



California Budget
& Policy Center

Child Care and Development Programs in California:

Key Context and Current Issues

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CALIFORNIA CHILD DEVELOPMENT COALITION
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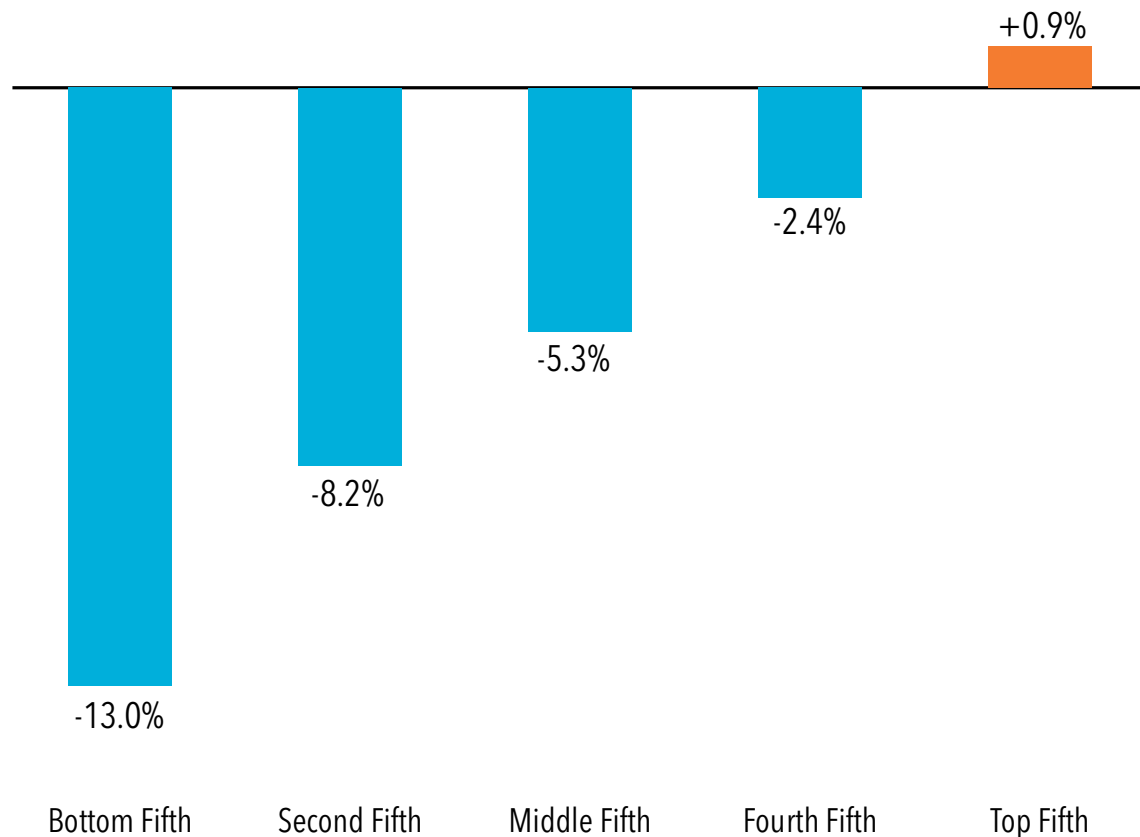
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California's economic recovery continues, but millions are still not sharing in the state's economic gains.



Only the Highest-Income California Households Have Seen Their Incomes Rebound From the Great Recession

Percent Change in Average Inflation-Adjusted Household Income, 2007 to 2015

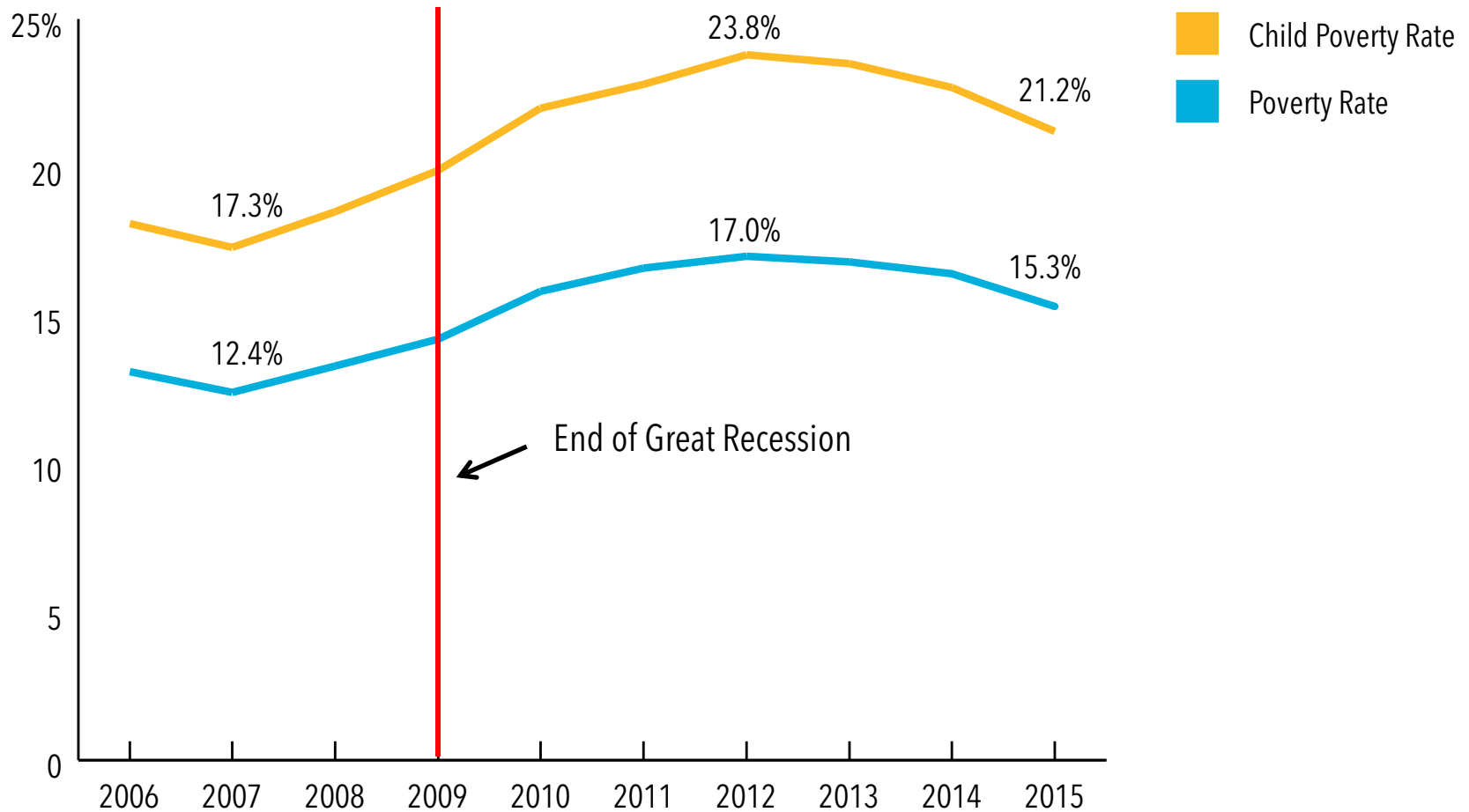


Source: Budget Center analysis of US Census Bureau, American Community Survey data



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

Percentage of Californians With Incomes Below the Official Federal Poverty Line

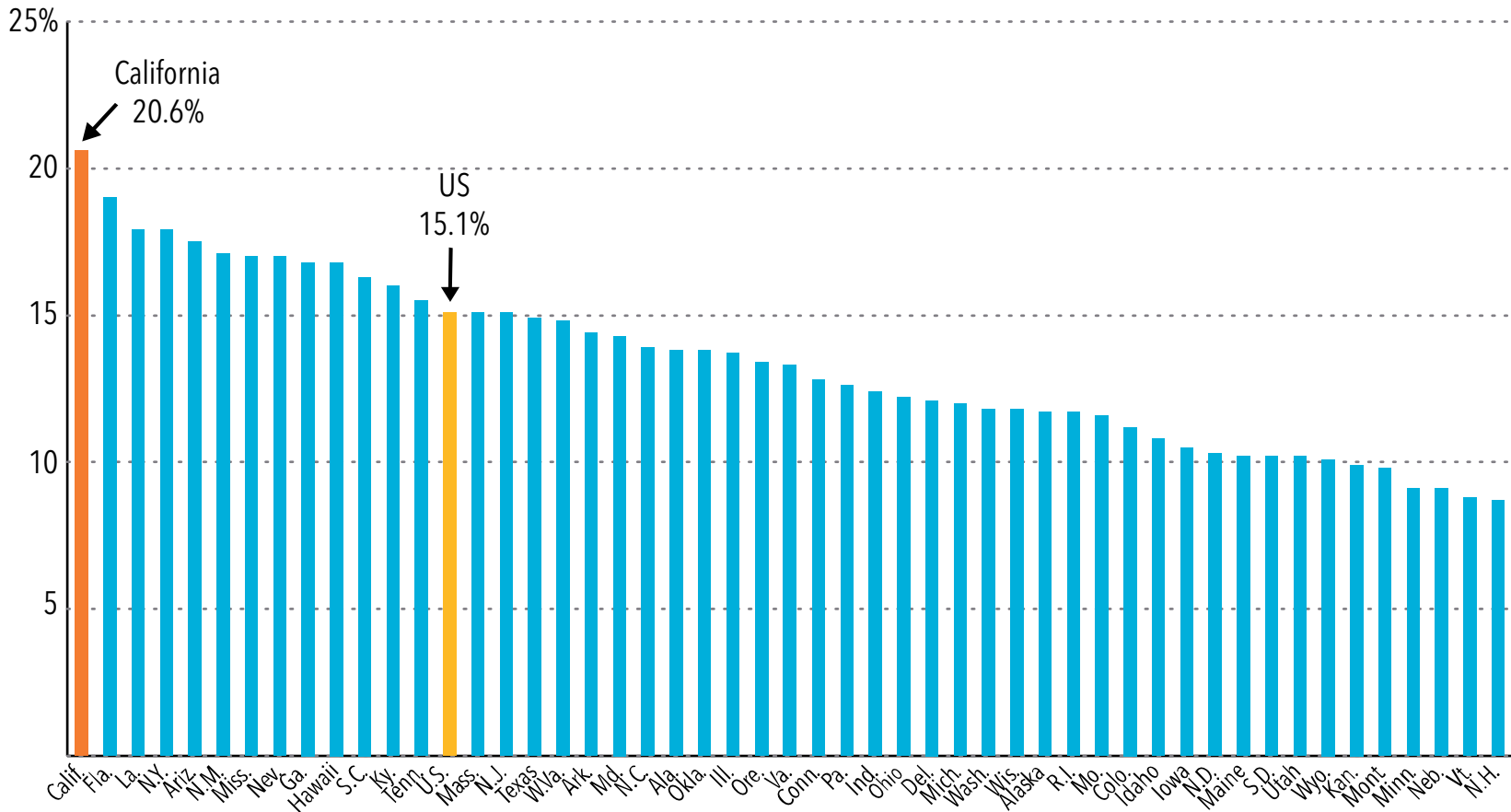


Source: US Census Bureau, American Community Survey



California Has the Highest Poverty Rate of the 50 States Under the Supplemental Poverty Measure (SPM)

State Poverty Rate Under the SPM, 2013-2015

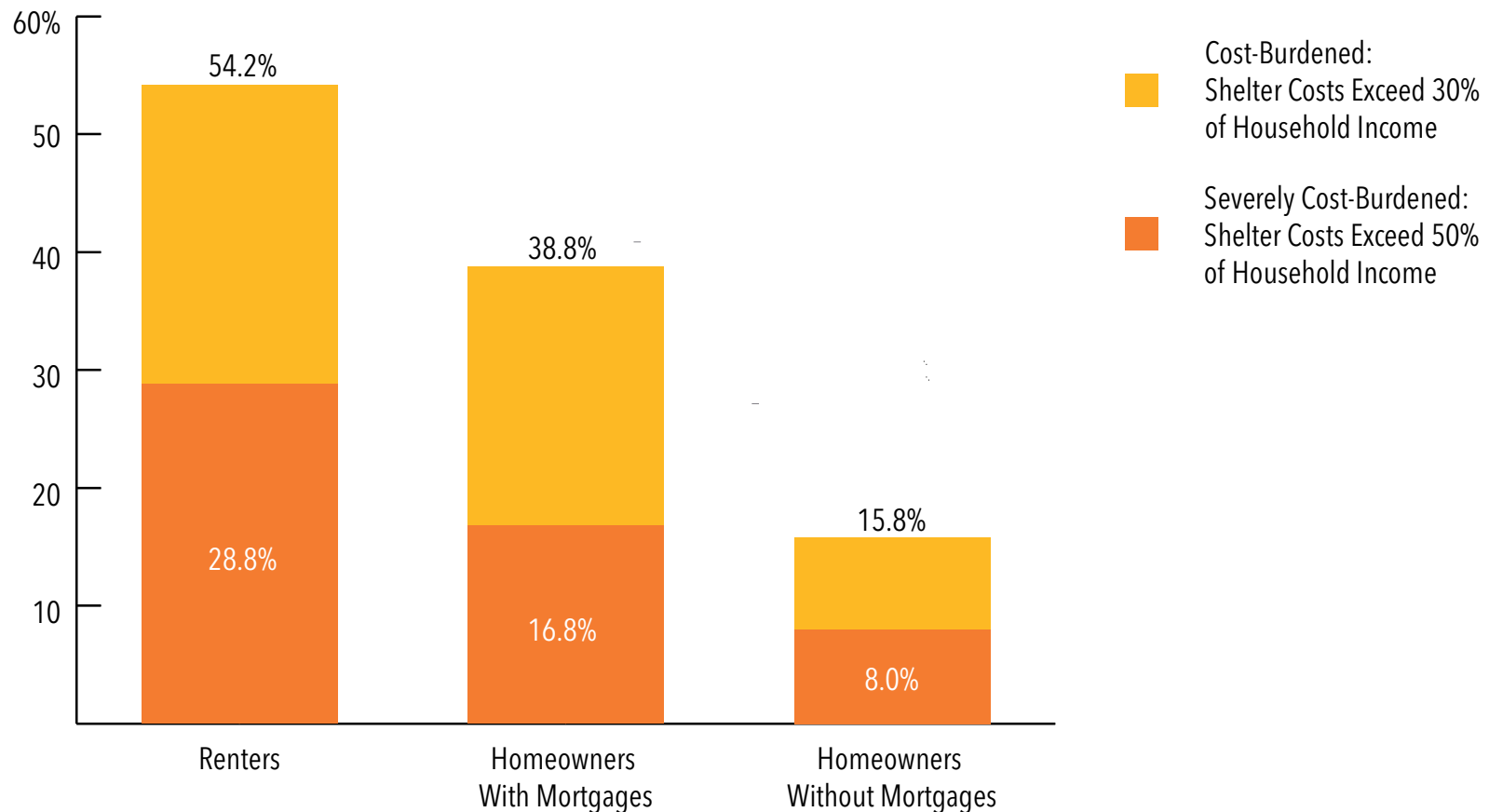


Source: US Census Bureau



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, 2015



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



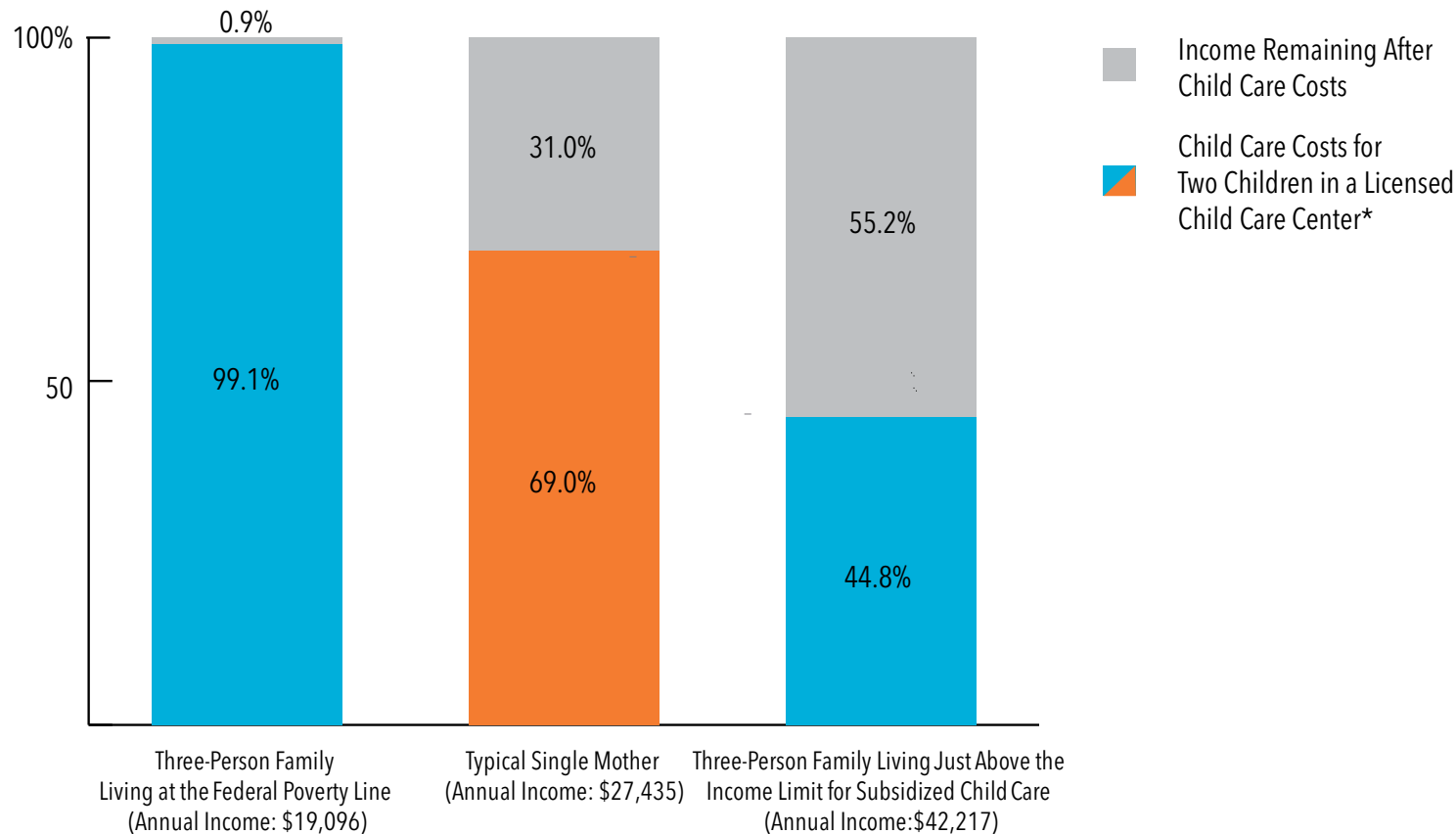
Affordable child care and preschool helps families make ends meet.

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



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

State policymakers:

- Cut funding for child care and preschool programs by about \$1 billion – nearly one-third of the entire budget for these services.
- 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 based on new data and even *lowered* income eligibility from 75% to 70% of state median income.



Reinvestments Made to Child Care and Preschool in Recent Years

Since 2012, a total of \$716 million (\$432 million Prop. 98) has been reinvested in the system. State policymakers:

- In 2014-15 provided 11,500 full-day preschool slots and 1,500 child care slots, increased both the RMR and SRR, and funded quality improvement grants.
- In 2015-16 provided 7,030 full-day preschool slots, 2,500 part-day preschool slots, and 6,800 child care slots; increased the RMR and SRR; increased the payment rate for license-exempt (LE) providers; and provided one-time funding for quality improvement activities for infants and toddlers.
- In 2016-17 provided 2,959 full-day preschool slots, boosted both the RMR and the SRR, and increased the payment rate for LE providers.



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

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



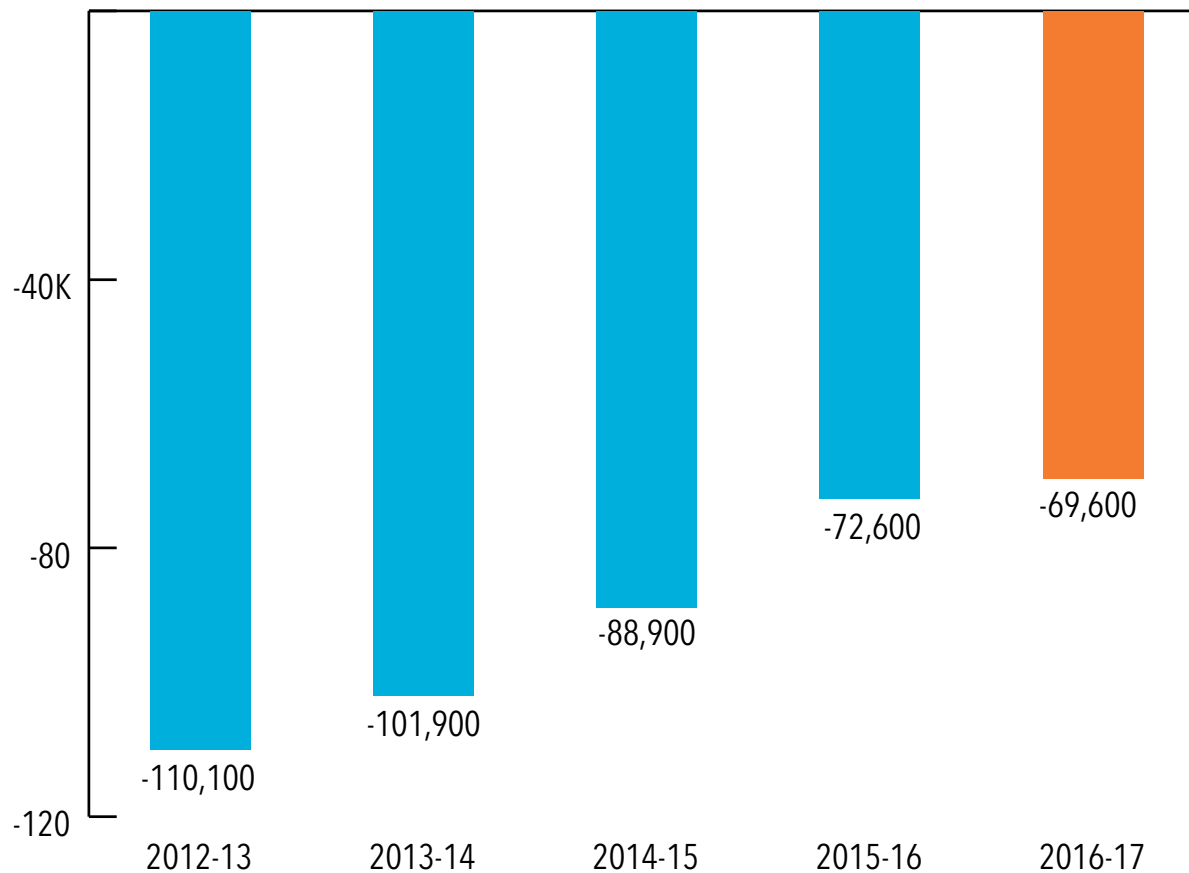
Note: Figures are in 2016-17 dollars and include federal and state funds for slots as well as for quality and support programs. Child care includes CalWORKs and non-CalWORKs programs. Preschool does not include Transitional Kindergarten.

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



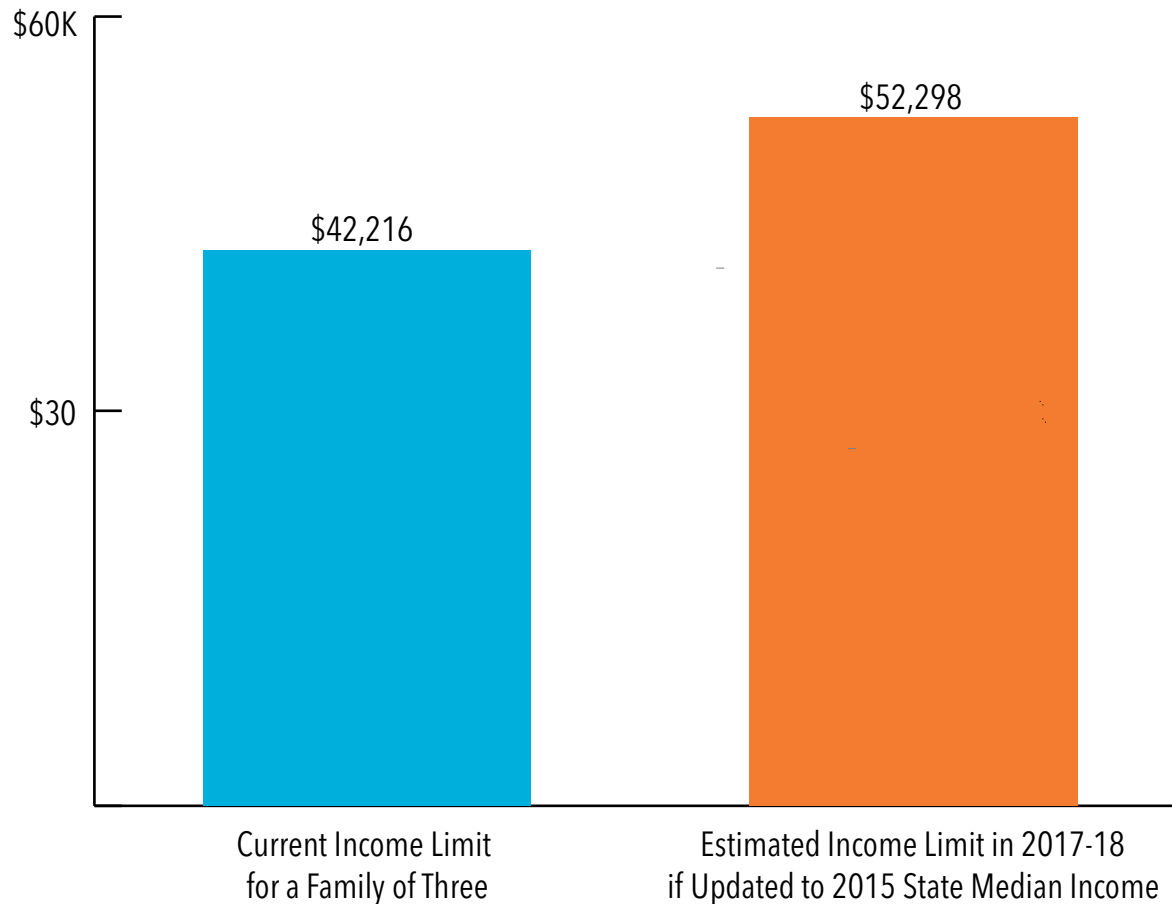
Notes: Child care includes CalWORKs and non-CalWORKs programs. Slots include those funded with federal and/or state dollars.

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

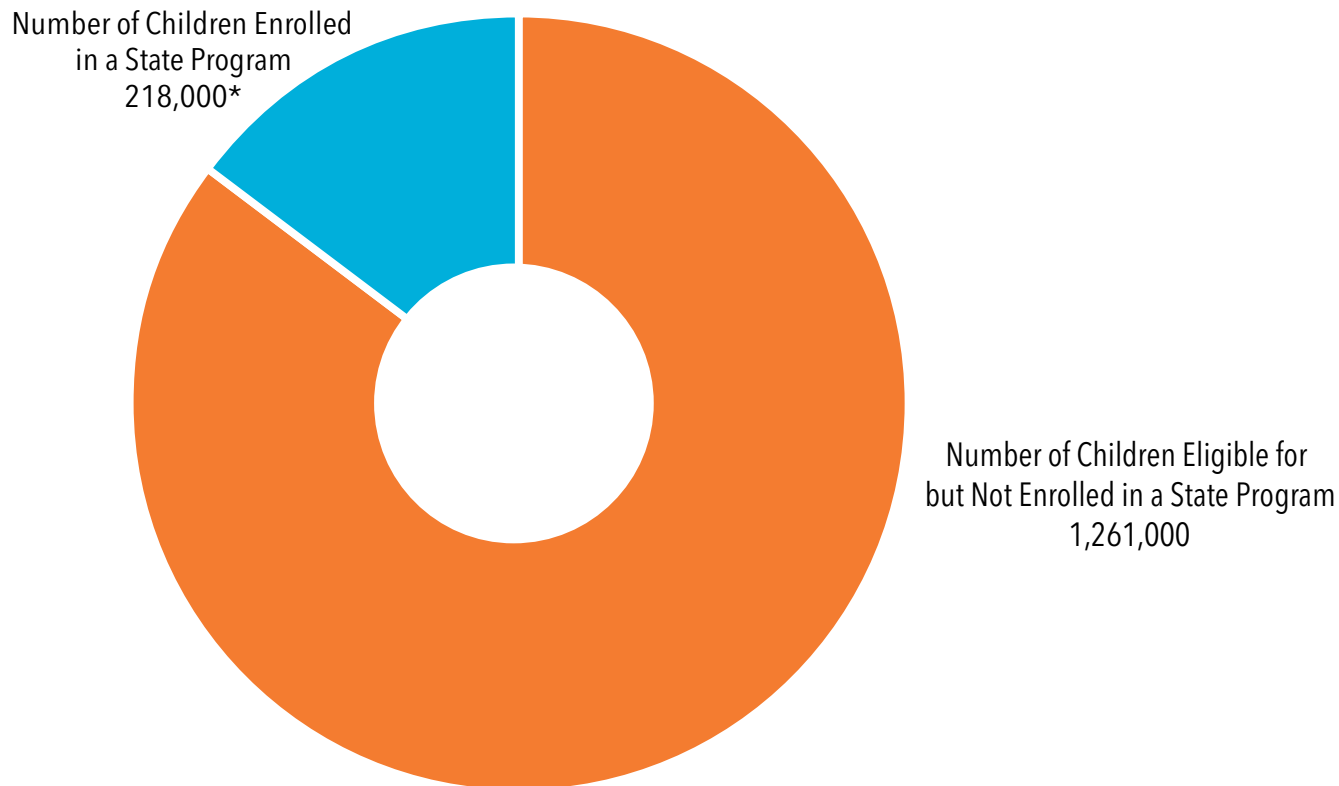


Note: The estimated income limit for 2017-18 is based on the state median income for a four-person family in 2015, adjusted to reflect a three-person family using the methodology applied by the California Department of Education (CDE) as part of the latest update to the income limit in 2007-08. Source: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



Six Out of Seven Children Eligible for Subsidized Child Care Did Not Receive Services From State Programs in 2015

Estimated Number of California Children Eligible for Subsidized Child Care = 1,479,000



*Includes children enrolled in the full-day California State Preschool Program (CSPP). Excludes children enrolled in the part-day CSPP or the Handicapped Child Care Program. Enrollment is for children from birth through age 12 in October 2015, except for California Community College CalWORKs Stage Two, which reflects an estimate for the 2015-16 fiscal year.

Source: California Department of Education, Department of Finance, Department of Social Services, and Budget Center analysis of US Census Bureau, Current Population Survey data



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

State policymakers:

- Cut grant levels by nearly 12%, decreased the earned income disregard (the portion of income excluded in calculating the grant), and eliminated the cost-of-living adjustment.
- Reduced the time limit for adults from 5 years to 4 and required more rigid work requirements in the final 2 years.
- Implemented a welfare-to-work (WTW) exemption for certain parents of young children. This cut the need for care but also limited opportunities to engage in WTW activities.
- Eliminated all funding for Stage 3 child care, subsequently restored funding, but didn't always fund Stage 3 at a level sufficient to enroll all qualifying families.



Reinvestments Made to CalWORKs in Recent Years

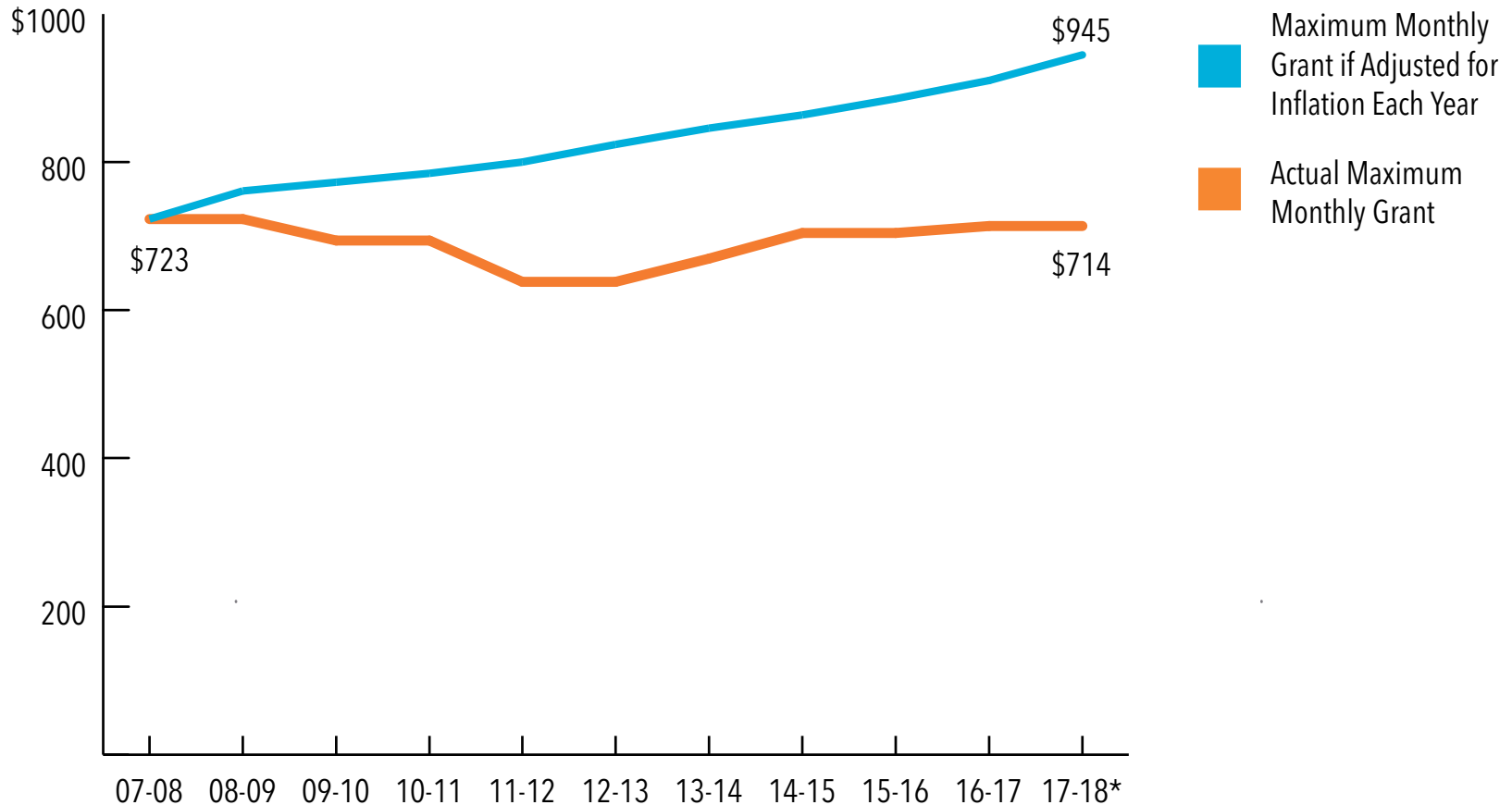
Since 2012, a total of \$921 million has been reinvested in CalWORKs. State policymakers:

- In 2013-14 increased grant levels by 5 and increased the vehicle asset limit to \$9,500 in 2013-14.
- In 2014-15 increased grant levels by 5%, created the CalWORKs Housing Support Program, and extended eligibility for CalWORKs to certain people convicted of a drug-related felony.
- In 2015-16 boosted funding for the CalWORKs Housing Support Program.
- In 2016-17 eliminated the Maximum Family Grant (“family cap”) rule and boosted grants by 1.43% in 2016-17.



The CalWORKs Grant Has Lost Nearly One-Quarter of Its Purchasing Power Since 2007-08

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



*2017-18 proposed.

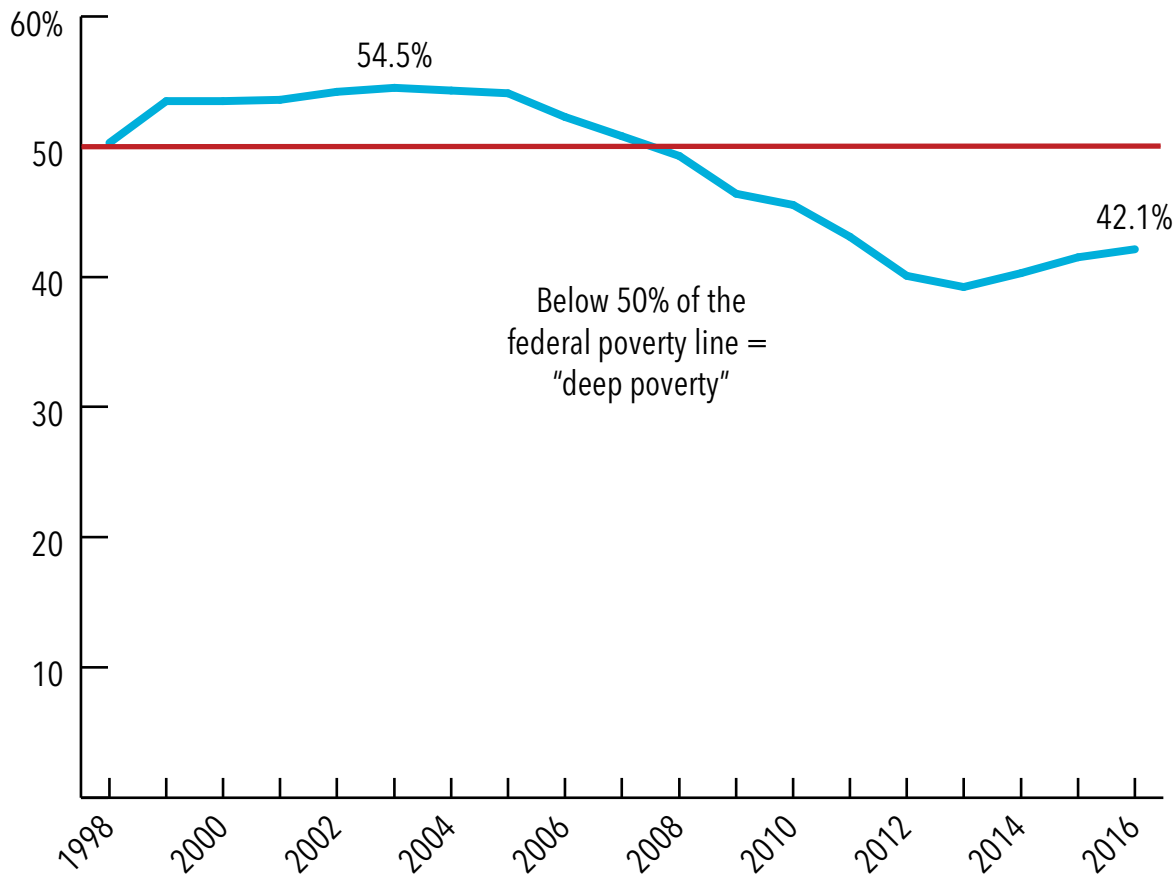
Note: The Governor's proposed budget does not provide a grant increase in 2017-18. Inflation adjustment is based on the California Necessities Index.

Source: Budget Center analysis of Department of Social Services data



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



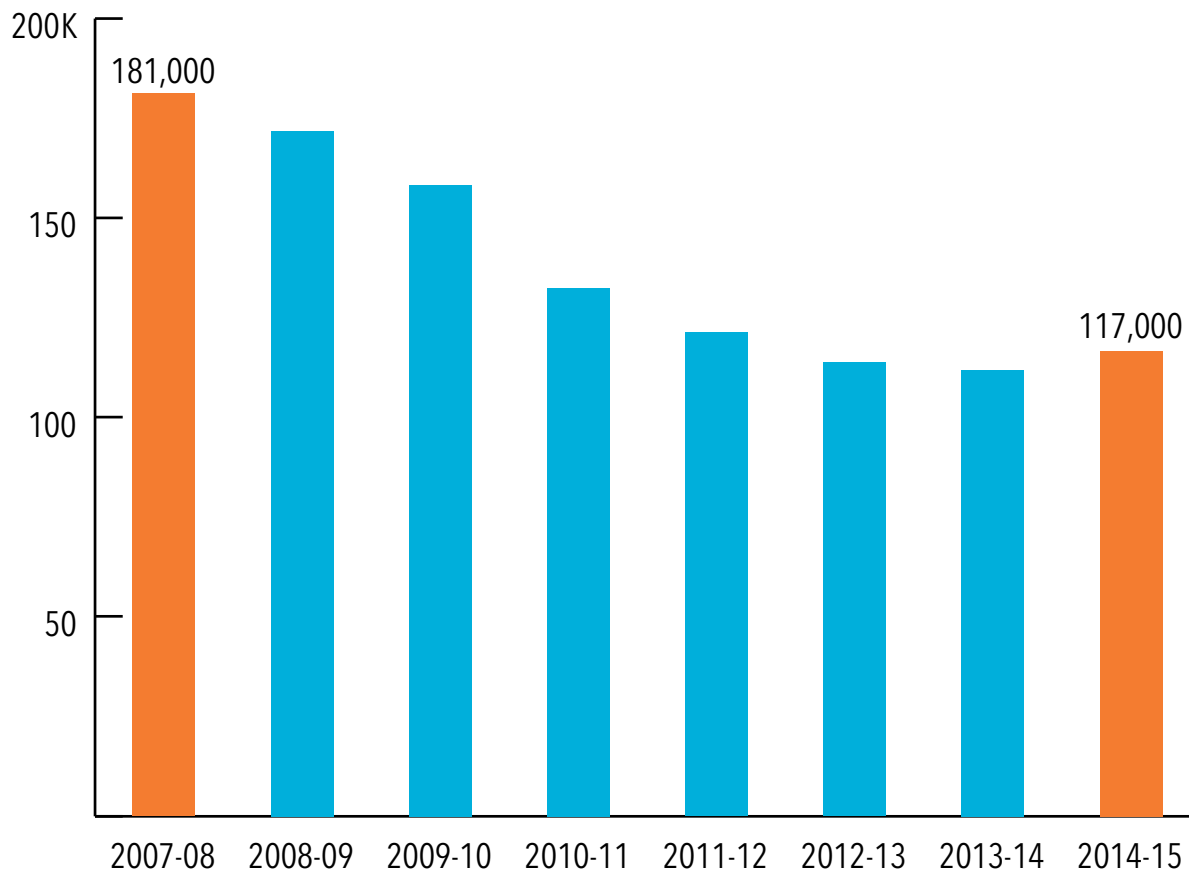
Note: Grants are for high-cost counties. The 2016 grant reflects a 1.43% increase scheduled for October 2016.

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



2017-18 Budget Proposal

- Reflects looming uncertainty at the federal level due to the Trump Administration taking office.
- Forecasts revenues coming in lower than projected and without corrective action projects a shortfall in 2017-18.
- Continues to emphasize building up reserves and paying down state budgetary debt.
- Proposes to rescind several one-year spending commitments including a “pause” in the multiyear plan to reinvest in the state’s subsidized child care and development system.
- Contains no new investments in many key services that help families make ends meet and advance.



President Trump's Child Care Proposal

- Tax deduction for child care expenses primarily benefitting higher-income families, including families that do not have child care expenses
- Expansion of dependent care savings accounts, which allows families to save for certain expenses such as child care, private school, or extracurricular activities
- Refundable credit for certain lower-income families who pay for child care and are working





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