Solving the Child Care Crisis in Oregon:

A Case and Vision for a Statewide Child Care System

Disclaimer: This document will continue to evolve. Please note version date.

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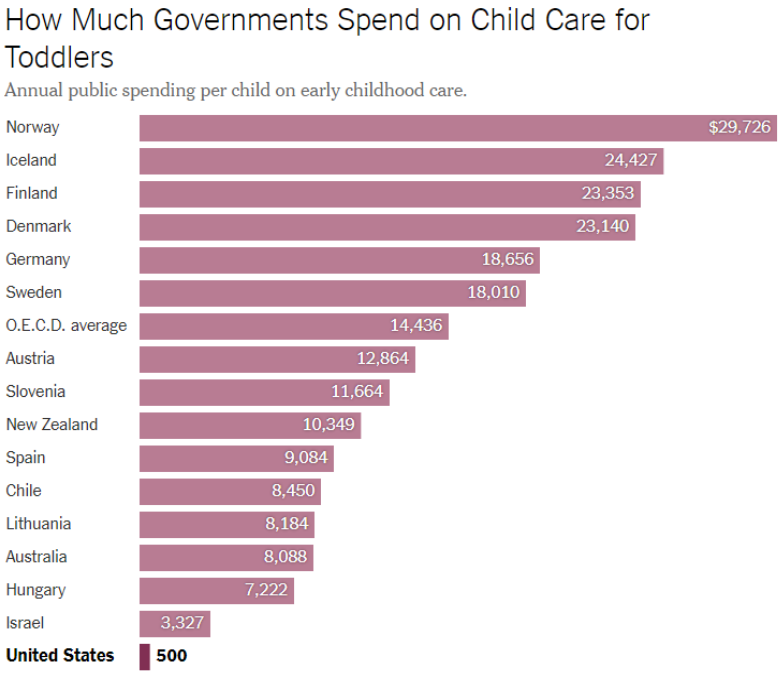
Solving the Child Care Crisis in Oregon:
A Case and Vision for a Complete Statewide Child Care System

Introduction

The child care crisis in Oregon and across the U.S. affects all of us. Many efforts have been made to address the problem, most with minimal impact. The key to solving the problem is to correct our perception of child care and the role it plays in modern society. An estimated 1/3 of the workforce or roughly 50 million workers in the country need child care.[1] Just like roads, power and internet, people need child care in order to work. As one campaign suggest "child care makes all work possible."[2] The U.S. Chamber of Commerce recently released a report on the impact of Childcare on the business sector that acknowledges "a robust childcare system supports a healthy workforce and economy."[3] In short, as a society, we must recognize that child care is a fundamental component of infrastructure.

Figure 1 shows that the U.S. lags well behind other countries in recognizing the importance of child care to society and the economy and making the necessary investments. This paper seeks to move Oregon towards an end to the child care crisis by presenting a vision and pathway to a statewide system that provides high quality child care that meets the needs of all Oregon families. Children, families, business and all of society would benefit in many pervasive ways from such an investment. Recognizing cost is a

FIGURE 1-COMPARATIVE PUBLIC FUNDING OF CHILD CARE (TODDLERS ONLY)



Source: New York Times, Oct. 6, 2021

[1] Modestino, A.S., Ladge, J.J., Swartz, A. & Lincoln, A. (Apr 29, 2021). "Childcare Is a Business Issue" in *Harvard Business Review*.
[2] Oxfam America
[3] Ferguson, S. (June 26, 2024). *Understanding America's Labor Shortage: The Impact of Scare and Costly Childcare*. Washington DC: U.S. Chamber of Commerce.

major factor in decision making, both the costs and economic benefits are projected in addition to an attempt to capture the myriad intangible benefits.

The Problem

The child care crisis has presented a conundrum to many seeking to solve it. This is due in large part to its complexity. There are multiple tightly interwoven aspects that tend to be addressed or viewed separately but must be addressed together to ultimately achieve success. These include: 1) unaffordability 2) low compensation of providers and 3) lack of access. This section delves into these interdependent aspects of the child care crisis.

The child care business model is inherently flawed, because it relies on parents as its primary source of income. As discussed, child care is unaffordable to many families, but the only way to increase compensation is to increase costs to families. Child care providers must then choose whether to price out more families, maintain low wages or take in less profit. Because of this tension, most child care providers make very little, if any profit. This tension exists of course for those operating as non-profits as well. It also drives many families to turn to cheaper, unlicensed child care providers. This puts many children at great risk since a primary purpose of licensing requirements is to protect children from injury and abuse.

Child Care is unaffordable

The modern economy makes it almost a necessity that all parents work.[4] An estimated 1/3 of the workforce, or roughly 50 million workers, in the country need child care,[5] but it is both difficult to find and expensive when found. Most of Oregon is considered a child care desert, which means there are 3 or more children for every child care opening.[6] When parents can find it, child care is extremely expensive. In Oregon, care averages $13,616 per year for infants, which is more than the in-state cost of public college ($10,363). This is 14th highest in the country. A family *with one child* earning the median income in Oregon would have to pay 22.2% of their income on child care. The federal government considers 7% of income to be "affordable." Using this standard, only 6.3% of Oregon families with one child can afford child care. The problem is greatly exacerbated when families have more than one child. A family with an infant and four-year old would have to pay $23,677 per year for child care. This is 38.5% of income for a family earning the median income. If this is a burden for families with median income, it goes without saying the burden increases significantly for families with lower incomes. A minimum wage worker would have to pay 54.6% of their income for child care.[7] Because families cannot afford child care, one parent must stay home. If the family only has one parent, they may be forced to rely on public assistance. This makes it almost impossible for many families to "get ahead" or even "make ends meet."

[4] Savage, S. (May 2019). *High-Quality Early Child Care: A Critical Piece of the Workforce Infrastructure.* Boston: Federal Reserve Bank of Boston.
[5] Modestino, A.S., Ladge, J.J., Swartz, A. & Lincoln, A. (Apr 29, 2021). "Childcare Is a Business Issue" in *Harvard Business Review*.
[6] Pratt, M. & Sektnan, M. (May 2023). *Oregon's Child Care Deserts 2022: Mapping Supply by Age Group and Percentage of Publicly Funded Slots.* Corvallis: Oregon State University.
[7] Economic Policy Institute (Oct 2020). Child care costs in the United States. Online Report. Washington, DC.

Low Compensation of Child Care Educators

Despite high cost to parents, child care providers are only able to provide low wages slim benefits to their staff. Funding can also be precarious, as the COVID-19 pandemic demonstrated. In Oregon, 23% of early educators in Oregon earn poverty wages.[8] The low income and instability make the positions both unattractive and difficult for many child care providers to stay in the field, even if they love their jobs. This has led to a nationwide labor shortage[9] and high turnover, which is costly and causes strain on everyone involved. One study found that roughly 24% of child care workers leave the field each year (compared with 8% of K-12 teachers).[10] The result is that many organizations struggle to fill all their positions, even if they do have sufficient funding. For instance, some of Oregon's publicly funded Preschool Promise programs are unable to open or expand, because they could not fill vacancies with qualified staff. This makes the workforce the greatest current growth limitation. Compensation must be consistently and permanently higher to continually attract enough new providers into the field to meet the child care needs of families across the state.

> ***"Either we increase compensation for the early childhood education workforce, or we will be left with no workforce at all"***
> – National Association for the Education of Young Children (NAEYC)

Child Care is inaccessible

Due to the limitations caused by the business model, there are fewer than one child care slot for three or more children in most areas of Oregon. However, in addition to this foundational lack of access for most families, even if child care is available and affordable, that does not mean it is accessible. Several factors may still limit access. A key factor is geography. The child care desert studies that investigate accessibility tend to drill down only to the county level. Many counties are very large, and it would not be feasible for parents to access child care on the other side of the county, which could be several hours drive away (if they own a car). There may also be language barriers. Children may have special needs. Parents may also work non-traditional hours, such as nights and weekends. The combination of these factors greatly enhances the complexity of the problem and supports the need for a much more robust system with a strong support infrastructure that is able to continually monitor needs and make adjustments to meet them.

Child Care is a Missing Part of the U.S. Infrastructure

The child care crisis therefore harms families who are underemployed, because they cannot find and/or afford child care. Children are harmed both by decreased resources but also failure to receive the many developmental benefits of high-quality instruction and care. Businesses, educational institutions, non-profits and the public sector are unable to benefit from the work of parents who are forced to stay home creating an opportunity cost and restraining their growth and impact. Governments lose out on personal and business taxes, while spending more to support the struggling families. If all families had access to high quality child care, children, families, businesses, the economy and all of society would thrive. Because it supports all aspects of our society – businesses, education, transportation,

[8] University of California, Berkeley (2020). Early Educator Pay and Economic Insecurity Across the States.
[9] Ferguson, S. (June 26, 2024).
[10] Portland State University, Oregon State University (May 2021). *Oregon Early Learning Workforce: Seven Years Beyond Baseline Comparison of 2012 and 2019*.

construction, utilities, the public sector, etc. - *child care is a core component of our societal infrastructure.*[11] Child care has also been called a "pillar of a healthy economy."

> ***"Childcare is not a family issue; it is a business issue. It affects how we work, when we work and for many, why we work."***
>
> – Harvard Business Review

Cost of Insufficient Child Care

According to a recent study, the estimated loss to Oregon because of insufficient child care for children 0-2 years was $1.5 billion[12] in 2024 dollars.[13] This is the result of lost family income, business productivity and taxes due to a lack of infant and toddler care alone. Because this study includes only a fraction of all children under age 12, the true cost is likely a multiple of this estimate. It therefore provides a conservative estimate of the true cost. **Figure 2** shows the proportions that are from lost income for parents (64%), lost business productivity (19%) and lost tax revenue (17%).[14] **Figure 3** shows the cumulative cost to Oregon's economy over time of remaining on the current path of grossly insufficient child care using a modest 3% inflation rate. *This represents the baseline economic state that we are seeking to improve.*

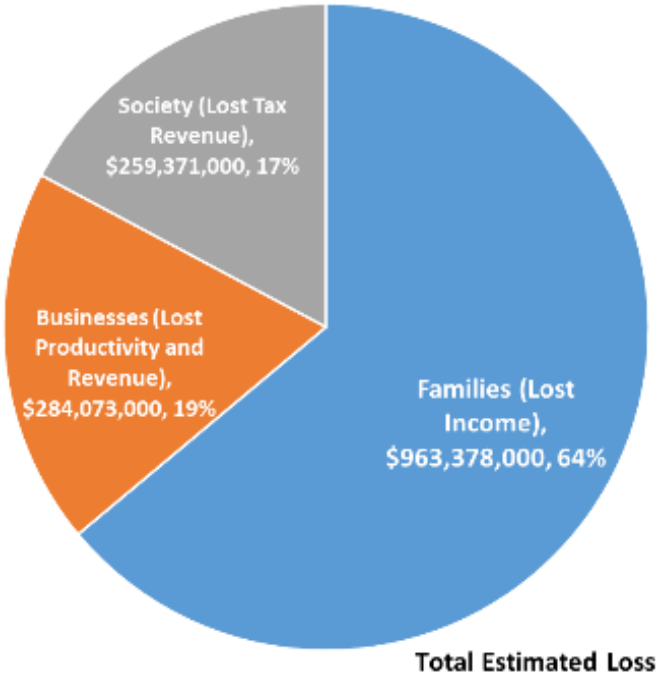
Who is included in "Child Care?"

There are many legitimate definitions of child care, and many focus primarily on ages 0-5. According to Oregon statute (ORS 329A.250), child care includes care provided to **children up to 12 years.** The child care system proposed in this document would serve children up to 12 years. The reason is simple. *Parents of all children up to 12 years need child care to be fully employed and thus to reduce* related restraints on the economy. For school-aged children, this primarily takes the form of care provided before and after school, weekends, and summers – any time parents are working outside of school hours. It is worth noting that training requirements may differ significantly for those serving different age groups. There are also different requirements for adult-child ratios for different age groups.

Source: Oxfam America

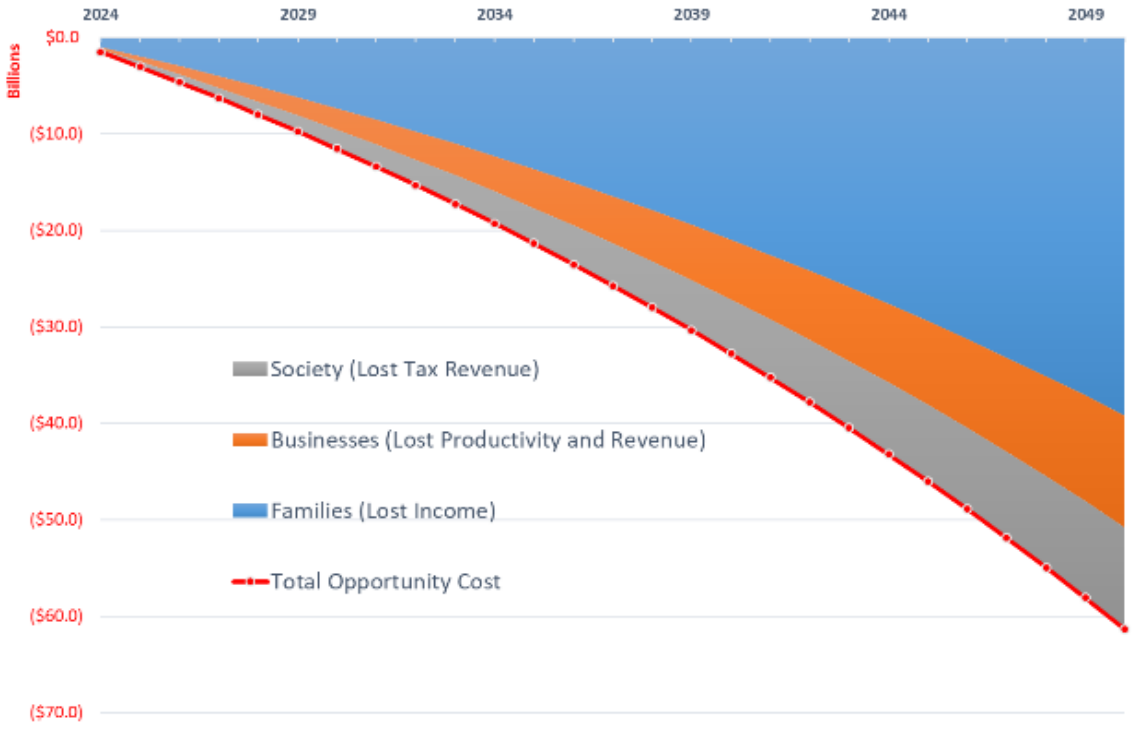
[11] Yamoah, O. et al. (2023, 2nd Quarter). "A win-win for all of us: COVID-19 sheds light on the essentialness of child care as key infrastructure." *Early Childhood Research Quarterly*. 63:113-120.
[12] Bishop, S. (2023).
[13] www.usinflationcalculator.com generated an inflation rate of 7.4%.
[14] Bishop, S. (2023).

FIGURE 2 - ESTIMATED ANNUAL COSTS TO OREGONIANS DUE TO LACK OF CHILD CARE - 2025



Total Estimated Loss = $1,503,600,000

FIGURE 3 - CUMULATIVE OPPORTUNITY COST DUE TO LACK OF CHILD CARE (OREGON'S CURRENT PATH)



The Solution

The child care crisis is felt deeply across the nation sparking a wide variety of policy efforts to address it. However, the problem is more complex and pervasive than most issues faced by policy makers.[15] Many seeking to end the child care crisis have learned that the typical policy responses of incremental funding increases, program expansions, and regulatory improvements are woefully insufficient and have not addressed on the root cause – a fundamental underinvestment of public funds in child care.

Most efforts seek to address one of several deeply intertwined components, while failing to address the others with predictably underwhelming impacts. For example, there have been several recent investments in building new child care facilities. But due to low salaries, many providers are struggling to find and retain qualified educators. Also, due to the high teacher ratio, licensing requirements, etc. the operating costs are high. Building a facility is helpful but will not improve teacher pay or help cover operating costs. This paper presents a comprehensive approach to building a complete statewide childcare system with all cost components included.

Components of the solution:

- Increased teacher compensation
- Facility and Operating costs
- Infrastructure costs
- Limiting family payments

> ***"Those seeking to reduce deficits and strengthen the economy should make significant investments in early childhood education."***
>
> – James Heckman, Nobel Prize winning Economist

Because the child care is unique in that it supports all others, it requires a substantial and sustainable government investment. The only way to successfully resolve the problem is through big, bold investments. All efforts that do not include such an investment will continue to fall short. The White House has made the case for greater government support, recognizing child care as "a problem with the U.S. economy that the private sector has been unable to fix on its own."[16] The first US states willing to make the necessary investments will have a strong competitive advantage over others in terms of attracting business and talent.

Efforts to address the crisis are helping people across the nation reach the natural conclusion that the only solution to missing core part of infrastructure is for the government to substantially increase its funding of the child care sector – at federal, state and perhaps local levels, if needed. It is instructional to contrast the K-12 system with child care. What would happen if all families had to pay for their school-aged children to attend school? Who would be most impacted? Middle- and low-income families would be forced to find places for their children while they worked or else not work. Note that care for the youngest children is much more expensive than older children, because they require constant attention and have correspondingly low provider to child ratios. The infeasibility of families to pay for K-12 education coupled with the recognition of the incredible value to society of education led to widely supported and rarely questioned full public funding of the K-12 system. While other countries have long

[15] Savage, S. (May 2019).
[16] Boak, J. (Mar 20, 2023). "Investment in child care creates a 'robust labor force,' reduces crime and delivers outsized returns, according to a new White House report." Fortune Magazine.

ago applied the same logic and provide publicly funded child care, Americans are only starting to reach this conclusion.

Members of the Child Care Coalition of Clackamas County (C5) believe that it is only by understanding the big picture that decision makers and the public will be willing to make the scale of investments required to truly solve the child care crisis. For this reason, we start at the end – with a presentation of the projected financial impact of building a complete child care system in Oregon and contrasting it with the state's current path of loss due to the dearth of affordable and available child care. The remainder of this document presents a proposed process for building the system and breaks down the projected costs and benefits. Before doing so, a word of caution.

It is the intent of the authors that the focus remains primarily on the big picture problem, because broad backing will be required to generate the political support needed to mobilize the level of investment required. Many specific assumptions had to be made in order to generate estimates, and many more decisions have yet to be made. Due to the importance of the decisions and the number of lives affected, it would be easy to focus on any one of them and consequently withhold support for the bigger movement. Additionally, adjustments to the approach will not likely affect the big picture represented by **Figure 5**. Please know that the authors anticipate extensive deliberation and negotiation through the legislative development process. The intent of this paper is to help get that process started. All hands on deck will be required to make that happen.

Benefits of Investment

Providing child care for all families who need it would be a game changer- all of society would benefit in tangible and intangible ways. Having child care available for employees would take restraints off business growth. It would provide opportunities for parents to work and improve their family's wellbeing. It would provide more revenue for policymakers to use to benefit society in myriad ways.[17] Children would experience lifelong benefits, including improved health, education, development, and earnings.[18] Society would also benefit from decreased numbers of people on public assistance, decreased crime, prison costs and increased public safety. The overall economy benefits from the increase in labor in both the expanded child care labor force, and the productivity of parents who are able to return to work. A corresponding increase in income and business tax revenue generated by this work is also substantial for local, state, and federal levels.

To support substantial increased funding for child care, the economic impact of these benefits is quantified. This will help demonstrate that the benefits far outweigh the costs. The economic value of a benefit is referred to as a Return on Investment (ROI). A recent analysis of the impact of business investments in childcare found an ROI of 425%. The benefits included improved recruitment, retention, productivity, job satisfaction and career progression of staff. They further found that increasing retention by just 1% can cover the investment costs.[19] While the benefits at childcare investments at the individual business level are impressive, businesses are not expected to be able to resolve the larger

[17] Osborne, C., Kresse, A., Skatter, N., Xu, N., Huffman, J., & Craig, S. (2023). *Early Investment, a Lifetime of Returns: Articulating the Value of Early Childhood Investments in Virginia.* Prenatal-to-3 Policy Impact Center and White House (Mar 2023). *Economic Report of the President.* Washington, D.C.

[18] Guevara, H. (Jan 6, 2022). "Examining the Significant Return on Investment from High-Quality Early Learning & Care." First Five Years Fund.

[19] Boston Consulting Group (Mar 2024). The employee benefit that pays for itself. Boston: BCG Consulting and Moms F1rst.

societal crisis without the leadership role of government. The findings do however provide a strong basis for businesses to support government's efforts to fund child care, such as through dedicated business taxes.

A 2023 analysis of a large state-level child care investment in Virginia provided some stunning data on the powerful almost immediate impacts of child care investments. The study found significant impacts in several areas, including increased family wellbeing, decreased child maltreatment, and increased child educational outcomes. It also found the following immediate fiscal impacts:

- Increase in parental employment
- Increase in family earnings (by an average of $35,756 per family)
- Decrease in family and child poverty (and therefore public assistance)
- Cost savings from child maltreatment reduction
- Cost savings from decreased special education
- Cost savings from grade retention Increase in state income tax[20]
- Increase in business productivity due to reduced absenteeism and turnover[21]

Their research estimated an economic value, or ROI, of **117.9%** within the year following the investment. (The ROI of $364.3 million was generated by an investment of $309 million.) Of this amount, the state could expect to receive at least 9.84% in the form of increased tax revenue.

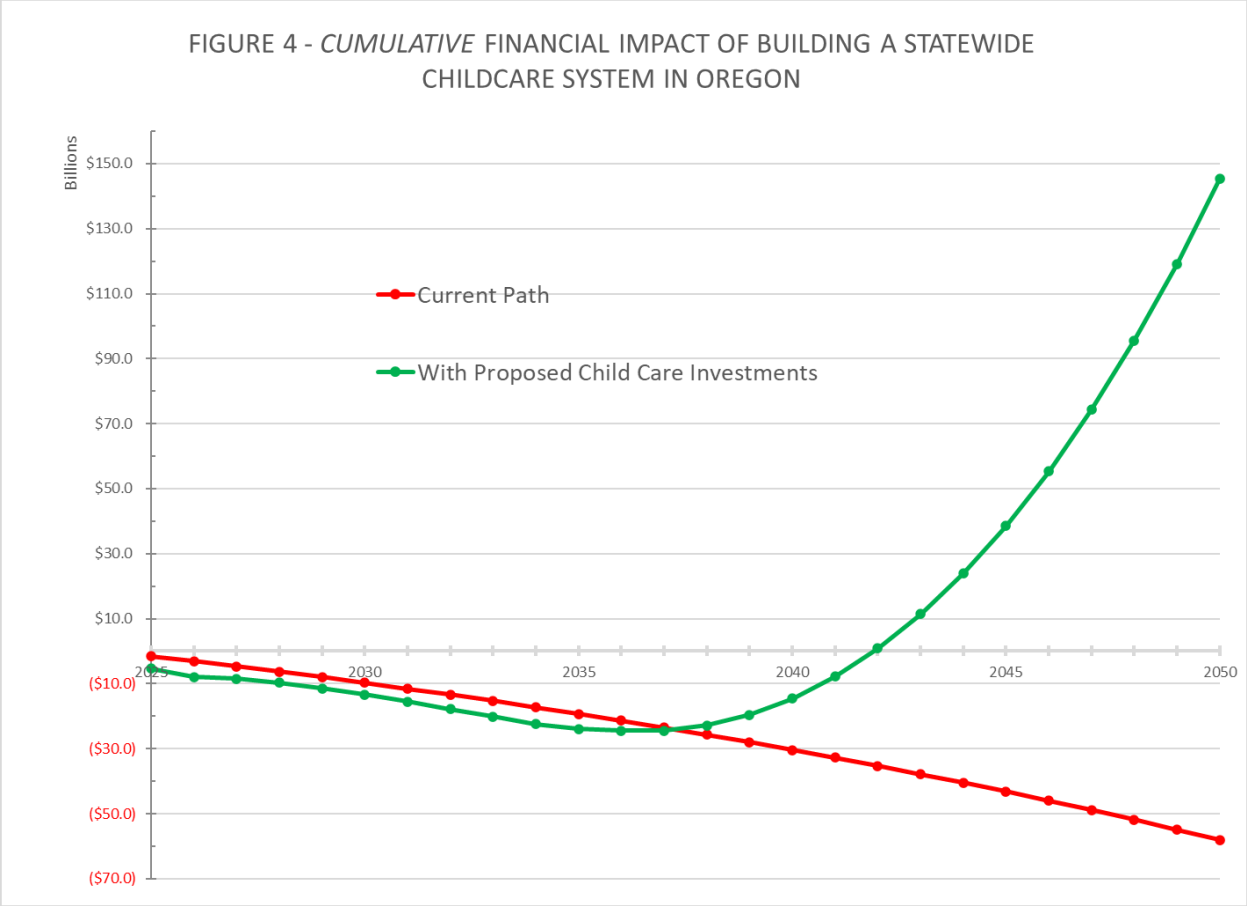
The long-term benefits are even greater. The Virginia study only looked at the first few years. To estimate benefits beyond year 0, we turn to the Nobel-prize winning economic work of Dr. James Heckman from the University of Chicago. He studied the longitudinal impacts of early education on children through their mid-30s and compared it to those who did receive it.

They found the following long-term impacts:

- Decreased reliance on public assistance (aka "welfare")
- Improved health (decreased medical costs)
- Higher income
- Lower crime rates
- Decreased special education
- Increased parental earnings
- Overall high quality of life[22]

The researchers calculated an average return on the initial investment of 13.7% per year over the child's lifetime.[23] Based on these sources, for this paper, an investment in 2025 is expected to have a 117.9% return in 2026 and 13.7% in 2027, 2028 and each year thereafter. As additional investments are made each year, the new investments from 2026 and 2027, for example, also generate a 117.9% return the

[20] Osborne, C., Kresse, A., Skatter, N., Xu, N., Huffman, J., & Craig, S. (2023).
[21] Shellenback, K. (Dec 2004). Child Care & Parent Productivity: Making the Business Case. Ithaca, NY: Cornell University.
[22] Garcia, J.L., Heckman, J.J., Leaf, D.E. & Prados, M.J. (Dec 2016). The Life-cycle Benefits of an Influential Early Childhood Program. Working Paper. Chicago: The University of Chicago.
[23] Garcia, J.L., Heckman, J.J., Leaf, D.E. & Prados, M.J. (Dec 2016). The Life-cycle Benefits of an Influential Early Childhood Program. Working Paper. Chicago: The University of Chicago.



following year and 13.7% return each year. Over time, the long-term ROI adds up considerably as shown in **Figure 4**.

Based on census data and state-mandated provider-to-child ratios,[24] the total calculated need is 102,134 total child care providers (22,416 preschool teachers + 79,718 child care providers, for 0-2 and 5-12), which is roughly ten times the current number of 10,410[25] thus creating approximately 90,000 new jobs that serve and benefit every community in Oregon.

Projected Financial Impact

Figure 4 presents the big picture when all costs and benefits are considered and contrasted with the opportunity cost of Oregon's current path of loss (see **Figure 3**). The sharp increase in ROI over time is primarily rooted in the long-term benefits of the investments. Each year new children benefit from the investment and their benefits will be experienced over the courses of their lifetimes.

The story the picture tells is clear. Because it is foundational to the economy, the lack of child care acts as a constraint to the economy. Conversely, increasing access to child care removes these constraints and allows economic growth that is otherwise unattainable. It allows a turning of the ship from the

[24] Data.census.gov and www.k12academics.com/child care/daycare-state-licensing-requirements/oregon-state-requirements

[25] Bureau of Labor Statistics (May 2023). Bls.gov. Preschool Teacher code: BLS-25-2011; Child care worker code: BLS 39-9011.

current path towards a much stronger economy, not to mention the many developmental and social benefits of child care to children, families and communities. Importantly, the projections indicate that the build out of the child care system is projected to erase the opportunity cost of lacking child care *more than pay for itself within 7-9 years* as the new and stronger infrastructure removes current constraints from the economy – allowing individuals and businesses to significantly increase income and productivity.

Developing the projected economic impact involved building on existing, often very recent research while incorporating the experience of the child care providers, system builders and elected officials in the C5 Coalition to fill in gaps and design a system that is realistic and has a high chance of success. As a key example, data exists on the current compensation of child care providers. One option was to simply multiply this number by the number of providers needed. However, the Coalition does not believe that would provide a realistic result. The demand for child care positions is extremely low, making it difficult to fill existing positions even in our current low-capacity system. To generate enough demand to fill positions and meet the needs of all Oregon families, compensation must be increased. Another important assumption is the time required to build a full-scale child-care system. This will be impacted by many factors, and for this projection was assumed to be 10 years. It was also assumed that the growth would occur from current to future status at an even rate of 10% each year, although it will likely vary greatly from year to year.

Even with available child care, the cost to families would remain substantial or prohibitive. To meet the needs of all Oregonian families, a cap on family contributions is required. Following guidance by the White House[26] and a similar study in Vermont,[27] a cap of 7% of salary was used for families up to 500% of the Federal Poverty Level (FPL) and waiving copayments for families at or below 150% of the federal poverty level (FPL). Other key decisions and assumptions used to generate the projections are described in the remainder of this document and in Appendix A. Because of the large number of variables, decisions and assumptions that had to be made, the projections are in no way intended to be precise. The Coalition however is convinced that the big picture impact depicted in *Figure 3* has a high degree of likelihood – even if the exact amounts and timing of the path Oregon takes is uncertain.

Figure 4 is considered the "full picture" of the impact on Oregon's economy by factoring in the loss due to lack of child care that would diminish as the system is built out. While it paints an accurate picture of the cumulative impact and hopefully generates support for building a full child care system, it may not provide decisionmakers with the information needed to inform funding decisions.

Figures 5-9 present the projections in different ways. **Figure 5** presents the breakdown of the total cost of building out the system, recognizing that a portion of the buildout will be paid by parents. The notable shift in line slope occurs at the 10-year mark, when the system is fully built out. A portion of the public investment would be returned quickly in the form of increased individual and business tax revenue. **Figure 6** shows the projected annual costs and ROI. Note how the benefits of the investments increase each year by showing the projected net annual impact for the state. **Figure 7** displays the same information but in line graph form. anticipated cumulative benefit to the state by adding the annual net impacts. **Figure 8** projects the annual net financial impact that Oregon could expect during and after the buildout of the statewide childcare system.

[26] The White House (July 11, 2023). FACT SHEET: Vice President Harris Announces Actions to Lower Child Care Costs and Support Child Care Providers.
[27] Karoly, L.A., Strong. A., Doss, C.J. (2023).

FIGURE 5 - ANNUAL INVESTMENT NEEDED AND RETURN ON INVESTMENT (ROI)

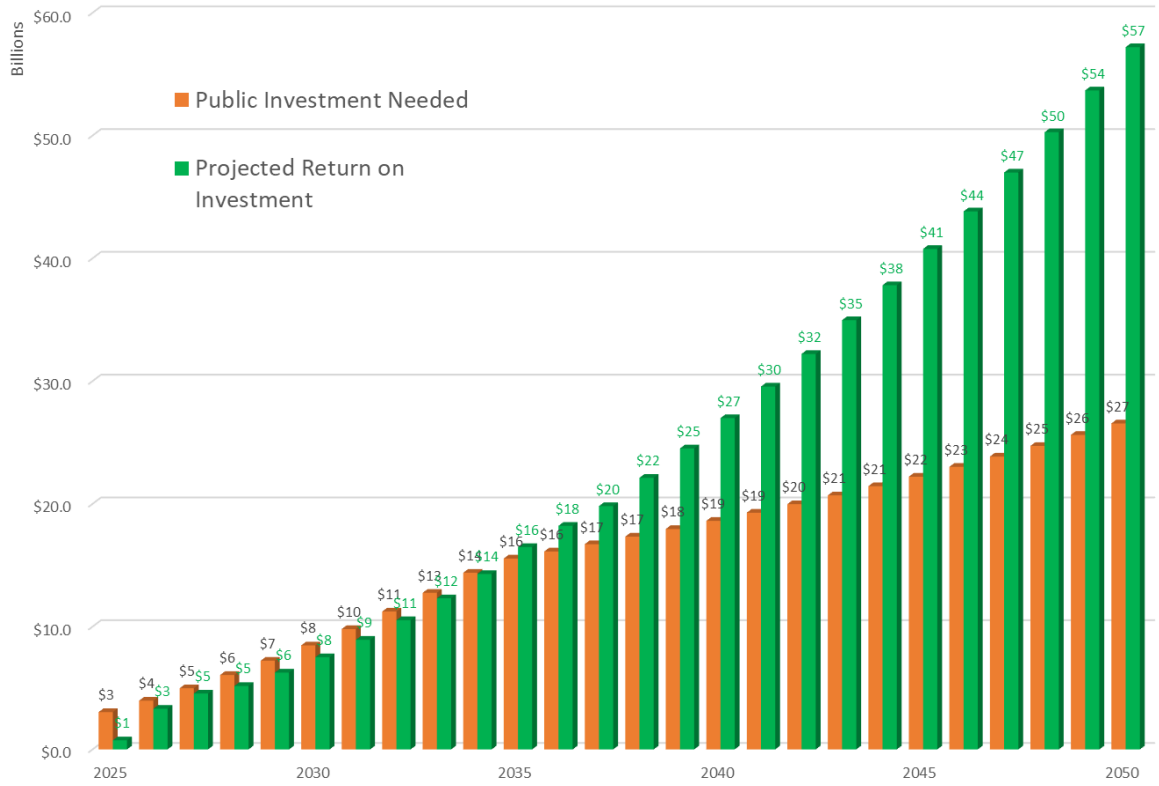


FIGURE 6 - PUBLIC INVESTMENT AND RETURN ON INVESTMENT

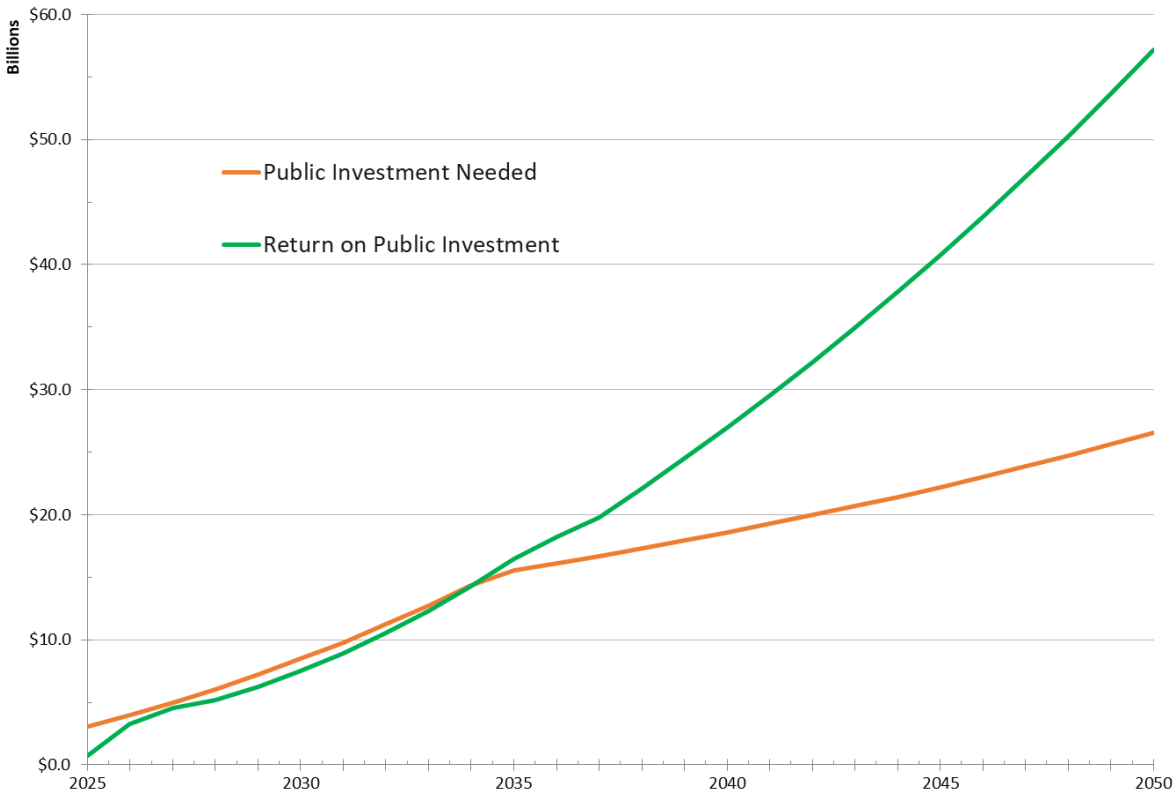


FIGURE 7- SHARE OF ANNUAL TOTAL COST

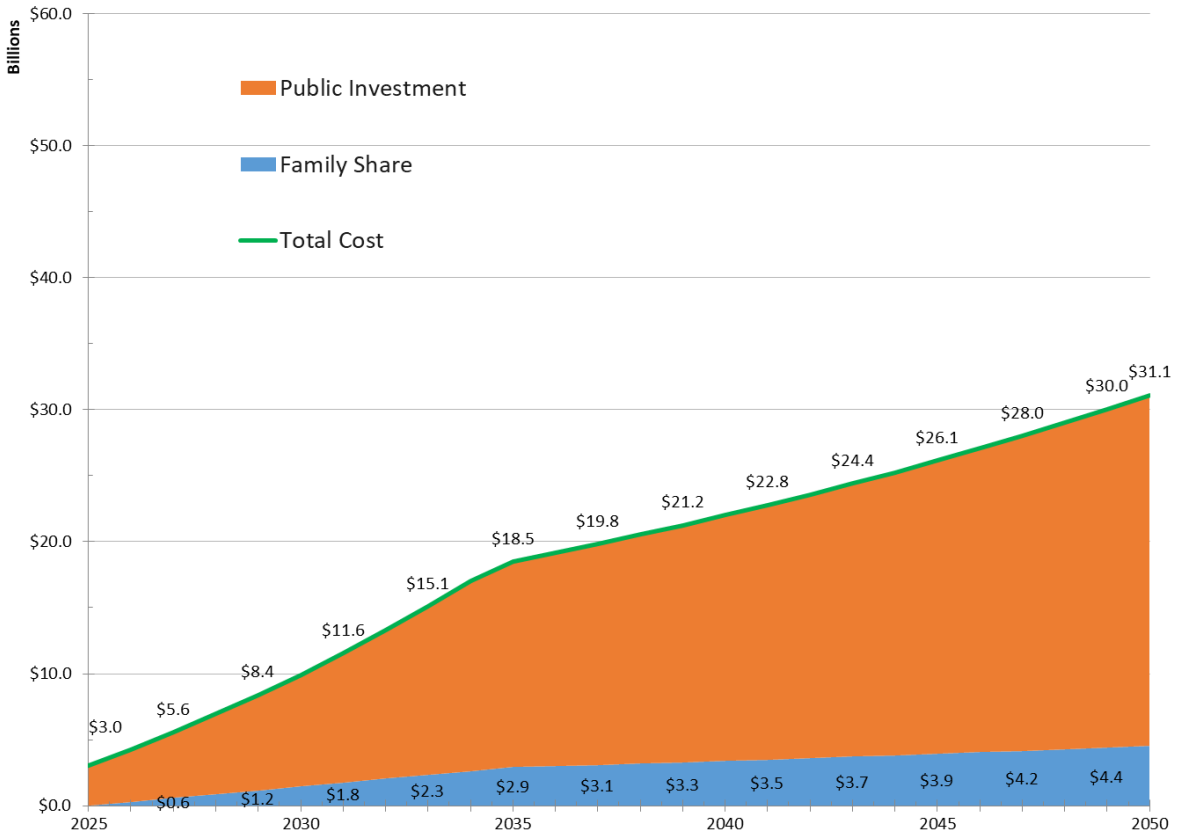
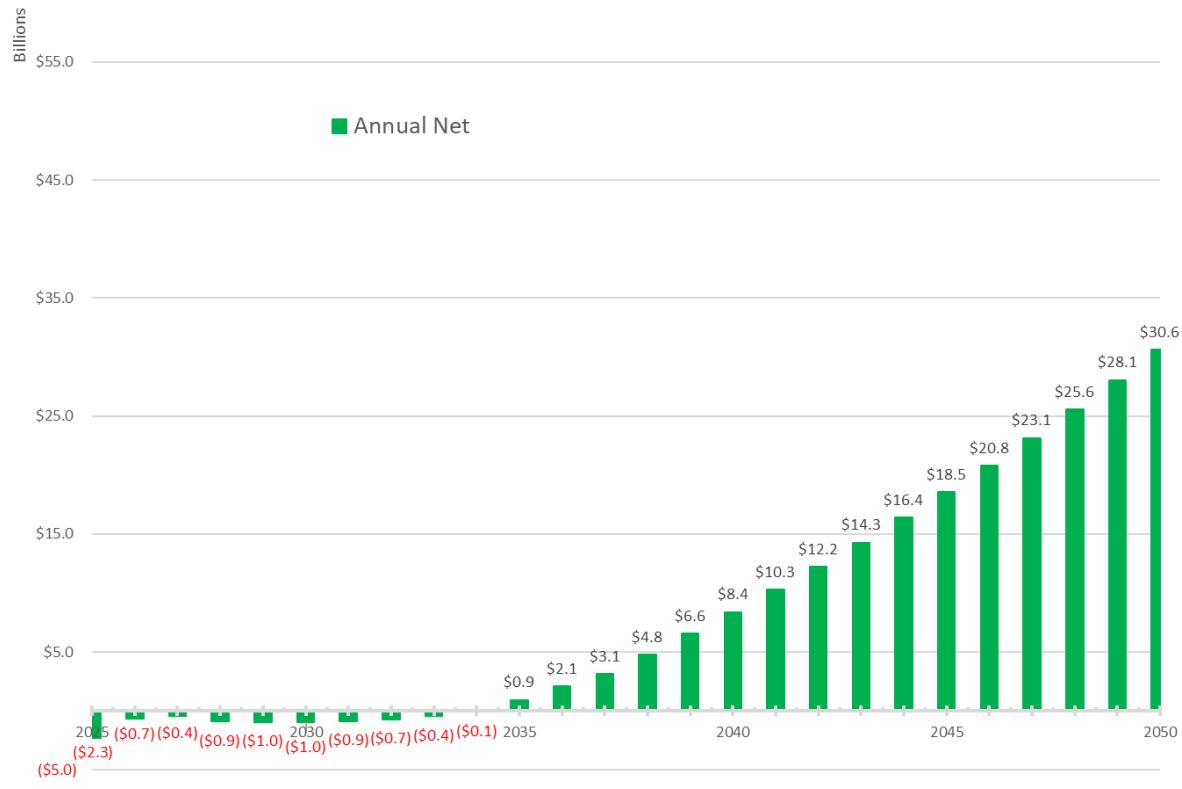


FIGURE 8 - *ANNUAL NET IMPACT* ON OREGON ECONOMY OF BUILDING A COMPLETE STATEWIDE CHILDCARE SYSTEM



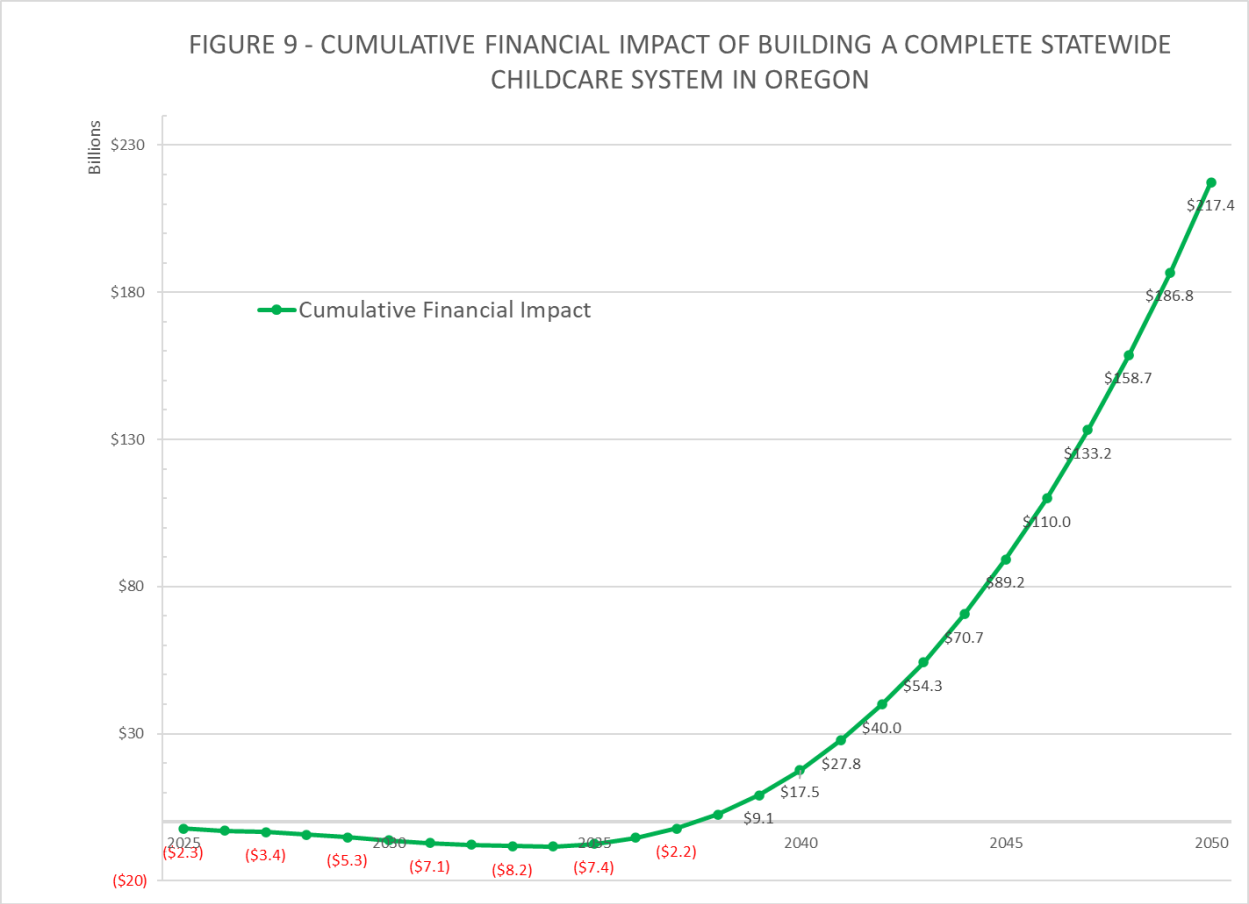


Figure 9 conveys the cumulative impact of an investment in building a statewide child care system. The main takeaway from this graphic is that within approximately 15 years, the system would fully pay for itself in terms of financial benefits to families, business and society through taxes.

Build Out Process and Cost Assumptions

The recommended process for building out the statewide child care system is presented in steps. However, because the system components are so tightly interwoven, the strong recommendation of the C5 Coalition is that the proposed steps be implemented simultaneously, or as nearly as possible. The steps reflect a sequence that begins by strengthening the existing system as a foundation upon which to build the expanded system. This mixed-delivery approach of the current system – including home-based, center-based and school-based centers - is recommended to retain for several reasons. Some key reasons are that they provide greater access and options for families, because they can operate at various hours and can be more geographically distributed. They can also be more responsive to cultural, social and academic needs and desires.

Step 1 is prioritized to stop current providers from leaving the field and encourage new individuals to enter the field. For most positions, this will require specialized training. Because Step 1 is intended to increase the demand for child care jobs, more jobs will need to be created to employ them when they are done with their training. This means adding new sites, which is Step 2. Many facilities will require capital construction or renovations to meet licensing and safety requirements. This can also require extensive time, which could delay job creation.

Finally, even if child care is available to all families, it may not be affordable for many. The solution must therefore limit the financial burden on families; otherwise, many families would continue to find that the net income after paying child care is insufficient to justify returning to work. This would undermine the intent of the child care system and greatly reduce the anticipated return on investment while disproportionately affecting lower-income families and communities. Government funding to limit family payments based on income is Step 3. Because these steps are so closely interconnected, if it is not possible to implement all three steps simultaneously, the time between them should be minimized to the extent possible.

Step 1: Stabilize and increase the child care workforce

- Increase *child care provider compensation* (i.e. salary and benefits)
- Establish a *support infrastructure* needed to coordinate the new work, including the development of clear career pathways

Step 2: Make child care *available* to all

- *Capital investments* to renovate or build new buildings to house child care programs that meet licensing requirements and provide a safe space for children.
- *Operating costs* required for running a child care facility beyond provider compensation, such as rent/mortgage, utilities, administrative staff, insurance, maintenance, licenses, transportation, staff certifications and continued professional development.
- *Quality and system infrastructure* comprised of integrated local and state systems that are needed to license, provide capacity support for providers, ensure quality programming. This includes hubs of local providers, parents and other stakeholders.

Step 3: Make child care *affordable* for all

- *Limit family contribution*. The most common recommendation is to set a cap on the percentage of income a family pays for child care.

Step 1: Stabilize and Increase the Child Care Workforce

Increasing the scale of the child care system will first require stopping the outflow of current providers who can often easily find higher pay and more stable positions elsewhere.

Recommendation: Align Child Care Educator Salaries with K-12 Educators

Recognizing that educators in the state's K-12 system are not sufficiently compensated (i.e. don't earn a "living wage"), the C5 Coalition advocates for alignment between the pay of child care providers and elementary school teachers for two main reasons. This is the standard promoted by the Oregon Department of Early Learning and Care (DELC).[28] Additionally, the K-12 pay structure has historically been sufficient to attract enough educators to meet the state's supply needs for teachers in the universal K-12 system. Therefore, it is essential to permanently align the salaries of instructional child care educators with those of K-12 educators, including the pay differentials related to training requirements. It is hoped that all educators and child care provider salaries will be increased to living wages in the near future.

[28] Oregon Department of Early Learning and Care (DELC) website

TABLE 2 – TOTAL CHILD CARE PROVIDERS NEEDED

Child Age	Number of Children in Oregon Needing Childcare	Child: Adult Ratio Required[29]	Total Providers Needed
0-2 years	105,164[30]	1:4	26,291
3-4 years	105,164	1:10	10,517
5-12 years	234,375[31]	1:15	15,625
Total	**575,447**		**52,433**

TABLE 3 – NEW CHILD CARE PROVIDERS NEEDED

Providers	Current Number[32]	Total Needed	Additional Needed	% Deficient
Child Care providers (ages 0-2 and 5-12	3,770	41,916 (26,291+15,625)	**38,146**	91.0%
Preschool Teachers (ages 3-4)	6,640	10,517	**3,877**	36.9%
Total new child care providers needed=			**42,023**	

Tables 2 and 3 show the calculations used to estimate the number of additional teachers needed to meet all child care needs in the state. For school-aged children, Oregon ASK (Afterschool & Summer for Kids) Network conducted an analysis and provided an estimated number of school-aged children (5-12) who would use afterschool or summer care if it were available. Because no such analysis was available for the other age groups, it was assumed that all children would need child care. Census data was used to determine the total number of children in each group.

The Bureau of Labor Statistics separates child care providers into two categories: Preschool Teachers (ages 3-4) and Childcare workers (0-2 and 5-12). [33] The data includes salaries and the current number of each type of provider. The numbers of each type of provider needed informs the number of new providers added each year – 10% assuming a 10-year buildout.

[29] Source: https://www.k12academics.com/childcare/daycare-state-licensing-requirements/oregon-state-requirements

[30] Source: data.census.gov. The census groups all children 0-4 into one category. In order to estimate the numbers of 0-2 and 3-4 year olds, the total number of 0-4 year olds was divided in half. This was also done to the census data for 10-14 year olds to get the number of children 10-12.

[31] OregonASK (Mar 2021). Afterschool in Oregon: Return on Investment.

[32] Bureau of Labor Statistics (May 2023). State Occupational Employment and Wage Estimates. Preschool Teachers are Occupation Code: BLS-25-2011 and Childcare workers are CLS 39-9011.

[33] Bureau of Labor Statistics (May 2023). State Occupational Employment and Wage Estimates. Preschool Teachers are Occupation Code: BLS-25-2011 and Childcare workers are CLS 39-9011.

Estimated Costs for Step 1

Child Care Provider Salary Projections

Table 4 shows the projected salaries for the first three years. Bureau of Labor Statistics provides separate data for child care and preschool teachers as reflected in the Table. The projections include only the pay differential for existing teachers, but the full cost of new child care staff would need to be covered by new public funds. The annual increase of 4% includes both merit and cost of living increases.

The pay structure takes into account certifications and degrees. The training currently required for child care for children 5-12 does not require certification. The annual salary is therefore projected to average $10,000 less than the average K-12 teacher. As a reminder, it will require an estimated 10 years to fully build out the child care system.

TABLE 4- SALARY PROJECTIONS

Salary Projections	2025	2026	**2027**
Average wages for Oregon Preschool teachers, except special ed: (4% annual increase)[34]	$45,438	$47,256	$49,146
Avg. wage for elementary teachers, except special ed (4% annual increase) [35]	$88,972	$92,531	$96,233
Annual difference in wage for Preschool Teachers (4% annual increase)	$43,534	$45,276	$47,087
Average wages for Oregon Child care workers (4% annual increase)	$39,316	$40,889	$42,524
Annual difference in wage for Child care Workers-$10,000 for lower requirements (4% annual increase)	$39,656	$41,643	$43,708
Total number of preschool teachers in Oregon[36]	6,640	6,640	6,640
Total number of child care (ages 0-2 and 5-12) workers in Oregon[37]	3,770	3,770	3,770
NEW Preschool Teachers		388	776
NEW Child Care workers		3,815	7,630
Salaries Subtotal	$438,572,501	$808,382,508	**$1,210,067,280**

Fringe Benefits

Portland State University conducted a Total Compensation Report for child care providers.[38] These were adopted for this study due to their specificity on child care providers in Oregon. Surveys indicate that a top reason for child care providers to leave the profession is lack of benefits. While this may be common practice, it is likely not generalizable to all employers in the state. However, identifying which employers

[34] Bureau of Labor Statistics (May 2023). State Occupational Employment and Wage Estimates. Bls.gov. Occupation Code: BLS-25-2011.
[35] Bureau of Labor Statistics (May 2023). Occupation Code: BLS-25-2021.
[36] Bureau of Labor Statistics (May 2023). State Occupational Employment and Wage Estimates. Bls.gov. Occupation Code: BLS-25-2011.
[37] Bureau of Labor Statistics (May 2023). Occupation Code: BLS-25-2021.
[38] Keisling, P., Winthrop, B., Taylor, J. & Wilkins, K. (June 12, 2017). Measuring Total Employer Cost of Compensation for Teachers in Eight K-12 Public Schools in Oregon, Washington, and Idaho: A Feasibility study and Discussion of Key Findings. Portland, OR: Portland State University, Center for Public Service.

provide benefits is not practicable for this study. The projections include an assumption that the state will need to cover 100% of fringe benefits for both existing and new child care staff.

Support Infrastructure

A statewide child care system will need a strong infrastructure to ensure that all children receive high-quality instruction and care in a safe environment. The study of Virginia's child care system build-out indicated that **21.8% of the total system cost** was to fund the Quality and System Infrastructure needed to support the system.[39] Although in the first year, the primary investment is in existing teachers, the infrastructure costs are applied to reflect the fact that it takes time to build out an infrastructure and that infrastructure is required immediately to plan and coordinate the process. **Table 5** shows the estimated Step 1 costs for the first 3 years.

TABLE 5 –ESTIMATED PERSONNEL (STEP 1) COSTS- *YEARS 1-3*

		2025	2026	2027
Total number of Child Care providers[40]		10,410	14,613	18,816
Salaries Subtotal		$438,572,501	$808,382,508	$1,210,067,280
Fringe Benefits[41]				
	Health Ins rate	$16,165 /year	$16,165 /year	$16,165 /year
	Health Ins cost	$ 168,277,650	$ 236,219,145	$ 304,160,640
	Retirement % of salary	32.4%	32.4%	32.4%
	Retirement cost	$ 287,874,924	$ 416,329,614	$ 555,370,815
	PTO % of salary	10.4%	10.4%	10.4%
	PTO Cost	$ 92,404,296	$ 133,636,666	$ 178,267,175
Benefits Subtotal		*$ 548,556,870*	*$ 786,185,425*	*$ 1,037,798,630*
Personnel Subtotal (salary + benefits)		**$987,129,371**	**$1,594,567,933**	**$2,247,865,910**
Infrastructure	*21.8% of Personnel Subtotal*	*$215,194,203*	*$347,615,809*	*$490,034,768*
Step 1 Total Cost		**$1,202,323,574**	**$1,942,183,742**	**$2,737,900,678**

Payment Mechanism

The C5 Coalition partnered with graduate students from the Price School of Public Policy at the University of Southern California to study the child care crisis and provide recommendations. The research report is available upon request. One area of study was the mechanism through which the increase in compensation is provided – i.e. directly to providers, to employers, or to parents as child care tax credits. They considered factors such as feasibility, worker satisfaction, recruitment and retention and numbers of children enrolled. Their conclusion was for the *state to pay individual child care providers directly.* This is based upon the assessment that the mechanism had high degrees of feasibility,

[39] Osborne, C., Kresse, A., Skatter, N., Xu, N., Huffman, J., & Craig, S. (2023).
[40] Bureau of Labor Statistics (May 2023). Occupation Code BLS-25-2011 (preschool teachers) and BLS-39-9011 (child care workers).
[41] Portland State University (June 12, 2017). *Measuring Total Employer Cost of Compensation for Teachers in Eight K-12 Public Schools in Oregon, Washington, and Idaho: A Feasibility study and Discussion of Key Findings Total Compensation Report.* Portland, OR.

worker satisfaction and recruitment and retention when compared to the other options.[42] Another option is to consider expansion of the direct pay process currently used in the Employment Related Day Care (ERDC) system. Funding can also be conveyed through tax credits, tuition reimbursements and student loan payments or forgiveness. An important consideration is the visibility of the funding, because the intent is to increase interest in the profession. Salaries are arguably the most visible payment mechanism.

Step 2: Make Child care *Available* for All

Expand the number of child care programs

Step 1 provides financial benefits to the individual child care providers and not child care employers, many of whom may continue to struggle to make ends meet. This must be addressed as soon as possible to provide employment for the new individuals entering the profession. If not, the lack of opportunity could chill interest and slow or inhibit expansion. Increased tax revenue from Step 1 will greatly assist as it can be reinvested to create an essentially self-sustaining system financially. This is considered Step 2 sequentially, primarily because of the time required for new child care providers to seek the requisite certifications. Step 1 must therefore be started first to get providers in the education pipeline right away.

Increasing the capacity of the current system will require provision of the remaining three cost categories: facilities, operations and support infrastructure. It is critical that the system be rolled out in a manner that maintains high levels of safety and health protections for all children. Additionally, many of the providers will likely be new and therefore will require a great deal of support developing their business practices. Existing providers may also experience strain due to the rapid expansion. This should be anticipated, and strong supports put in place to ensure high quality services, protection of children and protection of the investment being made by all Oregonians.

TABLE 6 – NUMBER OF NEW FACILITIES NEEDED

Type of Facility	**Current number of Facilities**
Certified Centers	1,382
Certified Family	1,062
Registered Family	1,199
Afterschool sites	1,211
Total sites	4,854
Total children served	190,754
Average children per site	39.3
Children still needing care	253,951
Number of additional facilities needed	6,462

[42] Xu, K., Wang, M., Kadir, Y. & Lu, Y. (2024) Child Care Crisis in Clackamas County, Oregon. [Unpublished Student Project]. Los Angeles: University of Southern California, Sol Price School of Public Policy.

Operating Costs

The basis for estimating operating costs was a 2023 report on a study conducted by RAND Corporation, a leading research company, to inform the state of Vermont's child care system expansion. **Table 7** displays these costs in 2025 dollars. Note that the transportation costs generated by the Vermont study were increased to $1,400 per student based on actual costs in Clackamas County.

TABLE 7 – OPERATING COSTS

Operating Cost	Cost[43]	Per
Professional development	$253.70	Per staff
Classroom materials and supplies	$317.00	per child
Food and food prep	$1,830.98	per child
Kitchen supplies	$69.74	per child
Transportation	$1,400.00	per child
Rent, lease, mortgage	$20.30	sq ft
Utilities	$6.21	sq ft
Building insurance	$2.54	sq ft
Maintenance, repair, cleaning	$5.20	sq ft
Office and medical supplies	$140.75	per child
Office equipment	$71.00	per child
Insurance (liability, accident)	$158.50	per child
Curricular, assessment, screening	$91.30	per child
Advertising	$29.17	per child
Phone and internet	$6,479.41	Per site
Transportation	$319.08	Per site
Audit and legal fees	$4,320.03	Per site
Fees and permits, licensing, accreditation	$3,068.53	Per site
Professional memberships	$88.76	per child
Administrator Salary (centers only, 38% of sites)	$92,489.26	Per site
Fringe Benefits	$43,548.40	Per site

The annual operating cost projections also assume a 10-year build-out starting with the current number and increasing an equal amount each year until the full need is met. The current number of children 0-4 being served is 109,214[44] and the current number of children ages 5-18 receiving care is 81,540.[45] The 210,330 total number children 0-4 needing care was based on census data.[46] In other words, it was assumed that all parents of children ages 0-4 in the state would utilize child care. This was done in

[43] Karoly, L.A., Strong. A., Doss, C.J. (2023). Vermont Early Care and Education Financing Study: Estimated Costs, Financing Options and Economic Impacts. Santa Monica: RAND Corporation. Converted from 2022 dollars to 2025 dollars.

[44] Oregon Department of Early Learning and Care (DELC) Dashboard.

[45] Afterschoolalliance.org (2020).

[46] Data.census.gov

recognition that there is no usage data related to universally available child care in the U.S. The number of children 0-4 still needing child care is then 101,116.

The Afterschool Alliance calculated in 2020 that 81,540 children ages 5-18 participated in afterschool and/or summer child care. They also estimated that 234,375 additional children ages 5-18 would participate in afterschool care and/or summer programs, if available.[47] *The total number of children being served is then 190,754 and those still needing child care is 253,951* (101,116+234,375). Again, the annual addition of children is 10% or 25,395.

Generating the number of new sites needed involves estimating the total number needed and removing existing sites. Oregon currently has 4,854 child care sites for children ages 0-12 (3,643 preschool sites[48] and 1,211 after school sites[49]). Taking the total children and dividing by the number of sites produces an average of 39.4 children per site, which suggests that Oregon will need approximately 6,462 new child care sites to meet the full demand for services. This is 642 new sites per year over 10 years.

Capital Improvements

The operating costs include the ongoing costs of facilities, such as rent, mortgage, utilities, etc., but do not include the initial cost of new buildings or the renovation of facilities to meet licensing requirements. Based on the direct experience of providers in Oregon, this is estimated to average $300,000 for each new site.

Support Infrastructure

Similar to Step 1, a strong infrastructure is required to implement to fund the Quality and System Infrastructure for Step 2. An estimated cost of 21.8% of the total system cost was needed to support the system.[50] Oregon has strong networks of state-funded Early Learning Hubs and Child Care Resource & Referral (CCR&R) agencies that can provide the necessary support for fully building out the child care system. These systems span the entire state and are engaged with parents and providers who ensure they have a solid understanding of the dynamic and ever evolving needs of families in their communities. This dispersed infrastructure greatly increases the number of potential mechanisms to address the child care shortage. For instance, if it is decided that the best approach is to contract with each child care provider in the state to supplement salaries, the volume of contracts could easily overwhelm the state's capacity to manage. Due to the volume of new providers being established and the continued needs of existing providers, a strong local component of the statewide support system is highly recommended.

Step 3: Make Child care *Affordable* for All

Limit Family Child care Contributions

In Steps 1 and 2, child care will be made more available for parents. However, the cost required of parents is still more than many can afford. Using the In Oregon in 2020, a family earning the median income family had to pay 16% of that income for child care for each child aged 0-5. A family earning 50% of the median income had to pay 32% of their income. A married couple pays an average of 13% of their

[47] Afterschoolalliance.org (2020).
[48] Oregon Department of Early Learning and Care (DELC) Dashboard.
[49] OregonASK (Mar 2021). Afterschool in Oregon: Return on Investment.
[50] Osborne, C., Kresse, A., Skatter, N., Xu, N., Huffman, J., & Craig, S. (2023).

income on child care while single-parent families pay an average of 28%.[51] This high cost is a major reason many parents do not return to work as it drastically reduces the economic benefits of doing so. For this reason, the federal government recommends capping a family's child care expenses at 7% of the family's income regardless of the number of children and fully waiving copayments for families at or below 150% of the federal poverty level (FPL).[52] Note that the costs of limited copays are included for families only up to 500% FPL. This was solely for purposes of generating cost projections, which become much more complex beyond that income level. The C5 recommendation is to limit payments for all families to prevent them from paying more than 7% of their income. **Table 8** displays the calculations for the average cost of child care per child, which is required to determine family copay amounts. **Table 9** provides an example to help illustrate applying the proposed 7% for families at 400% of the 2024 federal poverty level.

TABLE 8 - CHILD CARE COSTS IN OREGON

Category	Annual Cost (2024 $)	Number of Kids	Total
Infant-toddler care (ages 0-2)	$11,623[53]	105,165[54]	$1,222,325,567
Preschool (ages 3-4)	$11,278[55]	105,165[56]	$1,186,059,573
Child care for ages 5-12	Summer: $2,640[57] School year: $8,564[58]	234,375[59]	$2,707435,244
		Weighted annual avg per child	**$11,504**
		Monthly avg per child	**$959**

TABLE 9 - FAMILY CO-PAY LIMITATIONS

Persons in Family	400% of Federal Poverty Level Income	Monthly Income	10%	7%
1	$60,240.00	$5,020.00	$502.00	$351.40
2	$81,760.00	$6,813.33	$681.33	$476.93
3	$103,280.00	$8,606.67	$860.67	$602.47
4	$124,800.00	$10,400.00	$1,040.00	$728.00
5	$146,320.00	$12,193.33	$1,219.33	$853.53

[51] www.childcareaware.org
[52] The White House (July 11, 2023). FACT SHEET: Vice President Harris Announces Actions to Lower Child Care Costs and Support Child Care Providers.
[53] Department of Labor (2023). Childcare Prices by Age of Children and Care Setting. Washington D.C.
[54] Data.census.gov
[55] Department of Labor (2023).
[56] Data.census.gov
[57] Novoa, C. (June 11, 2018). Families Can Expect to Pay 20 Percent of Income on Summer Child Care. Center for American Progress.
[58] Department of Labor (2022). Childcare Prices by Age of Children and Care Setting. Washington D.C.
[59] OregonASK (Mar 2021).

6	$167,840.00	$13,986.67	$1,398.67	$979.07
7	$189,360.00	$15,780.00	$1,578.00	$1,104.60
8	$210,880.00	$17,573.33	$1,757.33	$1,230.13

TABLE 10 – TOTAL ESTIMATED COST CALCULATIONS- *YEARS 1-3*

Cost	2025	2026	2027
Step 1- Educators	$1,202,323,574	$1,942,183,742	$2,737,900,678
Step 2 – Facilities & Operations	$493,878,079	$756,041,123	$1,033,712,550
Step 3 – Family payment cap	$1,342,844,910	$1,568,458,078	$1,794,071,246
Total	**$3,039,046,563**	**$4,266,682,943**	**$5,565,684,475**

Table 10 presents the final cost calculations for the first 3 years. Note that infrastructure costs at 21.8% was also added to the Step 3 costs.

Potential Sources of Funding

The U.S. still lags behind other nations in funding comprehensive child care, though awareness of the need is rapidly growing. The scale of funding needed may seem daunting, but it is consistent with public spending on child care in other developed nations. Globally, public funding for child care enjoys broad approval because its value and benefits are widely recognized. The pandemic and its aftermath brought the need for child care to the forefront for many families and small business owners facing labor shortages. It also offered a glimpse of what is possible with temporary federally funded child care investments. We can build on this political momentum by emphasizing the necessity and value of child care, rather than getting bogged down in funding mechanisms. In short, the question of whether to make the necessary investments must be answered before addressing how to fund them.

Uplifting young families and strengthening the workforce are non-partisan issues, and legislators from both parties, representing all regions of Oregon, have named child care a priority. Revenue generation options are finite. While there is innovation, there are no real surprises when looking at countries with well-funded child care systems. They use a combination of sources, including federal support. An examination of the funding models of countries that have well-funded child care systems would provide valuable insight when we reach the question of *how* to fund the services.

Many countries, like France, have national taxes specifically earmarked for child care. Others require employer contributions, which may be mandatory or incentivized. In Australia, responsibilities are shared between federal and state governments, with the federal government supporting family payments and states funding child care providers. Japan has integrated child care into its social insurance programs, similar to Social Security and Medicaid in the U.S.[60]

[60] The Japan Times (2023). Japan announces outline of 'unprecedented' child care policy .

Conclusion

The cost of the child care crisis continues to grow and exerts great burdens on families and constraints on business growth and the economy. Efforts to solve the problem in a piecemeal fashion have not been successful. The comprehensive solution presented here for a statewide system takes into account the interconnectedness of the various system components (staffing, facilities, family costs) and the scale needed to meet the needs of all Oregon families. While the projected cost is substantial, the benefits are even greater. And it is becoming clearer that the scale of the solution presented is likely the only way to successfully resolve the child care crisis in Oregon and across the nation.

The primary purpose of this study is to make a case for substantial funding to build out a statewide child care system. This is clearly a complex endeavor involving myriad important decisions about which people are understandably passionate. The authors wish to reinforce their call to support the big picture need for substantial government funding recognizing that many of the details can be discussed and negotiated at a later time. The only way an endeavor of this magnitude will be successful is by maximizing support – putting differences on the backburner and focusing on where there is agreement.

Call to Action

The C5 coalition is under no delusion that this achieving the vision presented in this paper will be either quick or easy. However, it is believed to be the only way to truly meet the child care needs of all Oregonians. Achieving this change will require a groundswell of support from all corners of society. This support needs to be conveyed to state and federal policy makers to encourage the development and funding of a statewide system.

The next phase along this path is helping people realize and accept the reality that child care is a core component of our state's infrastructure that has been woefully underfunded imposing significant social and economic costs on all of us. Many, if not most other developed countries have already reached this conclusion, and several U.S. states are ahead of Oregon along that path. Furthermore, while short-term improvements are necessary and should be supported, the only way to truly resolve the crisis is through a comprehensive and substantial funding approach.

We need decision makers to know who supports these ideas or at least the need to discuss significant action. The website below has a place for supporters to include their name and/or the name of their organization to indicate support. Please add your name and encourage others to do so as well. This will require all of us, and the more people we have involved, the sooner Oregon will be able to build the statewide child care system that we all need.

For more information or to indicate your support this effort, please visit:
www.ClackamasChildCareCoalition.org

We support the goals and principles outlined in this paper and request that policymakers engage in discussions to explore the best ways to achieve them:

Ronna Idzenga, Director of Development, Cutting Edge Credit Union

Simon Fulford, Executive Director, Parrott Creek

James N Graham, CEcD

City of Wilsonville

Will Anderson, Milwaukie City Councilor

Lisa Batey, Mayor, City of Milwaukie

Brenda Davis, Treasure Valley Children's Relief Nursery, Malheur County

Larry Didway, Superintendent, Clackamas ESD

Michael Milch, Gladstone Mayor

Kristin Akervall, Council President, Wilsonville City Council

Denyse C. McGriff, Mayor, City of Oregon City

Early Learning Hub of Clackamas County

Julie Fitzgerald, Mayor of Wilsonville

Janet Mann, Prince of Life Lutheran Church, Oregon City

Bridget Dazey, Clackamas Workforce Partnership

Providence Willamette Falls Medical Center

Julie Syring, Todos Juntos