

THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN SOLANO COUNTY

EXECUTIVE SUMMARY

Funded by

FIRST 5—Solano County Children and Families Commission



Prepared by

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER



BACKGROUND

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

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National Economic Development and Law Center
2201 Broadway, Suite 815 Oakland, CA 94612
Ph: (510) 251-2600 Fax: (510) 251-0600



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Executive Summary

The Economic Impact of the Child Care Industry in Solano County

Child care is an income-generating, job-creating industry in Solano County that enables parents to participate in the county's labor force and develops the county's future workers. Stable, high-quality child care increases worker productivity, loyalty, and motivation, and reduces turnover and absenteeism. Demographic and economic trends show that over the next ten years, Solano County will continue to see job and population growth despite a current economic slowdown. The current supply of child care will be unable to meet this growing need unless non-traditional stakeholders actively invest in this critical economic infrastructure.

Defining Licensed Child Care in Solano County

Early care and education programs (ages zero to five), as well as programs for school-age youth (ages 6 through 13), make up the child care industry. Formal or licensed child care includes care that is provided in the following facilities: family child care homes, child care centers, state-subsidized child development centers (state pre-schools and general child development centers), Head Start programs, and Travis Air Force Base family child care homes and child development centers. These 783 licensed facilities care for an estimated 11,579 children ages 0 to 13 in the county.

Gross Receipts of the Child Care Industry

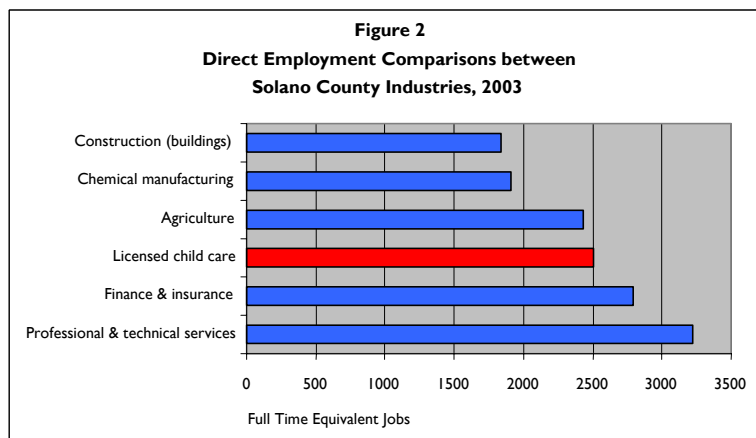
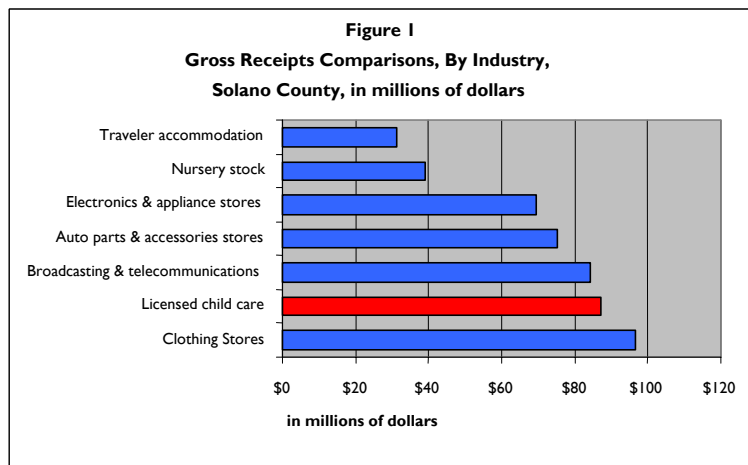
The formal child care industry generates an estimated \$87.2 million dollars per year in gross receipts, or revenues.

When compared to other industries in the county, the child care industry is larger than telecommunications and automotive parts and accessories stores. It also generates almost as many gross receipts as clothing stores (see Figure 1).

Employment

Approximately 2,501 full-time equivalent local jobs are directly supported by the licensed child care industry.

There are more child care professionals than there are professionals working in agriculture, chemical



manufacturing, and the construction of buildings. In addition, there are almost as many people working in the child care industry as there are working in the finance and insurance industry (see Figure 2).

Federal and State Subsidies

Annually, \$37.6 million is brought into the county through federal and state subsidies for child care. These funds are used to provide low-income families with affordable licensed and license-exempt child care. Subsidies are also used to fund child care quality improvement initiatives. By increasing the number of subsidized slots, more parents can enter and become stable participants in the county’s labor force.

Increasing Economic Output

By enabling them to work, child care makes it possible for parents to contribute to the economy. There are over 8,000 working parents in the county who have children 13 and under who used licensed child care in 2002. *In total, these parents (all single working parents and one parent in a dual-earning household) earn over \$259 million annually.*

Increasing Productivity

In addition to playing a critical role in the Solano’s economy, the licensed child care sector helps sustain the county’s businesses by increasing the productivity of working parents. Stable, quality child care reduces worker absenteeism related to child care needs, increases company loyalty and motivation and reduces turnover. Absenteeism in 2002 cost an average of \$60,000 for small companies and more than \$3.6 million for large companies, according to a national survey of human resource executives.

Increasing School Readiness

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

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

Demographic and Economic Outlook for Solano County

Solano County's economic and demographic profile indicates that there will be an increasing need for affordable, accessible, and quality child care. Fueled by childbirths, Solano County's population grew 17 percent from 1990 to 2002. Projections reveal that Solano County's population will grow faster than any other county in the Bay Area over the next 20 years (totaling 552,105 residents, with over 42,000 children ages zero to five). There are 28,000 families with children 0 to 13 in which all parents are working (64 percent of all families with children 0 to 13), and nearly 54,000 children ages 0 to 13 in the county need some form of child care because their parents are in the labor force.

Solano County is expected to lead Bay Area counties in percentage job growth through the year 2025, and the service industry is expected to lead job growth within the county. From 1990 to 2000, Solano County's labor force increased 17 percent and female labor force participation (60 percent in Solano County), a key determinant of child care need, is four percent higher than California's statewide average.

Solano County is becoming increasingly unaffordable. While the median price of a home in Solano County (\$276,000) is only 68 percent of the median cost of a home in the Bay Area (\$404,000), the prices of homes in Solano County are rising almost twice as fast as homes throughout the rest of the Bay Area. Additionally, the Vallejo-Fairfield-Napa metro area is the sixth least affordable housing market in the country when medium income is also considered.

Poverty, which has a negative impact on a child's ability to succeed in school, burdens over eight percent of Solano County residents. Poverty is especially prevalent among families with children under five—30 percent of single-mother families with children under five live in poverty in Solano County.

Local Constraints on Child Care in Solano County

- The private sector, government, and local community leaders are not as actively engaged as they could be in helping families afford quality child care and in creating enough child care to support economic growth.
- Child care is becoming increasingly less affordable in relation to the cost of living in Solano County. Escalating housing costs consume a more disproportionate share of the household income of low- and moderate-income families.
- Child care centers and family child care homes struggle to attract and retain qualified staff. The availability of quality child care is directly related to child care workforce retention and development. Investments in improving the skills and increasing the wages of the child care sector are needed to ensure that all children enter kindergarten ready to learn.

Recommendations

Child care is part of the economic infrastructure of Solano County and needs to be incorporated into both short- and long-term economic development planning. Financial institutions, businesses, government leaders, and those working directly in the child care

industry must work together to ensure that the needs of Solano County's families are met.

A collaborative partnership should be formed between business leaders, government leaders, financial institutions, child care leaders, and other nontraditional stakeholders to ensure that Solano County's child care infrastructure is meeting the needs of working parents and their children.

What Businesses Can Do to Support Child Care

- Work with local elected officials and Chambers of Commerce to get child care issues on the policy agenda.
- Create flexible personnel policies and provide sick/personal leave to meet child care needs.
- Partner with dependent care resource and referral agencies.
- Provide employees 24-hour on-line access to local provider data
- Offer dependent care financial assistance by creating a dependent care pre-tax account or a child care voucher program.
- Develop a network of child care providers for your employees or contract for on or near-site child care
- Offer technical assistance and business skills training to child care providers.
- Become a partner in long-term planning and strategizing about strengthening the child care infrastructure.
- Help create innovative public/private partnerships to purchase property, develop facilities, and/or strengthen existing child care enterprises.

What Financial Institutions Can Do to Support Child Care

- Develop loan products, such as micro-loans or low-interest loan programs, with alternative payment structures for child care businesses.
- Provide business plan, marketing, and loan application assistance.

What Government Can Do to Support Child Care

- Incorporate language that supports child care development into the General Plan of the county and every city.
- Develop strategies for sustained funding that provide workforce development for child care professionals, including recruitment, training, and compensation.

- Identify and secure suitable land for the development of new facilities or expansion of existing ones. Find vacant buildings and develop a non-profit child care business.
- Develop strategies to make child care affordable for low-income families in Solano County.
- Include child care when developing transportation plans.
- Work with child care leaders to develop incentive programs that encourage providers to care for infants.
- Provide incentives for businesses adopting family friendly benefits for their employees.
- Assist lending institutions that are providing low interest loans and/or micro loans to child care providers. Local government can match micro loans or provide loan guarantees to banks working with child care providers.

How the Child Care Industry Can Be More Effective

- Recognize that the child care industry is an economic force in Solano County.
- Work with businesses and financial institutions to provide business skills and facilities finance technical assistance to child care providers and employees.
- Prioritize the development of accessible child care programs that serve different ages of children.
- Educate parents and providers about the aspects of high-quality child care so parents can identify quality child care and providers can enhance the quality of care they already supply.