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CHILD CARE ECONOMIC IMPACT ANALYSIS FOR EL DORADO COUNTY, CALIFORNIA

Prepared for the
Child Care and Development Planning Council
of El Dorado County

By

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EXECUTIVE SUMMARY

Following on similar efforts in other California counties, the Child Care and Development Planning Council of El Dorado County has completed an economic development analysis of child care. The purpose of this study is to document the contributions of child care to the local economy, in order to make the case that investments in child care's formal system have direct benefit to the community as a whole.

The principal findings related to economic contribution are:

- Child care and its related agencies employ approximately 900 persons.
- Gross receipts in private child care are nearly \$26,000,000 per year.
- Child care agencies in the county capture nearly \$4,000,000 in Federal funds and more than \$4,000,000 in State funds.
- Using a model from the US Department of Commerce to calculate induced or indirect benefit, the Study found that child care stimulates or supports more than 1,000 employees and \$16,000 in other business activities in the County.

In other industries, the presence of continuous demand and potential for growth would be viewed as an opportunity. However, child care is an example of market failure, in which the consumers of the service are not able to pay the full cost of care. The formal child care system is also challenged by new service needs, such as the needs of parents who are employed on evening and weekend shifts when most child care centers are not opened.

The continued viability of the formal child care system is at stake, as its ability to meet growing demand for service. The information in this report should help local business leaders and decision makers to understand the challenges and to make appropriate investments toward the future.

INTRODUCTION

The El Dorado County Child Care and Development Planning Council has undertaken the following study in the belief that early care and education services are as essential to the health and well being of communities as they are to young children and their families. Early care and education services (in short, “child care”) are an essential support service for workforce development and long term productivity and stability in employment. These services have also become a focus for new economic development in their own right, both in family child care homes as home based micro-enterprises, in larger child care center based firms, and in a variety of support services. The following report documents the findings of the study, in terms of direct and indirect contributions to the local economy through generation of revenue and employment, capture of public investment, and avoidance of future public costs in remediation.

Overview of the Report: Historical Context

In 1997, the National Economic Development Law Center 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, and as a result changing perceptions of child care among the public and local decision makers. Following the initial nine projects, and concomitant with release of a state wide compilation of study results, the method was replicated in other counties. In 2001, NEDLC published its methodology¹ so that it may be applied in many other locales. That publication is the basis for the study reported here.

In a parallel development, advocates for early care and education in Kansas City, Missouri published “Greater Kansas City’s Children Prepared for Success in School: A Community Plan...” in March 6, 2002. This comprehensive document includes many similar arguments and analyses, and the study for El Dorado County has adopted some of the terminology from that report.

¹ National Economic Development Law Center (NEDLC). A Methodology Guide: Creating an Economic Impact Report for the Child Care Industry. Oakland: NEDLC, April 2001, www.nedlc.org.

Overview of the Report: Defining Child Care

A study of this kind could easily be derailed by debates about the definition of child care/early care and education. Although commonly viewed as a social service for disadvantaged and at risk families, in fact child care is a service used by families at diverse income levels, administered by both public and private sector agencies, with the purpose of supporting employment of parents. The reality is that families use a diverse range of formal and informal services (some not so much “services” as relationships and individuals within their social networks) for a diverse set of reasons as they arrange child care. Payment of fees for services does not resolve the confusion, because parents may be unaware of public subsidies that lower the cost of care or make it “free”.

Much of the literature about child care and early education seems written to address one of two arguments:

- Child care is beneficial to children and families by contributing to the healthy development of children and to family function, or
- Child care is a practical necessity for parents’ employment, and does no harm to children in care.

Although child care advocates have also argued for immediate and long term individual and social benefits in terms of school readiness, employee productivity, prevention of child and family problems, and crime prevention, these arguments have tended to lack concrete evidence. In addition, none of the analyses and arguments has considered child care as a valuable business enterprise comparable to others in the community that creates jobs, attract revenue, and in general increase economic activity in a region. Economic development planners need to recognize child care as a part of the necessary social infrastructure that makes it possible for people to go to work.

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, and 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 the 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. With the advent of welfare reform, an increasing number of parents are facing this challenge.

There is one gray area that 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 program, be counted as child care? Some have refused to do so, on the grounds that it is difficult to count, or that doing so indirectly gives approval to unlicensed care. In fact, the share of public funds that support license exempt care can be quickly counted for CalWORKs eligible families, and this use is supported by public policy at both the State and Federal level. Parents may choose license exempt care for a variety of reasons, including lack of better options to meet family needs. At least some of the use of license exempt care may be interpreted as unmet demand for licensed services, and should not be ignored. The method used to value license exempt care will be explained in the next section of the report.

Overview of the Report: Method and Data Sources

The National Economic Development Law Center (NEDLC) developed its method in part due to a serious gap in economic data about child care. Data for major industry types are readily available from sources including the US Departments of Labor (DOL) and Commerce (DOC) and the Census Bureau's Economic Census. However, the treatment of child care in existing national sources is not always accurate or complete.

NEDLC analyzed child care economic data provided by the DOC and DOL and found problems with their validity. The DOC analysis tended to underestimate gross receipts in child care, perhaps due to the difficulty of counting smaller centers and family child care, and due to errors due to confusion between informal, unlicensed care and formal, licensed services where both are offered in home-based settings. The DOL has in the past misclassified child care employment, confusing it either with education or with lower skilled service occupations such as animal care technicians. Instead of using these indirect estimates from Federal and State sources, the NEDLC method is a direct estimate from County-level child care data provided by local agencies.

The analysis of child care economic impact began with a list of all licensed child care facilities in the County, both child care centers and licensed family child care homes. Estimates of gross receipts (the total revenue generated by programs) can be calculated because the California Department of Education Child Development Division (CDE/CDD) collates Regional Market Rates for child care, 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) can be calculated because ratios of child to adult are defined in State child care facility regulations, and further defined for State-funded programs in their funding guidelines. The Child Care and Development Planning Council and resource and referral agency (El Dorado County Child Care and Development Planning Council, and Choices For Children) provide important information on vacancy or enrollment rates and on growth in child care capacity. Data on capture of Federal and State subsidies can be directly determined from contract amounts for all child development programs, including State Preschools and Children's Centers, Head Start and Early Head Start, Child Care Resource and Referral, the Child Care Food Program, and some other related programs.

NEDLC intentionally excluded local use of license exempt care² from its economic impact analysis, because most of it is not a part of the formal economy of the industry, 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 (welfare reform) 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. Locally and statewide, rates for use of license exempt care by CalWORKs participants have been high, in excess of 70 percent in some areas. 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. To resolve the conflict without overestimating the use of licensed care, this study includes 50 percent of all CalWORKs Stage 1 and 2 in the category of "Capture of State and Federal revenue". This category

² According to California Community Care Licensing regulations, some categories of care are exempt from licensing. These include care provided by family members, care provided to the children of just one family other than the providers, 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.

is not intended to imply or deny that license exempt care is of equivalent quality 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. It is assumed that the other 50 percent of CalWORKs child care subsidies are spent in licensed, private sector facilities, and they are counted in the gross revenue estimated for those programs.

Table 1 summarizes the variables included in the analysis, and sources of data.

Table 1
Child Care Economic Variables and Data Sources

	Data	Source
Total Enrollment	List of licensed child care facilities, with licensed capacity per facility	Choices for Children Resource & Referral (CfC)
GROSS RECEIPTS—Center	Licensed capacity x Enrollment rate x Regional Market Rate (RMR)	CfC CfC California Child Care R&R Network
GROSS RECEIPTS—Family Child Care	Licensed capacity x Enrollment rate x RMR	CfC CfC California Child Care R&R Network
DIRECT EMPLOYMENT Centers and Family Child care	Total licensed capacity x Staffing ratio, plus additional non-teaching staff for very large centers	CfC CfC NEDLC NEDLC
DIRECT EMPLOYMENT EDCOE Child Development Programs, State Funded Programs, R&R and LPC	Direct report from administering agencies	CfC CfC NEDLC NEDLC
INDIRECT EMPLOYMENT	Total direct revenue x Multiplier	US DOC Bureau of Economic Analysis, RIMS II data files for El Dorado County
INDIRECT EARNINGS	Total direct revenue x Multiplier	US DOC Bureau of Economic Analysis, RIMS II data files for El Dorado County

Samples of actual calculations of these data factors are provided in Attachment 1.

CHILD CARE IN EL DORADO COUNTY

Participation in the Formal Child Care Sector

El Dorado County has a diverse child care system that includes

- Small and large family child care homes, serve up to 6 to 8 children and 12 to 14 children, respectively. In large homes, providers employ an assistant. This permits a larger group of children still cared for in a residential environment.
- Centers of varying size, administered by independent owners, or larger firms with multiple centers.
- Publicly funded and administered center based programs. Some of these are part day programs intended to encourage parent involvement and support young families. Others are full day programs that provide care while parents are at work.
- License exempt child care at school sites to care for children after school.

In addition to direct service providers, two agencies support and direct the development of child care in the County. The Child Care and Development Planning Council is State funded to collect and disseminate child care planning data, oversee the child care needs of specific populations (in particular, CalWORKs families), and administer the staff retention program known as CARES. Choices for Children administers multiple programs to support parents and providers. Among their services are

- Child care Resource and Referral, which assists parents at all income levels in obtaining child care information and making informed choices.
- Subsidy programs including Alternative Payment and CalWORKs State 2 and 3, which permit income eligible parents to purchase services from private providers in the community;
- The Child Care Food Program, which distributes Federal food subsidies to family child care providers and in some cases to centers serving low income families.
- Programs to recruit, train, and support child care providers, including the Child Care Initiative Project.

This brief description of the elements of El Dorado County's child care system demonstrates that it is a mature, if complex system that integrates multiple agencies and funding sources. At the heart of the system is the relationship between consumers, parents seeking care for their children, and diverse child care providers.

Overview of Child Care Demand and Supply

The Child Care and Development Planning Council's 2000-2003 Community Assessment and Strategic Plan found tremendous gaps between supply and demand for child care, especially for subsidized child care services. For infants needing full time subsidized services, only half were being served. For preschoolers, the percentage was greater, 84 percent. Only 40 percent of children needing subsidized after school care were receiving services. The Community Assessment estimated that for all families seeking care (regardless of income), there are licensed services for just 21 percent of infants, 70 percent of preschoolers, and 36 percent of school age children.

In addition to large gaps that would affect all families needing care are gaps in specific needs that leave sub-populations of children and families in El Dorado County with very few options. These populations include children with disabilities, children of migrant and seasonally employed families, and children at risk of abuse and neglect.

Market Failures: Impact on Affordability and Staffing

The term "market failure" was first formally applied to child care in a report in early 2002 from Kansas City, Missouri³. The term is typically used by economists when arguing for public intervention (for example, with price controls or subsidies) in the market for a given commodity or industry. For child care, it reflects a fundamental and unsolved problem, that the consumers of the service cannot pay its full cost, and that it is a labor intensive, costly service.

The prevalence of the problem is reflected in the large number of publicly subsidized and operated services, and the variety of ways (however inadequate) in which consumers are also subsidized in purchasing care from the private sector. Subsidies range from fully funded and publicly administered child care centers, to subsidized payments (similar to vouchers) that purchase services for eligible families

³ Greater Kansas City's Children Prepared for Success in School: A Community Plan for Building the Infrastructure for a High Quality Early Learning System, March 6, 2002.

from private sector operators, and to federal subsidies through the tax codes for moderate and middle income families.

One way to view market failure is from the consumer side. Families with young children typically face child care expenses at a time in their lives when incomes are still relatively low. A recent study of family budgets statewide looked at standardized costs by county for families of different sizes and composition. According to this "Self Sufficiency Standard"⁴, a family consisting of one adult and two preschoolers in El Dorado County would be expected to spend \$631 per month on housing and \$906 per month on child care, if no subsidies were available. To support a budget that would cover all needs, including food, transportation, health care, and taxes, the monthly income for the household would have to be \$2,882. A similar calculation, for a family with two adults, a preschooler and one child in school would be expected to pay \$631 per month on housing (the study assumes that both families need at least a two bedroom apartment) and \$787 on child care, or a minimum total monthly family income of \$3,270.

For the single parent example, child care would represent 30 percent of the family budget. For the two parent example, child care represents a slightly smaller share, 24 percent, but still more than housing cost.

It should be emphasized that many income eligible families do not receive child care subsidies. Long waiting lists are typical for most public programs, and priority for service is usually given first to families with lowest income or significant risk factors. State subsidized programs by regulation may serve families up to 75 percent of the State median income. Those who fall between 75 and 100 percent are not eligible, but would have difficulty paying the full cost. The one parent family in the example would be eligible for State subsidized child care, although their income would be sufficiently high that they might stay on the waiting list until past the time that child care would be needed. The two parent family would have income in excess amounting to \$20 per month and would not qualify.

The other way to look at market failure is from the perspective of child care operators and employees. Child care seems expensive when one views a family budget, but is it? Child care is a labor intensive industry that requires a uniquely

⁴ Diana Pearce and Jennifer Brooks. The Self-Sufficiency Standard for California. San Francisco: Equal Rights Advocates, November 2000.

qualified and stable workforce. Personnel costs can easily absorb from 70 percent to 90 percent of a program budget. In fact, it appears that employees and operators subsidize child care by accepting inadequate payment for their services.

In 2000, the Child Care and Development Planning Council surveyed salaries of child care employees in child care centers, and earnings of family child care providers. The survey found that the average starting wage for center teachers was \$8.65 per hour, which represented an annual income of just \$16,960. Experienced teachers earned an annual income of \$21,687.

Child care center operators have been continuously challenged with filling vacancies in the face of high turnover and competing employment opportunities. In particular, with the adoption of class size reduction in California's public schools, qualified child care staff have been recruited to fill vacancies in public education. The result of the low pay and competing opportunities is that 19 percent of child care centers participating in the El Dorado survey reported staff retention of less than one year; 39 percent reported retention of one to three years.

In contrast with child care centers, family child care is sometimes viewed as a more cost-effective model that makes optimal use of the provider's assets (including the provider's home) and permits employment while providing care for one's own family. The income figures reported by providers in the El Dorado survey were extremely low; 47 percent reported net annual income of \$5,000 or less, and only 16 percent reported net income of more than \$15,000. These figures are for providers who have attained relatively high levels of education; 18 percent had a bachelors degree or higher, and 55 percent had completed some college.

In child care, "market failure" describes a service that is out of reach financially for many would-be consumers, unless government assistance is provided. It also refers to the subsidies provided by employees and operators who forgo wages and profit in order to keep the price of service low. A consequence of this subsidy is a marginally stable workforce.

A section in the next chapter of this report will tally the variety of public inputs that either underwrite the cost or support the quality of child care, both for income eligible families and for child care consumers in general.

Current Activities by the El Dorado County Child Care and Development Planning Council

The Child Care and Development Planning Council's "mission is to serve as the focal point for the planning and development of accessible, affordable, quality child care and development programs for children and families in El Dorado County."⁵ This report is just one of several projects it has undertaken to provide detailed and current planning information to diverse agencies. Other current projects include:

- The CARES program, as mandated by AB 212 of 2001, requires the Council to develop a plan and distribute funds for staff retention and professional development. AB 212 restricts this activity to staff in State funded child development programs. With the support of the Children and Families Commission at the County and State level ("Proposition 10" funding), the Council has been able to offer stipends to all child care providers in the County. As of April 2002, 142 early childhood professionals have been receiving stipends as incentives to work toward higher levels of education and professional credentials. This is a critical strategy to improve quality and maintain capacity. High rates of staff turnover have been found to be detrimental to development of young children, and of course are also costly to child development programs.
- In October 2001 the Council coordinated a project to assess employee child care needs at large employment sites in El Dorado Hills.⁶ This project provides a method and template that can be used elsewhere in the County to develop child care services tailored to the needs of a specific community or employee group.
- The Council is continuing its efforts to educate the public about the value of child care. A business retention survey by the El Dorado County Office of Economic Development found that 48 percent of respondents did not have enough information to comment on availability of affordable child care as a community service. Of those who did, 32 percent believed that affordable child care was difficult to find. As the study reported here demonstrates, child

⁵ El Dorado County Child Care and Development Community Assessment and Strategic Plan 2002-2003.

⁶ Report on the Status of Child Care and Development Services for Employees in El Dorado Hills. June 2002.

care is a significant economic enterprise, one on which others depend. More public information is definitely needed.

- In the coming year, the Council will be working with Choices for Children to implement a new State funded program (SB 1703) reaching out to private child care providers with training and technical assistance, ensuring adequate accommodation of children with disabilities in child care programs.

ECONOMIC CONTRIBUTIONS OF THE CHILD CARE SECTOR

Principal Findings: Contribution of Child Care to Local Employment

Lists of child care facilities and programs were obtained from local data sources including Choices for Children, the El Dorado County Office of Education, the CDE/CDD Consultant assigned to El Dorado County, and the Community Care Licensing Internet site. Direct counts of employees were obtained for Choices for Children, for the Child Care and Development Planning Council, and the El Dorado County Office of Education (EDCOE).

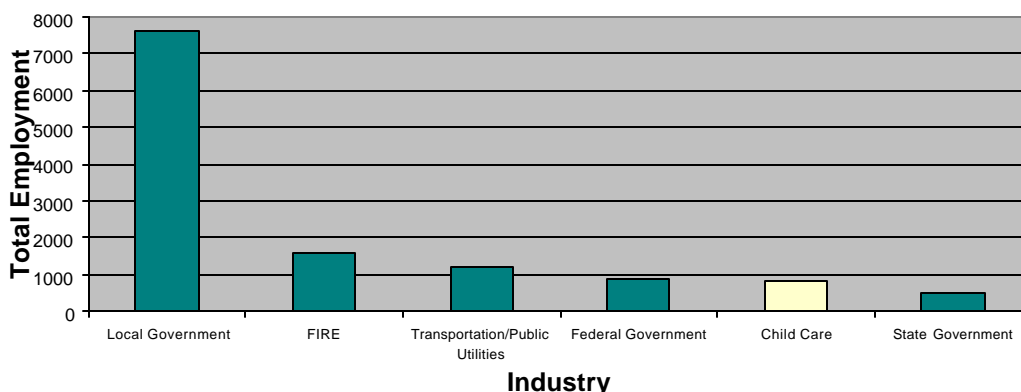
Estimates of employment in child care facilities (other than Head Start) were derived using the method recommended by NEDLC. This method is based on adult to child ratios mandated by Community Care Licensing regulations (Title 22) and by CDD/CDE standards (Title 5), with direct counts of non-teaching staff in larger centers. The estimating method is outlined in Attachment 2.

Table 2
Full Time Equivalent Positions in Child Care Employment

Family Child Care	275
Child Care Centers	493
Early Head Start	31
Head Start	69
Planning Council	1.5
Choices for Children R&R	35
Total Employment	904.5

A more time consuming approach would be to survey every licensed facility and ask for employee counts, but this was not feasible. The estimation method based on staffing ratios should yield a fairly accurate, but conservative estimate of employment.

Table 3: Total Employment by Industry, El Dorado County, 2000



Attachment 2 compares the 900 jobs created by direct child care employment with employment for other sectors.

This study has already documented that child care employment is not highly remunerative, but it is a rewarding field with different entry points geared to the ability and interests of potential workers. Child care in El Dorado County generates a significant number of jobs. In spite of recent marked changes in industrial sectors, demand for child care employees has remained strong. The Planning Council's CARES project is designed to retain and improve compensation for child care employees while recognizing long term achievement in job training and tenure.

Principal Findings: Gross Receipts from the Child Care Industry

Private sector child care in El Dorado County generates almost \$26 million in gross receipts each year. This finding is particularly striking, given the fact that child care does not have the public recognition of other local industrial sectors. Attachment 3 compares gross revenue in private sector child care with that for other industry sectors in El Dorado County. Attachment 4 makes a similar comparison with agricultural products

Table 4: Gross Receipts by Industry, El Dorado County, 2001

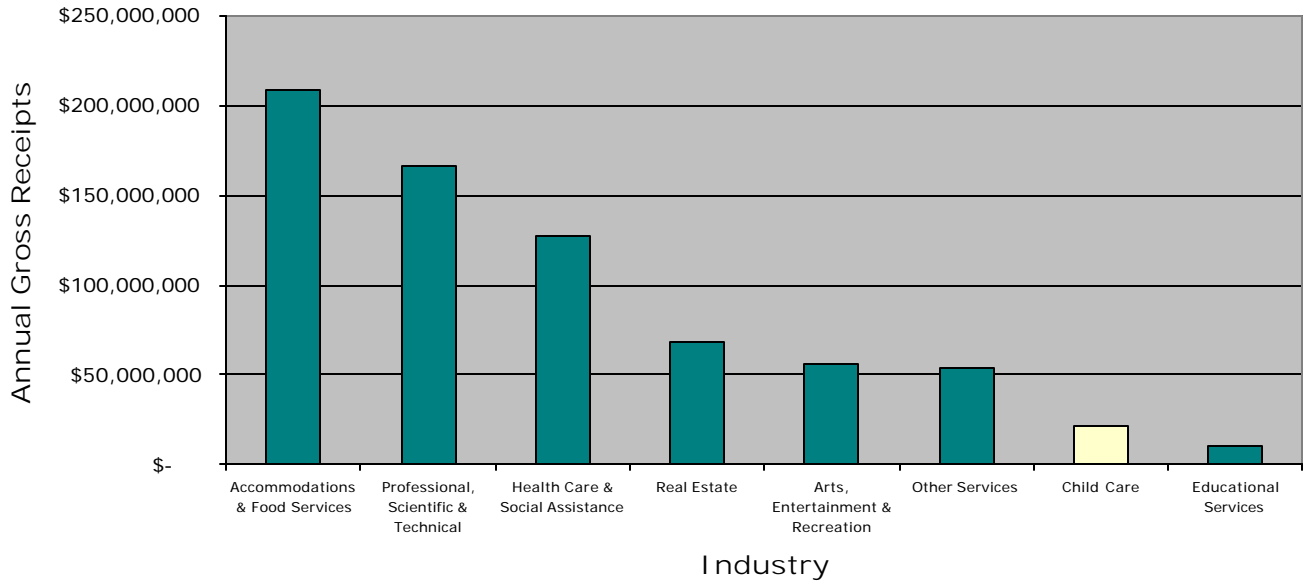
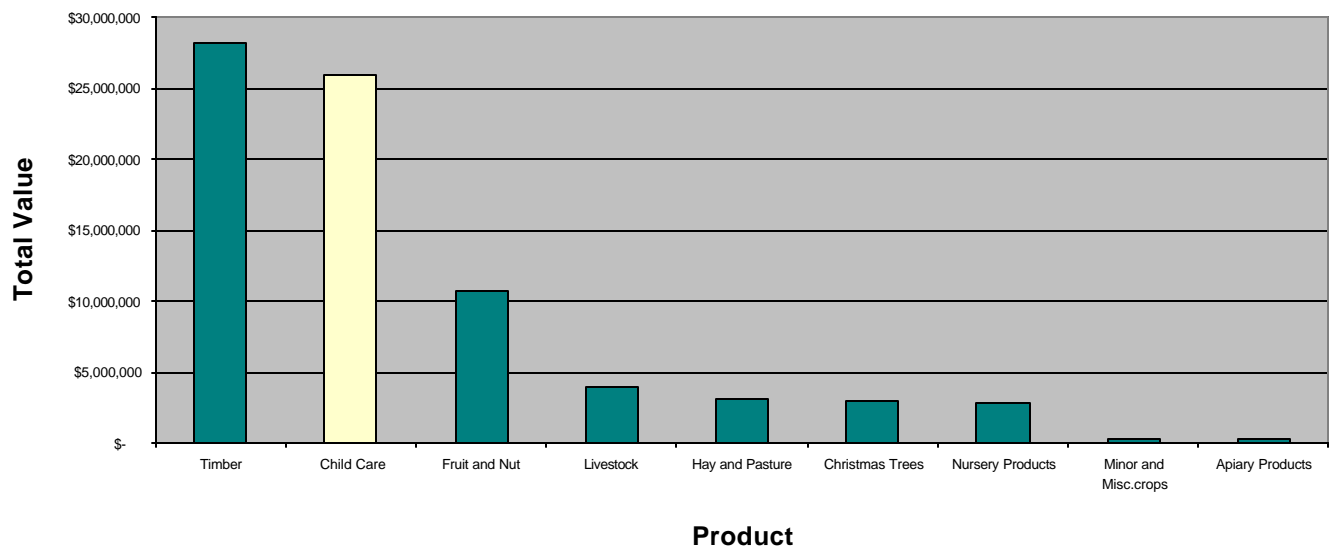


Table 5 : Crop Report, El Dorado County, 2001



The estimation method for gross receipts was also taken from the NEDLC Guide and parallels that used to estimate employment. The difference being gross receipts are counted only for private sector child care facilities, and are based on the published Regional Market Rates (RMR) for El Dorado Child Care programs. The RMR, published annually by CDE/CDD, are calculated for each county and for some smaller child care markets based on the results of a comprehensive survey conducted under the direction of the California Child Care Resource and Referral Network. Separate RMR are given for part time and full time care; for daily, weekly and monthly rates; and for three age categories of care:

The accuracy of this estimating method depends on two assumptions.

- The RMR, a statistical average used to determine levels for State subsidy payments, reflects what parents actually pay in child care fees.
- Enrollment rates account for the actual enrollment in programs included in the calculation. Care has been taken to make conservative estimates.

Attachment 1 gives a sample calculation.

Principal Findings: Induced or Indirect Employment and Revenue

The US Department of Commerce Bureau of Economic Analysis offers statistical models ("RIMS II") to estimate the impacts of local economic development by specific industry categories on other sectors of the local economy. These models have been computed for county-level data and higher. With these models, it is possible to estimate how child care economic activity supports demand for services, purchases, and employment among other local industries. This study uses the model and factors provided for El Dorado County.

It is useful to consider a concrete example. For example, a family child care home directly creates at least one job, for the provider and perhaps an assistant. Within the community, the same home supports jobs in grocery and other retail stores, administrative positions (for child care licensing, tax preparers, and others), home cleaning and repair services, and a variety of jobs related to goods and services that providers purchase with their take-home pay. At the same time, the revenue generated in the family child care home business is passed onto other firms and industries in the

community, both as purchases needed for the business, and purchases made by the individuals who earn their livelihood in child care.

Attachment 5 lists the employment and earnings multipliers from the RIMS II models for El Dorado County, and resulting calculations for child care. For ease of interpretation, this table calculates only industries with a non-zero multiplier, and combines some of the 38 industry categories (for example, transportation, motor vehicles, and other transportation equipment) to simplify interpretation.

To determine the number of jobs that are the indirect result of child care, each multiplier is multiplied \$1,000,000 of total child care revenue or “final demand” in the county. To determine the amount of earnings that are an indirect result of child care, the multipliers are multiplied by each dollar of final demand for child care.

The results of the computation using the RIMS II model indicate that the benefit of child care in employment in other industries in the region amounts more than 1,000 jobs and \$16 million in the community. This reflects the impact of services and products purchased to develop and operate child care programs, and the local spending power of people employed by child care.

Principal Findings: Capture of State and Federal Revenue

Table 6 summarizes State and Federal contracts and payments made to El Dorado County agencies for child care.

Table 6
Capture and State and Federal Revenues by Child Care Services,
El Dorado County, 2001

Federal Subsidies		State Contracts	
Child Care Food Program	\$388,000	Centers	\$2,723,730
EDCOE Head Start	\$2,492,294	Choices for Children R&R	\$231,378
EDCOE Early Head Start	\$976,913	Child Care Planning Council	\$88,100
		CARES Grants	\$330,366
		50% CalWORKs Stages 1 -3	\$1,480,660
TOTAL	\$3,857,207	TOTAL	\$7,815,555

The Planning Council administers the CARES Program including funding from the Department of Education and Proposition 10. Choices for Children administers the Food Program for several contiguous counties and estimates that one third of their revenue is for El Dorado Child Care. Choices for Children R & R includes the CDD Contract, Federal Block Grant Contract, Health and Safety, and Child Care Initiative Project.

Principal Findings: Avoiding Future Costs in Public Services

This report has already documented the immediate, economic benefits of child care and early education to the communities of counties. Child care and early education has less tangible but no less important benefits both in the short and long term development of the child. Economists and child development researchers are now building a substantial body of work to demonstrate real, long-term benefit.

For decades, child care advocates have argued that communities can “pay now or pay later”, by supporting healthy family functioning and optimum education and development in children. The consequences of inadequate or poor child care are believed to be increased rates of family violence, school failure, and other serious social problems.

For example, two researchers⁷ from the University of Wisconsin have publicized results using a statistical model to assess developmental benefit versus the cost of improving child care quality. Analyzing a study of child development conducted by the National Institute of Child Health and Development, they found statistically significant improvement in developmental outcomes with very modest improvements in quality. In other words, modest improvements in the level of quality of care can result in major improvements in children’s development.

These researchers also cited a number of well-known studies, including the Carolina Abecedarian Project, the Perry Preschool Project, and the Chicago Child-Parent Centers. These studies followed children at high risk for developmental problems into young adulthood, after enrollment in very high quality early childhood programs. Although these programs were not full time child care, they suggest the importance of quality of early care and education in good future outcomes for children and families.

⁷ Deborah Vandell and Barbara Wolfe, Child Care Quality: Does it Matter and Does it Need to Be Improved? Prepared for the Office of the Assistant Secretary for Planning and Evaluation, US Dept. of Health and Human Services, May 2000. <http://aspe.hhs.gov/hsp/ccquality00/index.htm>

More recently in California, a group called Fight Crime: Invest in Kids California⁸ published a report prepared under the supervision of a blue ribbon panel of law enforcement, judicial, and victims advocate leaders, with an equally prestigious panel of advisors from the field of early care and education. This report documents the need for much higher funding levels for child care, both to assure adequate supply and reduce the cost burden on low to moderate income families, and to improve child care quality. The authors of the study applied the findings from other studies of early intervention, including the Perry Preschool Project, to argue yet again for the potential to avoid future costs by more adequately funding child care now.

Finally, a recent report published by the National Research Council⁹ compiles the very large body of research on early childhood development and includes the chapter, "Growing Up in Child Care". This review of scientific research summarizes what is known about patterns of child care use by US families, the potential risks of poor quality care, and the positive developmental results of good quality care. This analysis concludes with a discussion of the need for a greater commitment to fund and develop better quality of care, because it is a fact of life for many families that does affect children for good or ill:

"It appears that even small improvements in ratios and training, and relatively modest compensation initiatives, can produce tangible improvements in the observed quality of care. But the larger need is for communities to create more viable systems of child care that do not tolerate unsafe and unstimulating settings, actively promote and reward high-quality care, stem the tide of staff turnover, and enable parents at all income levels to avail themselves of quality care for their children."

⁸ Fight Crime: Invest in Kids California. California's Child Care Crisis: A Crime Prevention Tragedy, 2001. www.fightcrime.org/ca

⁹ Jack Shonkoff and Deborah Phillips, Eds. From Neurons to Neighborhoods: The Science of Early Childhood Development. Washington, DC: National Academy Press, 2000. Page 327

CHILD CARE'S FUTURE IN EL DORADO COUNTY

El Dorado County is now weathering the crises that have come with the technology sector and the new economy. At the same time, it has coped with the challenges of significant growth and economic change. According to SACOG¹⁰, the projected annual population growth for El Dorado County for the period 1999-2025 will be 1.85 percent. Its annual rate of employment growth will be 2.86 percent. Located as it is on the edge of the Sacramento metropolitan area, leaders here can only expect continued growth and change.

Choices for Children reported that although it has observed a 40 percent increase in child care in the past five years, most of this growth was not in the formal child care sector. Although much of the growth can be attributed to a rapid increase in child care demand, and policies that support use of license exempt care with implementation of CalWORKs, a question remains about whether the formal system is up to the demands of change. The report from the El Dorado Hills Child Care Consortia cited that licensed spaces for infants had actually declined 25 percent since 1998; for preschoolers, the decline was 11 percent. This left just 26 spaces in child care centers and 76 in centers, although nationally the trend has been increasing demand for center based care for infants.

Child care should be viewed as a strategic asset that will support economic development in other sectors. It may also prove to be a growing industry in its own right, if the critical issues related to market failure can be mitigated. The formal system is being challenged to respond to changing needs at a time when it lacks basic resources to continue its core services. With changing demographics and employment patterns, more parents are looking for care on evenings and weekends, care when children are recovering from mild illness, and care for children with special needs.

The original child care economic development projects authored by the National Economic Development Law Center worked under the acronym LINCC, or Local Investment in Child Care. This report has been developed based upon the LINCC project, as a justification for more local investment in El Dorado County.

¹⁰ Sacramento Area Council of Governments, www.sacog.org

The future of El Dorado's child care system should depend on local recognition and investment in this essential service, so that local families and the economy of the region can prosper.

SUMMARY AND RECOMMENDATIONS

This study has documented significant economic benefit to El Dorado County from child care in its many forms. In summary:

- Child care and its related agencies employ approximately 900 persons.
- Gross receipts in private child care are nearly \$26,000,000 per year.
- Child care agencies in the county capture nearly \$4,000,000 in Federal funds and nearly \$8,000,000 in State funds.
- Using a model from the US Department of Commerce to calculate induced or indirect benefit, the Study found that child care stimulates or supports more than 1,000 employees and \$16,000 in other business activities in the County.

It should be noted that these economic benefits are in addition to the crucial role played by child care in assuring that employees with children are able to go to work and function productively while children are in safe, good quality care.

This study makes a strong case that child care is “worth it” in terms of local investments. Such investments are critical to assure that the formal system of licensed good quality care, with subsidies to assure affordability for all who need it, continues to grow with demand.

What investments are needed?

- Studies such as the El Dorado Hills survey should be replicated, with commitment from employers to follow through with support for needed services.
- Local government needs to assure that adequate sites exist for new programs, and that local policies do not stand in the way of new child care centers, as well as family child care homes in residential developments.
- Local business leaders and policy makers should be receptive to efforts by the Planning Council to disseminate public education about child care. Changing State and Federal child policies could be a new focus for attention by community leaders.

Attachment 1

Sample Calculations: Child Care Center Employment and Gross Receipts

Employment

Unless there are few centers, all of similar capacity and serving one age category, the center enrollment should be calculated separately for each center and then total for all centers added to the total family child care employment.

1 = Licensed Capacity X Number of Facilities	2 = child:adult ratio	3 = FTE Factor	4 = Additional staff, Large centers	Employment = (1X2X3) + 4
# Center enrollment	Varies	Varies	Varies	##
# Large homes	2	1	n.a.	##
# Small homes	1	1	n.a.	##

The following example is 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. It is assumed the centers are open for 12 hours per day and have a total staff ratio of 1:8. A direct count of the centers identified 10 non-caregivers, such as Directors, Cooks, and Health Assistants.

1 = Licensed Capacity Facilities	2 = child:adult ratio	3 = FTE Factor	4 = Additional staff, Large centers	Employment = (1X2X3) + 4
500	0.125	1.5	10	104
5	2	1	0	10
120	1	1	0	120
TOTAL EMPLOYMENT				234

Gross Receipts (Revenue)

Where it is possible to identify the number of children served within each age category, the center receipts for each age category and part time/full time should be calculated separately.

1 = Capacity	2 = Enrollment	3 = RMR	4 = month/week	Receipts = 1X2X3X4
# Children, all centers	0.9	FT monthly	12	\$\$
# Large homes * 12	0.5	FT weekly	50	\$\$
# Small homes * 6	0.5	FT weekly	50	\$\$

The following example is for a community with 5 centers of 100 children each, 5 large family child care homes, and 120 small family child care homes. The enrollment rates and Regional Market Rates were created for illustration purposes only.

1 = Capacity	2= Enrollment	3 = RMR	4 = month/week	Receipts = 1X2X3X4
500	0.9	\$500	12	\$2,700,000
60	0.5	\$125	50	\$187,500
720	0.5	\$125	50	\$2,250,000
TOTAL RECEIPTS				\$5,137,500

Attachment 2
Employment by Industry Sector, El Dorado County, 2000

Industry	# Employed
Farm	400
State Government	500
Federal Government	900
Wholesale Trade	1000
Child Care	1000
Transportation/Public Utilities	1200
FIRE ¹	1600
Manufacturing	2500
Construction and Mining	4000
Local Government	7600
Retail Trade	9800
Services	15000

Source: Employment Development Department,
¹Finance, Insurance, and Real Estate, 2000

Attachment 3

Gross Receipts by Industry, El Dorado County, 1997

Industry	Gross Receipt
Educational Services	\$ 10,302,000
Child Care	\$ 26,000,000
Other Services	\$ 53,422,000
Arts, Entertainment & Recreation	\$ 56,512,000
Real Estate	\$ 68,640,000
Admin., support, waste mgt., remediation	\$ 70,595,000
Health Care & Social Assistance	\$ 127,506,000
Professional, Scientific & Technical	\$ 165,947,000
Accommodations & Food Services	\$ 208,973,000
Wholesale Trade	\$ 249,670,000
Manufacturing	\$ 287,861,000
Retail Trade	\$ 926,764,000

Source: Economic Census, 1997

Attachment 4
Crop Report, Total Values, El Dorado County, 2001

Crop	Total Value
Apiary Products	\$ 38,000
Minor/Misc. crops	\$ 289,700
Nursery Products	\$ 2,879,000
Christmas Trees	\$ 2,933,000
Hay and Pasture	\$ 3,136,700
Livestock	\$ 3,999,100
Fruit and Nut	\$ 10,690,800
Child Care	\$ 26,000,000
Timber	\$ 28,229,200

Source: El Dorado County Department of Agriculture

Attachment 5
 Indirect Employment and Earnings Related to Child Care,
 El Dorado County, 2001

CATEGORIES	RIMS II Multipliers			
	Earnings	Employment	Earnings	Employment
Electronics & instruments	0.0003	0.0067	\$ 9,360	0.21
Electricity, gas, sanitary	0.002	0.0245	\$ 62,400	0.76
Communications	0.0027	0.048	\$ 84,240	1.50
Household	0.0007	0.0746	\$ 21,840	2.33
Manufacture and Materials	0.0026	0.0804	\$ 81,120	2.51
Farm products/food	0.0026	0.1204	\$ 81,120	3.76
Paper, Printing, Publishing	0.0046	0.1207	\$ 143,520	3.77
Wholesale trade	0.006	0.1488	\$ 187,200	4.64
Personal Services	0.0025	0.1577	\$ 78,000	4.92
Transportation, vehicles, equipment	0.0093	0.2642	\$ 290,160	8.24
Construction/construction materials	0.0093	0.2825	\$ 290,160	8.81
Business Services	0.0173	0.5112	\$ 539,760	15.95
F.I.R.E.	0.0164	0.6231	\$ 511,680	19.44
Health Services	0.027	0.7025	\$ 842,400	21.92
Hotel, Lodging, eating and drinking	0.0128	0.9021	\$ 399,360	28.15
Retail Trade, Apparel	0.0189	0.967	\$ 589,680	30.17
Misc. Services	0.3792	27.647	\$11,831,040	862.59
TOTALS			\$16,043,040	1019.66