTF programs increases the likelihood of graduation by 11%, this translates to approximately 1,100 additional students earning a diploma instead of dropping out annually.

If each high school graduate earns an average salary of \$37,000 per year (\$11,000 more than non-graduates), then 1,100 additional graduates would collectively earn \$40.7M in a single year, compared to \$28.6M for the same number of high school dropouts.<sup>30</sup> The difference of \$12.1M represents additional income circulating through the economy, resulting in a net increase in state tax revenues of approximately \$2.6M per year.<sup>31</sup>

This effect compounds over time. Each year, an additional 1,100 graduates would contribute to higher earnings and tax revenues, meaning that after two years, 2,200 additional graduates would be generating economic benefits. When factoring in income growth over time, the cumulative impact grows exponentially, similar to compound interest in financial markets. As a result, the fiscal and economic benefits of FTF programs extend far beyond a single graduating class, creating a lasting positive impact on Arizona's economy.

It is important to note that these estimates only account for the increased high school graduation rate. Students who continue their education and complete postsecondary degrees earn up to 67% more than high school graduates.<sup>32</sup> Therefore, the figures presented here represent a highly conservative estimate of the full economic impact of early childhood education.

Example of Long-Term Economic Benefits – Annual Impact of 1,100 Graduates	
Jobs Supported <sup>(1)</sup>	176
Economic Output <sup>(2)</sup>	\$52,859,500
State General Fund Revenues <sup>(3)</sup>	\$2,598,700
Local Tax Revenues <sup>(4)</sup>	\$2,566,700

(1) Jobs supported represents the total number of full-time equivalent jobs created. (2) Economic output measures the total value of goods and services generated annually. (3) State General Fund Revenues represents the estimated annual tax revenues collected by the state. (4) Local tax revenues represents the estimated annual tax revenues collected by county/municipal governments.

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

<sup>28</sup> U.S. Census Bureau, American Community Survey, Income by Educational Attainment (2023).

<sup>29</sup> First Things First.

<sup>30</sup> U.S. Census Bureau, American Community Survey, Income by Educational Attainment (2023).

<sup>31</sup> Author's Calculations.

<sup>32</sup> U.S. Census Bureau, American Community Survey, Income by Educational Attainment (2023).



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Note: Estimates include direct, indirect, and induced economic effects associated with higher earnings.  
Source: Rounds Consulting Group, Inc.



## Appendix: First Things First Overview

FTF is dedicated to supporting the health, development, and learning of children from birth to age five. Established by voter initiative in 2006, FTF partners with families and communities to ensure that young children are prepared for success in kindergarten and beyond.

FTF funds a variety of programs through grants to community organizations, offering free services for young children and their families. Key initiatives include: <sup>33</sup>

- Quality Child Care and Preschool – FTF funds research-based quality improvements that help children thrive, including learning environments rich in language and literacy, coaching for early learning professionals to better engage young learners, and developmentally appropriate learning materials. Scholarships also are funded to help more babies, toddlers, and preschoolers access quality early learning.
- Strengthening Families – FTF programs give parents choices when it comes to supporting their child's health and learning. Services are voluntary and provided at levels that meet the family's needs, from community-based parenting education to in-home coaching to address tough situations like parenting a child with special needs or dealing with multiple births.
- Preventive Health – FTF funds preventive screenings, parent education and referrals to existing services to ensure that kids arrive at kindergarten healthy and ready to succeed.
- Workforce Development and Training – FTF Funds scholarships and training to expand the skills of professionals working with infants, toddlers, and preschoolers.
- Research and Evaluation – Data collected by FTF are used to inform decision-making, monitor grantee performance, enhance program effectiveness and measure improved outcomes resulting from the collective investments of Arizona's early childhood system.
- Family and Community Engagement – FTF works with families, caregivers and community leaders to build awareness of the importance of early childhood and steps they can take to support the education and health of young children in their neighborhoods.
- System Coordination – FTF works with early childhood system partners, like the child welfare system and juvenile courts, to maximize funding, reduce duplication, and ultimately improve outcomes for young children.

FTF is primarily funded through a voter-approved tax on tobacco products. In FY 24, tobacco tax revenues (\$102.3M) accounted for approximately 94% of FTF's recurring revenues and 6% (\$6.8M) of recurring revenues came from investment earnings.

In Fiscal Year 2024 (FY24), FTF reported approximately \$128.0M in recurring statewide investments in early childhood development programs and administrative expenditures.<sup>34</sup>

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<sup>33</sup> Source: First Things First. <https://www.firstthingsfirst.org/what-we-do/investments/>

<sup>34</sup> Source: First Things First. <https://www.firstthingsfirst.org/wp-content/uploads/2024/09/FTF-2024-AnnualReport.pdf>



Funding allocations for each FTF regional partnership council are determined based on the population of children from birth to age five in their communities, with additional consideration given to those living in poverty.

Each regional partnership council, made up of committed local volunteers, assesses the specific needs of its community and determines how to allocate funds to best support young children and their families.

First Things First Revenues & Expenditures by Source FY24	
Revenue by Source	
Tobacco Tax Revenues	\$102,331,900
Investment Earnings	\$6,792,700
Total	\$109,124,600
Expenditures by Source	
Quality Child Care & Preschool	\$65,515,500
Strengthening Families	\$28,021,200
Preventive Health	\$11,969,700
Workforce Development/Training	\$4,053,900
Research & Evaluation	\$3,005,700
Family/Community Engagement	\$3,602,800
System Coordination	\$206,500
Administration & General	\$11,627,000
Total	\$128,002,300
One-Time Revenues	
Grants, Gifts, & Donations*	\$91,785,000
One-Time Expenditures	
Grants, Gifts, & Donations*	\$91,785,000

\*Includes one-time support as a result of the American Rescue Plan Act (ARPA) and other sources.  
Source: First Things First FY24 Annual Report



## Appendix: Analysis Methodology and Assumptions

The economic impact analysis of First Things First's (FTF) child care and preschool programs was conducted using IMPLAN, a widely recognized input-output modeling software that estimates the ripple effects of economic activity within a given region. IMPLAN is used to quantify how direct spending on goods, services, and wages generates additional economic activity through interconnected industries.

This analysis incorporates direct, indirect, and induced economic effects to provide a comprehensive estimate of the total impact generated by FTF-supported programs.

- Direct Impact: The initial economic activity resulting from FTF's investments in child care and preschool services. This includes spending on child care providers salaries, operational expenses, program funding, and scholarships awarded to families and early childhood educators.
- Indirect Impact: The secondary economic effects that occur as businesses supplying goods and services to FTF-supported programs experience increased demand. This includes spending by child care providers on materials, equipment, facility maintenance, and professional services.
- Induced Impact: The broader economic activity generated when employees of FTF-supported programs and indirectly affected businesses spend their wages on goods and services. This includes household spending on housing, food transportation, and other daily needs, further driving economic growth.

### Definitions of Key Economic Metrics

- Jobs Supported: Represents the total number of full-time equivalent (FTE) jobs sustained annually through FTF-supported activities. This includes direct employment within child care and preschool programs, as well as indirect and induced jobs created through increased economic activity in related industries.
- Labor Income: Represents the total wages, salaries, and benefits paid to workers as a result of FTF's investments. This includes compensation for employees working directly in child care services, as well as income generated through indirect and induced economic activity.
- Economic Output: Measures the total value of goods and services generated annually due to FTF's investments in child care and preschool services. This includes spending by child care providers, employee wages, and the broader economic ripple effects as these dollars circulate through Arizona's economy.
- Tax Revenues: Represents the estimated annual tax revenues collected at both the state and local levels as a result of FTF-supported economic activity. These revenues include:
  - State General Fund Revenues: Generated from income taxes, sales taxes, and other business-related taxes.
  - Local Tax Revenues: Includes sales taxes, property taxes, and other municipal revenues that support local governments throughout Arizona.



## Modeling Approach & Key Assumptions

The analysis used IMPLAN multipliers specific to Arizona to estimate the total economic effects of FTF's investments. The following key assumptions were applied:

- Spending Data: The model incorporates FTF's annual funding levels, including investments in child care scholarships, provider support, workforce development, and facility improvements.
- Tax Revenue Estimates: The fiscal impact assessment accounts for state and local tax collections generated by economic activity, including income, sales, and property taxes.
- Employment Metrics: Jobs supported are measured in full-time equivalent (FTE) positions, capturing both direct employment within child care programs and jobs created throughout the supply chain.
- Price Elasticity Considerations: The analysis accounts for price sensitivity in consumer behavior, particularly in the evaluation of potential tax revenues from alternative nicotine products.
- Inflation & Population Growth Adjustments: Economic projections incorporate estimated growth trends in Arizona's population and labor market, ensuring future impacts are appropriately scaled.

By integrating these factors, this analysis provides a conservative yet comprehensive estimate of the economic and fiscal contributions of FTF's child care and preschool programs to Arizona's economy.

## Analysis Limitations & Considerations

While this analysis provides a robust estimate of the economic and fiscal impact of FTF's child care and preschool programs, certain limitations and considerations should be acknowledged:

- No Guarantee of Exact Impacts: The estimated economic and fiscal impacts presented in this report are based on industry-standard modeling techniques and available data. However, actual outcomes may vary due to changes in economic conditions, policy decisions, consumer behavior, and other external factors. As such, Rounds Consulting Group, Inc. does not guarantee that the projected impacts will materialize as stated.
- Exclusion of Long-Term Impacts: This study focuses primarily on the immediate economic effects of FTF's investments. It does not capture long-term benefits such as higher lifetime earnings for children, reduced dependency on social services, lower crime rates, or improved health outcomes—each of which could significantly enhance the overall economic return on investment.
- Static Economic Modeling: IMPLAN is a static input-output model, meaning it does not account for dynamic changes in the economy over time, such as technological advancements, policy shifts, or behavioral adaptations. While it provides a snapshot of economic activity, actual long-term impacts may differ.
- Assumptions on Workforce Participation: The estimates assume that increased access to quality child care enables parents to participate more fully in the workforce. However, external factors such as job availability, labor market conditions, and broader economic cycles could influence actual employment outcomes.



- Uncertainty in Revenue Projections: The forecasted tax revenues from potential taxes on e-cigarettes and nicotine pouches are based on current market conditions and consumer trends. These estimates may vary due to regulatory changes, shifts in consumer behavior, or economic downturns that affect sales volumes.
- Conservative Estimates: The analysis intentionally takes a conservative approach to avoid overestimating economic benefits. The actual impact of FTF's programs may be higher when considering broader societal and intergenerational effects.
- Report Should be Read in its Entirety: This report presents a comprehensive analysis of FTF's economic and fiscal impact. The findings, methodology, and assumptions are interdependent, and conclusions should not be drawn from individual sections in isolation. For an accurate interpretation, the report should be read in its entirety.

These limitations should be considered when interpreting the results, as they highlight areas where additional research or complementary studies may further refine the understanding of FTF's overall economic impact.