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HOW MANY CHILDREN NEED SUBSIDIZED CHILD CARE IN CALIFORNIA?

Legislators, policymakers, and child care advocates have been frustrated by a lack of accurate information on the number of children from working families in need of subsidized child care. This lack of information is the result of an inadequate system for collection and analysis of data on California's subsidized child care and development programs. In this paper, the California Budget Project (CBP) estimates the demand for and cost of providing assistance based on state and federal data sources.

Nearly 280,000 Eligible Children in Need of Child Care Assistance

The CBP estimates that 278,531 children need subsidized child care beyond the number that can be served with the funds allocated in the 2000-01 Budget Act. The estimate is based on an analysis of Census data from a recent report to the federal Department of Health and Human Services (HHS) that finds approximately 1.5 million California children were eligible for subsidized child care from 1995-1997.¹ This paper uses the 1.5 million figure as a baseline for estimating the number of children eligible for subsidized care in the year 2000 (Table 1).

Research on child care used by families enrolled in California's CalWORKs program indicates that no more than 50 percent of families use the subsidies to which they are entitled.² Others appear to manage or make due with the help of families and friends, or have work schedules or situations that permit parent care. After adjusting for the 50 percent use rate and for population growth, the CBP estimates that approximately 796,000 children are eligible for subsidized care and would be likely to use it if it were available to them.

To estimate the number of children in need of care, the CBP estimate subtracts the number of children who are currently served in state or federal child care subsidy programs. According to estimates prepared by the Department of Finance (DoF), state and federally subsidized child care programs will serve 589,000 children in fiscal year 2000-01.³ An additional 86,329 receive care in federally funded Head Start programs in California.

After adjusting for the number of children receiving care who may not be from working, low income families, we estimate that 517,421 eligible children receive the child care subsidy program they need.⁴ This means that approximately 65 percent of children in need of care are

¹ Abt Associates, *National Study of Child Care for Low-Income Families: State and Community Substudy*, Interim Report (November 2, 2000), Appendix 3.8. The estimate in the report to HHS is adopted from an Urban Institute micro-simulation model that tabulated children under age 13 in families where all parents work and where income does not exceed 75 percent of the state median, as adjusted by family size. In adopting this estimate, this paper assumes that the share of Californian families with working parents whose incomes are at or below 75 percent of the state median has not changed since the 1995-97 period.

² Bruce Fuller, et al, *Remember the Children: Mothers Balance Work and Child Care under Welfare Reform* (Graduate School of Education, PACE: Berkeley, CA: February 2000), pp. 74-76 and 100.

³ No accurate "head count" is available of children served in Department of Education subsidized child care programs. The Department of Finance estimate is based on total expenditures divided by average child care costs.

⁴ Our estimate adjusts for children served in programs that do not require families to be income eligible, and for income eligible

Table 1: Children in Need of Subsidized Care in California

Explanation of Estimate	Estimate
Average monthly count of California children eligible for subsidized care during 1995-97*	1,511,070
Adjustment for population growth: 1996-2000**	1,591,903
Total eligible children in need (assumes 50% utilization rate)	795,952
Total number of children estimated to be served in state and federal programs	675,329
Number served in After-School Partnership Program***	(97,500)
Adjustment for Head Start and State Preschool Programs****	(62,276)
Total number of children served from income eligible working families*****	517,434
Children from eligible working families who are not currently served and need child care	278,518
Percent of eligible children from working families currently served in subsidized child care	65%
Estimated cost to expand child care to the eligible population of children in need*****	\$1,648,241,952

*This estimate, developed by the Urban Institute, is from Abt Associates Inc., *National Study of Child Care for Low-Income Families*, Interim Report (November 2, 2000), Appendix 3.8.

**CBP calculations based on Department of Finance estimates

***Program is not means-tested and provides only a partial child care subsidy

****Assumes that one-third of Head Start and State Preschool parents need full-time child care

*****Includes an adjustment for 1,881 children estimated to be served by revenues generated from fees paid by currently served families.

*****Assumes half of children are served in centers with Standard Reimbursement Rates restored to 1981 purchasing power, and half of children served in AP/voucher programs at current rates. The estimate also assumes that child care fees paid by newly enrolled families will cover approximately 11 percent of costs.

being served by California's subsidized child care system in 2000-01. It should be noted that this figure may overestimate the percentage of children receiving assistance because it does not account for the increase in labor force participation of low wage parents since 1996, the increase in the number of parents who would join the work force if child care were more widely available, and the portion of children currently served by more than one child care program.⁵

Based on our estimate that 65 percent of children needing care receive it, approximately 278,531 children in families with incomes at or below the current eligibility limits are without the subsidized child care they need. Expanding services to these children would cost approximately \$1.65 billion annually, in 2000 dollars, a 55 percent increase over the 2000-01 total state budget for child care. Subject to the availability of state revenues, the Legislature and Governor should initiate a five- to ten-year plan to increase funding for the state's subsidized child care programs to serve all eligible children whose families wish to obtain care.

families who likely need full-day service but receive only part-day care. The adjustment for part-day care is based on the experience of one Southern California child care and Head Start agency, and assumes that one-third of families in part-day preschool programs both parents work and really need full-day child care. Accordingly, the estimate of children served in subsidized child care programs subtracts one-third of those estimated to be served in part-day programs (State Preschool and Head Start). In addition, the estimate for eligible children served subtracts the children estimated to be served in the After-School Partnership Program because that program does not limit enrollment to income eligible families and provides only partial funding for after-school programs. The adjustment for part-day programs may be conservative, because "(a)bout half of those who rely on Head Start indicate they need full-time, full-year child care." T. Berry Brazelton, et. al., *America's Child Care Crisis: A Crime Prevention Tragedy* (Washington, D.C.: Fight Crime: Invest In Kids, 2000), p. 14.

⁵ In addition, as discussed above, the adjustment for children served in part-day programs may undercount the number in need of full-time child care. On the other hand, it is possible that the child care utilization rate used for the calculations in this paper may be high, potentially leading to an overestimate of the number of eligible children who would use a child care subsidy if it were available. Adjusting for these factors is difficult in the absence of reliable data.