



California Budget  
& Policy Center

5 Facts

## Moving Beyond Relief for California Child Care

### Understanding Federal and State Funding for Subsidized Child Care in California

APRIL 2022 | BY KRISTIN SCHUMACHER

California children need a safe space to learn and grow while parents are at work, and the COVID-19 pandemic underscored just how essential child care is for the livelihood of workers and communities. California's subsidized child care and development system has long been critical to the state's economic infrastructure, helping families struggling to make ends meet cover the high cost of early care and education for their children.<sup>1</sup> But policymakers have [never provided enough funding to offer care for all eligible families](#) or [to ensure providers and early educators are paid fair and just wages](#).<sup>2</sup>

State and federal dollars fund the state's subsidized child care and development system that includes both child care programs and the California State Preschool Program. Due to chronic underfunding at the state and federal level, cash-strapped families and under-paid providers engaged in the state's subsidized child care and development system did not have the resources to withstand the economic shock of the pandemic. This *5 Facts* provides key details on how state and federal funding mitigated some of the impacts of the pandemic on California's subsidized child care and development system and explains why policymakers should continue to invest ongoing resources in California's families and providers.

# 5 Facts

- 1** Federal Policymakers Provided Significant One-Time Support for Child Care Providers and Families During the Pandemic
- 2** State Policymakers Have Utilized Roughly Half of Federal COVID-19 Child Care Relief Funds
- 3** Remaining One-Time Federal Relief Funds to Boost Provider Payment Rates and Provide Care for More Children
- 4** Policymakers Have Expanded the Subsidized Child Care and Development System With One-Time Funds
- 5** The 2021-22 Budget Builds on Investments from Prior Years but Still Falls Short of Equitable Funding Levels

# 1

## Federal Policymakers Provided Significant One-Time Support for Child Care Providers and Families During the Pandemic

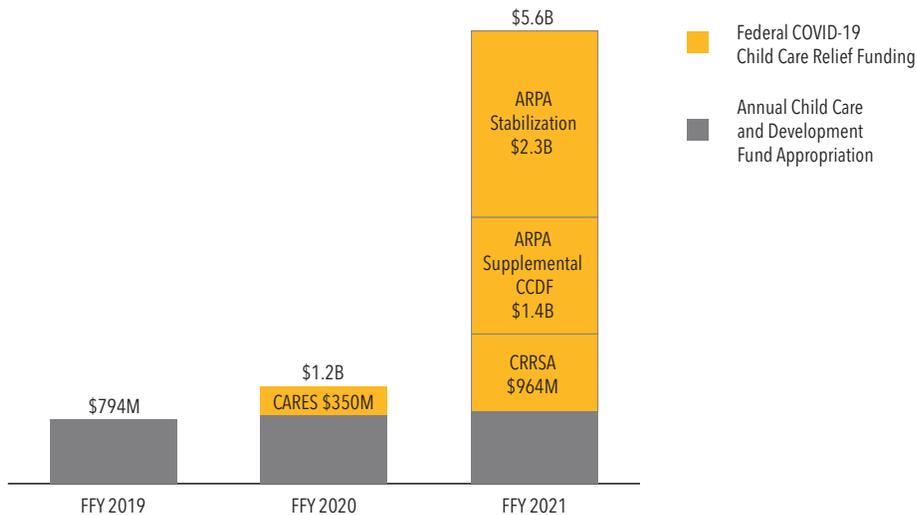
California has received more than \$5 billion in federal relief funds during the pandemic to support under-paid child care providers and cash-strapped families who were not in a position to weather a health and economic crisis.<sup>3</sup> These one-time relief dollars were on top of the state’s annual appropriation from the Child Care and Development Fund (CCDF) — the primary source of federal funding for subsidized child care.

The first round of federal pandemic relief for child care came from the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#), enacted in March 2020.<sup>4</sup> California received \$350 million, increasing federal funding for child care in California by 51% in the 2020 federal fiscal year over pre-pandemic levels.<sup>5</sup>

Federal policymakers provided additional child care relief in the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in December 2020, of which California received an additional \$964 million. Finally, the [American Rescue Plan Act \(ARPA\) became law in March 2021](#), providing a total of \$3.7 billion for child care relief efforts in California — 62% for provider stabilization and 38% to supplement CCDF funding.<sup>6</sup> Combined, CRRSA and ARPA provided a total of \$4.7 billion in child care relief funds to California in the 2021 federal fiscal year. This was a *six-fold increase in federal child care dollars* over pre-pandemic funding from the Child Care and Development Fund.

### One-Time COVID-19 Relief Dollars Have Dramatically Increased Federal Child Care Funding in California

Federal Child Care and Development Fund Appropriations and COVID-19 Relief Funding



FFY = Federal Fiscal Year  
 Note: The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law on December 27, 2020. The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021.  
 Source: US Health and Human Services, Office of Child Care

# 2

## State Policymakers Have Utilized Roughly Half of Federal COVID-19 Child Care Relief Funds

Federal child care relief funding has been significant and essential to support child care providers and working parents. To date, state leaders have appropriated 48% — roughly \$2.5 billion — of the federal funds to keep the underfunded subsidized child care and development system afloat.

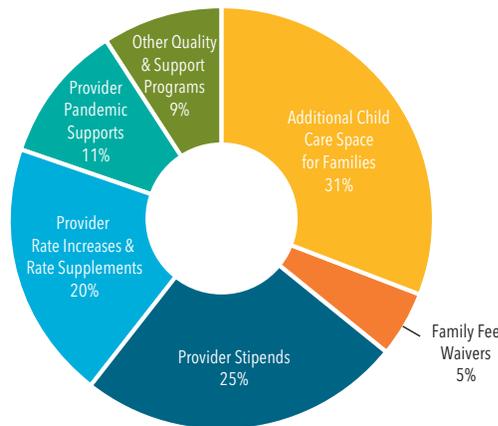
More than one-third of the appropriated relief funds, or \$891 million, has been used to support California families. Policymakers have utilized relief funding to provide emergency child care for essential workers and to expand subsidized child care spaces for families with low incomes. Policymakers also have waived family fees for subsidized care for a limited time [to ease families' financial burdens](#).<sup>7</sup>

Nearly two-thirds of the appropriated federal relief funds — \$1.6 billion — has been allocated to support child care and preschool providers. Relief measures have included provider stipends for both subsidized and non-subsidized providers, rate increases and rate supplements to compensate for chronically low payment rates, pandemic supports to ease the cost of keeping doors open during the pandemic, and other investments in quality and support programs.

The administration has struggled to distribute the large amount of federal relief funds in a timely fashion, and some measures, such as waiving family fees for working parents and provider pandemic supports, will end on June 30, 2022, increasing economic hardship. More than half of the federal relief dollars remain unallocated.

### Policymakers Have Allocated Just Under Half of the Federal Child Care Relief Funds to Support Families and Providers

Appropriated Federal COVID-19 Child Care Relief Dollars = \$2.5 Billion



Note: Figures have been rounded and do not sum to total. Funding reflects relief dollars from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan Act (ARPA).

Source: Budget Center analysis of data from the California Department of Education, Department of Finance, and Department of Social Services

# 3

## Remaining One-Time Federal Relief Funds to Boost Provider Payment Rates and Provide Care for More Children

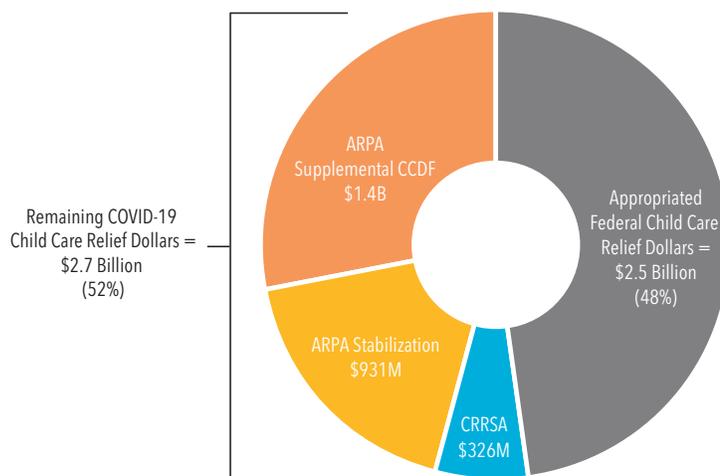
Roughly half of the \$5.2 billion in one-time federal COVID-19 child care relief dollars *remain unspent*. The \$2.7 billion in unspent funds includes both CRRSA and ARPA dollars — both of which can be used for a variety of purposes to supplement existing child care funding in California.<sup>8</sup>

The majority of unspent federal relief funding is ARPA dollars — both the stabilization funds and supplemental CCDF funds. Policymakers have signaled the intent to use these one-time ARPA dollars for provider payment rates through the 2023-24 state fiscal year and for subsidized child care spaces through the 2024-25 state fiscal year.<sup>9</sup> State leaders have also indicated that the remaining \$326 million in CRRSA will fund additional subsidized child care spaces in 2022-23 state fiscal year.<sup>10</sup> The use of these federal child care relief funds in 2022-23 and beyond is not final until the governor signs the budget agreement for the fiscal year.

The federal administration signaled urgency in utilizing child care relief funds for temporary measures to support cash-strapped families and under-paid subsidized providers who have faced enormous challenges during the pandemic. The CRRSA dollars and ARPA Stabilization funds must be spent by September 30, 2023.<sup>11</sup> ARPA supplemental CCDF funds must be spent by September 30, 2024.<sup>12</sup>

### Over Half of the Federal COVID-19 Child Care Relief Dollars Have Yet to Be Distributed to Providers and Families

Total Federal COVID-19 Child Care Relief Dollars = \$5.2 Billion



Note: Figures have been rounded and do not sum to total. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law on December 27, 2020. The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021.  
Source: Budget Center analysis of data from the California Department of Education, Department of Finance, and Department of Social Services

# 4

## Policymakers Have Expanded the Subsidized Child Care and Development System With One-Time Funds

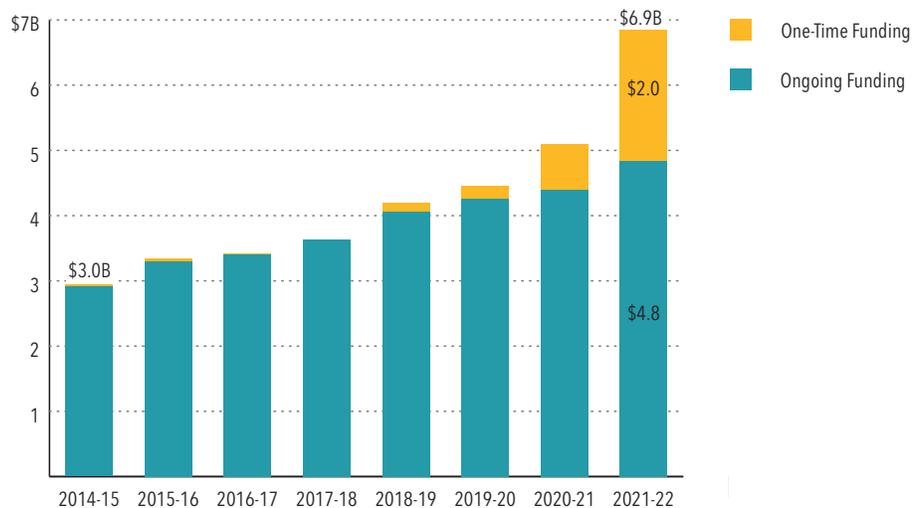
Funding for the state’s subsidized child care and development system increased dramatically in the 2021-22 state fiscal year due in large part to one-time federal relief funds. In 2021-22, total funding for subsidized child care programs and the California State Preschool Program was \$6.9 billion, but \$2 billion of this total was *one-time funding* — 29% of overall support.

These one-time dollars are both federal relief funds and state funds, and have been used to support children, families, and providers in a number of ways, including payment rate increases and additional child care and preschool spaces for children. Policymakers plan to use remaining one-time federal relief funds to maintain these program expansions in coming years.<sup>13</sup> Eventually, the state will have to commit significant, ongoing state dollars to avoid cuts to these vital supports for families and providers, but this will be difficult if policymakers face budget challenges.

Using one-time dollars to boost funding for the subsidized child care and development system is not unique to the pandemic. Since Governor Newsom took office, the state has increasingly relied on one-time dollars to support child care and preschool program expansions. Using *one-time* funding for *ongoing* programs and services undermines the fiscal foundation of the state’s subsidized child care and development system.

### California Leaders Have Increasingly Relied on One-Time Dollars to Support Subsidized Child Care and Preschool Programs

Total Funding for the Subsidized Child Care and Development System (Billions), Inflation-Adjusted



Note: Figures for 2019-20 and 2020-21 reflect revised funding due to economic circumstances. Data include federal and state funds for slots as well as for quality and support programs and are in 2021-22 dollars. One-time and ongoing totals for 2021-22 do not sum to total due to rounding. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten. Source: Budget Center analysis of data from the California Department of Education, Department of Social Services, and Legislative Analyst’s Office

# 5

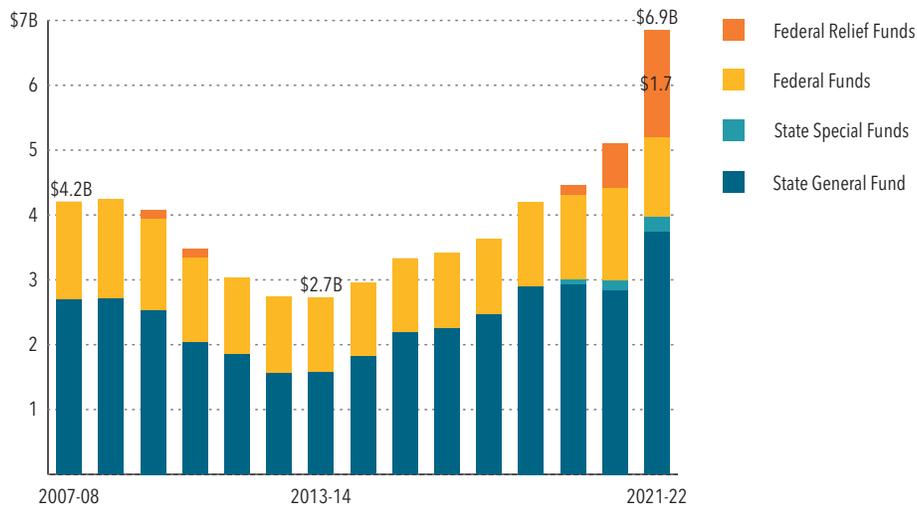
## The 2021-22 Budget Builds on Investments from Prior Years but Still Falls Short of Equitable Funding Levels

Policyholders have [incrementally invested in the state’s subsidized child care and development system](#) to restore the devastating cuts made to child care programs and the California State Preschool Program as a result of the Great Recession — the state’s last economic crisis.<sup>14</sup> State leaders continued this investment trend in the 2021-22 budget by utilizing one-time federal relief dollars and one-time and ongoing state funds to dramatically increase support for the state’s subsidized child care and development system.

Total funding for subsidized child care and the California State Preschool Program increased by more than one-third in 2021-22 (after adjusting for inflation), bringing overall funding to \$6.9 billion. This boost in funding was driven by roughly \$1.7 billion in one-time federal relief dollars included in the 2021-22 state budget. State policymakers also increased General Fund support for the subsidized child care and development system by 31% and special fund support by 59%. However, even with increased funding, resources still fall far short of the *billions* in additional support necessary to provide fair and just wages to providers and to increase access to early learning and care for families with low and moderate incomes in California.<sup>15</sup>

### Funding for the Subsidized Child Care and Development System Has Increased Dramatically Due to Federal Relief Funds

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



Note: Figures include federal and state funds for slots as well as for quality and support programs and are in 2021-22 dollars. Figures for 2007-08, 2008-09, 2019-20, and 2020-21 reflect revised funding due to economic circumstances. State General Fund includes Prop. 98 funds. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten. Source: Budget Center analysis of data from the California Department of Education, Department of Finance, and Department of Social Services

## Conclusion

The COVID-19 pandemic has underscored just how vital child care is to children, families, communities, and the economy. In response to the crisis, California policymakers have invested state and federal dollars into the state's chronically underfunded subsidized child care and development system to mitigate some of the devastating impacts of the pandemic. While total funding for subsidized child care and the California State Preschool Program increased dramatically, the use of *one-time* funds to expand these programs threatens the fiscal foundation of the system and California families' and providers' ability to sustain child care.

As the state and nation emerges from the pandemic, policymakers have the opportunity to use one-time federal pandemic relief funds as a down payment for a fiscally sound subsidized child care and development system. To do so, both the state and federal government must provide significant, ongoing resources. This will ensure that children have a safe place to learn and grow, working parents have access to affordable child care, and providers and early educators are paid fair and just rates.

## Endnotes

<sup>1</sup> Families are eligible for subsidized child care if the child who would receive care is under the age of 13; the family establishes an appropriate eligibility status, such as by having an income below the limit set by the state; and the family demonstrates a need for care, such as parental employment. Families generally must meet the same income guidelines applicable to child care to qualify for the California State Preschool Program, which is funded solely with state dollars. State law, however, 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 been enrolled. The California State Preschool Program is a part-day program offered for roughly nine months of the year. Some children receive “wraparound” services that provide subsidized child care for the remainder of the day and throughout the entire year. To be eligible for the full-day California State Preschool Program, families generally must meet the same eligibility guidelines that are applicable to subsidized child care.

<sup>2</sup> Kristin Schumacher, *Exploring the Unmet Need for Subsidized Child Care and Development Programs in California* (California Budget & Policy Center, February 2019), <https://calbudgetcenter.org/resources/exploring-the-unmet-need-for-subsidized-child-care-and-development-programs-in-california/>; and Kristin Schumacher and Erik Saucedo, *California's Subsidized Child Care Providers Are Overdue for a Pay Raise* (California Budget & Policy Center, April 2022), <https://calbudgetcenter.org/resources/californias-subsidized-child-care-providers-are-overdue-for-pay-raise/>.

<sup>3</sup> Federal policymakers also provided pandemic relief funding for Head Start, a federal early care and education program. These relief dollars flowed directly to Head Start providers across California and were not appropriated in the state budget. See US Department of Health and Human Services, Office of Head Start, *Program Instruction ACF-PI-HS-21-03* (May 4, 2021), <https://eclkc.ohs.acf.hhs.gov/policy/pi/acf-pi-hs-21-03>.

<sup>4</sup> California Budget & Policy Center, *Federal Fiscal Relief and COVID-19: Implications for Californians* (April 2020), <https://calbudgetcenter.org/resources/covid19-federal-fiscal-relief-california/>.

<sup>5</sup> State policymakers supplemented the CARES Act funding for child care with an additional \$110 million in flexible CARES Act dollars allocated to states from the Coronavirus Relief Fund. See Department of Finance, *Notification Letter Section 11.90 – Child Care and Food Bank Support* (October 19, 2020), [https://dof.ca.gov/wp-content/uploads/budget/covid-19/covid-19-allocations/10-19-20\\_section\\_11-90-federal\\_coronavirus\\_relief\\_funds-child\\_care\\_and\\_food\\_bank\\_support-cc.pdf](https://dof.ca.gov/wp-content/uploads/budget/covid-19/covid-19-allocations/10-19-20_section_11-90-federal_coronavirus_relief_funds-child_care_and_food_bank_support-cc.pdf).

<sup>6</sup> California Budget & Policy Center, *American Rescue Plan Provides Assistance to Millions of Californians* (March 2021), <https://calbudgetcenter.org/resources/american-rescue-plan-provides-assistance-to-millions-of-californians/>.

<sup>7</sup> See Kristin Schumacher, Erik Saucedo, and Marcela Salvador, *California Families Pay High Price for Subsidized Child Care* (California Budget & Policy Center, March 2021), <https://calbudgetcenter.org/resources/california-families-pay-high-price-for-subsidized-child-care/>.

<sup>8</sup> US Department of Health and Human Services, Office of Child Care, *Information Memorandum CCDF-ACF-IM-2021-1* (April 14, 2021), <https://www.acf.hhs.gov/occ/policy-guidance/ccdf-discretionary-funds-appropriated-crrsa-act-public-law-116-260-signed-law>; US Department of Health and Human Services, Office of Child Care, *Information Memorandum CCDF-ACF-IM-2021-2* (May 10, 2021), <https://www.acf.hhs.gov/occ/policy-guidance/ccdf-acf-im-2021-02>; and US Department of Health and Human Services, Office of Child Care, *Information Memorandum CCDF-ACF-IM-2021-3* (June 10, 2021), <https://www.acf.hhs.gov/occ/policy-guidance/ccdf-acf-im-2021-03>.

<sup>9</sup> Assembly Bill 131 (Committee on Budget, Chapter 116, Statutes of 2021), [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=202120220AB131](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB131); and Senate Bill 129 (Skinner, Chapter 69, Statutes of 2021), [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=202120220SB129](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB129).

<sup>10</sup> Assembly Bill 131 (Committee on Budget).

<sup>11</sup> US Department of Health and Human Services, Office of Child Care, *Information Memorandum CCDF-ACF-IM-2021-1* and *Information Memorandum CCDF-ACF-IM-2021-2*.

<sup>12</sup> US Department of Health and Human Services, Office of Child Care, *Information Memorandum CCDF-ACF-IM-2021-3*.

<sup>13</sup> Assembly Bill 131 (Committee on Budget).

<sup>14</sup> Kristin Schumacher, *One-time Funding Boosts Dollars for Child Care and Preschool* (California Budget & Policy Center, September 2018), <https://calbudgetcenter.org/resources/one-time-funding-boosts-dollars-for-child-care-and-preschool/>.

<sup>15</sup> California Health & Human Services Agency, *Master Plan for Early Learning and Care: Making California for All Kids* (December 2020), 95-107, <https://www.chhs.ca.gov/home/master-plan-for-early-learning-and-care/>.

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