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CALIFORNIA HAS MADE DEEP CUTS TO CHILD CARE AND DEVELOPMENT PROGRAMS SINCE 2009-10

In response to sizeable budget shortfalls, lawmakers have repeatedly cut state spending in recent years. The Legislature reduced General Fund spending from $103.0 billion in 2007-08 to $87.3 billion in 2009-10 – a drop of 15.3 percent – as policymakers responded to the dramatic decline in revenues caused by the most severe economic downturn since the 1930s. In 2010-11, General Fund spending is estimated to be lower as a share of the state's economy than in 33 of the prior 40 years, and expenditures will be lower under the spending plan approved by the Legislature in March. Recent cuts have reversed longstanding policies and left public systems and programs ill-equipped to cope with the ongoing impact of the Great Recession and the challenges of a growing population and an ever-more-competitive global economy. This fact sheet examines the impact of recent cuts to California's child care and development programs, documenting the number of children affected statewide and the cumulative loss of funding.

California's child care programs provide safe and affordable care to help low- and moderate-income parents find and retain jobs. Families qualify for child care if a child is under age 13; parents are working, seeking employment, or participating in training; and family income is at or below 75 percent of the state median income (SMI), currently $3,769 per month for a family of three. California's child care programs typically enroll more than 300,000 children each month, although roughly 200,000 additional children were on child care waiting lists even before recent budget cuts due to limited funding. In addition, the California State Preschool Program provides preschool for more than 100,000 three- and four-year-olds each year, with eligibility generally limited to families with incomes at or below 75 percent of the SMI.[1]

California has repeatedly cut child care and development programs in recent years. A CBP analysis of state data shows that the cumulative impact of these reductions amounts to more than $1.6 billion between 2009-10 and 2011-12, with more than $750 million attributable to cuts passed by the Legislature in March 2011 that are scheduled or assumed to take effect in July 2011.[2] The March 2011

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[1] State law allows up to 10 percent of families served to have incomes somewhat above this threshold.

[2] Most of the 2011-12 child care reductions discussed below were included in Senate Bill 70 (Committee on Budget and Fiscal Review, Chapter 7 of 2011), which Governor Brown signed in March. There are two exceptions. The $243.9 million cut to CalWORKs Stage 1 child care was included in Senate Bill 72 (Committee on Budget and Fiscal Review, Chapter 8 of 2011), which the Governor also signed in March. The 10 percent cut to the standard reimbursement rate (SRR) for Title 5 child care and preschool providers was included in Senate Bill 69 (Leno) – the 2011-12 budget bill – which the Legislature passed in March but has not yet presented to the Governor. While the SRR cut has not been enacted into law, the reduction reflected the will of the Legislature in March and is therefore assumed to take effect in July 2011 for the purpose of this fact sheet.

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cuts are expected to cause more than 60,000 children to lose access to child care and preschool in 2011-12, hindering the ability of low-income parents, particularly single mothers, to hold onto their jobs or get back into the workforce as California slowly recovers from the Great Recession.

Since 2009-10, for example, lawmakers have:

- **Made deep cuts to child care and preschool funding.** The Legislature reduced funding for preschool and most child care programs by 15 percent effective July 1, 2011.[3] This reduction is expected to cause more than 35,000 children to lose access to services. In addition, child care and preschool providers who contract with the California Department of Education – "Title 5" providers – will receive a 10 percent cut to their standard reimbursement rate (SRR) in 2011-12.[4] The SRR is a statewide fixed rate per child that is currently set at $34.38 per day for child care programs and $21.22 per day for part-day preschool programs. These rates will drop to $30.94 and $19.10, respectively, effective July 1, 2011. In effect, this cut means that providers will be paid 10 percent less per child in 2011-12 than they are currently paid.

- **Reduced the maximum income at which families are eligible for child care and preschool.** The Legislature reduced the income eligibility limit from 75 percent to 70 percent of the SMI effective July 1, 2011. As a result, a family of three will lose eligibility for services when their income exceeds $3,518 per month – $251 less than the current limit of $3,769 per month. Approximately 6,600 children are expected to lose services due to this change.

- **Shifted costs to families.** The Legislature increased the fees that families pay for child care and preschool by 10 percent effective July 1, 2011. Currently, a family of three with a monthly income of $3,042 – just under twice the federal poverty line – pays a family fee of approximately $254 per month for full-time daily child care.[5] That same family will pay approximately $279 per month for full-time daily child care starting in July 2011 due to the 10 percent fee increase.

- **Eliminated child care for most 11- and 12-year-olds during traditional work hours.** Lawmakers restricted child care to children age 10 or younger during traditional work hours – Monday through Friday, 6 a.m. to 6 p.m. – effective July 1, 2011. Children ages 11 or 12 may receive child care during those hours only if they meet limited exceptions, such as being homeless or receiving child protective services.[6] Nearly 5,500 11- and 12-year-olds are expected to lose child care due to this reduction.

- **Cut payments for "license-exempt" child care providers.** License-exempt, or unlicensed, child care is typically provided by relatives and friends, often during non-traditional work hours such as weeknights and weekends. The Legislature has reduced payments to license-exempt providers twice in recent years. Specifically, lawmakers reduced the reimbursement ceilings – the maximum payment that a license-exempt provider can receive – from 90 percent to 80 percent of the maximum licensed rate in 2010-11 and to 60 percent of the maximum licensed rate effective July 1, 2011.[7] As a result of these cuts, a license-exempt provider in Los Angeles County caring for an infant or toddler will see her maximum monthly payment decline from the current $602 to $482 in July – a drop of $120 per month.

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3 This cut does not apply to CalWORKs Stages 1 or 2 child care.

4 This additional 10 percent cut does not apply to providers who are paid through a voucher reimbursement system based on regional market rates.

5 Assumes 21.7 days of care per month – the average number of weekdays per month each year.

6 In addition, 11- and 12-year-olds may continue to receive child care on weeknights and weekends.

7 Maximum license-exempt rates are based on the 85th percentile of the regional market rate (RMR) ceilings established by the 2005 RMR survey for licensed family child care homes.

- **Reduced funding for CalWORKs Stage 1 child care.** Families receiving CalWORKs cash assistance and former CalWORKs families receive child care in three stages. Stage 1 serves families who have entered CalWORKs and are working or participating in county-approved work activities. Families who are considered "stable" may move to Stage 2, where they may remain for up to two years after leaving CalWORKs cash assistance, at which point they may transfer to Stage 3. The Legislature cut funding for Stage 1 child care by $215.3 million in each of 2009-10 and 2010-11 and by $243.9 million in 2011-12. The Department of Social Services estimated that these cuts would cause more than 12,600 CalWORKs families to lose child care in each of 2009-10 and 2010-11 and will cause 15,200 families to lose child care in 2011-12.

  While Stages 2 and 3 will be affected by several of the reductions outlined above – including the payment cut to license-exempt providers and the elimination of child care for 11- and 12-year-olds during traditional work hours – the Legislature did not make additional cuts specifically targeting Stages 2 and 3 between 2009-10 and 2011-12. However, recent estimates suggest that Stage 3 costs – and therefore state spending on Stage 3 – will drop dramatically in both 2010-11 and 2011-12 due to the impact of former Governor Schwarzenegger's October 2010 line-item veto of state funding for Stage 3, effective November 1, 2010. Although the state ultimately maintained Stage 3 funding due to a court order and subsequent actions by the Legislature and Governor Brown, the number of children enrolled in Stage 3 has plummeted by 70 percent compared to the level prior to the veto.[8] State data suggest, however, that some Stage 3 children have moved back to Stage 2, resulting in higher-than-anticipated costs in that program. The CBP estimates that due to the impact of the veto, state spending on Stage 3 – after accounting for higher-than-anticipated Stage 2 costs – has declined by roughly $100 million in 2010-11 and will drop by roughly $160 million in 2011-12 relative to expenditure levels that would otherwise be expected under current law.[9]

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[8] Assembly Budget Committee, Subcommittee No. 2 on Education Finance, agenda for May 25, 2011 hearing, p. 12.

[9] This net decline in Stage 3 spending attributable to the October 2010 veto is included in the CBP's estimate of the cumulative funding impact of child care and development cuts between 2009-10 and 2011-12.