

# Capitol Regional Resource Center

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## 10-County Child Care Economic Impact Report



# Capitol Regional Resource Center (CRRC)

This report was prepared by the Capitol Regional Resource Center (CRRC) which serves the ten-county Capitol Region of Alpine, Colusa, El Dorado, Nevada, Placer, Sacramento, Sierra, Sutter, Yolo & Yuba counties.

The CRRC is a collaborative effort between the Child Care Resource and Referral Agencies and the Local Child Care and Development Planning Councils of these same counties. Its mission is to provide access to resources and information that will lead to the expansion of child care and child development services in the ten-county Capitol Region area.

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# Executive Summary





# Executive Summary

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In 2002, the Capitol Region Resource Center (CRRC) embarked on a project to document the economic role and value of child care in the ten-county region it serves, and make a case for public and private investment in the child care industry. This report presents the findings and recommendations of this project.

To gather information on the economic impact of child care, gross receipts and employment generated by child care facilities were calculated for each county in the region, based on a methodology developed by the National Economic Development Law Center (NEDLC). To document additional impacts of child care on our society, as well as the need for enhanced private and public investment, findings from other studies were used, with the Mid America Regional Council (MARC) serving as the main source of information.

An analysis of economic data and a review of the relevant research, showed that in the Capitol Region:

## **Child Care Makes a Significant Economic Contribution**

- ◆ Child care in the region generates more than \$508 million in gross receipts.
- ◆ Child care in the region has a cumulative indirect benefit of more than \$233 million.
- ◆ In Placer County, child care netted over \$65 million in 2002, compared to \$90 million for arts, entertainment and recreation.

- ◆ Child care revenue in Yuba County amounted to nearly \$8.5 million, compared to \$10.7 million for professional services, and \$11.1 million for real estate, rental, and leasing services.

## **Child Care Supports a Significant Number of Jobs**

- ◆ Child care creates a minimum of 11,725 full-time equivalent jobs in the region.



# Executive Summary

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- ◆ The child care industry indirectly supports an additional 11,247 jobs in the region.
- ◆ Child care created 9,327 jobs in El Dorado, Placer, and Sacramento counties, nearly matching the 9,400 jobs in City governments and the 9,500 jobs in educational services.
- ◆ In Colusa County, the number of child care jobs is greater than jobs created by financial activities, and greater than all jobs created by federal and local government combined.

## Child Care Provides

### Additional Indirect Benefits

- ◆ Child care is an essential service, on which both employers and employees depend.
- ◆ High quality child care allows parents to be better employees by increasing their productivity and reducing absenteeism. It also allows them to advance their careers and achieve higher wages.
- ◆ High quality child care is an important building block in developing the future workforce in the region, by preparing children to

be successful students, employees, and citizens.



# Executive Summary

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## **There Is a Need for Additional Private and Public Investment in Child Care**

- ◆ The cost of high quality care exceeds families' abilities to pay.
- ◆ Current investment from the public and private sectors is not sufficient to fill the gap between consumer payments and the full cost of quality child care.
- ◆ Insufficient funding compromises the supply of quality child care programs because programs cannot afford qualified personnel and adequate facilities.
- ◆ Funding reductions and policy shifts have limited the access of working families to subsidized child care.
- ◆ There is a continued growth in demand for quality child care as more families realize the importance of the early years for brain growth

and other aspects of development, and depend on formal child care services.

- ◆ The economy will continue to depend on highly qualified workers, both the parents of today's children, and the children themselves.

This project represents a first step in making economic assessments of the child care field. Although improved data on child care is needed, this preliminary analysis does demonstrate that child care is an essential part of the Capitol Region infrastructure. The findings in this report suggest that child care should be considered along with other industries and sectors when local government and the private sector look to investment, planning, and policies to stimulate growth. Efforts to enhance and sustain the child care industry will strengthen the economy as a whole.





# Introduction





# Child Care's Place in the Economy

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This report documents the economic role of child care in the 10-county region including and surrounding Sacramento, California, entitled the Capitol Regional Resource Center (CRRC). In 2003, the CRRC, funded by the California Department of Education, began to document the economic value of child care to the 10-county area. This effort was built on the model and methods first developed by the National Economic Development Law Center<sup>1</sup> (NEDLC) and successful applications of the method in three counties in the region: El Dorado, Sutter and Yuba.

The history of child care in California dates at least from World War II, when the state of California instituted its first subsidized programs to fill the gap left by the closing of programs that served children of defense workers. Despite this long history, the importance of child care as a critical infrastructure for employment, and as a long standing and well developed economic enterprise, is still not given adequate recognition.

As this report will detail, the value of child care continues to grow as parents of young children continue to enter the labor force. Child care clearly is an essential service, on which both workers and employers depend. Because child care is essential, local policy makers need to examine whether existing services adequately serve the needs of the work force. More importantly, policy makers must consider how well existing child

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**“...the value of child care continues to grow as parents of young children continue to enter the labor force.”**

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<sup>1</sup> NEDLC. A Methodology Guide: Creating an Economic Impact Report for the Child Care Industry. Oakland: National Economic Development and Law Center, April 2001, [www.nedlc.org](http://www.nedlc.org). Please refer to the Methods and Data Sources chapter for an explanation on the application of this methodology .



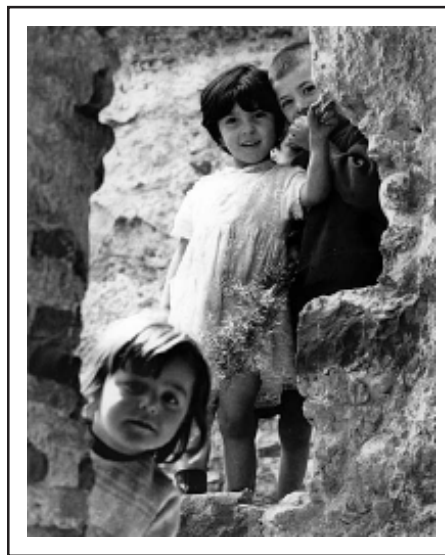
# Child Care's Place in the Economy

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care services support the development of children, society's future citizens and workers.

Although child care is generally recognized as a critical unmet need in many parts of the United States, its value as an industry and as a part of the economic infrastructure has only recently been studied.

Growth in child care demand began with changing demographics in the 1960's and 1970's, as increasing numbers of mothers of preschool children entered the work force. However, child care as a support for employment development only began to gain attention in the 1990's. Welfare reform also required local communities to develop new child care resources at an unprecedented level along with significant state and federal policies for public child care subsidies.



Although public investment in child care will continue to be a need for lower and middle income families, the private sector continues to play a major role with private centers and family child care providers who serve fee-paying parent consumers. The mix of public, private, informal and formal services in the child care system creates a diverse system that is difficult to accurately document. Despite its complexity, the child care system's significance as an industry is indisputable.

A project in the Kansas City, Missouri region<sup>2</sup> is using economic impact data to try and set the record straight, and to make a strong case for much higher levels of public and private investment in child care. The MARC strategy attributes the present failings of the child care system to market failure. Simply put,

<sup>2</sup> Mid America Regional Council (MARC) Partners in Quality. Greater Kansas City's Children Prepared for Success in School: A community Plan for Building the Infrastructure for High-Quality Early Learning. May 21, 2002, [www.marc.org](http://www.marc.org)

# Child Care's Place in the Economy

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the consumers of the service (parents) face a restricted range of service choices and cannot afford to pay the full cost of care. Public and private investment does not fill the gap between consumer payments and the full cost of child care. As a result, supply is constrained, and services experience continuous and often high levels of turnover in personnel (the largest share of a child care program's budget). The

quality of services is also constrained because of inadequate capitalization and operating subsidies, which result in less qualified personnel and often inadequate facilities. A lack of consumer consensus and public understanding of what constitutes quality, as well as a lack of understanding of the economic constraints in the current system, stands in the way of adequate public and private investment.





# Methods and Data Sources



# Methods & Data Sources

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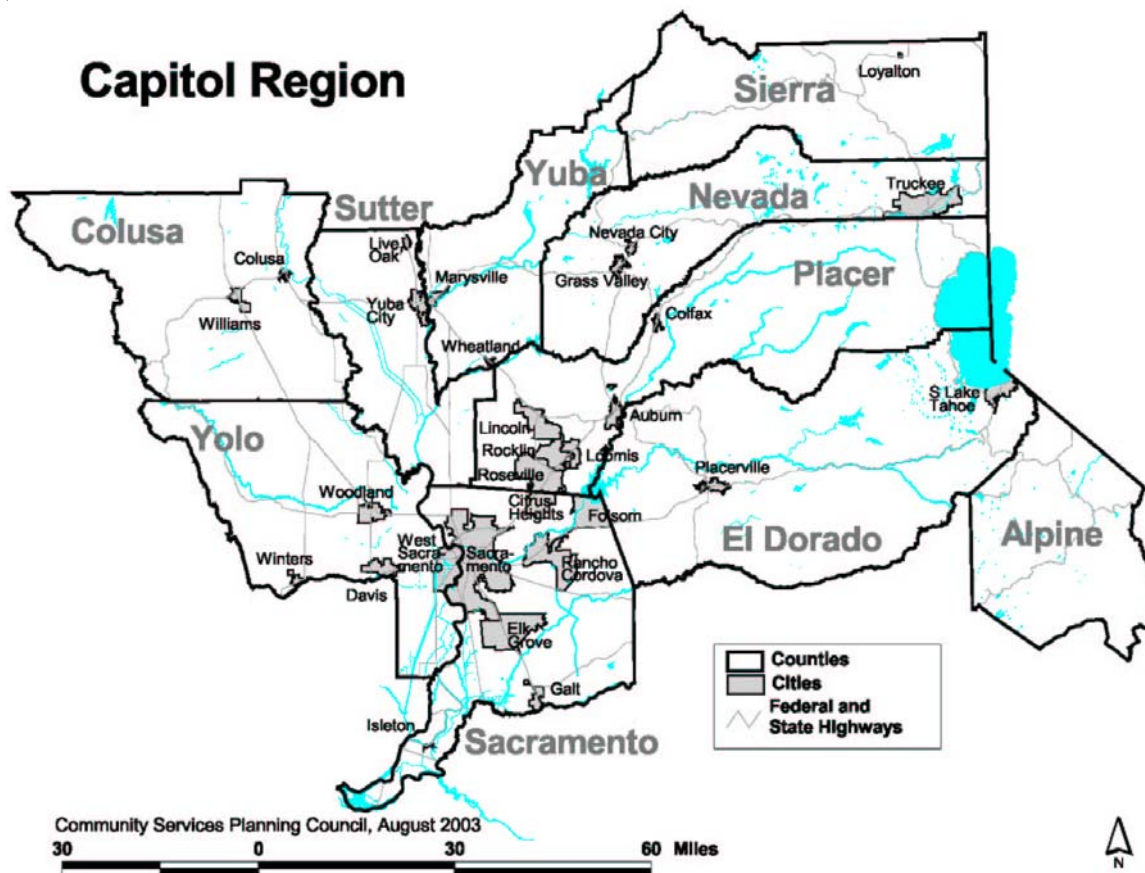
The Capitol Region Resource Center represents 18 agencies serving the ten counties of Alpine, Colusa, El Dorado, Nevada, Placer, Sacramento, Sierra, Sutter, Yolo, and Yuba. A list of the collaborators representing all 18 agencies can be found on the introductory page. Each county (in the case of Yuba and Sutter, the pair of counties) is served by a Child Care Resource and Referral agency and Local Child Care Planning Council. These state funded agencies share responsibility for providing local child care information to child care consumers and providers, and have complementary roles in data collection, planning, and the provision of public information to support the development of adequate supplies of good quality child care services. The Planning Councils also have an advisory role established by State law to set priorities for public funding of local programs.

The ten counties cover a complex set of sub regions and unique communities, including urbanized zones around Lake Tahoe, the rural and suburban communities in the eastern foothills, large agricultural areas along the west side of the valley, and the Sacramento metropolitan area. Economic and population growth are fueling commercial and residential development in many communities in the region. A diverse set of cultural groups overlay the settlement and development patterns of these communities. They include significant populations of Native Americans, Hmong, East Indian, Russian, Hispanic, and African American people.

In this report, the region is the focus, and data from all ten counties will be combined to demonstrate the economic value of child care in the region as a whole. The impacts of growth are only one rationale for a regional view; economic and population growth in the Sacramento metropolitan area has far-reaching impacts on all other counties in the region. In addition, parents cross county lines in order to seek employment and affordable housing. Child care planning must be viewed regionally, as much as transportation now is. Along with the regional profile of findings, a set of county profiles documents the specific and important impacts in these diverse counties.



# Methods & Data Sources



In 1997, the NEDLC initiated a series of projects in nine California counties with the common name “Local Investment in Child Care” (LINCC). All of the projects employed similar methodologies, gathering basic economic data that would establish clear links

between child care and the local economy, to change perceptions of child care among the public and local decision makers. Following the initial nine projects, and concurrent with the release of a statewide compilation of study results<sup>3</sup>, the method was replicated in other

<sup>3</sup> NEDLC, The Economic Impact of the Child Care Industry in California. Oakland, CA: National Economic Development and Law Center, Fall 2001, [www.nedlc.org](http://www.nedlc.org)

# Methods & Data Sources

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counties. Attachment C summarizes the way in which the findings of six of the projects have been used to promote the enhancement of local child care services.

The NEDLC developed its methodology in part to fill a serious gap in economic data about child care. The NEDLC analyzed child care economic data provided by the US Department of Commerce (DOC) and US Department of Labor (DOL) and found problems with their validity. Data for major industry types are readily available from sources including the DOC, DOL, and the Census Bureau's Economic Census. However, the data on child care in existing national sources is not always accurate or complete. The DOC estimates tended to underestimate gross receipts in child care, perhaps due to the difficulty of counting smaller centers and family child care, and due to confusion between informal, unlicensed care and formal, licensed services, both offered in home-based

settings. The DOL has mis-classified child care employment in the past, confusing it either with occupations in public and private schools or with lower skilled service occupations such as animal care technicians.

Instead of using estimates from federal and state sources, the NEDLC method relies on county-level child care data provided by local agencies.

The MARC project in Kansas City also began by documenting the economic impact of child care<sup>4</sup>. The collaborators in the CRRC hope to follow the MARC model in translating economic impact findings into private investment and public support. The LINCC and MARC projects have led the way in considering child care as an industry, comparable to others in the community that create jobs, attract revenue, and in general increase economic activity in a region. Moreover, they have documented the need to

<sup>4</sup> Mid America Regional Council (MARC) Partners in Quality. Greater Kansas City's Children Prepared for Success in School: A community Plan for Building the Infrastructure for High-Quality Early Learning. May 21, 2002, [www.marc.org](http://www.marc.org)

# Methods & Data Sources

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sustain and enhance child care as part of the necessary social infrastructure that supports employment and economic development.

For the CRRC project, the analysis of child care economic impact began with a list of all licensed child care facilities in each county, both child care centers and licensed family child care homes. The Local Child Care Planning Councils and Resource and Referral agencies were crucial partners in data collection, providing data on local service capacity, vacancy or enrollment rates, and publicly funded programs including State Preschools and Children’s Centers, Head Start and Early Head Start, the Child Care Food Program, their own agencies, and related programs.

For the purposes of this report, the economic value of child care is assessed **only** for services where a direct monetary value can be assigned. This includes all licensed forms

of child care facilities, whether services are purchased by families or subsidized at some level by public agencies, as well as some services that are exempt from licensing but supported by public funds. This definition includes part day, part year, and full time services for children age zero to twelve years of age, whether their intent is primarily to support parental employment, or to meet developmental needs of children. The fact is that families use all of these services as a way to balance their responsibilities of parenting and employment.

Wherever possible, this study used direct reports of actual revenue and employment. For example, in most counties it was possible to obtain the dollar amount of federal contracts for Head Start, and the California Department of Education/Child Development Division (CDE/CDD) contracts for State funded programs. In the same way,

<sup>5</sup> Some types of care are exempt from licensing: care provided by family members, care provided to the children of just one family other than the provider’s, health facilities and clinics, parent cooperatives where no payment for care is involved, and some care provided by schools and recreation programs. Some publicly funded after school programs are also license exempt, and are counted along with other publicly funded programs in this report.

## Methods & Data Sources

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most local agencies obtained full time equivalent counts for employment in these programs. These direct reports were not available for most of the private sector programs and family child care homes. Where direct reports were not available, an estimating method adapted from NEDLC's methodology was used.

Estimates of **gross receipts** (the total revenue generated by programs) were calculated using CDE/CDD Regional Market Rates for child care, collected from surveys conducted under the auspices of the California Child Care Resource and Referral Network. Estimates of **employment** (the number of jobs generated in child care facilities) were calculated using child to adult ratios defined in state child care facility regulations, and further defined for state-funded programs in their funding guidelines.

One gray area has led to debates in other studies of this type. That is, should funds for license exempt care, purchased with public funds through the CalWORKs (welfare reform) program, be counted as child care?

The NEDLC intentionally excluded local use of license exempt care<sup>5</sup> from its economic impact analysis because most license exempt care is not considered part of the formal economy, and because it is very difficult to measure. However, a fairly accurate estimate of license exempt care is available at least for parents enrolled in the CalWORKs program. State and federal policy permits child care subsidies to be paid to license exempt providers, including family members and others who care for just the children of one other family.

Local and statewide rates for use of license exempt care by CalWORKs participants have been high, in excess of 70 percent in some areas, especially for parents who are first-time child care consumers. It is believed that these high use rates reflect parental choices about schedule of care (late hours and variable shifts), location, transportation, and other factors not addressed by the existing supply of licensed child care providers.

## Methods & Data Sources

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To resolve the conflict without overestimating the use of licensed care, we calculated a share of all CalWORKs child care funding based on the rate of enrollment in license exempt care, and included federal/state funding that is captured in the local economy because of child care. Including this category was not intended to imply that the quality of license exempt care is on par with licensed care, or that more CalWORKs parents would use licensed care if available. However, it does permit consideration of a significant funding source that has some economic benefit to local households, if only through the informal economy. In the current study, 50 percent of CalWORKs subsidies are thus included under “Federal and State Grants” unless otherwise noted in the footnotes for a specific county.

In another variation from the NEDLC methodology, this study did not count subsidy payments paid directly to licensed child care facilities. These payments could be from CalWORKs, Alternative Payment and Child Care and Development Block Grant funds administered by local Alternative Payment programs. It is assumed that revenue from these subsidies is counted in the gross revenue for local child care providers. This avoids double counting public revenue that is spent in private sector programs.

Table 1 summarizes the data sources and the variables included in the analysis. A more detailed explanation with examples of actual calculations of these data factors is provided in Attachment A.

# Methods & Data Sources

<b>Table 1 - Derivation of Child Care Economic Impacts</b>	
<b>Data</b>	
<b>Total Enrollment</b>	List of licensed child care facilities with licensed capacity per family for three age categories
<b>Gross Receipts - Private Centers</b>	= Licensed Capacity x Enrollment Rate x Regional Market Rate <sup>6</sup>
<b>Gross Receipts - Family Child Care Homes</b>	= Licensed Capacity x Enrollment Rate x Regional Market Rate
<b>Direct Employment - Private Centers and Family Child Care Homes</b>	Calculated from licensed capacity using factors from NEDLC
<b>Direct Employment - Head Start, State Funded Programs, R &amp; R, LPC</b>	Direct report from administering agencies, or calculated from licensed capacity using factors from NEDLC
<b>Indirect Employment</b>	= Total direct revenue x RIMS II Multiplier <sup>7</sup>
<b>Indirect Earnings</b>	= Total direct revenue x RIMS II Multiplier
<b>Capture of Public Investment</b>	Subsidized centers: direct report from administering agencies, or calculated from licensed capacity using factors from NEDLC. CalWORKS License exempt share, <sup>8</sup> Child Care Food Program, Resource & Referral, Local Planning Council, Other

<sup>6</sup> California Child Care Resource and Referral Network, 2001 Regional Market Rates.

<sup>7</sup> US Department of Commerce, Bureau of Economic Analysis, RIMS II data files for each county.

<sup>8</sup> 50 percent of CalWORKS child care funding, except where otherwise noted in county profiles.



# Findings



# Profiles of Ten Counties in the Capitol Region

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The ten pages that follow contain a “profile” of economic impacts calculated for child care revenue and employment. Not surprisingly, the profiles are very different, and for the smallest counties, the values may seem to be small. Added together, the ten counties’ profiles represent a total direct benefit of \$508,924,820 and at minimum 11,725 full-time equivalent jobs. The cumulative indirect benefit, calculated separately for each county, totals \$223,185,323 in additional revenue generated, and 11,247 full-time equivalent jobs.

Some local comparisons suggest child care should have more stature among its economic peers. Consider these comparisons from the Employment Development Department’s 2002 counts of employment:

- ◆ In Colusa county, the number of child care jobs was greater than jobs created by financial activities, and greater than all jobs created by federal and local government combined;
- ◆ Child care created 9,327 jobs in El Dorado, Placer, and Sacramento counties, nearly matching the 9,400 jobs in City governments and 9,500 in educational services.



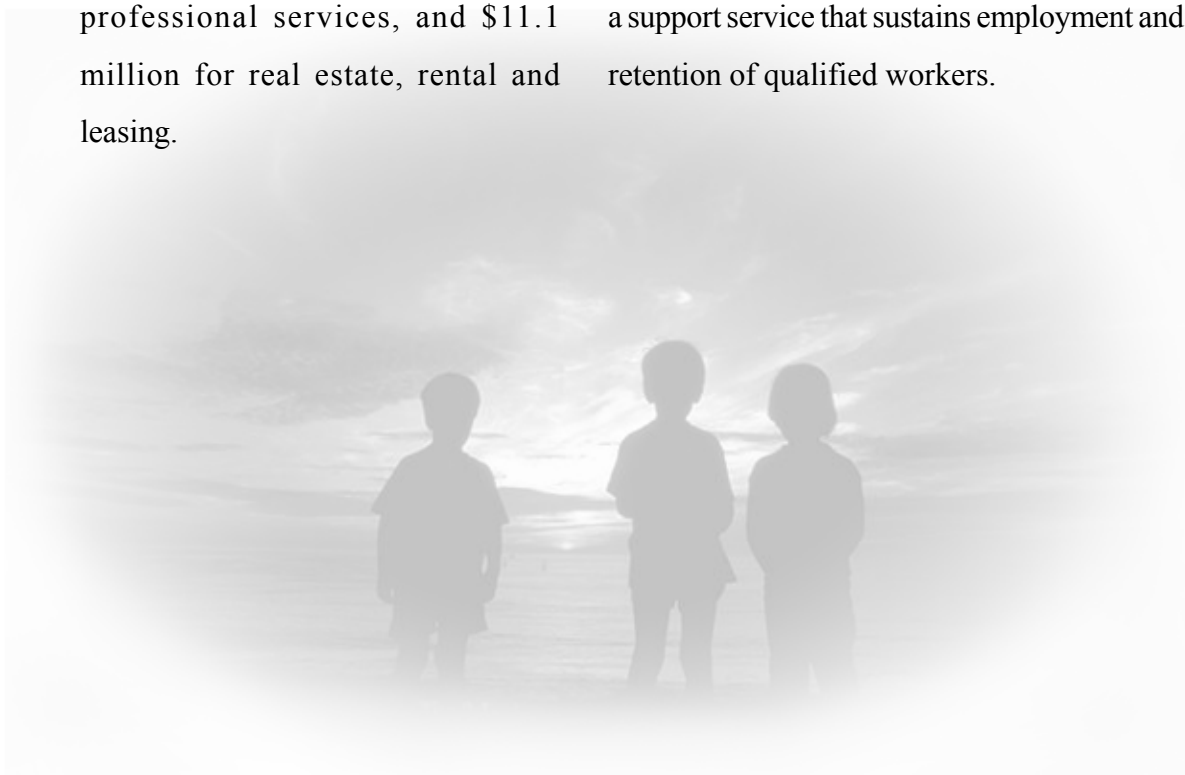
# Profiles of Ten Counties in the Capitol Region

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One can also find favorable comparisons based on gross revenue, as reported in the 1997 US Economic Census. For example:

- ◆ In Placer County, child care netted over \$65 million in 2002; this compares with \$90 million for arts, entertainment and recreation.
- ◆ Child care revenue in Yuba county amounted to nearly \$8.5 million, compared to \$10.7 million for professional services, and \$11.1 million for real estate, rental and leasing.

Similar comparisons have been made between child care and the agriculture industry. These selective comparisons do not in themselves make a strong case for the local economic value of child care. However, they do suggest that child care should be considered along with other industries and sectors when local government looks to investment, planning, and other policies to stimulate growth. Child care should be considered, both for its utility as an economic enterprise and as a support service that sustains employment and retention of qualified workers.



# Alpine

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Alpine County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers*</b>	<b>\$ 117,135</b>	<b>5</b>
<b>Family Child Care*</b>	<b>\$ 24,025</b>	<b>1</b>
<b>Federal and State Grants</b>		
State funded child care	\$ 148,769	7
CalWORKs	\$ 4,025	0
Head Start	\$ -	0
R&R/Subsidy and Support Services	\$ 215,536	1
Local Planning	\$ 84,818	1
Other*	\$ 130,366	0
Child Care Food Program	\$ 12,684	0
<b>Totals</b>	<b>\$ 737,358</b>	<b>15</b>
<b>Indirect Impacts</b>		
	<b>\$ 116,893</b>	<b>7</b>
*Other = Extended day Universal Preschool		
Assumes family child care enrollment = 6 months/year; center = 4 months/year.		

# Colusa

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Colusa County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	\$ 359,907	12
<b>Family Child Care</b>	\$ 1,846,405	96
<b>Federal and State Grants</b>		
State funded child care	\$ 443,063	5
CalWORKs	\$ 213,630	6
Head Start	\$ 1,738,491	31
R&R/Subsidy and Support Services	\$ 147,528	3
Local Planning	\$ 89,862	2
Other*	\$ 475,434	28
Child Care Food Program	\$ 317,713	
<b>Totals</b>	<b>\$ 5,632,032</b>	<b>183</b>
<b>Indirect Impacts</b>		
	<b>\$ 3,848,931</b>	<b>136</b>
*Migrant Programs=\$410,634; First Five grant = \$64,800		

# El Dorado

<b>Local Profile</b>		
<b>Child Care Economic Impacts in El Dorado County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	<b>\$ 14,695,406</b>	<b>452</b>
<b>Family Child Care</b>	<b>\$ 6,739,920</b>	<b>226</b>
<b>Federal and State Grants</b>		
State funded centers	\$ 2,723,730	57
CalWORKs	\$ 1,480,660	0
Head Start/Early Head Start	\$ 2,743,217	100
R&R/Subsidy and Support Services	\$ 2,313,789	35
Local Planning	\$ 89,862	1.5
CARES	\$ 330,366	1
Child Care Food Program	\$ 236,062	0
<b>Totals</b>	<b>\$ 31,353,012</b>	<b>872</b>
<b>Indirect Impacts</b>		
	<b>\$ 4,232,657</b>	<b>158</b>



# Nevada

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Nevada County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	<b>\$ 9,384,500</b>	<b>210</b>
<b>Family Child Care</b>	<b>\$ 5,313,971</b>	<b>224</b>
<b>Federal and State Grants</b>		
State funded child care	\$ 1,830,010	26
CalWORKs	\$ 538,112	0
Head Start	\$ 985,966	15
R&R/Subsidy and Support Services	\$ 908,714	24
Local Planning	\$ 89,862	1
Other*	\$ 369,348	0
Child Care Food Program	\$ 312,887	0
<b>Totals</b>	<b>\$ 19,733,370</b>	<b>500</b>
<b>Indirect Impacts</b>		
	<b>\$ 8,578,812</b>	<b>446</b>
*seven different sources		

# Placer

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Placer County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	<b>\$ 34,509,999</b>	<b>789</b>
<b>Family Child Care</b>	<b>\$ 19,461,608</b>	<b>627</b>
<b>Federal and State Grants</b>		
State funded child care	\$ 3,457,297	28
CalWORKs (25% of total grants)	\$ 5,536,930	0
Head Start	\$ 1,210,042	24
R&R/Subsidy and Support Services	\$ 151,139	32
Local Planning	\$ 89,862	3
Other*	\$ 483,359	0
Child Care Food Program	\$ 738,066	0
<b>Totals</b>	<b>\$ 65,638,303</b>	<b>1502</b>
<b>Indirect Impacts</b>		
	<b>\$ 19,914,661</b>	<b>1039</b>
*CARES, Prop. 10 staff recruitment, training, and retention.		

# Sacramento

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Sacramento County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	<b>\$ 121,443,013</b>	<b>2513</b>
<b>Family Child Care</b>	<b>\$ 100,607,926</b>	<b>3230</b>
<b>Federal and State Grants</b>		
State funded child care	\$ 26,316,823	970
CalWORKs	\$ 20,000,000	150
Head Start	\$ 38,119,324	220
R&R/Subsidy and Support Services	\$ 594,688	18
Local Planning	\$ 91,346	1.4
Other*	\$ 7,281,648	12
Child Care Food Program	\$ 11,439,872	0
<b>Totals</b>	<b>\$325,894,640</b>	<b>7114.4</b>
<b>Indirect Impacts</b>		
	<b>\$ 162,654,015</b>	<b>8041</b>
*After School Programs	\$ 4,900,495	
Quality Block Grant	\$ 1,083,000	
Special Needs	\$ 431,515	
CARES	\$ 866,638	

# Sierra

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Sierra County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	<b>\$ 81,540</b>	<b>12</b>
<b>Family Child Care</b>	<b>\$ 20,280</b>	<b>7</b>
<b>Federal and State Grants</b>		
State funded child care	\$ 400,000	5
CalWORKs	\$ 44,500	0
Local Planning	\$ 89,862	1
<b>Totals</b>	<b>\$ 636,182</b>	<b>25</b>
<b>Indirect Impacts</b>		
	<b>\$ 291,117</b>	<b>0.4</b>

# Sutter

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Sutter County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	<b>\$ 4,747,837</b>	<b>128</b>
<b>Family Child Care*</b>	<b>\$ 4,617,000</b>	<b>190</b>
<b>Federal and State Grants</b>		
State funded child care	\$ 1,808,295	64
CaWORKs (40% of total grants)	\$ 556,389	0
Head Start	\$ 2,346,080	64
R&R/Subsidy and Support Services	\$ 140,361	14
Local Planning	\$ 88,100	1.5
Other*	\$ 1,538,069	0
Child Care Food Program	\$ 37,444	0
<b>Totals</b>	<b>\$ 15,879,575</b>	<b>461</b>
<b>Indirect Impacts</b>		
	<b>\$ 7,898,501</b>	<b>511</b>
*Migrant programs	\$ 1,472,492	
AB 212	\$ 45,577	
CCIP	\$ 20,000	
Family child care enrollment rate 90%.		

# Yolo

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Yolo County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	<b>\$ 14,546,281.44</b>	<b>428</b>
<b>Family Child Care</b>	<b>\$ 5,601,326.04</b>	<b>210</b>
<b>Federal and State Grants</b>		
State funded child care	\$ 4,779,891.00	106
CalWORKs (25% of total grants)	\$ 637,114.00	0
Head Start, Early Head Start	\$ 3,429,697.00	81
R&R/Subsidy and Support Services	\$ 497,965.00	25
Local Planning	\$ 89,862.00	1
Other*	\$ 1,601,962.81	56
Child Care Food Program	\$ 1,333,459.00	0
<b>Totals</b>	<b>\$ 32,517,558.29</b>	<b>908</b>
<b>Indirect Impacts</b>		
	<b>\$ 11,435,251</b>	<b>635</b>
*Migrant Programs = \$1,507,901		
AB 212 = \$94,062		

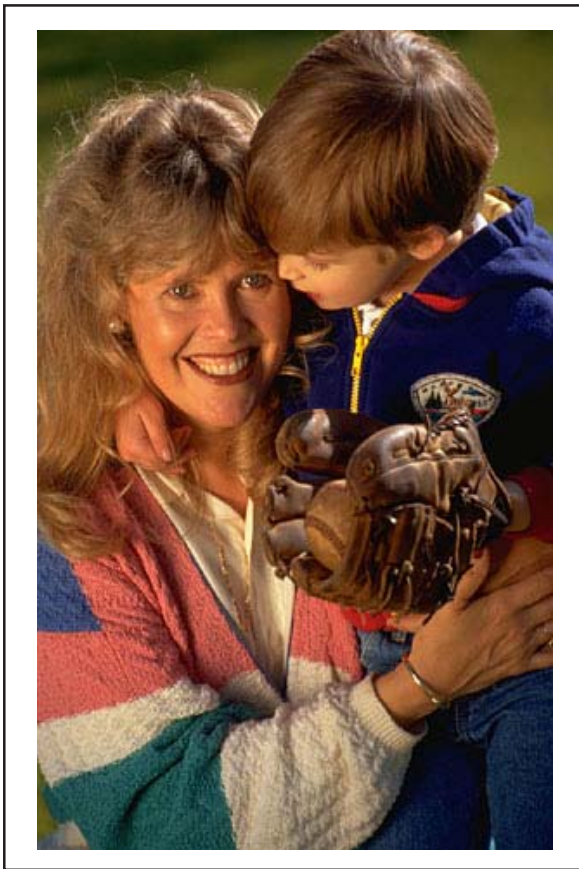
# Yuba

<b>Local Profile</b>		
<b>Child Care Economic Impacts in Yuba County</b>		
<b>Direct Impacts</b>		
	<b>Revenue</b>	<b>Employment</b>
<b>Private Centers</b>	<b>\$ 1,623,960</b>	<b>58</b>
<b>Family Child Care</b>	<b>\$ 2,039,040</b>	<b>118</b>
<b>Federal and State Grants</b>		
State funded child care	\$ 1,169,752	75
CalWORKs (45% of total grants)	\$ 473,961	0
Head Start	\$ 2,346,080	56
R&R/Subsidy and Support Services	\$ 140,361	14
Local Planning	\$ 88,100	1.5
Other*	\$ 406,187	0
Child Care Food Program	\$ 185,591	0
<b>Totals</b>	<b>\$ 8,473,032</b>	<b>323</b>
<b>Indirect Impacts</b>		
	<b>\$ 4,214,486</b>	<b>274</b>
*AB 212	\$ 39,499	
CCIP	\$ 30,000	
Family child care enrollment rate 80%		

## Purpose & Use of the Findings

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The MARC project attacks the problem by first making the business case for more public and private investment in child care. It then builds a strong consensus among consumers, the public, policy makers, and investors regarding the value of a high quality system of early education. With strong commitment from the private sector, both to garner public and private support for child care and to invest in it themselves, MARC has defined a set of strategic goals related to higher quality services, and has obtained support for these efforts from a well informed public.



This report makes a similar case for enhanced public and private investment in child care in the Capitol region. The current limitations of child care, in terms of quality, supply, and affordability are symptoms of market failure. Adequate and well-designed public and private investments can make a difference and create a healthy system that supports full employment of parents while children are in care.

California faced similar challenges in the 1920's with the public highway system, and in the 1950's with the need for access to water for agriculture and community development. The hope is that our communities can face

## Purpose & Use of the Findings

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the challenge of building a child care infrastructure with the same focus, direction, and financial commitment.

The findings in this report answer the question: Is it worth investing in child care? As the data from counties as different as Alpine and Sacramento showed, investing in and supporting expanded and higher quality child care services is indeed worth the effort. In spite of its many challenges, and new uncertainties faced with public funding problems at the state and federal level, child care is already a large industry that contributes millions of dollars and thousands of jobs to the region. It also has indirect economic benefits related to the costs of doing business and the increased spending power of child care staff and business owners.



# Conclusions & Recommendations



# Conclusions & Recommendations

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This brief report condenses a large volume of data to document the significance of child care as an industry. The child care industry is a diverse and complex network of child care providers and other agencies that has measurable, significant direct and indirect economic benefits for the economies of ten counties in the Sacramento region. The analysis of data followed a tested model that has been used in several other California counties, and the rationale for the study parallels that for a successful project conducted in the Midwest.

The data collection began in late 2002, with an effort to have all data representative of the state of local child care as of June 2003. During this time, child care in California faced unprecedented threats and challenges in terms of State fiscal constraints and possible restructuring of virtually all state funded child care services. Added to this there were significant changes at the federal level and possible reductions in funding for Head Start, a major child care provider in the region. These new challenges came just as child care professionals (including the collaborators who helped compile the data for this report) had weathered the challenges and constraints brought on by implementation of CalWORKs welfare reform.

While attesting to the resilience and strength of the child care system, the years from 1997 to 2003 also increased the need for local investment and creative approaches to sustain and enhance child care. Among the major issues to address in the future include:

- ◆ Funding reductions and policy shifts that have limited access of working families to state subsidized child care;
- ◆ Uncertainties at the state and federal level about the future of publicly funded programs;
- ◆ Continued growth in demand for good quality care as more families depend on formal services as a part of their “extended family;”

# Conclusions & Recommendations

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- ◆ Growing recognition among parents and the public about the importance of the early years for brain growth and other aspects of development;
- ◆ Labor market factors and employment patterns that have reduced young families' options in planning child care;
- ◆ An evolving economy that will continue to depend on highly qualified workers, both the parents of today's children, and the children themselves.

At a time when trends both within child care and in the larger economy are mandating higher quality and more reliable child care, the system faces many threats. The concept of market failure suggests a system that is stretched beyond capacity or has reached its practical limits.

This report was prepared as a first step toward building local coalitions of local advocates, visionaries, and investors to enhance and sustain child care. The report's findings are not a solution in themselves, but are an essential tool as coalitions undertake strategic planning toward solutions.

# Attachments



# A - Calculation Methods for Direct Impacts

Table 1 in the Methods and Data Sources chapter of this report summarized the data sources used to estimate the total revenue and employment generated by child care services in each county. Given the tremendous economic and demographic diversity among the counties, it was not possible to use the same sources for each county. For example, in a county with one or two private centers, the staffing could be counted based on a direct report from a local agency. In a county with more than 200 centers, however, an estimate had to be developed using the licensing standings for staff to child ratios.

Estimating methods (where necessary in lieu of direct counts) used conservative assumptions to avoid overestimates of economic impact. The following sections detail the data sources and estimating methods.

## Employment (Jobs)

Estimating began with a list of all centers in each county, sorted into private (parent fee based) and public (federal and state contract centers) with counts of children served in each age group. Employment was calculated separately for each center. The centers were sorted in this way because the staff to child ratios vary by the age of children served and by program standards

imposed. Private centers by state regulation have fewer adults per children in care; standards for publicly funded centers (CDE/CDD or federal Head Start) tend to require more adults per children in care.

An FTE factor is used to account for the length of day for which service is provided. A common pattern is for centers to be open from 7:00 a.m. to 6:00 p.m.; this would be an FTE factor of 1.5. In the metropolitan area and in migrant care, some centers may provide care through the evening hours, for an FTE factor of 2.0. Part day programs would have an FTE factor of .5 or 1.0, depending on hours of operation.

In addition to a list of child care centers from each Resource and Referral program serving each county, a count of family child care homes by facility size was also obtained. Employment in

<b>Table 2 - Employment Calculation Example</b>				
	Licensed Capacity	Adult: Child Ratio	FTE Factor	Employment = Capacity x Ratio x FTE
Centers	5 Centers x 100 Children = 500	0.125	1.5	93.75
Large Family Child Care Home	5 Homes	2	1	10
Small Family Child Care Home	120 Homes	1	1	120
<b>Total Employment:</b>				<b>223.75</b>



# A - Calculation Methods for Direct Impacts

family child care also follows state regulations, with one caregiver for homes licensed for 6 or 8 children, and two for those licensed for 12 or 14.

Table 2 is an example for a community with 5 centers of 100 children each, 5 large family child care homes, and 120 small family child care homes. In this very simplified example, it is assumed that there are five centers serving only preschoolers, so the employment may be computed in aggregate. Centers are open from 6:00 a.m. to 6:00 p.m., giving an FTE factor of 1.5. Centers are open for 12 hours per day and have a total staff ratio of 1:8.

This estimating method is very conservative because it counts only staff involved in the direct care of children. It does not count staffing for center maintenance, food preparation, or administration.

Estimates of staff in publicly funded programs can be calculated in the same way, using the higher staff to child ratios established by program guidelines.

Some counties were able to report the actual number of full-time equivalent staff in these programs.

## Gross Receipts (Revenue)

As with the calculations for employment, the first step in estimating revenue was to sort centers into private (parent fee based) and public (federal and state contract centers) with counts of children served in each age group. (Again, a separate count of enrollment by age was required because different rates are paid based on the age of the child.) Private center revenue was calculated separately for each center and then totaled for all centers. Table 3 is an example for a community with 5 centers of 100 children each, 5 large family child care homes, and 120 small family child care homes.

<b>Table 3 - Revenue Calculation Example</b>					
	Capacity	Enrollment Rate	RMR	Months/ Weeks	Receipts = Capacity x Enrollment x RMR x Calendar
Number of Children in Centers	5 Centers x 100 Children = 500	0.9	\$500	12	\$2,700,000
Number of Large Family Child Care Homes x 12	5 Homes x 12 Children = 60	0.5	\$125	50	\$187,500
Number of Small Family Child Care Homes * 6	120 Homes x 6 Children = 720	0.5	\$125	50	\$2,250,000
<b>Total Receipts:</b>					<b>\$5,137,500</b>



# A - Calculation Methods for Direct Impacts

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The enrollment rates and Regional Market Rates (RMR) in this table were created for illustration purposes only. The actual RMR were taken from a table of 2001 values provided by the California Child Care Resource and Referral Network, which includes market rates calculated separately for all 58 counties and some cities, for part time and full time care, for three age categories, for family child care and child care centers, and for hourly, daily, weekly, and monthly rates.

Enrollment factors were used for family child care and, in some counties for private child care centers to reflect the fact that private facilities may not have 100 percent enrollment at all times. Unless otherwise noted in footnotes on the profiles, the enrollment factor used for family child care was .75. For child care centers it was 1.0.

Because family child care may serve children of many ages, for the purposes of estimating the RMR, full time preschool family child care rates were used.



# B - Calculation Methods for Indirect Impacts

The calculations of indirect impacts depended on multipliers for revenue and employment from the Regional Input-Output Modeling System (RIMS II)<sup>9</sup> of the Bureau of Economic Analysis (BEA) of the US Department of Commerce. The BEA provides detailed tables by County (in some cases, sub-regions of more than one County) of multipliers for 490 different industries, including child care. The tables below show the multipliers used for earnings and for employment. Although the RIMS II models provide multipliers for 38 industry categories, some have been combined to eliminate zero value multipliers and simplify interpretation.

## RIMS II Final Demand Multipliers for Earnings

Table 4 shows the factors used for the calculation of the amount of indirect earnings in dollars generated by each \$1.00 in final demand. For child care, the total direct revenue related to both public and private sector child care activity was used for calculation of final demand.

	Alpine	Colusa	El Dorado	Placer	Sacramento	Sierra/Nevada	Sutter/Yuba	Yolo
Farm, Forestry, Fishing	0	0	0.0026	0.0016	0.0034	0.0024	0.0026	0.0015
Mining	0	0	0	0	0	0	0.0002	0
Construction	0.0004	0.0037	0.0093	0.0055	0.0083	0.0089	0.0083	0.0037
Manufacturing	0	0.0007	0.0026	0.0053	0.012	0.0093	0.0069	0.0043
Transportation, Public Utilities	0.0022	0.012	0.014	0.0096	0.0175	0.0098	0.0144	0.0083
Wholesale, Retail Trade	0.0005	0.274	0.0426	0.0117	0.0274	0.0207	0.0245	0.0094
Finance, Insurance, Real Estate	0.0096	0.0103	0.0164	0.0147	0.0294	0.0242	0.0126	0.0089
Services	0.1465	0.3821	0.0468	0.2546	0.4004	0.3817	0.427	0.2817
Households	0.0002	0.0006	0.0007	0.0004	0.0007	0.0006	0.0009	0.0004

<sup>9</sup> US Department of Commerce Bureau of Economic Analysis , 1997 RIMS II Multipliers for Alpine, El Dorado, Colusa, Placer, Sacramento, Sierra/Nevada, Sutter/Yuba and Yolo Counties.



# B - Calculation Methods for Indirect Impacts

## **Rims II Final Demand Multipliers for Employment**

Table 5 shows the factors used to calculate the number of jobs generated by each \$1 million in final demand. For child care, the total direct revenue related to both public and private sector child care activity was used for calculation of final demand.

<b>Table 5</b>								
	Alpine	Colusa	El Dorado	Placer	Sacramento	Sierra/Nevada	Sutter/Yuba	Yolo
Farm, Forestry, Fishing	0	0.0322	0.1204	0.0687	0.1585	0.1069	0.1273	0.0705
Mining	0	0	0.0009	0.0007	0.0002	0.0005	0.0023	0.0006
Construction	0.0094	0.0872	0.2825	0.1301	0.1964	0.2108	0.2502	0.088
Manufacturing	0	0.0187	0.0804	0.1272	0.2866	0.2323	0.2177	0.1046
Transportation, Public Utilities	0.0543	0.2855	0.3367	0.1848	0.3472	0.223	0.4056	0.1794
Wholesale, Retail Trade	0.0215	0.8713	2.1453	0.3915	0.9184	0.752	1.1385	0.3118
Finance, Insurance, Real Estate	0.3244	0.3392	0.6231	0.4267	0.7876	0.6553	0.4965	0.2667
Services	8.6289	22.626	1.3714	14.4711	21.9132	21.5576	29.4801	16.5848
Households	0.0167	0.0512	0.0746	0.0321	0.0653	0.057	0.0894	0.0379



# C - Applications of Economic Impact Studies in Other California Counties

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## **Alameda County**

The County's second economic impact report was launched with a forum entitled, "Planning for the Future: A Leadership Forum on Child Care and Economic Development in Southern Alameda County." The event, sponsored by a local technology company, Avant!, drew an eclectic crowd of business people, elected officials, government planners and child care advocates.

Follow-up activities include:

- ◆ General plan revisions in cities throughout the County.
- ◆ Engaging business with a business awards ceremony sponsored by a local chamber.
- ◆ Researching transportation funding streams that can be tapped for child care facilities development.

## **Contra Costa County**

The report launch, held at a local child care center, was designed strictly as a PR event. The San Francisco Business Times, Contra Costa Times and local TV stations covered the event. Later an editorial on the economic contributions of child care appeared in the San Francisco Business Times. The EIR report will act as a tool to support the 10-year plan of the

Contra Costa Child Care Council to increase public investment in child care.

Follow-up activities include:

- ◆ Serving on the Workforce Development Subcommittee of the Contra Costa Council, the county's business association.
- ◆ Presentations to city councils advocating the inclusion of child care into their general plans.
- ◆ A one-day summit will present three programs, one for each audience: business, community, and child care advocates. The business agenda is intended to foster relationships with important leaders who can offer support, advice, and advocacy.

## **Kern County**

The launch of their second economic impact report was held at Buck Owens Crystal Palace in Bakersfield. Individuals representing economic development, banks, lenders, Kern County First 5, child care advocates, elected officials, government, and business were in attendance. Awards were presented to child care advocates: family-friendly



## C - Applications of Economic Impact Studies in Other California Counties

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businesses, a financial institution known for lending to child care programs and a government advocate.

Other activities included:

- ◆ Surveying the business skills of child care providers and then offering workshops on “How To Make Your Child Care Business Successful.”
- ◆ Two Lender’s Roundtables introduced loan products to child care providers and yielded numerous relationships with lenders and grantors.
- ◆ A Kern County micro-loan revolving fund was established to assist family child care providers to start-up, enhance and/or expand their businesses.

### **San Mateo County**

Since the target audience of the second economic impact report was business and community leaders, the new report was presented at the Progress Seminar, an annual conference sponsored by the County Chamber of Commerce. Workshops detailing the report’s highlights and recommendations were held four times during the course of the conference.

Other activities included:

- ◆ Partnering with the City of San Mateo for a planning grant from First 5 to make child care more accessible to families. “Supporting Child Care Development in San Mateo County: Best Practices and Recommendations” was an outcome, emphasizing best practices for land use and zoning.
- ◆ Partnering with the County Office of Housing Development, producing the “Child Care and Housing Linkage Research Study” funded by First 5.
- ◆ Presenting at meetings of city, county and regional organizations to educate businesses, elected officials about child care issues, especially related to land use.

### **Santa Cruz County**

The economic impact report was launched with a press conference where three people spoke: a County Supervisor, the Superintendent of Schools and a banker from a community credit union. The media was given names of child care providers that they could visit and take pictures of, to weave into their stories.

Other activities included:



## C- Applications of Economic Impact Studies in Other California Counties

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- ◆ A program named Child Care Ventures was started to increase child care facility development.
  - ◆ A revolving loan fund was created that later was enhanced with a county legislated developer fee. \$800,000 has been lent out to providers with only one default.
  - ◆ A 20-step manual detailing the process of starting a child care center was published.
- and planners about how the child care industry contributes to the economy.
- Follow-up activities involved:
- ◆ Working with planning staff of cities and county regarding ways to reduce or eliminate restrictive city ordinances and zoning that inhibits responsible development of child care programs.
  - ◆ Developing a local child care loan fund
  - ◆ Engaging businesses by conducting workforce needs assessments and follow up workshops for businesses on child care options.

### **Ventura County**

A half-day “Child Care Economic Summit” was held to educate non-profit leaders, elected officials,

