

Final Report



Economic Impact of Childcare

San Miguel County

Final Report

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Economic Impact of Childcare in San Miguel County

Prepared for

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Background

In 2008, BBC Research & Consulting (BBC) was engaged by San Miguel County to determine the economic impact of the childcare industry—that is, how much the “business” of early childhood education contributes to the county economy.

Concern about the lack of available childcare in the county and its impact on the county’s economy was the impetus for the study.

San Miguel County, the Town of Telluride, the Town of Mountain Village and The Telluride Foundation provided funding for the study.

In addition to these sponsors, many parents told us about their childcare and work situations through a survey. The county’s childcare centers, in addition to Bright Futures also provided us with information about their operations. The study could not have been completed without these invaluable inputs. Thank you to everyone who contributed time and effort to provide us with the necessary information for the study.

Methodology

To complete the industry overview, BBC gathered data from the Colorado Department of Local Affairs, conducted a survey of parents who work in the county, and collected financial and operational information from the formal childcare providers in the county.

Using these data, the study team created a customized economic impact model to estimate the total number of dollars that the childcare industry contributes directly and indirectly to the local economy.

Contents of This Report

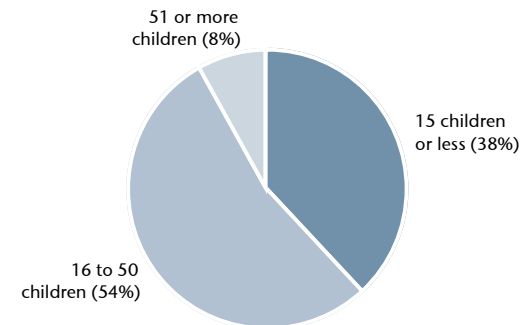
In addition to introducing the study, this section provides background information about the childcare industry in San Miguel County.

Section II provides the results of the parent survey that was conducted for the study. Section III describes the results of the economic impact modeling effort conducted for the study.

What is the Size and Nature of the Childcare Industry?

The childcare industry in San Miguel County is largely made up of small providers, with a handful of medium-sized care centers. Of the 13 providers in the county, 5 have a licensed capacity of 15 children or less; 7 have a licensed capacity of less than 50 children; and just one provider can take more than 50 children.

Exhibit I-1.
Licensed Capacity
of Childcare
Centers, San
Miguel County



Source:
Bright Futures.

Together, the childcare providers in San Miguel County have licensed capacity to serve 353 children at one time. Excluding the drop-in providers, capacity is 293 children at one time. We estimate that as many as 200 households are served by the care providers in San Miguel County.

SECTION I. Introduction and Background

Five of the 13 care providers offered infant care; two of these provide care on a drop-in basis (catering largely to tourists and second homeowners). The majority of the care providers serve toddler and preschool-age children. Four providers have programs that serve school-age youth.

There is one center located in Norwood, which provides childcare from infant to preschool as well as afterschool care. Two centers are located in Mountain Village, one of which is a drop-in, seasonal center serving mostly tourists and second homeowners. The majority of the providers are small centers located in converted homes or leasing space in churches, of which most are in Telluride.

According to the Colorado Department of Local Affairs, the overall average for childcare workers in the region was \$23,000 per year. Broken down by who makes what, the entry-level care workers average \$16,400 per year compared to the more experienced care workers who bring home an average of \$26,400 per year. Additionally, the administrators of childcare and preschool centers range from \$31,100 (entry level) to \$46,500 (experienced).

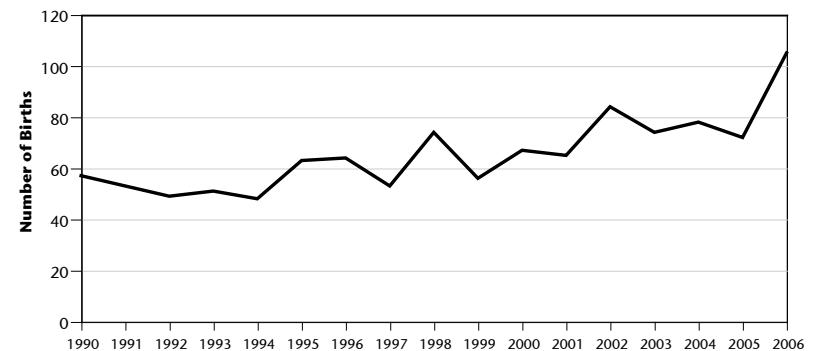
Childcare centers report that they often need to import workers from as far as Cortez. The combination of low wages for the industry, the extremely high costs of housing and extremely low unemployment makes it very difficult for the centers to find long-term, qualified staff. Although many employers in the county have difficulty finding seasoned staff, this is particularly problematic in the childcare industry since children—particularly young children—are very sensitive to changes in caregivers.

The vast majority of parents—about 86 percent—use formal childcare arrangements when they need care for their children. “Formal” arrangements are licensed childcare centers and afterschool programs. “Informal” arrangements include family and friends and occasional babysitters. About 5 percent of families use these informal types of arrangements. Eight percent use a nanny or babysitter.

Growth in Childcare Needs

Between 1990 and 1999, the average number of births per year was 56. Between 2000 and 2006, the average was 78 or an average of 22 more children born each year. The growth in the number of children born in the county each year has put increased pressure on the childcare industry, led to longer wait lists and made childcare more difficult for parents to find. Exhibit I-2 shows the rise in birth rates from 1990 to 2006.

Exhibit I-2.
San Miguel County Births, 1990 to 2006



Source: Colorado Department of Local Affairs.

SECTION II. Parent Survey

To complete the economic impact model for the childcare industry in San Miguel County, a written survey was conducted of parents who have children and who are full-time residents in the county. The survey was distributed widely and advertised in the local newspaper and on the radio, to ensure that parents throughout the county had the opportunity to participate¹. While the main purpose of survey was to collect data needed for the economic impact model, the survey results also provide insight into the experience of parents who use paid childcare.

Who Completed the Survey?

The survey was completed by 135 households who work and/or live in San Miguel County. All respondents to the survey were full-time residents of the county (i.e., the survey results do not reflect the experiences of second homeowners).

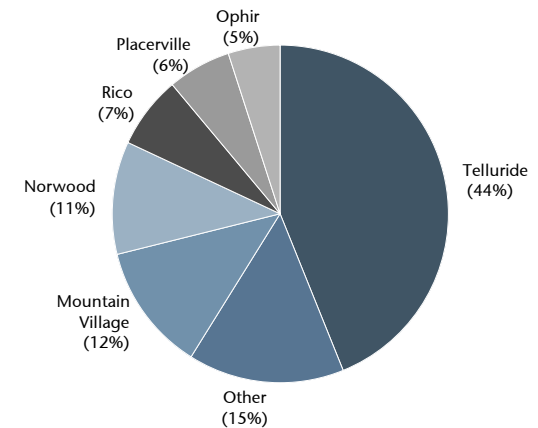
Eighty-one percent of the survey respondents were owners; 19 percent were renters.

The parents mostly lived in Telluride, followed by various other communities and Mountain Village, as shown in Exhibit II-1.

**Exhibit II-1.
Residence of Survey
Respondents**

Note:
n=135.

Source:
BBC Research & Consulting,
Parent Survey, 2008.

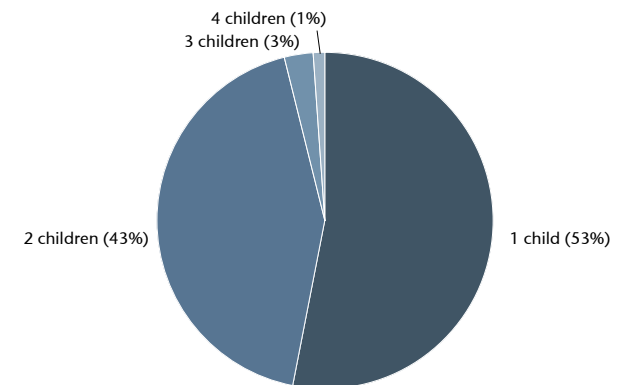


The surveys represented the childcare arrangements of 205 children in San Miguel County. The families responding to the survey mostly had 1 or 2 children; the average number of children per family was 1.5. A handful of families had 3 and 4 children.

**Exhibit II-2.
Number of
Children in
Household**

Note:
n=135.

Source:
BBC Research & Consulting,
Parent Survey, 2008.



¹ The survey was posted on the websites of local governments and hard copies were available at town halls, county offices, the library and in childcare centers. The survey was available in English and Spanish.

On average, both household members worked full-time, most five days a week. Eighty-five percent of households had two workers; 15 percent had only one worker. About 6 percent of workers worked more than one job and more than 25 percent worked weekend hours. Work schedules of most of the respondents consisted of a traditional work day (8 hour shifts, 8 a.m. to 5 p.m., Monday through Friday).

Most survey respondents had household incomes ranging between \$50,000 and \$100,000. Exhibit II-3 shows the income distribution of the families who responded to the survey.

Exhibit II-3. Income Distribution

Note:
n=135.

Source:
BBC Research & Consulting,
Parent Survey, 2008.

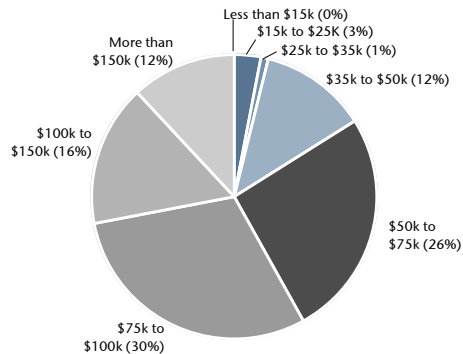
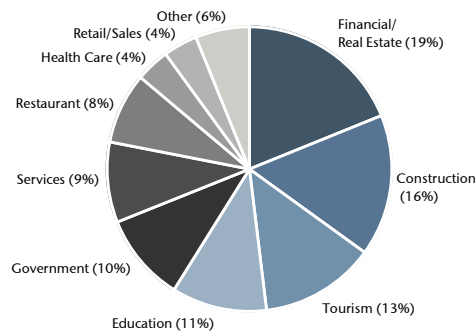


Exhibit II-4 shows the industries in which the survey respondents worked, which are representative of the core industries in the county.

Exhibit II-4. Work Industries

Note:
n=204.

Source:
BBC Research & Consulting,
Parent Survey, 2008.



How is Childcare Provided and Used in San Miguel County?

At the time this study was completed, there were a total of 13 providers of childcare in San Miguel County. Five of the 13 care providers offer infant care; two of these provide care on a drop-in basis (catering largely to tourists and second homeowners). The majority of the care providers serve toddler and preschool-age children. Four providers have programs that serve school-age youth.

Together, the childcare providers in San Miguel County have licensed capacity to serve 353 children at one time. Excluding the drop-in providers, capacity decreases to 293 children at one time. We estimate that as many as 200 households and 300 children are currently served by the care providers in San Miguel County. Most of these households are made up of permanent county residents.

The vast majority of parents use formal childcare arrangements when they need care for their children. “Formal” arrangements are licensed childcare centers and afterschool programs. Eighty-six percent of families responding to the survey used licensed childcare centers, early childhood education programs (preschool) and/or afterschool programs to care for their children.

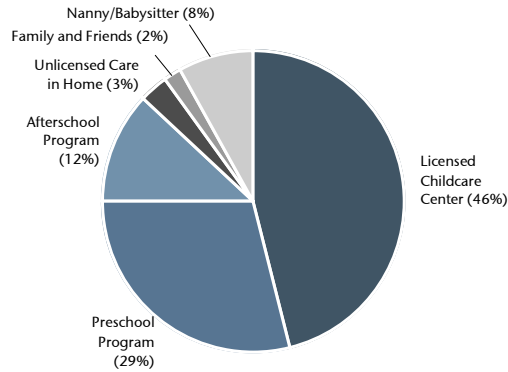
SECTION II. Parent Survey

“Informal” arrangements include family and friends as well as occasional babysitters. About 5 percent of families used these informal types of arrangements. Eight percent used a nanny or babysitter.

Exhibit II-5. Childcare Arrangements Used

Note: n=184.

Source: BBC Research & Consulting, Parent Survey, 2008.



Almost one-third of the children in childcare arrangements go five days per week; 24 percent attend 4 days per week and another 24 percent attend 3 days per week. The number of days care is used per week increases with the age of the child. Exhibit II-6 shows the breakdown of days per week by age of the children in care.

Exhibit II-6. Days per Week by Age of Children

	1 day	2 days	3 days	4 days	5 days	Total
Infant	0%	46%	15%	23%	15%	100%
Toddler	4%	32%	22%	22%	20%	100%
Preschool	0%	8%	36%	31%	25%	100%
School age	6%	0%	9%	15%	71%	100%
All Ages	2%	17%	24%	24%	32%	100%

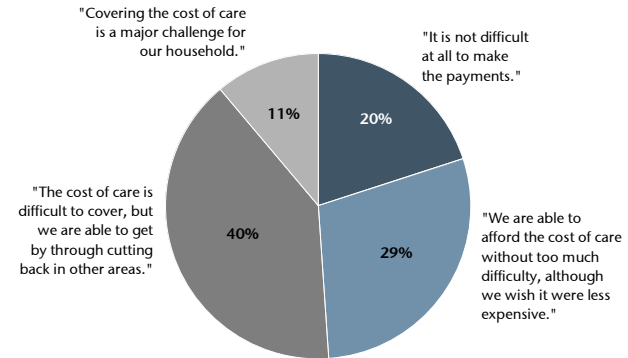
Note: n=161.

Source: BBC Research & Consulting, Parent Survey, 2008.

On average, parents pay \$6,600 per year for childcare services. The vast majority of parents use childcare services year round.

Forty-percent of parents responding to the survey said that covering the cost of childcare is “difficult,” but that they are able to get by through cutting back in other areas. Twenty-nine percent said they can cover the cost without too much difficulty, as shown in Exhibit II-7.

Exhibit II-7. Difficulty Affording Cost of Care



Note: n=124.

Source: BBC Research & Consulting, Parent Survey, 2008.

As part of this question, parents who said care was difficult were asked how they would like to reduce their cost of childcare if they could. The average answer was \$241/month.

SECTION II. Parent Survey

Additionally, parents were asked to define “affordable” care for their budget by the age of child. Exhibit II-8 shows the breakdown of “affordable” care by age. The vast majority of parents define affordable care as costing less than \$500 per month, regardless of the age of the child.

Exhibit II-8.
"Affordable" Care by Age of Child

	\$250 to \$501	\$501 to \$751	\$751 to \$1,001	\$1,001 to \$1,251	\$1,250+
Infant	71%	21%	5%	0%	2%
Toddler	74%	21%	3%	0%	2%
Preschool	72%	24%	2%	0%	2%
Afterschool	85%	13%	2%	0%	0%

Note: n=219.

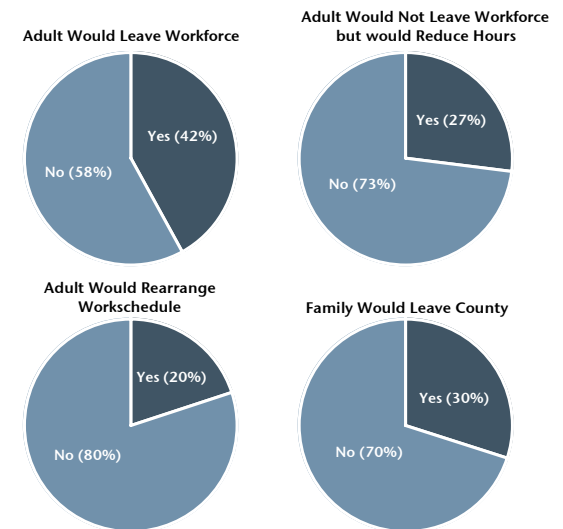
Source: BBC Research & Consulting, Parent Survey, 2008.

How Does Paid Childcare Serve Working Parents?

Forty-two percent of survey respondents indicated that one or more working adults in their household would have to stop working if paid childcare were no longer available. Additionally, in 27 percent of households, a working adult would have to reduce the number of hours worked each week if care were unavailable.

Exhibit II-9.
Impact of Losing Paid Childcare

Source:
BBC Research & Consulting,
Parent Survey, 2008.



On average, households would lose \$26,000 per year from leaving the workforce or cutting back their hours due to potential unavailable childcare.

Exhibit II-10 shows the income families would lose annually if their childcare were unavailable. Altogether, the households represented by the survey would lose \$3.9 million in wages.

**Exhibit II-10.
Annual Income Lost
If Childcare Were
Unavailable**

Note:
n=101.

Source:
BBC Research & Consulting,
Parent Survey, 2008.

	Percent of Respondents
\$1 to \$10,000	15%
\$10,001 to \$25,000	23%
\$25,001 to \$50,000	36%
\$50,001 to \$75,000	20%
\$75,001+	7%
Total wages lost if childcare were unavailable:	\$3.9 million

Exhibit II-11 describes the number of work days missed per year by parents because of inconsistent or unavailable childcare or because their children were sick.

**Exhibit II-11.
Average Annual Work
Days Missed Because of
Inconsistent/Unavailable
Childcare or Sick Children**

Note:
n=115.

Source:
BBC Research & Consulting, Parent Survey, 2008.

	Days missed per year
Children were sick	8.0
Childcare provider was unavailable	3.5
Changing childcare arrangements	0.6

Is Afterschool Care an Issue for Parents?

The vast majority of parents captured by the survey have work shifts that extend until 4 p.m. or later. Just 8 percent of the working parents represented by the survey had shifts that ended earlier than 3:30 p.m., allowing them to pick up and care for their school-age children after school.

Fifty of the 205 children represented by the survey—24 percent—were school age (6+ years). The balance of the children—76 percent—are currently in childcare arrangements that allow parents to work traditional shifts. However, as these children reach school age and the amount of time they receive care is shortened, parents are likely to need afterschool care, unless they can adjust their work arrangements to accommodate their children’s school schedules. Judging from the number of parents who work until 5 p.m. or later, it is most likely that afterschool care will be in great demand in the future.

Based on statistics from the library, an average of 45 to 95 children informally use the library as an after school center on any given day. Because of the lack of afterschool programs in the county, the library is used by children as a place to go after school. The children are generally between 8 and 13 years old.

This demonstration of need, coupled with the work schedules of parents, the high proportion of two-earner households and growing number of young children, suggest that afterschool care will continue to be a significant need by the majority of working parents in the future.

Is It Difficult to Find Care in San Miguel County?

Parents were asked about the biggest challenges they faced finding care in the past 12 months. The top challenges included long waiting lists, the cost of care, the hours of care and finding infant care. Eleven percent of parents said they did not encounter problems finding care.

Exhibit II-12. Greatest Challenges in Finding Care

Note:
n=280.

Source:
BBC Research & Consulting,
Parent Survey, 2008.

	Percent of Respondents
Waiting list	22%
Cost	15%
Other	10%
Hours of Care	9%
Infant Care	9%
Trustworthy	8%
Reliability	5%
Transportation	4%
Location	4%
Gaining Knowledge of what's available	3%
None	11%

The difficulties in finding childcare arrangements have affected families in a variety of ways: 22 percent of households have had an adult in the household refuse a promotion because of their childcare situation; 46 percent have had to rearrange their work schedules; and 20 percent have had to decrease their schedules to part-time.

Future Needs for Care

The majority (63 percent) of families said their care needs were likely to change in the next 12 months, mostly because they were having another child (30 percent) or making new arrangements for their children (49 percent). The new arrangements were largely due to their children aging and requiring different care (e.g., going from preschool to Kindergarten and needing afterschool care rather than full-day care).

In the future, families said that they anticipate changing their work schedules (42 percent), forgoing promotions (22 percent), working part-time (19 percent) or would have to quit working all together (13 percent) to accommodate their childcare needs.

The majority of families (55 percent) said they would like to stay in the county for 10 or more years into the future; 26 percent were unsure how long they would stay.

Economic Impact Analysis

Economic impact models quantify the economic benefit that industries, businesses and special events (e.g., festivals and conventions) have on a local economy. This study focuses directly on the childcare industry.

There are several different ways that industries such as childcare can contribute to a local economy. The basic impact of an industry is the provision of goods and services and employment, which bring dollars into an economy.

The childcare industry is unique in that the economic benefits extend beyond the basic provision of goods and services and jobs:

- The provision of a service such as childcare enables parents to work in other industries, where they earn wages that are spent on other goods and services (in addition to childcare services); and
- By benefiting children at the age in which the most brain development takes place (0 to 3 years), the industry helps prepare children for their formal education, in addition to providing early intervention of services to children who have been recognized as having special needs.

This study—*The Economic Impact of Childcare in San Miguel County*—examines the impact of the industry through its provision of a service as well as its enabling parents to work in the county. It does not measure the effect that the industry has on the current and future development of children in care, although these benefits are acknowledged.

Underlying Theory

The economic interpretation of impact analysis is simplest when the industry of interest is a “base” or “primary” industry. These industries, by the nature of their work, bring new dollars into a regional economy. A typical example of a base or primary industry is mining. Here, minerals are extracted, processed and sold. Sales to buyers outside the region draw new dollars to the local economy that stimulate and support the local level. Employees spend their wages in the local economy and the firm spends its dollars on services and supplies from within the local economy. These dollars in turn support employment and generate additional spending (though at a lower rate than the initial infusion of dollars).

The childcare industry falls into a different category—it is considered to be a secondary industry, supporting the larger economic base. As a supportive industry, not all dollars spent by childcare providers are actually new dollars to the local economy. However, the dollars spent by parents on childcare continue to circulate through the economy and benefit providers of products and services beyond the childcare industry.

BBC's approach to measuring the economic impact of the childcare industry is based on the following premises:

- Childcare fees that should be included as **direct impacts** in the economic impact model must meet the following conditions:
 - Fees from working parents who would have to change their labor force participation (either by exiting the labor force or reducing their hours worked) “But For” the availability of paid childcare. The earnings that the But For parents spend in the local economy would be lost without paid care. Thus, their expenditures on paid childcare would not be substituted for other local goods or services.
 - Fees from any parents who live outside the regional economy [county] but have their children in paid care within the county. These are new dollars being spent in the local economy that directly result from paid care.
- Additionally, remaining disposable income (after taxes and childcare expenditures) of But For parents are also new dollars, that when spent directly on local goods and services, impact the local economy.
- The model **does not include** the following:
 - The fees paid by non-working parents who live in San Miguel County. These expenditures could be substituted for other goods within the regional economy.
 - The fees paid by after-tax earnings of parents who would switch to informal, unpaid childcare arrangements rather than change their labor force participation (either by exiting the labor force or reducing their hours worked) if their current paid childcare provider was no longer available.

Economic Impact of the Childcare Industry

At the time this study was completed, there were 13 providers of childcare in San Miguel County. Five of the 13 care providers offered infant care; two of these provide care on a drop-in basis (catering largely to tourists and second homeowners). The majority of the care providers serve toddler and preschool-age children. Four providers have programs that serve school-age youth.

Together, the childcare providers in San Miguel County have licensed capacity to serve 353 children at one time. Excluding the drop-in providers, capacity decreases to 293 children at one time. We estimate that as many as 200 households are served by the care providers in San Miguel County. The majority of these households are made up of permanent county residents.

Parents spend a collective total of about \$1.7 million per year on childcare services in San Miguel County. Not all of these revenues qualify as new dollars being injected into the county economy. As a supportive industry, only the fees spent by parents who would change their labor force participation in the absence of available paid childcare, qualify as true direct impacts on the economy.

In San Miguel County, 42 percent of households with children in paid childcare have at least one wage earner who would alter their labor force participation if paid care were no longer available. We call these parents “But For” parents, since but for the availability of childcare, they would exit the labor force. In addition to these parents, about 14 percent of the children in San Miguel County paid childcare reside outside of the county. Meaning, they bring dollars into the county by using childcare services within the county.

SECTION III. Economic Impact

In total, about \$5 million dollars qualify as new dollars being injected into the San Miguel economy as a direct and indirect result of the paid childcare industry.

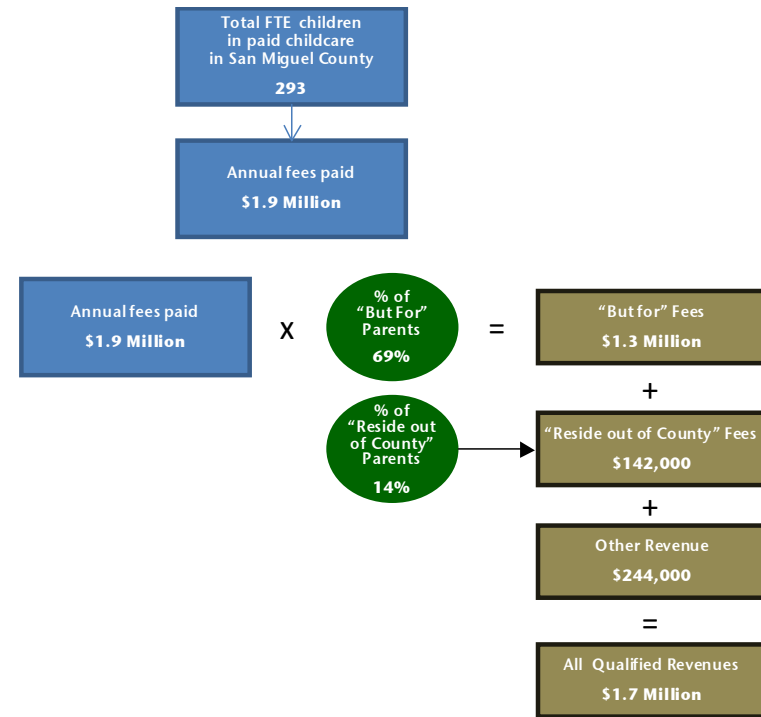
This \$5 million is comprised of several components:

- Childcare fees paid by But For parents which are used for childcare operations (e.g., payment of salaries, purchases of supplies). We call this the “provider impact.” The provider impact is \$1.7 million, and is diagramed in Exhibit III-1.
- As a direct result of the paid childcare industry, “But For” parents continue their labor force participation. When the “But For” parents spend their disposable income (net of taxes and childcare expenditures, to prevent double-counting) they make an economic contribution to the county economy—this is worth \$1.686 million annually, and is diagramed in Exhibit III-2 on the following page.

There is also an “**indirect impact.**” When a new dollar (direct impact) is spent in the economy, it circulates (is re-spent) in the economy. We used “multipliers” from the Bureau of Economic Analysis to calculate the indirect impact of new dollars. The indirect impact measures the value of the circulation of new dollars throughout the economy.

The “**total economic impact**” adds the direct impact to the indirect impact. In San Miguel County, this is \$5 million. The total impact in shown in Exhibit III-3, which is also on the following page.

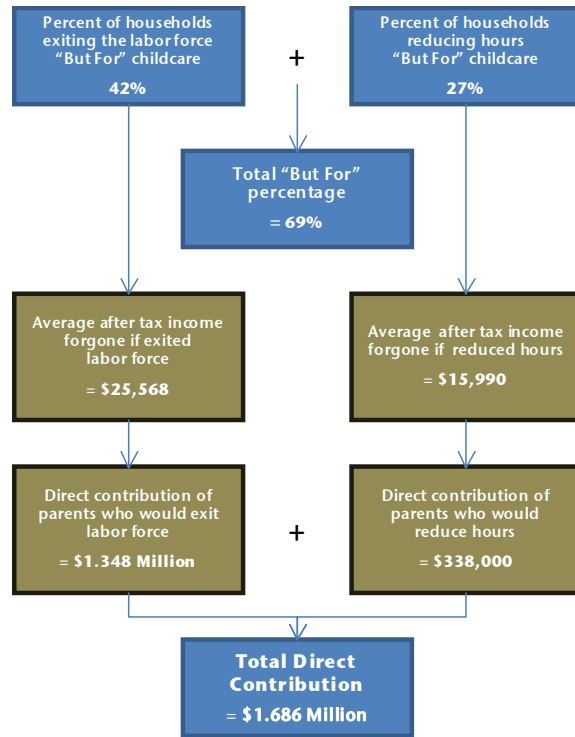
**Exhibit III-1.
Childcare Industry, Economic Impact Model, Provider Impact**



Source: BBC Research and Consulting.

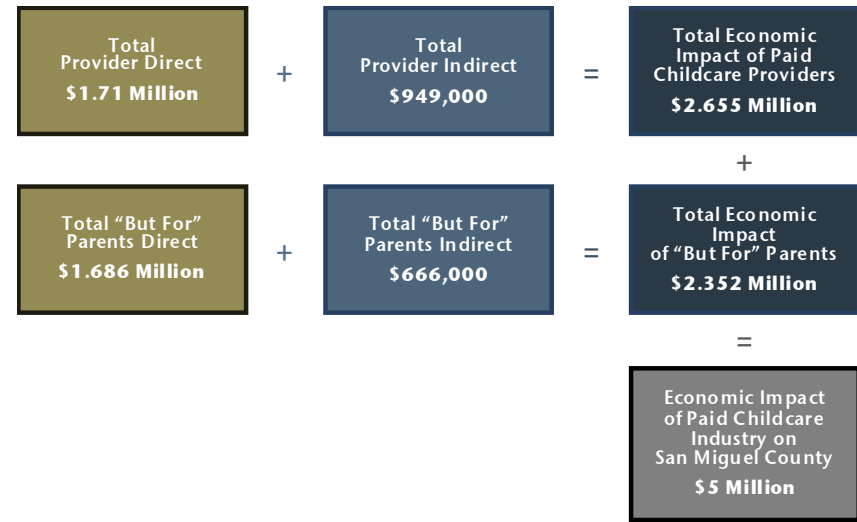
SECTION III. Economic Impact

**Exhibit III-2.
Childcare Industry, Economic
Impact Model, Parent Impact**



Source: BBC Research and Consulting.

**Exhibit III-3.
Childcare Industry, Economic
Impact Model, Total Economic Impact**



Source: BBC Research and Consulting.