

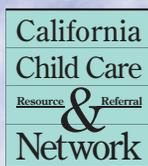
PACE

Child Development Projects

A Stark Plateau— California Families See Little Growth in Child Care Centers

By Bruce Fuller, Shelley Waters Boots,
Emilio Castilla and Diane Hirshberg

Policy Brief 02-2



In cooperation with the
California Child Care
Resource & Referral Network

POLICY BRIEF

JULY 2002

A Rising Investment in Child Care and Preschooling

Just one in six mothers in 1950, with a young child under age 5, worked in the paid labor force. By 2000 this share had climbed to two in every three mothers.¹ This revolution in the economic and social roles of women has spurred rising demand for child care. And it's become clear that youngsters' participation in quality center-based programs can contribute to early learning and social development.

Political leaders at state and federal levels have responded in recent years, dramatically boosting expenditures on various kinds of early education—from preschools and centers to vouchers that reimburse all types of providers, including kith and kin, for their

child care services. In California, total spending on child care programs (including federal block-grant dollars) has escalated from \$800 million in 1996-97 to \$3.1 billion in the 2001-02 fiscal year.² This growth in funding would be even greater if federal Head Start spending was included.

MAJOR FINDINGS

- Despite higher state and federal spending the number of center and preschool enrollment slots rose from just 13 to 14 per 100 children, age 0-5, statewide between 1996 and 2000.
- Some counties experienced almost no discernible growth in center and preschool availability, including Los Angeles and Riverside counties.
- The availability of centers remains unequal among counties: supply is considerably lower in the Central Valley and the Inland Empire region.

Beyond support for low-income families, the legislature and governor created a tax credit program in 2000 to help off-set child care costs for a wide range of parents, equaling about \$200 million this fiscal year.

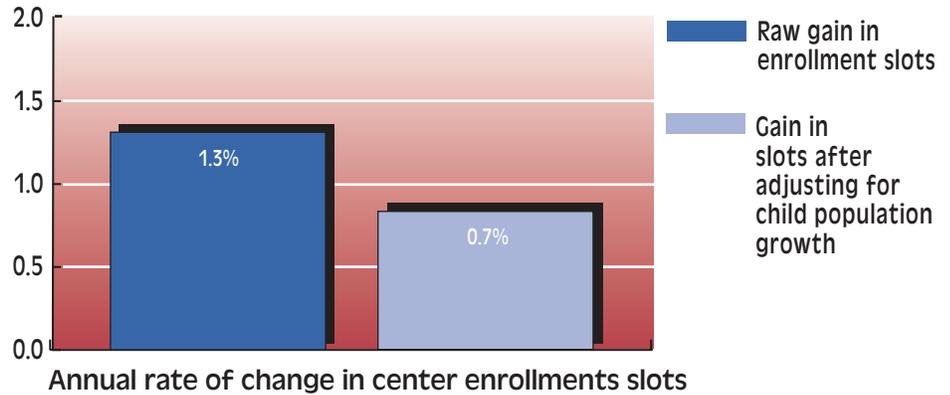
Given this new funding, are California families realizing new options for quality child care? Has access to child care centers and preschools expanded? These are the questions that this brief aims to inform.

Quality Care, Early Learning, and School Readiness

Our analysis addresses the availability of *center and preschool slots* across California’s 58 counties. Parents select from among three child care options: centers, licensed family child care homes (FCCs), or less formal arrangements (babysitters, nannies, or kith and kin members). In California, about one in five children (22%) with an employed mother, under age 5, attends a center-based program, below the national average of 28% of these children.³

Why focus on the distribution of child enrollment slots (or “capacity”) found in centers and preschools? First, over the past two decades several studies have demonstrated that quality center-based programs contribute to young children’s early learning and cognitive growth, especially for those from low-income families.⁴

FIGURE 1 Annual growth in the availability of center and preschool enrollment slots, 1996-2000



Second, state and local policy leaders have recently expressed interest in raising children’s readiness for kindergarten. Governors Wilson and Davis have successfully pushed to expand California’s half-day preschool program which is situated in center-based facilities. Two blue-ribbon task forces in the past four years have urged the legislature and governor to move toward a coherent early education system that would provide universal access to all 3–4 year-olds whose parents choose to participate. If California is to take baby steps toward this goal, we need stronger data on the current supply and growth of centers.

Third, in the wake of new work requirements for women on welfare, state and local governments have boosted investments to expand access to centers, family child care homes, and subsidized informal arrangements to help

mothers move into jobs. The Congress is reviewing the effects of this growth in child care funding—a pivotal foundation of welfare reform—which includes the Child Care Block Grant. Governor Davis also has proposed serious reform of how child care is financed in California. Despite the gains in subsidy funding, thousands of parents remain on waiting lists for child care aid. In this light, we take stock of whether this additional funding has expanded options for center-based care.

California’s Centers—Are They Growing in Number?

Local child care resource and referral agencies—charged with helping parents find child care—collect data on every known child care program operating in their respective county or region within a county. In 1996, these agencies reported that 8,831 centers were operating which, if filled to

capacity, would have served just under 415,000 children. This enrollment capacity—the count of children that centers are licensed to serve—equaled 13% of the state’s 3.3 million children, age 0-5 years-old, in 1996.⁵

In using all children, age 0-5, as the denominator in calculating capacity levels we are not assuming that all parents prefer to enroll their young child in a center. The ratio of available enrollment slots per 100 children, age 0-5, is simply a useful way of gauging growth in the system, as well as assessing variation in center availability across counties.

Note that our supply data pertain to all licensed centers and pre-schools, whether subsidized or sustained by parental fees.

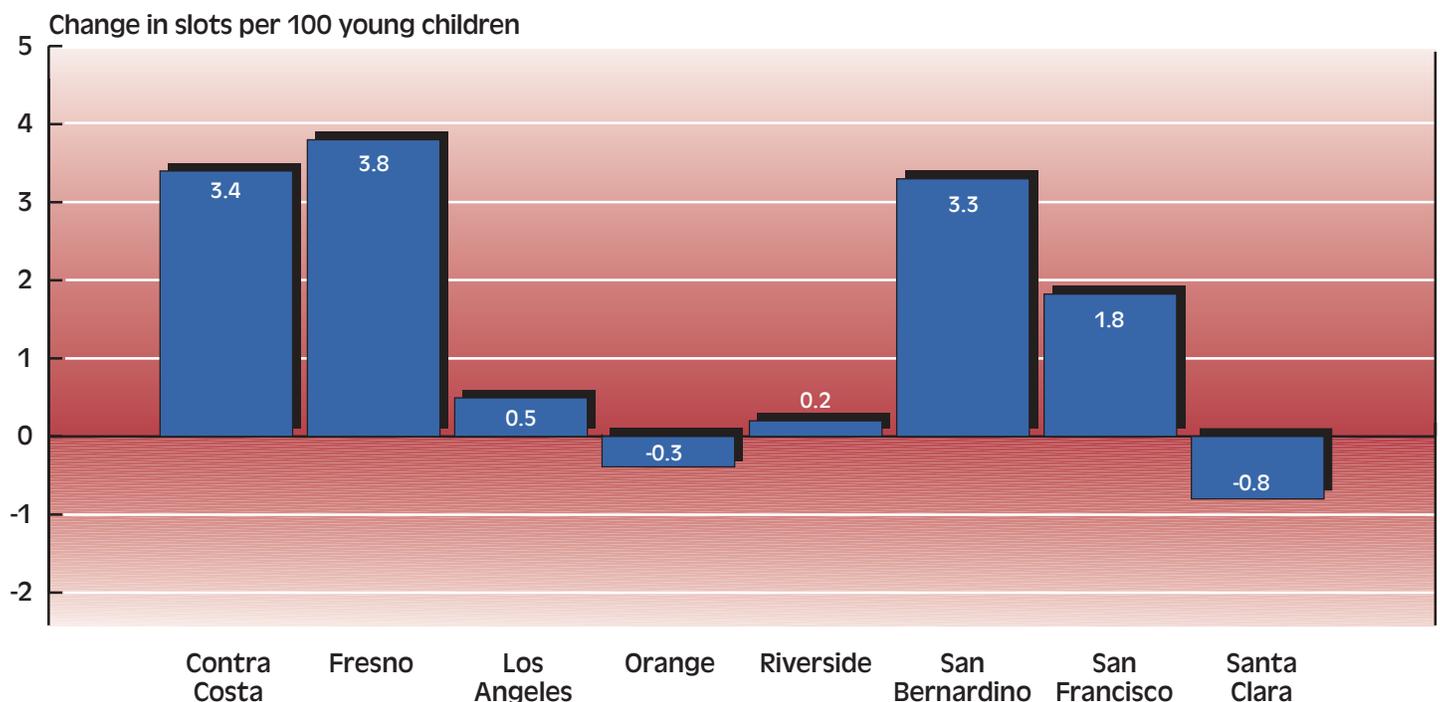
When this data collection effort was repeated in 2000, significant growth in the number of centers and aggregate enrollment capacity could be observed. The count of operating centers grew to 9,407, and licensed capacity expanded to just under 434,000 slots. Over the space of four years enrollment capacity grew by 19,000 child slots statewide or 4.6%. This translates to a compound growth rate of 1.3% annually (Figure 1). California’s efforts to expand child-care centers, backed by

rising state support of capacity-building efforts after 1996, may have contributed to this growth. One national study found that the number of centers, not enrollment capacity, has been growing at about 1.6 percent annually in recent years, not enough to keep pace with child population growth in some states.⁶

California’s supply growth must be set in the context of how rapidly the state’s population of young children is growing. By the year 2000, California had well over 3 million youngsters, age 0-5, rising by about 0.6 percent annually since 1990.

This growth in center capacity, after adjusting for child population

FIGURE 2 Change in center capacity, 1996-2000 per 100 children, 0-5 years-old



Source: California Child Care Resource and Referral Network.

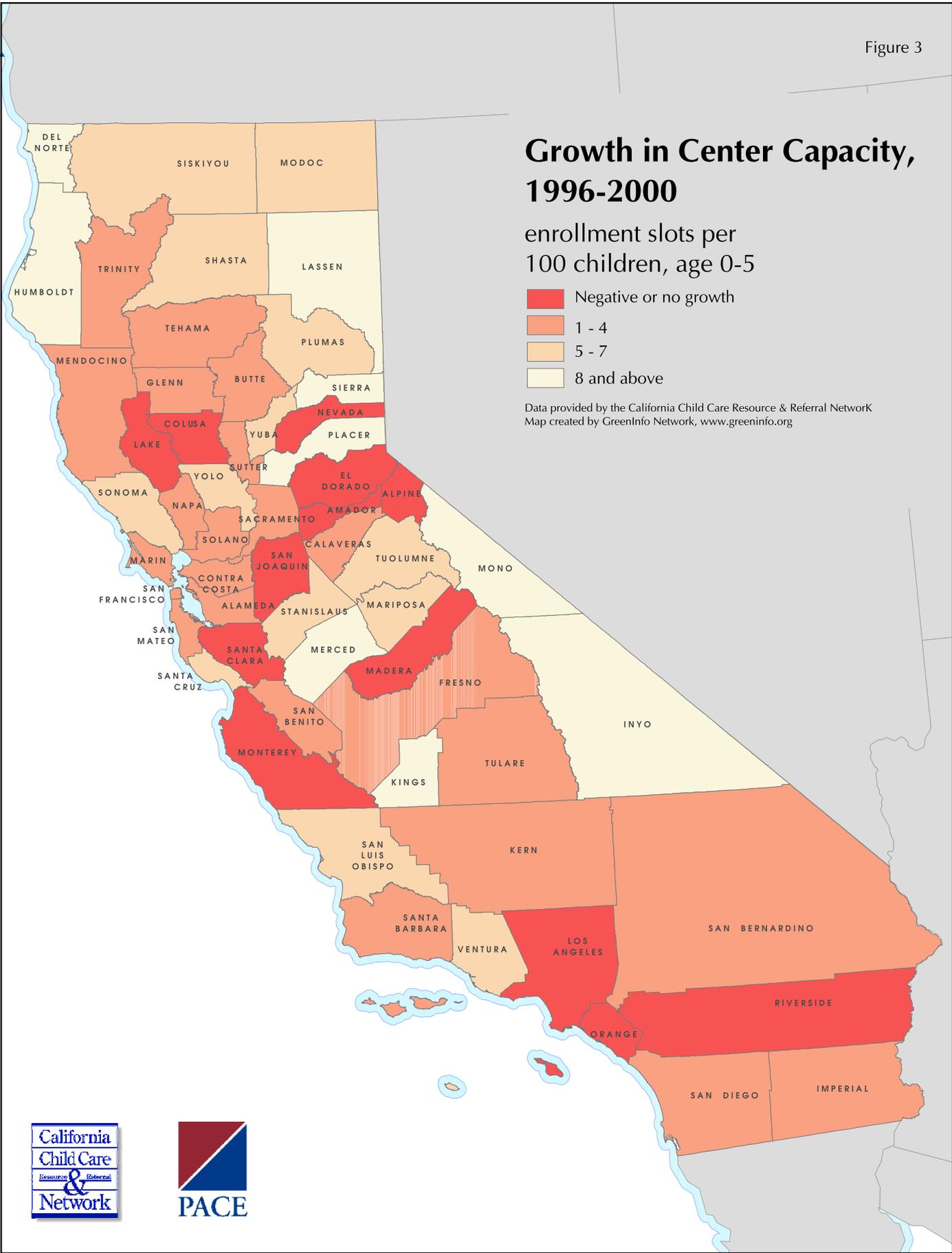
Figure 3

Growth in Center Capacity, 1996-2000

enrollment slots per 100 children, age 0-5

- Red: Negative or no growth
- Dark Orange: 1 - 4
- Light Orange: 5 - 7
- Yellow: 8 and above

Data provided by the California Child Care Resource & Referral Network
Map created by GreenInfo Network, www.greeninfo.org



growth, translates to a slight rise from 13 to 14 enrollment slots for every 100 children, age 0-5, state-wide between 1996 and 2000. The expansion of center-based programs, while significant in absolute numbers, has barely kept pace with child population growth.

We know little about how this slight growth overall has impacted different kinds of communities. More research is needed to understand how growth in public investment may have benefitted particular families while failing to boost availability for others.

Local Variation: Growth and Decline among Counties

Over the past 50 years, the supply of child care has evolved as a patchwork of homes and centers spread across individual communities. The spread of center-based programs has largely been driven by three key factors: the wealth or poverty of a community, maternal education levels, and the capacity of local organizations to compete and advocate for state and federal funding. In areas where family fees primarily support child care centers, then demand factors, such as family income, maternal employment and education levels, tend to exert a strong influence. In addition to demand factors, a communities' access to subsidy dollars also contributes to growth in center supply. It remains unclear, however, whether funding through parental vouchers alone strengthens center-based supply.⁷

Figure 2 displays contrasting levels of expansion or decline for selected counties, again expressed as enrollment slots per 100 children. Some urban counties lost ground: Orange and Santa Clara counties, for example, lost about 1 slot for every 100 young children. Los Angeles County managed to barely exceed child population growth, about half a slot for every 100 preschool-age children (that is, less than 5 slots per 1,000 children). Los Angeles saw a net gain of 82 centers between 1996-2000, and Orange County experienced a gain of 24 centers. This gain in Orange County was offset by the county's growth in child population, five times higher than the statewide growth rate.

Other counties demonstrated a capacity to exceed their rate of child population growth: San Francisco grew by almost 2 slots per 100 children, age 0-5, and Fresno County expanded by almost 4 slots per 100 young children.

Figure 3 maps growth rates for all California counties. This display reveals that some of the strongest rates of growth in center supply occurred in rural counties. A significant portion of capacity-building dollars, appropriated by the legislature and governor since 1997, has gone to rural counties with low baseline levels of supply. This investment appears to be yielding discernible results.

Why Has Growth Been Sluggish in Many Counties?

Growth in child population is an obvious factor that challenges the state's ability to simply maintain current levels of access to center-based programs. Even when the state or counties invest in targeted expansion efforts, it's proven challenging to keep up with the modest 0.6% annual growth in child population, age 0-5. To maintain current levels of access, California would have to expand centers' enrollment capacity by about 2,600 slots each year. This is more challenging in low-income communities where birth rates are substantially higher, such as low-income Latino neighborhoods and a range of immigrant communities. Research has shown that expressed demand for centers in some Latino communities is relatively low. But it is unclear whether this is a function of parental choice or historically low supply of center-based programs in those communities.

Local capacity can also play a role in fostering or hampering center-based growth. Some communities lack the physical space that would meet licensing standards. And access to funding to build or renovate sites has been scarce in the past. Additionally, many of the communities most in need of child care centers do not host strong non-governmental organizations (NGOs) that can compete for state child care contracts. This is particularly true in low income

communities where parent fees alone can not support the operation of a center-based facility. To address this particular problem the legislature recently funded regional centers to assist NGOs in obtaining new funding from Sacramento or county governments. One piece of good news is that growth in child population began to slow in the late 1990s; yet the state’s fiscal capacity to sustain expansion efforts also has declined.

The *disproportionate growth of child care vouchers*—compared to relatively weak fiscal support of basic infrastructure—may be associated with the lack of center growth. When we decompose the dramatic growth in child care spending, from \$800 million in

1996 to \$3.1 billion in the current fiscal year, we see that the bulk of new spending has been allocated to voucher programs. This, in turn, means much greater support for unregulated informal arrangements—kith or kin members who are reimbursed for their child care services—rather than expanding and strengthening the center infrastructure through direct grants and contracts to local agencies.

Since 1996 state-managed spending for local voucher programs (for families moving from welfare to work, as well as the working poor) has climbed by almost seven-fold. Yet direct support of local center and preschool programs through contracts has less than doubled, rising by 83% in current dollars.⁸

These calculations do not include welfare-related child care spending that does not move through subsidy programs inside counties, and excludes federally funded Head Start preschools.

A fourth factor relates to *reimbursement rates*—the amount of revenue received for each child in a subsidized center or preschool. Most center-based programs are run by school districts, NGOs, or churches. Private for-profit or non-profit organizations also may contract with the state or county for basic funding or support via child care vouchers. In all cases, the state and county set a per child reimbursement rate. For full-day, year-round care, subsidized programs can receive a bit over \$5,000

FIGURE 4 Inequities in center enrollment slots among counties, 2000

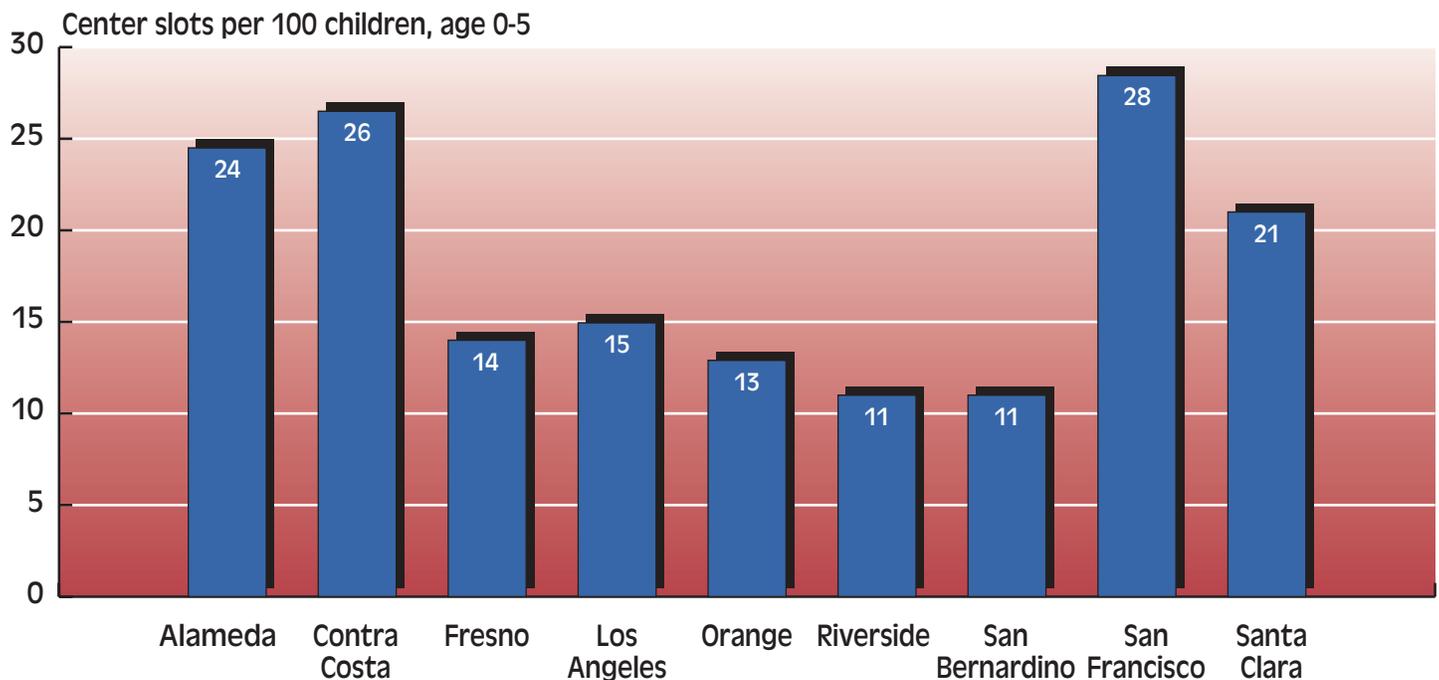


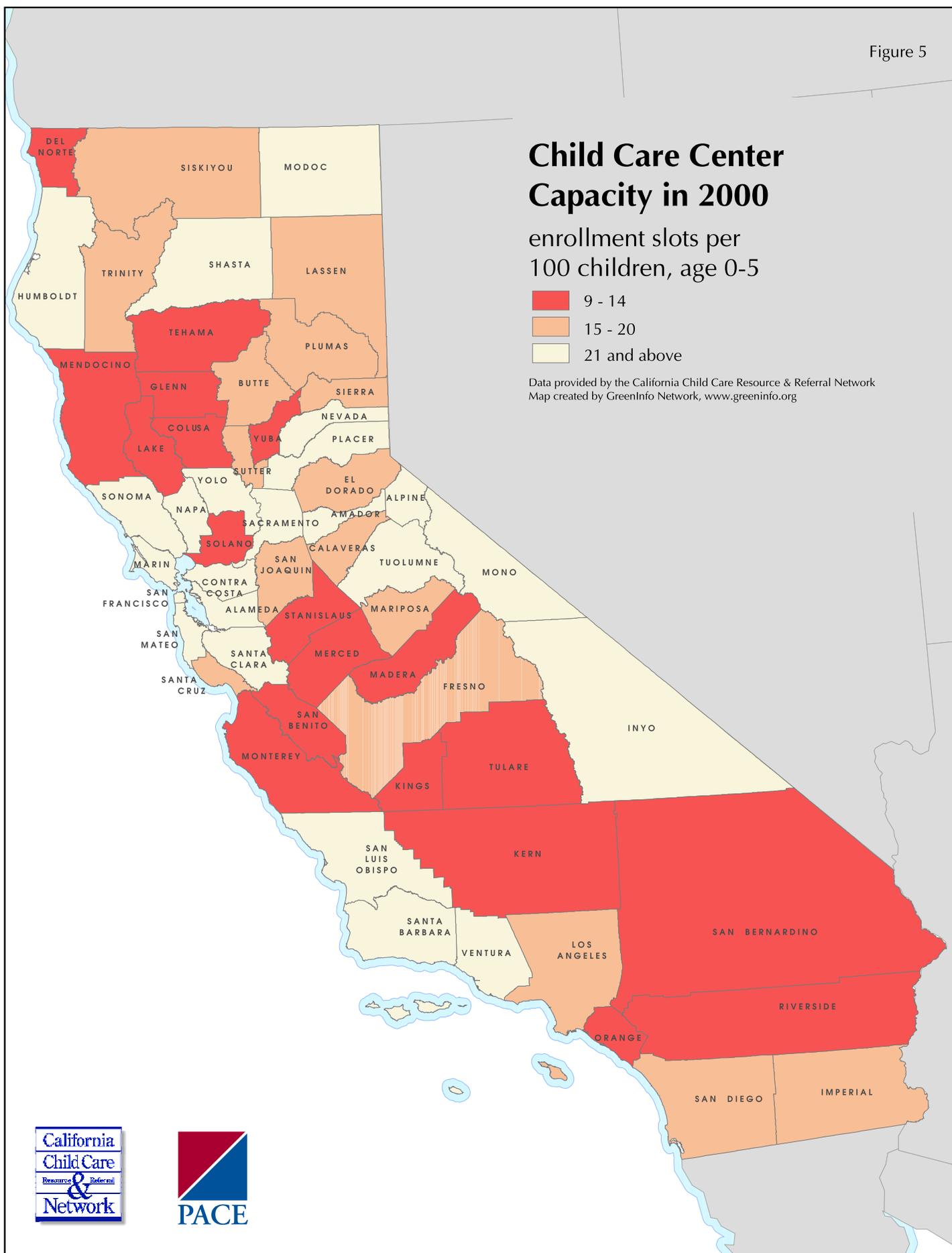
Figure 5

Child Care Center Capacity in 2000

enrollment slots per 100 children, age 0-5

- 9 - 14
- 15 - 20
- 21 and above

Data provided by the California Child Care Resource & Referral Network
Map created by GreenInfo Network, www.greeninfo.org



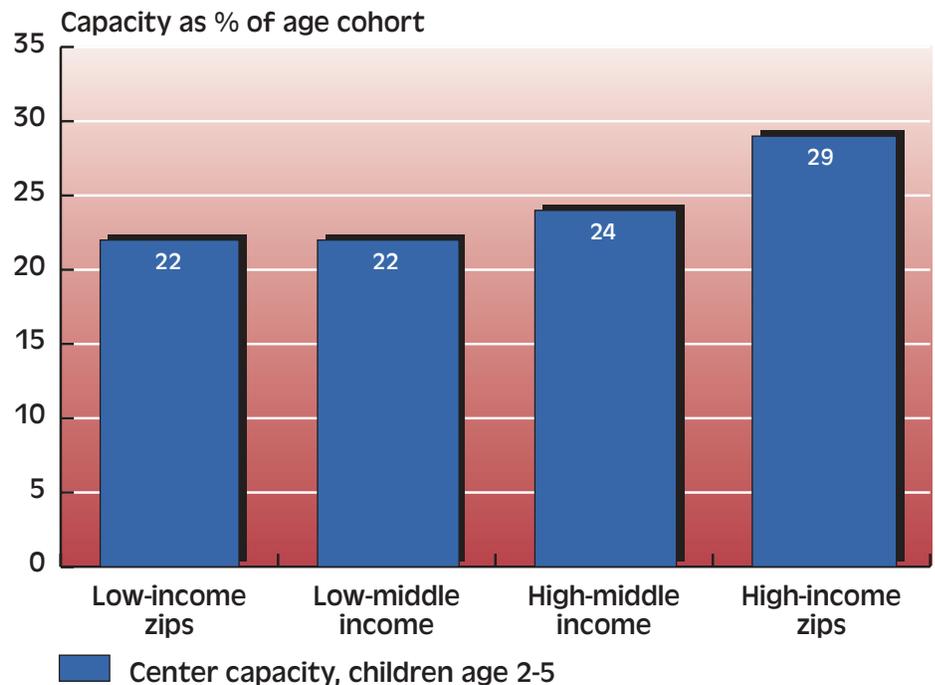
annually for each child. But if this revenue fails to cover actual costs—or is unstable month to month—a center may not survive. And if reimbursement rates are too low, the incentive for new firms to enter the “supplier market” is very weak.

Orange County provides a recent case of a school district that ceased managing many centers: the school board argued that they were losing money on preschool programs, given what they saw as an unrealistically low reimbursement rate.

Adverse market conditions. Centers operating on parental fees have faced several market pressures in recent years: rising property values and rents, increased competition and wage costs for qualified staff, and climbing start-up costs for new centers trying to enter the market. In particular, when property values increase, child care facilities are often priced out of the market. And when facilities do find space, they often struggle to attract and retain teachers, given the low wages and lack of benefits in the field. These exigencies may hit working-class communities most directly, since public aid is often not available and families lack discretionary income to pay high fees.

Shifts in parental demand. Demographic and social trends may lead to rising or declining demand for center-based programs. With slowing child population growth and fewer infants being born in California, relative demand for

FIGURE 6 Child care capacity by zip-code income quartiles, 2000 (mean capacity in each of four zip-code groups)



centers may grow among parents with children age 2-4, then wane relative to historical levels. On the other hand, as more Latino families enter the middle-class, research shows that their demand for centers and preschools will likely rise. More research is needed to understand how demand patterns may be evolving and effecting center supply in California.

Unequal Access to Centers

This plateau in the availability of center-based programs per capita represents declining access for some families and back-sliding in the state’s recurring attempts to reduce inequality among counties. So far in this brief we have been examining growth rates since 1996. Yet

these trends are unfolding on top of wide gaps in the availability of center-based programs across counties and neighborhoods.

Figure 4 reports on the number of enrollment slots operating per 100 children, age 0-5, in the year 2000. San Francisco, for example, benefits from almost twice as many slots (28.5) than Los Angeles County (14.9) per 100 young children. Orange County displays even weaker supply at 13 slots.

We display these levels of center availability for all counties in Figure 5. The highest supply of enrollment slots is enjoyed by Bay Area counties and rural areas in the

north of the state. The lowest availability of center slots appears in the Central Valley, Los Angeles south to San Diego, and the Inland Empire region.

What Forces Explain Inequality of Center Availability?

We also can move beneath counties analytically and study patterns at the zip-code level, thanks to the data collection work of the California Child Care R&R Network. For example, we studied how various economic and demographic attributes of 955 zip codes statewide are associated with local levels of center supply.⁹

The median family income of a community is related to the availability of center slots, although not in a linear fashion. In Figure 6 we have split zip codes into quartiles, from the one-quarter of zip codes with the lowest median income, to the quarter that display the highest median income. These lowest and highest quartiles display 21.8 and 28.9 enrollment slots per 100 children on average. That is, availability is about one-third higher in the most affluent zip codes, compared to zip codes populated by lower-income families.

Note that the availability of center-based slots is essentially equal for the first two sets of zip codes. This reflects considerable success on the part of government in successfully targeting center funding on low-income communities since the 1960s.

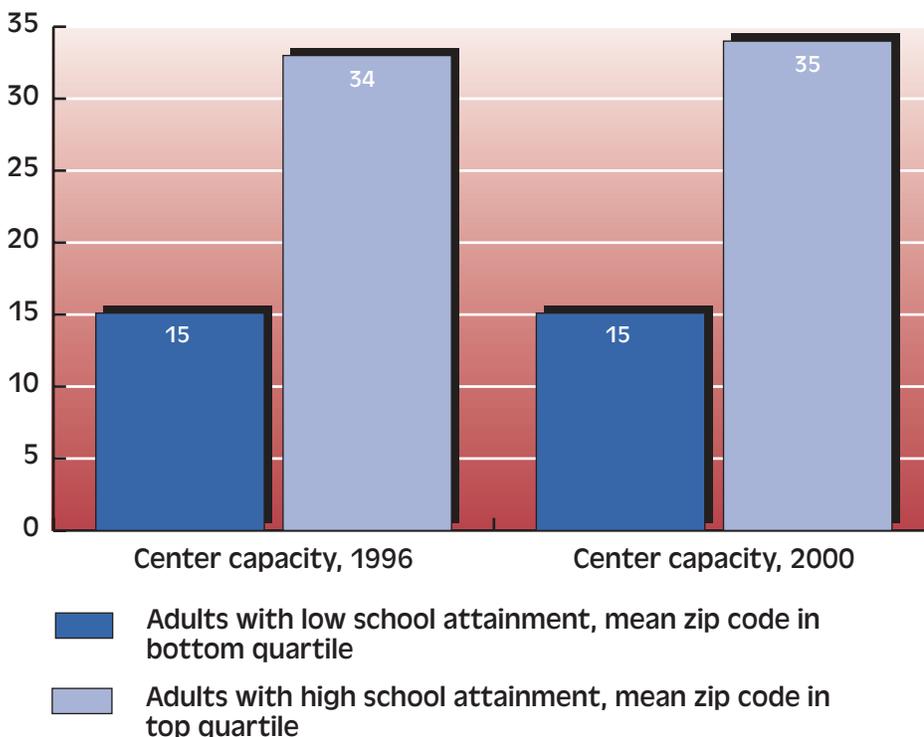
School attainment levels among resident adults is another factor that is strongly related to center availability. Figure 7 reports enrollment slots for the state's zip codes with the lowest and highest schooling levels. In the one-quarter of zips with lowest mean school attainment (among resident adults), 15 child slots were observed in both 1996 and 2000 for children 2-5. In contrast, 34 slots were available in 1996 per 100 young children in the one-quarter of all zips with the highest schooling levels. This supply ratio rose slightly to 35 slots by 2000.

This relationship with adults' schooling holds enormous implications for southern California counties. Just under one-fourth (24%) of all adults living in the city of Los Angeles, age 20 years or older, did not finish high school, compared to just 12% in San Francisco and 19% in Fresno.¹⁰

Policy Implications: The Cost of Not Equalizing Access

Our analysis has revealed some good news: growth in center slots statewide has outpaced child population growth by 0.7% annually since 1996. This is tempered

FIGURE 7 Licensed child care capacity by school attainment levels in zip codes



Source: California Child Care Resource and Referral Network.

by the fact that growth was a bit stronger in better-off zip codes. And the second half of the 1990s was an era of robust economic growth. This allowed Sacramento to markedly boost child care spending, including targeted efforts to expand center-based programs. California's population growth, particularly among young children, 0-5, slowed after mid-decade. This fact alone should make future expansion efforts more manageable.

Yet when economic growth slows, parents have less discretionary income to pay fees at quality centers and preschools. At the same time, Sacramento policy makers, during recessionary times, may constrain spending on child care to help balance the budget. The governor recently advanced proposals to cut per child reimbursement rates to all child care facilities. This, at a minimum, would make it difficult for new centers to enter the supplier market and erode the availability of center slots for young children.

Most worrisome is the fact that equalizing families' access to centers and preschools is unlikely with such a modest rate of growth statewide. Even with slowing population growth, state agencies need to create about 2,600 new enrollment slots each year to keep up with rising numbers of young children. This would simply maintain center slots equal in number to 14% of the state's 3.4 million young children, 0-5 years-old.

To significantly equalize children's access to center-based programs, Sacramento would have to target additional resources on those counties, and regions within counties, that display scarce availability. The supply of center enrollment slots in San Francisco is almost twice the level observed in Los Angeles County (28 versus 15 slots per 100 young children). These inequities are even more severe for families living in Orange, Riverside, and San Bernardino counties.

Los Angeles County was able to grow 82 additional centers since 1996. But after adjusting for child population growth, L.A. added less than 5 enrollment slots for every 1,000 young children. Given this softness in growth—and troubling erosion of availability in cases like Orange County—we continue to observe a network of centers that remain unequally distributed.

Unequal access to centers leads to significant costs when it comes to child development and school readiness. Sacramento is spending billions of dollars on school improvements in the early elementary grades. The state's effort to reduce class sizes in grades K-3, for example, is the largest single reform ever undertaken by Sacramento. But the effectiveness of this and allied efforts will be limited until children gain fair access to quality center-based programs.

When the state's fiscal picture begins to look brighter, Sacramento policy makers should develop ways of targeting new spending on areas of under supply. This involves more thoughtful allocations to particular counties and to regions within counties that display scarcities. County agencies—such as resource and referral agencies, local planning councils, children and family commissions, and local welfare offices—can play a crucial role in identifying where low supply persists and moving dollars into targeted expansion efforts.

It is clear from these findings that stronger, more comprehensive measures need to be taken to resolve historical inequalities in accessing center-based care. A deliberate investment and attention to the infrastructure of the child care system, apart from voucher funds, is needed for child care centers to flourish.

Sacramento presently has no unified mechanism for allocating child care and preschool support in a more equitable manner. Over 22 separate funding streams exist; management responsibility is split between the state Department of Education and the Department of Social Services. Without a more concerted effort, the state's supply of center and preschool programs will continue to *reinforce* gaps in the availability of quality developmental experiences, rather than *reducing* these stark inequalities.

Acknowledgments

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Endnotes

¹ This analysis was conducted in cooperation with the California Child Care Resource and Referral Network.

² This total includes state and federal funding allocated by state education and welfare agencies. Thanks to Lynn Podesta and Cheryl Black, state Department of Finance, for providing expenditure data.

³ Snyder, K., & Adams, G. (2002). State child care profile for children with employed mothers: California. Washington DC: Urban Institute.

⁴ Burchinal, M. (1999). Child care experiences and developmental outcomes. Pp. 73-97 in *The Silent Crisis in United States Child Care*, edited by S. Helburn, *Annals of the American Academy of Political and Social Science*, vol. 563 (May). Fuller, B., Kagan, S.L., Caspary, G., & Gauthier, C. (2002). Welfare reform and child care options for low-income families, *The Future of Children*, 12, 97-120.

⁵ Local agencies report their data to the California Child Care Resource and Referral Network in San Francisco. For details on how the data are collected, see the Network's *California Child Care Portfolio, 1997 and 2001*.

⁶ Children's Foundation (2002). *The 2002 Child Care Center Licensing Study*. Washington D.C.

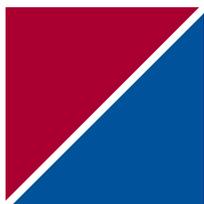
⁷ Earlier research has detailed how the supply of center-based programs varies among counties and across zip-code areas within communities. See, for example: Fuller, B., Coonerty, C., Kipnis, F., & Choong, Y. (1997). *An Unfair Head Start: California Families Face Gaps in Preschool and Child Care Availability*. Berkeley: University of California (PACE working paper).

⁸ Data from the Child Development Division, state Department of Education, 2002.

⁹ These zip codes have complete child care and census data between 1996-2000 and have at least 10 young children, age 0-5.

¹⁰ Economic Policy Institute, Washington D.C., based on Current Population Survey data, December 2001, U.S. Bureau of the Census.

Technical note. Statewide estimates of center supply ratios are pegged to recent 2000 Census Bureau figures for child population. County capacity estimates rely on earlier bureau population numbers. This may slightly overstate enrollment capacity per 100 children, age 0-5 years, at the county level.



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