



California Budget  
& Policy Center

# Child Care and Development Programs and the 2018-19 May Revision:

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MAY 18, 2018

CALIFORNIA CHILD DEVELOPMENT  
ADMINISTRATORS ASSOCIATION

ANALYSIS OF THE GOVERNOR'S 2018-19 BUDGET  
PROPOSAL MAY REVISE

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# Putting the Governor's 2018-19 May Revision in Context

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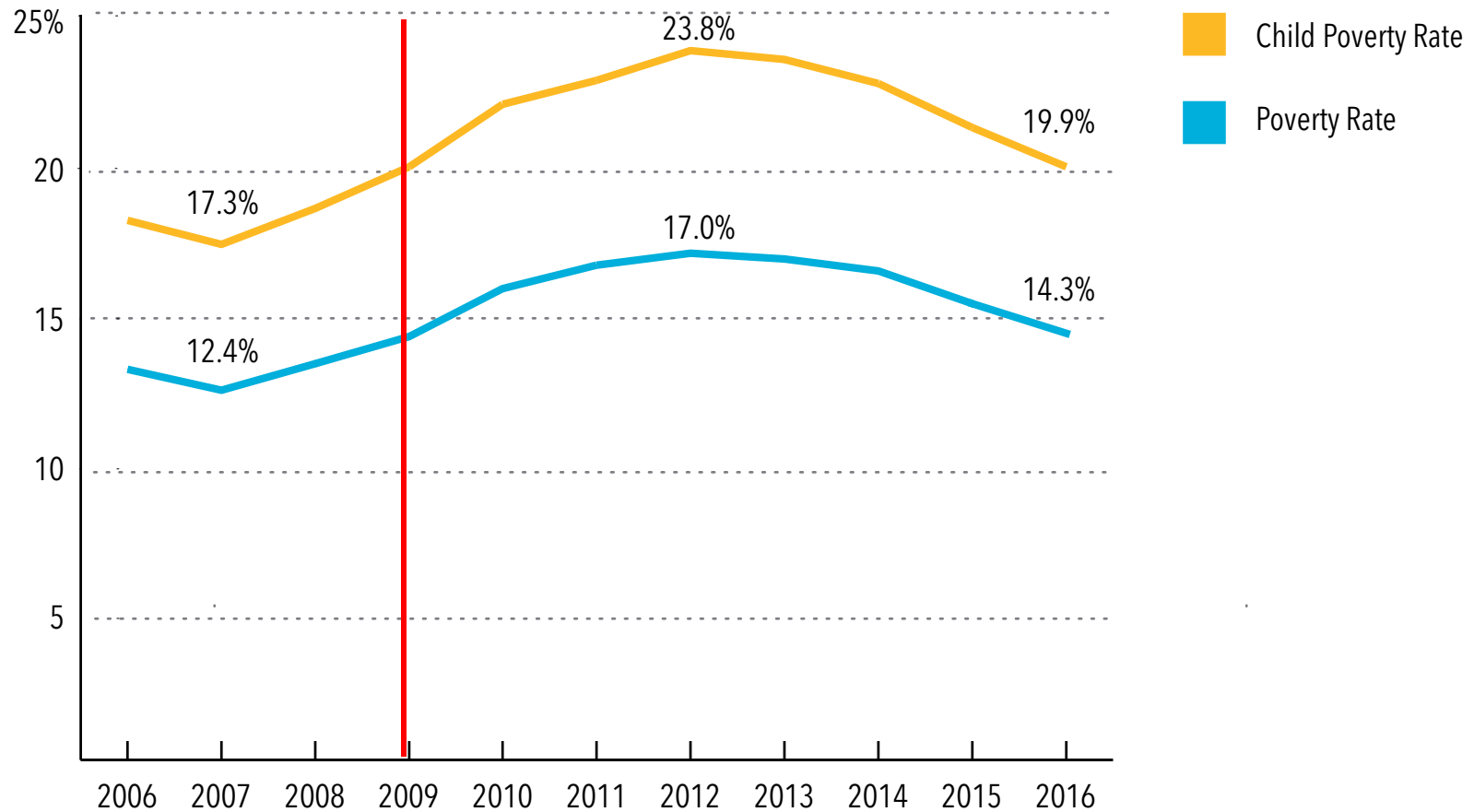
Several key considerations provide the backdrop:

- State revenues for the coming fiscal year are projected to be higher than previously forecasted.
- Economic hardship – overall poverty as well as child poverty – remains very high in most parts of the state, even nine years after the end of the Great Recession.
- Various key public services and supports continue to operate at diminished levels due to state cuts made during and after the recession.



# California's Official Poverty Rate Continued to Decline in 2016, but Has Yet to Return to Its Pre-Recession Level

Percentage of Californians With Incomes Below the Official Federal Poverty Line

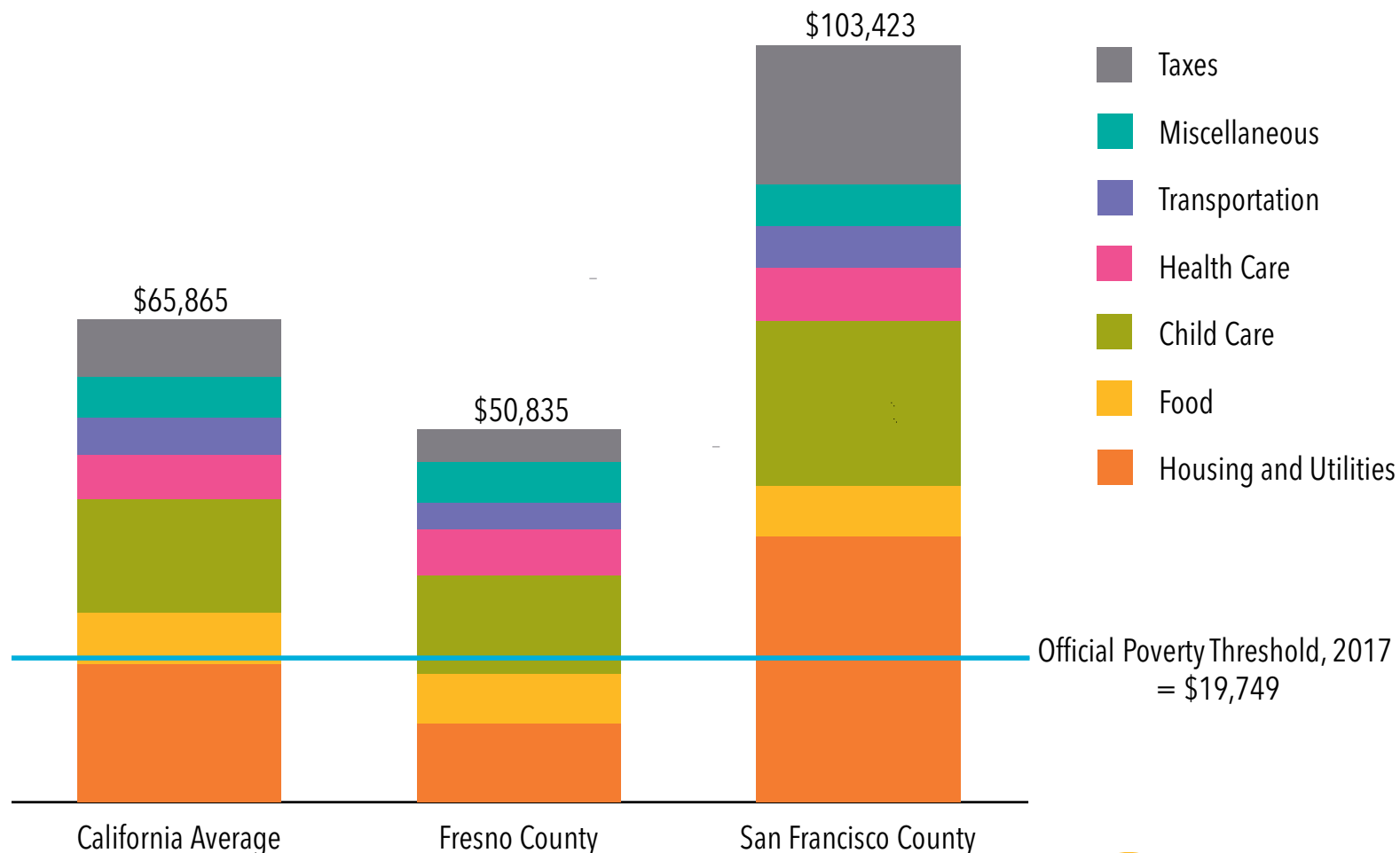


Source: US Census Bureau, American Community Survey



# Official Poverty Thresholds Are Much Less Than the Basic Cost of Living for Families in California

## Annual Basic Family Budget for a Single-Parent Family With Two Children, 2017

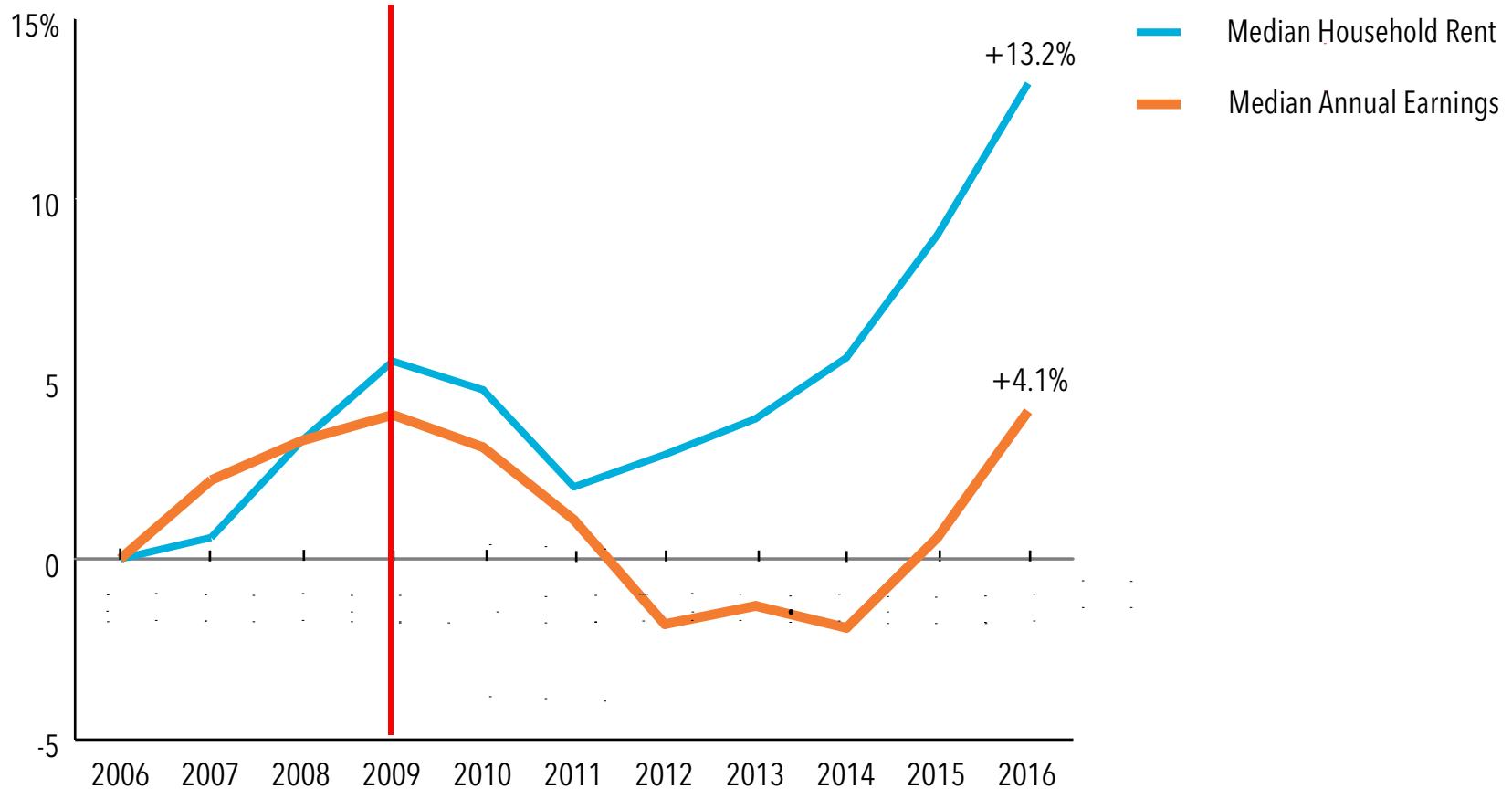


Note: Assumes one preschool-age and one school-age child and a single parent working full-time.  
Source: Budget Center *Making Ends Meet* 2017 analysis and US Census Bureau



# Workers' Earnings Have Not Kept Pace With Rents in California

Percent Change in Inflation-Adjusted Median Rent and Median Annual Earnings Since 2006



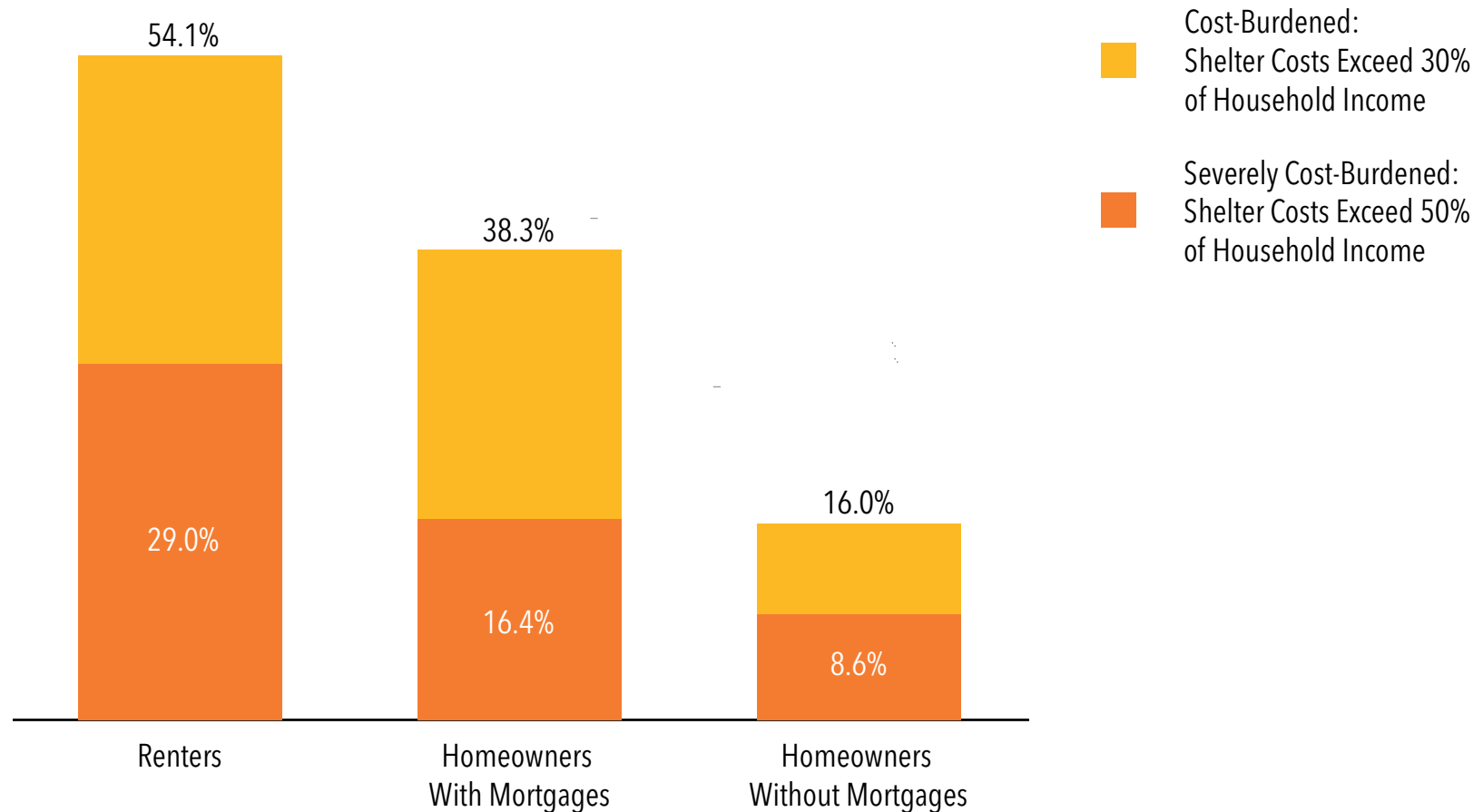
Note: Median annual earnings for individuals working at least 35 hours per week and 50 weeks per year. Excludes workers with \$0 or negative total earnings.

Source: Budget Center analysis of US Census Bureau, American Community Survey data



# More Than Half of California's Renters and Over a Third of Homeowners With Mortgages Have High Housing Costs

Percentage of Households With Housing Cost-Burden or Severe Housing Cost Burden, 2016



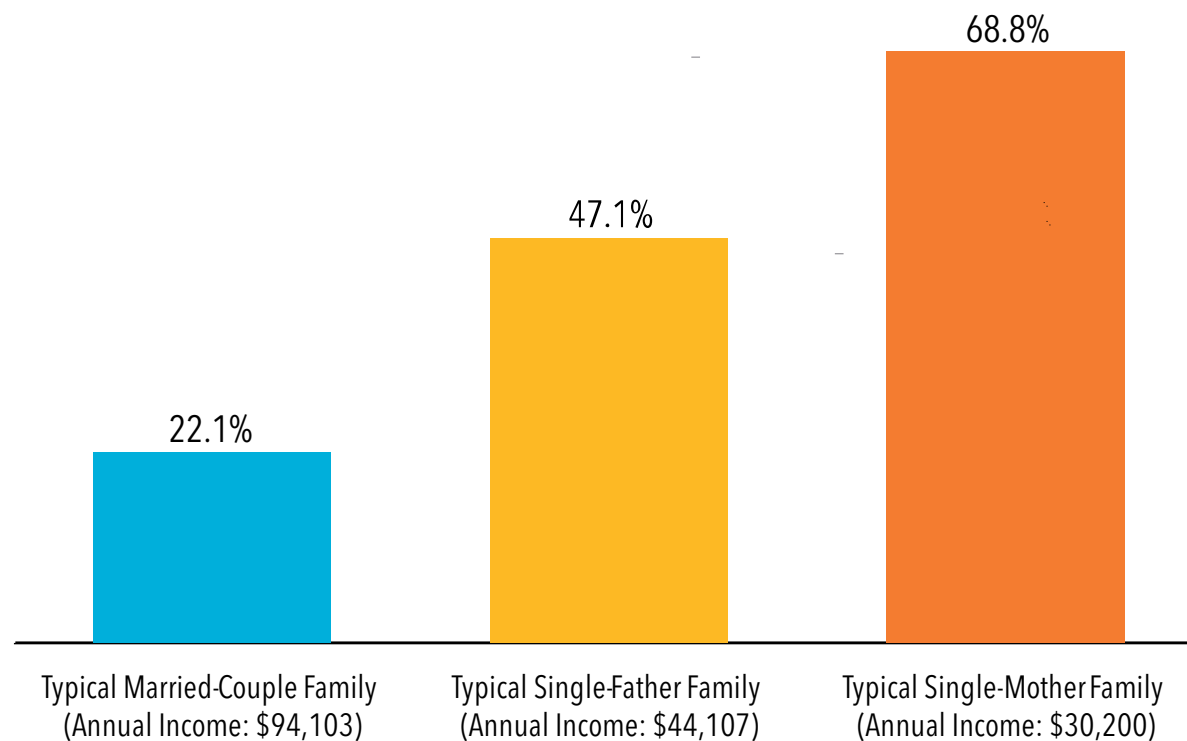
Note: Definitions of housing cost-burden are from the US Department of Housing and Urban Development.

Source: Budget Center analysis of US Census Bureau, American Community Survey data



# The Cost of Child Care in California Is a Large Share of Family Budgets, Especially for Single-Parent Families

Child Care Costs for an Infant and a School-Age Child as a Share of Annual Family Income, 2016



Note: Cost of care is for a licensed center in California in 2016 (full-time for an infant and prorated according to the school year for a school-age child). 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 California Department of Education, 2016 Regional Market Rate Survey and US Census Bureau



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

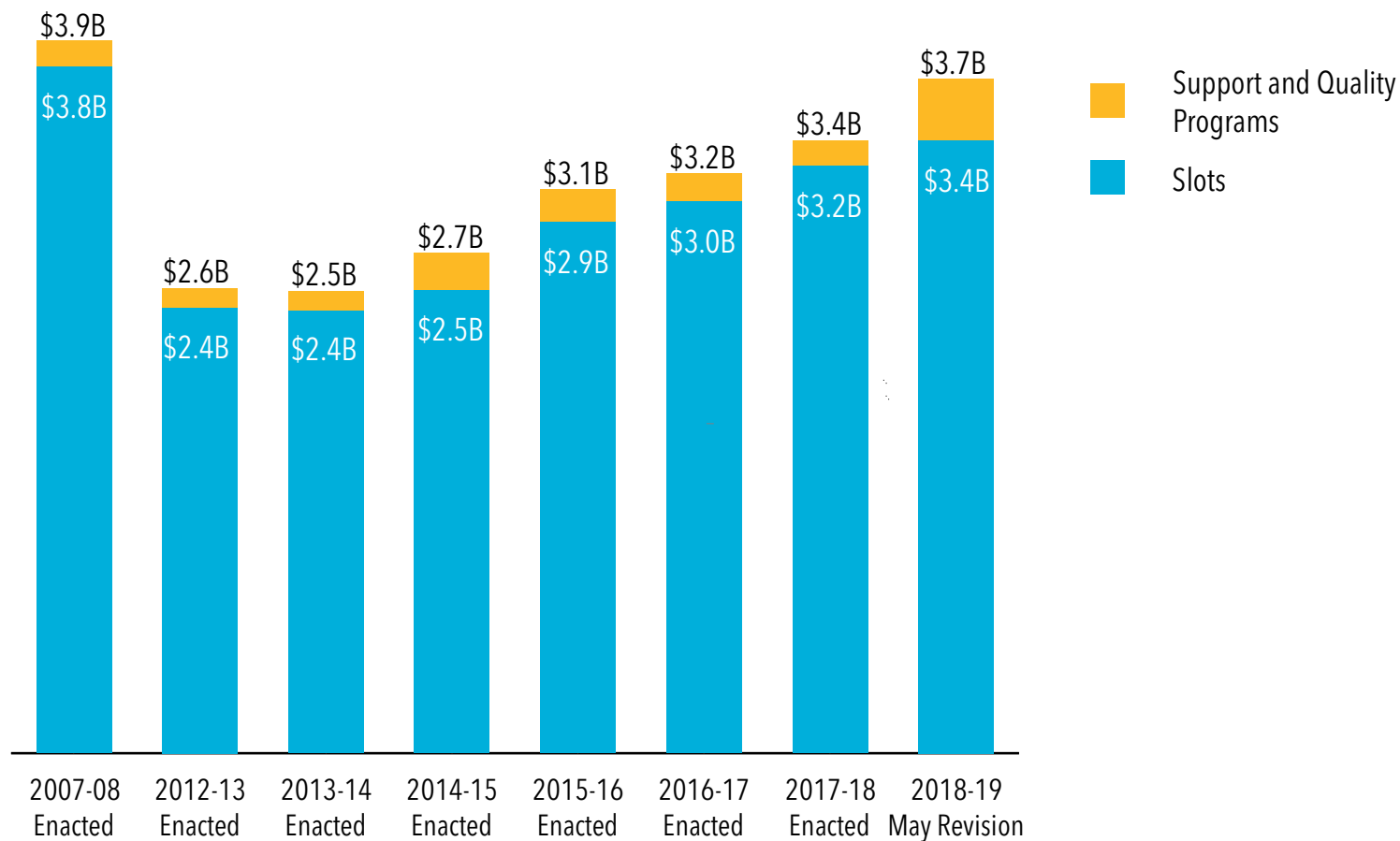
**Many of these programs continue to be funded below pre-recession levels.**





# Annual Funding for Child Care and Preschool Remains Well Below the Pre-Recession Level

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



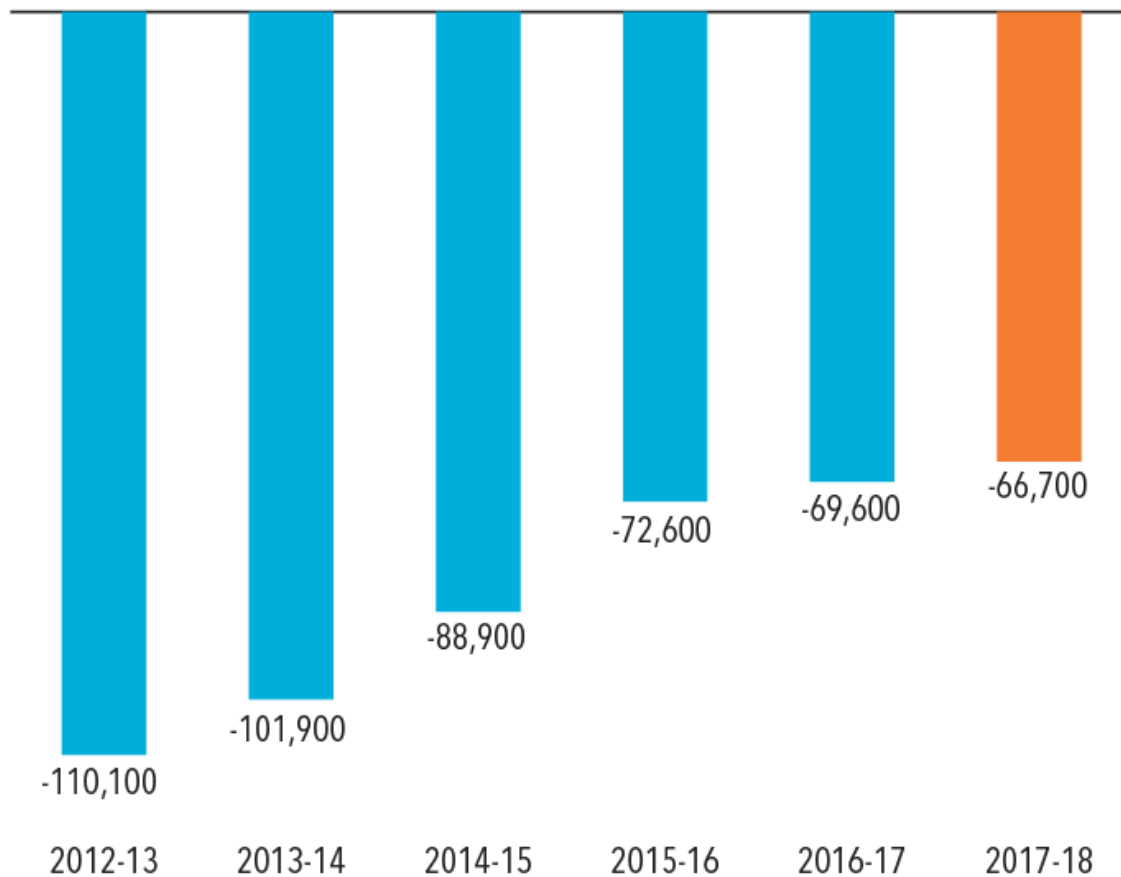
Note: Figures are in 2018-19 dollars and include federal and state funds for slots as well as for quality and support programs. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten.

Source: California Department of Education and Department of Finance



# Even With Recent Increases, California Has 67,000 Fewer Subsidized Child Care and Preschool Slots Than in 2007-08

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



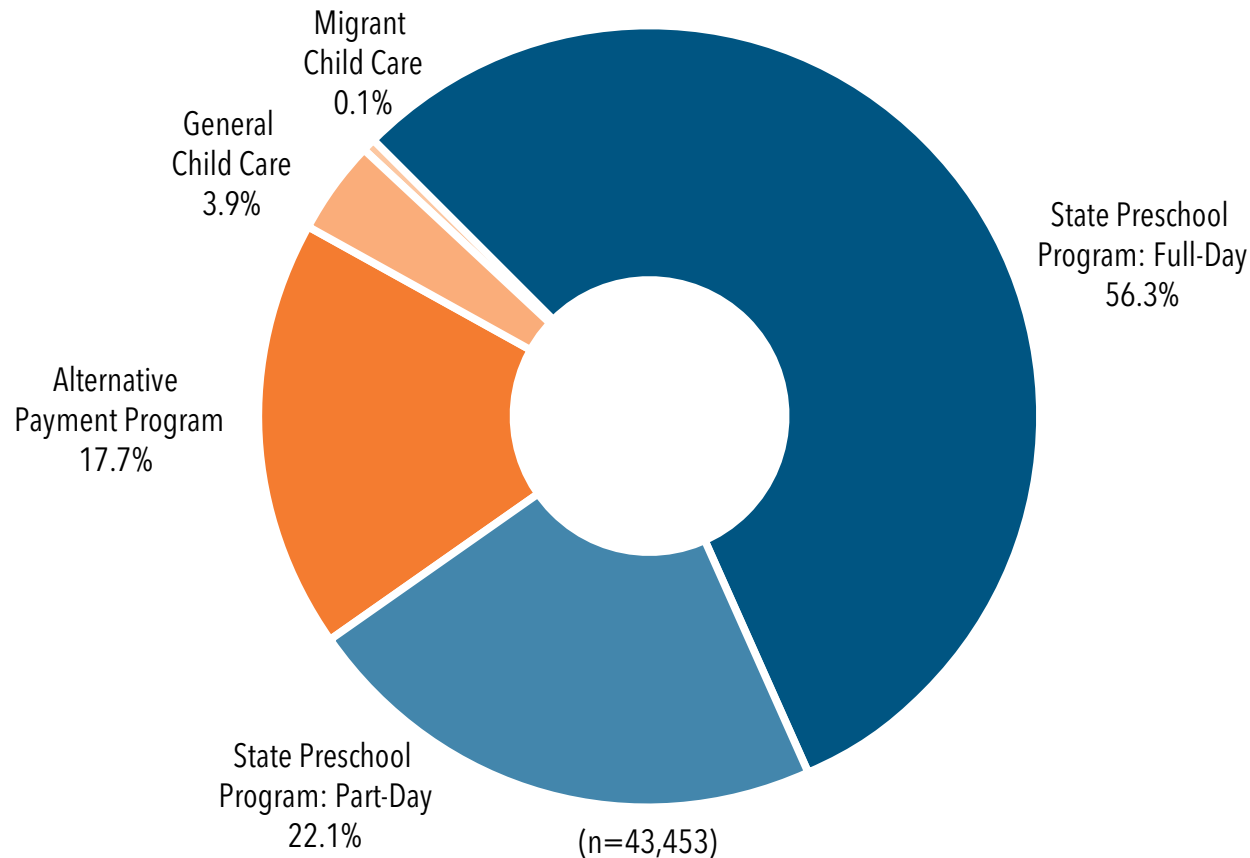
Note: Child care includes CalWORKs and non-CalWORKs programs. Slots include those funded with federal and/or state dollars.

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



# About 43,000 Subsidized Child Care and State Preschool Slots Have Been Added Since the 2013-14 State Fiscal Year

## Percentage of Slots by Subsidized Child Care and Development Program



Note: Slots include those funded with federal and/or state dollars. The Governor proposes to add 2,959 full-day state preschool slots in 2018-19, the fiscal year that begins on July 1.  
Source: Budget Center analysis of Department of Finance and Legislative Analyst's Office data



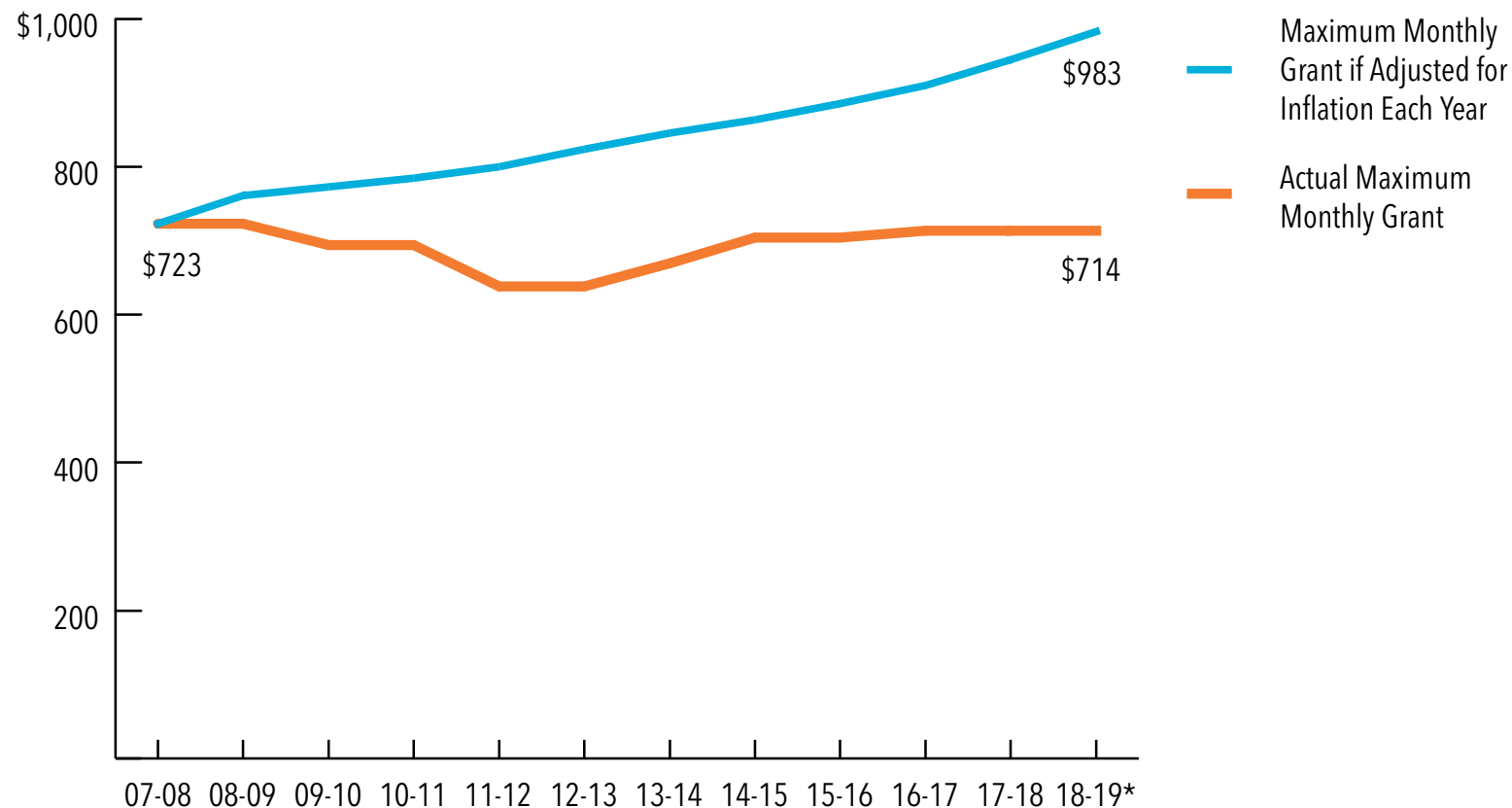
**CalWORKs provides modest cash assistance to families while helping parents find and keep jobs.**

**About 830,000 California children receive assistance from CalWORKs.**



# The CalWORKs Grant Has Lost More Than One-Quarter of Its Purchasing Power Since 2007-08

## Maximum Monthly CalWORKs Grant for a Family of Three in a High-Cost County



\* 2018-19 proposed.

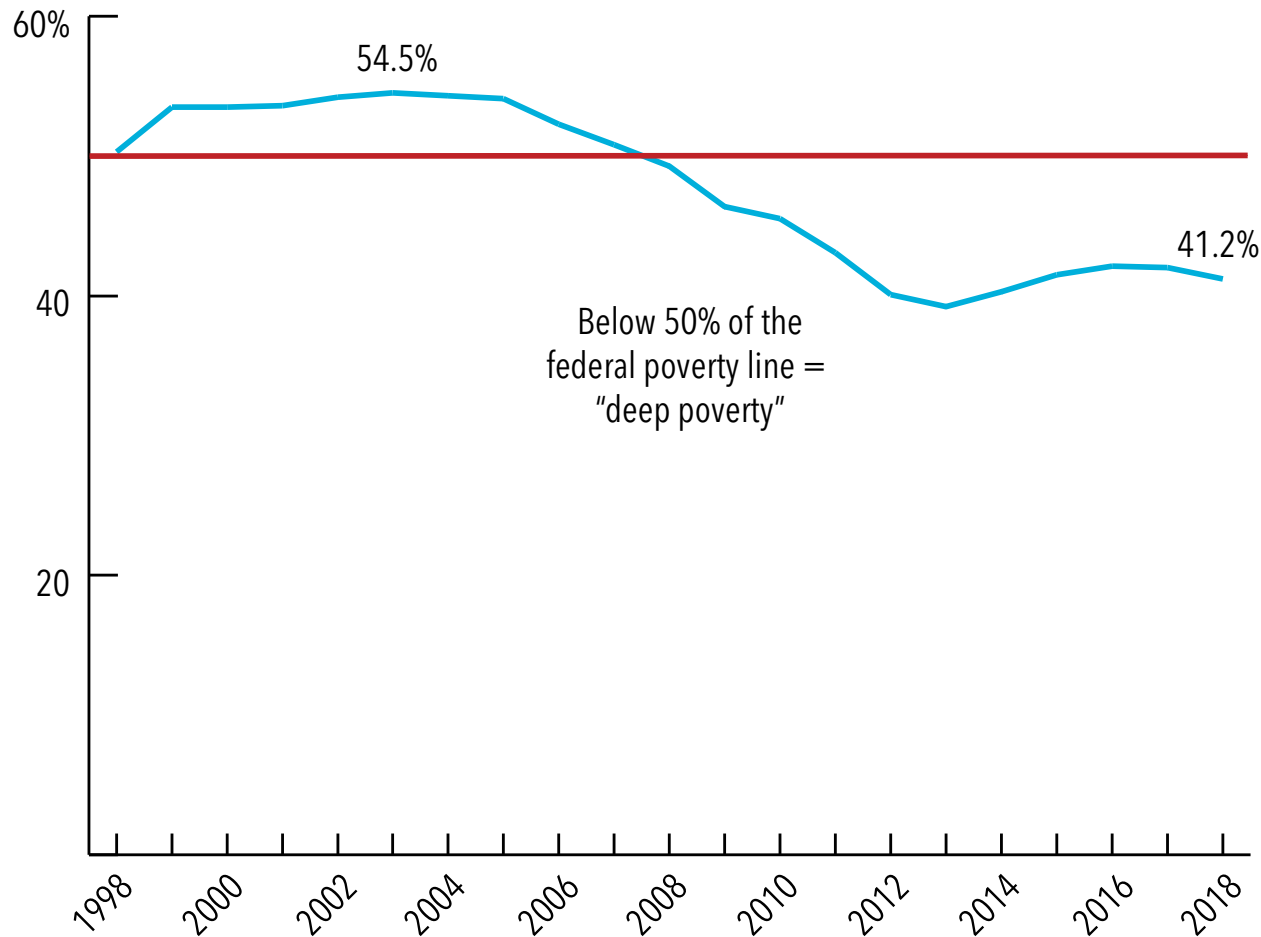
Note: The Governor's proposed budget does not provide a grant increase in 2018-19. Inflation adjustment is based on the California Necessities Index.

Source: Budget Center analysis of Department of Social Services data



# Without an Increase in 2018-19, CalWORKs Grants Will Be Below the Deep-Poverty Line for the Eleventh Straight Year

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

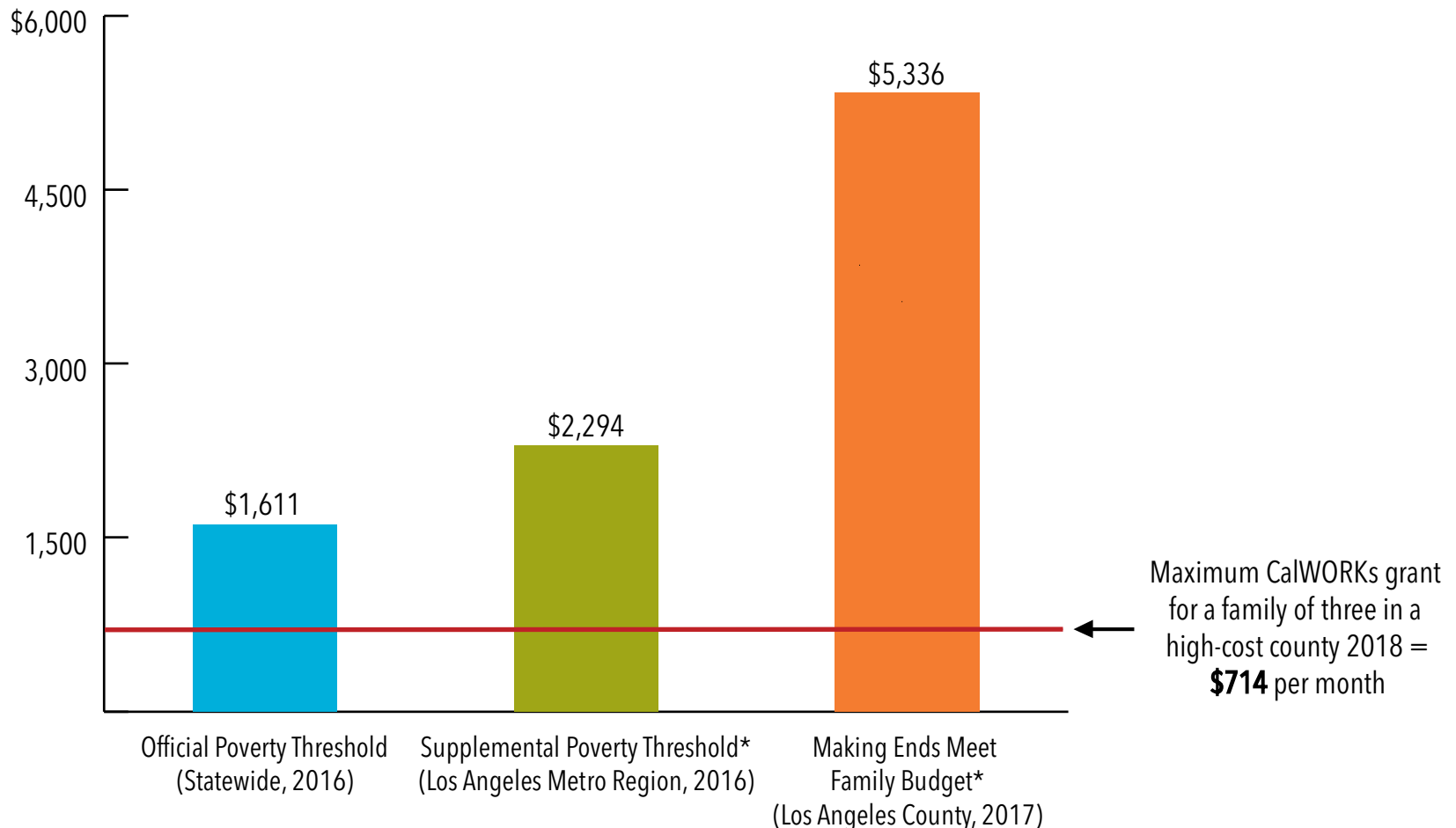


Note: Grants are for high-cost counties. The proposed 2018-19 budget does not increase grant levels.  
Source: Budget Center analysis of Department of Social Services, US Department of Health and Human Services, and US Social Security Administration data



# CalWORKs Grant Falls Short of Poverty Thresholds and the Income Needed to Afford the Basics: Los Angeles Area

## Poverty Thresholds and Basic Budget for a One-Parent Family With Two Children, Per Month



\* For a family who rents their home.

Source: California Budget & Policy Center, Making Ends Meet; Department of Social Services; and US Census Bureau



# May Revision Maintains One-Time Funding for New Early Care and Education Grants

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Through a competitive grant process, the Inclusive Early Education Expansion Program would distribute \$167.2 million in one-time funds over five years to low-income and high-need areas. Specifically:

- Funds would provide one-time support for infrastructure projects, and grantees would have to provide a 33% local match.
- Grantees would also have to demonstrate that they would serve additional children, but the funds could not be used for additional slots.
- Program funded entirely with Prop. 98 General Fund, which restricts grantees to Local Education Agencies (LEA). LEAs are encouraged to partner with non-LEAs.





# May Revision Does Not Reflect New Federal Funding

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- Congress passed and President Trump signed a two-year budget deal that substantially increases federal discretionary funding for the Child Care and Development Block Grant (CCDBG).
- California will receive an additional \$232 million in the 2018 and 2019 federal fiscal years. The Administration does not intend to include these funds in the 2018-19 budget act.
- The California Department of Education proposes to conduct a stakeholder process in coming months to determine how the funds will be spent.



# Other Promising Provisions in the May Revision

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- Maintains multi-year agreement to boost provider rates and add additional state preschool slots.
- Provides \$104 million General Fund for CalWORKs Stage 2 and CalWORKS Stage 3 caseload adjustments.
- Maintains CalWORKs Home Visiting Pilot Initiative, but doesn't expand eligibility.
- Other proposals outside of early care and education:
  - Proposes new funding to address homelessness, including additional funding for two CalWORKs housing programs.
  - Strengthens the CalEITC by raising the income eligibility limit and extends eligibility to low-earning young adults and seniors who are currently ineligible.



# The Governor's Revised Proposal Continues to Build Up State Reserves

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- In addition to making a mandatory \$1.75 billion deposit in the rainy day fund, the Governor makes a *discretionary* \$2.6 billion transfer to this fund (beyond what Prop. 2 requires). But, this means these dollars are not readily available to address uncertainties.
- The Governor prioritizes one-time infrastructure investments, budgeting \$2 billion for deferred maintenance.
- Does not increase CalWORKs grants or reinstate annual cost-of-living adjustment (COLA) or boost the number of subsidized child care slots.



A low-angle photograph of the California State Capitol dome, showing its ornate architecture and the dark, ribbed dome against a clear blue sky. The dome is the central focus, with its base and upper levels visible. The sky is a vibrant blue with some light clouds near the horizon.

# Policy Perspectives Speakers Series

## Making Ends Meet: Policy Prospects This Year and Beyond for Promoting Economic Security in California

Tuesday, May 22

The California Endowment's  
Sacramento Meeting Place

9:30am - 12:30pm

Details/registration: [bit.ly/2w1SGgE](https://bit.ly/2w1SGgE)



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