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Fact Sheet
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The Income Eligibility Limit for California's Child Care and Development System Remains Outdated

California's subsidized child care and preschool programs provide no-cost or fee-based services to well over 250,000 children from low- and moderate-income families. These early care and education (ECE) services prepare children for school, help families achieve economic security, and mitigate the harmful effects of poverty. A major factor in determining whether families qualify for subsidized services is the income eligibility limit, which is calculated as a share of the state median income (SMI).[1] However, California has not updated this limit since 2007-08, when it was based on the SMI from *2005*. In fact, in 2011 state policymakers actually *lowered* the income limit from 75% to 70% of the 2005 SMI, where it remains today.

Because the state has failed to increase the income limit, families lose access to subsidized ECE services sooner than they would if the limit were set higher. For example, a family of three loses eligibility for child care assistance when their adjusted monthly income exceeds $3,518 per month ($42,216 annually).[2] This income limit is *less than 60%* of the most recent SMI for a family of three, which is from 2014.[3] If the income limit were updated to reflect 85% of the 2014 SMI, as proposed in Assembly Bill 2150 (Santiago), a family of three could continue receiving subsidized child care up to a monthly income of $5,010 ($60,122 annually) – more than 40% higher than the current income limit.[4] Even with a pre-tax monthly income of around $5,000, many families would consider the loss of subsidized child care to be a financial hardship, since the cost of privately purchased care could consume more than one-fifth of their income. However, these families would be better able to absorb the full cost of care compared to families who currently lose assistance at much lower incomes.

Assembly Bill 2150 Would Increase the Income Eligibility Limit for Subsidized Child Care and Development Services by Over 40 Percent

Current Income Limit for a Family of Three (70% of 2005 State Median Income)*		Proposed Income Limit in 2016-17 Under AB 2150 (85% of 2014 State Median Income)**		Dollar Increase		Percent Increase	Current Income Limit as a Percentage of 2014 State Median Income for a Family of Three ($70,732)
Monthly	Annual	Monthly	Annual	Monthly	Annual		
$3,518	$42,216	$5,010	$60,122	$1,492	$17,906	42.4%	59.7%

* Reflects the state median income for a family of three as determined by the California Department of Education based on US Census Bureau data.
** Reflects the state median income for a family of three as determined by the US Census Bureau. See note #4 for a summary of AB 2150's proposed income eligibility policy.
Source: California Department of Education and US Census Bureau, American Community Survey data

State policymakers' recent decision to increase California's minimum wage to $15 per hour in the coming years reinforces the need to update and annually adjust the income eligibility limit for subsidized ECE services.[5] Raising California's wage floor will significantly boost low-wage workers' incomes in a relatively short period of time. If the income limit for ECE services remains frozen, many families' incomes will exceed the limit sooner than would otherwise be the case, raising the prospect that these families will lose eligibility for subsidized child care or preschool before they are financially stable.[6]

Families who prematurely lose eligibility for subsidized ECE services face difficult choices. Some parents might reduce their work hours or turn down a promotion in order to limit their income and, in turn, maintain eligibility. However, this might not be an option for all families. For example, those who lose subsidized child care might seek out less expensive and potentially less stable arrangements. Other parents might leave the workforce and turn to the CalWORKs welfare-to-work program for both child care assistance and help with basic living expenses.

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1 Families generally must meet the same income guidelines applicable to child care to qualify for state preschool. However, state law allows up to 10% of families in the state preschool program to have incomes up to 15% above the income eligibility limit, but only after all other eligible children have enrolled.

2 For the purpose of determining income eligibility for California's child care and development programs, a family's "adjusted monthly income" includes gross wages or salary along with other sources of income, such as child support, foster care grants, and rent payments for a room within the family's home. Certain income is excluded in assessing a family's eligibility, such as SSI/SSP benefits, adoption assistance payments, grants to students for educational purposes, and tax refunds. See California Code of Regulations, Section 18078.

3 US Census Bureau, American Community Survey, Table B19119.

4 AB 2150 would implement a two-tier income eligibility policy for subsidized ECE services. For the purpose of establishing *initial* eligibility, a family's adjusted monthly income would have to be at or below 70% of the most recent SMI for families of the same size. The income threshold for assessing *ongoing* eligibility would be set at 85% of the most recent SMI for families of the same size. Federal regulations allow states to set their income eligibility thresholds at any level up to 85% of the SMI.

5 Senate Bill 3 (Leno, Chapter 4 of 2016) will gradually raise the state minimum wage from $10 to $15 per hour over the next six to seven years, or potentially longer depending on the condition of the economy and the state budget. For an in-depth discussion of the minimum-wage increase, see Alissa Anderson and Chris Hoene, *California's $15 Minimum Wage: What We Know and Don't Know* (California Budget & Policy Center: April 13, 2016).

6 For a discussion of the potential impacts of the minimum-wage increase on California's subsidized ECE services, see Scott Graves, *A Rising Minimum Wage Reinforces the Case for Boosting Investment in California's Child Care and Development System* (California Budget & Policy Center: April 25, 2016).