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San Diego County Childcare Landscape: An Analysis of the Supply and Demand

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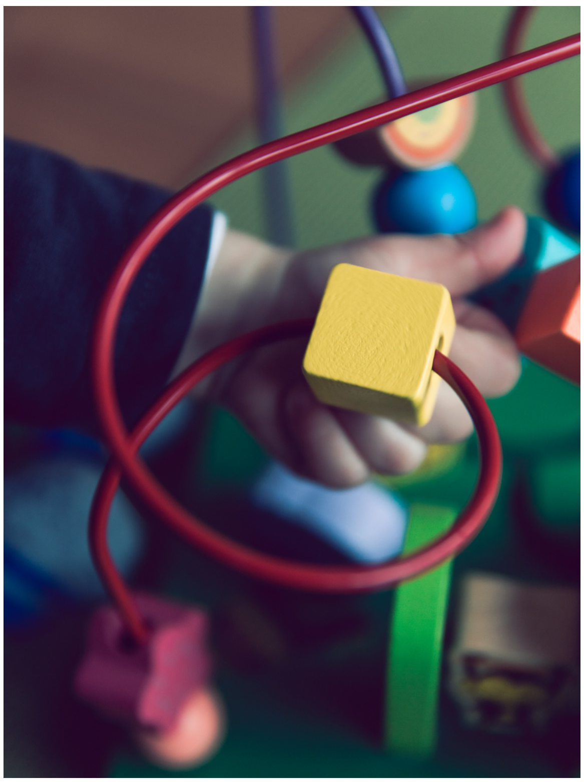

The San Diego Foundation

San Diego County Childcare Landscape: An Analysis of the Supply and Demand

April 2022

Presented by:
The Nonprofit Institute

University of San Diego
SCHOOL OF LEADERSHIP AND EDUCATION SCIENCES

About The San Diego Foundation

The San Diego Foundation inspires enduring philanthropy and enables community solutions to improve the quality of life in our region.

About The Nonprofit Institute

The Nonprofit Institute is housed within the School of Leadership and Educational Sciences at the University of San Diego. The Nonprofit Institute is committed to providing education, training, and research to build leaders and strengthen organizations that help meet critical community needs.

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EXECUTIVE SUMMARY

CHILDCARE IN SAN DIEGO COUNTY[1]

The Need	**153,041 (64%)**	Number of children ages 0-5 whose parents work
	48%	Percent of children ages 0-5 whose parents work and have no available licensed childcare option
	69%	Percent of children ages 0-5 who need childcare and are income eligible for a subsidy but not enrolled in a subsidized childcare program
Barriers for Families	**$33,929**	Annual cost of full-time tuition for two young children in a licensed childcare center (one infant and one preschool-age with no subsidy)
	40%	Percent of median income a family with two young children spends on childcare (one infant and one preschool-age with no subsidy)[2]
	77%	Percent of parents who say it is a challenge to find childcare in San Diego County[3]
Barriers for Childcare Providers	**$17,000**	Annual estimated gap in the cost of providing high quality care for an infant in a licensed childcare center and the fees families pay for infant care
	22%	Percent of childcare providers who report their businesses are making a profit
	48%	Percent of childcare providers who report they are not fully enrolled to their desired capacity
	93%	Percent of childcare providers who report trouble hiring qualified staff

The COVID-19 pandemic has had significant impacts on the availability and demand for childcare. San Diego County, like much of the U.S., has historically had a much smaller supply of licensed childcare than there are children who need care. The pandemic has made this gap larger as the childcare supply has shrunk. Childcare providers have had to endure closures, new and constantly changing health guidelines, and uncertain revenue streams. On the demand side, parents' conditions and needs have also changed. Parents have become unemployed, worked remotely, and kept their children home to reduce transmission of the virus. This lack of stability in the childcare sector has come after years of low wages and low reimbursements for childcare providers, high costs for families, and an uneven patchwork of childcare options that vary greatly by neighborhood and family income.

Drawing on secondary data on the supply and demand for childcare, as well as 2022 survey data from 900 childcare providers in San Diego County, this report documents the most up-to-date information available on the childcare landscape in San Diego County. The findings reveal a sector in crisis. At the same time that there is insufficient childcare to meet the demand, families are not utilizing the available licensed childcare to its full capacity because they are not finding the current system adequately meets their needs. Access to high-quality childcare is an essential component in ensuring families can maintain stable employment and children arrive at elementary school prepared. A substantial investment and rethinking of the system are needed to transform the way families access and utilize childcare.

OVERVIEW AND BACKGROUND

The COVID-19 pandemic has had significant impacts on the availability and demand for childcare. On the availability side, childcare providers have had to endure closures, new and constantly changing health guidelines, and uncertain revenue streams. On the demand side, parents have become unemployed, worked remotely, kept their children home to reduce transmission of the virus, and have experienced changing needs for childcare in terms of hours and type of care required. This lack of stability in the childcare sector has come after years of low wages for childcare providers, high costs for families, and an uneven patchwork of childcare options that vary greatly by neighborhood and family income.

To better understand the current landscape of childcare in San Diego County, The San Diego Foundation, in partnership with the YMCA, the San Diego County Office of Education, and First 5 San Diego, commissioned The Nonprofit Institute (NPI) at the University of San Diego to conduct a study on the region's childcare supply and demand. This study focuses on the availability of childcare as well as the current state of the childcare sector in terms of providers' financial health, employment, and greatest needs. This study is part of a larger research endeavor, initiated by The San Diego Foundation, which also includes an in-depth study on the state of childcare from the perspective of the parents. The following research questions guide this study.

Guiding Research Questions

1. What are the current trends in childcare availability and use in San Diego County?
    a. How does supply and demand vary geographically?
    b. How does licensed capacity compare to actual enrollment?
2. What are San Diego County's childcare providers' current needs, concerns, and challenges?

The research questions were informed by inputs from various stakeholders. The NPI research team conducted two meetings with a total of approximately 30 individuals, representing stakeholders from health and human services, public and private childcare centers, and family childcare providers.

METHODOLOGY

The findings presented in this report are based on multiple data sources. The primary set of data is based on 900 childcare providers who completed a survey between December 2021 and January 2022. The survey was available to participants in both English and Spanish. The main secondary sources of data are statistics and reports from the YMCA Resource and Referral Agency, U.S. Census American Community Survey, and San Diego County Office of Education.

Table 1: Data Sources and Descriptions

Note: Number of participants (n) is only applicable to the Childcare Provider survey.

Data Source	Participants	Description
YMCA Resource and Referral Agency	N/A	Data on licensed childcare capacity by zip code. The most recent data available is from January 2022.
U.S. Census American Community Survey	N/A	Secondary data on demand for childcare based on parents' employment status, including two-parent households in which both parents work and one-parent households in which a single parent works. The most recent data available is from 2019.
San Diego County Office of Education	N/A	Secondary data on eligibility for subsidized childcare. The most recent data available is from 2018.
California Department of Education, San Diego County Head Start Programs, San Diego County Health and Human Services Agency, Child Development Associates, YMCA	N/A	San Diego County enrollment data for subsidized care in the California State Preschool Program (CSPP), General Child Care and Development (CCTR), Head Start and Early Head Start, CalWorks Stage 1, and California Alternative Payment Program, 2020/2021.
U.S. Bureau of Labor Statistics	N/A	San Diego County Childcare Provider Wages, 2020.
Childcare Provider Survey	n=900	The NPI research team developed the Childcare Provider Survey with input from The San Diego Foundation, San Diego County Office of Education, and YMCA. The survey was disseminated to childcare providers by the YMCA, San Diego County Office of Education, and The San Diego Foundation. The purpose of the survey was to gather information from both childcare centers and family child care homes on licensed capacity and enrollments, financial health, employment, and data on the top challenges that childcare providers were facing.

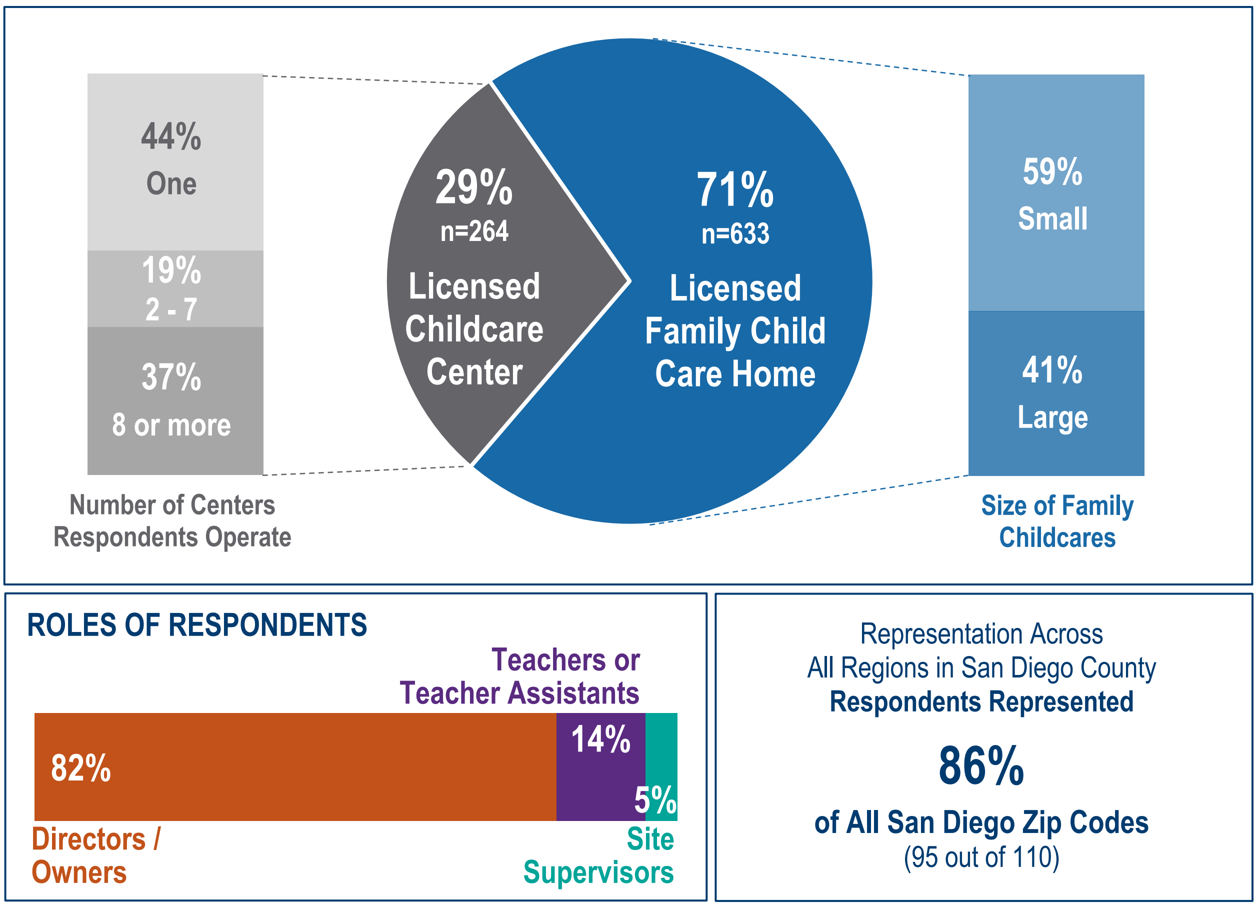
Data Analysis

The analysis included the following:

- Descriptive statistics were used to summarize both secondary data and survey data (i.e., frequencies and percentages);
- The qualitative data (i.e., open-ended survey responses) were analyzed using content analysis—a method for identifying themes in responses;
- Some quotes have been edited for readability.

Survey Participant Demographics

Figure 1: Participant Demographics (n=900)



CHILDCARE SUPPLY AND DEMAND

The Context: Understanding Childcare in San Diego County

The Supply

There are two types of licensed childcare options available in San Diego County: childcare centers and family child care homes. Childcare centers typically operate out of a commercial space or church and family child care homes typically operate out of a childcare provider's own home. Both types of providers must meet specific health, safety, and educational standards in order to be licensed. Childcare centers that provide subsidized care have the strictest requirements in terms of teacher quality and teacher child ratios. Family child care home providers reflect the ethnic and linguistic diversity of San Diego County's population and are often able to fill a need for families looking for care in their native language and near their home.

In addition to licensed childcare providers, many families rely on parents, unpaid family members or friends, or paid nannies. There are also license-exempt childcares, which families often use for school-age childcare. After-school programs that operate on a school site or independently are examples of license-exempt childcare. For the purposes of this study, childcare supply focuses on licensed childcare providers for infants, toddlers, and preschool-aged children 0-5 years old.

Universal Transitional Kindergarten and How It Affects the Childcare Supply
Summary from the YMCA San Diego[4]

Currently, all public elementary schools must offer a transitional kindergarten program for children who turn four years old in the fall. The program looks different in each school site, with some schools offering full day programs plus after-school care and others only providing half day programs with no after-school childcare available. In the 2020/21 school year, 7,517 children were enrolled in transitional kindergarten.[5]

The state of California is rolling out a Universal Transitional Kindergarten Program (UTK) beginning in 2022/23. It will be a phased approach and will expand annually until it is available to all of the state's four-year-old children by the 2025/26 school year. Although UTK will fill an important childcare need for four-year-old children, there are some concerns about how it will impact both families and childcare providers.

- With the UTK expansion, many parents will opt for free care and learning. Many providers rely on the revenue of serving four- and five-year-old children to offset the higher costs of serving infants and toddlers. A reduction in the number of four-year-old children enrolled in a licensed childcare will significantly reduce revenue for childcare providers. Without an alternative form of revenue, childcare providers will be forced to increase their rates, further cost-burdening families.
- UTK teachers are required to be credentialed and receive significantly higher salaries than early childhood educators who work in licensed childcare settings. This inequitable compensation may also negatively impact the childcare sector.

Although UTK has the potential to fill an important childcare need for families, licensed childcare centers and family child care homes will need support in order to continue to operate and meet the needs of families with young children.

The Demand

The actual demand for licensed childcare is difficult to assess because families depend on many different formal and informal methods of childcare, and families' reasons for needing childcare also vary. For example, working parents need childcare in order to do their jobs while non-working parents may need childcare in order to find a job. Families may also seek out preschools independent of their employment status because there is a substantial body of research showing the developmental benefits of attending preschool for young children. In particular, research suggests that low-income preschool-aged children who attend high-quality preschool programs perform better in school than their counterparts who do not attend preschool.[6]

A 2022 survey of a sample of parents in San Diego County found that families rely on a patchwork of options to care for their children. Many parents relied on more than one form of childcare, including themselves, family and friends, paid nannies, and licensed-based centers and homes. The survey results also showed that the demand for licensed childcare is greater than the number actually using it. Thirty-five percent of families who were not currently utilizing licensed care reported they would like to have their child or children attend a licensed childcare center or family child care home.[2]

For the purposes of this study, demand for childcare focuses on the potential demand, which is defined as the number of children 0-5 years old whose parents work. This includes two-parent households in which both parents work and one-parent households in which a single parent works.[7] This does not take into account the many families who may choose a family member or friend to care for their child.

State of the Licensed Childcare Supply

The number of licensed childcare centers and family child care homes has declined dramatically since 2019. While the COVID-19 pandemic has clearly played a large role in these closures, the number of family child care homes has been declining since 2014. As Figures 2 and 3 show, the declining number of childcare centers has had a smaller impact on the total available spots than the decline in the number of family child care homes. Between 2019 and 2022, there were an estimated 364 fewer licensed childcares and 1,956 fewer available spots.

Figure 2: Number of Licensed Childcare Providers 2014-2022[8]

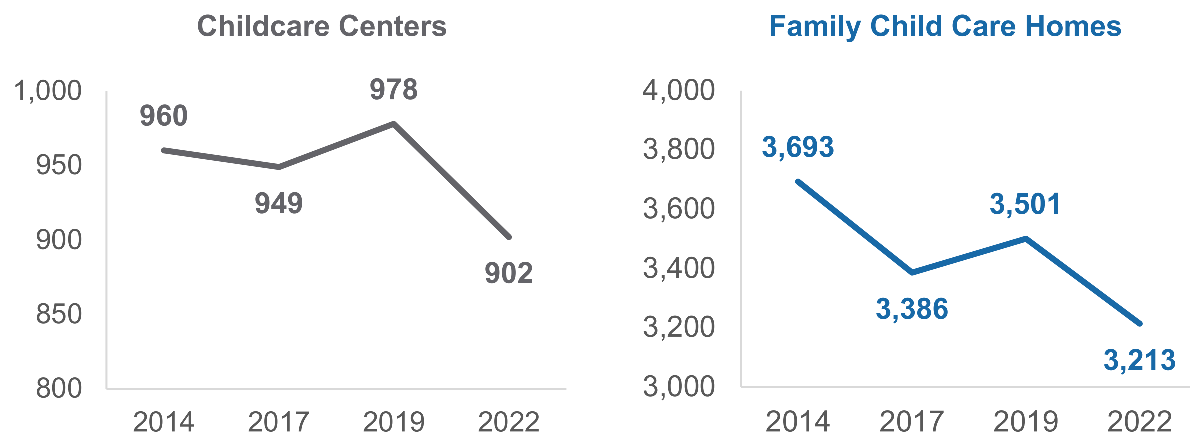
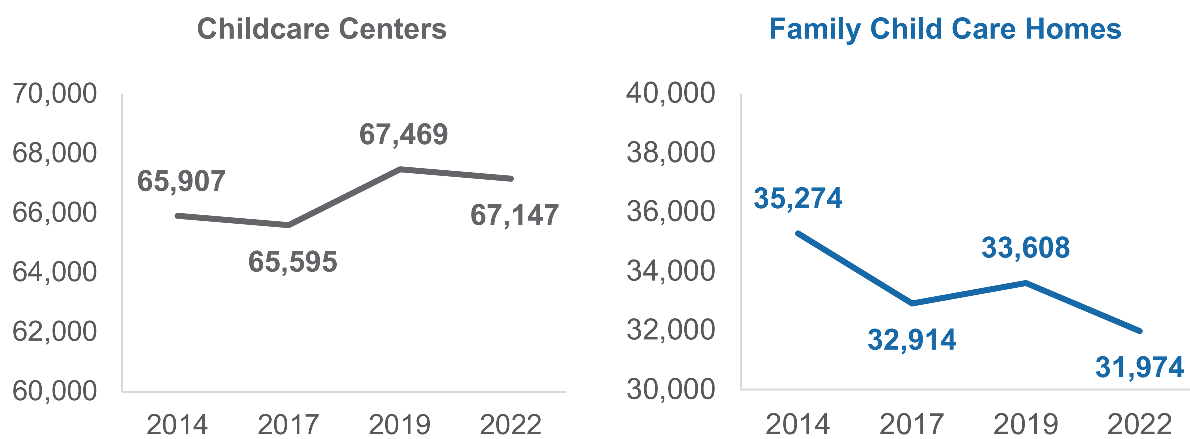


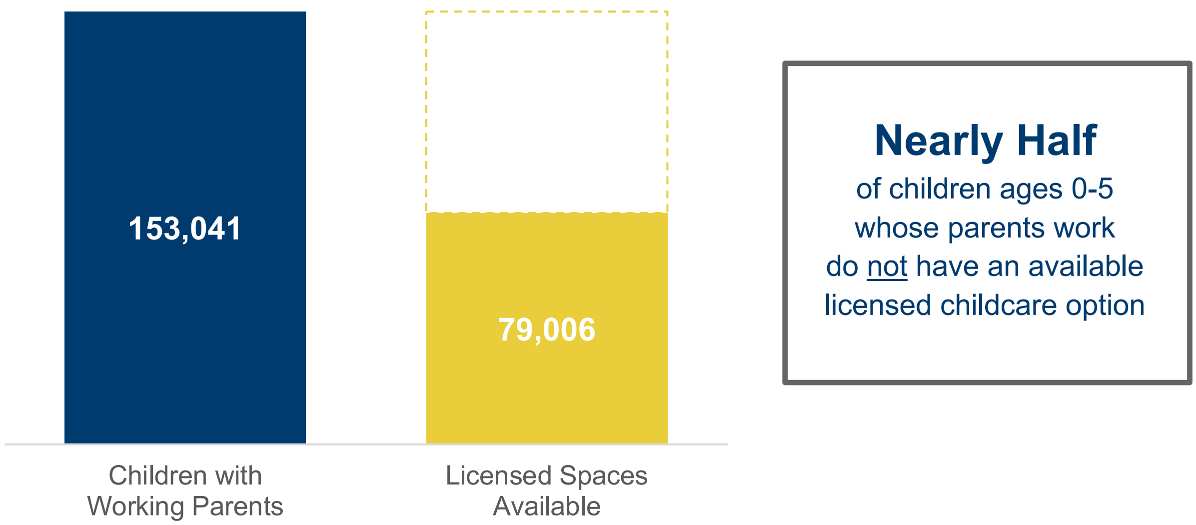
Figure 3: Number of Licensed Childcare Spots 2014-2022[8]



Licensed Capacity Compared to Potential Demand

Figure 4 shows that in San Diego County, 153,041 children ages 0-5 have parents who work, which represents 64% of all children in the county. As of January 2022, there were an estimated 79,006 licensed childcare spots available for children ages 0-5. This means that nearly half of all children ages 0-5 who potentially need childcare do not have a licensed childcare option.

Figure 4: Children (ages 0-5) Whose Parents are in the Workforce[9] Compared to Estimated Licensed Spaces Available in 2022[10]

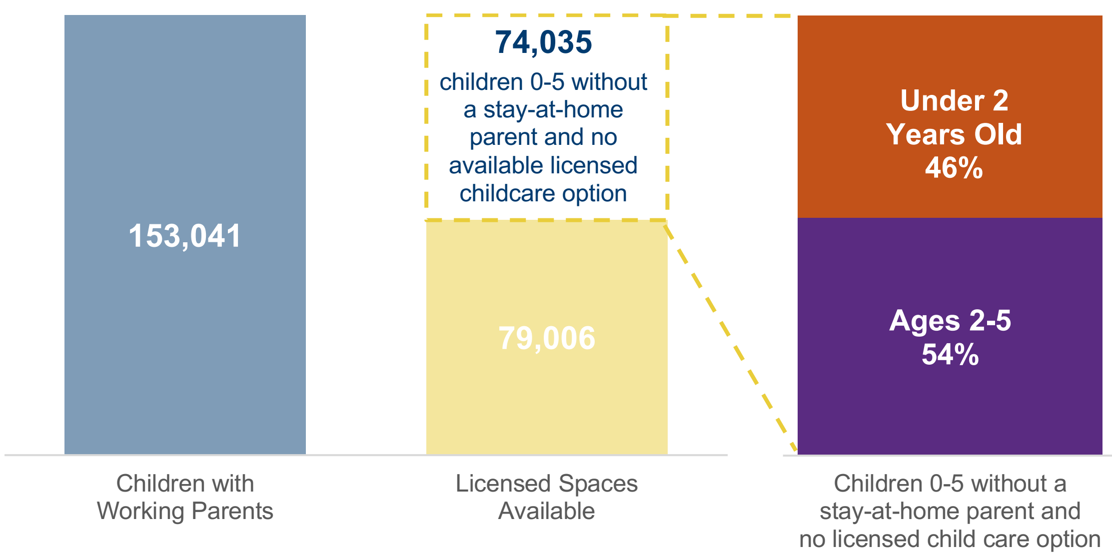


Where are the Gaps?

Gaps by Age Group

As Figure 5 shows, there are fewer available childcare spots for infants than for children 2-5 years old. Among the 74,035 children ages 0-5 without a childcare option, an estimated 46% are under 2 years old, an age group consisting of only two years (compared to the other age category 2-5, which includes 4 years).

Figure 5: Breakdown of Gap in Childcare by Age Group (Under 2 and 2-5 years)[11]



Gaps by Geography

There is great variation in childcare availability depending on residential area. The map in Figure 6 displays the estimated percent of children ages 0-5 with an available licensed childcare spot by zip code. As the map in Figure 6 shows, some zip codes in the wealthiest neighborhoods in the county have sufficient childcare spots for every potential child. In contrast, zip codes located in rural areas of the county and other areas have little to no licensed childcare options. Table 2 displays the zip codes with the greatest and smallest supplies per potential child age 0-5 in need of care.

Figure 6: Percent of Children 0-5 Whose Parents are in the Workforce Who Have an Available Childcare Slot by Zip Code [12]

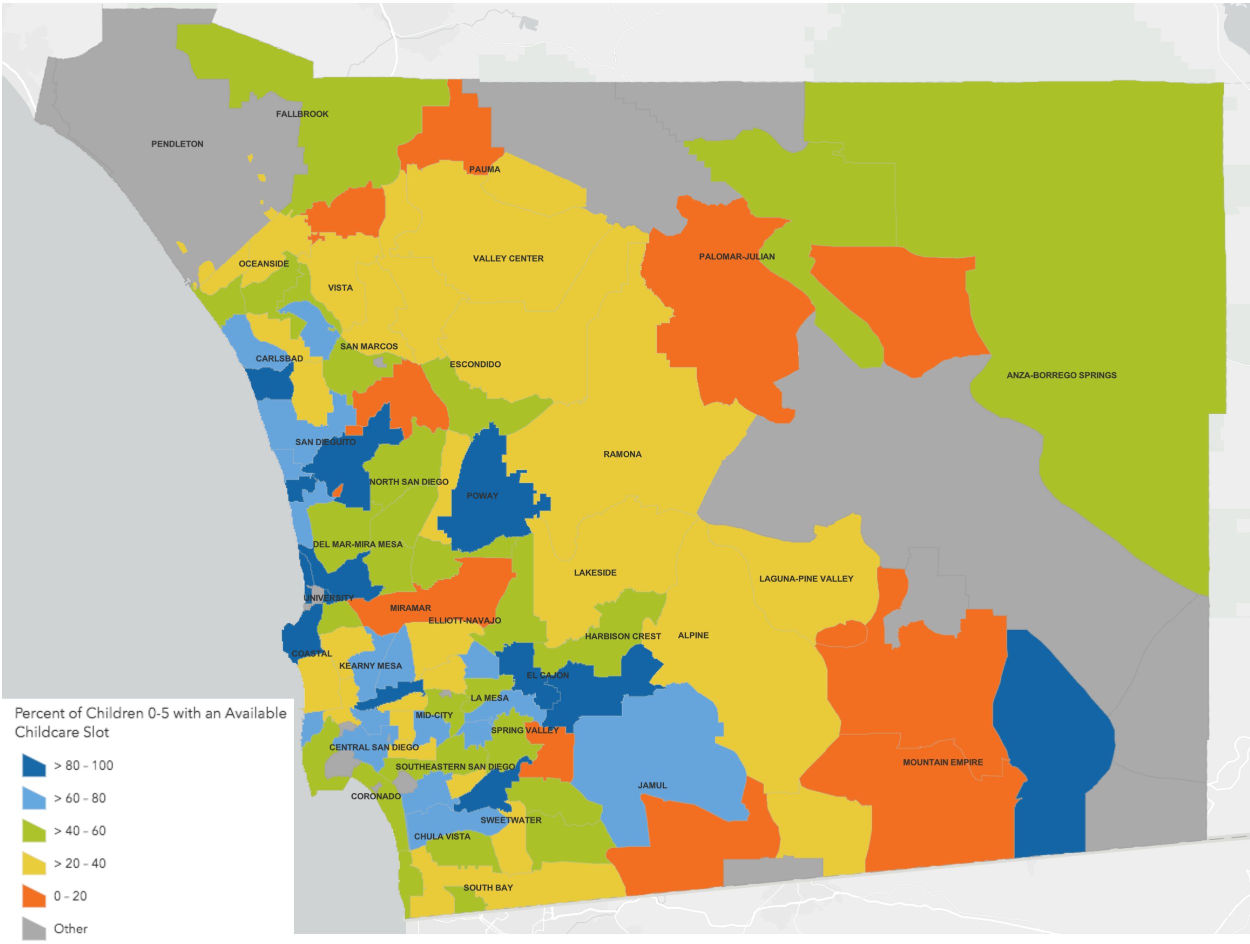


Table 2: Zip Codes with the Smallest and Largest Percent of Childcare Availability Per Potential Demand for Children Ages 0-5 [12]

Greatest Supply Per Potential Child	Smallest Supply Per Potential Child	Smallest Supply with 800+ Children with Working Parents
Sorrento Valley (92121)	Campo (91906)	Spring Valley (91978)
Rancho Santa Fe (92067)	Bonsall (92003)	Escondido (92029, 92026, 92027)
La Jolla (92037)	Miramar (92145)	Oceanside Central (92058)
Poway (92064)	Guatay (91931)	Alpine (91901)
Solana Beach (92075)	Dulzura (91917)	Carlsbad (92009, 92010)
Carlsbad SW (92011)	Pine Valley (91962)	Otay Ranch (91913)
Bonita (91902)	Pala (92059)	Normal Heights (92116)
El Cajon (92020 and 92019)	Pine Valley (91962)	Ramona (92065)

An analysis of the data for infants ages 0-23 months shows that there are large gaps in childcare across all zip codes (see Figure 7). There are only seven zip codes where 50% or more of children ages 0-23 months with working parents have an available childcare spot.

Figure 7: Percent of Children 0-23 Months Whose Parents are in the Workforce Who Have an Available Child Care Slot by Zip Code[13]

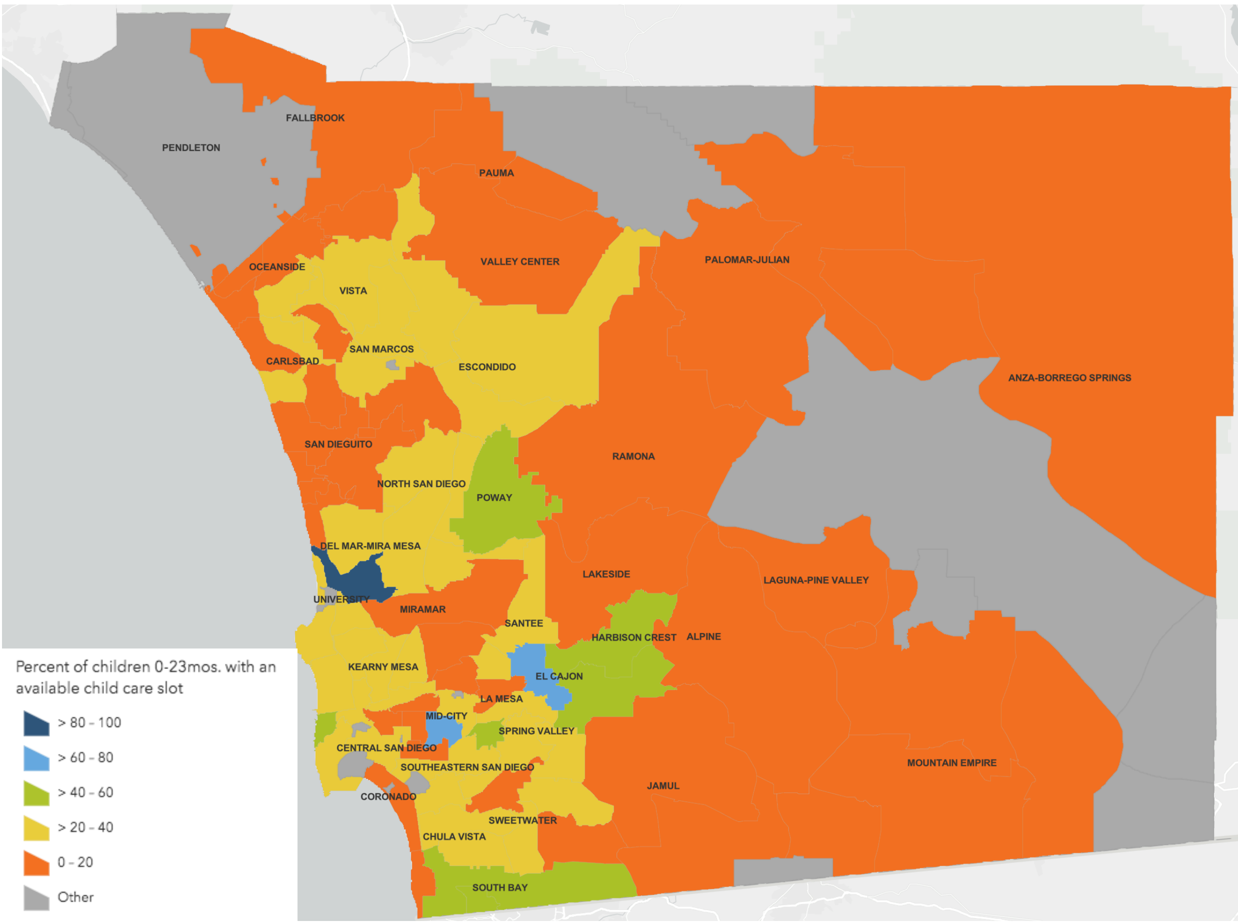


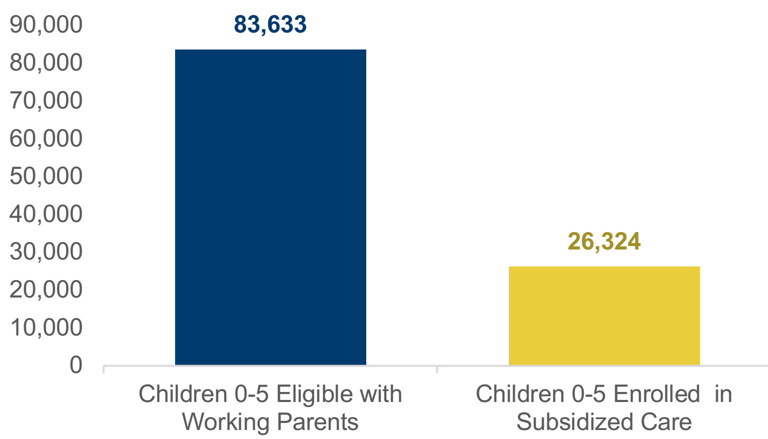
Table 3: Zip Codes with the Smallest and Largest Percent of Childcare Availability Per Potential Demand for Children Ages 0-23 months[13]

Greatest Supply Per Potential Child	No Spots Available	Smallest Supply with 950+ Children with Working Parents
Sorrento Valley (92121)	Bonsall (92003), Boulevard (91905), Campo (91906), Descanso (91916), Dulzura (91917), Guatay (91931), Miramar (92145), Pauma Valley, Pala (92059, 92061), Pine Valley (91962), Portrero (91963), Ranchita (92066), Rancho Santa Fe (92091), Santa Isabel (92070), Warner Springs (92086)	Encinitas (92024)
El Cajon (92019, 92020)		Oceanside E, N (92056, 92057)
City Heights (92105)		La Mesa, Grossmont (91942)
San Ysidro (92173)		Clairement (92117)
Poway (92064)		Penasquitos (92129)
		Mira Mesa (92126)
		Encanto (92114)

Gaps in Subsidized Care

San Diego residents whose household income is less than 85% of the median annual income are eligible for childcare subsidies, which accounted for an estimated 55% of children with working parents in 2019. Although a large percentage of the population is eligible, in 2021 there were far fewer spots available than children eligible. Figure 8 shows that among children with working parents, 69% of children ages 0-5 who were eligible were not enrolled. The size of the subsidies varies depending on household income, and because so many more families are eligible than there are spots, most children enrolled in subsidized care live in homes with very low household incomes.

Figure 8: Children (Ages 0-5) Eligible for Subsidized Childcare Whose Parents are in the Workforce (2018)[14] Compared to Number Enrolled, 2021[15]



69%
Children Ages 0-5
Not Enrolled

and **Income Eligible for Subsidized Care** with **Working Parents**

How do childcare subsidies work in San Diego County?

Any family whose household income is less than 85% of the annual median income and is in need of childcare (e.g., employed or looking for work, homeless) is eligible for a childcare subsidy. However, there is a very limited amount of subsidized care available. Families with the lowest monthly gross income are prioritized for subsidies. The largest subsidized childcare programs include the following:

Head Start: Federally funded childcare program serving children from birth to age five. This program has its own income eligibility and is for low-income families.

California State Preschool Program (CSPP): State-run preschool program for 3- and 4-year-old children. The program offers part day and full day programs.

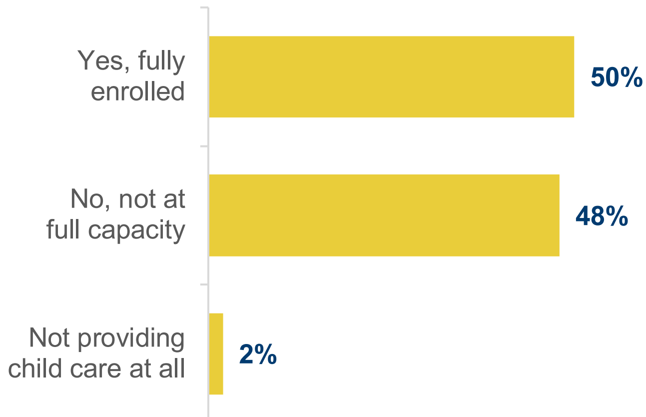
General Child Care and Development (CCTR): State-funded childcare program for infants through 3 years of age and for school-age children. The program offers part day and full day programs.

California Alternative Payment Program (CAPP): Vouchers available for families to select the childcare of their choice. Depending on their eligibility and need, families can select licensed or license-exempt childcare. This program was expanded during the pandemic, opening up additional voucher funds for more families.

Childcare Provider Perspective: Licensed Capacity Vs. Actual Enrollment

A 2022 survey of childcare providers delivers up-to-date information on how actual enrollment compares to licensed capacity. According to a sample of 900 respondents, Figure 9 shows that nearly half of childcares were operating at a reduced capacity, meaning that the supply of childcare is even lower than estimated. Although both childcare centers and family child care homes reported lower enrollment than licensed capacity, the problem was worse at childcare centers, which in total reported operating at an estimated 53% of their licensed capacity. Family child care home respondents were operating at an estimated 79% of their capacity.

Figure 9: Is your childcare fully enrolled to your desired capacity?



Estimated Enrollment Compared to Capacity

53%
Childcare Center

79%
Family Child Care Home

Drivers of Reduced Enrollment

While respondents reported that the COVID-19 pandemic has been the number one driver of reduced enrollment, the ways in which the pandemic has altered childcare supply and demand have varied considerably. For example, the primary reason respondents reported they were not enrolling at full capacity was because of low demand. Fewer parents are seeking care for their children, some because of anxiety about the virus, some for unemployment reasons, and some because of increased flexibility in parents' work schedules. Demand has also been impacted by a mismatch between what childcares offer and what parents need (e.g., increased demand in infant care despite limited licensed spots for infants). Additionally, respondents reported a mismatch between part-time and full-time spots. While some providers have additional requests for part-time care, others reported requests for full-time care.

COVID-19 has also impacted supply. During the pandemic, 49% of respondents reported closing and one-third of these were closed for more than three months. Since reopening, many childcares have intentionally enrolled fewer children—either owing to health guidelines or in an effort to reduce transmission of the virus. Moreover, respondents reported staff shortages, which has reduced full enrollment. Many childcare providers had to lay off staff early in the pandemic and have since had a very difficult time hiring qualified staff.

In addition to the impacts of the pandemic, respondents noted some longstanding regulatory challenges within the childcare sector that negatively impact the availability of affordable childcare. Parents cannot afford to pay the high price for childcare, and those that qualify for subsidies experience delays in the approval process. There are also far more families who qualify for subsidized care than there are spots. Additionally, there were some family childcare providers who reported barriers they encountered in trying to increase their licensed size from small to large.

Primary Reasons Cited for Reduced Enrollment

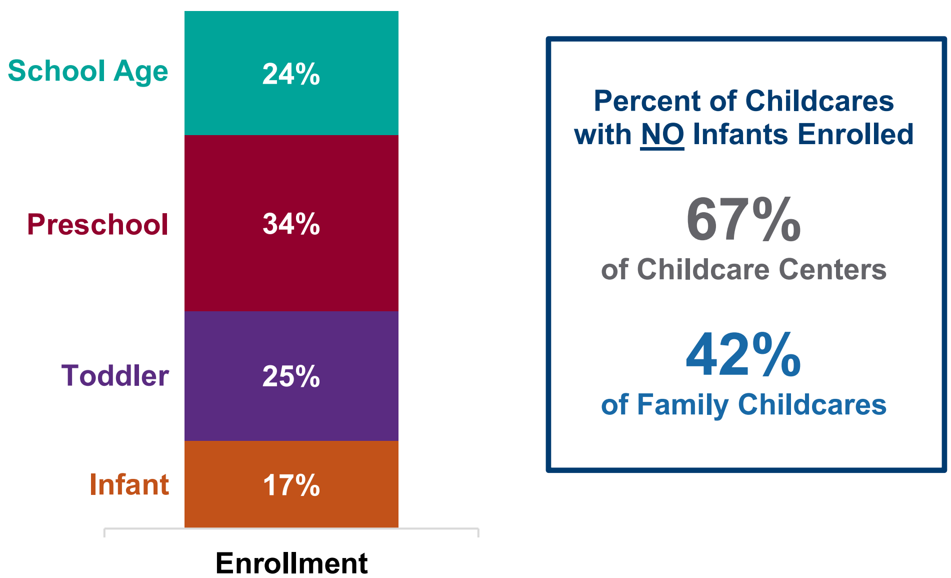
Low Demand	• COVID-19: Fewer families requesting childcare ○ Anxiety about the illness ○ Parents working from home ○ Parents unemployed • Not advertising ○ No funding or capacity for advertising ○ Fewer referrals	*"It is hard finding kids."* *"[There are] many childcare providers in the area."* *"Parents not working, working from home, or working part-time due to Covid."* *"Lack of referrals from agencies."*
Negative Impacts on Supply	• Understaffed ○ Unable to replace staff who initially left when COVID-19 forced closures ○ Unable to hire qualified teachers • Reduced child ratios owing to COVID-19: Childcares intentionally keeping enrollment low to reduce COVID-19 transmission • Mismatch between what parents need and what childcare provides ○ Limited infant spots ○ Parents want more part-time care	*"I cannot find qualified staff that wants to work."* *"Unable to hire enough staff to get full enrollment."* *"[I am] choosing fewer children for less exposure to Covid."* *"Limited capacity and high demand for infant care."*
Regulatory Challenges	• Families waiting for approval and delayed • Family income is too high for subsidy but too low to afford care • Family child care homes facing barriers switching from a small to a large license	*"Parents need education on funding."* *"Parents [are] unable to afford childcare costs."* *"[I want a] large license for more children to pick up the lost income."*

Enrollment Trends by Age Groups and Hours of Care

Based on the survey of childcare providers, two-thirds of childcare centers and 42% of family child care homes do not currently have infants (0-18 months) enrolled. As Figure 10 shows, on average, across all childcares, the proportion of enrolled infants is 17%, and preschool-aged children make up the largest share of enrolled children. According to data from the YMCA

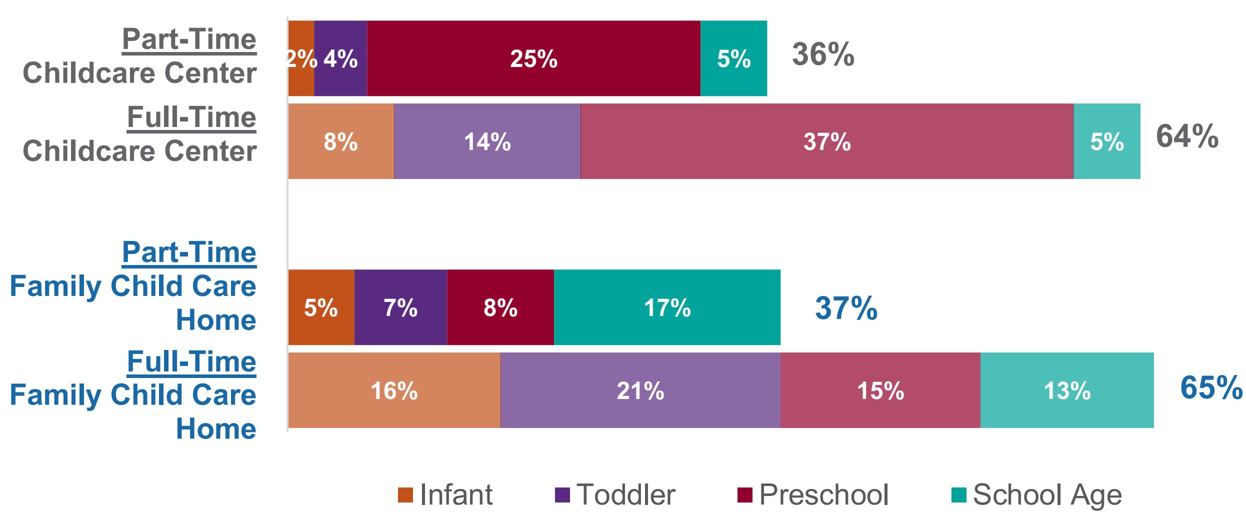
Resource and Referral Agency, 33% of childcare requests are for infant care (under 2), 42% are for preschool care (2-5), and 25% are for school-age care. In terms of request for hours of care, 73% of requests are for full-time care and 27% are for part-time care. These requests are fairly closely aligned to how survey respondents reported their proportion of care.

Figure 10: Average Proportion of Age Groups Enrolled in Childcares
(Based on Childcare Respondent Survey Responses)



In comparing the enrollment of childcare centers and family child care homes, Figure 11 shows that both provided roughly the same ratio of part-time and full-time care, with one-third of their spots being part-time care and two-thirds being full-time care. However, family child care homes had a more equal distribution of age groups than did childcare centers. Childcare centers enrolled far more preschool-aged children than any other age group.

Figure 11: Average Proportion of Part-time and Full-time Enrollment by Age Group
(Based on Childcare Respondent Survey Responses)



Childcare Providers' Hours of Care

As Figures 12 and 13 show, family childcare respondents were more likely to provide longer hours of care and offer early morning, evening, and weekend care than childcare centers. Overall, 77% of childcares provided care to cover a full traditional workday (8.5+ hours). The average number of care hours provided was 10.5 hours. Subsidized childcare centers such as Head Start and California State Preschools (CSPP) often offer shorter hours and are less likely to provide morning and evening care. Within the survey sample, among Head Start and CSPP programs, the average hours of care were 7.5 and 8.5 hours, respectively. Families from lower income backgrounds are more likely to work non-traditional hours and need childcare in early mornings, evenings, or weekends. While family child care homes are more likely to offer this care, it may still be difficult for families to find the care they need near their home or work.

Figure 12: Average Percent of Respondents' Hours of Care
(Based on Childcare Respondent Survey Responses)

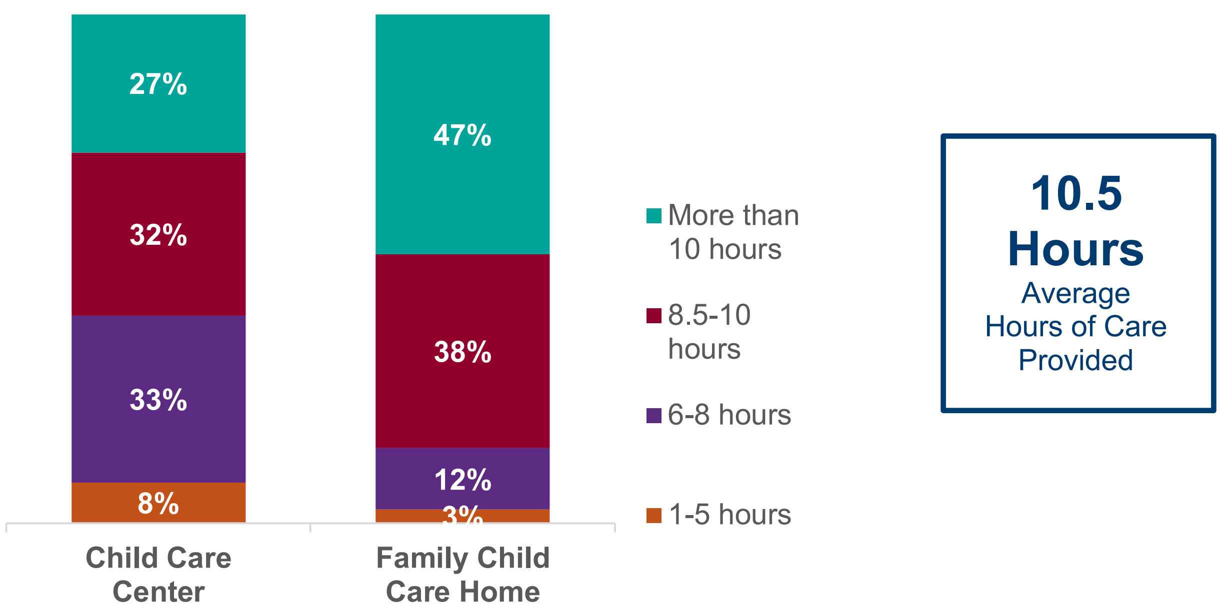
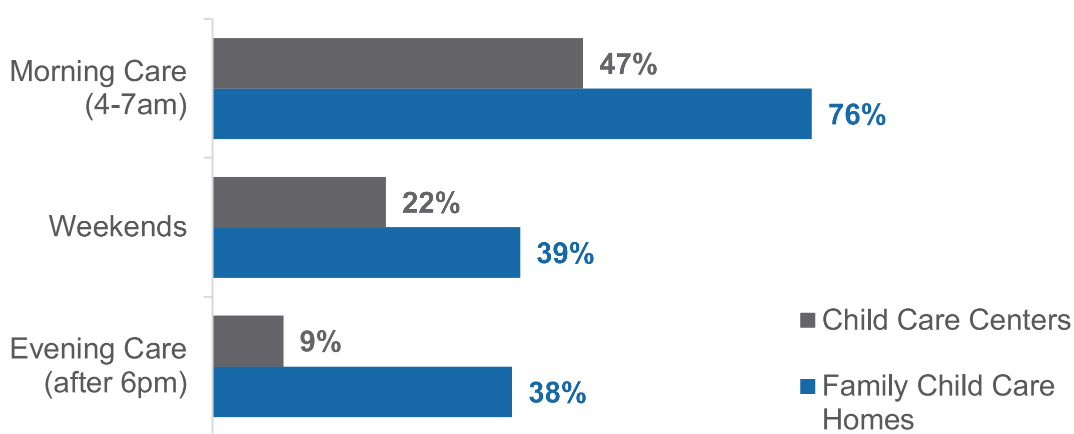


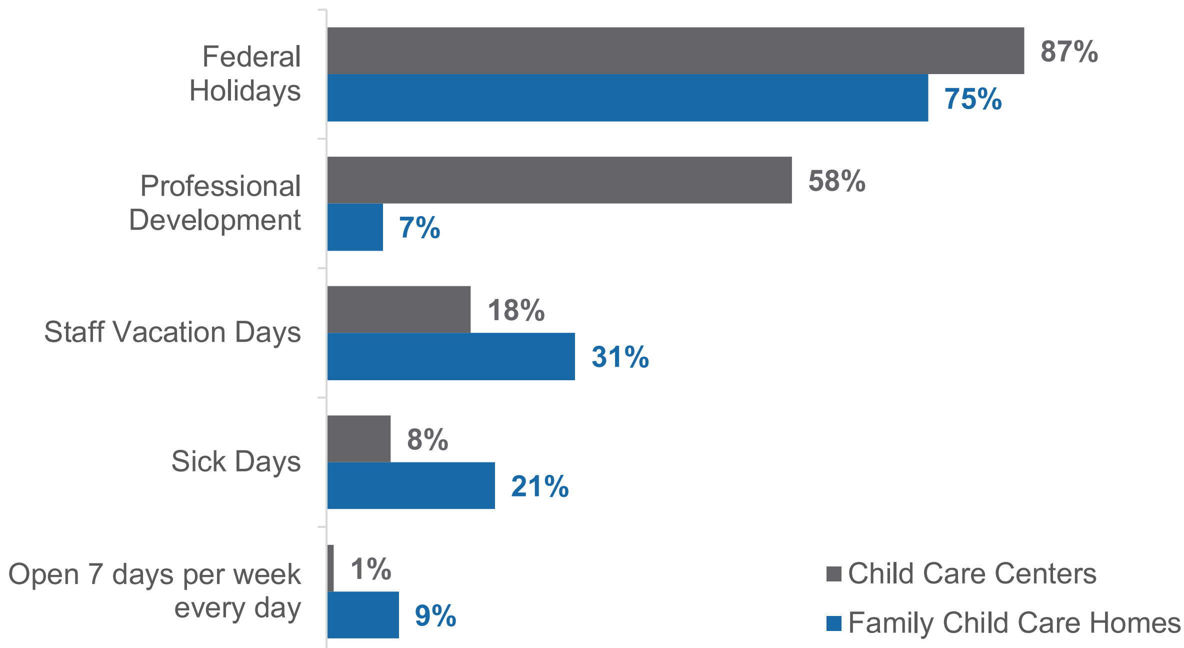
Figure 13: Percent of Childcares Providing Nontraditional Hours of Care
(Based on Childcare Respondent Survey Responses)



Childcare Breaks and Closures

Nearly all (93%) childcares reported they were closed for some period of time during the year. Some childcares reported closing during all school holidays and breaks, while others were closed during specific weeks or months. Seven percent of childcares reported they remain open seven days per week every day of the year. These closures make it impossible for families to rely solely on licensed care for their childcare needs. Figure 14 shows that childcare centers were much more likely to close for staff professional development than family child care homes. Family child care homes are often only staffed with the owner and thus must close for vacation and sick days.

Figure 14: Percent of Childcare Breaks and Closures by Childcare Centers and Family Child Care Homes
(Based on Childcare Respondent Survey Responses)

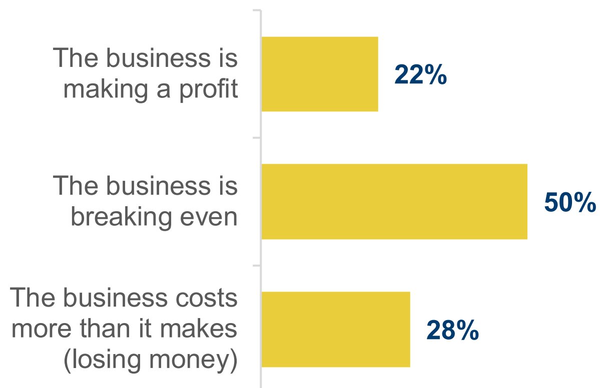


CHILDCARE PROVIDER FINANCES

Financial Health

Long before the COVID-19 pandemic, the childcare sector has struggled financially owing to the high cost of providing quality childcare, the high tuition for families and low reimbursement rates for subsidized care, and the low wages for childcare staff. The pandemic has put added pressure on an already struggling sector, and as Figure 15 shows, less than one-quarter of respondents reported that their business was making a profit, and nearly one-third reported that their business was losing money. Childcare centers and family child care homes responded similarly to this question. Despite the financial instability, only 2% of respondents reported that they plan to close within the next 12 months, and 79% reported that they want to grow their business to serve more children.

Figure 15: How would you describe your childcare business' financial situation currently? (Based on Childcare Respondent Survey Responses)



Less than
1/4
of childcares are profitable

Yet…
79%
want to grow

What Childcares Need to Grow

There were some differences between childcare centers and family child care homes in terms of what they reported they needed in order to grow their businesses. Overall, family child care homes reported needing more support than childcare centers. As Figures 16 and 17 show, both types of providers needed help in recruiting families and in financial support to expand, but these needs were greater among family child care homes. Childcare centers cited qualified applicants to staff the centers as their primary need. Given that most family child care homes are small and do not have paid employees, it is not surprising that staff recruitment was a lower need among this group.

Figure 16: Childcare Centers: What They Need to Grow
(Based on Childcare Respondent Survey Responses)

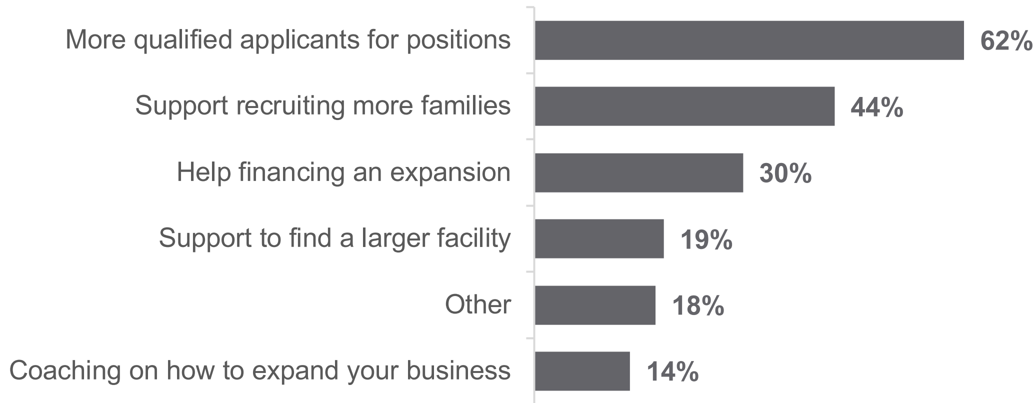
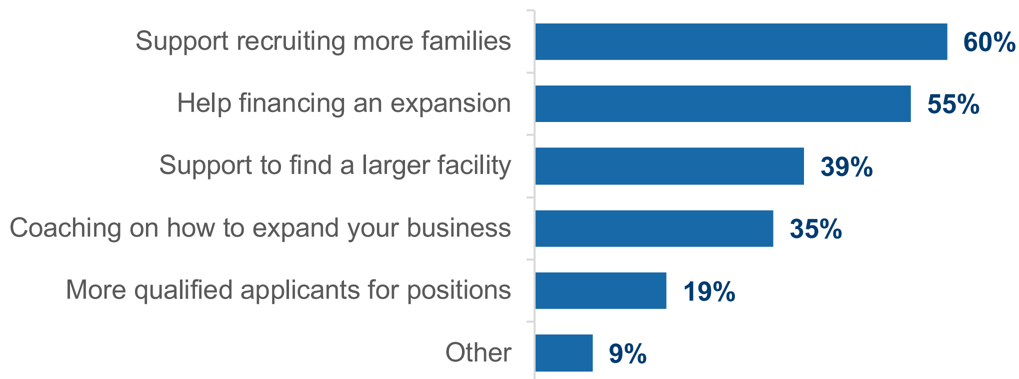


Figure 17: Family Child Care Homes: What They Need to Grow
(Based on Childcare Respondent Survey Responses)



Other open-ended responses:

- COVID-19 guidelines require lower enrollment, and until COVID-19 is not a factor, enrollment will remain low
- Support with advertising
- Increased hourly payments for subsidies
- Authorization to move from a small to a large licensed family child care home
- Authorization to enroll more children

Revenue Sources

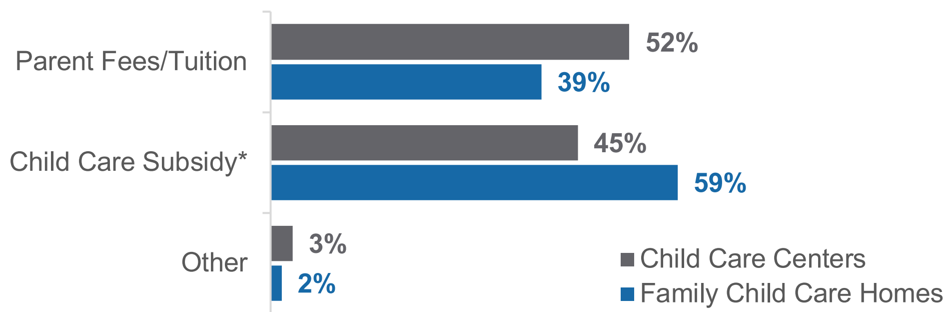
Licensed childcares rely on a patchwork of revenue sources, and the distribution of revenue varies between childcare centers and family child care homes. As Figure 18 shows, the two primary sources of revenue for all childcares are parent fees and childcare subsidies, but childcare centers more frequently reported parent fees as their primary source of revenue while family child care homes more frequently reported payments from subsidies as their primary source of revenue. When respondents were asked how much of their business' revenue comes from parent fees, childcare centers reported an average of 61% and family child care homes reported an average of 52%. This heavy reliance on parent fees for revenue is a significant challenge for the sector because fees are unaffordable for many parents, yet still too low to cover the costs of providing quality childcare.

Average Percent of Revenue That Comes from Parent Fees

61%
Childcare Centers

52%
Family Child Care Homes

Figure 18: Primary Revenue Source by Childcare Centers and Family Child Care Homes
(Based on Childcare Respondent Survey Responses)

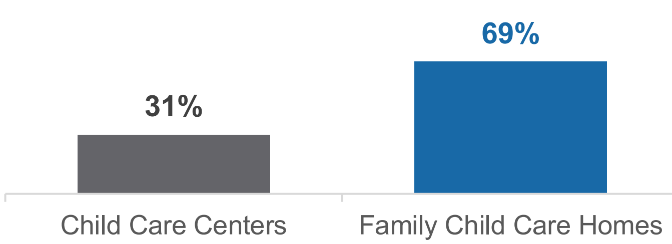


**Childcare subsidies include Voucher Alternative Payment Program, CSPP, Head Start, Early Head Start, CCTR, FCCHEN, CMIG, military*

Revenue from Childcare Subsidies

Not all childcares provide subsidized care. Although 75% of respondents reported subsidies as a source of their revenue, Figure 19 shows that the majority of these respondents operated family child care homes. Sixty-nine percent of respondents from family child care homes, compared to 31% of respondents from childcare centers, reported providing subsidized care.

Figure 19: Percent of Respondents Who Provide Subsidized Childcare
(Based on Childcare Respondent Survey Responses)



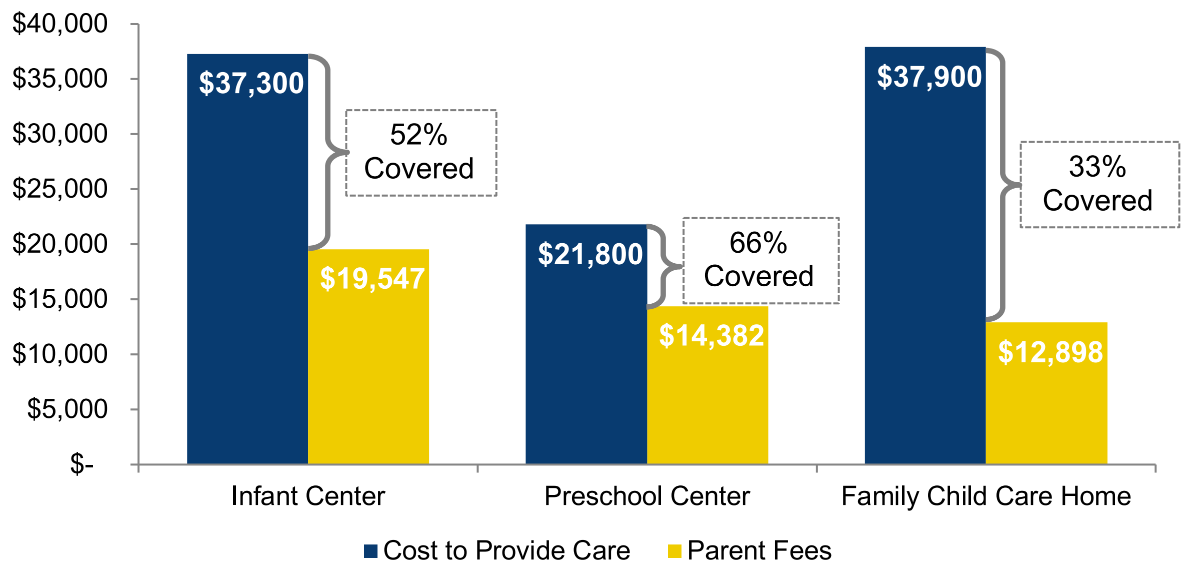
There are a number of reasons why family child care homes are more likely to provide subsidized care than childcare centers. Childcare centers that receive Title 5 funding (state subsidies) have more stringent requirements for teacher/child ratios and teacher qualifications than any other type of childcare program. These programs are the most expensive to operate and are arguably the highest quality. Despite the higher cost of providing care, childcare centers are often reimbursed at a lower rate than family child care homes.[16] The large gap between reimbursements and the actual cost of providing care disincentivizes childcare centers from providing subsidized care.

Cost of Providing Care Compared to Fees Families Pay

The fees families pay for childcare differs from the cost of operating a childcare facility. Fees are typically set based on what families can afford and what the state will reimburse. A 2021 report by the Center for American Progress calculated the average cost of providing high-quality childcare compared to the average price families pay for childcare in each state. Figure 20 shows that in California (which is comparable to San Diego County's childcare prices), the price families pay for full-time care at a licensed childcare center covers 52% of the estimated true cost of high-quality care for an infant and 66% for a preschool child. In a family childcare, the estimated price families pay covers 33% of the true cost of operating a high-quality family care. Note that these estimated costs of providing care are based on providing the highest quality care, which includes low teacher–child ratios, competitive wages for teachers, health benefits, professional development, educational resources, etc. However, across all childcares, even the most basic baseline care is still higher than the prices families pay. Local childcare providers must secure additional funding for a large percentage of the childcare costs.

> The price a family pays for childcare covers only a portion of what it costs a childcare to provide high-quality care in California.
>
> —
>
> *"It takes the pay of 4-5 children's tuition to pay an employee."*
>
> *- FCC Owner*

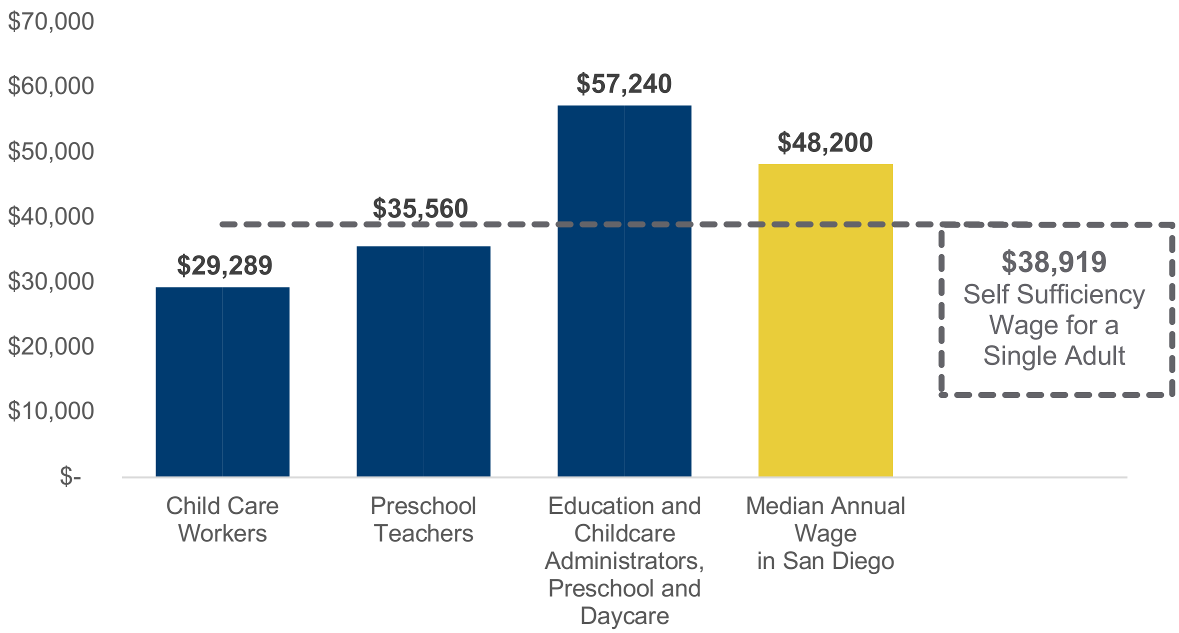
Figure 20: Estimated Annual Fee Per Child (SD)[17] Compared to Estimated Actual Cost of Providing High-Quality Care (CA)[18]



CHILDCARE EMPLOYMENT

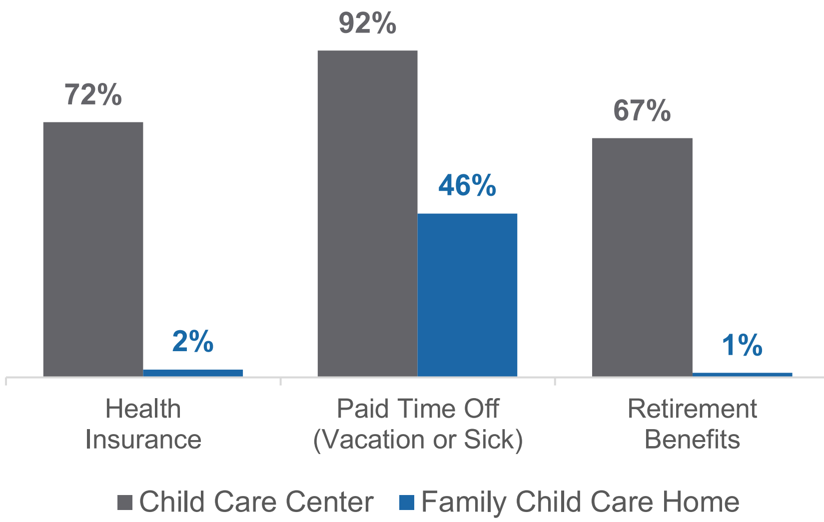
Childcare providers have historically had low compensation and benefits. Figure 21 shows that out of 645 occupations tracked in the San Diego region, wages for childcare workers ranked 15th lowest, with a median annual wage of $29,280 in 2020. Though preschool teachers had a higher median income than childcare workers, at $35,560 annually, they still made less than the self-sufficiency wage for a single adult in San Diego County—the annual income a working adult needs to meet their basic necessities. The self-sufficiency wage increases exponentially for a parent with a child. A childcare worker who has a school-age child and no spouse makes less than half of the income needed to meet basic needs in San Diego County.

Figure 21: Childcare Worker Median Annual Wage Compared to Median Annual Wage Across All Occupations: San Diego, Carlsbad Area 2020[19]



Based on the findings from the 2022 childcare provider survey, wages and benefits have continued to remain low during the pandemic, and are contributing to significant challenges in hiring qualified childcare workers. Respondents' average hourly wage for their lowest wage workers was hovering around minimum wage for San Diego County, at between $14 and $15 per hour. Figure 22 shows that the majority of respondents from childcare centers provided health insurance, paid time off, and retirement to employees. In contrast, virtually no family child care homes provide health or retirement benefits and less than half offered paid time off.

Figure 22: Percent of Childcare Providers Offering Employee Benefits
(Based on Childcare Respondent Survey Responses)



Average Hourly Pay for Lowest Wage Worker

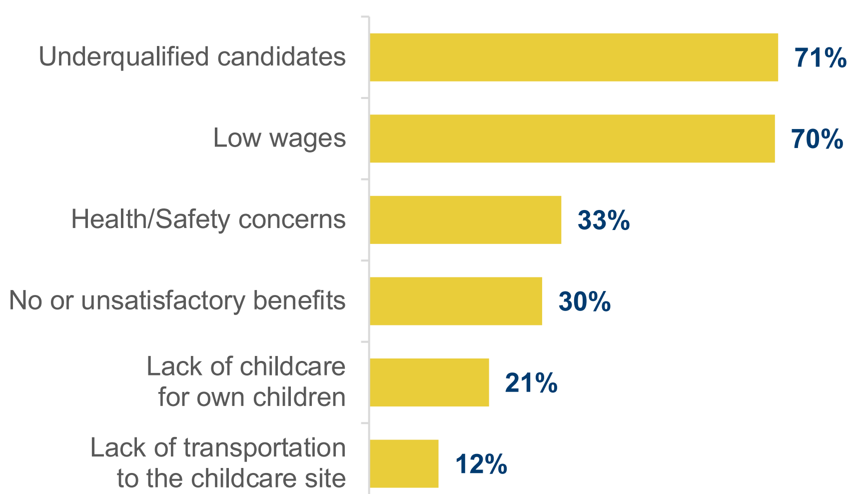
$15.49
Childcare Center

$14.38
Family Child Care Home

Recruitment Challenges

The long-term underinvestment in childcare, coupled with the negative impacts from the COVID-19 pandemic, have made it very difficult for childcares to hire. Of the childcare respondents who had employees, 54% reported they were hiring or have recently hired, and 93% reported they were having a difficult time hiring qualified employees. Figure 23 shows that underqualified candidates and low wages are a problem for 70% of all childcares trying to hire staff.

Figure 23: Recruitment Challenges
(Based on Childcare Respondent Survey Responses)



93%
of childcares reported having a difficult time hiring qualified applicants

CHILDCARE PROVIDER CHALLENGES AND NEEDS

Respondents were asked to identify their three greatest operational challenges and their three greatest challenges serving families. Figure 24 shows that among childcare center respondents, staffing shortages and low wages—followed by reduced enrollment were the primary operational challenges. Family childcare respondents cited lack of funding to cover costs followed by reduced enrollment and staffing issues as the primary operational challenges (see Figure 25). In terms of challenges in working with families and children, all childcare respondents reported the top challenges to be related to COVID-19. In particular, following health guidelines and managing anxiety among families were the highest-rated challenges.

Figure 24: Childcare Centers (Based on Childcare Respondent Survey Responses)

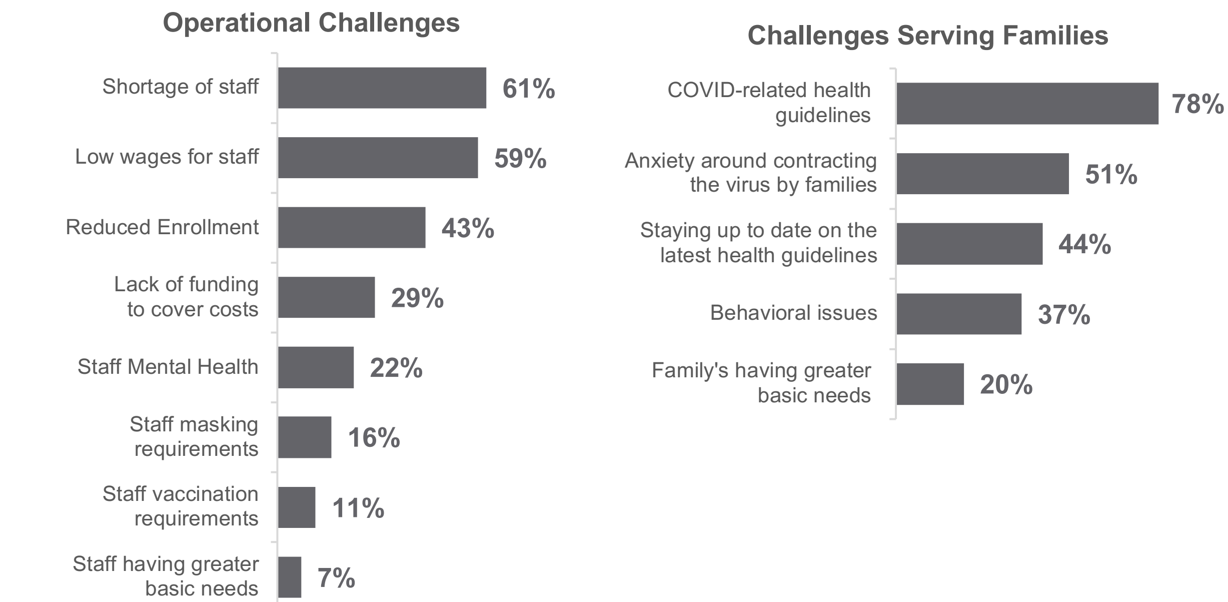
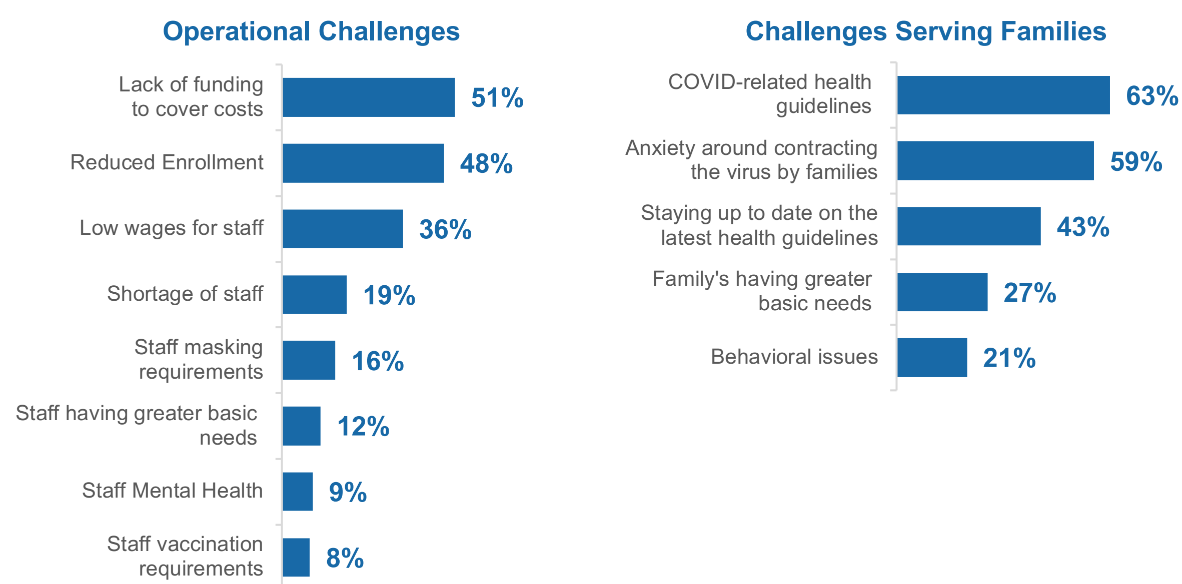


Figure 25: Family Child Care Homes (Based on Childcare Respondent Survey Responses)



Greatest Needs

Childcare providers were asked to identify their greatest needs. The most common needs fall into the following major categories, and are highlighted in Figure 26.

- COVID-19-related needs
- Financial assistance
- Staffing
- Support with recruitment to increase enrollment

Figure 26: Childcare Providers' Greatest Needs
(Based on Childcare Respondent Survey Responses)

COVID-19–RELATED NEEDS

Covid Supplies: Masks, Tests, Cleaning Supplies

"I would love to have help with quality PPE, especially medical grade surgical masks and N95s. I would love to have rapid at-home antigen tests readily available to send home with parents for the purpose of surveillance testing or even diagnostic testing."

Clear and Consistent Guidelines

"Very difficult to keep up with the rapid changes."

"Consistent, collaborative, timely, and clear communication from the Health Department and Licensing. Every contact at the health department often shares a different interpretation of the guidelines. This is ALL very confusing!"

Easing Anxiety about the Virus for Staff and Parents

"I am still concerned when the kids get sick that the rest of the kids will get sick too. COVID is still a concern."

"A lot of pressure from the families because of the virus. They have a lot of concerns from other kids as far as spreading the virus. They also are not careful themselves to prevent the spread when someone is sick."

SUPPORT INCREASING ENROLLMENT

More Referrals

"Need more referrals to enroll [in] my childcare, to make money and improve my facilities. I am also willing to open a nighttime care to make money and support to improve my facilities."

Help with Recruiting Families

"Find new families and get myself advertised."

"[I] need help getting customers."

Support Managing Licensing Restrictions

"Licensing does not understand how all of their rules just takes our time away from the kids."

"More consistency with information from community care licensing. Each analyst seems to have different interpretation of the rules."

STAFFING

Need Highly Qualified Staff

"Qualified staff [and] qualified subs to fill in."

"Qualified staff – we don't have enough staff to serve our current enrollment and we are contracting from outside agency for substitutes."

Funds to Pay Better Wages and Retain Qualified Staff

"Being able to pay teachers more without having to raise tuition prices."

"Need for more staff so that we can serve more children so that we can be more financially secure about paying our mortgage."

FINANCIAL ASSISTANCE

Cover the Time Childcares Were Closed and the Costs Associated with Supplies

"Greatest need is financial assistance. There is a financial loss every time we have to shut down. I have had to close three times and that is a significant loss of revenue."

Cover the Cost of Transporting Children

"…the gas prices are high, spending a lot of money on transportation..."

Cover the High Cost of Food

"Food program payments are always behind. They need to pay on time."

"Food [prices] has gone up and we have fewer kids."

Cover the High Cost of Education Supplies

"Providing the best care as possible to our children by having enough materials to create activities that are educational and fun."

High Cost of Rent

"Help to pay the rent."

Increased Childcare Rates to Cover Actual Costs to Operate

"Higher tuition weekly payment from government funding programs."

"Needing pay rates to increase. I pick up the children, help several with homework, cook and clean and assist with emotional situations, etc."

"…Higher ceiling rates as inflation is so high we can't charge more but we pay LOT more."

"We are struggling with low rates and this results in low wages. We are losing staff to Starbucks, Amazon and In-N-Out Burger. The Title 5 guidelines and QCC requirements are costly and these costs are not covered by current funding. We also see no reason childcare providers cannot make a profit for working when every other industry can and is expected to do so. Women are forced to be not-for-profit while industries dominated by men are wildly profitable. So unfair."

"Low pay... Long hours with not enough payment."

CONCLUSIONS

High-quality childcare is an essential component to ensuring families can maintain stable employment and children arrive to elementary school prepared. The COVID-19 pandemic has had a devastating effect on the licensed childcare industry in San Diego County, a historically under-resourced industry that was at risk of shrinking even prior to the pandemic. The findings from this report reveal that the number of childcares is in decline, the needs of many families are not being met, and childcare providers are financially struggling. Below is a breakdown of these findings:

- **The availability of childcare does not meet demand:** There are far fewer licensed spots available than there are children who need childcare. The lack of available childcare is even more pronounced for children under 2 years old and for certain geographic regions. The availability of subsidized care is also much lower than the number of families eligible and in need of care.
- **Families have not returned to utilizing childcare to pre-pandemic levels, making it very difficult for childcare providers to stay afloat:** Although there is an insufficient number of childcare providers to meet the demand, providers are struggling with reduced enrollment levels. Anxiety about COVID-19, health guidelines to reduce transmission, lack of affordable options, and changes in the nature of work have led to unfilled spaces and reduced revenues.
- **The financial viability of childcares is in crisis and at risk of collapse:** The extremely low pay of childcare workers and resulting staff shortages, the large gap between the cost of providing care and the rates families pay, the reduced enrollment as a result of the pandemic, and the strict regulations to keep children safe have led to an industry in crisis.

The COVID-19 pandemic has made visible the many cracks that have existed for a long time in the childcare sector. For families to utilize licensed childcare and reap both the economic benefits of being able to work and the developmental benefits for their children, childcare must be affordable, provide flexible hours and days, be close to home or work, and adequately serve all ages 0-5 years old. Additionally, for childcare providers to meet the needs of families, staff wages must increase and subsidies must cover the true cost of providing care. A substantial investment and rethinking of the system are needed to transform the way families access and utilize childcare.

END NOTES

[1] All data in the executive summary is also referenced in the report unless there is an individual reference number following the data point.

[2] Data Sources: San Diego County median income: American Community Survey. 2019 1-Year Estimate Table S1901; Monthly child care expenses: Basic household income calculator for San Diego County. San Diego Workforce Partnership. https://workforce.org/calculator/

[3] Rast, K. (2022). Workforce, Childcare, and Change: Understanding the Needs of Parents in the San Diego region. The San Diego Foundation. San Diego, CA. https://workforce.sdfoundation.org/

[4] Esposit, E., Baltiyskyy, C., Montes, L. (2022). An Inclusive Framework: Designing and Implementing Universal Prekindergarten in California. YMCA of San Diego.

[5] California Department of Education. 2020/21 Transitional Kindergarten Report. Dataquest. https://dq.cde.ca.gov/dataquest/tkreports/TkReport.aspx?cdscode=37000000000000&year=2020-21

[6] Cascio, E. U., & Schanzenbach, D. W. (2013). The impacts of expanding access to high-quality preschool education. *Brookings Papers on Economic Activity*, 127-178.

[7] Although many school age children also need childcare after school, the potential demand for childcare in this report only includes children 0-5 because school-age children are likely to have childcare options at school or in a nearby after-school program, which are license-exempt and thus not included in the licensed supply.

[8] The number of licensed childcares and spots for the years 2014-2019 come from the following data sources: California Childcare Resource & Referral Network. 2014, 2017, 2019 Childcare Portfolio for San Diego County. The 2022 data come from YMCA San Diego County Resource and Referral Program Data, Jan. 2022.

[9] American Community Survey. 2019 5-Year Estimates Table B23008. Includes two-parent households and single parent households where parents work.

[10] YMCA San Diego County Resource and Referral Program Data. (Jan. 2022). Estimated Number of Licensed Spots in childcare centers and family child care homes.

[11] Estimated gaps within age groups come from YMCA San Diego County Resource and Referral Program Data. (Jan. 2022). Number of family child care spots by age group was estimated based on the 2022 survey of childcare providers where respondents reported their enrollment numbers by age group (0-23 months=25% 2-5=45%). The percentages were then applied to the licensed capacity data from the YMCA.

[12] This map displays the estimated percent of children 0-5 who need childcare and have an available licensed childcare spot. Data Sources: Children 0-5 whose parents work, American Community Survey. 2019 5-year estimates; Estimated spots: YMCA San Diego County Resource and Referral Program Data, Jan. 2022. Because family child care homes do not report their capacity by age group, the number of licensed spots was estimated by assuming approximately 70% of family child care home spaces are for children 0-5 (an estimated 30% are for school-aged children).

[13] This map displays the estimated percent of children 0-23 months who need childcare and have an available licensed childcare spot. Data Sources: Children 0-23 months whose parents work: American Institute for Research. 2018. Early Learning Needs Assessment Tool; Estimated spots: YMCA San Diego County Resource and Referral Program Data, Jan. 2022. Because family child care homes do not report their capacity by age group, the number of licensed spots was estimated by assuming approximately 25% of family child care home spaces are for 0-23 months.

[14] American Institute for Research. 2018. Early Learning Needs Assessment Tool.

[15] Subsidized care enrollment includes CalWorks 1, CalWorks2, CalWorks3, CCTR, CFCC, CMIG, CAPP, CSPP, and Head Start. This data came from Head Start, YMCA, Child Development Associates, CDSS, and CDE.

[16] California Childcare Resource and Referral Network. (2019). *State Subsidized Child Care Payment Types. https://rrnetwork.org/assets/general-files/Subsidy-Payment-Types.pdf*

[17] Data Source: 2021 Regional Market Rate (RMR) Survey. Estimate based on mean monthly price for a childcare center and mean weekly price for a family child care home. Reimbursement ceilings are established at the 75th percentile of the 2021 Regional Market Rate Survey, which means that 75% of

children are enrolled in child care that costs less. FCC fee is an average of the 2021 RMR ceiling for infants and preschool aged children. https://rcscc.adm.dss.ca.gov/index.aspx.

[18] Workman. (2021). *The True Cost of High-Quality Childcare Across the United States*. Center for American Progress. https://www.americanprogress.org/article/true-cost-high-quality-child-care-across-united-states/.

[19] U.S. Bureau of Labor Statistics. (2020). Occupational Employment and Wage Statistics for San Diego-Carlsbad, CA metropolitan area. https://data.bls.gov/oes/#/geoOcc/Multiple%20occupations%20for%20one%20geographical%20area

The self sufficiency wage comes from the 2021 Self-Sufficiency Standard at the Center for Women's Welfare, University of Washington. https://selfsufficiencystandard.org/California/.