

B u t t e c o u n t y

Assessing Child Care Economics, Needs & Transportation

Economic Impact Report



Sponsored by
Butte County Children and Families Commission

Prepared by
National Economic Development and Law Center

In Partnership with
Butte County Office of Education, Child Development Programs & Services
And
Butte County Professionals

BACKGROUND

This report is based on a series of reports originally produced by the Local Investment in Child Care (LINCC) Project, launched in 1997 with support from the David and Lucile Packard Foundation, and designed to incorporate child care into local economic development planning. As part of the LINCC project, the National Economic Development and Law Center (NEDLC) produced Economic Impact Reports for eight counties in California in 1999. The Economic Impact Reports articulate child care in economic development terms and quantify the ways in which the child care industry is critical to the local economy. In addition, the reports help to build local partnerships aimed at increasing the child care industry's capacity to respond to the shifting child care needs of California families.

The Butte County Office of Education recognized the opportunity to leverage the learning of the LINCC Project and expertise of NEDLC, and in 2002, sought to develop a county report that would address child care within unique rural communities. The Butte County Children and Families Commission also recognized the importance of a comprehensive analysis which would illustrate the contributions and needs of the child care industry in the county, and agreed to financially support the project. As a result the Accessing Child Care Economics, Needs and Transportation (ACCENT) project was created, a true partnership between Butte County Children and Families Commission, Butte County Office of Education, and the National Economic Development and Law Center. The Butte County Department of Employment and Social Services graciously agreed to fund the printing of the report, and we gratefully acknowledge their support.

The ACCENT project is comprised of three components: the Economic Impact of the Child Care Industry in Butte County, the Butte County Child Care Community Needs Profile, and the Butte County Child Care Transportation Study. Each component was completed with the support of a corresponding advisory board, made up of child care, economic development, government, finance, and transportation professionals. Advisory board members contributed quantitative data, qualitative analysis, and many professional hours to the project.

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Butte County
Assessing Child Care Economics, Needs & Transportation

Economic Impact Report

2002

Butte County Children and Families Commission

National Economic Development and Law Center

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THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN BUTTE COUNTY

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Executive Summary

The Economic Impact of the Child Care Industry in Butte County

Butte County's child care industry is critical to the county's overall economic vitality and quality of life. Far from a luxury, child care is an income-generating, job-creating industry in its own right, and enables parents to work throughout Butte County's industries. Stable, high-quality child care also increases worker productivity, reduces turnover and absenteeism, and increases loyalty and motivation. Demographic and economic trends show that over the next ten years, Butte County will continue to see job and population growth despite a current economic slowdown. The current supply of child care will be unable to meet this growing need, and partnerships between the child care industry, government, and business are necessary to increase child care supply, quality, and affordability for Butte County.

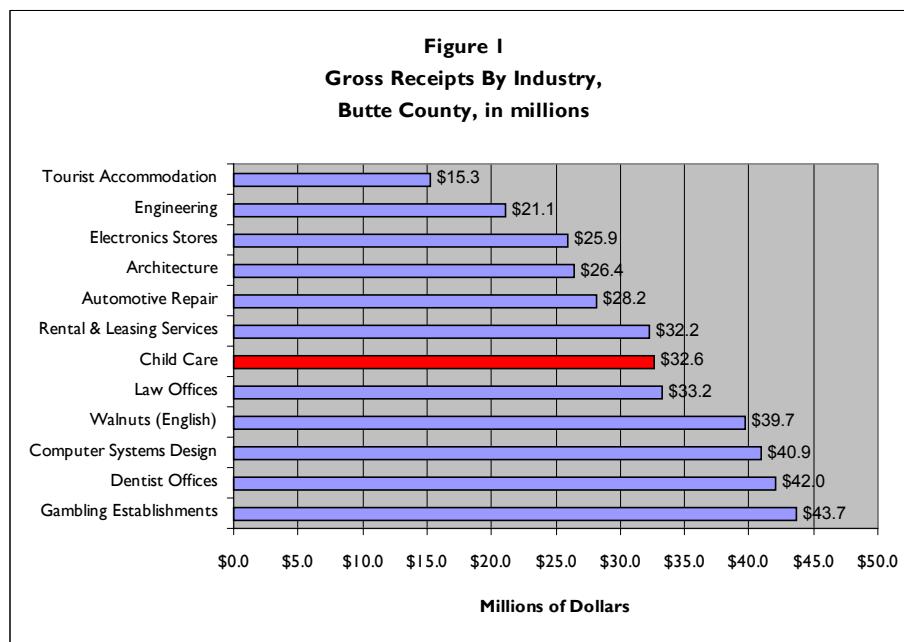
Defining Child Care

Child care includes a range of services that educate and nurture children, while at the same time, enable parents to work or attend school. Early care and education programs (ages birth to 5), as well as programs for school-age youth (ages six through 13), make up the child care industry.

Gross Receipts of the Child Care Industry

The formal child care industry generates an estimated \$32.6 million dollars per year in gross receipts, or revenues.

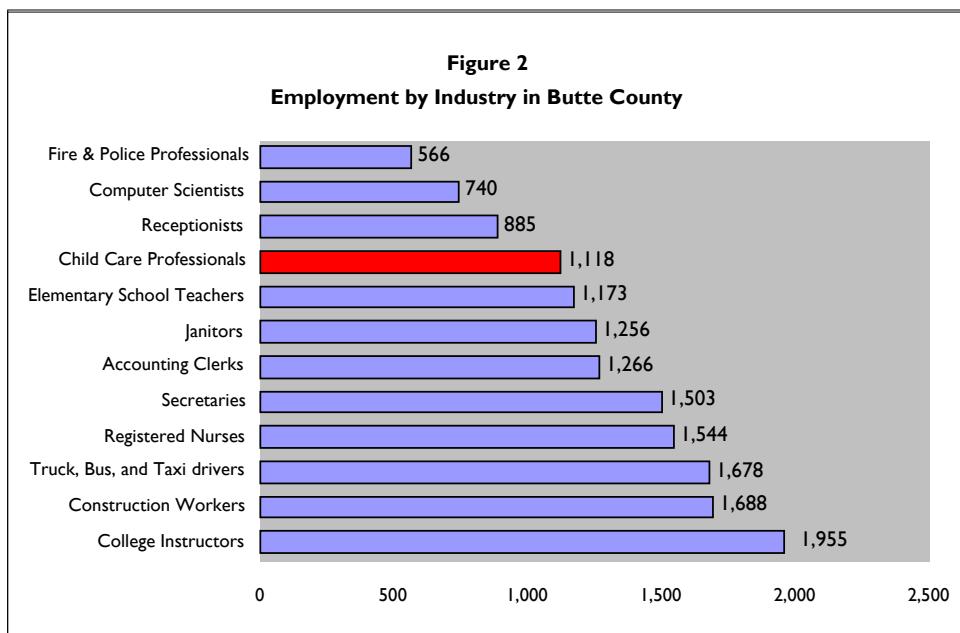
This includes gross receipts for 84 licensed child care centers and 273 family child care homes in Butte County which care for an estimated 6,119 children ages birth to 14. There are an additional 42 license-exempt after-school programs providing services to more than 6,000 school-age children. When compared to other industries in Butte County, the



child care industry is larger than tourist accommodation and electronic stores, and similar in size to all rental and leasing services, and law offices (see Figure I).

Employment

Approximately 1,118 full-time equivalent local jobs are directly supported by the licensed child care industry. There are more child care professionals than there are fire and police professionals or computer scientists. There are almost as many people working in the child care industry as there are working as elementary school teachers or registered nurses in the county (see Figure 2). Through the purchase of other goods and services within the county, the licensed child care industry supports an additional 437 full-time equivalent jobs in indirect and induced employment in other Butte industries.



Federal and State Subsidies

Annually, almost \$22 million is brought into the county through federal and state subsidies for child care. These funds are used to provide low-income families with affordable licensed and license-exempt child care. Currently, there are over 1,000 eligible children who are on waiting lists for subsidized child care slots. By increasing the number of subsidized slots, more parents can enter and become stable participants in the county's labor force.

Increasing Productivity

In addition to playing a critical role in the Butte County economy, the formal child care sector helps sustain the county's growing workforce by increasing the productivity of working parents. Stable, quality child care reduces worker absenteeism related to child care needs, increases company loyalty and motivation, and reduces turnover. A national survey found that two-thirds of employers reported that child care benefits saved money or were cost neutral.

Increasing Economic Output

By enabling parents to work, the formal child care sector increases the overall economic output of Butte County. An analysis of the labor income of working parents who use licensed child care and the output that they produce by working across all of the county's industries shows that these working parents play an enormous role in the county economy.

Specifically, working parents in Butte using formal child care earn more than \$46 million annually. Through direct, indirect, and induced effects on the economy, working parents using formal child care:

- Increase industry output by \$252.8 million
- Contribute \$158.9 million value added to the gross product in the county
- Create \$109.1 million in total direct, indirect and induced income
- Provide \$37.9 million in property income
- Generate \$11.9 million in indirect tax revenues
- Support approximately 3,748 jobs in the county (see Table 1)

Table 1 Economic Output & Indirect and Induced Effects From Working Parents Using Formal Child Care	
Economic variable	Contribution to Butte County Economy
Industry Output	\$252.8 million
Value Added to Gross Product	\$158.9 million
Direct, Indirect, and Induced Labor Income	\$109.1 million
Property Income	\$37.9 million
Indirect Tax Revenues	\$11.9 million
Employment	3,748 full-time equivalent jobs

Increasing school readiness

High-quality child care increases children's readiness to enter school and is an important building block in developing the future workforce in Butte County. Investing in child care improves the success of children in the traditional K-12 public education system by increasing school success, raising test scores and high-school graduation rates, and by lowering the number of students who repeat grades and require special-education. Children in quality child care are also less likely than their peers to commit crimes or enter the welfare system later in life. Cost-benefit analyses across a number of long-term studies indicate that every dollar spent on quality child care saves as much as seven dollars in future public spending in education, social services, and criminal justice (see Table 2).

Table 2 Economic Benefits of Investing in Child Care		
Study	Cost	Benefit
Chicago CPC study	\$7,000	\$48,000
Perry pre-school project	\$12,000	\$108,000
Abecedarian project	\$33,000	\$123,000

Demographic and Economic Outlook for Butte County

The demographic and economic profile of Butte County indicates an increasing demand for child care across the county over the next decade. In Butte County, 55% of all children ages birth to five live in families where all parents are in the labor force, and 63% of children ages six to 17 live with parents who are all in the labor force. Demographically, Butte County's population is predicted to grow by 50% over the next ten years, totaling 308,900 residents by 2020. If the proportion of the population that are children remains the same, Butte will have 18,534 children age birth to five, and 61,780 children ages birth to 14, by 2020. These children will need quality early education opportunities to enter the traditional K-12 education system ready to learn. In addition, approximately 10,194 children birth to five and 38,921 children birth to 14 will need child care to enable their parents to work. Currently, there are a total of 357 licensed child care facilities and family child care homes in Butte County, which care for over 6,000 children ages birth to 14.

Poverty, which has a negative impact on children's ability to succeed in school, burdens 20% of Butte County residents. Approximately 28% of all families in Butte County with children five and under live in poverty, and 58% of single-mother families with children five and under live in poverty.

The demographic and economic profile of Butte County indicates that there is an increasing need for affordable, accessible, quality child care across the county. On its own, the child care industry is unable to expand at a rate adequate to meet this growing need for child care services. Without local, long-term planning with a collaboration of stakeholders to address barriers to child care affordability, sustainability, and supply-building, the Butte County child care industry, and the county economy as a whole, will be limited in its potential success.

Local Constraints on Child Care Growth in Butte County

Despite growth of the child care industry in recent years, there remain significant barriers to meeting the need for child care. A number of key factors should be considered in assessing the need to invest more in the child care system.

Both the private and public sectors must realize that parents cannot be reliable, productive workers without dependable child care. Neither parents nor the child care industry can solve the challenge of high child care costs on their own. Similar to planning for transportation or housing, government, states, local communities and the private sector must all play a larger role in ensuring that child care meets the economic and educational needs of working families in Butte County. Coordinated planning and investment strategies create affordable quality child care, which supports economic growth across all sectors of the local economy.

Child care is becoming less affordable in relation to the cost of living in Butte County. Escalating housing costs consume a more and more disproportionate share of the household income of low- and moderate-income families.

Welfare reform has moved and continues to move thousands of Butte County parents back to work, with funding to provide for child care needs. The subsidized child care infrastructure, however, cannot meet the needs of these CalWORKs families and also provide subsidized care for families who are not eligible for CalWORKs. Consequently, families who have working parents but who remain low income have little or no access to subsidized child care in Butte County, jeopardizing their chances of economic self-sufficiency.

Quality child care improves school readiness, which lowers public education costs. However, child care is typically perceived by governments as a service and not as an investment. Every \$1 spent now saves as much as \$7 in future public spending.

Butte County's job growth in the service sector makes it difficult for child care programs to retain qualified child care workers or recruit new ones for expansion.

Incorporating Child Care into Economic Development Planning

The purpose of this report is not only to demonstrate the economic impact of child care, but also to develop a strategic action plan that addresses the issues that the child care sector faces. There are several clear policy implications for businesses, government, banks and the child care industry. Like other economic infrastructures, such as transportation and housing, child care needs investment and planning from businesses, governments and banks. Investment policies must be conceived with innovation and vision, and must target three key areas:

- Investment in child care that sustains employment for low- and middle-income families in Butte County
- Increased supply-building in the licensed child care industry, particularly for quality infant care and subsidized care
- Workforce development for the child care workforce, including education opportunities and living wages

The Role of Business

Businesses can select from a wide range of options to insure that Butte County has an adequate child care infrastructure. These include:

- Become aware of the issues and options for increasing the supply of quality child care
- Partner in long-term planning efforts and strategizing about strengthening the child care infrastructure
- Help create innovative public/private partnerships to purchase property, develop facilities, and/or strengthen existing child care enterprises
- Work with City Council and Butte County representatives and Chambers of Commerce to get child care issues on the policy agenda
- Include child care facilities as part of commercial and industrial developments, to benefit the company, its employees, and children alike

- Provide child **care** benefits to employees, ranging from flexible work hours or emergency back-up care support to pre-tax “cafeteria” plans that include child care options or building a child care center on-site.

Government Investment

Like transportation, housing, public works, and other economic infrastructures, the child care needs of Butte County residents will not be met without government support and planning. Developing a comprehensive approach to integrate child care facilities within the land use plans of our communities will encourage child care supply building. Within the planning and permitting process, there are a number of ways for city and county government to streamline and coordinate the permitting and planning process for child care providers. Governments can:

- Incorporate language that supports child care development into the General Plan of the County and every city
- Reevaluate current zoning ordinances and allow child care facilities as permitted use within various zoning districts where job creation will occur
- Allow large family child care homes as a permitted use in all zones, eliminating the need for costly permits, burdensome conditions, and time delays
- Provide incentives, such as reduced traffic mitigation fees, reduced building permit fees or expedited time lines for processing, to developers who voluntarily design buildings or complexes with child care as a component
- Identify and secure suitable land or vacant buildings for the development of new facilities or expansion of existing ones. Find vacant buildings and develop a non-profit child care business

Assessing the Impact of the Child Care Industry

Better tracking of the child care industry is important for recognizing its significance to health of the local economy. The lack of accurate data available on the child care industry makes it difficult to fully assess its size and contribution to the local economy. The methodologies in this report represent the first intensive effort at making such economic assessments of the child care field in Butte County. Although more and better data on the child care sector is needed, the analysis presented here demonstrates that child care is an essential part of the Butte County economic infrastructure, and efforts to strengthen the child care industry will result in a strengthening of the economy as a whole.

Section I

Introduction

This report is a tool to bridge the gap between economic development planning and child care advocacy. Policy makers, business leaders, urban planners, and a host of community leaders are already discussing ways to improve the economic vitality and quality of life for families in Butte County. This report demonstrates that child care is a critical component for any comprehensive plan for sustained economic development in local communities. Child care is often left out of economic planning and analysis, although it is an important aspect of the county's economy for three main reasons.

First, child care enables parents to work. The nature of working America has changed, and child care has changed with it. Primary caregivers are joining the labor force in record high numbers and are also returning to work more quickly following the birth of each child. In Butte County, over 7,000 children under six have all parents in the labor force, and more than 20,000 children between 6 and 17 have all parents working.¹ Like transportation and housing, available and affordable child care services enable working parents to effectively participate in the workforce.

Second, high-quality child care ensures a strong economy in the future. Historically, child care has been perceived primarily as a social service or, at best, an educational service for parents who want and can afford to provide their children with early learning experiences. Long term studies of quality child care programs demonstrate that, far from being a luxury, quality child care is a vital service, improving children's health, school readiness, and future contribution to society. Ensuring a skilled workforce for the future strengthens the economic outlook of the county. In addition, the value added from quality child care and early education decreases future public sector spending in areas such as the criminal justice system and welfare assistance, which in turn strengthens the future economy as well as the quality of life in the area.

Third, child care is a major industry in Butte County in its own right. Research presented in this report demonstrates that licensed child care is a significant income-generating, job creating industry sector on par

Child care enables parents to work.

Over 27,000 children in Butte County have all parents in the workforce.

Quality child care decreases future public sector spending.

Butte County's formal child care sector supports 1,118 local jobs and generates approximately \$33 million per year in gross receipts.

with other significant industries in the county, such as the walnut, dentist, and computer systems design industries. Butte County's formal child care sector supports 1,118 full-time equivalent local jobs directly and generates almost \$33 million per year in gross receipts.²

Despite its strength and contribution to the economy, the child care industry strains to meet the increasing demand for affordable child care services, and faces a number of barriers. These barriers include: an unstable child care workforce created by low wages, few benefits, and high turnover; facilities financing issues, making supply-building difficult; and lack of support from businesses who need child care for their employees.

This report presents a range of compelling evidence that show that investments in the child care infrastructure have direct, positive effects on the ability of the local economy to experience growth. The report also demonstrates that an understanding of the interaction between child care supply and economic growth improves the efficiency of investments in child care, and therefore saves both private and public expenditures, both directly and indirectly. To cast child care in this light of economic development, this report:

- Outlines the economic profile of Butte County, and suggests implications for the child care industry
- Quantifies the local economic effects of the licensed child care industry in Butte County
- Assesses the extent to which child care currently supports the economic performance of Butte County
- Enumerates other economic benefits of child care, including public sector savings that can result from investments in quality child care
- Discusses strategies to include child care in economic development planning

Defining Child Care

Child care incorporates a range of services that educate and nurture young children, while at the same time enables parents to work or attend school. Child care includes early and school-age care and education, such as non-subsidized full- or part-day programs, state pre-schools, Head Start, family child care homes, and before- and after-school programs, as all of these represent part of the system of care that parents rely on during working hours (see Appendix E for a glossary of child care and economic terms).

Child care includes early and school-age care and education.

Child care may be licensed or license-exempt. *Licensed child care* meets minimum health and safety standards and staff-child ratios set by the state legislature and regulated by the Community Care Licensing Division of the California Department of Social Services. Licensed establishments include most child care centers and many home-based providers, or “family child care homes.” Family child care homes are licensed as small or large (small and large family child care homes can serve a maximum of 8 and 14 children, respectively, of varying ages).

Licensed child care establishments, especially child care centers, must make capital investments in buildings and equipment to provide high-quality care. They must also invest in employee salaries and benefits to attract and retain educated, credentialed staff. In short, licensed child care must meet state criteria for quality, while maintaining a viable business.

License-exempt child care includes certain formal programs and care arrangements that are not required to have state-issued licenses. License-exempt care services include nannies, babysitters, parent cooperatives, relative care, and some home-based care arrangements (where care for the children of no more than one other family is taking place). Although these child care arrangements are widely used, and thus also add much to the economy, it is difficult to ascertain their impact. Some programs, including after-school programs, report enrollment, employment, and programmatic budgets. Because these programs report information to the Butte County child care resource and referral agency and the Butte County Office of Education, they can be quantified even though they are license-exempt.

This report focuses primarily on the formal child care sector, including all licensed care and those license-exempt programs that are quantifiable (For a visual representation of the formal child care sector, see Appendix A).

In addition, child care may be *subsidized* or *non-subsidized*. Subsidized child care is paid in full or in part by federal, state, or local public specific groups of families. In Butte County, specific subsidy programs include Head Start, Migrant Head Start, Native American Head Start, state preschools, CalWORKs, or Alternative Payment Programs. Non-subsidized child care is paid in full by private funds. In general, these programs are entirely paid by parents. In some cases, however, employers may provide some form of child care funding as benefits for their employees.

Outline of the Report

Following the introduction presented in **Section 1**, **Section 2** reviews recent economic and demographic trends in Butte County, then suggests the implications these trends have on the county's child care industry.

Section 3 measures the overall economic effects of child care by the size of the industry in terms of both output and employment, discusses the methodology behind the measurement, and assesses other features of the child care industry that affect its size and performance.

Section 4 analyzes the impact child care has on economic competitiveness and worker productivity. It discusses other economic benefits of child care, including public sector savings from investments in quality child care, the impact of child care on school readiness and academic success, the development of the future workforce, and the maintenance of the county's high quality of life standards.

Section 5 summarizes and integrates the findings from the previous sections. The report concludes with recommendations based upon the concepts articulated in this report. It suggests key areas for Butte County's policymakers, business and civic leaders, economic development planners, and child care advocates to consider when planning for local urban and economic development activities.

¹ U.S. Census Bureau, Census 2000.

² See Section 3 for further discussion of results and methodology.

Section 2

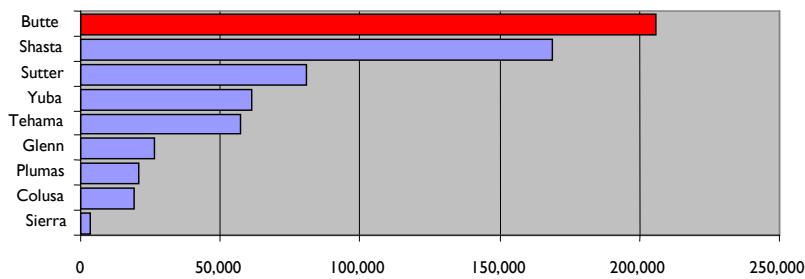
Economic Profile of Butte County

Butte County has seen steady changes, demographically and economically, in the last ten years, and projections indicate that the county will experience similar trends in the next twenty years. Butte County's current and future demographic and economic characteristics have significant implications for child care leaders, business leaders, government officials, and other key stakeholders who are responsible for strategic planning for the child care industry and the economic development of the county.

Population

- ◆ Butte County's population increased by over 11% from 1990 to 2000, with an estimated 206,000 residents in 2001.¹ The county has a larger population than each of its neighboring counties (see Figure 1).

Figure 1
Population of Butte and Neighboring Counties, 2001



- ◆ Butte County came close to matching the State of California in population increase during the past decade. While Butte increased its population over 11% from 1990 to 2000, the California statewide population increased by over 13%.² Butte County's population growth was similar to many other Northern California counties, including Tehama, Shasta, and Colusa.³
- ◆ Chico is by far the most populated city in the county, comprising 32% of the population and accounting for more of the total county population than the other incorporated cities in Butte County combined.⁴ Butte County also has a large rural population.⁵

Butte County has a larger population than all of its neighboring counties.

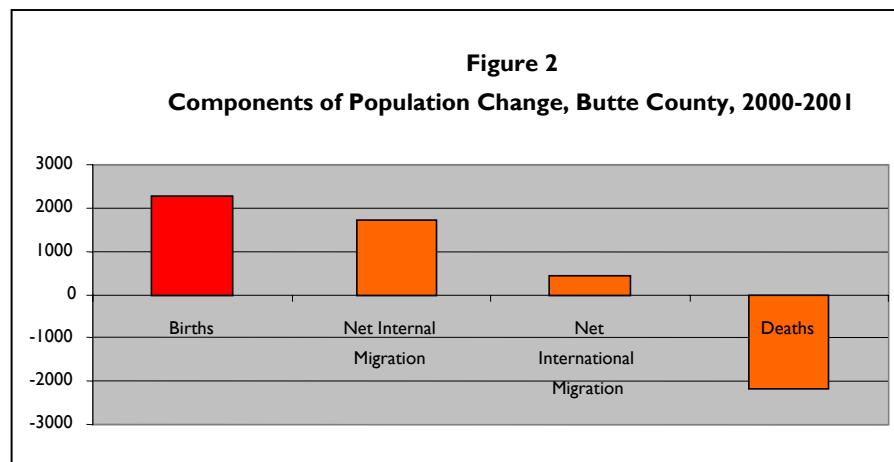
Butte County's population increased by 11% from 1990-2000.

Butte County's population will increase by at least 50% over the next twenty years.

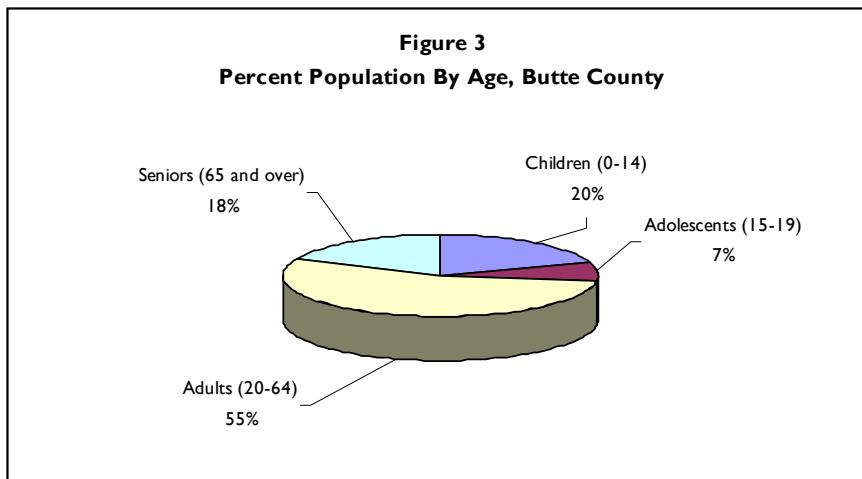
Childbirth is a major driver of Butte County's population growth.

Children 14 and under comprise 20% of the population in Butte County.

- ◆ Butte County's population is projected to grow by more than 50% over the next twenty years totaling upwards of 308,900 residents in 2020.⁶
- ◆ From 2000 to 2001, an estimated 1,722 people moved from other U.S. counties into Butte County (internal migration). An estimated 432 people moved from outside of the U.S. into Butte County (international migration).⁷ Another major driver of increased population was childbirth, with 2,256 births from July 2000 to July 2001, which out-paced both internal and international migration into the county (see Figure 2).⁸



- ◆ Children ages 14 and under comprise 20% of the total population in the county, while adults over 65 comprise 18% (see figure 3).⁹

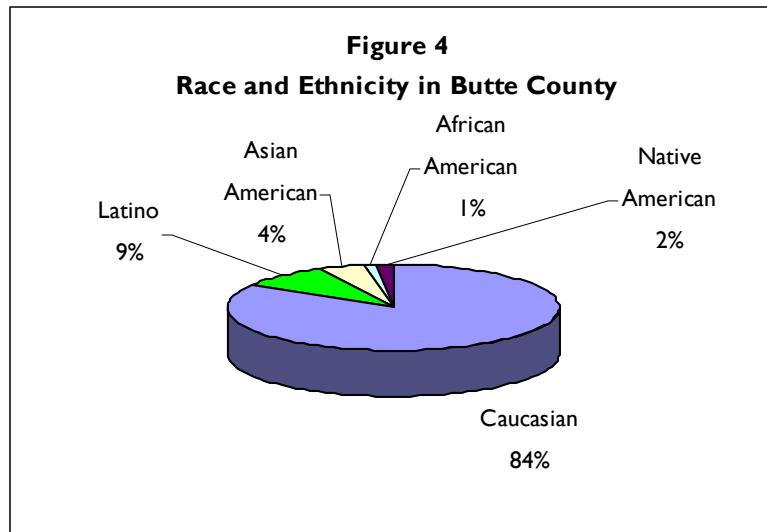


- ◆ In Butte County, 6% of the population is under 5 years of age and 7% are between 5 and 9 years of age. Another 7% are between 10 and 14 years old.¹⁰

Diversity

The county is becoming increasingly diverse each year. In particular, the Asian and Pacific Islander population increased by close to 43% from 1990 to 2000 and the Latino population increased by 26% from 1990 to 2000.¹¹

- ◆ Currently, Butte County's population is approximately 84% Caucasian, 9% Latino, 4% Asian or Pacific Islander, 2% Native American, and over 1% African-American (see Figure 4).¹²



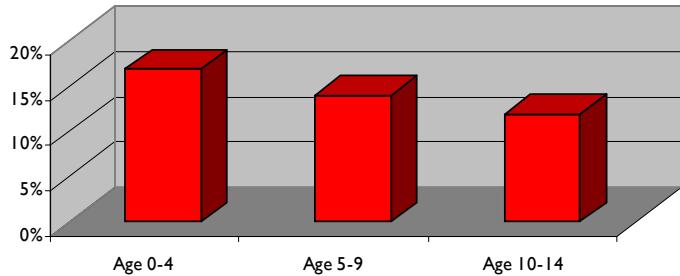
- ◆ There are over 15,000 residents of Butte County who were born outside of the United States.¹³ The top three countries of origin for these foreign-born individuals are Mexico, Thailand, and Laos, indicating strong communities of people who speak Spanish and Asian languages, particularly Hmong.
- ◆ Although minorities comprise only 16% of the total current population in Butte County, they do make up a higher percentage of the county's children, at 18.5%.¹⁴
- ◆ The proportion of children who are Latino increases at younger age groups indicating that diversity will continue to increase in future years (see Figure 5).¹⁵

The majority of foreign-born individuals in Butte County are from Mexico, Thailand, or Laos.

Compared to the general population of Butte County, children are more diverse.

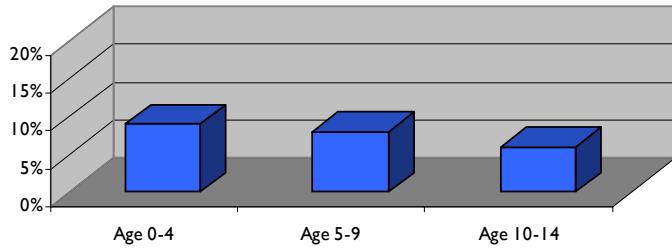
The population of young children is more diverse than that of older children.

Figure 5
Percentage of Children in Butte County who are Latino, by age



- ◆ Similar to demographic trends in the Latino population of Butte County the proportion of children who are Asian or Pacific Island descent increases at younger age groups (see Figure 6). This suggests that the substantial increase in the Asian-American population in Butte County will continue.

Figure 6
**Percentage of Children in Butte County
who are Asian/Pacific-Islander, by age**

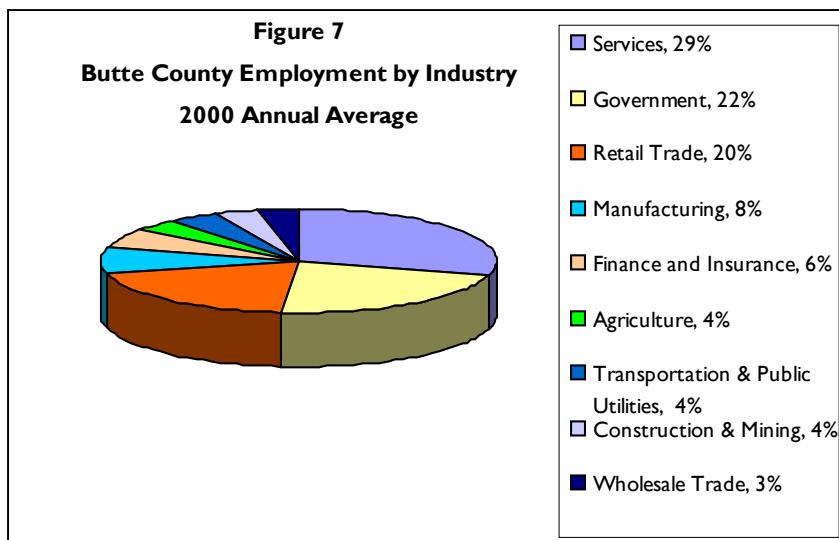


- ◆ Approximately 71% of infants are Caucasian, 16% are Latino, 9% are Asian/Pacific Islander, 2% are African-American, and 2% are Native American.¹⁶

Labor Market

- ◆ Butte County's civilian labor force, which includes employees across all industries and those looking for work, but excludes those receiving public assistance, such as CalWORKs participants, is 88,000.¹⁷ There are an estimated 73,500 jobs in Butte County.¹⁸

- ◆ The 2001 unemployment rate in Butte County was 7%, or about 6,200 people, significantly above the statewide California average of 5.3%.¹⁹
- ◆ The average unemployment rate in 2002 for the months January through August was 8%, indicating an increase in county unemployment since last year.²⁰ Incorporated areas have experienced more unemployment in Butte County than unincorporated areas.²¹
- ◆ Butte County's leading industry, with nearly 30% of total employment, is the service industry, which includes industry classifications for health service workers and child care professionals (see Figure 7).²²
- ◆ Other large industry areas in Butte County are retail trade with nearly 20% of total employment, and government with 22% of total employment (see Figure 7).²³
- ◆ Services, retail trade, and government account for 71% of all jobs in Butte (see Figure 7).²⁴



From January through August, 2002, the unemployment rate was 8% in Butte County.

The leading industry in Butte County is the service industry, which incorporates much of the formal child care sector.

- ◆ In 2000, 7,119 Butte residents commuted to other counties in California, including Sacramento County--almost 9% of the workforce. In addition, 387 workers reported working outside the state.
- ◆ Of all children ages 0 to 13 in Butte County, 58% live in households with all parents in the labor force.²⁵

Cost of Living

- ◆ Butte County has a self-sufficiency wage of \$15.78 per hour for an adult with one infant and one preschooler.²⁶

Full-time child care for an infant in a child care center in Butte County costs \$5,765 per year.

The median family income for single-mother families with children under 18 is only \$16,684.

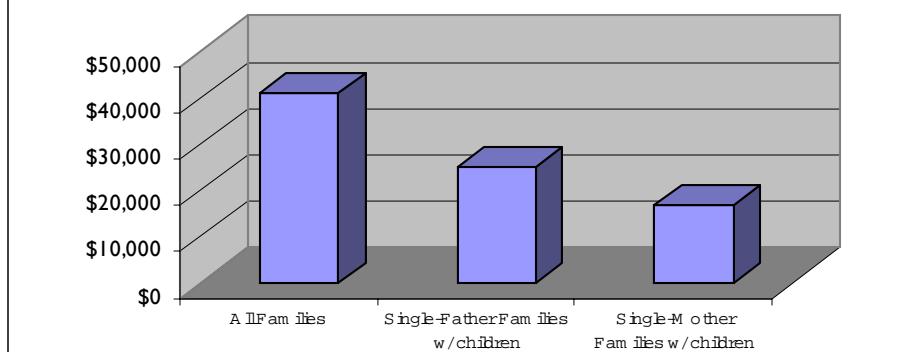
At least 20% of Butte County residents live in poverty, while only 13% of Californians live in poverty.

- ◆ The median price of a home in Butte County in 2000 was \$157,300, which was significantly below the California statewide median price of \$243,000.²⁷
- ◆ In Butte County, there was a 12% increase in the number of renter households in the county, from 27,857 in 1990 to 31,320 in 2000. This is much higher than the statewide increase of 8%.²⁸
- ◆ The fair market rate for renting a two-bedroom apartment in the county is \$604 per month, or \$7,248 annually. The hourly wage needed to afford a two-bedroom apartment is \$11.62.²⁹
- ◆ Full-time child care for an infant in a child care center in Butte County currently costs an estimated \$5,765 per year.³⁰
- ◆ Center-based child care for an infant and a toddler in Butte County has an average annual cost of over \$9,800 per year. For a family at median family income (\$39,500), this yearly child care cost accounts for approximately 25% of their total annual income.³¹

Low-income Families

- ◆ The Butte County median family income in 1999 was \$41,010, which is significantly lower than the California statewide family median income, \$53,025.³²
- ◆ The annual income needed for one adult with an infant and a preschooler to be self-sufficient is \$33,337. Almost half the families in Butte County do not earn this much income.³³
- ◆ The median family income for single-mother families with children under 18 is only \$16,684, which is less than half of the median family income for Butte County residents (see Figure 8).³⁴

Figure 8
Median Family Incomes for Butte County, 1999



- ◆ The percentage of Butte County residents who were at or below the federal poverty level was 20% in 1999.³⁵ This rate was 7% higher than California's poverty rate of 13%.³⁶
- ◆ Chico has the highest poverty rate of cities in Butte County.³⁷

- ◆ Children are significantly more likely to live below the poverty line or in low-income households than the general population. In 1997, an estimated 31% of Butte County children ages 0 to 17 were living in poverty, and an estimated 43% of the children were living in low-income households.³⁸
- ◆ Butte County has the 13th highest rate of child poverty among California's 58 counties.³⁹
- ◆ There were 4,700 children and infants receiving WIC in Butte County in 1999.⁴⁰
- ◆ The percentage of families living in poverty increases for families with younger children (see Figure 9). According to 1999 estimates, 20% of families with children 18 and under are in poverty, and 28% of families with children 5 and under live in poverty.⁴¹
- ◆ The percentage of families living in poverty increases dramatically for single-mother families (see Figure 9). While 20% of all families with children 18 and under live in poverty, 39% of single-mother families with children 18 and under live in poverty. Similarly, 58% of single-mother families with children 5 and under live in poverty, compared with 28% of all families with children 5 and under.⁴²

Of children age birth to 17, 31% live in poverty and 43% are low income.

In Butte County, 58% of single-mother families with children 5 and under live in poverty.

Figure 9
Percentage of Butte County Families in Poverty



- ◆ In 2000, 43% of all Butte County children were classified as low-income, eligible for subsidized school meals.⁴³
- ◆ Beginning in December 2002, families will begin to become ineligible for cash assistance under CalWORKs because of the length of time they have received subsidies. Approximately 300 families will be timed out in December, and an estimated 150 additional families will time out every month following.⁴⁴

Implications for Child Care

Butte County's shifting economic and demographic landscape creates a challenge to its burgeoning child care industry. Changing and evolving economic and social conditions – a rapidly growing population, increased diversity, and projected long-term job growth, particularly in service and retail industries--will fuel continued growth in demand for child care services in the county. In addition, a greater number of low-paying jobs, escalating housing prices, and welfare reform highlight the continued need for affordable child care for low- and middle-income families in the county. These conditions have the following implications for the county's child care industry.

Population

- ◆ Butte County's substantial population growth and birth rate create demand for the entire education system, including children of traditional ages for schooling, and children ages 0 to 5 as well.
- ◆ The birth rate in Butte County indicates a sustained need for infant care in the county.

Diversity

- ◆ The increasing diversity of Butte County's children requires more culturally appropriate child care services, including dual- or multi-lingual staff and programs, and culturally sensitive curricula and care.
- ◆ The increasing demand in all sectors for workers capable of speaking Spanish and Hmong languages creates a shortage of child care professionals who can effectively communicate with a growing multi-lingual population.

Labor Market

- ◆ The county's strong service and retail sectors contribute to a greater demand for child care during hours outside of the traditional weekday 7am – 6pm child care schedule.
- ◆ Many Butte County residents who commute to work outside of the county need child care facilities near residential areas that are open extended hours to care for their children during their long commute times, as well as during their hours at work.
- ◆ The low- to medium-wage nature of jobs in the services and retail sectors contribute to the number of individuals who cannot afford the cost of living in Butte County. This jeopardizes the economic vitality of those sectors in Butte County.

The increasing diversity in Butte County will demand more culturally appropriate child care services.

The county's strong service and retail sectors contribute to a greater demand for child care during non-traditional hours.

- ◆ Butte County's relatively high unemployment rate indicates that demand for quality, affordable, accessible child care will increase as the economy strengthens and people find work.

Cost of Living

- ◆ Due to low wages and high poverty rates in Butte County, the real cost of living in the county is a considerable burden for many working parents.
- ◆ Many families in Butte County do not make enough to be self-sufficient, indicating that they cannot afford licensed child care.
- ◆ High rental and housing costs continue to shrink the portion of a family's income that is available to pay for child care.

High levels of child poverty in Butte County create demand for subsidized child care.

Low-income Families

- ◆ The increasing number of people in low-income occupations impairs their ability to afford child care.
- ◆ Because of the increasingly high number of children in poverty in Butte County, child care programs experience aggressive demand for subsidized slots. Due to barriers to supply-building and disparities between the true cost of care and subsidies provided, the child care industry struggles to provide affordable care for low income children.
- ◆ Continued implementation of the state's CalWORKs program contributes to the need for more subsidized child care, as parents receiving aid are required to work or participate in training programs.

Conclusion

Butte County needs to expand its supply of affordable, quality child care in order to provide an adequate social infrastructure that enables more families and single parents to go to work, thus increasing the county's supply of labor. This added workforce is essential to satisfy production and consumption of the community's needed goods and services.

¹ U.S. Census Bureau. *California Counties Ranked by Population Size, July 1, 2001.*

² California Employment Development Department, Labor Market Information Division. *County Snapshot, Butte County, 2001.*

³ California State Department of Finance. *County Population Projections with Age, Sex and Race/Ethnic Detail, 1990-2040, in 10 Year Increments. 2001*

⁴ Ibid.

⁵ California Department of Finance Demographic Research Unit. California State Data Center, *Table 2, City/County Population and Housing Estimates, 2002.*

⁶ California Employment Development Department *County Snapshot, Butte 2001.*

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- ⁷ U.S. Census Bureau. Population Division, *Table CO-EST2001-02-06 – California Components of Population Change: April 1, 2000 to July 1, 2001.*
- ⁸ Ibid.
- ⁹ U.S. Census Bureau, Census 2000.
- ¹⁰ Ibid.
- ¹¹ Ibid.
- ¹² California State Department of Finance. *County Population Projections with Age, Sex and Race/Ethnic Detail, 1990-2040, in 10 Year Increments.*
- ¹³ U.S. Census Bureau, Census 2000.
- ¹⁴ California State Department of Finance. *County Population Projections with Age, Sex and Race/Ethnic Detail, 1990-2040, in 10 Year Increments.*
- ¹⁵ Ibid.
- ¹⁶ U.S. Census Bureau, Census 2000.
- ¹⁷ California Employment Development Department, Labor Market Information Division. *2001 Butte County Industry Employment & Labor Force - Annual Average.*
- ¹⁸ California Employment Development Department. *County Snapshot, Butte 2001.*
- ¹⁹ California Employment Development Department, Labor Market Information Division. *Civilian Labor Force, Employment, and Unemployment, updated 9/11/2002.*
- ²⁰ Ibid.
- ²¹ California Employment Development Department, Labor Market Information Division. *Labor Force Data for Sub County Areas.*
- ²² Ibid.
- ²³ California Employment Development Department, Labor Market Information Division. *2001 Butte County Industry Employment & Labor Force - Annual Average*
- ²⁴ Ibid.
- ²⁵ California Child Care Resource and Referral Network. *The California Child Care Portfolio, 2001.*
- ²⁶ Wider Opportunities for Women. *The Self-Sufficiency Standard for California,* Washington, D.C.: Wider Opportunities for Women, 2001.
- ²⁷ Center for Economic Development, CSU-Chico. *2002 Economic and Demographic Profile: Butte County.*
- ²⁸ National Low Income Housing Coalition. *Out of Reach: America's growing wage-rent disparity.* National Low Income Housing Coalition, 2001.
- ²⁹ Ibid. Hourly wage is based on the assumption that rent accounts for 30% of total income.
- ³⁰ California Child Care Resource and Referral Network. *Regional Market Rate Survey: California Child Providers, 2001.*
- ³¹ Ibid.
- ³² U.S. Census Bureau, Census 2000.
- ³³ Wider Opportunities for Women. *The Self-Sufficiency Standard for California,* Washington, D.C. Wider Opportunities for Women, 2001. For one working adult, one infant (up to 24 months) and one child (age 2-5).
- ³⁴ U.S. Census Bureau, Census 2000.
- ³⁵ Ibid.
- ³⁶ U.S. Department of Commerce. *Poverty in the United States 2001.*
- ³⁷ Center for Economic Development, CSU-Chico. *2002 Economic Profile: Butte County.*
- ³⁸ Children Now. "The Children of Butte County." *California County Data Book.* Oakland, CA: 2001.
- ³⁹ California Child Care Resource and Referral Network. *The California Child Care Portfolio.*
- ⁴⁰ Ibid.
- ⁴¹ U.S. Census Bureau. Census 2000.
- ⁴² Ibid.
- ⁴³ Ibid.
- ⁴⁴ Estimates from Department of Employment and Social Services, Butte County, 2001.

Section 3

The Economic Impact of the Child Care Industry

To assess economic effects, local industries are examined and compared to the child care industry, in terms of:

- The size of the industry, as reflected in output or gross receipts
- The total direct employment of the industry
- The extent of the industry's local economic integration, as reflected in indirect and induced employment
- Occupational characteristics of workers

It should be emphasized that this analysis covers only the formal child care sector, which *includes* licensed early and school-age care and education and some license-exempt programs. The formal child care sector *excludes* a significant portion and variety of informal or license-exempt child care services which are used for both early education and to support parental employment (as discussed in Section I).

Measuring the Child Care Industry Output or Gross Receipts

Output, also known as gross receipts, measures the size of an industry in terms of the overall value of the goods and services produced by that industry over the course of a given year. For child care services, gross receipts are equal to the total amount of dollars flowing into the formal child care sector in the form of payments for care, including both parent fees and private and public subsidies.

Economists typically analyze industries and their impacts based on a set of definitions and tools developed by the U.S. Department of Commerce (DOC), by survey results developed by the U.S. Department of Labor (DOL) or from the occupational employment results from the California Employment Development Department (EDD). For Butte County, all three of these agencies collect information on direct employment in the child care industry from which gross receipts can be derived.

Each agency significantly underestimates the impact of the formal child care sector.¹ None of these categories explicitly includes licensed family child care homes. Thirty percent of the child care slots in the formal child care sector are in family child care homes. In addition, the DOL category does not include centers operated by public schools and Head Start. This omission is significant since a considerable percentage of state subsidies for child care and early education in the county are directed to school districts and Head Start programs.

The Department of Labor and Commerce significantly underestimate the economic impact of child care.

Local estimates for gross receipts and direct employment capture the entire universe of licensed child care and certain license-exempt child care services.

The estimated annual gross receipts for the formal child care sector in Butte County is \$32.6 million.

A more accurate method of measuring the size of the child care industry relies upon data from local agencies who collect more comprehensive information. The county's resource and referral agency, Valley Oak Children's Services (VOCS), is required by the state to keep current, accurate data on child care capacity, cost, and enrollment. The Butte County Office of Education (BCOE) keeps accurate information on state pre-school programs and after-school budgets and enrollment. Head Start keeps data on the number of licensed slots, capacity, and number of children served in the Head Start program. These locally derived estimates are more reliable than the DOC-, DOL-, or EDD-generated estimates because they are current and capture the entire universe of licensed child care and certain license-exempt child care services.

Gross receipts are calculated in Butte County by using two methods. The gross receipts for licensed family care, non-subsidized care, and license-exempt after-school programs, are calculated by multiplying the number of children enrolled in each type of care (i.e., age of care and length of care) by the average rate for that type of care. Gross receipts for Head Start, Migrant Head Start, and State Pre-schools are calculated by measuring the dollar amount of their contracts, which equals the amount of subsidies directly flowing into the economy as a result of these programs (please see Appendix B for detailed methodology).

There are approximately 399 licensed and license-exempt child care facilities in Butte County. This includes 273 family child care homes, 54 non-subsidized centers, 8 subsidized centers, 4 State Pre-schools, 2 Migrant Head Start centers, 1 Native American Head Start Center, 15 Head Start centers, and 42 license-exempt after-school facilities. Licensed facilities have the capacity for 6,199 children in Butte County, and license-exempt programs care for 6,000 children.² Based on the methodology briefly described above, the estimated annual gross receipts the formal child care sector in Butte County is \$32.6 million, including:

- \$10.2 million for private child care centers
- \$10.1 million for family child care homes
- \$4.3 million for Head Start
- \$3.7 million for subsidized centers
- \$2.8 million for license-exempt after-school programs
- \$807,000 for Migrant Head Start
- \$113,000 for Native American Head Start
- \$616,000 for State Pre-schools

Comparing estimates derived from local data with data from the three government agencies shows how much the industry classifications underestimate the total impact of the formal child care industry (see Table I).

Table I
Gross Receipts Estimates for the
Formal Child Care Sector,
Butte County, 2002

<i>Data source</i>	Gross Receipts
<i>Butte County local agencies</i>	\$32,629,546
CA Employment Development Dept.	\$18,764,761*
U.S. Department of Labor	\$12,278,682*
U.S. Department of Commerce	\$15,376,763

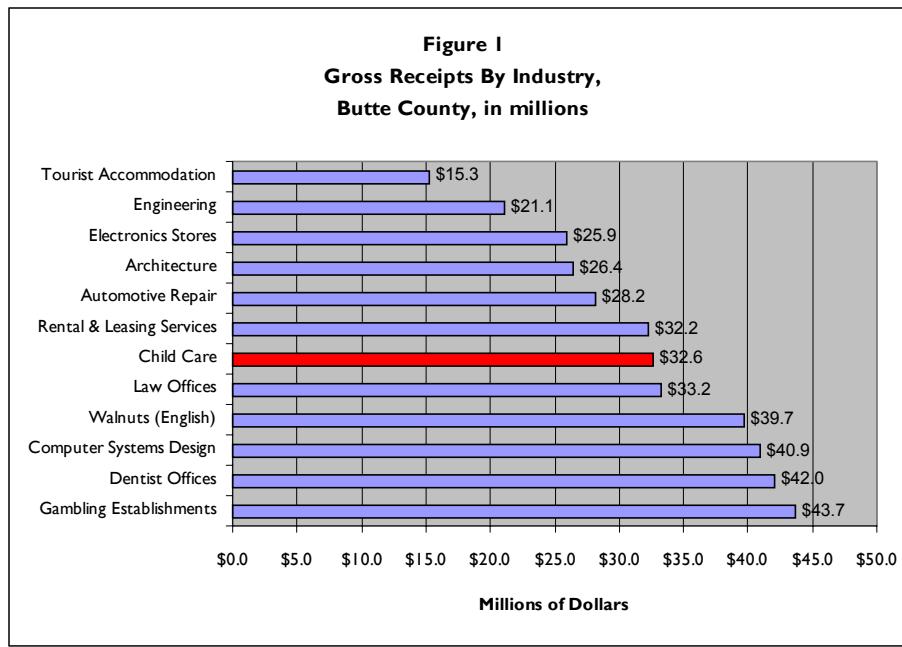
*Gross receipts estimates are calculated using direct employment figures and Bureau of Economic Analysis multipliers using the IMPLAN system (Appendix C).

The gross receipts are 52%, 34%, and 43% of the estimates from the more comprehensive local data. These findings are consistent with other California counties.³

When comparing gross receipts with major industries in Butte County, the formal child care sector is found to be on par with the walnut agricultural industry and law offices.

Gross Receipts Compared with Other Industries in the County

When compared with the gross receipts of several other industries in Butte County, licensed child care is found to be similar in size to law offices, and the walnut agricultural industry in the county (see Figure I). The child care industry contributes significantly more to the gross product of the county than all of the sales from electronic stores in the county, or from tourist accommodation gross receipts.⁴



All gross receipts values except for child care and walnuts come from the 1997 Economic Census, adjusted to 2002. The child care value comes from Table I, and the gross receipts for Walnuts is based on California Agricultural Statistics Service 2000 data, adjusted to 2002.

Measuring Child Care Industry Direct Employment

As mentioned in the section above, direct employment for licensed and certain license-exempt child care programs is estimated using four different approaches:

- Data generated from the Butte County local agencies
- California EDD data
- Survey results from the DOC
- Data from the DOL

Direct employment in 2002 in Butte County's formal child care sector is 1,118 full time equivalent (FTE) jobs. This figure is derived from the number of children in different types of care, assuming compliance with minimum staffing requirements imposed by licensing laws for different age groups. This figure represents the local data from the Butte County resource and referral agency and direct surveys of administrators from Head Start, Migrant Head Start, Native American Head Start and State Pre-school programs (see Appendix B). The actual number of people working in the child care industry is higher since many child care professionals work part time. A recent study by the Center for Economic Development at California State University at Chico found that 59% of child care professionals in Butte County work part time.¹⁵

Direct, full-time equivalent employment in Butte County's formal child care sector is 1,118.

Again, estimates from the EDD, the DOC, and the DOL underestimate the formal child care industry (see Table 2). EDD estimates are only 42% of the estimates from the more comprehensive local data, while the DOL are lower, at 30%. The DOC estimates are 33% of those derived from local data. These findings are similar to analyses of other California counties.¹⁶

Table 2 Direct Employment from the Formal Child Care Sector, Butte County, 2002	
Data source	Direct employment (full-time equivalent)
Butte County local agencies	1,118
CA Employment Development Dept.	473
U.S. Department of Labor	340*
U.S. Department of Commerce	374**

* 2000 figures adjusted to 2002.

** 1997 Economic Census, adjusted to 2002.

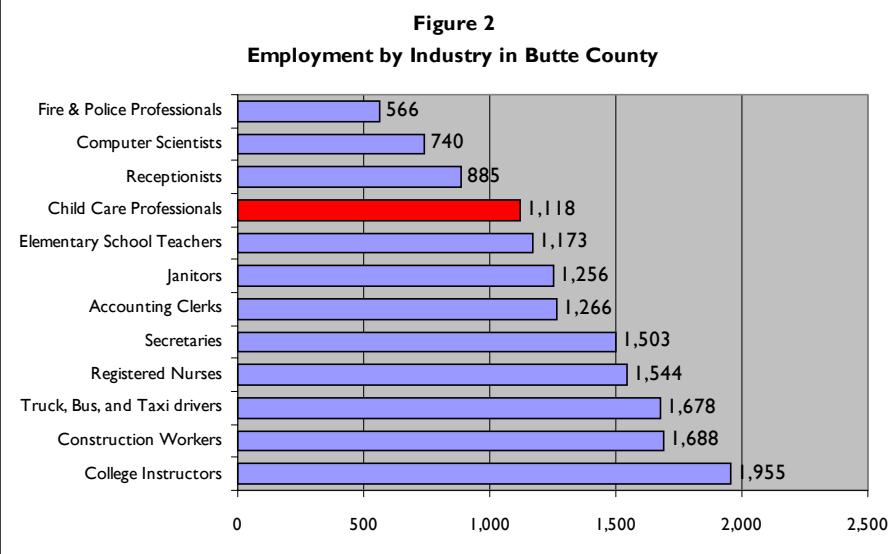
While the locally derived estimate is much higher than the EDD, DOC, and DOL estimates, it also understates the total child care economic activity because it only counts licensed and certain license-exempt child care establishments, excluding informal, individual care provided by nannies, babysitters, relatives, or neighbors. In addition, the estimates are calculated based on the *minimum* staff-child ratio required by state law. Some child care operators choose to maintain higher ratios in order to improve program quality or to achieve specific quality goals that increase their business' competitiveness.

Direct employment is actually higher because it does not account for people working part time, or those providing informal, individual care.

Direct Employment Compared with Other Industries

When compared with direct employment of several other industry groupings in Butte County, there are more child care professionals than fire and police professionals or computer scientists. There are almost as many child care professionals as there are registered nurses, elementary school teachers, or workers employed by the construction sector (see Figure 2).

There are twice as many child care professionals than fire and police professionals in Butte County.



Industry information besides that of the child care industry is based on California Employment Development Department 1999 data, adjusted to 2002. Child care industry data is based on data from Butte County local agencies.

Measuring Indirect and Induced Employment

The formal child care industry, like most other industries, generates indirect employment and induced employment in other industry sectors through its purchase of goods and services. Indirect employment refers to the jobs that exist in other sectors because of the industry in question. Without the child care industry, these indirect jobs would not exist. Affected industries include business services (due to bookkeeping needs), tax compliance and audits, agriculture (due to food purchases), and other suppliers used by child care programs. Induced employment refers to the jobs that are sustained by the household expenditures of workers who earn money both directly and indirectly because of the formal child care sector. The affected industries of induced employment include industries that produce goods or services for household consumption.

The IMPLAN input-output modeling system (see Appendix C for an explanation of this widely used model) traces how dollars move throughout the economy. Using data tables specific to Butte County and separated into over 500 industry classifications, IMPLAN collects data to create multipliers, that is, how much a part of the economy is affected by a dollar invested in the child care industry. Using IMPLAN, we can trace how a dollar invested in Butte County child care moves throughout the local economy in terms of direct employment, indirect employment, and induced effects.

The indirect and induced employment multiplier provides a tool to measure the number of jobs in other industries that are sustained by the licensed child care field. Based on a gross receipts estimate of \$32.6 million for the formal child care sector, an additional 437 indirect and induced full-time equivalent (FTE) jobs (165 indirect and 272 induced) are sustained by the formal child care sector in Butte County. In total, the Butte County formal child care industry supports an estimated 1,555 FTE jobs. This aggregate employment estimate is low due to the fact that the model uses DOL codes to categorize industries, and the DOL undercounts the gross receipts for child care, and thus the impact on the local economy.

Based on gross receipts of \$32.6 million, 437 indirect and induced FTE jobs are sustained in Butte County by the formal child industry.

Capture of Federal and State Subsidies

The federal and state governments provide subsidies for child care primarily to aid poor families in paying for child care so they can participate in the workforce or in training or educational activities. These subsidies are provided in two basic forms: direct contracts with child care centers based on the number of low-income children they serve and the number of days of care provided, and an “Alternative Payment” (AP) program, administered by the California Department of Education, which enables families to choose their own licensed or license-exempt child care provider. Federal and state child care subsidies include funding for Head Start, CalWORKs, the Child Care Food Program, and the AP program for low-income, working families. The California Department of Education also administers the US Department of Agriculture’s Child Care Food Program, which provides meals for low-income children.⁷

Another significant portion of child care subsidies are awarded via the federally-funded Head Start, Migrant Head Start, and Early Head Start programs, designed to increase school readiness of young children in low-income families.⁸

Child care subsidies, both at the federal and state levels, increased substantially following sweeping reforms to the federal welfare system in 1996 (the Personal Responsibility and Work Opportunities Act). California created its own version of welfare to comply with the new federal system, called CalWORKs (California Work Opportunity and Responsibility to Kids). Under CalWORKs, child care subsidies expanded. This expansion requires welfare recipients to engage in work activities within a specific time frame although the work activities do not provide enough income for child care services.

CalWORKs replaces separate welfare-related child care systems with an integrated three-stage child care system, coordinated by two state agencies. "Stage One" child care services are administered by the California Department of Social Services through county welfare departments. Stages Two and Three child care services are administered by local agencies under contracts with the California Department of Education. Funding for each of the three stages of child care assistance is determined annually through the budget process.

Child care subsidies benefit Butte County in several ways. First, since they are tied to job training and work activities, they are an important part of increasing worker productivity and

work activities, they are an important part of increasing worker productivity and workforce development, and enable many people (who would otherwise have to look after their own children or leave them in an unsafe setting, such as self-care) to join the labor force. Second, they bring money into the local economy, which then circulates through various service sectors and stimulates other economic activity.

CalWORKs Child Care at a Glance

Stage One: Child care assistance eligibility begins when the parent or caretaker enters into the CalWORKs cash assistance program. To qualify for child care, parents must be in receipt of cash assistance, participate in an approved Welfare-to-Work activity, and have a need for child care to enable them to begin or to continue to participate in the activity. Participants are served in Stage One for up to six months or until their activity is stable. If their situation remains unstable, they may continue in Stage One Child Care.

Stage Two: Once work activity is stable or parent transitions off aid, parents or caretakers are eligible for child care subsidies for up to two years from the date they leave assistance if: they are engaged in an approved activity, have a need for child care to continue this activity, and meet all other child care eligibility factors.

Stage Three: When a funded space is available, a family whose income is at or below 75% of the state median income, and who have exhausted their 24-month maximum for Stage Two care, enters Stage Three.

Child care subsidies bring extra money into the economy, which then circulates and stimulates other economic activities.

In 2001, Butte County drew in over \$21 million in state and federal child care-related subsidies (see Table 3 for breakdown). Most of these funds were distributed through licensed child care facilities; however, a significant proportion of child care vouchers were redeemed by license-exempt child care providers.

Because lower-wage occupations lead much of Butte County's projected job growth, the availability of federal and state child care subsidies play an increasingly important role in supporting local economic development. Targeted local investments in child care help the county garner a larger share of child care subsidies and, in turn, maximize the local economic effects of federal and state funds.

Table 3
Sources of Subsidies for Child Care in Butte County, 2002

Direct Services

Head Start	\$4,314,292
Migrant Head Start	\$806,696
Early Head Start ⁹	\$0
Native American Head Start	\$112,774
USDA Child Care Food Program	\$1,261,978
After School Programs for School-age Children	\$2,812,244
State Pre-school	\$616,350
Valley Oak Children's Services R & R Program Grant	\$209,051

Vouchers

CalWORKs, Stage 1	\$2,332,320
CalWORKs, Stage 2	\$4,034,595
CalWORKs, Stage 3	\$2,108,675
Alternative Payment Programs	\$1,409,916
Native American Child Care Development Funds (CCDF)	\$217,834
Family Child Care Home Network (FACES)	\$248,103

Professional Support

Project REWARDS	\$1,200,000
Total:	\$21,684,828

Total federal and state expenditures on child care are still well below the amount needed to serve every low income household in Butte County, and each year hundreds of children in Butte County are put on waitlists for child care programs. In addition, beginning December, 2002, the first families to enroll in CalWORKs and remain participants for the full five years of the program will become ineligible. In Butte County, approximately 300 families in December, and 150 families every month after that will stop receiving cash assistance.

The Informal Child Care Sector

One way to quantify the economic impact of the informal child care sector is to measure the amount of public dollars used for license-exempt child care. From data provided by the Butte County R&R on the percentage of child care funds paid by provider type, it is possible to assess a portion of the economic impact of the informal child care sector by measuring the public subsidies that it captures. This type of

In 2002, Butte County drew down almost \$22 million in child-care related subsidies from federal and state funds.

Butte County's informal child care sector captured at least \$3.8 million federal and state dollars.

A \$1 million investment for the construction of a new child care facility creates an estimated 21 direct, indirect, and induced FTE jobs.

care *includes* in-home relative care, in-home non-relative care, out-of-home relative care, and out-of home non-relative care, *excludes* Head Start programs and many after-school programs. When combined, these classifications accounted for 24% to 46% of CalWORKs stage two and three funds, state general funds (GAPP), and federal block grants (FAPP). In addition, \$971,000 or 42% of CalWORKs stage one subsidies were spent on care categorized as license-exempt. In all, at least \$3.8 million federal and state dollars were spent on informal child care in Butte County in 2001. While this is only a portion of the total economic impact of the informal child care sector, the external revenue captured as result of this industry has a significant impact on the local economy.

Multiplier Effects of Child Care Capital Investments

The analysis of gross receipts and employment for the formal child care field previously discussed in this section considers only the effects of existing child care operations. It excludes any economic effects from the construction of new facilities or the renovation of existing facilities.

Child care facility construction has a stimulating effect on the local economy. Using the IMPLAN economic model, a one-time construction investment in the economy of \$1 million creates an estimated 21 direct, indirect, and induced FTE jobs for one year in the county, 9 of which were in the construction industry itself.¹⁰ Other areas affected include business services and retail trade, eating and drinking establishments, miscellaneous services, and wholesale trade. Because these multipliers apply to the construction of an average facility, it may understate the extent of economic effects of child care facility development. Child care centers are specialized, highly regulated facilities that must conform to a number of safety, health, and other state licensing guidelines; therefore, construction costs to meet these regulations and demands involve categories of expenditures not found in typical office or commercial construction.

Section Summary

The diversity of the child care system is a vital feature in its ability to meet the demand of working parents, but makes it very difficult to analyze and measure. However, using data maintained by local agencies, such as the County Office of Education, the Butte County resource and referral agency, an organization charged by the State of California with tracking the supply, cost and licensure of child care facilities, and local Head Start providers, an estimate of the industry's composite size can be derived. This overall size, measured in terms of gross receipts and employment, is comparable to many other major industry groupings in Butte County such as walnuts and legal services. The substantial size of the child care industry means that it not only supports the economy by allowing parents to work, but also contributes to its vitality by

employing significant numbers of workers, increasing tax, revenue, and purchasing the goods and services of many other industry sectors. The child care field also supports the local economy by drawing down significant levels of federal and state subsidies available to poor families. These families represent a substantial portion of the existing and potential workforce in Butte County, and are vital to the continued growth of the economy.

¹ The U.S. Department of Commerce uses a categorization system call the North American Industry Classification (NAICS) and the Department of Labor uses the Standard Industry Classification (SIC). “Child Day Care Services” are NAICS code 624410 and SIC code 8351. The California Employment Development Department uses Standard Occupations Codes (SOC) from the Department of Labor, which for “Child Care Workers” is 39-9011.

² Current survey results from Valley Oak Children’s Services, the resource and referral agency, October, 2002.

³ The National Economic Development and Law Center has conducted similar analyses and found similar discrepancies between local agency data and DOC, DOL, and EDD data in Alameda, Contra Costa, Kern, Los Angeles, Monterey, Orange, San Benito, San Mateo, Santa Clara, Santa Cruz, Sonoma, and Ventura counties, and the state of California.

⁴ U.S Census Bureau. *Economic Census, 1997*.

⁵ Center for Economic Development. *Child Care and Development Workforce Study*. Chico, CA: Butte County Children and Families Commission, 2002.

⁶ See endnote 3 in this section.

⁷ California Department of Education, Nutrition Services Division website at www.cde.ca.gov/nsd/.

⁸ US Department of Health and Human Services, Administration for Children, Youth and Families; Head Start website at <http://www2.acf.dhhs.gov/programs/hsb/about/index.htm>

⁹ Butte County recently won a contract to provide Early Head Start programs. However, the county does not currently provide these services. Therefore, the economic impact of these services and the subsidies that these programs will capture are not accounted for in this report.

¹⁰ Using IMPLAN modeling, Appendix B.

Child care subsidies are vital to the economic expansion of Butte County because they increase workforce participation and overall productivity.

Federal and state child care subsidies represent new dollars flowing into the local economy that fuel Butte County's economic expansion.

Child care improves the quality of life in Butte County.

Investing in child care increases Butte County's economic competitiveness.

Section 4

Child Care and Economic Output

Child care, like other economic infrastructures, builds the local economy and improves the quality of life in the county. Greater economic health reduces crime, enables individuals and families to live better and more fully, and increases governments' budgets to provide better services for residents. Public and private investments in child care infrastructure contribute to Butte County's overall productivity and economic competitiveness by:

- Expanding local labor force participation by enabling people to work
- Contributing to increased output, greater personal income, more business formation, and higher revenues from local taxes
- Increasing productivity and retention of employees in businesses in the county
- Ensuring future public savings on social needs by lowering drop-out and crime rates, and decreasing special education and welfare costs
- Cultivating Butte County's future workforce by improving the cognitive skills and emotional well-being of children and ensuring that they enter the traditional K-12 school system ready to learn
- Capturing more federal and state child care subsidies, which, in addition to bringing new dollars into the local economy, make child care more affordable for Butte County workers

The Impact of Child Care on Economic Competitiveness

Investing in the child care infrastructure of Butte County has direct positive benefits for the county's overall economic competitiveness. Like transportation, education, public works, and affordable housing, child care is a necessary and vital part of the economic infrastructure. Just as a highway system enables Butte County to bring in a skilled workforce for its important industries, a healthy child care industry helps businesses to attract and retain the best employees and makes Butte County a desirable place for businesses wishing to start, expand, or relocate their operations. While traffic congestion and the high cost of housing lower quality of life and compel residences and businesses to leave Butte County, convenient and affordable child care services provide incentives for residences or businesses to remain in Butte County, and for new businesses to move into the county. In the same way that local government and the private sector collaborate to increase the availability of affordable housing in order to attract a skilled

workforce, they also benefit from investing together in the child care infrastructure.

By the year 2010, it is estimated that 85% of the national labor force will consist of parents.¹ These changing workforce demographics, as well as current economic trends, will benefit businesses that are more concerned about child care and the potential advantages of providing child care benefits to their employees. The licensed child care industry supports Butte County's productivity, enabling businesses to increase output given the same level of input. Licensed child care contributes to productivity by increasing labor force participation and by lowering absenteeism and turnover rates.

Increasing Employee Participation

Child care enables parents to participate in the labor force. Based on estimates that three-fourths of the demand for child care is work-related,² there are currently 5,391 children in Butte County whose parents are able to work because their children are in licensed and certain license-exempt child care programs.³ A lack of affordable and suitable child care is a deterrent for many parents who want to enter the workforce. In a national survey of the child care needs of working parents, 43% of parents indicate that a lack of acceptable child care prevents either them or their spouse from taking a job they want.⁴

Other Butte County parents are able to work because they use informal, license-exempt child care, such as a nanny or a relative to care for their children. Choosing child care is a complicated process for many working parents, and involves factors such as availability and affordability. In some cases child care is used because a parent chooses to pursue a profession or supplement the household income or because it is an economic necessity. In the latter case, affordable child care is vital for a family's economic self-sufficiency. In either case, the provision of child care services increases the available labor pool. While licensed child care is not necessary for all parents who choose to work, it is the only answer for some. The supply of licensed child care is a crucial variable in the capacity of a local area to experience economic growth.

Nationwide, worker absenteeism due directly to child care problems costs U.S. businesses approximately \$3 billion per year.

In a survey of parents, 52% reported that child care problems affected their ability to do their job well.

Increasing Productivity

In addition to enabling parents to enter the workforce, quality child care also increases the productivity of working parents. Licensed child care contributes to a stable and productive workforce by lowering absenteeism and turnover rates. Nationwide, it is estimated that worker absenteeism due directly to child care problems cost U.S. businesses \$3 billion per year.⁵ In a survey conducted by Parents Magazine, working mothers reported missing two full days and six partial days every six months due to child care problems, and working fathers reported missing one full day and four partial days every six months.⁶ The same survey highlights the lack of security many parents have in their child care arrangements. Only 40% of families surveyed were confident that their current child care arrangements would be in place six months from the date of the survey. This instability translates directly to reduced productivity in the workplace. In a survey of parents, 52 % reported that the problems of finding child care affected their ability to do their job well.

Increasing productivity by providing child care benefits saves businesses money. A study by the Families and Work Institute found that two-thirds of employers report that benefits of child care programs exceed costs or that the programs are cost-neutral. Numerous other studies point to the importance of child care in retaining employees and improving productivity. Employees using a Nations Bank child care subsidy program had one third the turnover of non-participants in similar jobs.⁷ American Express Financial Advisors found that a newly created back-up child care service recovered 105 days in worker productivity.⁸ Such policies have become increasingly popular in recent years due to the growing crisis in available, affordable child care. As Paul Orfalea, the founder of Kinko's, said, "Wise business leaders know that their biggest asset is morale. In a tight economy, it's all the more important to strengthen your business and take care of your people."⁹

Some Butte County companies and companies in neighboring counties with many employees who reside in Butte County recognize this need and support their employees by providing flexible work schedules and work sites, offering pre-tax programs to pay for childcare and paid family sick leave, covering child care for employees, and allowing the use of vacation time for attending children's school or child care program activities. The City of Chico offers child care in a 'cafeteria plan' of pre-tax spending items for its employees. Employees may place pre-tax earnings up to a given amount into a fund, which they may then spend on federally approved necessities, such as health care or child care. By setting up this program, employers can save their employees hundreds of dollars per year.

Increasing Economic Output

By enabling them to work, child care makes it possible for parents to contribute to the economy. One strategy for estimating the contribution of child care to economic output is to calculate the amount of wages parents are able to earn in their jobs and from that, the output they contribute to the economy when their children are in licensed child care. Using the IMPLAN economic modeling tool (see Appendix C), extra wages that parents generate, as well as the gross receipts from the work they do across the county's industries, can be traced as they ripple through the economy in the form of indirect and induced earnings and other economic benefits.¹⁰

To calculate the earnings of primary caregivers who work because of licensed child care, U.S. Census Bureau data on working families with children in the county were used. In Butte County, there are an estimated 3,323 married-couple, 590 male-only householder and 1,244 female-only householder families with children under 6 for whom all parents are in the labor force.¹¹ Using previous estimates that center and family-based care account for 48% of care provided to children aged five and under¹² yields 1,595 married couple, 283 male-only householder and 597 female-only householder families using licensed child care in Butte County to get to work. This is a conservative assumption because nationally, families with all working parents tend to have fewer children than families with at least one parent who does not work.

To estimate the wage earnings of these families, median incomes by household type for Butte County were used. In the case of married-couple families, it was assumed that if child care were not available, only one parent would not work, and to estimate these earnings, the 2000 Census median income for females living alone, age 25-44 (\$28,910) was used. The median income for working single-parent households with children (\$24,981 for males and \$16,684 for females) from the 2000 Census was used.¹³ The total earnings for Butte County parents enabled to work because of formal child care services, adjusted to 2002, is estimated to be over \$46 million.¹⁴

Specifically, the economic output of working parents using licensed and certain licensed exempt child care programs:

- Increases county industry output by \$252.8 million
- Contributes \$158.9 million value added to the gross product in the county
- Creates \$109.1 million in total direct, indirect and induced income in Butte County

In Butte County there are an estimated 2,475 families with all parents in the workforce and children under 6 using licensed child care.

The total earnings for Butte County parents enabled to work because of formal child care, is estimated to be over \$46 million.

- Provides for \$37.9 million in property income
- Generates \$11.9 million in indirect county tax revenues ¹⁵
- Supports approximately 3,748 FTE jobs in the county
(see Table I)

Table I
Direct, Indirect, and Induced Economic Effects,
Working Parents Using Licensed Child Care,
Butte County

Economic variable	Contribution to the Butte County Economy
Industry Output	\$252.8 million
Value Added to Gross Product	\$158.9 million
Direct, Indirect, and Induced Labor Income	\$109.1 million
Property Income	\$37.9 million
Indirect Tax Revenues	\$11.9 million
Employment	3,748 FTE jobs

California State University, Chico runs a child care center for students with children, and has a waiting list twice as long as the capacity.

Enabling Workforce Development

Child care is also a critical component of workforce development. Child care services are needed during various activities, such as education and training, which prepare individuals to enter the workforce. In recognition of this, many colleges and universities have developed on-site child care facilities to accommodate parents pursuing both undergraduate and graduate degrees. In addition to a child development lab which provides programs for children, California State University, Chico, runs a child care center for students with children. It already has a waiting list twice as long as the capacity of a scheduled expansion for toddlers, indicating a high demand for programs.

Businesses and communities interested in taking advantage of federal subsidies available for hiring former welfare recipients have a special stake in ensuring the availability of affordable child care. In numerous studies tracking the success of welfare-to-work programs, child care

and transportation were identified as the top two barriers for welfare clients in obtaining and maintaining jobs. In county transportation plans across California, getting to and from child care facilities and children's schools was listed as a major transportation barrier to work.¹⁶ Accessible child care options are crucial to enabling employees to get and retain their jobs.

High-quality child care improves workforce development for parents. A study of the effect of high-quality child care programs tracked the performance of parents in addition to the children themselves. The study found that mothers whose children participated in a high-quality program achieved higher educational and employment status than similar mothers whose children were not in the high-quality program.¹⁷

Developing the Future Workforce

In addition to supporting working parents, child care is a crucial component of developing the future workforce as well. Schools and universities receive many public investments because their role in educating and preparing children for the future labor market is clear. Although recent research demonstrates the importance of child care for school readiness and the importance of school readiness on academic achievement and later success in adulthood, the concept of cultivating the future workforce in the child care classrooms of America has not yet been well-established.

High-quality child care programs improve children's readiness to learn once they enter the public school system, but they are not widely available. Consequently, many children enter school with various barriers to learning. Polls administered in research journals about early childhood document this: forty-six percent of kindergarten teachers report that half of their class or more have specific problems with entry into kindergarten (such as lack of academic skills and difficulty following directions).¹⁸ Conversely, a number of large-scale, long-term studies document that children in high quality child care are better able to learn and thrive during traditional school-age years and into adulthood.

Children in high-quality child care are better prepared academically and socioemotionally to enter kindergarten, and subsequently have more capacity to learn in the traditional education system. A study by the University of North Carolina found that children in high quality child care, showed greater language development, mathematical ability, thinking and attention skills, and fewer behavioral problems in kindergarten than children in informal care settings.¹⁹ Another well-known pre-school study, known as the

A study of mothers whose children participated in a high-quality program achieved higher educational and employment status themselves than similar mothers whose children were not in the high-quality program.

Children in high-quality child care show greater language development, mathematical ability, thinking and attention skills, and fewer behavioral problems than children in informal care settings.

Children in high quality child care are less likely to repeat a grade or need special education services once they enter the traditional K-12 school system.

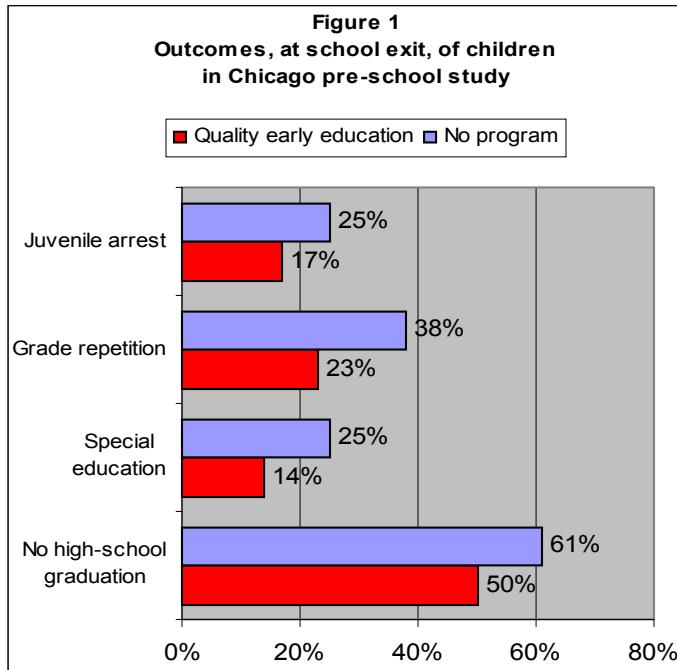
known pre-school study, known as the Abecedarian Project, concluded that children who participated in an early intervention program delivering high-quality child care had higher cognitive test scores than their peers, from toddler years through elementary school.¹

Abecedarian Project concluded that children who participated in an early intervention program delivering high quality child care had higher cognitive test scores than their peers, from toddlers years through elementary school.²⁰

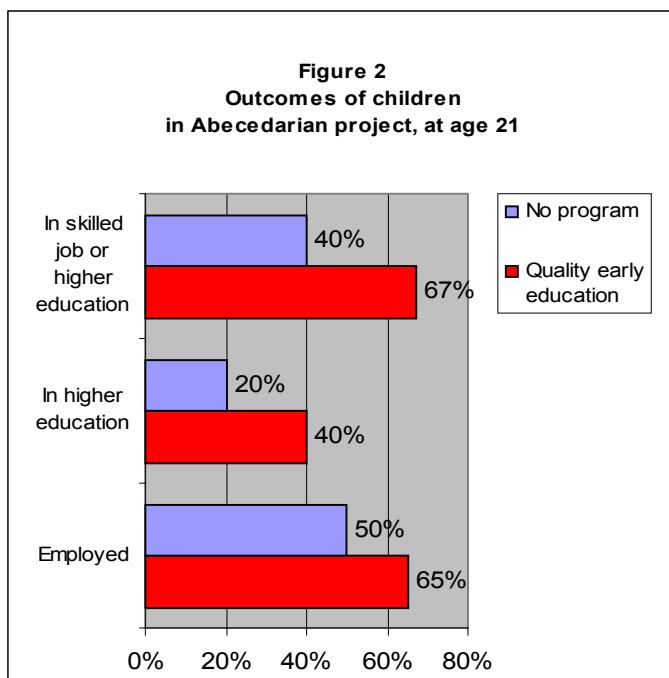
Quality early education and after school programs create an appropriate environment for the development of Butte County's future workforce. For example, the Boys and Girls Clubs in Chico and Paradise have implemented several programs that enhance the leadership, entrepreneurial, and social skills of their members. Youth and teens run two separate snack shops, where they make decisions on what to sell and at what prices. At the end of each year, they vote on how to invest profits into community service programs at the clubs.

Reducing Future Public Spending

Not only does high-quality child care better a child's chance of success in kindergarten and elementary school, but it significantly improves a child's chance of thriving as an adult. Children in high-quality child care become more productive members of the labor force and less likely to require public spending, both in basic needs subsidies and in criminal justice costs. Long-term studies following children from pre-school through their adult years document the effects of high-quality child care in adulthood. A study of low-income children in Chicago found significant differences at the end of high school between children in a high-quality child care program and their peers who were not offered the program. The children in the program were less likely to drop out of high school, less likely to have been in special education, less likely to have repeated a grade, and less likely to have been arrested as a juvenile (see Figure I).²¹



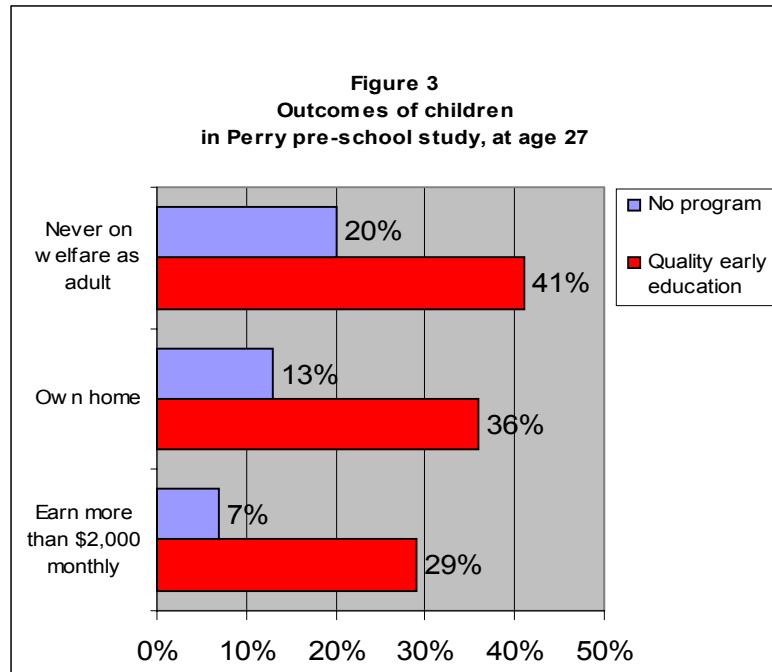
The Abecedarian Project found that children who participated in the early intervention program were more likely to attend a four-year college, and more likely to be in a high-skilled job or in higher education at age 21 (see Figure 2)¹.



At age 21, individuals who attended high quality child care programs as children are more likely to be in higher education or in a high-skilled job than similar individuals not in high-quality child care programs as children.

As adults, individuals who attended high-quality child care programs are more likely to own their own homes and less likely to ever participated in welfare programs.

Another long-term study of low-income African-American children showed similar benefits of high-quality child care on the economic well-being of the children as adults. The children in the high-quality child care project, at age 27, earned more money, were more likely to own their own home, and less likely to be on welfare than their peers who were not offered the program (see Figure 3).²³



Cost-benefit analysis across three long-term studies indicate that every dollar spent on child care saves as much as \$7 in future spending.

Cost-benefit analyses of spending on child care show, across all of these long-term studies, that there are significant future savings when money is invested on high-quality child care. With initial costs between \$7,000 and \$33,000, public savings ranged from \$48,000 to \$123,000 (see Table 2).^{24, 25, 26} These savings indicate that for every dollar spent on child care now, as much as seven dollars are saved in public expense in later years.

Table 2
Economic Benefits of Investing in
Quality Child Care

Study	Cost	Benefit
Chicago CPC study	\$7,000	\$48,000
Perry pre-school project	\$12,000	\$108,000
Abecedarian project	\$33,000	\$123,000

Child Care for School-Age Children

After-school programs also serve as an effective crime prevention activity and as a result save public sector dollars. Nationally, nearly 7 million children ages six to fourteen (18% of the children in this age group) are home alone after-school each week during the afternoon hours when juvenile crime peaks.²⁷

In California, 2% of six to nine year olds are reported to be in self-care as their primary child care arrangement, and another 4% spend some of their time each week in self-care.²⁸ In the ten to twelve year-old age category, one in seven are in self-care as their primary child care arrangement and one in three spend some of their week in self-care. These figures work out to be slightly lower than the national average. Self-care in older children and young adolescents is correlated with negative educational, social, and health outcomes for youth. In a 1990 study, 8th graders left home alone after-school reported greater use of cigarettes, alcohol, and marijuana than those who were in adult-supervised settings.²⁹

In a George Mason University study, 91% of Police Chiefs surveyed agreed that "If America does not make greater investments in after-school and educational child care programs to help children and youth now, we will pay more later in crime, welfare and other costs."³⁰

Recently, the Butte County Office of Education applied for funding after-school programs for 17 schools under the After School Learning and Safe Neighborhoods Partnership Program.

Of police chiefs, 91% agree that, "If America does not make greater investments in after-school and educational child care programs to help children and youth now, we will pay more later in crime, welfare, and other costs."

Over time, participants in after-school programs have higher GPA scores and better attendance records.

Conclusion

Child care, like other economic infrastructures, builds the local economy and improves the quality of life in the county. Investing in child care saves businesses money through increased participation in the workforce by parents, increased productivity at work, and reduced staff turnover. Investing in child care saves government money by reducing costs in the traditional education system, welfare, and both the juvenile and adult criminal justice systems. Reducing crime, school failure, and future welfare participation maintains a high quality of life and standard of living in Butte County.

Findings of the economic benefit of quality child care for businesses and governments indicate that child care supply-building is a good investment. By investigating low- and no-cost options for child care benefits to employees, businesses can meet growing demands for productivity and raise the quality of life for their employees. Governments, by providing incentives to businesses and the child care industry to build supply, can save public dollars and leverage public monies to effectively prepare the future workforce. Potential economic benefits of ensuring a strong child care infrastructure in the county indicate that child care is an industry ready for significant investment.

¹ U.S. Census Bureau, *Current Population Reports*, P20-514, 1999.

² California Child Care Resource and Referral Network, *1997 California Child Care Portfolio*, cited in Summary.

³ This figure represents three-fourths of the number of children 0-13 currently enrolled in licensed child care in Butte County.

⁴ The Harris Poll survey, January 14-18 1998, cited in *Polls Indicate Widespread Support for Investments in Child Care*, the Children's Defense Fund, www.childrensdefense.org/cc_polls.htm.

⁵ As cited in *Building Blocks: A Legislator's Guide to Child Care Policy*, National Conference of State Legislatures, 1997, p. vii.

⁶ Parents Magazine survey, August 1997, cited by the Children's Defense Fund, *Polls Indicate Widespread Support For Investments In Child Care*, www.childrensdefense.org/cc_polls.htm.

⁷ Sandra Burud, citing Rodgers and Associates study in *Evidence That Child Care and Work-Life Initiatives Will Impact Business Goals*. Claremont Graduate University, 1999.

⁸ Sandra Burud, *Evidence That Child Care and Work-Life Initiatives Will Impact Business Goals*. Claremont Graduate University, 1999.

⁹ Paul Orfalea. Interview, the National Economic Development and Law Center, 2002.

¹⁰ Steven Moss, Partner, M. Cubed Consulting, *The Economic Impact of the Child Care Industry in California*, sponsored by the National Economic

¹¹ U.S. Census Bureau, Census 2000.

¹² Capizzano, J., Adams, G., and Sonenstein, F. *Child Care Arrangements for Children Under Five: Variation across States*. From The New Federalism: National Survey of America's Families. Washington, D.C.: The Urban Institute, March 2000.

¹³ U.S. Census Bureau. Census 2000..

¹⁴ See Appendix C for detailed methodology.

¹⁵ Indirect Business Taxes, as reported by IMPLAN, which exclude taxes on profit and income and include taxes such as excise taxes, property taxes, sales taxes paid by businesses, and sales and use taxes paid by individuals to enterprises in the normal course of business.

¹⁶ *Regional welfare-to-work transportation plan*. Prepared by Moore, Iacofano, Goltsman, Inc. Oakland, CA: Metropolitan Transportation Commission, 2001.

¹⁷ Discussion of results of *The Abecedarian Study*, as cited on www.fpg.unc.edu/~abc/.

¹⁸ S.E. Rimm-Kaufman, R.C. Pianta, and M.J. Cox, *Kindergarten Teachers Perceive Difficulties in Transitions to School*, Early Childhood Research Quarterly, Vol. 15, no. 2, November 2000.

¹⁹ Ellen S. Peisner-Feinberg, et al, *The Children of the Cost, Quality and Outcomes Study Go To School*, Chapel Hill, NC: University of North Carolina, June 1999.

²⁰ www.fpg.unc.edu/~abc/.

²¹ Reynolds, A. J., Temple, J. A., Robertson, D. L., Mann, E. A. Long-term effects of an early childhood intervention on educational achievement and juvenile arrest- A 15-year follow-up of low-income children in public schools. *Journal of American Medical Association*, May 19, 2001, v. 285, no. 18, pages 2239-2346.

²² www.fpg.unc.edu/~abc/.

²³ Schweinhart, L. J., Barnes, H.V., Weikart, D. P. Significant benefits: The High/Scope Perry preschool study through age 27 (Monographs of the High/Scope Educational Research Foundation, 10). Ypsilanti, MI: High/Scope Press, 1993.

²⁴ Reynolds, Arthur J., Temple, Judy A., Robertson, Dylan L., Mann, Emily A. Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Center Program: Executive Summary, 2001.

²⁵ Barnett, Steven, W. Lives in the Balance: Age 27 benefit-cost analysis of the High/Scope Perry Preschool Program (monographs of the High/Scope Educational Research Foundation, 11) Ypsilanti, MI: High/Scope Press, 1996.

²⁶ Barnett, Steven W. Some simple economics of preschool education. Presented at the Early Childhood Municipal Leadership Academy, sponsored by the Institute for Youth, Education, and Families, National League of Cities, Alexandria, VA, April, 2002.

²⁷ K. Smith, *Who's Minding the Kids? Child Care Arrangements: Fall 1995*. Current Population Reports P70-70, Washington, DC: US Census Bureau.

²⁸ Kathleen Snyder and Gina Adams, *State Child Care Profile for Children With Employed Mothers: California*, Assessing the New Federalism, An Urban Institute Program to Assess Changing Social Policies, February 2001.

²⁹ K.M. Dwyer, et al, *Characteristics of Eighth Grade Students Who Initiate Self-Care in Elementary and Junior High School*, Pediatrics, Vol. 86, No. 3, 1990.

³⁰ Fight Crime, Invest in Kids, *Poll of Police Chiefs conducted by George Mason University Professors Stephen D. Mastrofski and Scott Keeter*. Washington, DC, November 1, 1999.

Section 5

Conclusion & Recommendation

The formal child care sector generates \$32.6 million in gross receipts, draws down \$21 million in federal and state subsidies, and directly supports 1,118 FTE jobs.

Increasing high levels of impoverished and low income children creates a demand for subsidized child care that is naturally being met by the industry.

Butte County's child care industry is critical to its overall economic vitality and quality of life. The licensed child care industry supports 1,118 FTE local jobs and generates \$32.6 million per year in gross receipts. In addition, over \$21 million annually is generated by federal and state subsidies for low-income families in the county. The child care industry sustains the county's growing workforce by enabling parents to work or return to work sooner, thereby increasing overall productivity and economic output of the county, and improving the ability of parents to advance in their careers and earnings.

Demographic and economic trends indicate that the need for licensed child care will continue to grow aggressively over the next ten years. The high level of child poverty in the county creates an aggressive demand for subsidized child care. On its own, the child care industry is unable to expand at a rate adequate to meet the growing need for quality, affordable, accessible child care services. Without local investments and interventions to address barriers to child care supply-building, the child care industry and the economy as a whole will suffer a setback.

Despite record growth of the child care industry in recent years, there remain significant barriers to meeting the child care need. A number of key factors should be considered in assessing the need to invest more in the child care system.

Both the private and public sectors must realize that parents cannot be reliable, productive workers without dependable child care. Parents and the child care industry cannot solve the challenge of high child care costs on their own. Similar to transportation or housing planning, government, states, local communities and the private sector must all play a larger role. Coordinated planning and investment will create affordable quality child care and in creating enough supply of quality child care to support economic growth.

Child care is becoming less affordable in relation to the cost of living in Butte County, as escalating housing costs consume a more and more disproportionate share of the household income of low- and moderate-income families.

Welfare reform is moving thousands of Butte County parents back to work, yet the subsidized child care infrastructure cannot meet the needs of CalWORKs families and low-income families that are not part of the CalWORKs system. Consequently, poor, working families have little or no access to subsidized child care in Butte County.

Quality child care improves school readiness, which lowers public education costs. However, child care is typically perceived by governments as a service and not as an investment. Every \$1 spent now saves as much as \$7 in future public spending.

Butte County's job growth in the service sector makes it difficult for child care programs to retain qualified child care workers or recruit new ones for expansion.

Incorporating Child Care into Economic Development Planning

The purpose of this report is not only to demonstrate the economic impact of child care, but also to develop a strategic action plan that addresses the issues that the child care sector faces. There are several clear policy implications for a variety of strategic partners.

Like other economic infrastructures, such as transportation and housing, child care needs investment and planning from businesses, governments and banks. Investment policies must be conceived with innovation and vision, and must target three key areas:

- Investment in employment among lower- and middle-income families in Butte County
- Increased supply-building in the licensed child care industry, particularly for quality infant care and subsidized care
- Workforce development for the child care workforce, including education opportunities and livable wages

Business Investment

There are a wide range of options that businesses can choose to ensure that Butte County has an adequate child care infrastructure. Businesses can:

- Become aware of the issues and options for increasing the supply of quality child care
- Partner in long-term planning efforts and strategies that strengthen the child care infrastructure

Every \$1 dollar spent on quality child care now saves as much as \$7 in future public spending.

Economic development planning must include child care to be successful in Butte County.

There are many low- or no-cost child care initiatives that businesses can pursue to improve the productivity and morale of their workers.

- Help create innovative public/private partnerships to purchase property, develop facilities, and/or strengthen existing child care enterprises
- Work with City Council and Butte County representatives and Chambers of Commerce to get child care issues on the policy agenda
- Include child care facilities as part of commercial and industrial developments, to benefit the company, its employees, and children alike
- Provide child care benefits to employees, ranging from flexible work hours or emergency back-up care support to pre-tax “cafeteria” plans that include child care options or building a child care center on-site. There are a wide range of options available for businesses to provide for their employees. Child care advocates and businesses in Butte County have catalogued a number of these options

Government Investment

Like transportation, housing, public works, and other economic infrastructures, the child care needs of Butte County residents will not be met without government support and planning. Developing a comprehensive approach to integrate child care facilities within the land use plans of our communities will encourage child care supply-building. Within the planning and permitting process, there are a number of ways for city and county governments to streamline and coordinate the permitting and planning process for child care providers. Governments can:

- Incorporate language that supports child care development into the General Plan of the county and every city
- Reevaluate current zoning ordinances and allow child care facilities as permitted use within various zoning districts where job creation will occur
- Allow large family child care homes as a permitted use in all zones, eliminating the need for costly permits, burdensome conditions, and time delays
- Provide incentives, such as reduced traffic mitigation fees, reduced building permit fees or expedited time lines for processing to developers who voluntarily design buildings with child care as a component

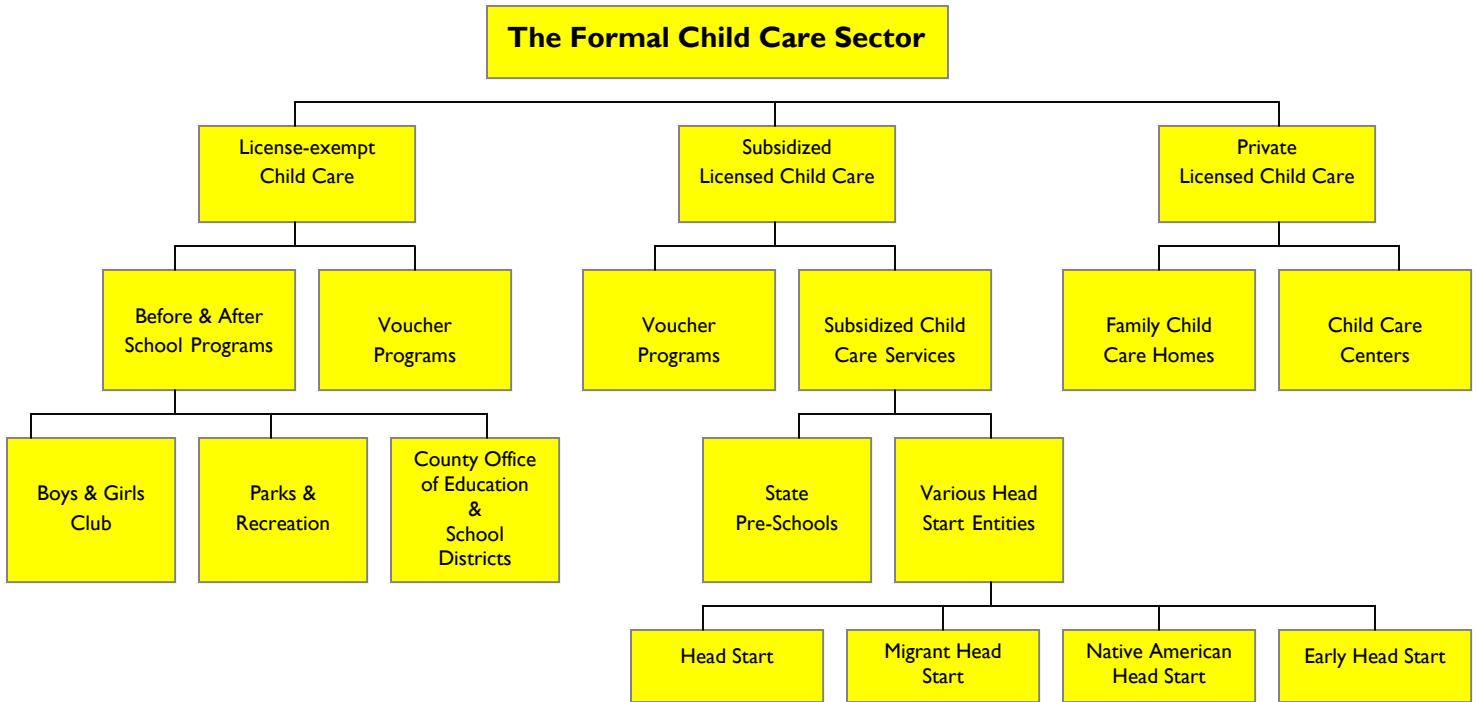
- Identify and secure suitable land for the development of new facilities or expansion of existing ones. Find vacant buildings and develop a non-profit child care business

Assessing the Impact of the Child Care Industry

Better tracking of the child care industry is important for recognizing its significance to the health of the local economy. The lack of accurate data available on the child care industry makes it difficult to fully assess its size and contribution to the local economy. The methodologies in this report represent the first intensive effort at making such economic assessments of the child care field. Although more and better data on the child care is needed, the analysis presented here demonstrates that child care is an essential part of the Butte County economic infrastructure, and efforts to strengthen the child care industry will result in a strengthening of the economy as a whole.

Appendix A

The Formal Child Care Sector



Appendix B

Methodology for Calculating Gross Receipts and Employment for Licensed Child Care

Because of the inaccuracy of traditional economic accounting tools that apply to child care, the National Economic Development and Law Center (NEDLC) and the four original counties in the Local Investment in Child Care (LINCC) counties created a sound methodology for measuring direct employment and gross receipts for the licensed child care field. This methodology utilizes up-to-date statistics on licensed child care facilities maintained by local resource and referral (R&R) agencies. R&Rs are required by California law to maintain data on licensed child care capacity, and most record data on vacancies, from which enrollment can be derived. For this report, analyses were derived from October, 2002, data from the Butte County resource and referral (R&R) agency, Valley Oak Children's Services. NEDLC also adopted another methodology to capture the economic impact of certain license-exempt programs that are still part of the formal economy. This method uses local data to ascertain to the gross receipts and employment of these programs.

The NEDLC methodologies outlined below generate the most accurate estimates of employment and gross receipts because it uses up-to-date information representing all forms of the formal licensed and license-exempt child care. The data is derived from local R&R data on capacity, enrollment and average tuition rates, based on age group and full- and part-time care. In addition, data for capacity, programmatic budgets and employment for State Pre schools, Head Start, and Migrant Head Start comes from interviewing administrators from these programs.

Gross Receipts

For family-and center-based care, the estimates of gross receipts represent a “snapshot” of the industry taken at a particular time. It is important to note that counties capture gross receipts for the formal child care sector only; adding informal, license-exempt care would significantly increase the gross receipts figures.

Non-Subsidized Centers

“Center-based care” or in this case, nonprofit, school-affiliated and proprietary centers. Costs were broken down in infant (0-2), toddler (3-5) and school age children (6-13).

Enrollment x Average Cost/Child/Year = Gross Receipts

Subsidized Centers,

Child Days of Enrollment X Daily Rate= Contact Total= Gross Receipts

Head Start, Migrant Head Start, Native American Head Start,

State Pre-schools & License-exempt Programs

Programmatic and Administrative Budgets= Gross Receipts

Direct Employment in Licensed Child Care

Family Child Care Homes

Family Child Care Homes licensed for 8 = 1 Employee

Family Child Care Homes licensed for 12 = 2 Employees

Licensed Exempt After School Programs

The direct employment figures for these programs were calculated based on the number of children and a staff ratio of 20 children to 1 employee. Based on the assumption that these programs typically last four hours, we divided the number of staff in half to calculate the FTE jobs directly supported through these programs.

Subsidized Centers, Non-Subsidized Centers & State Pre-schools

These figures are calculated based on the number and ages of children for which a center is licensed, and the state-required ratio of staff to children under that license. In general, younger children require a lower staff-to-child ratio, so a center that cares for 12 infants will require 3-4 adults to care for those infants, whereas a center that cares for 12 school-aged children will require only one adult to care for those children.

Multiply the average “FTE for Staff” by the number of staff required by licensing:

hours open/8 hours = FTE for Staff

1. Center-based infant care:

Accredited or Title V =	(1 employee for every 3 children) x (FTE for staff)
Title 22 =	(1 employee for every 4 children) x (FTE for staff)

2. Center-based preschool care:

Title V =	(1 employee for every 8 children) x (FTE for staff)
Title 22 =	(1 employee for every 12 children) x (FTE for staff)

3. Title V/Title 22 = (1 employee for every 14 children) x (FTE for staff)

Non-Teaching Staff

Custodians/Cooks/Receptionists: Many centers fill these positions with teaching staff.

Larger centers tend to have separate employees in these roles. Counties are the best judges of the general practices in their area. The following are suggested guidelines counties can utilize to maintain consistent estimates. Each slot except “Family Worker” can be considered full time.

Custodians: Typical practice is to have one custodian for every center over 80 children.

Therefore, the formula is: **# of centers with slots for more than 80 children = # of custodians**

Cooks: Typical practice is that state- funded centers and larger centers have cooks:
of state-funded centers + number of non-state funded centers with over 80 children = # of cooks

Receptionists: Typical practice is to have one receptionist for every center over 80 children: **# of centers with slots for more than 80 children = # of receptionists**

Non-teaching supervisory staff (directors): Typical practice is to have one director for every 80 children: **# of licensed slots / 80 = # of supervisory staff**

Family workers: Typical practice is that they are employed part-time (average 50% time) at state-funded centers: **# of state-funded centers / 2 = # of family workers**

Administrative (off site): Typical practice is for larger centers to have off-site as well as on-site administrators: **# of centers with slots for over 80 children = # of administrators**

Head Start, Migrant Head Start & Native American Head Start

These figures are calculated based on a survey of directors and administrators from these programs. The directors provided us with specific numbers for full-time and part-time employees, from which total FTE jobs were derived.

Appendix C

Explanation of IMPLAN Input-Output Model

Estimates for the impact of child care services on indirect and induced earnings and other productivity effects are based on the application of the 1999 Butte County module of the IMPLAN Input-Output (I-O) model. These estimates have also been adjusted to 2002 dollars.

Initially developed for use by the U.S. Forest Service, IMPLAN is now used in many fields. It relies on the same basic model structure and underlying economic data as the U.S. Department of Commerce Bureau of Economic Analysis Regional Impact Modeling System (RIMS), the model that was used in the original LINCC counties' analyses.

I-O models use area-specific data on industrial and commercial activity to trace how a dollar of investment moves through a specified economy. IMPLAN is based on a table of direct requirement coefficients which indicates the inputs of goods and services required to produce a dollar's worth of output. Standard economic "production functions"—the capital, labor and technology—needed to purchase a given set of goods determine how changes in demand for goods and services ultimately affect the demand for the inputs to these services. For example, producing a ton of steel may require three workers and a particular set of equipment, which would not be required if the steel were no longer needed. Likewise, child care programs must purchase educational materials, facilities and professional staff services.

IMPLAN contains more than five hundred economic sectors, and uses economic census data to compile county-level wage and salary information at the four-digit standard industrial code (SIC) level. National data are adjusted for the industrial and trading patterns for the subject region—in this case, Butte County. Based on this structure, IMPLAN estimates the regional economic impact that would result from a dollar change in the output of local industries delivered to final demand (that is, to ultimate purchasers, such as consumers outside the region).

The multiplier effect, identified as Social Account Matrix or "SAM" in the IMPLAN model, estimates how many times a given dollar of investment will be spent as it works its way through the economy. Estimates for the impact of child care on the economy are based on three primary "multipliers," as follows:

- Direct effects: Effects introduced into the state's economy as a result of spending on child care services.
- Indirect effects: Effects reflecting spending by workers and local vendors generated by the direct effects. These effects result from a change (for example, an increase) in money spent by individuals or firms that incur direct impacts.
- Induced effects: Effects of consumption of primarily retail goods and services consumed by households directly and indirectly earning income from the project. These effects reflect changes in the state's economy caused by changes (for instance, increases) in spending patterns as a result of the direct and indirect activity.

Appendix D

Methodology for Calculating the Economic Output of Licensed Child Care

To calculate the earnings of primary caregivers who can get to work because of licensed child care, U.S. Census Bureau data on working families with children in the county were used. In Butte County, there are 4,540 children who live with two working parents. In addition, there are 872 children who live with a single, working father, and 1,812 children who live with a single, working mother. To estimate the number of families who have all parents in the workforce, the average number of children in families was used. This is a conservative assumption because nationally families with all working parents tend to have fewer children than families with at least one parent who does not work. This results in an estimated 3,323 married-couple, 590 single-father and 1,244 single-mother families with children under 6 for whom all parents are in the labor force. Using previous estimates that center and family-based care account for 48% of care provided to children aged five and under¹ yields 1,595 married couple, 283 male-only householder and 597 female-only householder families using licensed child care in Butte County to get to work.

To estimate the wage earnings of these families, 2000 Census median incomes by household type for Butte County were used. In the case of married-couple families, it was assumed that if child care were not available, only one parent would not work, and to estimate these earnings, the median income for females living alone, age 25-44, was used, which is \$18,195. The median income for working single-parent households with children was \$24,981 for males and \$16,684 for females.² Thus the total earnings for Butte County parents enabled to work from licensed child care, is estimated to be more than \$46 million.

Using IMPLAN (see Appendix C), we then estimated how much \$46 million of labor income affects the gross receipts for all industries of the county. Assuming that parents work in even proportions across all Butte industries (there are no data measuring the distribution of working parents across industries), we estimated the direct effects of their work in each sector, which produces gross receipts of \$111.2 million in Butte County. Using the IMPLAN economic model for the county, we can analyze the indirect and induced effects of this output. Indirect effects are caused by industries purchasing from other industries as result of the direct demand from the economic output of working parents. Induced effects on industries are caused by increased household expenditures that are created from increased labor income. This increased labor income is a result of direct and indirect demand on industries in the economy. Finally, the dollar amounts were adjusted to 2002 using the average consumer price index (CPI)

¹ U.S. Census Bureau, Census 2000.

¹ Capizzano, J., Adams, G., and Sonenstein, F. *Child Care Arrangements for Children Under Five: Variation across States*. From The New Federalism: National Survey of America's Families. Washington, D.C.: The Urban Institute, March 2000.

¹ California Employment Development Department, Labor Market Information. *Occupational Employment (2000) and Wage Data (2001), Butte County*.

Appendix E**GLOSSARY FOR CHILD CARE ECONOMIC IMPACT REPORT**

Term	Definition	Example(s)
Alternative Payment Program	This subsidized program is designed to aid low-income families by offering parents a choice of child care options including in-home care, family child care, or center care.	Once parents chose a child care option, the child care provider receives a vendor payment for part or all of the costs.
California Work Opportunity and Responsibility to Kids (CalWORKs)	Overseen by the California Department of Social Services, CalWORKs is a “work first” program that provides support services to help recipients move from welfare to work and toward self-sufficiency.	The Butte County Department of Employment and Social Services and Valley Oak Children’s Services manage the child care subsidies for CalWORKs families in Butte County.
CalWORKS Stages 1, 2, and 3	A system of reimbursement eligibility in which a family first enters the CalWORKs program in stage 1 with the Department of Employment and Social Services, and progresses through the two next stages until stable or no longer eligible for the program.	A family participating in stage 1 receives child care subsidies through the Department of Employment and Social Services, while families participating in stages two or three receive subsidies through Valley Oak Children’s Services.
Child Care and Development Fund (CCDF)	The federal Child Care and Development Fund assists families with low incomes, families receiving temporary public assistance, and families transitioning from public assistance in obtaining child care so that the adults can work or attend education or training programs.	

Term	Definition	Example(s)
Child Care Center	A licensed facility, either leased or owned, designed or renovated to provide early care and education to a group of young children.	Head Start Centers, state preschools, and private child care centers are all examples of child care centers.
Child Care Subsidies (includes Alternative Payment Program and vouchers)	Financial assistance for child care to families who meet income and employment eligibility requirements. Available for care received from licensed centers, family child care homes, and certain license-exempt caregivers.	Working parents with a family income below 75% of the state median income (\$42,472) are eligible for full-day, subsidized child care for their children. In Butte County, hundreds are on waiting lists for openings.
Civilian Labor Force	Working-aged population looking for work or working, excluding those receiving government welfare assistance (e.g. CalWORKs)	About 15.7 million in California
Dependent Care Assistance Plan (DCAP)	To offer child care as a tax-free benefit, employers set aside a portion of an employee's salary in a DCAP, which enables the child care costs to be paid with "pre-tax" dollars.	By not paying taxes on child care costs, a family at median income paying for two young children in licensed child care could save hundreds of dollars per year.
Direct Employment	Employment created by an industry in that industry	Child care center workers and family child care providers in the child care industry
Employment Multiplier Effect	The total number of jobs—direct, indirect, and induced—created by \$1 million in final demand for an industry	According to local estimates, 39.9 jobs are created by \$1 million of final demand in Butte County's child care industry (26.5 direct, 5.1 indirect, and 8.3 induced).
Establishment	Individual firm or business selling products, services, or both	McDonalds, Bank of America branch, family child care home

Term	Definition	Example(s)
Exceptional Needs	Exceptional Needs refers to physical limitations such as orthopedic handicaps or sensory impairments, chronic illness, mental retardation, learning disabilities, emotional problems, or substance exposure. In many state-subsidized programs, child care providers are reimbursed at a higher rate for children with exceptional needs because of the need for more specialized attention.	Children with exceptional needs are served through a variety of care options, including centers and family child care homes. Because of their unique needs, these children may receive care from birth through age 18. Parents, too, may receive funding to help meet their child's needs.
Family Child Care Homes	Licensed child care programs which operate out of someone's home. Small family child care homes may take care of a maximum of 8 children and family child care homes licensed as large may take care of a maximum of 14 children ages 0 to 14.	There are 273 licensed family child care homes in Butte County.
Final Demand	Purchases of final products in an industry category	Purchases of child care, cheeseburgers, computers, etc.
Head Start	A comprehensive, federally funded, preschool program that combines skills development with health, nutrition, social services, and parental involvement for low-income families.	There are 15 Head Start, two migrant Head Start, and one Native American Head Start programs in Butte County.
Indirect Employment	Employment created by one industry in related or supporting industries through the purchase of goods and/or services	Construction employment due to refurbishing a child care facility
Industry (3 and 4 digit SIC)	Most detailed industry level	SIC 3524 (Lawn and Garden Tractor Manufacturing), SIC 8351 (Child Day Care Services)

Term	Definition	Example(s)
Industry Sector (1 digit SIC)	Major aggregation of industries with similar products and/or services	SIC 3 (Manufacturing), SIC 7, 8 (Services)
Inflation	Change in general price level	Consumer Price Index (CPI), shows price increases/ decreases for most consumers
Licensed Child Care	Child care programs in a center or provider's home which follow state regulations for staff-to-child ratios, educational standards, program structure, and facilities.	There are 355 licensed child care establishments in Butte County which care for an estimated 6,000 children ages 0 to 14.
License-Exempt Child Care	Child care which under state law does not require a license.	A family child care home with only the provider's children and children from one other family; a school-based extended day care program. There are 42 license-exempt after-school programs providing services to 6,000 school-age children in Butte County.
Migrant Child Care	Migrant child care programs, administered by the Department of Education, serve children of migrant workers while their parents are at work. Migrant centers are open for varying lengths of time during the year depending on the growing/harvesting season. These programs provide the same comprehensive services as General Child Care and Development Programs.	There is a large child care center for the children of migrant farm workers in Gridley.
Output (Gross Receipts)	Total value of goods and/or services produced	At least \$40 billion nationally for child care industry

Term	Definition	Example(s)
Private Child Care Centers (Non-Subsidized)	These programs may be called child care centers, day care centers, pre-schools, nursery schools, or day nurseries. Various groups administer private child care centers, including non-profit organizations, for-profit businesses, faith-based organizations, military, and public or private sector employers.	There are 54 private child care centers in Butte County.
Proposition 10 (Prop. 10)	In November 1998, voters passed a statewide ballot initiative (Prop. 10) to add a 50 cent-per-pack tax on cigarettes. The monies collected are used to fund education, health and child care programs that promote early childhood development, from prenatal to age 5.	The Butte County Children and Families Commission is funded through Proposition 10 revenues.
Resource and Referral Programs (R&R)	The California Department of Education funds agencies in each county of California to provide information about the availability of child care, assist potential providers in the licensing process, provide direct services and coordinate community resources for the benefit of parents and local child care providers.	Valley Oak Children's Services serves as the resource and referral agency for Butte County.
Standard Industrial Classification (SIC)	U.S. Commerce Department system for measuring employment, industries, and output	SIC 8211 (Schools), SIC 37 (Transportation Equipment)

Term	Definition	Example(s)
State Pre-school	The Child Development Division of the California Department of Education and the federal government offer child care services through school districts, colleges, community action agencies, and private, non-profit agencies.	
Subsidized child care	Any child care program that offers public dollars to cover programmatic costs.	Head Start is a fedarally funded program to help very low-income families. CalWORKS and the Alternative Payment Program are designed to assist California's working families. State preschools offer early education programs to 3 and 4 year olds, funded by the state.
Unemployment Rate	Number of unemployed divided by civilian labor force	About 8 percent in Butte County from January through August, 2002
Voucher	Under CalWORKs and the Alternative Payment Program, parents who are eligible for child care subsidies to enable them to work are given vouchers that they may use in a variety of child care settings.	While parents may choose to use vouchers to enroll their children in a child care center or family child care home, others may choose to use vouchers for license-exempt care by a relative.

“Our nation will succeed or fail to the degree
that all of us — citizens and businesses alike — are active participants
in building strong, sustainable and enriching communities.”

Arnold Hiatt

