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The Economic Impact of Child Care in Tulare County

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Executive Summary

Child care is a critical component of the County's economic development infrastructure. Child care sustains the county's workforce by enabling parents and guardians to take new jobs, return to previously held jobs sooner, and to increase productivity and advancement where they are already employed. The child care industry creates a sizeable economic impact through direct and indirect employment and payroll with close to 2,200 jobs (\$39.2 million in payroll) which represents almost 2 percent of civilian employment in the county. The direct and indirect jobs supported by the child care industry are equal to the direct and indirect jobs of the local electronic components and potato chip and similar snacks industries combined (2,192 jobs).

The 644 licensed child care establishments (521 family child care homes and 123 centers) serve approximately 11,417 children in Tulare County. These centers and homes directly support over \$83.2 million in output. The child care industry is comparable in output to some other key industries in Tulare County, including commercial printing and book printing, and exceeds accounting, auditing, and bookkeeping, skilled and intermediate nursing care, and the manufacturing of men's and boys work clothing. In addition, the child care industry contributes approximately \$59 million annually in the capture of federal and state transfer payments.

Child care ranked 15th out of 22 industries for direct and total output in key industries, and 10th in direct and total payroll in key industries. However, excluding agriculture and food processing industries, child care ranked 7th out of 11 industries for direct and total output and 2nd for direct and total payroll.

Child care supply is one of several factors that affect local unemployment and labor force participation rates. Unemployed parents may be unable to qualify for certain jobs due to lack of suitable child care options. Other parents may fail to enter the labor force or restrict their hours of work because of the location, hours, ages served and costs of available child care.

The county has a greater need for subsidized child care because of the lower than average income and for subsidized programs such as Head Start because of the higher than average unemployment rate. In the spring of 2002, there were 1,291 children on a waiting list for subsidized care. Statewide, the licensed child care supply meets only 21 percent of the estimated need. During the waiting period, the parents/guardians of these children may be unable to work, to work full-time, or to accept training or advancement for a new position.

Licensed child care establishments are labor-intensive and their greatest job creation impact is in direct employment in child care work. In a county with high unemployment, a labor-intensive industry like child care is an economic asset, despite its low wages.

I. Introduction

Child care is an important component of Tulare County's infrastructure that supports economic growth. Child care sustains the county's workforce by enabling parents and guardians to take new jobs, return to previously held jobs sooner, and to increase productivity and advancement where they are already employed.

This report addresses the need for strengthening the relationship between economic development planning and child care advocacy. Tulare County policy makers, business leaders, community and economic development professionals, and neighborhood groups are already at the table discussing ways to improve the economic viability and quality of life for families in Tulare County. This report provides evidence and support for the argument that child care is a critical component of any comprehensive plan for sustained economic development.

The report measures the impact of the licensed child care industry in terms of its size (payroll, output and employment), and its occupational characteristics. These impacts are then compared with the economic impacts of other major local industries. Child care encompasses a range of services to provide for young children while parents go to work or to school. Licensed establishments include child care centers and child care homes. Licensed child care providers include nonprofit corporations, for-profit corporations, public agencies and sole proprietors. In total there are 521 licensed child care homes and 123 licensed child care centers in Tulare County. They have a combined capacity to accommodate 11,417 children.

The findings in this report are based on a telephone survey of the 644 licensed child care providers in Tulare County from which 324 responses were gathered. Based on the survey responses, total employment and payroll for the complete universe of licensed homes and centers in the county was estimated in order to calculate the economic impacts.

The report assesses child care's impact on local economic development by examining its economic impact compared to other industries in the county. The comparative industries include 19 specific industries in the agriculture, manufacturing and services sectors. Each of these industries represents at least 300 local jobs.

In general, the licensed child care industry is very cost sensitive and there is strong competition from unlicensed individual caregivers who may provide care in the child's home or outside their home. Providing adequate numbers of spaces in licensed child care facilities at affordable prices is critical to retaining a quality work force and building a stable economy.

II. Summary of Findings

Size and Gross Receipts

- Approximately 644 licensed child care establishments (521 family child care homes and 123 centers) serve approximately 11,417 children in Tulare County.
- The child care industry directly and indirectly supports over \$83.2 million in output and \$39.2 million in total payroll in the county each year. Other comparative industries with the larger direct employment such as oranges and grapes have the larger output impacts, simply due to their size.
- The child care industry is comparable in output to some other key industries in Tulare County, including commercial printing and book printing, and exceeds accounting, auditing, and bookkeeping, skilled and intermediate nursing care, and the manufacturing of men's and boys work clothing.
- The licensed child care industry represents an estimated 1,779 direct jobs and over \$28 million in payroll. These jobs and payroll are spread across 644 homes and centers that provide care for over 11,400 children. These figures for the child care industry likely underestimate employment since they exclude most informal caregivers who care for a large number of children in Tulare County.
- The \$28 million in annual payroll is slightly larger than the annual payroll associated with plum and cotton production, and with skilled and intermediate nursing care.
- Tulare County licensed child care providers now add approximately \$59.0 million to the local economy each year through the capture of federal and state transfer payments.
- Because of the child care industry's modest role in generating local sales and property tax revenues and its low wages, its impact on local economic development is often underestimated.

Employment

- Licensed child care directly employs 1,779 people, representing almost 2 percent of civilian employment in Tulare County, and creates 413 jobs in other industries (indirect jobs).
- Average wages vary by industry, but are highest in manufacturing industries such as prepared foods, cardboard boxes, commercial printing and snack food manufacturing. Average wages in these higher paying manufacturing industries range from \$32,200 to \$45,500. The child care industry has among the lowest average wages relative to the comparative industries in the impact at \$15,892. However, it is important to note that

child care supports employment in higher wage industries by allowing parents to work outside the home.

- The number of workers in child cares homes and centers far exceed the number of workers in the each of the twelve comparative manufacturing industries.
- The direct and indirect jobs supported by the child care industry are equal to the direct and indirect jobs of the electronic components and potato chip and similar snacks industries combined (2,192 jobs)
- Of the 42 jobs created in Tulare County by each \$1 million of licensed child care demand; about 8 of the jobs created are in other local industries. These other supported industries include transportation, health services, eating and drinking places, personal and business services.

Implications for the Future

- The child care industry is an integral part of the local economy in Tulare County. It creates a sizeable economic impact through direct and indirect employment and payroll with close to 2,200 jobs and \$39.2 million in payroll supported each year. The vast majority of these impacts are captured locally, unlike impacts in other sectors like manufacturing. In addition, the availability of full time child care is critical to supporting a viable labor force in the county. This labor force in turn supports economic development in a wide range of local industries.
- Licensed child care establishments are labor-intensive and their greatest job creation impact is in direct employment in child care work. In a county with high unemployment, a labor-intensive industry like child care is an economic asset, despite its low wages.
- Business and local government benefit from child care services and should support the industry by expanding the availability and accessibility of financing mechanisms.
- Child care supply is one of several factors that affect local unemployment and labor force participation rates. Unemployed parents may be unable to qualify for certain jobs due to lack of suitable child care options. Other parents may fail to enter the labor force or restrict their hours of work because of the location, hours, ages served and costs of available child care.
- The child care industry faces many challenges, including:
 - ▲ Unlike most industries that can easily expand with increased demand, high operational costs, limited facility options, tight profit margins, and limited revenue streams from parents and government sources hinder child care.

- ⤴ Recruiting and maintaining child care staff is a challenge—annual turnover rates are in excess of 30 percent due to low wages, insubstantial benefits and few opportunities for advancement.
- ⤴ The industry is not competitive with sectors that routinely offer higher wages and better benefits.

III. The Economy of Tulare County

Basic trends in the Tulare County economy provide an important context for understanding the local child care industry because child care, in addition to its child development function, is an essential support for labor force participation and local economic development. This section examines the county's overall economic structure including demographics and employment trends, and explores the implications of those trends for the child care industry.

Employment Trends

- The unemployment rate in Tulare County has historically been well above the state average. The annual average unemployment rate for 2001 was 15.2 percent, compared to a state rate of 5.2 percent. The unemployment rate has only declined slightly since the recession of the early 1990's from a high of 17.9 percent in 1993.¹
- The county has a strong agricultural base and a large retail and service base, but a relatively small manufacturing sector. Average earnings per worker in the county are about \$20,666 for all industries, and \$30,747 for manufacturing industries.² The predominance of lower skilled jobs in non-manufacturing sectors contributes to lower than average overall earnings per worker.
- In general, Tulare County has a resource-based economy. The largest sector is agriculture (27 percent), followed by government (21 percent), retail trade (15 percent), and services (15 percent). Manufacturing accounts for only 9 percent of the economic base.³ The large share of workers in agriculture is significantly greater than the state average. This contributes to higher unemployment and seasonal shifts in the local economy.
- Overall, the number of jobs in Tulare County has increased by about 16 percent from 1990 to 2000, according to the California Employment Development Department. Since 1990, there have been small losses in both manufacturing and wholesale trade, contrasted with a 41 percent gain in the services sector, and a 24 percent gain in retail trade. It is somewhat of a concern that the majority of job growth is occurring in primarily non-basic sectors. However, on a positive note there was also a 20 percent gain in agricultural employment, which is a basic industry, serving markets outside the local area.
- From 1990 to 2000, there were 23,800 net new labor force entrants in the county. There are about 21,800 more jobs in the county than there were in 1990. However, there has been wide variation from year to year in the number of labor force entrants and the number of new jobs, including some years when there were significant decreases in the number of people in the labor force. On average, the county is adding about 2,180 new jobs per year, compared to about 2,380 new labor force entrants per year.⁴

¹ California Employment Development Department

² Minnesota IMPLAN Group, ES202 Data, 2000.

³ California Employment Development Department.

⁴ California Employment Development Department.

Demographics

- The population of Tulare County grew by 15 percent from 1990 to 2000. In comparison, the state's population grew by 12 percent during this time period. Estimated 2001 population was 377,500, according to the California Department of Finance.
- About 25 percent of the county's population is concentrated in Visalia, and an additional 23 percent in Porterville and Tulare.⁵
- Tulare County is more ethnically diverse than the state as a whole. Hispanics account for 51 percent of the population, compared to 32 statewide.⁶ Typically this results in larger household sizes, and a higher than average number of young children. The average household size in Tulare County is 3.28, compared to 2.87 statewide. About 50 percent of all households have children ages 0 to 17.⁷ About 20 percent of households in Tulare County are single parent households, creating a strong demand for affordable child care.
- Median family income in Tulare County is estimated at \$35,000 for 2000, which is significantly below the statewide average of \$55,400.⁸
- The poverty rate in Tulare County is also above the state average at 22.6 percent compared to 12.5 percent for California.⁹ Many of the individuals living below the poverty line are children.

Implications for Child Care

- The child care industry is affected by the county's basic economic and demographic characteristics in several ways.
 - The proportion of children is greater in Tulare County, creating a greater need for child care relative to the size of the county's population. Sizeable shares of these children are living in single parent households, creating an even greater demand.
 - The stability of the licensed child care industry is negatively affected by the seasonal shifts in the agriculture-based local economy and above average unemployment rates. As the parents' economic situation changes on a seasonal basis, so may their need for child care.
- The county has a greater need for subsidized child care because of the lower than average income and for subsidized programs such as Head Start because of the higher than average unemployment rate.

⁵ California Department of Finance.

⁶ Bureau of the Census, 2000.

⁷ California Department of Finance.

⁸ U.S. Department of Housing and Urban Development.

⁹ California Statistical Abstract, 2001.

IV. Demand for Child Care

In April of 2000, the Tulare County Child Care Planning Council published a report on the need for child care in the County. This section provides an excerpt from that report which describes demand for child care.¹⁰

- Existing data supports a tremendous need for licensed child care in Tulare County. There are an estimated 102,915 children, 0-13 years of age, who reside in the county. Children under 14 make up 28 percent of the county's total population. Approximately 54 percent of children (0-17 years of age) live in households where either both parents or the single-parent head of household is in the labor force.
- There are a total of 118 licensed child care centers with an estimated 5,221 child care slots. In addition, 472 child care homes provide 4,766 slots. Thus, there are estimated 9,987 licensed slots available for children in need of child care in the county. There is no way to determine the total number of children who are being cared for by exempt care providers (Note: exempt providers are generally a friend, or relative that cares for children from one family only).
- The overwhelming majority of child care centers and homes are located in the urban areas of the county, including: Visalia, Porterville, Lindsay, Dinuba, and Tulare, which have 80% of the licensed slots in the County. In addition, access to child care services remains limited due to the lack of transportation and to the traditional hours of operation by most child care providers. With the exception of one or two child care centers; most centers operate on a Monday through Friday schedule. Forty percent of the centers offer care between the hours of 8:00 a.m. to 5:30 p.m., and 30 percent operate only in the morning or in the afternoon.
- The demand for child care is clearly evident by the number of children currently on waiting lists for a subsidized child care slot. In March of 2000 there were a total of 2,692 children on waiting lists for subsidized care.
- Infant care is at a premium in the county. While there are approximately 6,934 infants born each year (1997), there are only an estimated 132 (1.3 % of total slots) infant slots in licensed child care centers in the county. While infants may be cared for in licensed family child care homes, it is not known how many spaces are available at any given time. In addition, it is not known how many infants exempt providers' care for. Furthermore, the cost of infant care is higher than that of older children due to the increased care that must be provided to this age group.
- Children with special needs are at a disadvantage for licensed child care. As demonstrated by school district data, there are an estimated 6,184 children between the ages of 0-13 in the county with special needs. However, there are few child care services

¹⁰ Child Care in Tulare County, An Assessment of Needs for Subsidized and Unsubsidized Child Care in Tulare County Communities. April 2000

available for these children. Parents are faced with increased costs for child care, as well as with a serious lack of trained child care providers that can accommodate the needs of these children.”

An update of this information in 2002 shows:

- 521 licensed child care homes, and 123 licensed centers, providing 11,417 slots. This is an increase of nearly 15 percent (child care slots) over the number reported in 2000.
- There are currently 1,291 children on a waiting list for subsidized care. This is a decrease of over 108 percent of the number of children on a waiting list reported in 2000. From these numbers it is clear that concerted efforts to increase the number of licensed child care slots is occurring.

Tulare County is not an anomaly. “Licensed child care supply meets only 21 percent of the estimated state-wide need. Only 4 percent of centers and 33 percent of family child care providers offer care for the many workers employed during non-traditional hours. More than 80 percent of California’s working mothers say it is either difficult or extremely difficult to find appropriate child care, and more than 20 percent have been prevented from taking a job as a result of inadequate access to care. Child care is a particularly pressing issue for low-income families. In one study of 500 Los Angeles County residents, more than half had lost a job, and over two-thirds failed to seek a job, due to difficulties in finding child care.”¹¹

¹¹ The Economic Impact of the Child Care Industry in California, National Economic Development and Law Center, June 2001

V. The Economic Impacts of the Child Care Industry

This section assesses the economic impact of the child care industry in Tulare County. It measures the overall effects of child care in the local economy and compares the economic impact with that of other local industries.

The Tulare County Child Care Planning Council selected 21 comparative industries that employ significant numbers of people in the county. They include a variety of agriculture, manufacturing and services industries (Figure 1). In this section we compare the impacts of the child care industry with other key components of the local economic base.

FIGURE 1
EMPLOYMENT AND AVERAGE WAGES IN COMPARATIVE INDUSTRIES

SIC	Industry Name	Employment		Average Wage
		1990	1999	
Agriculture				
131	Cotton - lint and seed	895	631	\$18,530
172	Grapes	4,003	6,269	\$15,503
174	Oranges - navel and valencia	1,917	6,505	\$17,021
175	Plums	1,856	1,370	\$16,644
212	Cattle	110	6,918	\$18,239
241	Milk	1,860	5,254	\$21,477
Manufacturing				
2020	Dairy products	1,339	1,331	\$45,487
2030	Preserved fruits and vegetables	1,327	1,381	\$26,869
2048	Prepared feeds, nec	98	324	\$39,866
2068	Salted and roasted nuts and seeds	12	322	\$22,664
2096	Potato chips and similar snacks	0	333	\$32,242
2326	Men's and boys' work clothing	181	322	\$13,721
2650	Paperboard containers and boxes	183	404	\$36,627
2730	Book printing	548	512	\$24,029
2750	Commercial printing	858	607	\$32,345
3080	Miscellaneous plastic products	532	489	\$28,159
3440	Fabricated structural metal products	297	540	\$32,001
3670	Electronic components and accessories	604	498	\$28,897
Services				
8720	Accounting, auditing, and bookkeeping services	494	713	\$20,782
7300	Business services	2,180	4,281	\$16,383
8050	Skilled and intermediate nursing care	1,032	1,284	\$16,819

Source: 1990,1999-ES202 Data from Minnesota IMPLAN Group; Tulare County Agricultural, Crop & Livestock Report, 2000.

The economic benefits resulting from these jobs and the firms they represent in the 22 selected industries (including child care) encompass the direct impacts at the companies themselves, as well as impacts on other related industries in the county. The economic impacts can be measured in terms of direct and indirect jobs, payroll and output value that are being generated in

Tulare County on an annual basis. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and employees in Tulare County that benefit from operations of the key industries represented here.

Direct Impacts

Figure 2 shows the number of jobs as well as payroll and output value that are being directly supported by firms in these industries. Output measures the size of an industry in terms of the overall value of the goods and services it produces.¹²

These selected industries directly support about 42,100 jobs and \$1,199 million in annual payroll in Tulare County as shown in Figure 2. The largest employers among the comparative industries are primarily agricultural industries (grapes, oranges, cattle) and business services.¹³

The licensed child care industry represents an estimated 1,779 direct jobs and over \$28 million in payroll. These jobs and payroll are spread across 644 homes and centers that provide care for over 11,400 children. These figures for the child care industry likely underestimate employment since they exclude most informal caregivers who care for a large number of children in Tulare County.

¹² Output is defined as the value of production. In manufacturing industries this is a fairly straightforward concept. In most service industries, output may be defined as sales. For child care, we define output as the amount that people spend on licensed child care services.

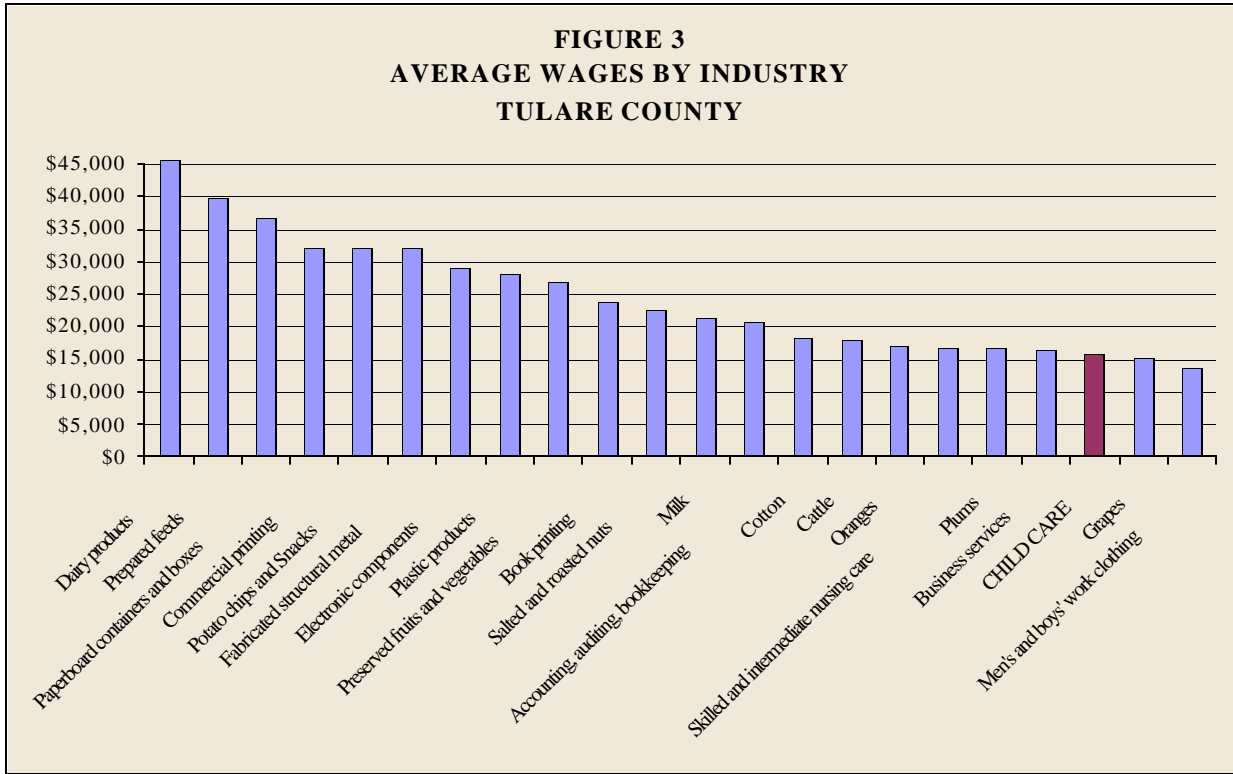
¹³ Note that employment in agriculture industries was estimated based on production value and average output per employee in each industry. Employment in all other industries as well as information on average wages was obtained from ES202 data for the county.

FIGURE 2
COMPARATIVE DIRECT IMPACTS OF TULARE COUNTY INDUSTRIES

	Direct		
	Output	Jobs	Payroll
Child Care Services	\$52,155,281	1,779	\$28,268,823
Agriculture			
Cotton - lint and seed	\$84,000,000	631	\$26,427,072
Grapes	\$419,088,000	6,269	\$122,390,460
Oranges - navel and valencia	\$434,872,000	6,505	\$127,000,019
Plums	\$91,575,000	1,370	\$26,743,563
Cattle	\$375,210,000	6,918	\$102,543,017
Milk	\$855,285,000	5,254	\$373,491,841
Manufacturing			
Dairy products	\$564,962,915	1,331	\$63,606,915
Preserved fruits and vegetables	\$298,507,293	1,381	\$47,607,436
Salted and roasted nuts and seeds	\$136,499,664	322	\$8,765,189
Prepared feeds	\$153,806,040	324	\$16,207,619
Potato chips and similar snacks	\$105,821,073	333	\$13,291,973
Men's and boys' work clothing	\$27,818,546	322	\$6,146,814
Paperboard containers and boxes	\$78,381,656	404	\$16,335,913
Book printing	\$55,081,984	512	\$11,351,846
Commercial printing	\$64,419,696	607	\$20,512,198
Miscellaneous plastic products	\$77,511,879	489	\$16,057,903
Fabricated structural metal products	\$73,676,520	540	\$20,671,200
Electronic components and accessories	\$101,609,928	498	\$17,543,869
Services			
Accounting, auditing, and bookkeeping	\$23,623,116	713	\$19,917,547
Business services	\$145,956,414	4,281	\$87,347,324
Skilled and intermediate nursing care	\$39,237,756	1,284	\$26,865,307

Source: Minnesota IMPLAN Group; Applied Economics, 2001.

Average wages vary by industry, but are highest in manufacturing industries such as prepared foods, cardboard boxes, commercial printing and snack food manufacturing (Figure 3). Average wages in these higher paying manufacturing industries range from \$32,200 to \$45,500. The child care industry has among the lowest average wages relative to the comparative industries in the impact at \$15,892 (ranked 20th out of 22 industries). However, it is important to note that child care supports employment in higher wage industries by allowing parents to work outside the home. In addition, wages in the child care industry are comparable to other fast growing service industries.



Total Impacts

Based on direct economic benefits of the industries described above, the next step is to calculate the total economic impacts. The total impacts were calculated using economic multipliers from the Minnesota IMPLAN Group, a national vendor of economic impact software and data. These multipliers are specific to Tulare County, and thus they capture only the direct and indirect impacts that could occur within the county. The multipliers are also industry specific, thus the magnitude of the multiplier effects is different for each industry.

A summary of the total economic impacts is shown in Figure 4. In general the total impacts are significantly greater than the direct impacts in Figure 3, reflecting the many secondary benefits that occur within the county as a result of these industries. In the child care industry, the difference between direct and total impacts (indirect impacts) is made up of jobs, payroll and output at related industries such as tax and accounting services, agriculture and retail food purchases, transportation, and other local services.

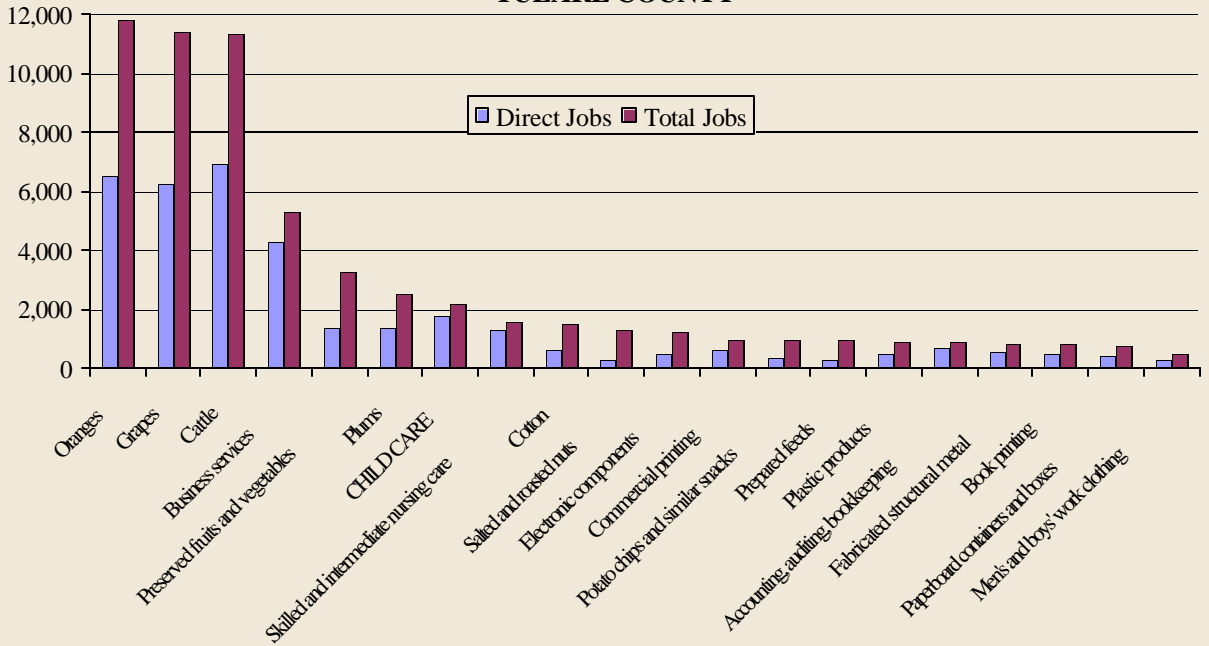
FIGURE 4
COMPARATIVE TOTAL IMPACTS OF TULARE COUNTY INDUSTRIES

	Total		
	Output	Jobs	Payroll
Child Care Services	\$83,232,579	2,192	\$39,235,983
Agriculture			
Cotton - lint and seed	\$127,439,256	1,495	\$42,113,484
Grapes	\$661,552,620	11,416	\$214,329,566
Oranges - navel and valencia	\$686,468,500	11,846	\$222,401,803
Plums	\$144,555,991	2,495	\$46,833,195
Cattle	\$626,734,275	11,358	\$182,416,971
Milk	\$1,201,100,673	11,720	\$498,299,304
Manufacturing			
Dairy products	\$1,115,454,870	6,573	\$255,551,370
Preserved fruits and vegetables	\$443,924,225	3,240	\$98,132,183
Salted and roasted nuts and seeds	\$208,833,702	1,322	\$35,319,425
Prepared feeds	\$192,399,667	931	\$30,038,781
Potato chips and similar snacks	\$151,047,201	934	\$29,335,612
Men's and boys' work clothing	\$38,938,871	496	\$10,345,606
Paperboard containers and boxes	\$103,372,942	744	\$25,557,750
Book printing	\$77,769,592	814	\$19,562,201
Commercial printing	\$88,195,331	942	\$29,243,514
Miscellaneous plastic products	\$107,268,147	890	\$26,736,327
Fabricated structural metal products	\$95,521,977	848	\$28,569,249
Electronic components and accessories	\$153,796,279	1,258	\$38,668,065
Services			
Accounting, auditing, and bookkeeping	\$34,261,007	885	\$24,080,885
Business services	\$213,698,435	5,329	\$113,029,815
Skilled and intermediate nursing care	\$58,817,632	1,569	\$33,839,112

Source: Minnesota IMPLAN Group; Applied Economics, 2001.

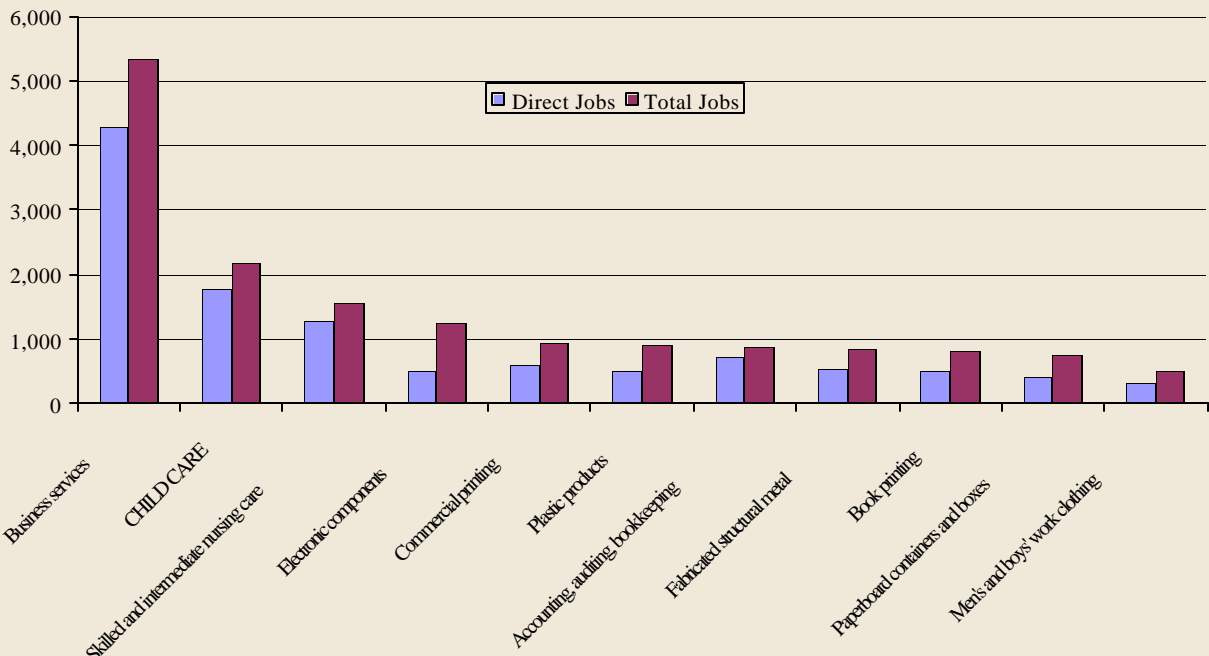
The total combined job impacts of the comparative industries are about 79,300, which translate into an average jobs multiplier of about 1.9. However, the specific multipliers vary by industry. In the child care industry, the jobs multiplier is only about 1.2, although service industries frequently have lower multipliers than manufacturing industries. Thus, the 1,779 estimated direct jobs in the licensed child care industry support 413 additional jobs in related industries in Tulare County. Figure 5 shows direct and total jobs in each industry. In industries where the number of total jobs is proportionally larger relative to direct jobs, the multiplier is greater. Child care ranked 9th out of 22 industries. However, when agriculture and food processing are eliminated as shown in Figure 6, child care ranks 2nd out of 11 industries in terms of the total jobs supported.

FIGURE 5
DIRECT AND TOTAL EMPLOYMENT IMPACTS IN KEY INDUSTRIES
TULARE COUNTY



Source: 1999 ES202 Data for Tulare County; Minnesota IMPLAN Group; Applied Economics, 2001.

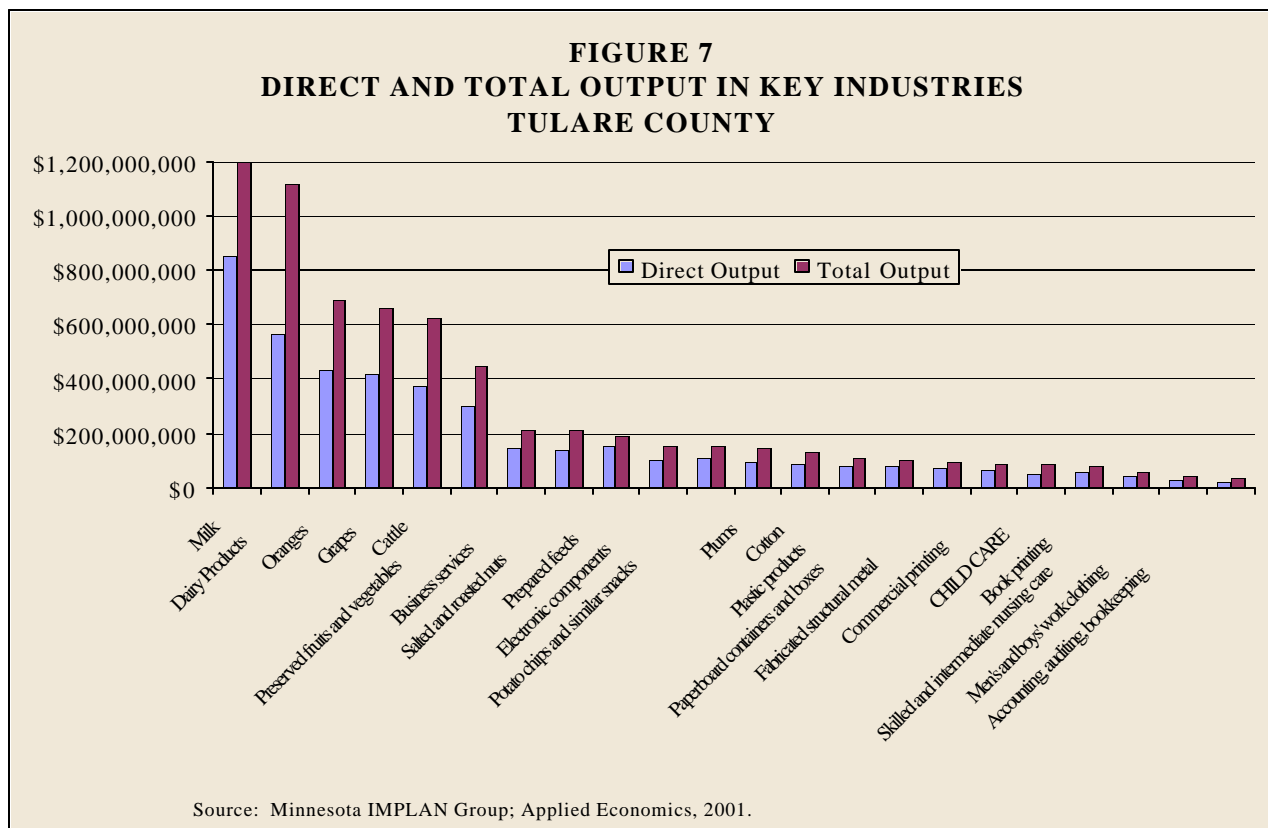
FIGURE 6
DIRECT AND TOTAL EMPLOYMENT IMPACTS IN KEY INDUSTRIES
EXCLUDING AGRICULTURE AND FOOD PROCESSING
TULARE COUNTY



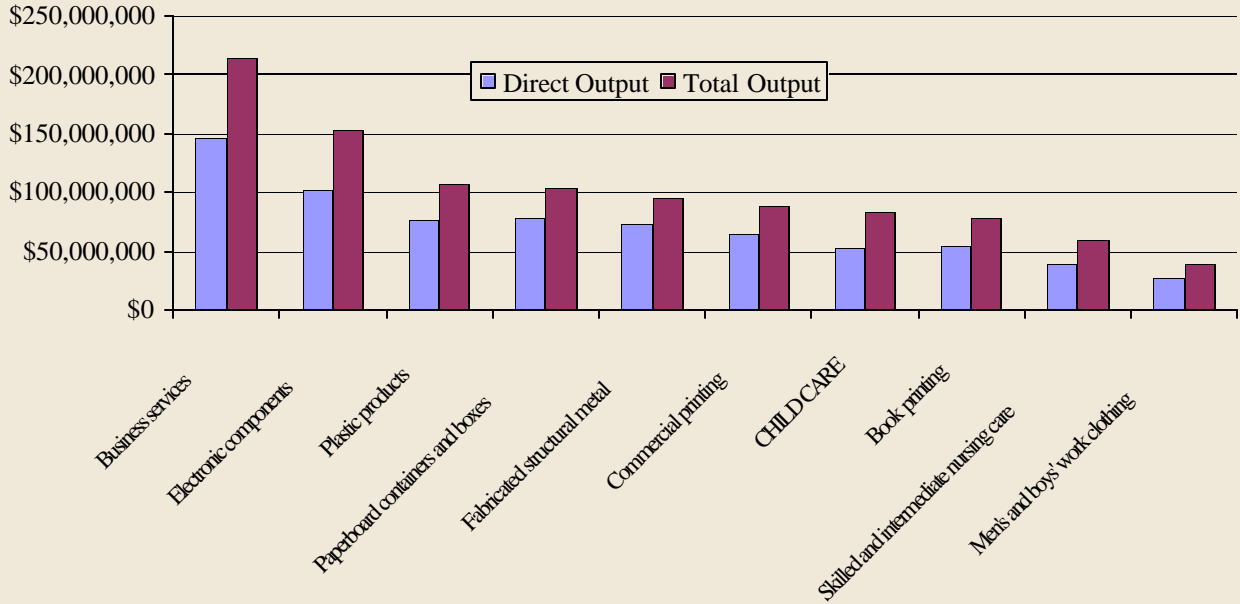
Source: 1999 ES202 Data for Tulare County; Minnesota IMPLAN Group; Applied Economics, 2001.

Similarly, multipliers can be applied to output value and payroll in each of the industries to calculate the total local amount of economic activity supported by these industries. The results are shown in Figures 6 through 10. All together, these 22 industries support an estimated \$6.6 billion in total output and \$2.0 billion in total payroll annually (based on the multiplier effects in Tulare County). Industries with the largest direct employment such as dairy products, oranges and cattle have the largest total impacts, simply due to their size. The child care industry directly and indirectly supports over \$83.2 million in output and \$39.2 million in total payroll in the county each year.

Child care ranked 15th out of 22 industries for direct and total output in key industries, and 10th in direct and total payroll in key industries. However, excluding agriculture and food processing industries, child care ranked 7th out of 11 industries for direct and total output and 2nd for direct and total payroll.

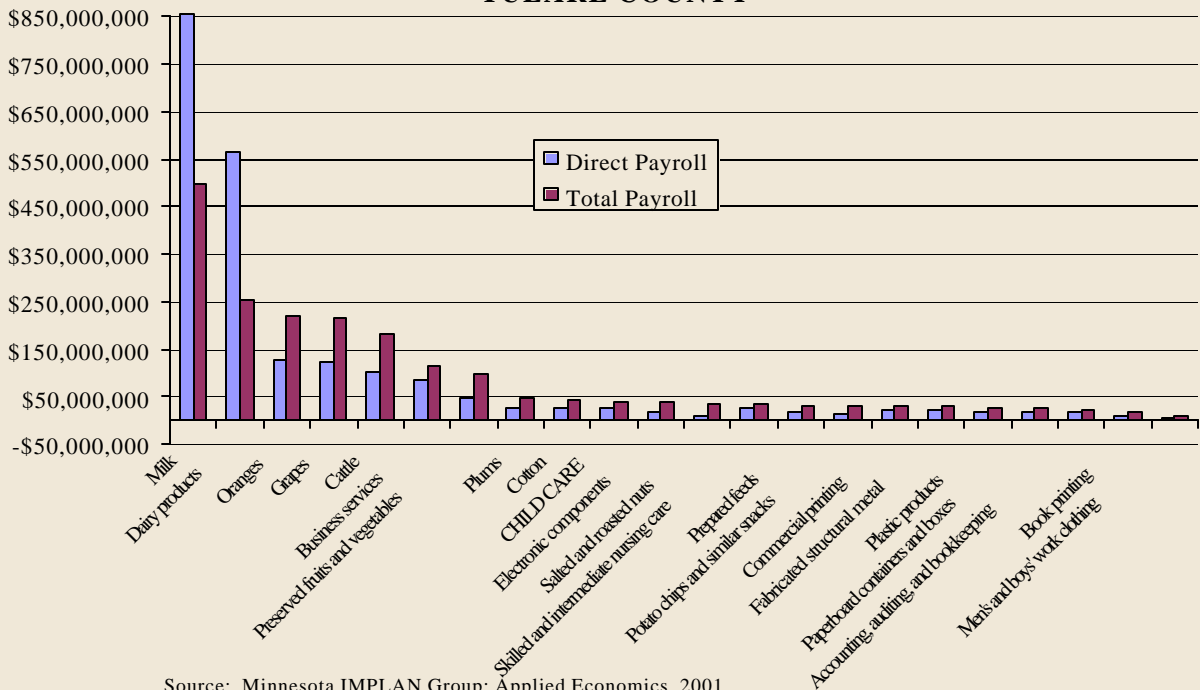


**FIGURE 8
DIRECT AND TOTAL OUTPUT IN KEY INDUSTRIES
EXCLUDING AGRICULTURE AND FOOD PROCESSING
TULARE COUNTY**



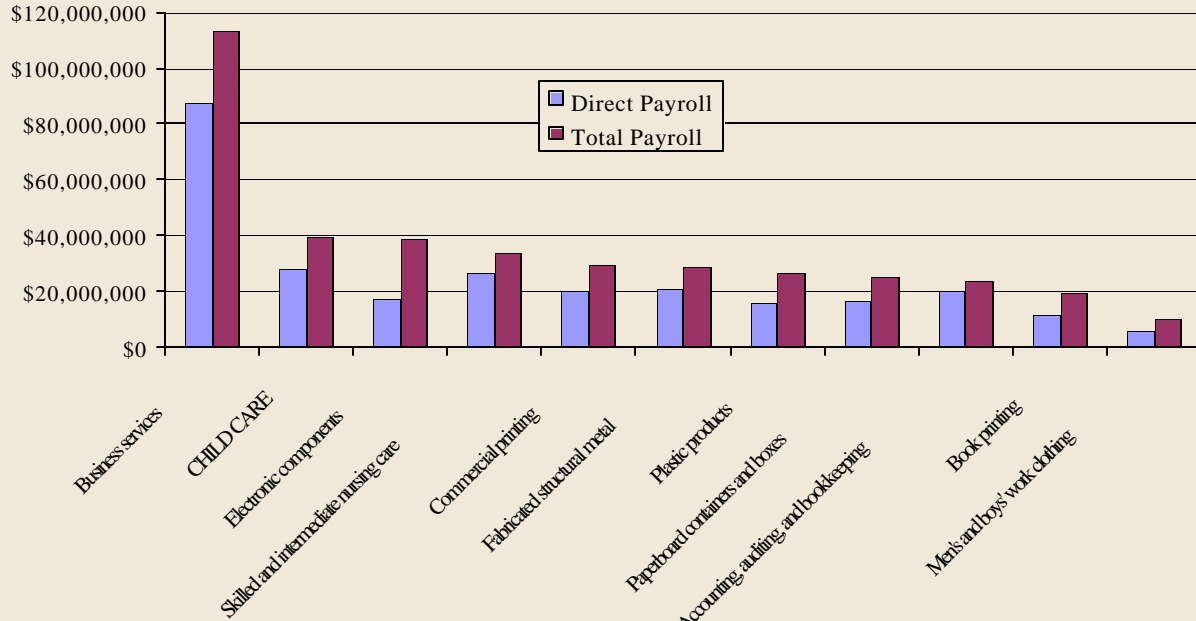
Source: Minnesota IMPLAN Group; Applied Economics, 2001.

**FIGURE 9
DIRECT AND TOTAL PAYROLL IN KEY INDUSTRIES
TULARE COUNTY**



Source: Minnesota IMPLAN Group; Applied Economics, 2001.

**FIGURE 10
DIRECT AND TOTAL PAYROLL IN KEY INDUSTRIES
EXCLUDING AGRICULTURE AND FOOD PROCESSING
TULARE COUNTY**



Source: Minnesota IMPLAN Group; Applied Economics, 2001.

VI. The Role of Child Care in Local Economic Development

In addition to looking at the output, income and employment impacts of the child care industry versus other local industries, it is also important to consider how local policies and investments to support licensed child care may contribute to local economic development.

State and local governments use various tools including investments in education, workforce development, research and technology funding, tax credits, loans, and various other forms of business assistance to strengthen and diversify the local economy.

Public investment in the local child care infrastructure provides benefits in terms of both economic and community development. Economic development in this case is defined as creating new wealth, while community development includes societal and other intangible benefits.

Because of the child care industry's modest role in generating local sales and property tax revenues and its low wages, its impact on local economic development is often underestimated. However, local investment in licensed child care creates several key benefits:

- Increased local employment through direct and indirect job creation and more importantly increased labor force participation that contributes to indirect increases in output, personal income, business formation and local revenues.
- Licensed child care contributes federal and state revenues to the local economy by increasing the county's share of federal and state child care subsidies, both direct transfer payments and tax credits and deductions.
- Child care reduces local public sector expenditures in other areas by, for example, lowering drop out and crime rates, lowering child abuse intervention and special education costs, and improving school readiness.

Local Multiplier Effects

Licensed child care establishments are labor-intensive and their greatest job creation impact is in direct employment in child care work. In a county with high unemployment, a labor-intensive industry like child care is an economic asset, despite its low wages.

In addition, licensed child care establishments are more formally integrated into the local economy and support a broader range of indirect employment than unlicensed and other informal child care such as babysitting. Licensed child care establishments incur expenditures that are essential to the provision of quality child care in a group setting including salaries and staffing to achieve minimum staff-child ratios, purchases of goods and services to ensure adequate marketing, facility maintenance, tax and business compliance and staff development, as well as purchases of goods and supplies that promote child development, health and safety. Of the 42 jobs created in Tulare County by each \$1 million of licensed child care demand, about 8 of the

jobs created are in other local industries. These other supported industries include transportation, health services, eating and drinking places, personal and business services.

As the Tulare County economy becomes more integrated into the global marketplace, a smaller share of the total jobs created by local industries will remain in the local area. For example, an increase of \$1 million in final demand for food processing creates up to 25 new jobs nationally. However, if this increase in demand occurred in Tulare County, only about 15 of these new jobs would be added locally. In contrast, \$1 million in child care final demand supports over 46 jobs, with 42 of them located in Tulare County.

Construction Impacts

The earlier analysis of the local economic impact of licensed child care final demand considers only the effects of child care operations and excludes any economic impacts from construction of new facilities. The construction of child care facilities also provides substantial local economic benefits. A one time investment of \$1 million in construction costs creates the equivalent of 19 local jobs for one year, including 11 jobs in the construction industry itself.

The Role of Child Care in Labor Force Participation

Child care supply is one of several factors that affect local unemployment and labor force participation rates. Unemployed parents may be unable to qualify for certain jobs due to lack of suitable child care options. Other parents may fail to enter the labor force or restrict their hours of work because of the location, hours, ages served and costs of available child care.

An increase in child care slots in Tulare County, if carefully tailored to the local labor market conditions, could play a key role in decreasing unemployment among existing job seekers and increasing labor force participation, particularly as more former welfare recipients are forced to move into the workforce. Based on estimates by the California Child Care Resource and Referral Network, three-fourths of the demand for child care is work-related. Of course, expanded child care supply will only have a positive effect on employment rates and labor force participation if it is carefully matched to the localized job market conditions.

Licensed child care is a more stable support for parental employment than unlicensed informal arrangements, and it results in greater work productivity and less absenteeism. Studies have shown the relationship between the number of child care arrangements that are pieced together for a child during a week and the number of “breakdowns” in child care arrangements. The more complex the child care arrangements, the greater the likelihood that some part of those arrangements will break down, causing parents to be absent, late and unable to focus on work.

Capture of State and Federal Subsidies

As shown in Figure 8, Tulare County licensed child care providers now add approximately \$59.0 million to the local economy each year through the capture of federal and state transfer payments for child care and child development. It is important to note that some of this funding may also be reported in the output impacts from licensed child care centers and homes in the survey who may receive funding through one or more of these programs.

Some of these subsidy payments also go to exempt (unlicensed) providers. The amount of subsidies by program for exempt providers totals \$3.1 million per year, and is shown in Figure 9. These exempt providers represent a relatively large number of informal child care providers who also may receive subsidies through parents who qualify for programs such as WIA, CalWORKS, or Alternative Payments. (Note that this \$3.1 million is also part of the totals shown in Figure 8, which includes both exempt and non-exempt providers.)

**FIGURE 8
STATE AND FEDERAL SUBSIDIES
FOR CHILD CARE IN TULARE COUNTY (FY 2001)**

Programs	Funding Amount
Head Start	\$19,066,742
State Preschool	\$8,179,907
CalWORKs (stage II and III)	\$7,590,278
CalWORKs (stage I)	\$7,000,000
General Center-Based	\$5,068,079
Alternative Payment	\$3,400,171
21st Century	\$2,915,696
After School Learning and Safe Neighborhoods	\$2,180,340
Child Care Food Program	\$1,211,496
CalSAFE	\$1,147,329
Migrant	\$490,193
Latchkey	\$446,875
Federal Center-Based	\$271,690
Total	\$58,968,796

**FIGURE 9
STATE AND FEDERAL SUBSIDIES TO EXEMPT
CHILD CARE PROVIDERS IN TULARE COUNTY (FY2000)**

Programs	Exempt Provider Funding Amount
Alternative Payment	\$67,620
College of Sequoias Alternative Payment	\$48,226
Federal Block Grant	\$556,733
CalWORKs (stage II)	\$1,947,839
CalWORKs (stage III)	\$362,901
Workforce Investment Act	\$96,308
Total	\$3,079,627

Because of the structure of the Tulare County economy and the fact that much of the projected job growth will occur in lower wage industries, the availability of federal and state child care subsidies will play an increasingly important role in supporting local economic development. Local investment in child care, particularly licensed facilities, may help communities to garner a larger share of both state and federal child care subsidies and to maximize the local economic effects of those investments.

Federal and state child care transfer payment programs have been expanding steadily for the past thirty years and are likely to continue to expand. Despite this steady expansion, not all California communities benefit equally. Total expenditures are still well below the amount needed to serve all low-income households in the state. Tulare County does better than average though, capturing enough subsidies to service about 61 percent of the income-eligible population.¹⁴

Studies suggest that there is a direct correlation between organizational efficiency and the enrollment rate of preschool children in subsidized child care. The development of a well-organized local network of licensed child care providers with resources, infrastructure and policies to support increasing the number of slots available can increase a county's capture of federal and state provider-based subsidies.

However, the efficiency of the local child care industry is less of a factor in the distribution of funds through programs such as the California Department of Education's Alternative Payment program, which is consumer based and does not depend on licensed provider capacity to be absorbed locally. Alternative payment vouchers, for example, can be used with exempt or non-exempt providers depending on the preferences of the parents receiving the vouchers.

It is to the county's advantage to capture as much of the subsidies through licensed providers as possible because of the far greater economic impact from these establishments. Whether federal and state child care transfer payment expansion occurs primarily through consumer-based subsidies or through provider-based subsidies, intervention to support their capture by licensed child care establishments is essential in maximizing the economic impact of these subsidies on the county.

¹⁴ Lapkoff & Gobalet Demographic Research, "California's Child Care Gap," *Financing Early Childhood Facilities*, National Economic Development and Law Center, January 1996.

VII. Statewide Impact of the Child Care Industry

A recent report sponsored by the National Economic Development and Law Center¹⁵ provides the following:

“The child care industry has a significant and positive impact on California’s economy. Child care is an integral part of California’s economic development infrastructure, much like the roads that support our commerce and electricity that powers our businesses. The study, clearly establishes the child care industry’s key contributions to the state’s economy:

- The licensed child care industry-including centers and family child care homes-generates between \$4.7 and \$5.4 billion in gross receipts, or revenues, in the state’s communities. These revenues put the licensed child care industry on par with California’s major agricultural sectors, making it similar in size to both the livestock industry and vegetable crops industry. Further, licensed child care is significantly larger than other major industries in the state, including the sporting goods, women’s clothing, and household appliances industries.
- The licensed child care industry directly employs over 123,000 people in California. The industry creates and sustains three times more employees than the state’s advertising industry, over two times more employees than the lumber industry, and several thousand more than the accounting and legal services industries.
- Licensed child care also generates indirect employment through the goods and services the industry and its employees purchase. An additional 86,000 indirect and induced jobs are created and sustained by the child care sector.
- By providing a stable source of care, the child care infrastructure enables working parents to earn at least \$13 billion annually – a substantial and sustained contribution to the state’s economic growth and overall prosperity. Those earnings, in turn, create more than \$40 billion in total direct, indirect and induced personal income; generate almost \$5 billion in tax revenues; and support an estimated 1.1 million jobs. Moreover, the productivity gains created by the licensed child care industry contribute \$65 billion to gross state product. This “leveraging” effect contributes more to gross state product than the sector-specific impacts of several high-profile industries, including electronics, motion pictures, and food products.
- The significant contributions listed above speak only to the impact of the licensed child care sector. Although data uncertainties make an analysis of the unlicensed child care industry difficult, the total economic impact would be much higher if the informal sector was included.”

¹⁵ Child Care and Its Impact on California’s Economy, National Economic Development and Law Center, Fall 2001.

VIII. Economic Benefits of Investment in Licensed Child Care

National research shows the following benefits to increasing the supply of licensed child care.¹⁶

- Licensed child care is a more stable support for parental employment than informal care.
- Other studies confirm that licensed child care increases worker productivity
- For every \$1 million spent on licensed child care operations over a one-year period, more than 60 jobs are created, including 40 jobs in child care itself and more than 20 indirect jobs in other local industries, such as business services, retail trade, and wholesale trade.
- A capital investment of \$1 million for the construction of child care facilities creates 18 jobs for one year, including nine in the construction industry.
- Virtually all jobs supported by the total dollars spent, or final demand, for child care remain in the local community in contrast with other local industries that are more global.
- Like transportation policies and investments that relieve traffic congestion, local policies and investment that support licensed child care supply-building affect the productivity of all of local industries, increasing the region's overall economic competitiveness.
- The development of additional establishments (e.g. infant care, care during non-traditional hours, and care that is affordable by low-wage workers) that enables more parents to join the labor force contributes to the community's overall economic growth.
- Local policies and investments that support child care supply-building, like land-use policies and capital investments in affordable housing production, enable the community to supply a skilled, local labor force at wage rates that are competitive with other counties. Such policies and investment help communities retain its present industries and attract new industries.
- Appropriately targeted investments in child care supply-building contribute to labor force participation gains among lower-income, moderate-income, and middle-income families. Although federal and state expenditures for child care are growing, these amounts are still well below what is needed to serve all eligible families.
- Federal and state child care subsidies are, for the most part, not individual entitlements of county or city block grants. Supportive local policies and investments are necessary to help capture a larger share of these much-needed transfer payments for child care.
- When local residents use tax-complying—licensed—child care establishments, the community gains additional federal and state transfer payments for child care in the form of federal and state tax credits and deductions for child care expenditures.

¹⁶ Santa Clare County Local Investment in Child Care (LINCC) Report, April 2001

- Investment in quality, licensed child care reduces local public sector expenditures in other social services. One national study, which tracked children over 27 years, found that each dollar spent on high-quality preschool programs saves \$7 in future spending on criminal justice, welfare, and other social programs.

IX. Child Care Center Salary and Working Conditions Survey

In addition to the impact analysis presented in Section II, additional information on salary and working conditions at child care centers was also collected through a mail survey. This survey was completed by 37 of the 118 centers in Tulare County. These 37 centers are already accounted for in the impact analysis. It is important to note that several agencies or organizations participating in this survey operate more than one center. Only one survey was completed by each agency, therefore more than 37 centers may be represented in this survey.

The salary and working conditions survey provides detailed information on wages, benefits and working conditions by job title. This section presents a summary of the findings from the survey. Detailed tabulations are included in the appendix. Note that not all respondents provided data for all survey questions. The results shown here represent averages for complete responses only for each question.

Center Characteristics

The first section of the survey presents general information about the size and type of centers that participated, as well as their funding sources and accreditation status. The results from this section are detailed in Figure A-1. (All Figures are provided in Appendix A)

- Of the 37 centers that completed the survey, 7 are for-profit and 30 are non-profit. All the for-profit facilities are independently owned and operated. Non-profit centers are mainly sponsored centers supported by religious organizations, public schools or state/local government agencies.
- In total, these centers provide full-time care for 1,243 children and part-time care for 1,458 children. The majority, 51 percent, of these children are preschoolers between the ages of 2 and 4 years old. The second largest group is school age children (over 5) who make up 32 percent of the total. Other smaller age groups include infants (3 percent), toddlers (4 percent) and kindergarteners (10 percent).
- The centers receive the majority of their funding from public subsidies (54 percent) and parent fees (44 percent). They receive one percent or less of their funding from private donations, corporate subsidies or other sources.
- Only one of the centers in the survey is currently accredited by the National Association for Education of Young Children. Three other centers are pursuing accreditation by this organization.
- Salaries, benefits and payroll taxes are the largest cost of doing business in this labor-intensive industry. On average, centers spend 72 percent of their budget on personnel costs for all types of employees, and 65 percent of their budget on personnel costs for teaching staff.

- In addition to teaching staff, some centers employ a variety of other positions including cooks/food servers, secretaries, bookkeepers, bus drivers, social workers, education coordinators and custodial staff. Average weekly hours and earnings for these positions are included in the appendix tables.

Staff Characteristics

In addition to general characteristics of the centers themselves, the survey also covers detailed information on the demographic characteristics of teaching and administrative staff including gender, age, race, educational attainment, tenure and turnover rates by job title. The results from this section are detailed in Figure A-2.

- The survey covered 220 teachers, 137 assistant teachers, 35 teacher-directors and 24 administrative directors at 55 sites. The average center employed 4 teachers and 2.5 assistant teachers per site.
- The vast majority of the teaching staff in child care centers in Tulare County is female, ranging from a high of 97 percent for teachers to 91 percent for teacher-directors. However, only 75 percent of administrative directors are female.
- The racial makeup of teaching staff is also fairly similar across job titles. Between 51 and 56 percent of teachers, assistant teacher and teacher-directors are Caucasian. About 38 percent are Hispanic, and the remainder are other races including Black, Asian or multi-racial. For administrative directors, 83 percent are Caucasian and only 13 percent are Hispanic.
- The teaching staff in the survey spans a broad range of ages from 20 to 59. Between 26 and 34 percent are in their 20's, 15 to 27 percent are in their 30's, and 22 to 32 percent are in their 40's. Administrative directors are typically slightly older than teaching staff. The largest portion of directors, 32 percent, is between 40 and 49 years old, and an additional 28 percent are between 50 and 59.
- Educational attainment varies significantly by position. Just over half of the teachers represented in the survey (55 percent) have some college credit in child development or a related field, but have not completed a degree. About 20 percent have completed an associate's degree, and only 5 percent have completed a bachelor's degree or higher. About 8 percent had earned child development associate credentials. Among assistant teachers, 61 percent have completed some college coursework in child development, but only 7 percent have an associate's or bachelor's degree. For teacher directors the level of educational attainment tends to be higher. About 37 percent have completed some college, 26 percent have an associate's degree, and 23 percent have completed a bachelor's degree and/or graduate study. Most administrative directors have completed a college degree with 18 percent having completed associate's degrees, 28 percent bachelor's degrees, and 22 percent master's or other advanced degrees. For directors, these include degrees in fields unrelated to child development.

- In terms of continuing education, 59 percent of teachers and assistant teachers received 20 or more hours of training in the past 12 months. About 39 to 41 percent received college credit for this training. An even higher proportion of teacher-directors (83 percent), received continuing education, but only 54 percent of administrative directors pursued this option.
- Tenure of teachers and assistant teachers was fairly similar. However, in both cases the number of teaching staff was almost evenly distributed in terms of length of time working at the center ranging from less than 6 months to more than 10 years. Between 10 and 21 percent of teachers and assistant teachers fell into each category. Teacher-directors tended to be in their positions longer, with the majority having tenure of 2 years or more. A surprising 31 percent had been at the same center for more than 10 years. Among administrative directors, 16 percent had been in their current position less than 6 months, 24 percent 1 to 3 years, and 32 percent more than 10 years.
- Turnover rates were highest for teachers and administrative directors with 23 to 25 percent of staff having left the center in the past year. Turnover rates for assistant teachers and teacher directors were only 13 to 14 percent.
- Most centers reported being able to hire replacement staff in four weeks or less. For teachers, 78 percent of centers could hire replacements in less than a month. For assistant teachers, 52 percent could hire replacements in one month or less, although 35 percent of centers took five to six weeks to find new assistant teachers. For teacher-directors, 36 percent of centers could hire replacements in three to four weeks, while 43 percent reported taking six weeks or longer to replace teacher-directors.

Salaries

Salaries are an important issue in the child care industry. Based on the findings from the impact analysis, people working in this industry generally earn less on average than workers in other industries. This section includes data on starting salaries and maximum salaries by position. The results from this section are detailed in Figure A-3.

- Centers were asked if all staff in a particular position receive the same starting salary, or if the starting salary varied based on individual experience. For teachers, 29 percent of centers start all teachers at the same salary of \$7.78, on average. For those that do not have a set starting salary, the average range is \$8.11 to \$10.94. For assistant teachers, the range is much smaller. About 44 percent of centers start all assistant teachers at the same salary with an average of \$7.49. The remainder starts assistant teachers within a salary range of \$7.48 to \$7.57. For teacher-directors, 26 percent of centers start everyone at the same rate. The average fixed starting salary is \$13.92, and the average starting range is \$11.17 to \$16.19 for teacher-directors. For administrative directors, 71 percent of centers start all directors at an average of \$15.53 per hour, with average starting salaries at other centers ranging from \$16.78 to \$26.63.

- Centers were also asked to list the hourly wage of the highest paid staff person in each position. The highest hourly wages were \$11.49 for teachers, \$9.88 for assistant teachers, \$17.19 for teacher-directors, and \$22.48 for administrative directors.
- In terms of average hours worked, all positions except assistant teachers worked full time at 34 to 37 hours per week. Assistant teachers worked an average of 25 hours per week.
- About one-third of all teaching staff are unionized and work under a collective bargaining agreement. Only 14 percent of administrative directors are unionized.

Benefits

The first categories of benefits covered in the survey are non-insurance benefits. These include reduced child care fees for parent/employees, family leave, retirement plans, and paid days off. These types of benefits varied significantly by position. In particular, benefit levels for teachers tended to be higher than for other positions. However, this may be due to the fact that all of the centers employ teachers, while only some centers employ personnel in other positions. The results from this section are detailed in Figure A-3.

- About one third of centers offer reduced child care fees as a perk for assistant teachers, teacher-directors and administrative directors. About 41 percent offer this benefit to teachers. Similarly, about one third of centers offer unpaid, job-protected family leave (maternity or paternity) to assistant teachers and directors, while 59 percent offer this to teachers. Only 19 to 24 percent of centers offer paid family leave to any staff.
- In terms of retirement plans, 22 to 24 percent of centers offer this benefit to assistant teachers and teacher-directors, 41 percent offer it to teachers, and 30 percent offer it to administrative directors. The level of contributions per person range from \$1,445 for teachers to \$2,346 for teacher directors. However, these averages are probably not representative of all centers since very few respondents provided this information.
- The number of paid days off varied less by position. Teaching staff is typically allowed 7 to 9 paid sick days, 9 to 10 holidays, and 9 to 12 paid vacation days. Administrative directors have an average of 10 paid sick days, 9 paid holidays, and 12 paid vacation days.
- The next category of benefits includes health and dental insurance coverage for employees and their dependents. Health benefits for teachers and assistant teachers are relatively similar. About half of centers do not offer teaching staff any health coverage. On the other end of the spectrum, 22 to 31 percent of centers offer fully paid insurance for employees and their dependents. About 4 to 9 percent offer either fully or partially paid for the employee only, and an additional 9 percent offer partially paid insurance for employees and dependents. For teacher-directors and administrative directors, about 28 to 30 percent of centers do not provide any health coverage. However, 24 to 30 percent of centers provide full coverage for employees and dependents, and an additional 16 to 30 percent provide full or coverage for employees and partial or no coverage for

dependents. Some of the variation in coverage comes from the fact that not all positions are employed by all centers, thus the mix of centers that responded to health care coverage questions for each position varied.

- The level of dental coverage is somewhat lower than health coverage. For teachers and assistant teachers, only about half of centers offer any coverage, but 25 to 33 percent offer full coverage for employees and dependents. About 6 percent offer full or partial coverage for employees only. Similarly, about half of centers offer some coverage for teacher-directors and administrative directors, while 25 to 33 percent offer full coverage for employees and dependents.
- Centers were also asked whether part time staff receive equivalent benefits to full time staff. For those centers that offer benefits and also employ part-time staff, about half do not offer equivalent benefits. This was uniformly true across all positions.

Working Conditions

The next section of the survey covers working conditions and policies for teachers, assistant teachers and teacher-directors. This section applies to full time staff only. As with benefits, the responses depended on whether centers employed people in these positions. The responses for teachers are most complete since all centers employ some personnel in teaching positions. The results from this section are detailed in Figure A-4.

- About 75 to 76 percent of centers offer paid breaks for teachers and assistant teachers, while only 67 percent offer this benefit to teacher-directors. Generally, child care centers do not offer paid lunch since staff can trade off to allow everyone a lunch break. Only 17 to 37 percent of centers offer paid lunch. Three-quarters of centers however do have a staff room for employees.
- The next group of working conditions characterizes the terms of the employment for each position. Fully 100 percent of centers have written job descriptions for teachers and assistant teachers, while 95 percent have job descriptions for teacher-directors. Similarly, over 90 percent of teachers and assistants receive annual evaluations. Only about 74 to 88 percent have written salary schedules. Written employment contracts are common for 68 to 74 percent of teachers and assistants, but only about half of teacher-directors. Finally 80 to 90 percent of centers have a formal grievance procedure for employees.
- Employees generally receive regular raises, whether for cost of living or merit increases. About 72 to 87 percent of all centers provide cost of living increases. Similarly, 67 to 70 percent offer merit increases. About three-quarters of centers compensate teachers and assistant for overtime, either monetarily or through time off. Only 63 percent of teacher-directors are compensated for overtime.
- Another facet of working conditions for child care employees involves compensation for various non-teaching time including meetings, training and planning time. Generally, between 70 and 80 percent of centers compensate teachers for attending after-hours staff

or parent meetings, or attending on-site or off-site training. For teacher-directors, only 50 to 60 percent are compensated for meetings, although 71 percent have release time for on-site training.

- About 70 percent of centers allow teachers and teacher-directors to have paid preparation/planning time ranging from 3 to 4 hours per week. Only 35 percent of centers allow paid planning time for assistant teachers, although assumably the head teacher in a classroom would do most of the planning.
- About one quarter of centers provide a stipend for professional development materials for teachers and assistant teachers ranging from \$125 to \$150 per year, on average. For teacher-directors, 42 percent of centers provide an average of \$300 per year for such materials and activities.

Issues and Options

The final section of the survey covers issues and options relative to hiring TANF or welfare recipients, and options for utilizing increased funding. The results from this section are detailed in Figure A-5.

- Only nine of the centers in the survey currently employ TANF or welfare recipients as assistant teachers, and only five centers employ them as teachers. The survey results identified 15 assistant teachers at 8 centers, and 5 teachers at 3 centers that are TANF or welfare recipients. The average starting wage for these assistant teachers was \$7.09, and for teachers it was \$7.90. This is not significantly different than the average starting wage for all personnel in that position. In most cases, these individuals are receiving on-going training either at the center, or at the college level. There were only 2 centers that employed TANF or welfare recipients in non-teaching positions. Only one center reported increasing the percentage of TANF or welfare recipients on their teaching staff in the past year. According to respondents, lack of reliability is a major barrier to hiring more TANF or welfare recipients.
- Finally, centers in the survey were asked how they would use additional funds. They were asked to rank their choices as first, second and third. Increasing teacher salaries was ranked first most often, followed by improving staff training. Increasing staff salaries and improving physical facilities were the most common second choices. The most common third choice was increasing program supplies or equipment.

Appendix A

Appendix B

Description of Child Care Programs

General Child Care and Development: These are programs that utilize centers and networks of family child care homes, operated by either a public or private agency, for the provision of child care and development services from infancy to age 14 for State programs and to age 13 for federal programs. These facilities provide basic supervision, age and developmentally appropriate activities, nutrition, parent education, staff development, and social services.

Migrant Child Care: These programs serve children of agricultural workers while their parents are at work. The centers are open for varying lengths of time during the year depending largely on the harvesting activities in the area. The FY 2001-02 continues funding for the pilot Migrant Alternative Payment Network Program that will allow services to follow migrant families as they move to find work in the Central Valley.

Campus Child Care: These programs are intended primarily to care for the children of students enrolled in State run higher education systems. The centers are typically operated by either student associations or the college administration and provide the same comprehensive services as general child care and development programs.

State Preschool Program: State Preschools are a part-day comprehensive developmental program for three to five year old children from low-income families. The program emphasizes parent education and encourages parent involvement. In addition to basic preschool education activities, other components include health, nutrition, social services, and staff development. These programs are administered through school districts, colleges, community action agencies, and private non-profit agencies.

State Preschool Full-Day Program: The Budget Act of 1997-98 allowed State Preschool Program contractors were given the opportunity to extend their half-day program to a full-day program with certain restrictions. Some current State Preschool providers chose this "wrap-around" of their existing half-day program in order to provide families with the extended services required in order to maintain employment, work participation requirements, or education/job training. Agencies continue to operate in a half-day mode as a State Preschool program, but must follow General Child Care rules and regulations for the remainder of the program day.

Federally Funded Programs : With the exception of Head Start, all federal financing of California's child care and development programs comes from the Child Care and Development Fund (CCDF), which was established pursuant to Title VI of House Resolution 3734, The Personal Responsibility and Work Opportunity Reconciliation Action of 1996. Temporary Assistance for Needy Families (TANF) funds transferred to Stage 2 become part of CCDF financing. The fund consists of former block grant monies, now called "discretionary," plus two additional components referred to as "mandatory" and "matching" funds that must be spent on recipients of assistance or recipients "at-risk" of needing assistance.

Discretionary monies are appropriated at the "discretion" of Congress and are not guaranteed. Within this category, Congress "earmarked" monies for quality expansion, infant-toddler quality improvement and school-age/Resource and Referral services and activities.

Mandatory - Basic allocation monies were determined upon California's federal 1994 Title IV-A appropriations for child care, which was part of funding for the now defunct Aid for Families of Dependent Children (AFDC) program. The State must maintain its previous level of State portion expenditures for these funds as a maintenance of effort requirement in order to expend these monies.

Matching - Grant funds are new monies that the State can access to meet stated goals of the Act, if the State meets its MOE requirement for the "mandatory" monies. There must be a match of State General Fund expenditure for the same population.

At least four percent of all CCDF monies including state matching funds must be expended on activities to improve the quality and availability of child care and developmental services and any other activities that the State deems necessary to meet the goals as specified under Title VI of the Act. Current health and safety standards are to be maintained under the new program.

Family Child Care Homes (FCCH): These programs provide care for children in a family setting. Small FCCH's may serve up to eight children, while large FCCH's may serve as many as 14 children. The same comprehensive child development services as general child care are provided.

Severely Handicapped Program: These programs located in the San Francisco Bay Area provide supervision, care, age and developmentally appropriate activities, therapy, youth guidance, and parental counseling to eligible families.

School Age Community Child Care Program (Latchkey): These programs provide a safe environment with age and developmentally appropriate activities for school-age children during the hours immediately before and after the normal school day and during school vacations. These programs must have a minimum of 50 percent enrollment from families that can pay the full cost of care, although this requirement may be waived when the agency can demonstrate the impracticality of such a requirement.

Alternative Payment Program (AP): AP programs offer an array of child care arrangements for parents including in-home care, family child care, and center care. These services most often take the form of a vendor payment issued monthly to a provider selected by the family. The AP program is intended to increase parental choice and accommodate the individual needs of the family. Some county welfare departments are among the contractors under this program. AP programs also administer Stage 2 and Stage 3 (Set Aside) of CalWORKs child care.

Three Stages of CalWORKs Child Care : CalWORKs grant recipients are (1) required to engage in work and/or work preparation activities and (2) provided an array of welfare-to-work

services, including child care. Funding for Stage 1 has stayed constant, while Stage 2 and Stage 3 (Set Aside) funding has increased 41 percent.

Stage 1 is administered by the California Department of Social Services through county welfare departments (CWDs) and begins when a participant enters the CalWORKs grant program. CWDs refer families to resource and referral agencies to assist them in finding child care providers and pays those providers directly for the services performed.

Stage 2 is administered by CDE through its AP mode. CalWORKs grant families are transferred into Stage 2 when they have developed a welfare-to-work plan and find a child care arrangement that allows them to fulfill the obligations of that plan. Participation in Stage 1 and/or Stage 2 is limited to two years after the family stops receiving a CalWORKs grant. A very small portion of the services in the stage are administered directly by California Community Colleges through its centers or an AP delivery system.

Stage 3 (Set Aside) is also administered by CDE through its AP delivery mode. A family can move to this stage when it has exhausted its two-year limit in Stage 1 and 2, and for as long as the family remains eligible.

Local Child Care Planning Councils: The CDE supports the overall coordination of child care services at the local level through Child Care and Development Planning (LPCs) established in each of the 58 counties. The LPCs are mandated to conduct county child care needs assessments and to prepare plans to address identified needs. These assessments must include information on the supply and demand for childcare, including the need for both subsidized and non-subsidized care.

Resource and Referral (R&R): These programs provide information to all parents and the community about the availability of child care, assist potential providers in the licensing process, provide direct services including training, and coordinate community resources for the benefit of parents and local child care providers. These services are available in all 58 California counties. The R&R continues in its expanded role to assist CWDs as they establish CalWORKs child care for recipients in Stage 1.