

B u t t e C o u n t y

Assessing Child Care Economics, Needs & Transportation

Economic Impact Report *Executive Summary*



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

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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 (BCOE) 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 acknowledged the importance of a comprehensive analysis, which would illustrate the contributions and needs of child care 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, BCOE, and NEDLC. The Butte County Department of Employment and Social Services graciously agreed to fund the printing of the report to ensure the information would reach individuals and organizations who might benefit from this important research.

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 and Transportation Study. Each component has been 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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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

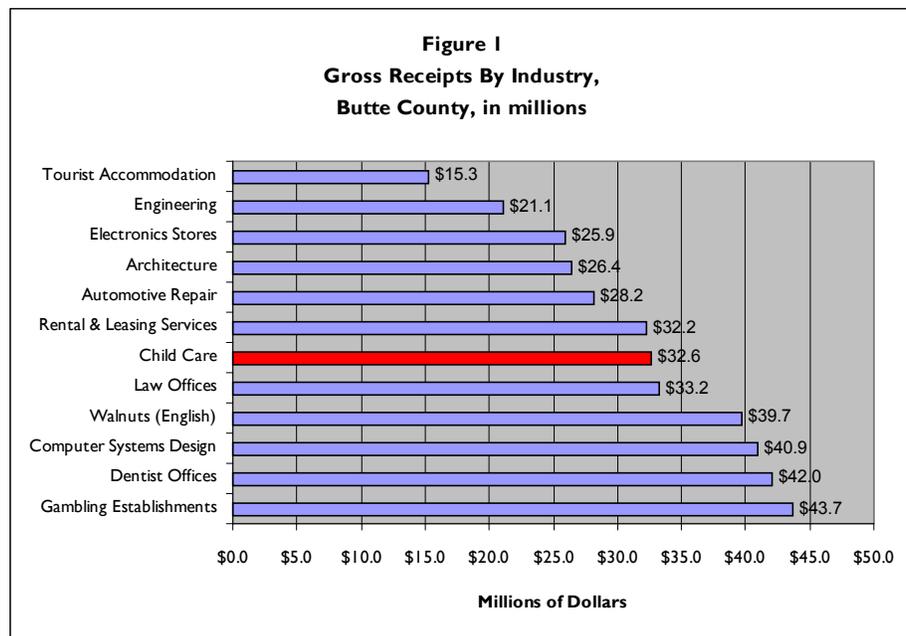
Child care includes a range of services that educate and nurture children, while at the same time, enable parents to work or attend school. Early care and education programs (ages birth to 5), as well as programs for school-age youth (ages six through 13), make up the child care industry.

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.

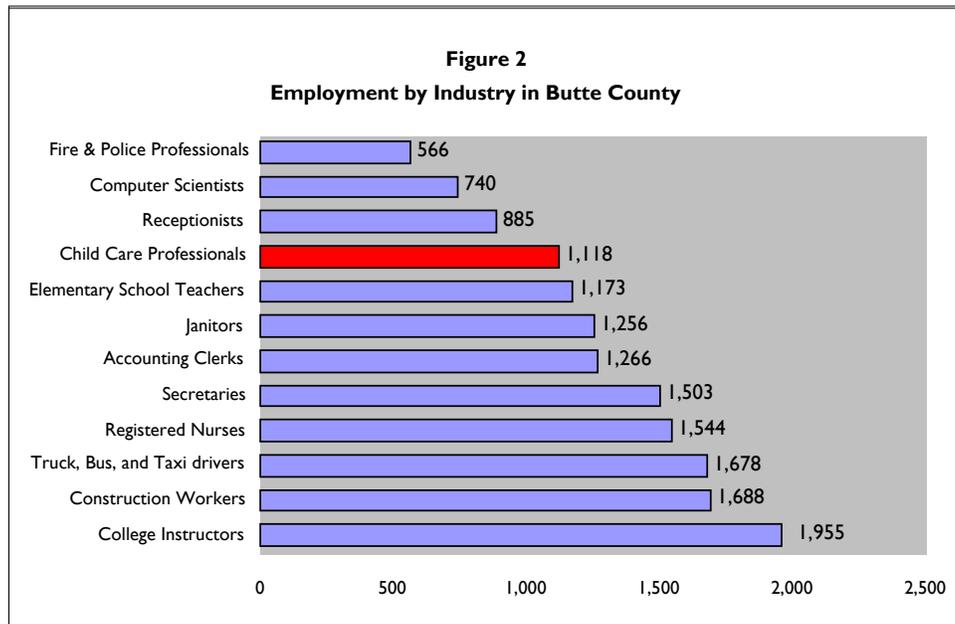
This includes gross receipts for 84 licensed child care centers and 273 family child care homes in Butte County which care for an estimated 6,119 children ages birth to 14. There are an additional 42 license-exempt after-school programs providing services to more than 6,000 school-age children.

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 zero 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 including 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.

“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

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