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INTRODUCTION

Child care around the country is a critical part of the infrastructure that keeps America working. Just as roads and public transportation make it possible for workers to get to their jobs, the availability of quality, affordable child care makes it possible for working parents to enter and remain in the work force. The child care industry is most critical to the growing single-parent population and helps increase the pool of available skilled labor in the marketplace.

Recent studies also indicate that socialization skills and school readiness are greatly enhanced by quality early childhood programs. This is evident by a decrease in public expenditures in juvenile justice, remedial education and social services for children participating in these programs. Research has also shown that a child's brain develops most during the first three years of life and is impacted by the physical, emotional and intellectual environment to which the child is exposed. Consequently, quality child care is critical to the local economy, not simply as a revenue-generating industry, but for the social and economic benefits to the child, parent, employer and community.

The child care industry in Kern County makes a significant contribution to the local economy. Millions of dollars are spent directly for child care by working families as well as government subsidy programs. Additionally, thousands of people are employed directly or indirectly by the child care industry and several direct support programs exist exclusively to service this sector of the economy.

The intent of this report is to capture, to the extent possible, the total economic impact of the child care industry in Kern County. This will include full and part-time

care offered by licensed day care centers, licensed family child care providers, license-exempt centers, exempt family child care providers, administrative costs and direct support programs.

Every effort has been made to include all aspects of the child care industry in the determination of gross revenues and employment. However, unlike many more “traditional” industries in the county, child care is fluid and data collection is only valid “at a point in time”. For the purposes of this report, that “point in time” is July 2001.

DEFINING CHILD CARE

Child care is most often defined in terms of licensing – either the care is licensed or it is license-exempt. *Licensed* child care is regulated and monitored by the Department of Community Care Licensing (Licensing) in the California Department of Social Services (DSS). Licensing sets standards for homes and centers that include minimum health and safety standards, staff education regulations and facility requirements. There are also considerable reporting and record-keeping requirements. Failure to meet licensing requirements can lead to disciplinary action, loss of funding (if subsidized care is provided) and loss of licensing.

Conversely, *license-exempt* child care is not regulated by the state. This category includes school-based extended day programs and many forms of “family” child care. Exempt care may be provided in a child’s home by a babysitter or nanny or outside the home by a relative or neighbor who cares for their own children and those of one other family or related group. It is often this group of providers that offer “alternative” or non-traditional child care options; caring for children overnight, extending care hours to cover

swing and graveyard shifts and offering care on the weekends. This is important to many migrant and CalWORKs families in Kern County who need these alternatives in order to remain in the workforce. Entry-level jobs are often in fast food, retail sales and skilled nursing facilities that require employees to be available outside the 8-to-5 schedule of most child care providers.

Subsidy payments are made to both *licensed* and *license-exempt* providers. There are two main pools of subsidy money – the CalWORKs program TANF (Temporary Assistance for Needy Families) which is federally funded through the state, and AP (Alternative Payment), which is a combination of federal and state funds. CalWORKs provides assistance to parents making the transition from welfare assistance into the workforce by providing payments to child care providers while parents are working, in training or searching for work. Since the child care system is based on parental choice, the participant may choose a licensed or license-exempt provider. The AP programs are designed for working parents whose income is at least 75% of the state median income. Again, the choice of provider is up to the parent, and the payments are made directly to the provider on behalf of the eligible parent.

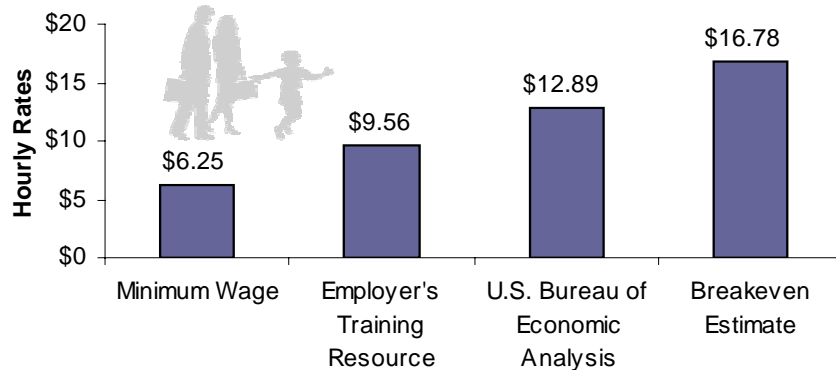
The local economic impact of these subsidies is significant. Combined state and federal subsidies contribute \$48,800,000 annually to the economy of Kern County. The necessity for subsidy programs stems from Kern County's unemployment rate, which averaged 11.3% in 2000. This annual average is more than double the state and national unemployment rates. Low paying jobs and the low average income in Kern County also add to the necessity for subsidies. The Kern County Network for Children, in their *Report Card: 2001* publication cited statistics from the California Employment

Development Department which stated that “agriculturally oriented counties tend to have overall higher unemployment rates and greater seasonal variation throughout the year. Approximately one-fifth of Kern County’s population is employed by the agriculture industry, making their children especially vulnerable to the economic impact of seasonal layoffs.” In fact, even at the current subsidy level, over 6,000 children remain on the centralized eligibility list. These are children that are not receiving subsidized care due to the limited funds available.

A report recently released by the California Budget Project, “Making Ends Meet: How much does it cost to raise a family in California?” estimates that a single parent (with two children) in Kern County needs to make \$34,904 a year, or \$16.78 per hour in

order to cover monthly expenses. These expenses include rent, utilities, child care, food, transportation, health care, taxes and

Table 1: Kern County Parental Wage Estimate Comparison



other miscellaneous expenses. A household with both parents working requires \$43,457 annually.

However, according to the U.S. Bureau of Economic Analysis, the average income for all workers in Kern County was \$26,808 (\$12.89 per hour) in 1999. This is significantly lower than the state or national averages, which are \$36,815 and \$32,711, respectively. According to John Nilon, the executive director of Kern County’s Employer’s Training Resource, the average wage in Kern County is \$9.56 an hour. This

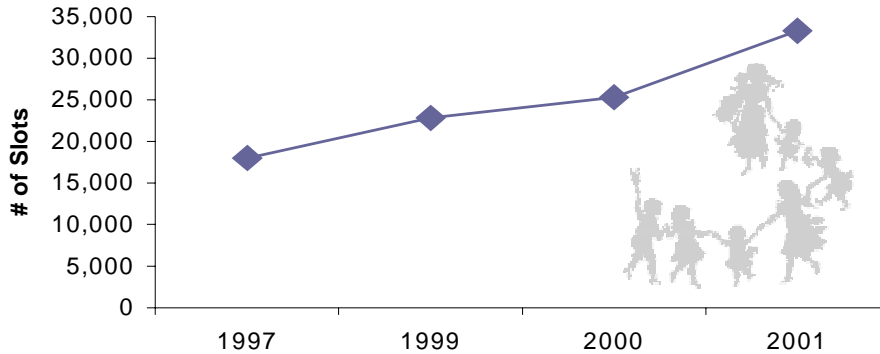
would make the average annual income even lower, at less than \$19,900. At this income level it would require over 40% of a single parent's gross income to pay for child care for two children (based on \$336 per month per child used in the "Making Ends Meet" report). A single employee earning minimum wage (\$6.25 per hour) would have to use 62% of their gross income to pay for child care for two children. Therefore, the availability of child care subsidies becomes a necessity to allow parents to enter and remain in the workforce.

CHILD CARE IN KERN COUNTY

Statistical information for licensed child care providers is gathered by the local resource and referral agency and includes the capacity (number of available slots), vacancy rate, type of care (full or part-time) and the age range (infant, pre-school, school age) for which the facility is licensed. The local AP payment program gathers information on exempt providers that receive subsidy payments and the local planning council maintains an eligibility list of children needing subsidized care. By combining the information from these sources it was possible to develop a statistical basis for assessing the economic impact of child care on the local economy. When reading this report it is important to keep in mind that working parents who use exempt providers and pay them directly are not included in these calculations, as no accurate data exists for this segment of the industry.

The child care industry has experienced tremendous growth in the last four years. According to data gathered by Community Connection for Child Care, in July 2001, there are in excess of 33,000 slots available for the care of children in Kern County.

Table 2: Kern County Child Care Capacity: 1997-2001



Approximately 27,000 children are enrolled in some form of child care and 6,345 children are

awaiting subsidized care. Today's capacity is nearly double what was available in 1997 when only 18,000 licensed spaces existed in the county. Most of this growth is due to the increase in the number of licensed family child care providers which now nears 1,100 as compared to about 300 in 1997. Employment in the industry has also dramatically increased. Direct and indirect employment now totals nearly 18,000, up from only 3,700 just four years ago. And, the Employment Development Department has classified "child care workers" one of the fastest growing employment categories in Kern County.

CALCULATING CHILD CARE CAPACITY

Child care *capacity* refers to the number of spaces or slots available to care for children. For licensed providers, this number is determined by the licensing agency based on the regulations set forth by the State of California. Licensed family child care providers are first eligible for a *small* family child care license, which allows for the care of up to 8 children. After one year, or with the appropriate credentials, a provider may apply for a *large* license, which allows for the care of up to 14 children. Whether a provider chooses to care for the maximum number of children or not, their capacity is reflected as the total allowable number of children. The information collected and

maintained by the resource and referral agency (R&R) accounts for each provider according to the licensed capacity. The total capacity of the licensed family child care providers in Kern County is 9,798. The current enrollment (at July 2001) is 5,828, or approximately 60% of total capacity.

Child care *centers* are licensed according to the size of the facility and the age of the target population. Capacity data for centers is maintained by age group, time availability (full or part) and total licensed capacity. The existing capacity for center-based care in Kern County is 12,721 full-time slots and 2,779 part-time slots. There were 10,695 children enrolled in center care in July 2001.

Exempt provider data reflects the actual number of children for which a provider is receiving subsidized payments. Since this segment of the industry is unregulated, the only capacity that exists is what is being served at any point in time.

So, determining total available capacity is quite straightforward and can be determined by adding the licensed capacity of all child care centers and family child care providers to the actual capacity of the exempt providers' data base.

Once total capacity has been calculated, it is necessary to arrive at actual enrollment in order to determine accurate gross revenue for the industry. Vacancy rate is another statistic collected by the resource and referral agency for licensed child care providers. For the purposes of this report, 102 licensed family child care providers in Kern County were contacted by phone and asked a series of questions that were developed to verify the accuracy of the vacancy rate statistics. The answers to these questions showed that the vacancy rate, as reported to the R&R, was statistically

accurate. The total capacity was multiplied by the vacancy rate to establish an enrollment level to use in the gross revenue calculation.

The capacity, vacancy and enrollment data is entered into a matrix to assist in calculating gross revenues (see the appendix). This matrix breaks enrollment into age categories; 0-2, 3-5, and 6+. Since actual enrollment by age group is known for child care centers, those numbers are entered in the appropriate box. The percentage of total enrollment in each category is then determined and these percentages are applied to the total enrollment in family child care and the results are entered into the appropriate space. The matrix is very useful for calculating enrollment and gross revenues for private child care centers and licensed family child care. Head Start and other federal and state funded child care programs are accounted for separately and added to the total determined for private child care centers and licensed family child care.

GROSS REVENUE CALCULATIONS

Licensed Child Care

Each year, a Regional Market Rate Survey is conducted by the California Resource and Referral Network to determine the mean (average) rates for child care in Kern County. The information is collected for child care centers and family child care providers according to the age of the children in care. Different rates are charged for infant/toddler, pre-school and after school care. There are also different rates for full-time and part-time care. This information is then extrapolated to determine a mean rate per hour, day, week and month.

It is these monthly rates that were entered into the matrix to determine gross revenues for licensed family child care providers and private child care centers. In Kern

County, these parts of the industry generate \$64.5 million. To this amount is added the total revenue generated by the Head Start Program and other state and federal funds received for administration, overhead and direct services. These amounts were \$22.1 million and \$29 million, respectively, for a total of \$115.6 million. This portion of the child care industry contributes more revenue to Kern County than carrots (\$107.7 million) or property tax (\$112 million for FY 1998-99).

License-Exempt Child Care

To determine the total economic impact of child care in Kern County, it is necessary to also include revenues generated by the license-exempt providers. Again, the only providers that are documented in this category are those that receive some form of subsidy payment. The AP and Migrant AP program administrators keep this information.

In July 2001, there were 2,260 license-exempt child care providers receiving subsidies to care for 5,227 children. Three hundred forty-one of these children were in a designated Migrant AP child care program

A matrix similar to that used to determine gross revenues for licensed child care is used to determine the contribution of license-exempt care. Using rates from the Market Rate Survey, it is estimated that license-exempt care generates gross revenues of approximately \$21 million annually.

Accounting for CalWORKs and AP Funds

The funds for the above license-exempt care come from the CalWORKs and AP subsidy programs. The total of these funding sources is \$48.8 million. Since \$21 million

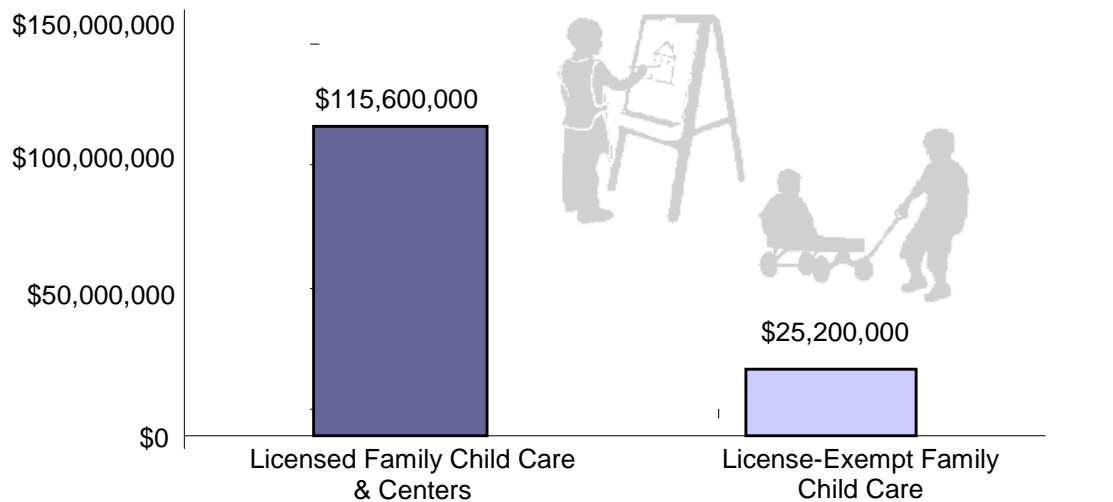
can be documented as paid to exempt providers, the remainder (less admin. costs) is paid to licensed providers and has been accounted for in the calculations for that category. The total costs to administer and provide direct services for these programs are \$9,760,000. In an effort to be as accurate as possible, this amount has been allocated to licensed and license-exempt care according to the percentage of the subsidies paid to each category. Since \$21 million is 43% of the total \$48.8 million, that percentage, or \$4.2 million has been allocated to the exempt category as the contribution for administration and direct services. The remainder, or \$5.6 million, is allocated to the licensed care category.

Therefore, the total contribution to the local economy by exempt providers and the administration of their programs is \$25.2 million.

The Big Picture: The Total Contribution of the Child Care Industry

The total gross revenues, or economic contribution, of the child care industry in Kern County is \$140.8 million. This is comparable to the almond industry, with gross revenues of \$142.3 million. These revenues make almonds the fifth largest crop in the

Table 3: Total Kern County Child Care Industry: \$140,800,000



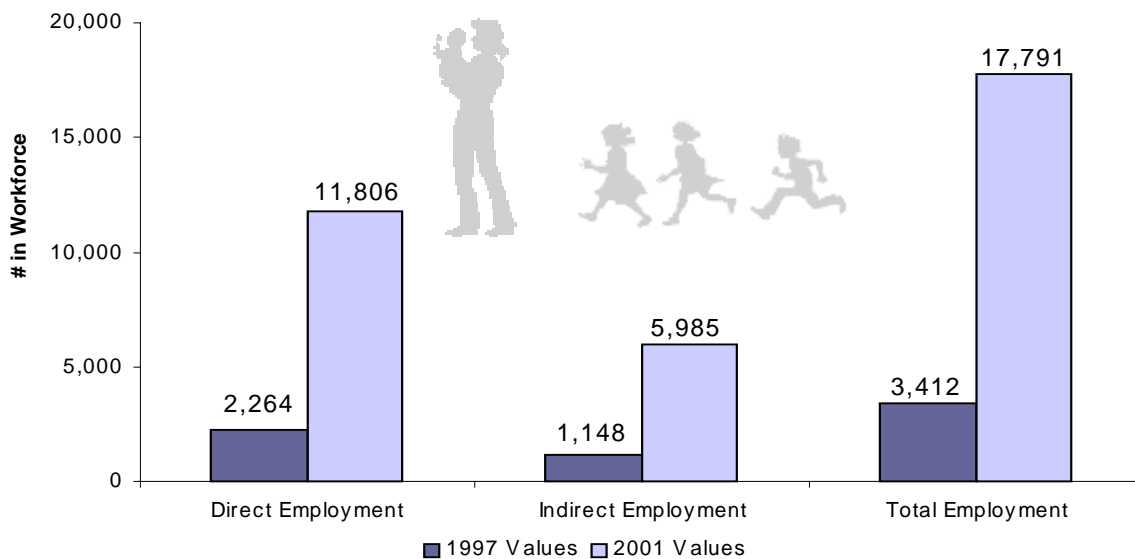
county. By comparison then, the contribution of the child care industry is significant!

JOB CREATION

Using formulas developed by the National Economic Development and Law Center, the total employment for the industry can be calculated. For licensed family child care providers with small and large licenses the calculation is simple: one job per small license and two jobs per large license. Direct employment formulas for child care center facilities are included in the appendix of this report. They account for teachers, directors, custodians, cooks, receptionists, family advocates and off-site administrators and take into consideration the rules and regulations of the licensing agencies.

In Kern County, 11,805 people are directly employed in the child care industry. This is more people than are employed in the local construction industry (11,800). Those providing licensed and license-exempt family child care in their homes account for 3,516. Child care centers and support services employ 8,289 people. This is currently a growing industry, with ‘child care workers’ being classified as one of the fastest growing occupations in Kern County by the California Employment Development Department.

Table 4: Kern County Child Care Industry Employment Growth: 1997- 2001



Indirect employment represents those jobs created to provide the goods and services necessary to another industry. Jobs that depend on the needs and resources of that other industry are figured by using a factor determined by the Bureau of Economic Analysis. For Kern County the factor is .507, which is multiplied by the number of direct jobs. Thus, total indirect employment is 5,985.

Total direct and indirect employment in the child care industry in Kern County is 17,790. This is nearly as many people as are employed in the construction, finance, real estate and insurance industries combined in Kern County.

CHALLENGES FACING THE INDUSTRY

The local economic structure and industrial base in Kern County, as well as the current economic conditions in the state of California and the nation, present many challenges for the child care industry now and into the future. The large migrant and seasonal farm worker population in the county creates a need for state and federal subsidies to assist with child care payments. Although Kern County currently receives \$48.8 million for this purpose, there are still over 6,000 income-eligible children who are not receiving subsidized care due to lack of funds.

While a recent report indicated that a single parent with two children needs \$34,904 to pay for housing, utilities, child care, transportation, food, health care, taxes and other miscellaneous expenses, the average income in Kern County is less than \$27,000, and the median income is \$38,700. This disparity will not easily be remedied, and is what creates the necessity for the subsidies. The availability of the subsidies

allows parents to enter and remain in the workforce and provides a larger, more dependable labor pool for employers.

The high vacancy rate among licensed family child care providers is also a challenge for the industry. Great efforts have been made over the past several years to increase the capacity and quality of child care in the county. These efforts have been successful, but many areas of the county are now saturated with providers, a situation which must be addressed by local child care advocates. The industry has spent time and energy to elevate prices to a level that was fair and reasonable, but that would also allow for quality care. A concern exists that high vacancy rates and market saturation may have an adverse effect on the quality of service delivered.

State economic conditions have been adversely affected, and the California Legislative Analyst's Office is predicting a 12%+ decline in state revenues for the 2001 – 2002 fiscal year, the largest one-year decline since the end of World War II. In response to these changing conditions, the Governor has ordered a hiring freeze and mandated budget cuts in all state programs. These cuts will mean less money will be available to the counties, and may reduce the already insufficient subsidy allocations for Kern County.

In addition to the economic slowdown that began in the spring of 2001, the terrorist attack of September 11, 2001 has also impacted the national economy. Consumer confidence has been further weakened and a new financial burden has been placed on the federal budget. Program cuts and reallocation of resources will be necessary in order to pay for the “war on terrorism”. These adjustments will most likely mean a reduction in funds available to local municipalities.

Child care providers are also bracing for increased insurance rates as a result of the Sept. 11 terrorist attacks. Coupled with state and federal budget cutbacks and little hope of increasing profit margins, this could be a significant challenge.

At the time this report was written, more mothers with infants were choosing to stay home. In 1998, 59% of these mothers returned to the workforce shortly after giving birth. According to a Census Bureau report, the percentage had dropped to 55% in 2001. The drop is primarily among women who are white, married, over 30 and educated. It is difficult to assess the effect this trend may have on the child care industry in the near future and with current layoffs and unemployment in certain labor sectors, this trend may quickly reverse.

A final, overarching challenge for the child care industry, especially in a slow economic environment, is to continue to focus on quality child care and early education programs. The positive improvements in socialization skills, school readiness and overall brain development that are currently being documented are dependent on the availability of these programs. Part of the effort to maintain and increase quality includes encouraging license-exempt providers to become licensed and avail themselves of training and educational opportunities.

The child care industry in Kern County is strong and growing. It contributes millions of dollars to the local economy as well as the tax base, through property tax, sales tax, income tax, permit fees, development fees and business license tax. The industry creates thousands of jobs and allows tens of thousands of parents to enter and remain in the workforce. Local government and community support and an increased understanding of the child care industry will further enhance the benefits that will accrue

to the community through increased revenues and jobs. Child care is no longer a luxury. It is a necessity. A strong network of child care providers and administrative resources is needed in order to create a strong local infrastructure that can weather changing economic conditions.

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Kern Council of Governments

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California Department of Finance, Demographic Research Unit

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