



California Budget  
& Policy Center

# Child Care and Development Programs in California:

## Key Context and Current Issues

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WOMEN'S FOUNDATION OF CALIFORNIA

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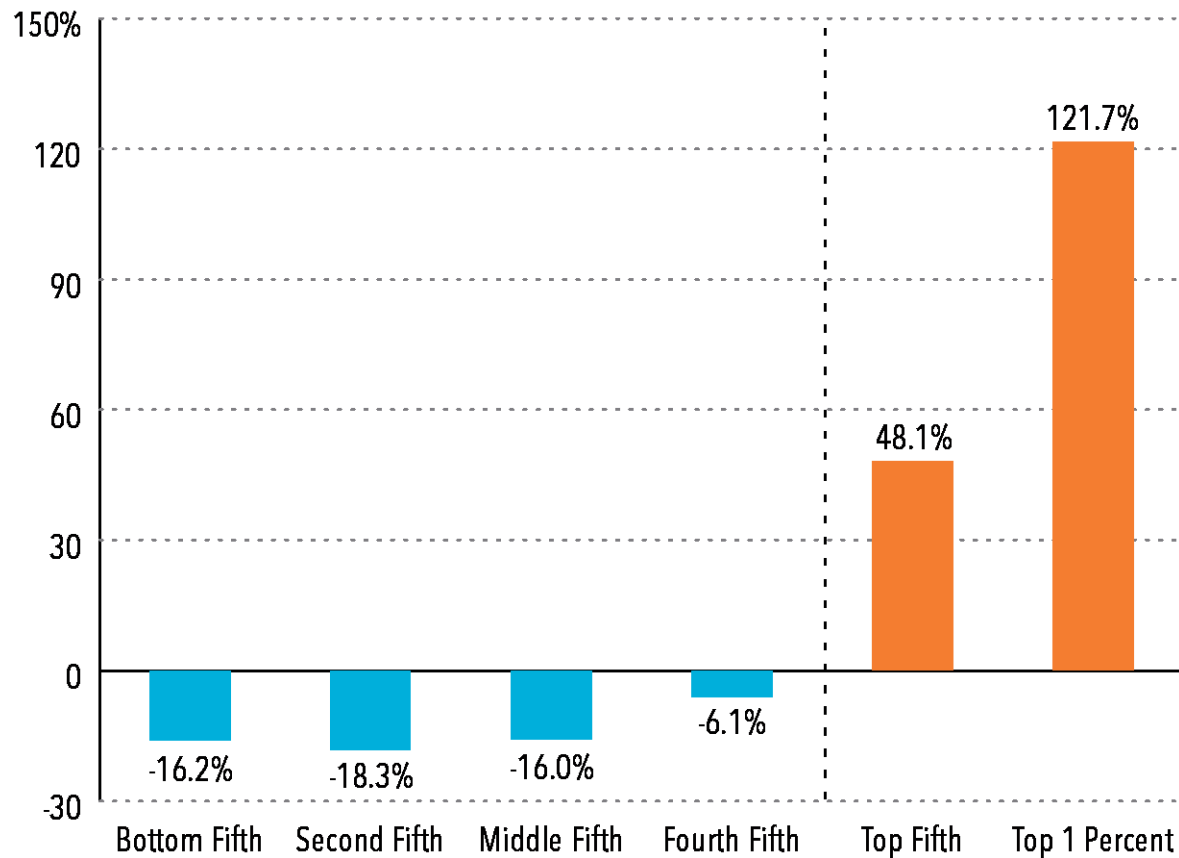
[calbudgetcenter.org](http://calbudgetcenter.org)

**California's economic recovery continues, but millions are still not sharing in the state's economic gains.**



# Only California's Wealthiest Saw Increases in Average Income Over the Last Generation

Percent Change in Average Adjusted Gross Income (AGI), 1987-2014, Inflation-Adjusted

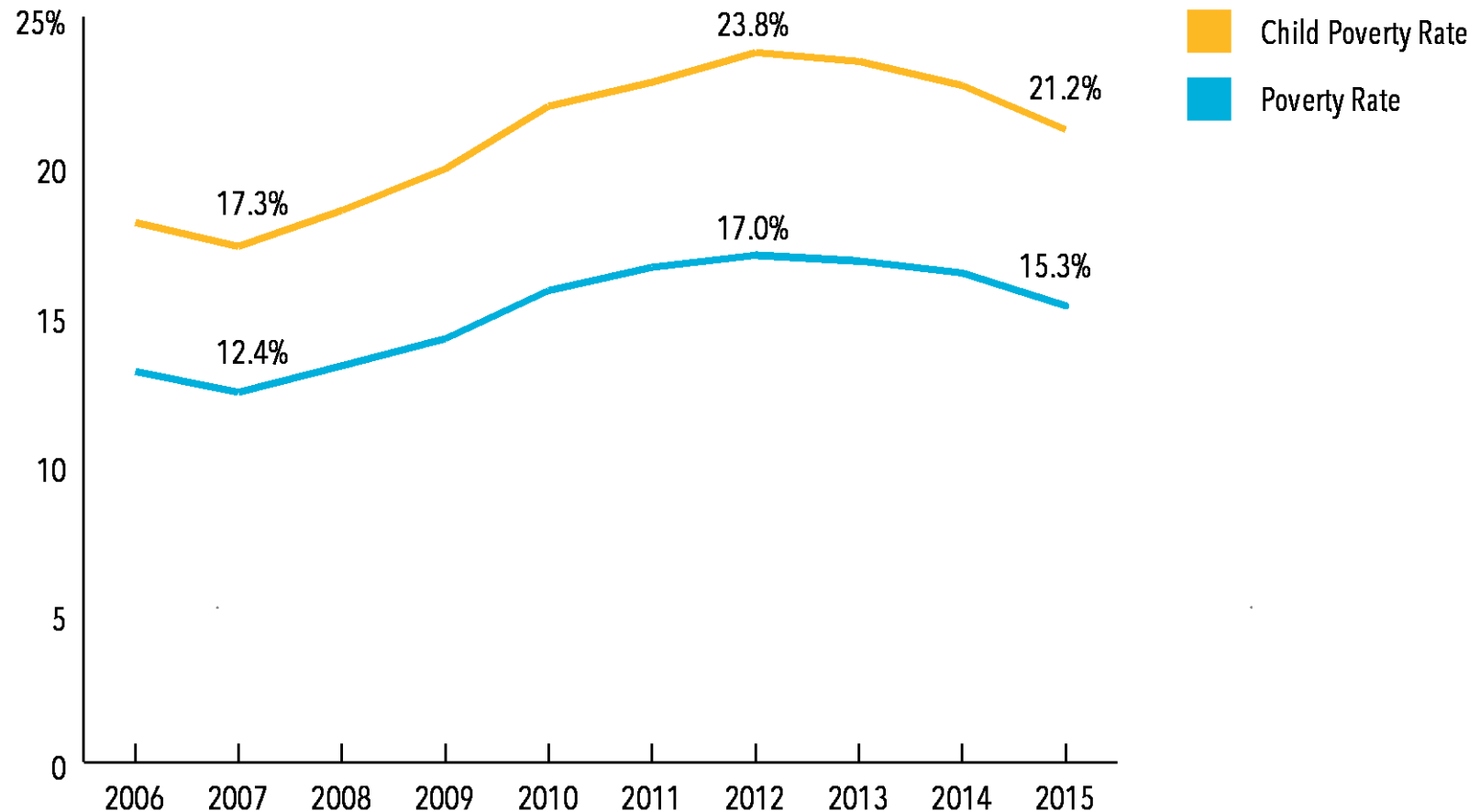


Source: Franchise Tax Board



# Although Poverty Declined in 2015, Many People Are Still Not Sharing in California's Recent Economic Gains

## Percentage of Californians With Incomes Below the Federal Poverty Line



Source: US Census Bureau, American Community Survey



# Growing Up in Poverty Limits Opportunities for Children to Reach Their Full Potential

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- The longer a child lives in poverty, the less likely they are to:
  - Complete high school.
  - Attend college.
  - Be consistently employed in their early adult years.
- Quality child care and preschool programs can help to mitigate the effects of poverty leading to:
  - Positive, long-lasting effects on academic achievement.
  - Improved long-term health.
  - Reduced need for safety-net programs.
  - Less involvement with the criminal justice system.



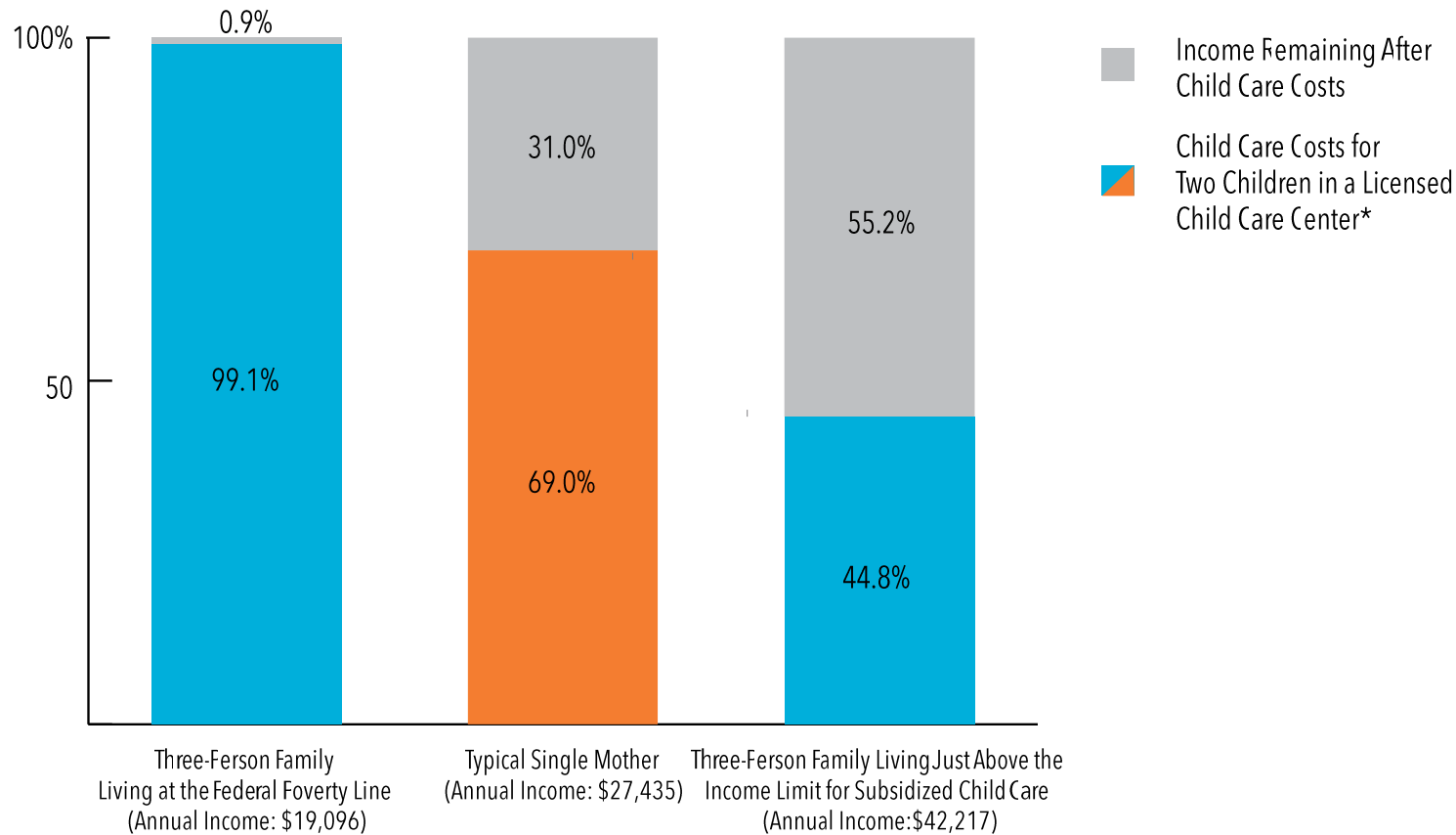
# **Affordable child care and preschool helps families make ends meet.**

**Without access to affordable care, many families face difficult choices about where to leave their children while the parents are working.**



# The Typical Single Mother Would Have to Spend More Than Two-Thirds of Her Income to Cover the Cost of Child Care

## Child Care Costs for an Infant and a School-Age Child as a Share of Family Income, 2015



\*Cost of care in California in 2014 (full-time for an infant and part-time for a school-age child) adjusted for inflation. Costs are based on counties' median cost of care weighted to reflect each county's population of infants and school-age children.

Source: Budget Center analysis of data from the 2014 Regional Market Rate Survey, Department of Finance, and US Census Bureau



**State budget cuts have weakened key services and supports that help families achieve economic security.**

**Many of these programs continue to be funded below pre-recession levels.**





# Cuts Made to Child Care and Preschool During and After the Great Recession

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State policymakers:

- Cut funding for child care and preschool programs by about \$1 billion – nearly one-third of their entire budget.
- Eliminated 110,000 slots – about one-quarter of total.
- Failed to update the Regional Market Rate (RMR) or the Standard Reimbursement Rate (SRR) for many years.
- Cut license-exempt provider payment rates from 90% to 60% of licensed rates.
- Failed to update the income limits for current data and even *lowered* income eligibility from 75% to 70% of state median income.



# Reinvestments Made to Child Care and Preschool in Recent Years

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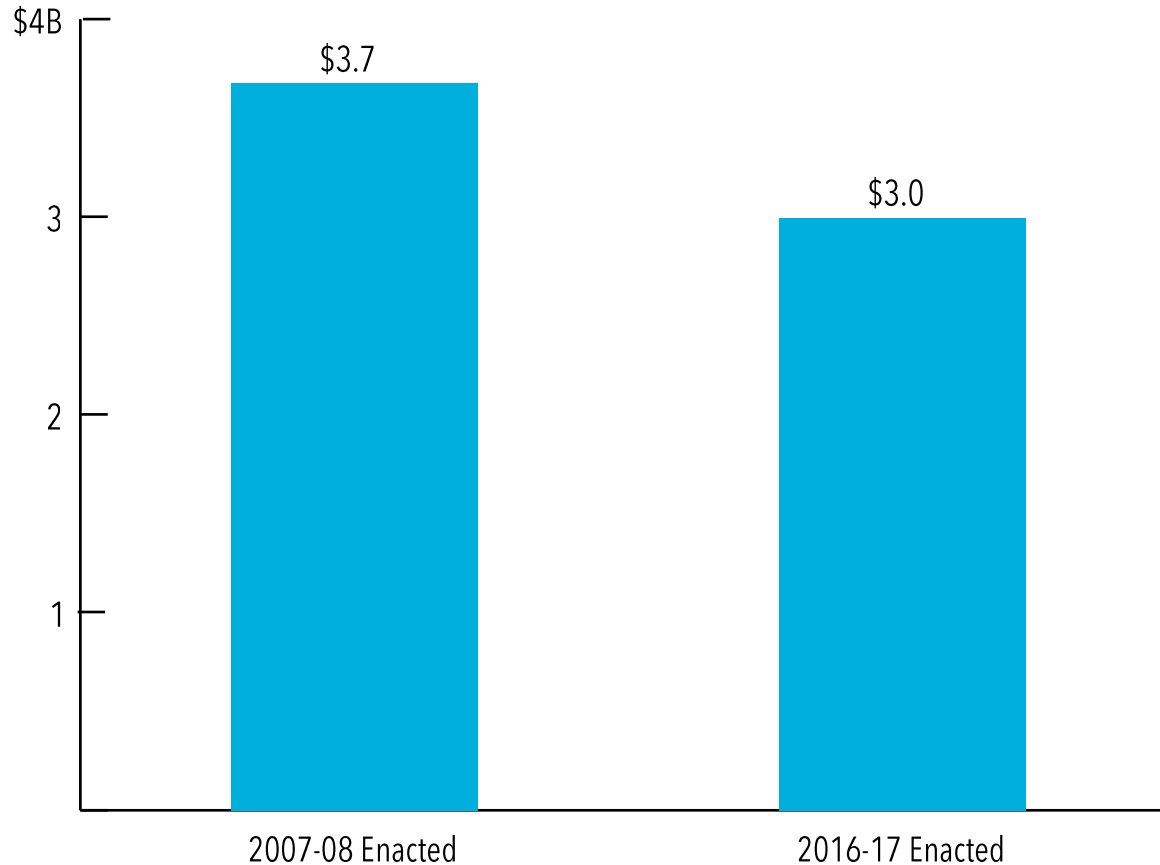
Since 2012, a total of \$714 million (\$432 Prop. 98) has been reinvested in the system. State policymakers have:

- Restored 11,500 full-day preschool slots and 1,500 child care slots, incrementally increased both the RMR and SRR, and funded quality improvement grants in 2014-15.
- Restored 7,030 full-day preschool slots, 2,500 part-day preschool slots, and 6,800 child care slots; incrementally increased the RMR and SRR; and provided one-time funding for infant QRIS in 2015-16.
- Restored 2,959 full-day preschool slots and boosted both the RMR and the SRR in 2016-17.



# Annual Funding for Child Care and Preschool Remains More Than 20 Percent Below the Pre-Recession Level

Total Funding for Subsidized Child Care and Preschool in California, Inflation-Adjusted



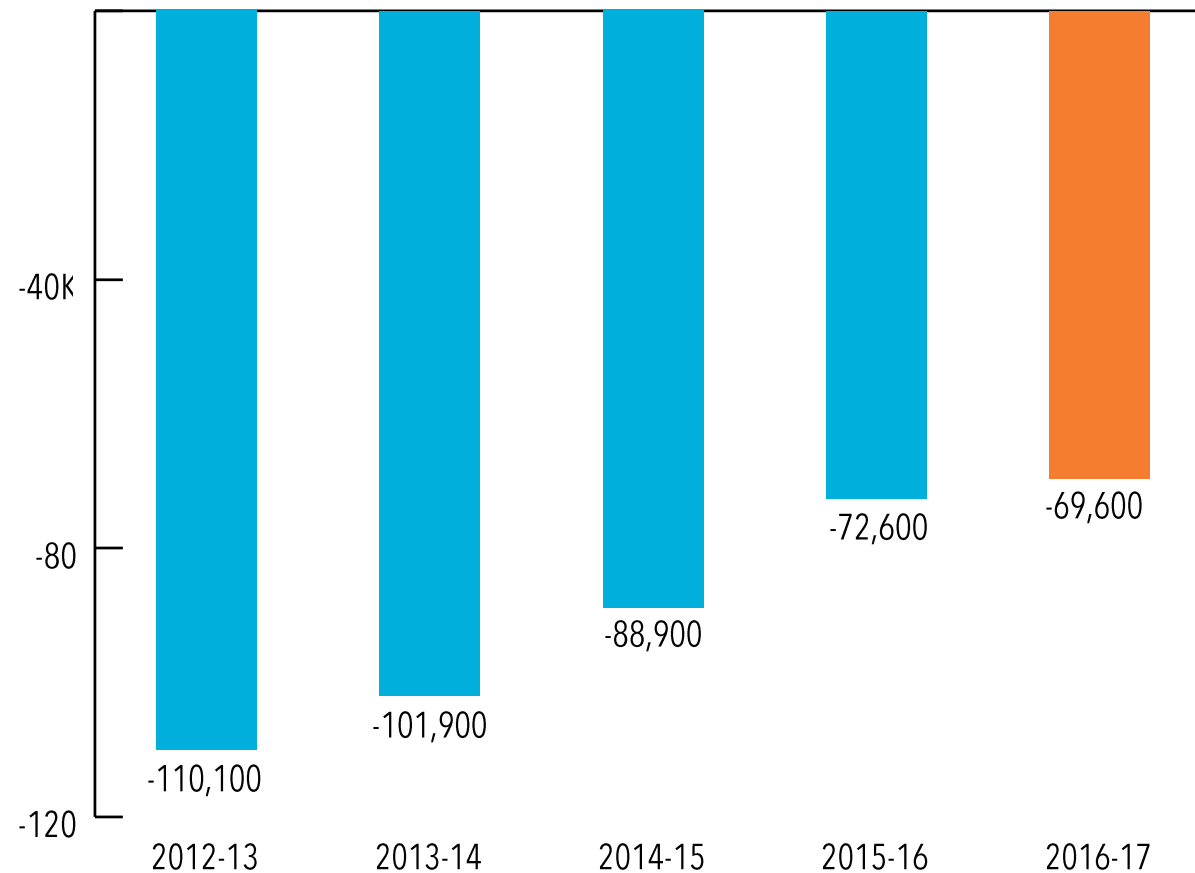
Note: Figures are in 2016-17 dollars and include federal and state funds for slots as well as for quality and support programs. Child care includes CalWORKs and non-CalWORKs programs. Preschool does not include Transitional Kindergarten.

Source: California Department of Education and Department of Finance



# Even With Recent Progress, California Has 70,000 Fewer Child Care and Preschool Slots Than in 2007-08

Annual Number of Subsidized Child Care and Preschool Slots, Compared to 2007-08



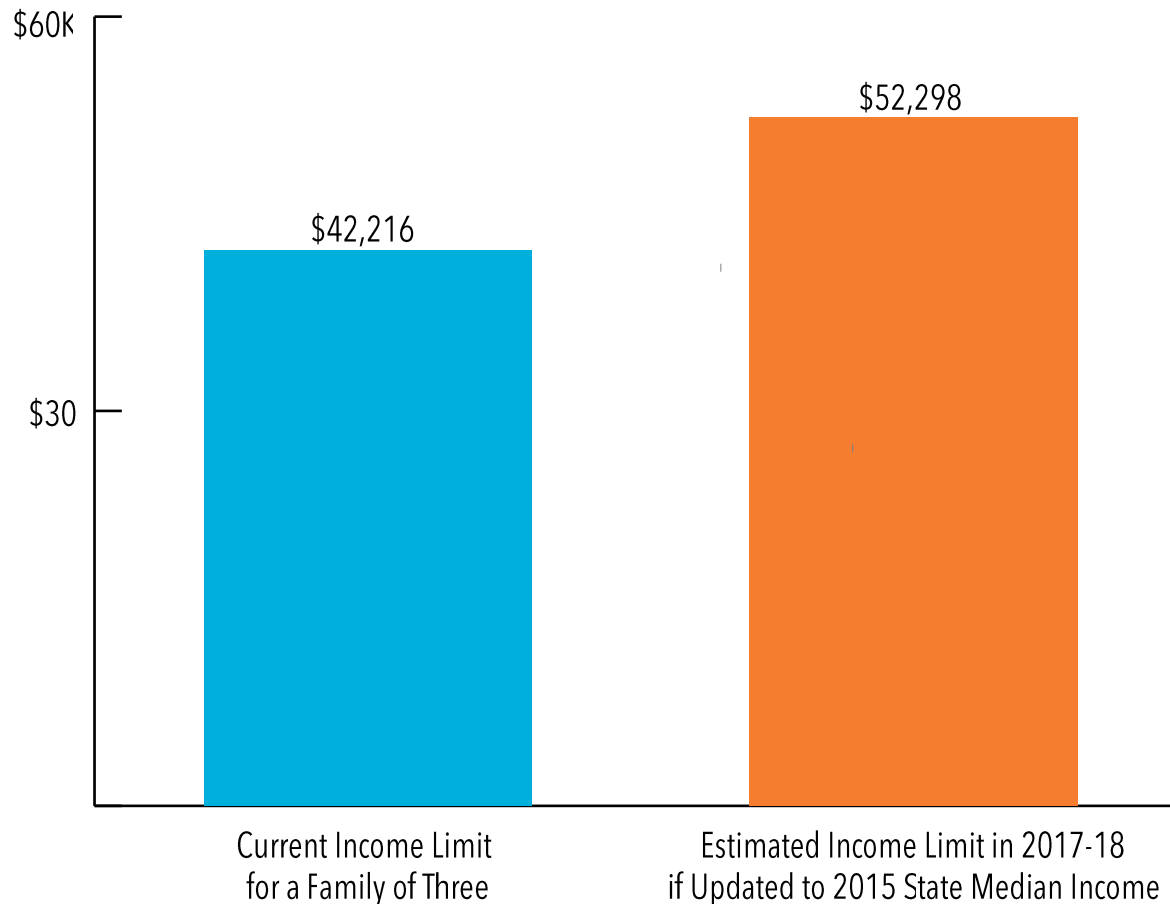
Notes: Child care includes CalWORKs and non-CalWORKs programs. Slots include those funded with federal and/or state dollars.

Source: Budget Center analysis of Department of Finance and Legislative Analyst's Office data



# The Income Eligibility Limit Would Increase by 24 Percent if Updated for the Most Recent State Median Income

## Income Limit for a Family of Three for Subsidized Child Care and the State Preschool Program



Note: The estimated income limit for 2017-18 is based on the state median income for a four-person family in 2015, adjusted to reflect a three-person family using the methodology applied by the California Department of Education (CDE) as part of the latest update to the income limit in 2007-08. Source: Budget Center analysis of data from CDE and US Census Bureau



**CalWORKs provides modest cash assistance to families while helping parents find and keep jobs.**

**About 1 million California children receive assistance from CalWORKs.**



# Cuts Made to CalWORKs During and After the Great Recession

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State policymakers have:

- Cut grant levels by 8%, decreased the earned income disregard, and eliminated the cost-of-living adjustment.
- Rolled back the time limit for adults from five years to four years and required more stringent work requirements in the final two years.
- Implemented a welfare-to-work exemption for certain parents of young children.
- Eliminated all funding for Stage 3 child care, subsequently restored funding, but funded it at a level insufficient to enroll all qualifying families.



# Reinvestments Made to CalWORKs in Recent Years

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Since 2012, a total of \$921 million has been reinvested in CalWORKs. Policymakers have:

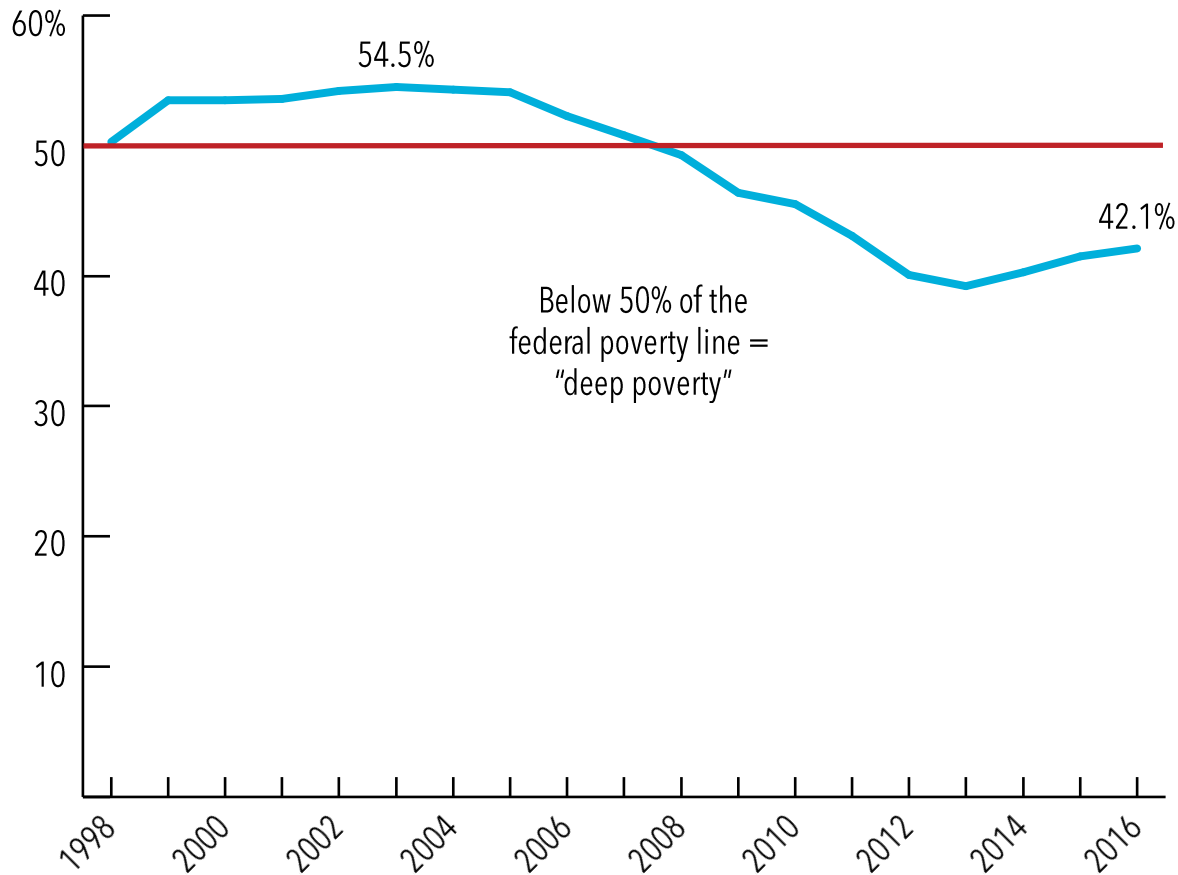
- Increased grant levels by 5%, restored the earned income disregard, and increased the vehicle asset limit to \$9,500 in 2013-14.
- Increased grant levels by 5%, funded housing stability programs, and extended eligibility for CalWORKs to drug felons in 2014-15.
- Boosted funding for the CalWORKs Housing Support Program in 2015-16.
- Eliminated the Maximum Family Grant (“family cap”) rule and boosted grants by 1.43% in 2016-17.





# CalWORKs Does Not Provide Enough Support On Its Own to Lift Families With Children Out of Deep Poverty

## Annualized Maximum Grant for a Family of Three as a Percentage of the Federal Poverty Line



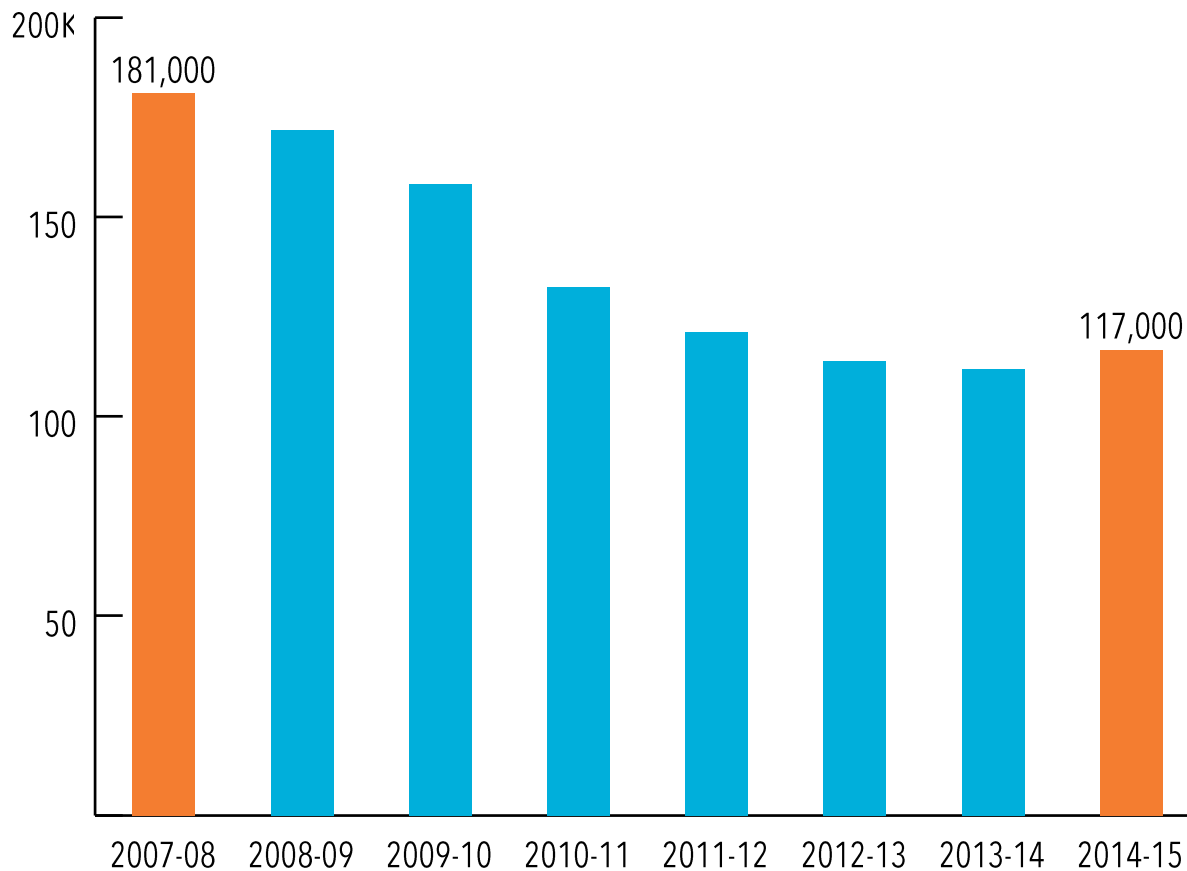
Note: Grants are for high-cost counties. The 2016 grant reflects a 1.43% increase scheduled for October 2016.

Source: Budget Center analysis of Department of Social Services, US Department of Health and Human Services, and US Social Security Administration data



# Enrollment in CalWORKs Child Care Remains More Than One-Third Below the 2007-08 Level

## Average Monthly Number of Children Enrolled



Note: Reflects CalWORKs Stages 1, 2, and 3 child care. Figures are rounded to the nearest thousand.  
Source: California Community Colleges Chancellor's Office, California Department of Education, and Department of Social Services



# Current Issues

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- The expiration of Proposition 30 could create a multi-billion dollar deficit resulting in cuts to state services AND make California's tax system even more regressive. Prop. 55 on the Nov. ballot would retain the key piece of Prop. 30: higher income tax rates on the wealthiest.
- The state minimum wage is scheduled increase through 2022. In order to mitigate the effects of a higher min. wage on families and providers, policymakers need to continue to boost payment rates AND update the income limit to ensure families don't lose access to care.
- Amidst ongoing budget constraints, it's important to continue to work toward expanding California's child care and development system in order to reinvest in the state's youngest and most vulnerable.



# **Budgets are not outcomes.**

**Budgets are tools for advancing our state's values and priorities, and reflect Californians' collective efforts to help strengthen our communities and ensure the continued vibrancy of our state.**





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