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Child Development Programs and the 2020-21 California State Budget



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The health and economic effects of the COVID-19 crisis are severe.

Changes to jobs, schools, and child care settings have been particularly disruptive for children, families, and the child care providers who are essential to California's economy and communities.



Federal Policymakers Responded to the COVID-19 Pandemic With Fiscal Relief in Spring 2020

- The Coronavirus Preparedness and Response Supplemental Appropriations Act included \$8.3 billion for federal, state, and local public health response efforts and loans for affected small businesses in March 2020.
- The Families First Coronavirus Response Act provided nearly \$200 billion for paid family leave, food assistance, and other items in March 2020.
- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided the largest amount of fiscal relief to date – approximately \$2 trillion – in April 2020.



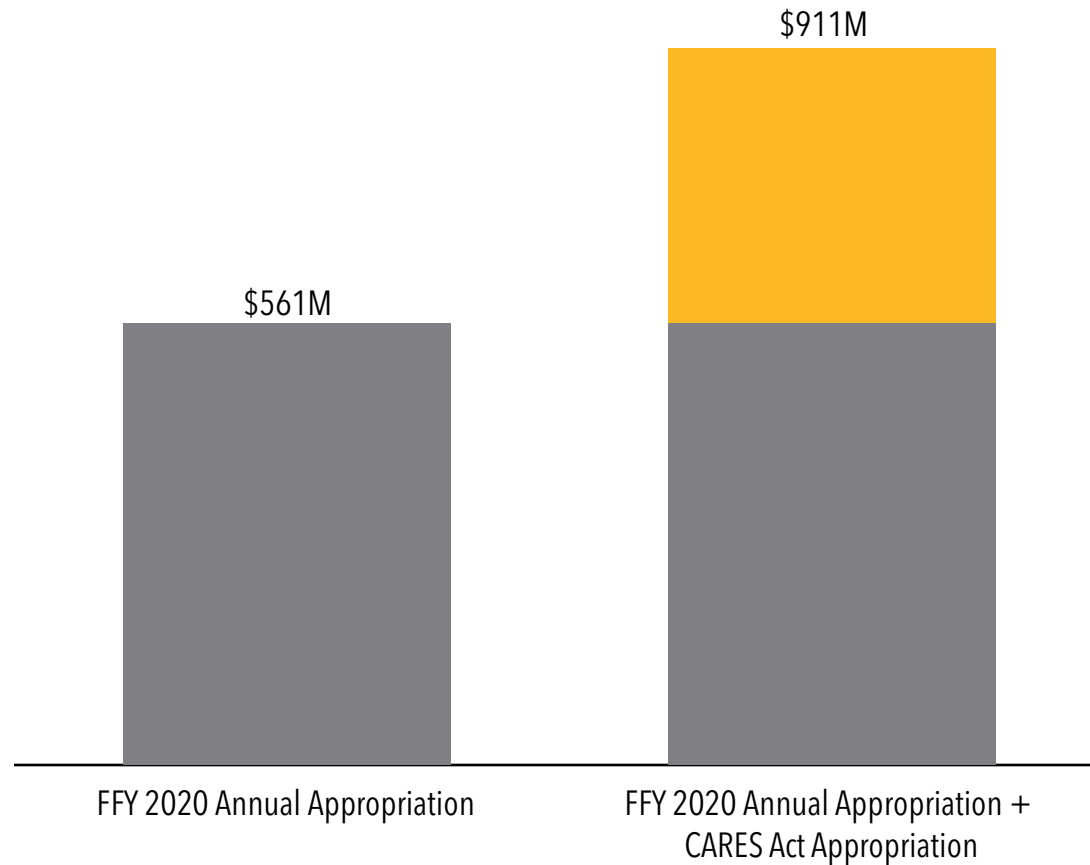
Early Care and Education Received Funding to Assist Providers, Workers, and Families

- \$3.5 billion in funding through the Child Care and Development Block Grant for child care for essential workers and/or to maintain child care programs, of which \$350 million was provided to California.
- \$750 million for the Head Start program to cover additional costs related to COVID-19 and to operate supplemental summer programs, of which \$78 million was provided to California.



Federal Dollars for Subsidized Child Care Increased by More Than 60% in California With One-Time CARES Act Funding

California Child Care and Development Block Grant Funding for Federal Fiscal Year (FFY) 2020



Note: The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020.

Source: Congressional Research Service



In Spring 2020, Governor Newsom Also Took Action to Support the Subsidized Child Care System

Using funds from Senate Bill 89 – emergency legislation enacted in March to fund COVID-19 response efforts – the Governor allocated:

- \$50 million for 20,000 limited-term subsidized child care spaces – prioritizing essential workers who earn lower wages and certain at-risk populations;
- \$50 million for child care providers for personal protective equipment, cleaning, and sanitization costs – for providers offering subsidized care and those who do not; and
- \$52.3 million for continued payments to support child care providers and families.



State policymakers faced a \$54 billion shortfall while crafting the 2020-21 budget plan, even with federal fiscal relief.



State Policymakers Negotiated a Multi-Pronged Strategy to Close the State Budget Shortfall

The 2020-21 budget agreement uses state reserves, funding made available through federal relief provided earlier in the year, and other budgetary maneuvers to balance the state's 2020-21 General Fund budget, including:

- Drawing down reserves;
- Internal borrowing, transfers, and deferrals;
- Creating additional temporary revenues;
- Using available federal funds; and
- Canceling or reducing spending.



The 2020-21 Budget Agreement Avoided Deep Across-the-Board Cuts to Subsidized Care

- Maintains support for subsidized child care providers.
- Allocates new federal funding to subsidized spaces in the Alternative Payment program, making permanent temporary slots for essential workers' families.
- Cuts funding for some programs and services:
 - “Sweeps” unspent grant funding for early care and education facilities and workforce development (\$245 million); and
 - Decreases funding for the California State Preschool Program.
- Shifts administration of child care programs to the Department of Social Services, effective 7/1/21.



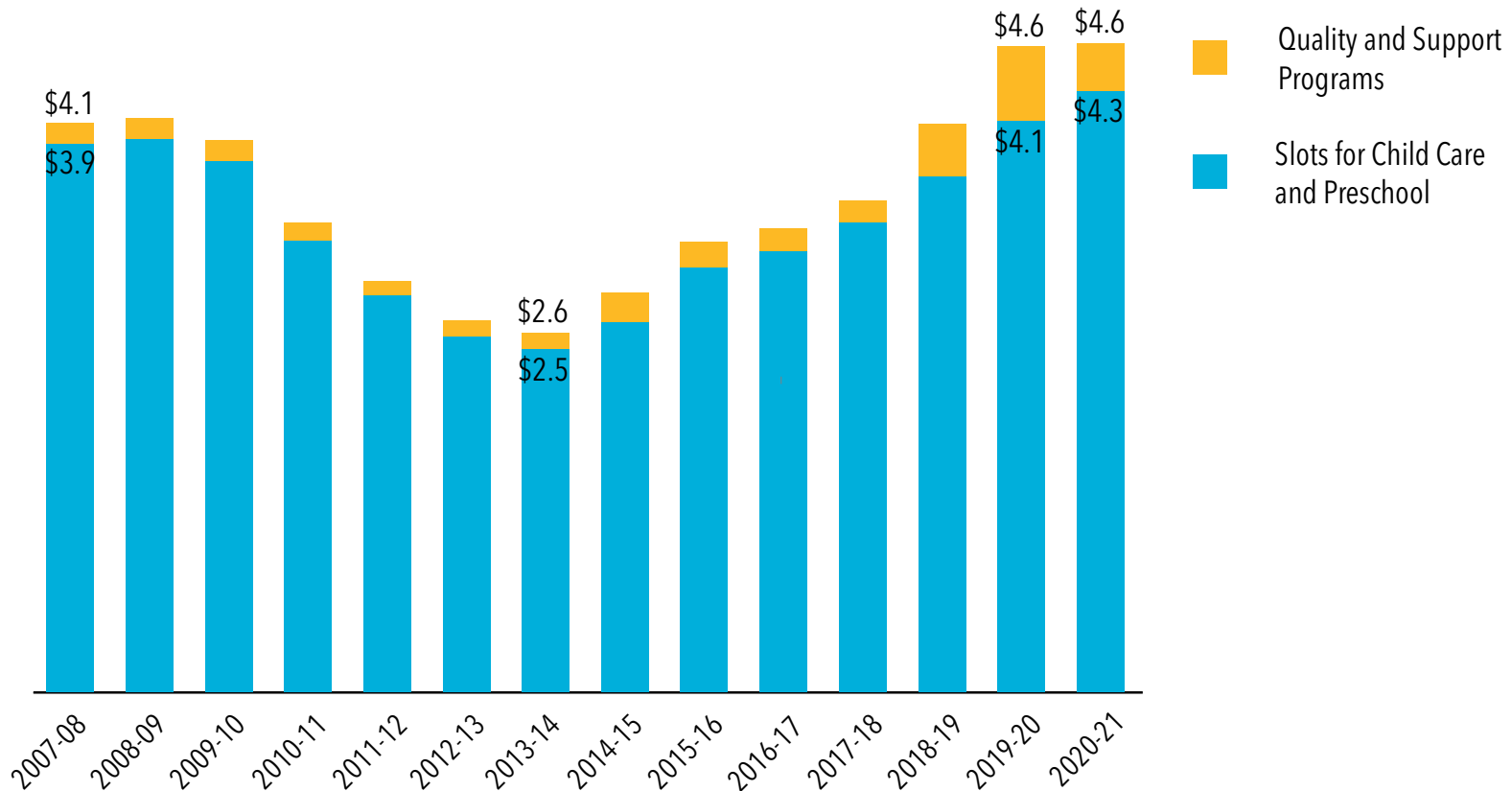
Use of COVID-19 Federal Funds in California

State policymakers allocated the \$350 million in additional federal funds for subsidized care in the 2020-21 budget agreement:

- \$144.3 million for state costs in responding to the pandemic
- \$125 million for providers who accept vouchers
 - \$62.5 to pay providers at the maximum reimbursement
 - \$62.5 million for one-time stipends
- \$73 million to extend limited-term vouchers



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



Note: Figures reflect the enacted budget each year except for 2008-09, which reflects the revised budget as of February 2009. Figures include federal and state funds for slots as well as for quality and support programs and are in 2020-21 dollars. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten.
 Source: California Department of Education and Department of Finance



Federal and state policymakers must take action to ensure that Californians have the resources needed to weather the COVID-19 crisis safely.



Federal Leaders Should Provide More Relief to State and Local Governments, Workers, and Families

Federal policymakers responded to the COVID-19 pandemic in the Spring of 2020, but more must be done. Federal policymakers should:

- Provide more aid to state and local governments to avoid cuts in education, health, and other critical services.
- Reinstate the \$600-per-week additional unemployment benefit that expired in July.
- Increase food assistance benefits so Californians don't go hungry.
- Extend paid time off provisions through the end of the pandemic.
- Assist child care providers who are maintaining safe places for children to learn and grow during the pandemic.



State Policymakers Must Boost Revenue to Responsibly Address the Needs of Californians

Policymakers missed a critical opportunity to put a 2020-21 budget in place that could invest in the economic security and health of Californians, while positioning our state to more quickly emerge from the recession. In 2021-22, state leaders should:

- Avoid fiscal austerity measures that will cripple the ability to respond to the crisis and support Californians.
- Raise additional revenue by making our tax code more fair and pursue appropriate borrowing.
- Center Californians of color and households with low incomes in the economic recovery.





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