

# TRUE COST OF QUALITY EARLY CARE AND EDUCATION IN ORANGE COUNTY

2007



## EXECUTIVE SUMMARY

# TRUE COST OF QUALITY EARLY CARE AND EDUCATION IN ORANGE COUNTY

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# **TRUE COST OF QUALITY EARLY CARE AND EDUCATION IN ORANGE COUNTY**

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

#### **A. Purpose of the Report**

Recognizing the challenges facing working parents, the Orange County United Way Success By 6<sup>®</sup> initiative is dedicated to improving the quality of early care and education for children birth to 5 years of age and increasing the availability of quality, affordable care and education, especially for low-income families in Orange County. Success By 6 commissioned this report in order to:

- Develop a baseline cost model of quality center-based early care and education programs in Orange County;
- Inform decision-making among Orange County officials, community leaders, business executives, child care and education providers, and community organizations about the actual cost of quality center-based early care and education; and
- Develop a long-term financial solution for meeting the true cost of quality early care and education services that is shared by families, employers, and communities.

In addition, Success By 6 has developed Orange County's first Star-Quality Rating System to measure quality in early care and education centers and to encourage continuous quality improvement. The cost analysis provided in this report is key to Success By 6 in continuing to provide resources and funding for the Star-Quality Rating System project.

#### **B. Why is Quality Early Care and Education Important?**

High quality early care and education for young children can improve their health and positively promote their development and learning. Early care and education includes all of a child's experiences at home as well as in child care or preschool settings. Studies indicate that when early care and education is consistent, developmentally sound, and emotionally supportive, there is a positive effect on the child, the family, and society as a whole. On the other hand, children exposed to a poor quality environment, whether at home or in a child care environment, are less likely to be prepared for school demands and more likely to experience a derailment of their socio-emotional development.<sup>1</sup>

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Research in human brain development has affirmed that early experiences from birth through age 5 make a lifelong difference in a child's development. This research was brought to popular attention in 1996 when the Families and Work Institute held a conference at the University of Chicago entitled "*Brain Development in Young Children: New Frontiers for Research, Policy and Practice*."<sup>2</sup> The resulting report, *Rethinking the Brain -- New Insights into Early Development*, along with long-term studies on the impact of quality early care and education on child development have been the foundation for public and private investments in programs for young children for the past 15 to 20 years.

According to a study published in the 2001 September/October issue of *Child Development*, better classroom materials and practices, such as activities and teachers' responsiveness to preschoolers, were associated with more advanced development of children's language and academic abilities. In addition, a closer teacher-child relationship in preschool was linked to improvements in both cognitive and social skills through the early elementary years.<sup>3</sup>

Thus, the benefits of quality early care and education to both the child and family can be life-long. Because children's experiences and their relationships with their caregivers can have a profound impact on the way young brains develop, quality early care and education can affect a child's ability to learn and succeed in school and later in life. In fact, studies have shown that when young children participate in quality early care and education programs during their first four-and-a-half years of life, they tend to score higher on tests of cognitive skills, language ability, vocabulary, short-term memory, and attention span when compared with children in lower quality care.<sup>4</sup>

The investment in quality early care and education benefits not only the child and family, but society as a whole. A high quality early child care program has been shown to produce broad, long-term societal benefits, including increased employment and associated tax revenue, reduced crime, and reduced dependency on social welfare systems.<sup>5</sup> In addition, monies spent on quality early care and education has decreased the need for spending on special education, welfare, and teen pregnancy.<sup>6</sup>

Today, early care and education programs are an essential component of life in our society. Therefore, the characteristics of high quality early care and education have been studied by numerous social scientists. For many years, researchers have been examining the aspects of child care that have a positive influence on children's development. According to the National Institute of Child Health and Human Development (2006) some of the most significant aspects of high quality care include the following regulable features (structured features of child care that are sometimes regulated by public agencies) and process features (features that are actual day-to-day experiences in the child care setting)<sup>7</sup>: The regulable features of quality early care and education include adult-to-child ratios, group size, and caregiver's education level. The process features include day-to-day experiences such as positive caregiving, quality family relationships, classroom environment and developmental appropriate practices.

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The impact of quality of early care and education has been well researched which has led to the establishment of standards of quality.

### **C. Standards of Quality**

The definition of quality for early care and education programs has been established through numerous research-based studies. The State of California has set basic health and safety standards for child care settings which are detailed in Title 22 of the Health and Safety Code. In addition to complying with Title 22, facilities receiving funding through the California Department of Education must adhere to the quality standards outlined in Title 5 of the Education Code, which require high teacher education and lower adult-to-child ratios and group sizes. Federally-funded Head Start must meet both Title 22 and the Head Start Performance Standards, which are much higher standards of quality than Title 22 in several areas.

Several organizations have established voluntary nationwide quality accreditation systems for early childhood education. The initial effort of standardizing quality with regards to early care and education was undertaken by the National Association for the Education of Young Children (NAEYC). For the purpose of this study, the NAEYC standards will be utilized as a guide in defining quality early care and education. For further details and a listing of accreditation organizations used by early care and education providers, please see Appendix A1. In addition, included in Appendix A2 is a comparison of Title 5, Title 22, and NAEYC Accreditation standards for teacher to child ratios and minimum education requirements for teaching aides and assistants, teachers, and supervisors.

## **CHALLENGES**

The primary challenges facing the delivery of quality early care and education in Orange County is increasing the availability of affordable, high-quality early care and education spaces. When addressing this challenge, it is important to identify the demand for early care and education and review parental choice.

### **A. The Demand for Early Care and Education**

The increasing demand for quality early care and education has become a daily fact of life for many parents. The Children's Defense Fund (2001) reports:

- Of all mothers in the labor force, 65% have children under age 6.
- Additionally, 59% of mothers with infants (under age 1) are in the labor force.
- The majority (55%) of working women in the United States bring home half or more of their family's earnings.

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- The Bureau of Labor Statistics projects that female participation in the labor force will continue to increase.

This equates to 11.6 million (63%) of the 18.5 million children in Orange County less than 5 years of age requiring some type of regular child care arrangement.<sup>8</sup>

In 2002, 89% of the 9.8 million preschoolers of employed mothers and 31% of the 8.2 million preschoolers of non-employed mothers were in at least one child care arrangement on a regular basis. Almost one-quarter of all preschoolers were cared for in organized facilities.<sup>9</sup>

Yet the US Census gives us other numbers for the total percentage of children living in a household where both parents or one single head of household is in the workforce. These figures are discussed on the next page. For the purposes of this report, the total number of all parents in the workforce will be used instead of just the number of mothers in the workforce to determine the potential demand in Orange County.

The first step in determining the demand for early care and education in Orange County is to identify the number of children in Orange County from birth to 5 years of age. According to the 2000 United States Census, 262,229 children ages birth to 5 years old live in Orange County, which represents 34% of the total number of children birth to 17 years of age.

The demand for early care and education is related to the number of parents or heads of households in the labor force. Based on the 2005 United States Census, 156,955 children live in families in which all parents are in the labor force (two parents as well as single heads of households).

These working families account for more than 60% of all children ages birth to 5 in Orange County, 47% of these children (262,229) live in a household with two working parents and 13% (34,505) live with a single parent who is in the labor force. Among single-parent households, fathers care for 13,210 (5%) children ages birth to 5 and working mothers care for 21,295 (8%) children birth to 5 years old (see TABLE 1 below).

**TABLE 1:**

<b>Orange County Children Ages Birth to 5 with Working Parents, 2005</b>		
	<b># of Children Birth to 5</b>	<b>% of Children Birth to 5</b>
<b>Total number of children ages Birth to 5 years</b>	262,229	
<b>Total number of children ages Birth to 5 years old with Working Parents</b>	<b>156,955</b>	<b>60%</b>
- Living with 2 parents and both are working	122,450	47%
- Living with 1 parent who is working	34,505	13%
- Living with working father	13,210	5%
- Living with working mother	21,295	8%

Source: US Census Bureau, Census 2000 Summary File 4(SF4)

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The number of children who need licensed care cannot be exactly determined because some parents choose informal, unlicensed care provided by a relative or neighbor and parents may juggle work schedules to allow one parent to care for the children. Some specific challenges for parents seeking child care are cost and availability of programs, especially for infants and school-age children, as well as programs that can accommodate working parents with variable schedules and nontraditional work hours.

In addition, Orange County is known to have a large demand for part-time preschool programs among families in which one parent is at home. These families utilize a significant portion of the licensed preschool spaces for kindergarten readiness purposes. Therefore, the total demand for preschool spaces between the groups of parents in the workforce and those non-working parents seeking school readiness activities may actually yield a higher demand for preschool services than can be measured utilizing this simple methodology.

## **B. Parental Choice for Early Care and Education in Orange County**

Parents have limited choices when seeking early care and education for their children. In California, formal licensed care includes child care centers and family child care homes. Child care centers are facilities that provide non-medical care and supervision in a group setting for children for less than 24 hours per day. Family child care homes provide non-medical care and supervision for children in the operator's home for a group of no more than 14 children. State law regulates the group size by age of children and the adult-to-child ratio.

In addition to these licensed child care options, parents may choose to hire a nanny to care for their children in their own home, or engage in informal agreements with friends and relatives to care for their children. These choices are not regulated by the state except to a limited extent when the state reimburses payment for such care for parents engaged in welfare-to-work activities. In these cases, the state requires criminal background checks for non-relative caregivers.

The Child Care Resource and Referral program, operated by Children's Home Society of California, reports that from July 2006 through June 2007, 63% of requests for child care were for infant care, 25% for preschool, and 11% for school age referrals.<sup>10</sup> Parents report the reasons for seeking child care as employment (77%), school and/or training (4%), and other reasons (18%).

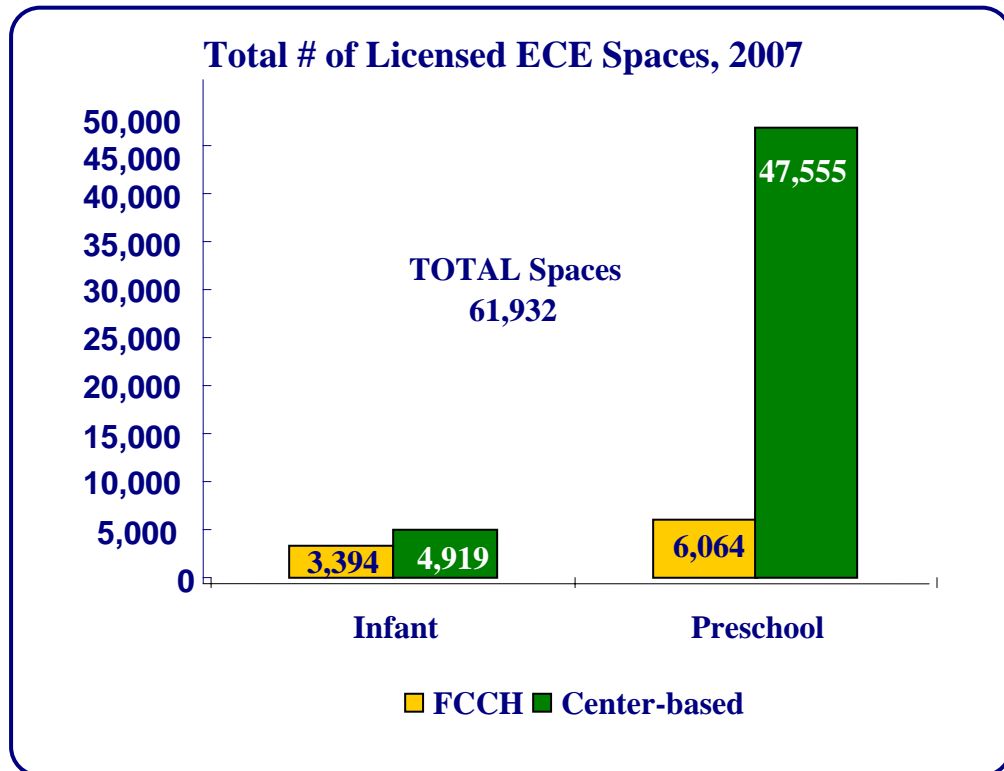
Parental choice is an important consideration when determining the need for quality early care and education services. However, parental choice may be limited by the number of available licensed spaces in the community in which services are needed.

### C. Available Licensed Early Care and Education Spaces in Orange County

In 2007, Orange County had a total of 61,932 licensed early care and education spaces for children 5 years old and under, according to California Department of Social Services Community Care Licensing Division. The available licensed early care and education spaces are defined as the total state-licensed capacity of the child care centers and family child care homes (FCCH) in the county. This most likely overestimates the actual available spaces because some child care programs choose to operate under their allowed state-licensing capacity.

For children ages 5 years old and under, Orange County has 9,458 licensed infant early care spaces of which 6,064 are center-based and 3,394 are family child care homes. In addition, there are a total of 52,474 licensed preschool spaces for ages 2 to 5 years of age in Orange County of which 47,555 are center-based and 4,919 are family child care home spaces (see CHART 1 below).

**CHART 1:**



Source: California Department of Social Services Community Care Licensing, 2007.

As TABLE 2 indicates, a gap of 95,023 quality licensed early care and education spaces exists between the total number of children in Orange County under the age of 5 with working parents (156,955) and the current number of licensed spaces available (61,932).

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**TABLE 2:**

Orange County Children Ages Birth to 5 WITHOUT Licensed Early Care and Education, 2007		
	Number of Children	Percent of Children without Licensed Spaces
<i>Total Children ages birth-5 with Working Parents</i>	156,955	
<i># available licensed spaces (See CHART 1) (Family Care and Center Based)</i>	61,932	
<b><i># of children without licensed spaces</i></b>	<b>95,023</b>	<b>61 %</b>

Source: California Dept. of Social Services, Community Care Licensing Division, 2007

Parental choice is not only limited by the availability of quality early care and education licensed spaces in the community but also by the affordability of the available care.

**D. Affordability of Quality Early Care and Education**

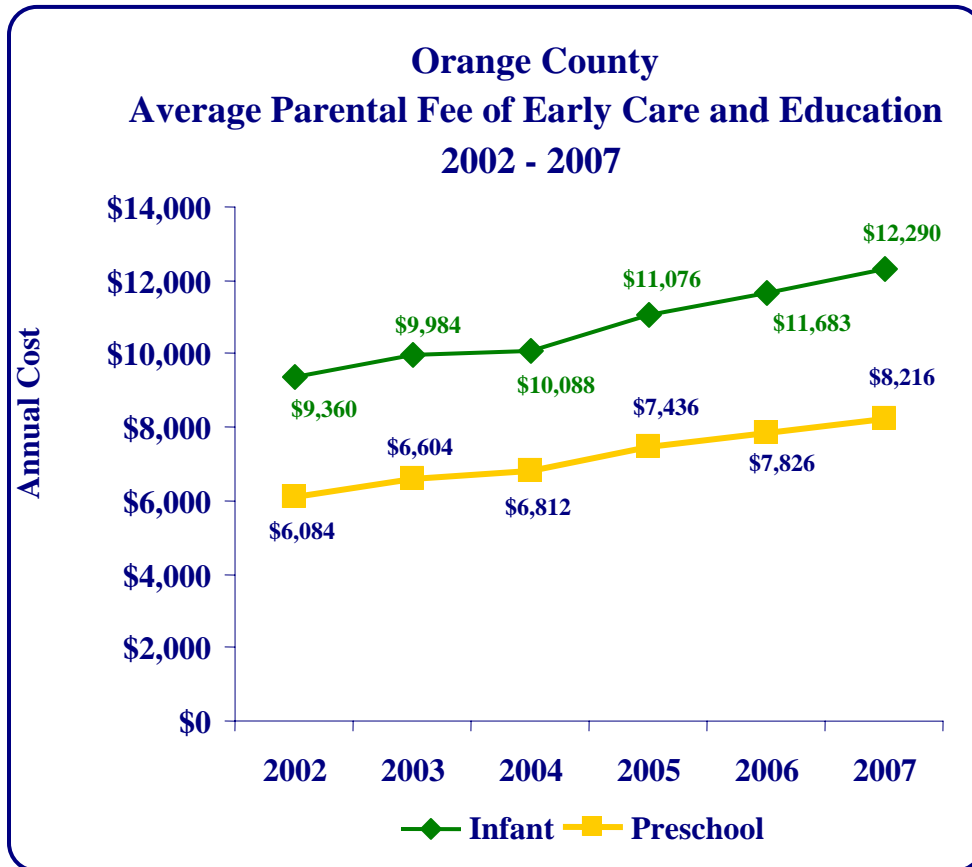
How much a parent pays for child care is determined by eligibility for subsidies or tax credits, location, duration of services, and many other factors. A center offering additional services such as lower staff to child ratios, hot meals, computers labs, field trips and transportation will charge more to cover those features.

According to the Children’s Home Society of California cost analysis, in 2007, the average weekly parental fee of licensed FCCH for infant care is \$176 and for preschool age is \$163. The average weekly parental fee for licensed center-based care for infants is \$236 and for preschoolers is \$158.

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The average annual parental fee for infants in 2007 is \$12,290 which is a 31% increase over a six year period. Similarly, there has been a 35% increase in the average annual parental fee of center-based preschool from \$6,084 in 2002 to \$8,261 in 2007. (see CHART 2 below).

**CHART 2:**



Source: Conditions of Children's Report, 2006

For a low-income working family, the current cost of early care and education is not affordable. For example, a parent earning minimum wage of \$15,600 (\$7.50/hour, *note as of January, 2008 the minimum wage in California will be \$8.00/hr*) would use approximately 78% of his/her household gross income to pay for licensed center-based early care and education for one infant. At the same earning level, a parent with a preschooler would need to use approximately 53% of his/her household gross income to pay for licensed center-based early care and education.

According to the 2006 Federal Poverty Level, a family of four is considered below the poverty level at \$20,000 gross income per year. For a family of four with one infant and one preschool age child, the cost of early care and education would be \$20,506 per year which clearly exceeds their gross income. Even a family earning an income at the

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Orange County median family gross income of \$79,160<sup>11</sup> per year would spend 26% of their gross household annual income to pay for licensed early care and education.

Paying the current market rate for early care and education is challenging for working families. But the greater challenge for parents is being able to afford quality early care and education when the TRUE COST of a quality program is calculated and factored into parent fees.

## **METHODOLOGY**

Success By 6 has used a multi-faceted approach to determining the true cost of early care and education in Orange County. Using the *Guide to Calculating the Cost of Quality Early Care and Education*, The Finance Project, 2006, these steps were followed: *Determine Financing for What: Defining the Scope of Supports and Service; Create a Cost Model; Identify Quality Improvements and Estimated Cost of Improving Quality; and What is the Reality?*

### **A. Determine Financing for The True Cost of Quality**

#### **Defining the Scope of Supports and Services.**

For the purposes of this report, community representatives determined the definition and components of quality early care and education to be included as a part of the cost analysis.

#### *Staffing*

Experience and competency of staff members, as well as education level, were deemed important to quality programs. Low teacher to student ratios are deemed a necessary part of quality programs; therefore, the ratios required by the National Association for the Education of Young Children Accreditation Standards are considered to be of the highest standard. These are 3 to 1 for infants to 24 months, 6 to 1 for 2- to 3-year-olds, and 8 to 1 for 4- to 5-year-olds.

#### *Environment*

Stakeholders agreed that the Early Childhood Environmental Rating Scale (ECERS) should be used to measure a high-quality facility environment. The learning atmosphere and environment should be welcoming, nurturing, safe, stimulating, and clean.

#### *Curriculum*

The curriculum presented should be child-focused and possess intentionality and purpose. Developmentally appropriate practices should be used to address all developmental aspects including social and emotional regulatory functions.

In addition, other items deemed important to quality included diversity of staff, national accreditation, family support with constant communication between the provider and

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parents, inclusion for special needs children, child assessments, quality improvement plans, program evaluation, and affordability for parents.

Based upon research and information gathered from all of these stakeholders, a budget scenario was produced. The budget incorporates those items deemed necessary for the delivery of quality early care and education. The premises and details of the true cost of quality early care and education budget are presented below.

## **B. Calculation of True Cost Model to Determine the Baseline Cost**

The Advisory Group created a budget scenario to assist in determining the true cost of quality early care and education in Orange County, California. For these purposes, a hypothetical center-based early care and education program was devised serving children from infancy through 5 years of age. The budget included start-up costs and ongoing operating costs such as salaries, benefits, taxes, insurances, facilities, equipment, food and supplies, training and professional development, administration, and curriculum materials.

The “True Cost of Quality Early Care and Education,” therefore, is defined here as the cost to provide care for an individual child in a center-based program supported by a public and/or private infrastructure system that provides for appropriate staffing educational and experience levels, continuing staff support and educational development, adequate supplies and materials, proper equipment both for indoor and outdoor settings, low teacher-to-child ratios, and a developmentally appropriate curriculum.

### **“True Cost of Quality Early Care and Education” Premises**

- **FAMILY SUPPORT** is an element of every quality early care and education facility with staffing included at each site to support parents.
- Children are assumed to be in **FULL-TIME CARE**.
- **NAEYC Accreditation** standards for teacher-child ratios within group size have been used in this report based upon research stating that low ratios promote the quality adult-child interactions that foster positive development.
- **SALARY LEVELS** have been set to attract highly qualified staff to the field and to retain staff members. **EMPLOYEE BENEFITS** include medical, dental, vision, life insurance, retirement, sick leave, and vacation time.
- **CLASSROOM ENVIRONMENT** equipped and supplied with age-appropriate materials which also include special-needs materials and equipment.
- Age appropriate **OUTDOOR EQUIPMENT** that meets appropriate safety standards has also been utilized.

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Utilizing the above mentioned premises, a budget for the start-up and ongoing operating costs for a licensed early care and education center for a total of 108 children was created. The center would provide for 8 infants, 12 toddlers and 78 preschool aged children.

The start-up cost for the True Cost center-based licensed care facility is \$2,878,768. The ongoing operating cost is \$1,348,464. This amount reflects full-time care in a center-based program serving 108 children. Therefore, the cost per child per year for ongoing operation is \$16,796 for infants and \$11,284 for preschool age children. The annual operating cost for the desired early care and education scenario is detailed in TABLE 3 below.

**TABLE 3:**

<b>TRUE COST Early Care and Education Summary Budget for a Licensed Center with 108 children</b>		
	<b>Start-up Budget</b>	<b>Operating Budget</b>
Personnel	\$754,291	\$ 754,291
Benefits and Insurance	194,305	194,305
Withholding Taxes	65,529	65,529
Licensing Fees	34,503	1,099
Equipment/Supplies	267,590	74,140
Contractual/Misc. Costs	123,000	79,550
Capital Costs/Lease	1,439,550	179,550
<b>Total</b>	<b>\$2,878,768</b>	<b>1,348,464</b>
<b>Cost per child per year for Infants</b>		<b>\$16,796</b>
<b>Cost per child per year for Preschoolers</b>		<b>\$11,284</b>

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**FINDINGS**

**A. Overall TRUE COST of Quality Early Care and Education**

Based on the TRUE COST calculations, to provide quality early care and education for all children ages birth to 5 who need services in Orange County would cost \$2.2 billion annually (see TABLE 4 below).

**TABLE 4:**

<b>Orange County TRUE COST of Quality Early Care and Education</b>			
<b>Center-based Care</b>	<b># of Children Needing Care*</b>	<b>TRUE COST Per Child Per Year</b>	<b>TRUE COST Per Year for Children Needing Care</b>
<b>Infants</b>	72,199	\$ 16,796	<b>\$1,212,654,404</b>
<b>Preschool Age</b>	84,756	\$ 11,284	<b>\$956,386,704</b>
<b>Total</b>	<b>156,955</b>		<b>\$2,169,041,108</b>

\* In order to distribute the number of children needing care between infants and preschool age children, the 2005 California Childcare Portfolio averages for child population were used. Children 2 years old and under represented 46% and 54% for preschool age children 3 to 5 years old living with parents in the labor force.

This cost (specifically \$2,169,041,108) is calculated by using the number of children by age group needing care and the True Cost of providing quality programming per child per year in licensed center-based quality early care and education.

Funding to offset this cost may come from a variety of sources. Following is an examination of the current funding available.

**B. Current Funding for Early Care and Education**

The current funding for early care and education is calculated from the direct subsidized funding provided by government sponsored programs and the total parental fees for children needing early care and education.

**Direct Subsidized Funding**

Direct government subsidized support of \$63 million includes the Federal Children Care and Development Block Grants, Head Start, Title 5 programs including, State Preschool, General Fund, CalWORKs Stages 2 and 3, Child Care Alternative Payment Programs, as well as, Department of Social Services CalWORKs Stage 1 funding (see TABLE 5

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below). For more descriptions and details of the current direct subsidized funding for early care and education see Appendix G.

An estimated 21,213 children birth to 5 years old receive direct government subsidized support of which 9,758 are infants and 11,454 are preschool age.

**TABLE 5:**

<b>Annual Direct Subsidized Funding for Early Care and Education in Orange County 2007</b>		
<b>Direct Subsidized Support</b>	<b>Number of Children</b>	<b>Amount of Total Subsidy</b>
<b>Title 5 Total</b>	<b>2,100</b>	<b>\$13,309,757</b>
<b>State Preschool</b>	<b>5,349</b>	<b>\$11,669,911</b>
<b>General Fund &amp; CalWORKs Stages 2 &amp; 3 &amp; Alternative Payment</b>	<b>1,064</b>	<b>\$958,492</b>
<b>Social Services Agency Stage 1</b>	<b>8,702</b>	<b>\$6,151,627</b>
<b>Head Start</b>	<b>3,998</b>	<b>\$30,694,038</b>
<b>TOTAL Direct Subsidized Funding</b>	<b>21,213</b>	<b>\$62,783,825</b>

(In order to distribute the number of children needing care between infants and preschool age children, the 2005 California Childcare Portfolio averages for child population were used. Children 2 years old and under represented 46% and 54% for preschool age children 3 to 5 years old living with parents in the labor force.)

**Parental Fees**

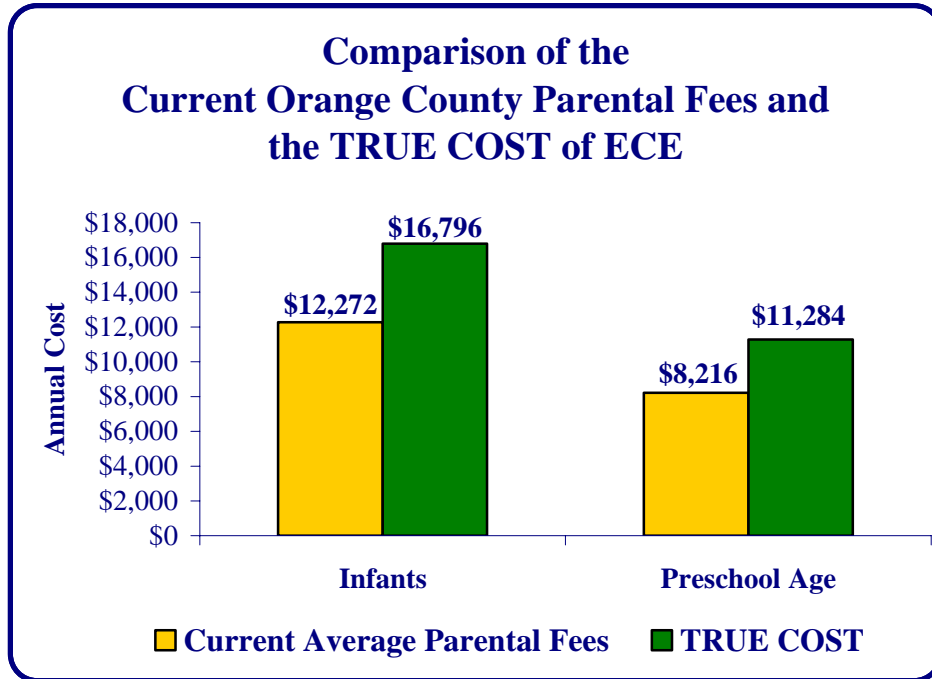
Parent fees continue to be a key funding source for early care and education programs, but families cannot bear the TRUE COST of quality. Of the 156,955 children birth to 5 years old with both parents working, 135,742 are funded through parental fees.

Children’s Home Society of California reports that in 2007 the average annual payment for parents for center-based infant care was \$12,272 which is 37% less than the \$16,796 for the TRUE COST of quality early care and education.

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Similarly, the average payment for parents using center-based preschool programs was \$8,216 which is 36% less than the \$11,284 for the TRUE COST of quality early care and education (see CHART 3 below).

**CHART 3:**



Parents who receive no governmental subsidies for child care contribute \$1.4 billion annually to the cost of early care and education in Orange County, which includes \$766 million for services for 62,441 infants and \$602 million for services for 73,301 preschoolers (see TABLE 6 below).

**TABLE 6:**

<b>Current Annual Non-Subsidized Parental Fees for All Children Needing Early Care and Education in Orange County</b>			
<b>Parental Fees*</b>	<b># of Non-subsidized Children</b>	<b>Current Fees</b>	<b>Total Fees</b>
<b>Infant</b>	<b>62,441</b>	<b>\$12,272</b>	<b>\$766,275,952</b>
<b>Preschool</b>	<b>73,301</b>	<b>\$8,216</b>	<b>\$602,241,016</b>
<b>TOTAL Parental Fees</b>	<b>135,742</b>		<b>\$1,368,516,968</b>

\* The parent fees are based on the current average annual fees multiplied by the number of infant and preschool age children needing care.

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**Total Current Funding**

The Total Current Funding for early care and education in Orange County is \$1.4 billion which includes the total current parental fees, and the direct government subsidized federal and state supported programs (see TABLE 7 below).

**TABLE 7:**

<b>TOTAL CURRENT FUNDING for Early Care and Education in Orange County</b>	
<b>Parental Fees</b>	<b>\$1,368,516,968</b>
<b>Subsidized Funding</b>	<b>\$62,783,825</b>
<b>TOTAL CURRENT FUNDING</b>	<b>\$1,431,300,793</b>

**C. The GAP in Funding the TRUE COST of Quality Early Care and Education**

The gap in the amount of funding available for supporting quality early care and education is the difference between the total True Cost of quality early care and education for all children needing care and the total current funding available.

<b>THE GAP IN FUNDING FOR QUALITY EARLY CARE AND EDUCATION</b>	
<b>TOTAL TRUE COST OF QUALITY ECE</b>	<b>\$2,169,041,108</b>
<b>TOTAL CURRENT FUNDING</b>	<b><u>-\$1,431,300,793</u></b>
<b>TOTAL GAP IN FUNDING</b>	<b><u>\$737,740,315</u></b>

To provide quality programs for all Orange County’s young children, the early care and education industry needs an additional \$738 million annually.

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## CONCLUSIONS

The information presented in this report focuses on what financing and resources would be necessary not only to fund the true cost of quality early care and education in quality licensed care centers for children ages birth through 5, but also to bring existing licensed centers up to an established quality level.

Unfortunately, quality early care and education is not accessible to all children because of the high cost and the limited number of available facilities. Cost barriers are especially significant for low-income families, many of whom have fewer choices and may have no other option but to place their children in lower quality care or no care at all.

State-subsidized programs for low-income children are one high-quality option. These programs are required to maintain a higher standard of quality than non-subsidized programs; however, there are simply not enough of these programs to meet the demand. In addition, the Standard Reimbursement Rate for a county with a high cost of living such as Orange County is simply not adequate to operate a quality program. Many state subsidized programs in Orange County have decided to return their contracts because they cannot operate with the funds they are provided. Children's Home Society of California maintains a Centralized Eligibility List (CEL) for all income-eligible children in Orange County. The CEL now holds approximately 9,000 eligible children who are waiting for subsidized child development services.

Families in the CalWORKs Welfare-to-Work program are also eligible for subsidized child care; however, the state allows parental choice for these services and approximately 40% of CalWORKs families choose unlicensed care which is exempt from Title 22. As a result, many children may be cared for in substandard or even unsafe settings, depriving them of the opportunity to learn, grow, and thrive. This is alarming given that children from low-income families are at greater risk for school failure and are most in need of the strong start that high quality early care and education can provide.<sup>12</sup>

The research for this report documents that system of early care education services in Orange County is under-financed and has limited availability to licensed programs. Many public and private early childhood education programs lack sufficient resources to deliver consistent, high-quality services to children while remaining affordable to parents. Unfortunately, sufficient support has been lacking to develop an integrated public and community-based system of early care and education for all children and their families who desire services. Thus, alternative financing solutions must be developed to address these problems with a greater investment from sources other than the families who use the services.<sup>13</sup>

Long-term financial solutions require the costs to be shared among all beneficiaries: families, employers, and society as a whole, including civic and public sectors. Early care and education must evolve into a system that is both publicly supported and market

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driven so that access to quality programs is available to every family in the community seeking services.<sup>14</sup>

## RECOMMENDATIONS

As a result of this study, the Advisory Group and the Success By 6 Leadership Council have made recommendations on engaging various stakeholder groups to increase investments in quality early care and education. The ultimate goal of all such investments should be to bridge the gap between an early care and education system that serves some children with programs of widely variant quality and a system that serves all children with programs of high quality.

- Launch a **public education and awareness campaign** on the importance of quality early care and education. Such a campaign would counter the public perceptions that early care and education is the responsibility of individuals and families rather than the community at large. In addition, the campaign would target consumers of early care and education to create increased understanding of the components of quality programming and a greater demand for quality improvement. Finally, the campaign would target the early care and education workforce to increase their commitment to early care and education as a career, resulting in their increased level of education and proficiency in quality program delivery.
- **Advocate for increased public and private investments** in quality improvement efforts. Whether supported with public dollars, private dollars, or both, these investments could
  - Create a **statewide Quality Rating System** that has sufficient staff to implement and monitor the system locally.
  - Link program quality level with the increased state funding through a **tiered reimbursement program**. In this way, state-funded programs that reach a higher level of quality are rewarded with a greater amount of funding.
  - Create **financing programs and products** to assist early care and education programs to make quality improvements. These may include grants, low-cost loans and cooperatives.
  - Provide **scholarships or stipends for early childhood educators** to increase their education. Such a program is provided locally for educators working in state-funded programs through legislation, AB 212. Success By 6 has provided a small, targeted stipend program for staff working in fee-based programs. These programs are successful in raising education levels and should be expanded so that more of the workforce can participate.
  - Create a **statewide universal part-day preschool system**, including “wrap-around” programs to serve working families. Such a system can do much to set the bar on quality, generate funding, and professionalize the field of early education.

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- **Link quality early care and education with community economic development** priorities in municipalities. Advocacy efforts are already underway through the LINCC project and Child Care Connections to include early childhood education in city general plan documents and to minimize the zoning and planning regulations that may impede developing early education facilities or increase development costs. Some examples of ways that municipalities can assist to develop more early childhood education facilities may include:
  - **Incentive programs for developers** who include early childhood education facilities in their development plans;
  - **Reduced city impact fees and other planning/zoning fees** for owner/operators developing early childhood education facilities;
  - **Bond acquisition and tax credit programs** for developing early childhood education facilities;
  - **Coordinated planning efforts** with school districts to include early childhood education facilities in bond measures and on school sites; and
  - Education and incentive programs to **encourage organizations and institutions to consider including early childhood education programs within their properties**. These organizations may include business and industry, commercial developments, churches, apartment complexes, and affordable housing developments.

These advocacy efforts will be most successful if they are used as incentives to develop high quality programs. Incentive programs should be targeted to operators who provide the highest quality programming and should be designed to encourage using cost savings for improving and/or sustaining program quality.

- **Use financial incentives, such as tax credits, for parents to encourage choosing high quality early education programs**. This strategy would include intentionally emphasizing early childhood education and positive outcomes for children rather than minimum custodial care while parents work.

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**END NOTES**

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<sup>1</sup> American Academy of Pediatrics (2006).

<sup>2</sup> Shore, Rima. Rethinking the Brain—New Insights into Early Development; Conference Report—Brain Development in Young Children: New Frontiers for Research, Policy and Practice, organized by the Families and Work Institute, June 1996.

<sup>3</sup> Peisner-Feinberg (2001).

<sup>4</sup> Powerful Families (2007).

<sup>5</sup> Goodman (2005).

<sup>6</sup> Voices for Children (1997).

<sup>7</sup> National Institute of Child Health and Human Development, “The NICHD Study of Early Child Care and Youth Development, January 2006.

<sup>8</sup> U.S. Census Bureau (2002).

<sup>9</sup> Ibid.

<sup>10</sup> Children’s Home Society of California, July 2006 through July 2007.

<sup>11</sup> 12<sup>th</sup> Annual Report on the Conditions of Children in Orange County, 2006.

<sup>12</sup> Heckman & Masterov, “The Productivity Argument for Investing in Young Children” (2007)

<sup>13</sup> Santa Clara County, July 2002

<sup>14</sup> Ibid.

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