

CALIFORNIA BUDGET PROJECT

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# Playing With Our Future:

## Key Facts About California's Child Care and Development Programs in the Aftermath of the Great Recession


THE CALIFORNIA BUDGET PROJECT  
March 2012

# Overview

- Nearly one out of four California children lives in poverty, and many families – including single mothers and their children – continue to face economic uncertainty in the aftermath of the Great Recession.
- California's child care programs provide safe and affordable care that helps lower-income parents find and retain jobs. Preschool and afterschool programs provide additional child development options for California's families.
- State policymakers have cut funding for child care and preschool programs in recent years to help close budget gaps.
- The Governor proposes additional cuts that would cause more than 60,000 children to lose access to child care and preschool in 2012-13.
- The Governor's proposal would also consolidate all child care programs into a county-run block grant and roll back the recent expansion of the state preschool program by 2013-14.

# Overview (continued)

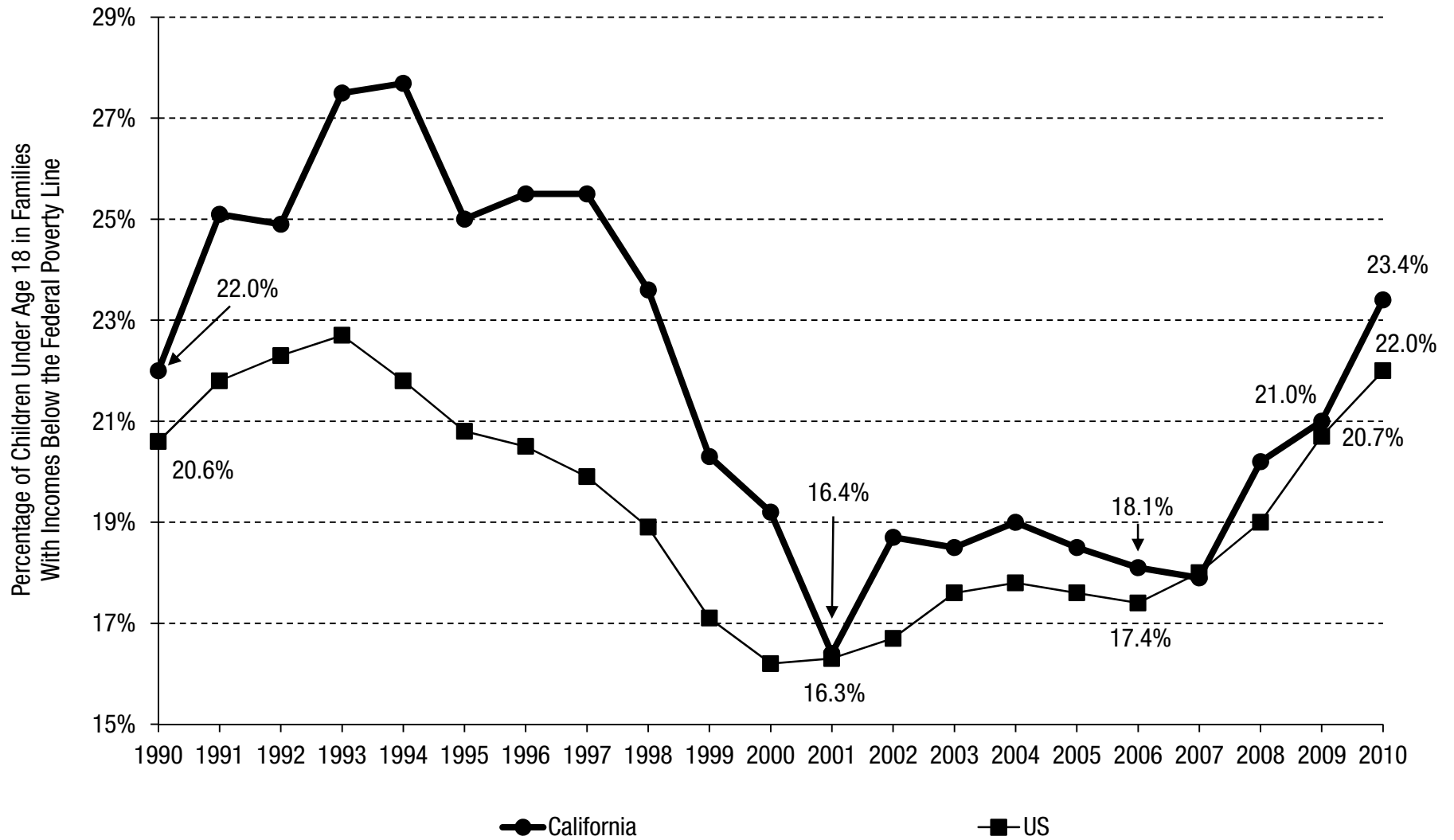
- The Governor's proposal would cut funding for child care by 20.7 percent (\$343.4 million) in 2012-13 – dropping funding to below the 1997-98 level, after adjusting for inflation.
- The Governor's proposal would cut funding for preschool by 25.6 percent (\$198.0 million) in 2012-13, after adjusting for inflation.
- State funding for afterschool programs has not been cut in recent years – and would not be reduced under the Governor's proposal – because it is protected by Proposition 49 of 2002.
- Child care and development spending would fall to 1.2 percent of state spending in 2012-13 under the Governor's proposal, down from 2.0 percent in 2007-08.
- Providing affordable and accessible child care and preschool is critical for California's future.



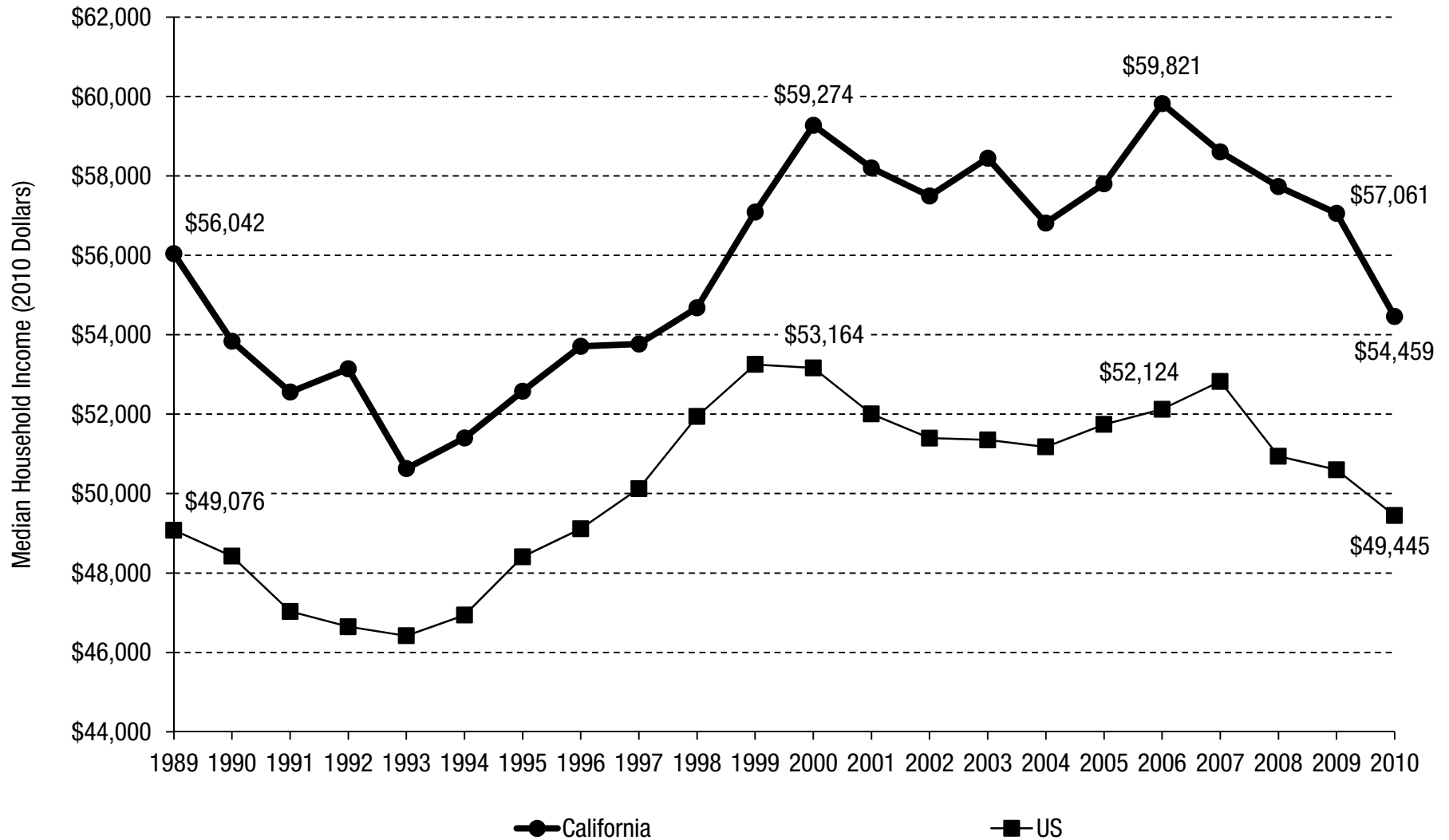
# Nearly One Out of Four California Children Lives in Poverty, and Many Families Continue To Face Economic Uncertainty in the Aftermath of the Great Recession

## California's Child Poverty Rate Increased Significantly Between 2009 and 2010

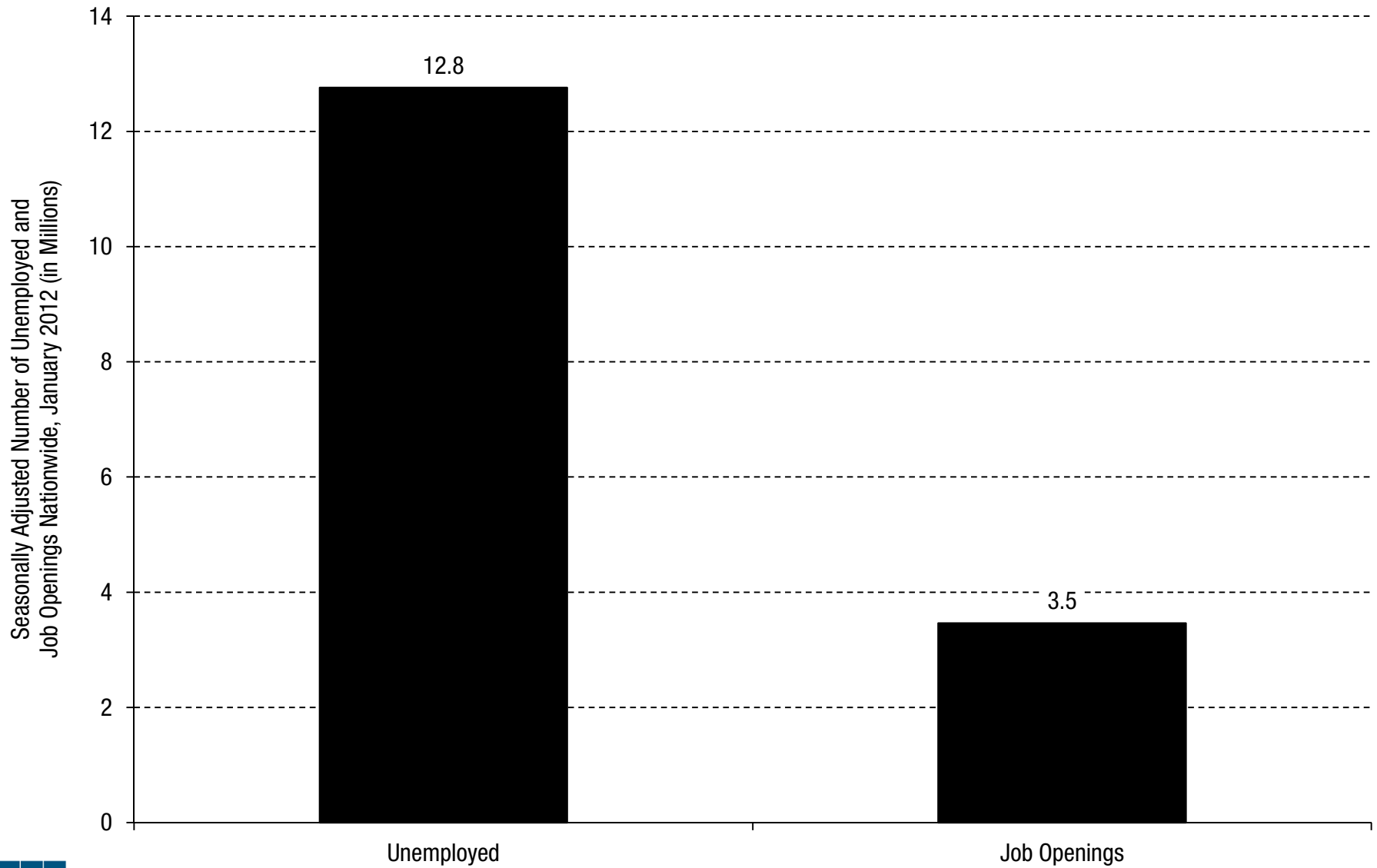
Nearly One Out of Four California Children Lived in Families With Incomes Below the Poverty Line in 2010



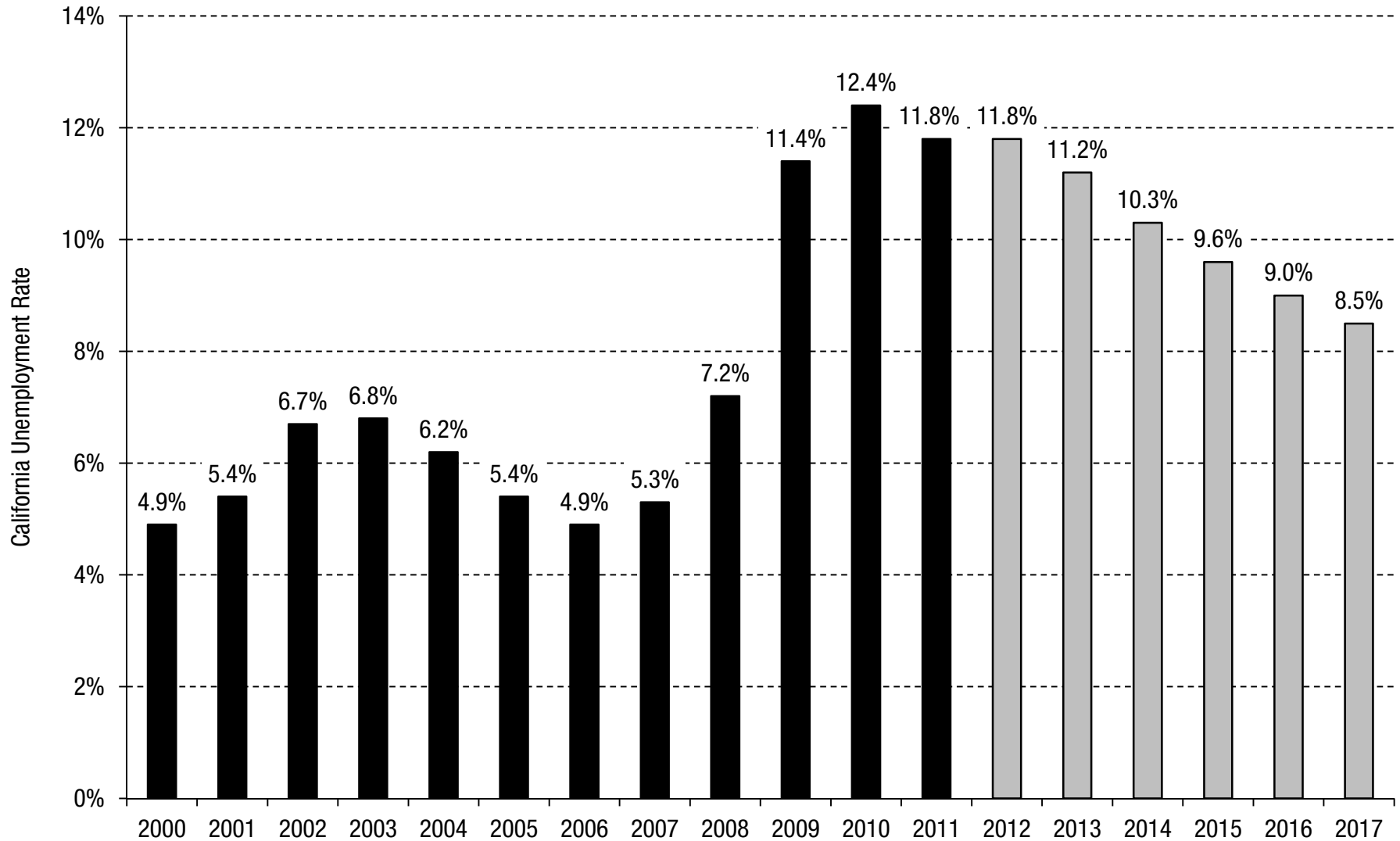
## The Inflation-Adjusted Income of the Typical California Household Dropped by \$2,602 Between 2009 and 2010, the Largest Single-Year Decline on Record



## The Number of People Looking for Work Nationwide Exceeds Available Jobs by More Than Three to One



## California's Annual Jobless Rate Is Projected To Remain Above 10 Percent Through 2014

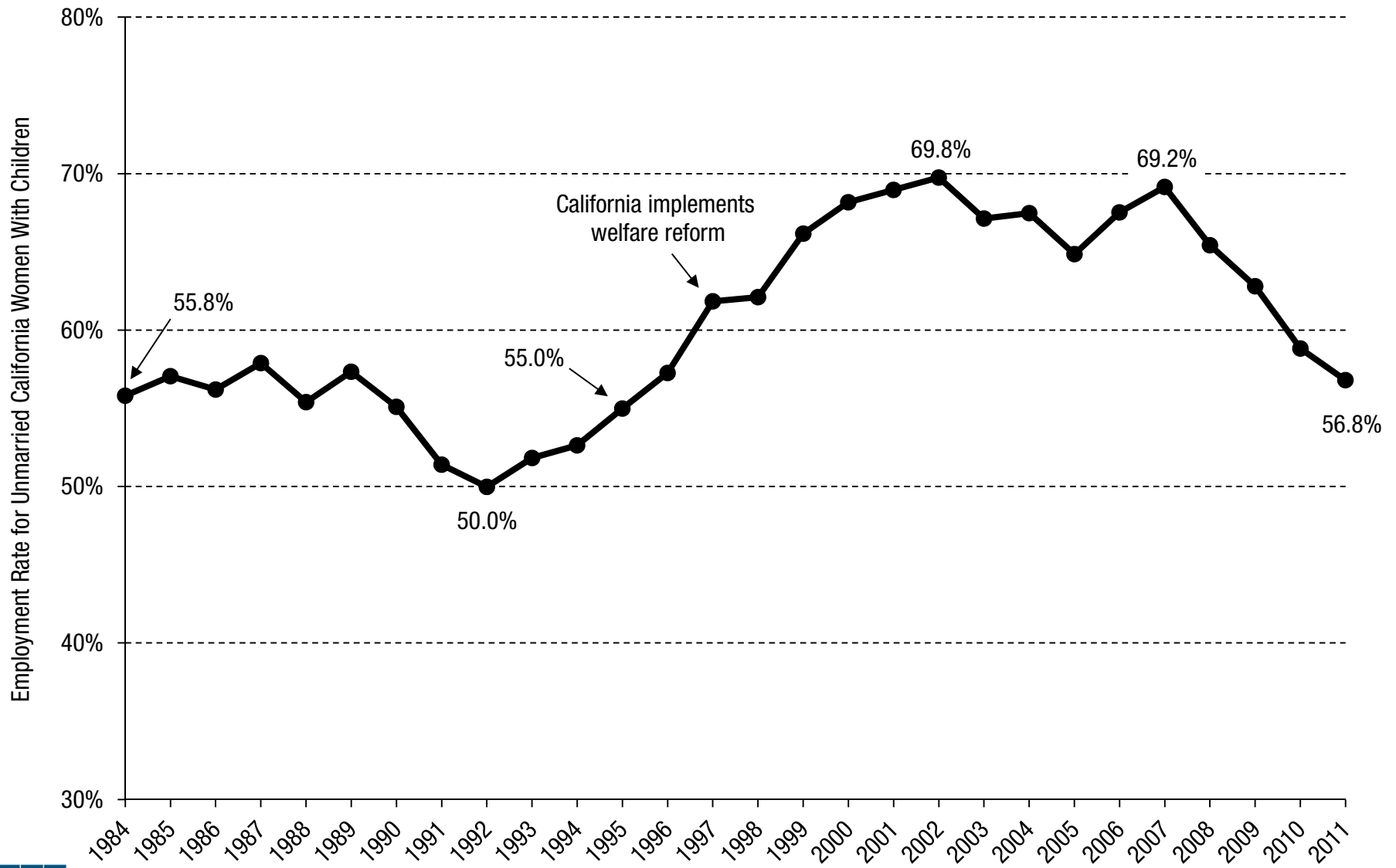






# The Great Recession Hit Single Mothers and Their Children Hard

## The Share of California's Single Mothers With Jobs Has Fallen to Its Lowest Level Since 1995

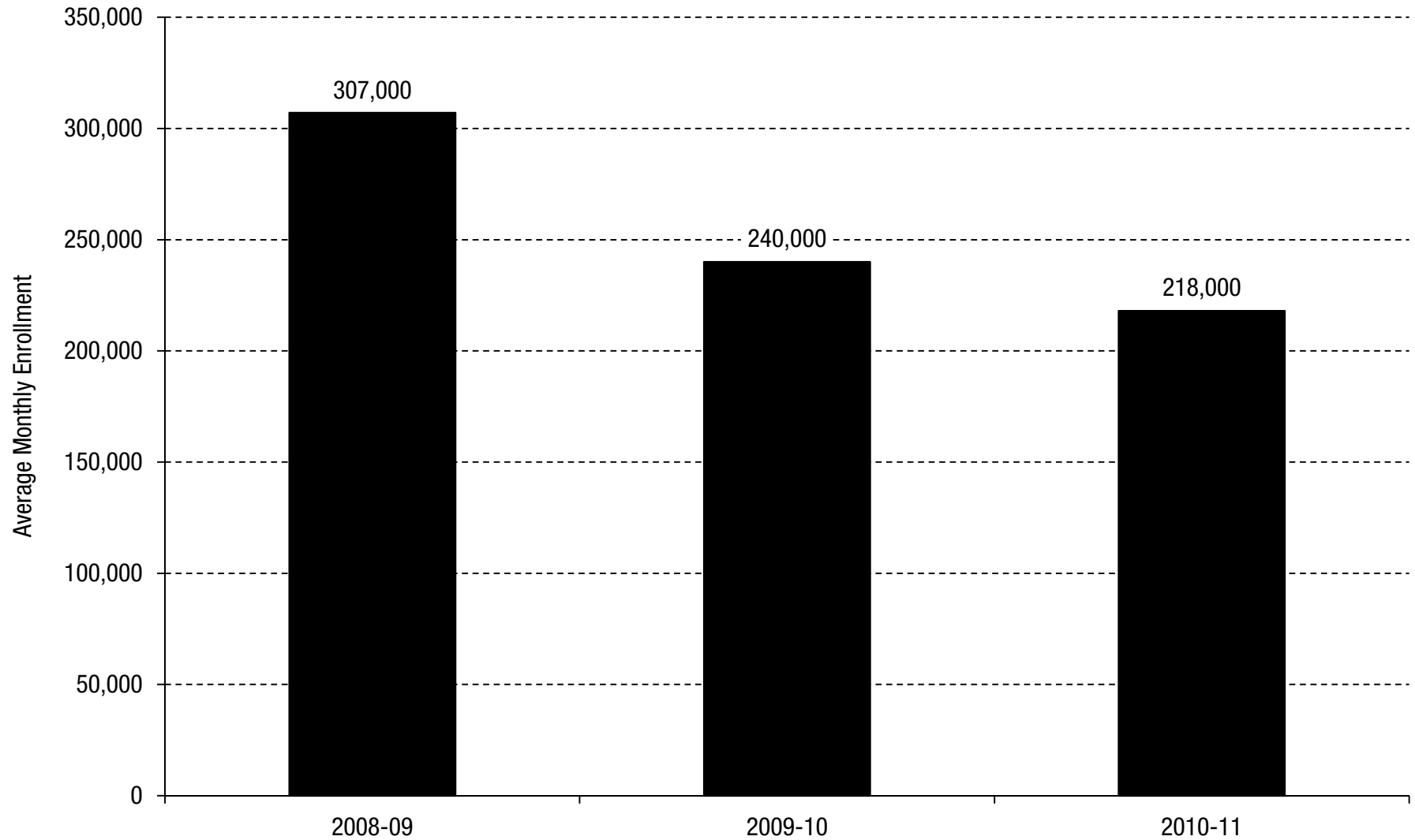


**Child Care Programs Provide Safe  
and Affordable Care That Helps Parents  
Find and Retain Jobs. Preschool and  
Afterschool Programs Provide Additional  
Child Development Options for Families.**

# California's Child Care Programs

- California's child care programs assist families with parents who are working, looking for work, or participating in a vocational training program. Generally, children must be under age 13, and families' incomes may not exceed 70 percent of California's 2005 state median income – \$42,216 for a family of three. Both state and federal dollars support child care assistance.
- An average of 218,000 children were enrolled in child care each month in 2010-11, down from 240,000 in 2009-10. Prior to 2009-10, annual enrollment was typically around 300,000 children. The recent enrollment drop is primarily due to two factors: budget cuts to child care programs and a new law that redirected certain child care dollars to the state preschool program.
- Demand for child care far exceeds available supply. More than 193,000 children were on waiting lists as of March 2011.

## Child Care Enrollment Fell By Nearly 90,000 Between 2008-09 and 2010-11



# California's Child Care Programs (continued)

- Parents in the CalWORKs welfare-to-work program who are employed or participate in county-approved activities are eligible for three “stages” of child care:
  - Stage 1 generally provides child care for up to six months after families begin receiving cash assistance.
  - Stage 2 provides child care to families who have transitioned from Stage 1. Families may stay in Stage 2 for up to two years after leaving CalWORKs.
  - Stage 3 provides child care to families who reach the Stage 2 time limit if they still have a need for care and remain eligible.
- Families who have not participated in CalWORKs may access child care through other programs, the largest of which are General Child Care and the Alternative Payment Program.

# The California State Preschool Program

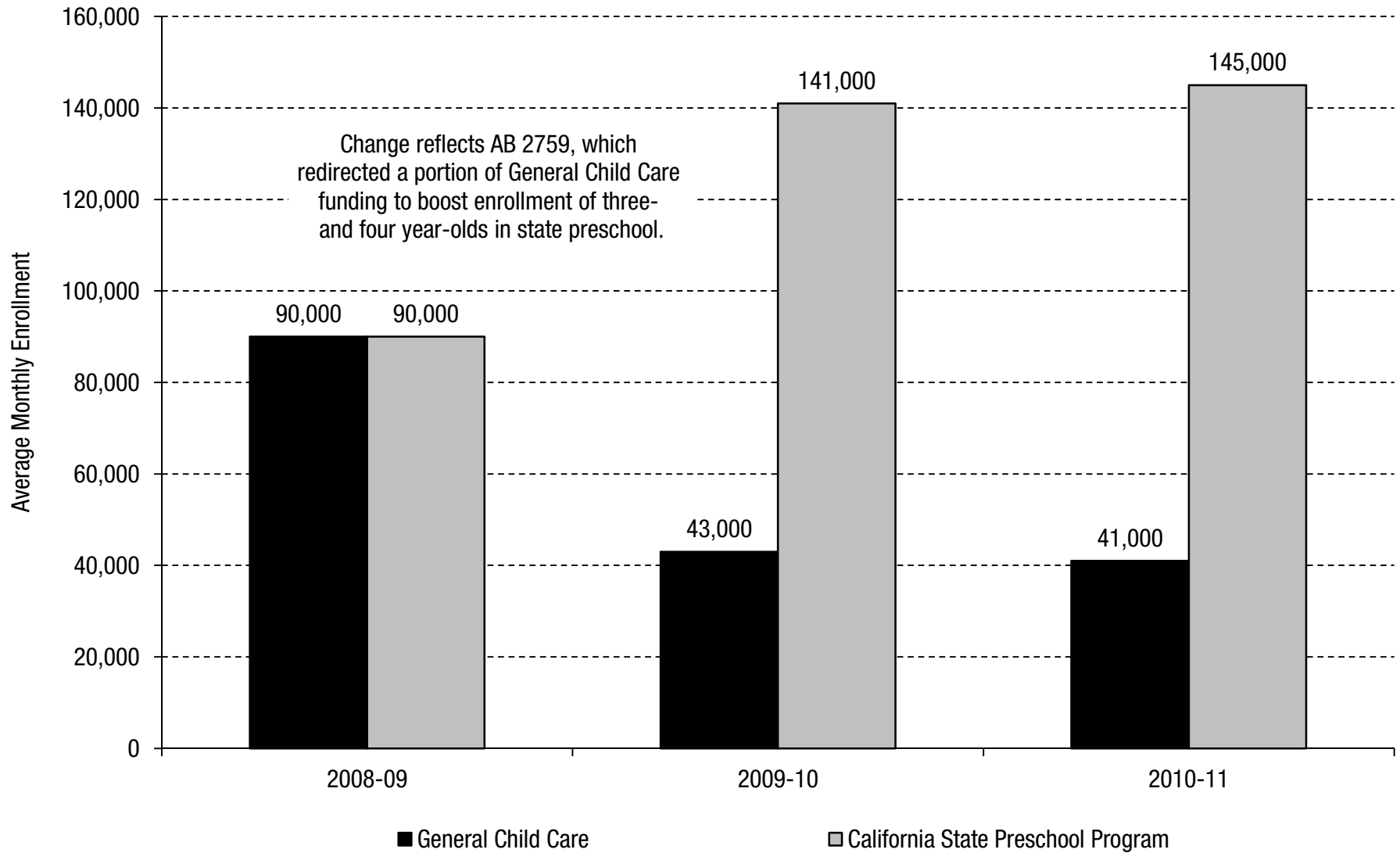
- The California State Preschool Program (CSPP) provides full- and part-day preschool for eligible three- and four-year-olds.
- An average of 145,000 children per month were enrolled in the CSPP during 2010-11.
- Families generally must meet the same income guidelines applicable to child care to qualify for state preschool. State law, however, allows up to 10 percent of families in the CSPP to have incomes up to 15 percent above the income eligibility limit.
- Parents are not required to be employed or to participate in a vocational training program to qualify for part-day preschool.

# Recent Legislation Expanded State Preschool

- AB 2759 (Jones, Chapter 308 of 2008) created the CSPP by consolidating funds from several early care and education programs, including General Child Care and the state's part-day preschool program, in 2009-10.
- In particular, the bill shifted – to the CSSP – General Child Care funds that previously supported child care for three- and four-year olds in state-licensed child care centers. These dollars were generally used to expand the number of full-day state preschool slots. As a result, state preschool enrollment jumped from 90,000 in 2008-09 to 141,000 in 2009-10, a 57 percent increase. Conversely, the number of children enrolled in General Child Care *dropped* by roughly the same amount.
- Local centers may shift funds between General Child Care and state preschool each year to best meet the needs of working families. Providers will redirect an estimated 60 percent of General Child Care dollars to the CSPP in 2011-12.
- General Child Care and the CSPP are subject to similar standards, so while AB 2759 streamlined funding, increased local flexibility, and boosted preschool enrollment, the experience of three- and four-year-olds has remained substantially the same.



## Enrollment in the California State Preschool Program Jumped Due to Recent Legislation



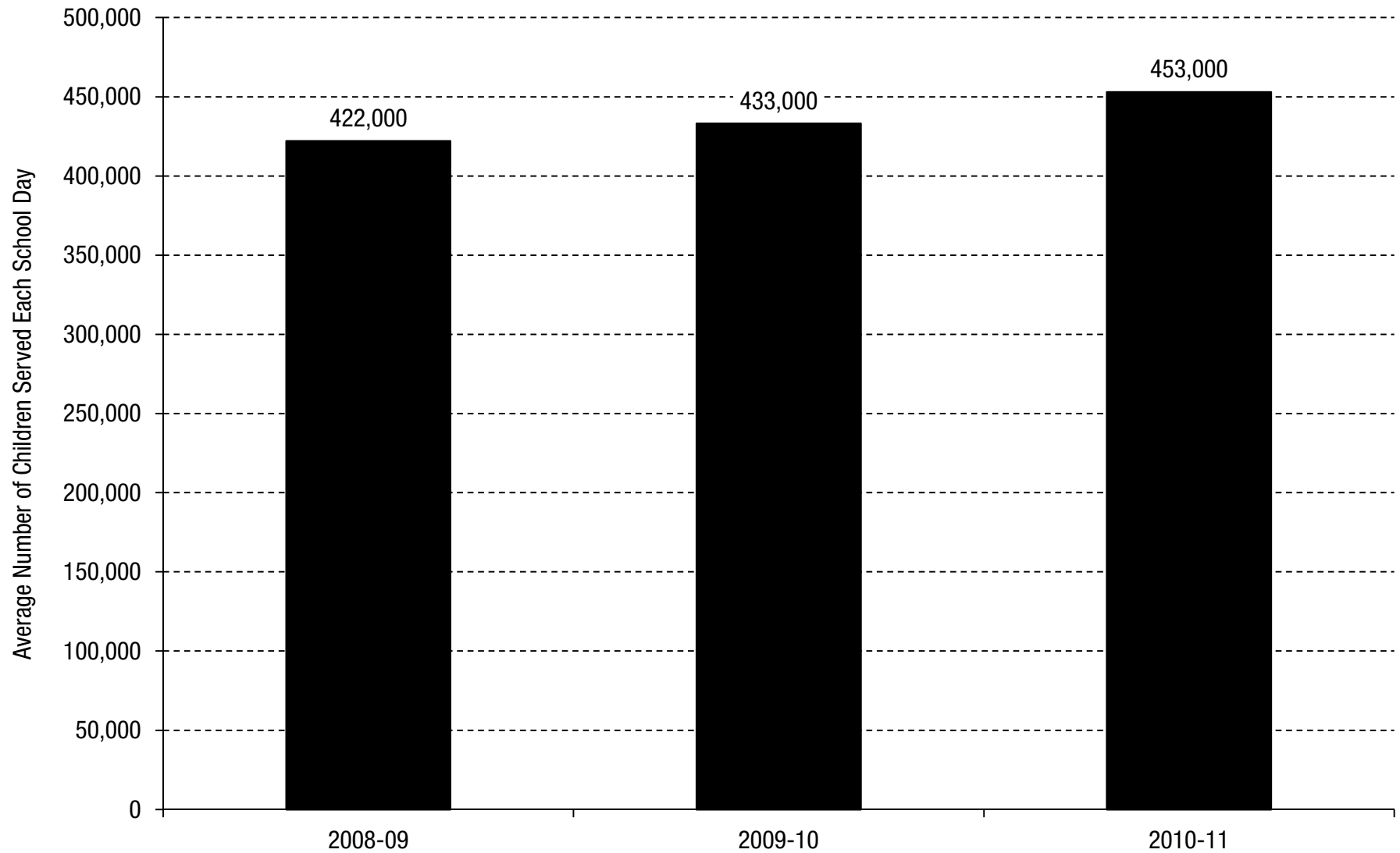
# California Pays for Child Care and Preschool in One of Two Ways

- Current and former CalWORKs families, as well as families in the Alternative Payment Program, use vouchers to pay for child care that best fits their specific circumstances.
  - Voucher amounts are based on Regional Market Rates that vary by county and the child's age. Maximum payments for licensed providers have been frozen in recent years and are based on the 85th percentile of the 2005 surveyed rates. Maximum payments for "license-exempt" providers – typically friends or relatives – are set at 60 percent of the maximum licensed rate.
- Other families participate in child care programs – of which General Child Care is the largest – that are generally run by licensed centers that contract directly with the state. Licensed centers also operate the CSPP.
  - Contractors receive a standard per-child rate that may be increased depending on the age of the child and other factors. The statewide daily rates, which have not been raised since 2007-08, are \$34.38 per child for full-day services and \$21.22 for part-day state preschool.

# State and Federal Afterschool Programs

- The state After School Education and Safety (ASES) Program provides educational and academic enrichment programs for students in kindergarten through ninth grade. Proposition 49 of 2002 requires California to provide approximately \$550 million each year for ASES, a funding mandate that was triggered in 2006-07. Previously, the state spent less than \$125 million per year on afterschool programs.
- The federal 21st Century Community Learning Centers Program provides additional funding to support afterschool programs for disadvantaged K-12 students.
- An average of 453,000 children per school day were enrolled in state and federal afterschool programs during 2010-11.

## Afterschool Program Enrollment Has Increased in Recent Years



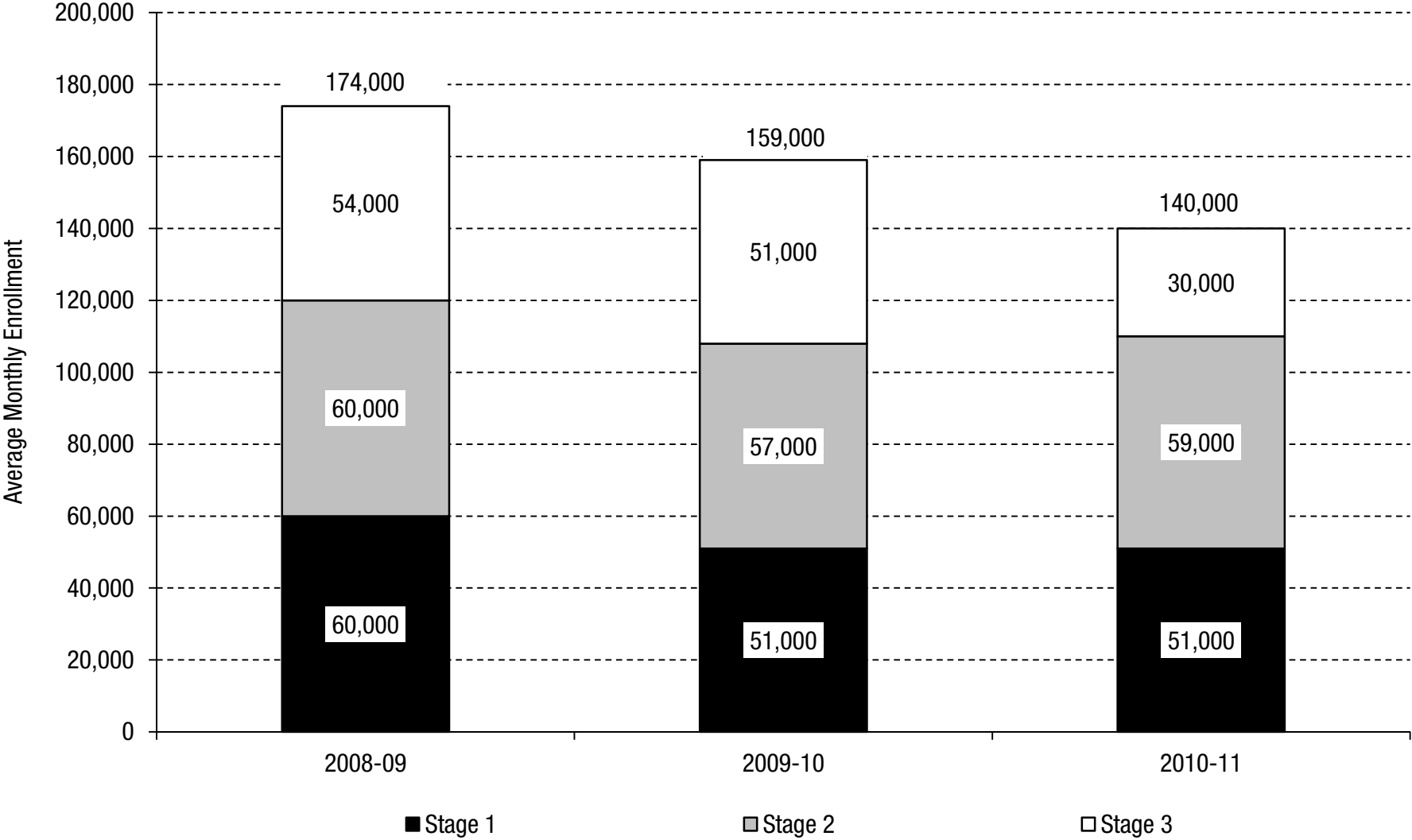


# State Policymakers Have Cut Funding for Child Care and Preschool Programs in Recent Years To Help Close Budget Gaps

# CalWORKs Child Care Has Been Cut Deeply

- Policymakers made deep cuts to CalWORKs child care in recent years, contributing to an enrollment drop of more than 30,000 between 2008-09 and 2010-11. Specifically:
  - The Legislature cut funding for Stage 1 by \$215 million per year between 2009-10 and 2011-12. To reflect lower funding, legislators exempted parents with one child under age 2, or two or more children under age 6, from work participation requirements. This change has reduced families' need for child care, but also has meant that fewer parents are engaged in welfare-to-work activities.
  - Former Governor Schwarzenegger vetoed all Stage 3 funding in October 2010. Although the state subsequently restored funding, the number of children enrolled in Stage 3 plummeted from 51,000 in 2009-10 – the year before the veto – to 30,000 in 2010-11.

## CalWORKs Child Care Enrollment Dropped by 34,000 Between 2008-09 and 2010-11




Note: Figures are rounded to the nearest 1,000.  
 Source: California Department of Education, Department of Finance, and Department of Social Services

# Policymakers Have Made Additional Cuts to Child Care and Preschool Programs

- The Legislature:
  - Reduced funding for state preschool and child care programs by 15 percent in 2011-12, causing an estimated 35,000 children to lose access to care.
  - Reduced the income eligibility limit for state preschool and child care from 75 percent to 70 percent of state median income in 2011-12, causing an estimated 6,600 children to lose access to care.
  - Cut maximum payments for license-exempt child care providers from 90 percent to 60 percent of the maximum licensed rate.
  - Cut funding for a range of child care-related activities, including quality improvement efforts, from \$109 million in 2009-10 to \$76 million in 2011-12, a 30 percent reduction.





# The Governor Proposes Additional Cuts That Would Cause More Than 60,000 Children To Lose Access to Child Care and Preschool in 2012-13

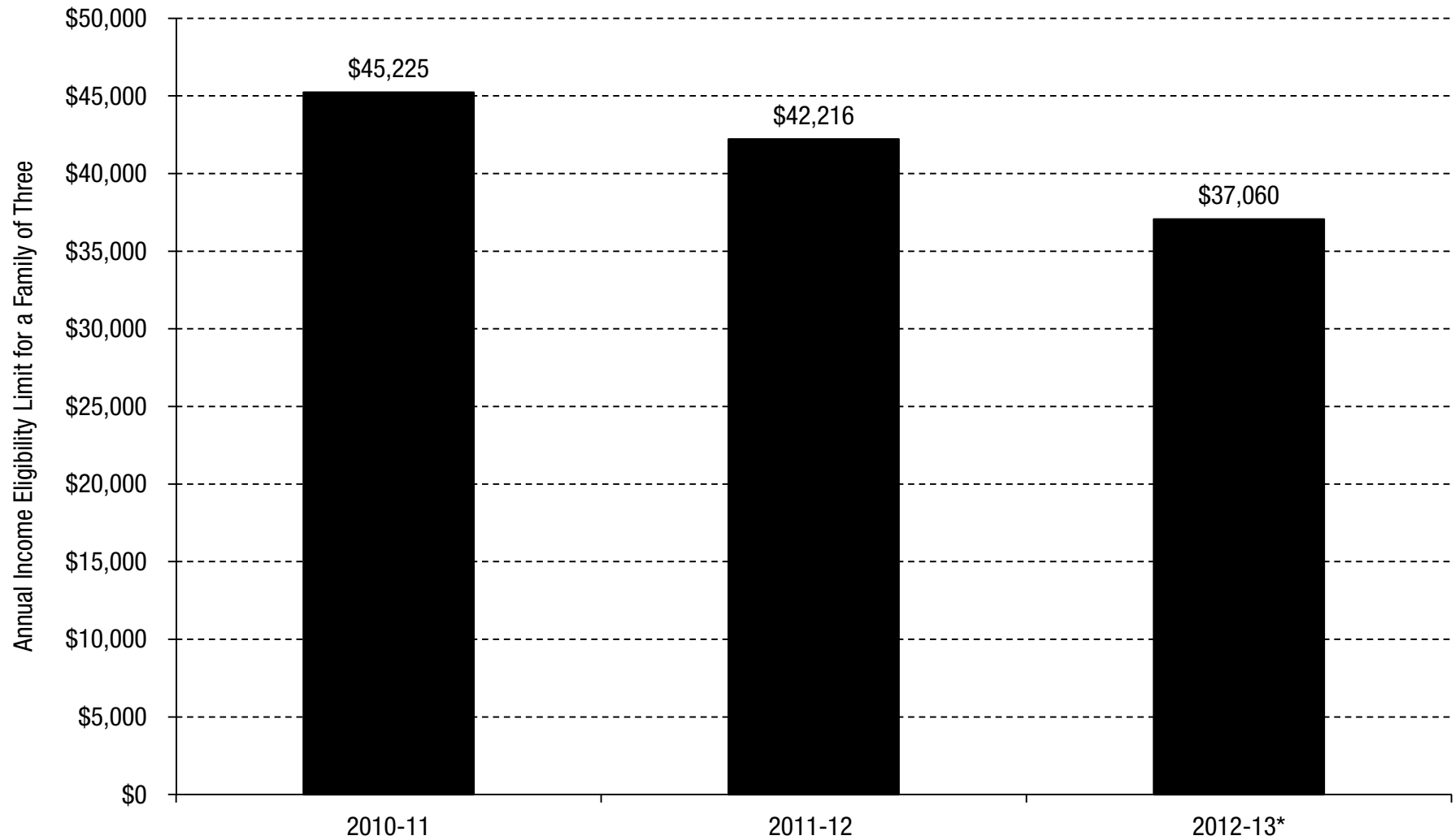
# The Governor Proposes To End Child Care for Parents Who Are Primarily Engaged in Education and Training

- Parents would have to meet a narrow set of work requirements in order to qualify for child care under the Governor's proposal.
- Specifically, parents would have to work in a subsidized or unsubsidized job for a minimum number of hours – generally 30 hours per week – to be eligible for child care. The Governor estimates that this change would eliminate child care for approximately 46,000 children in 2012-13.
- This reduction would disproportionately affect parents enrolled in vocational training programs. They would have to find a job or boost their work hours to qualify for child care.

# The Governor Proposes To Reduce the Income Eligibility Limit for Child Care and State Preschool


- The income eligibility limit for child care and state preschool, as noted above, is based on California's 2005 state median income (SMI). The current income limit is 70 percent of SMI, or \$42,216 for a family of three.
- The Governor proposes to base the income limit on 200 percent of the 2011 federal poverty line beginning in 2012-13. This change would lower the income limit for a family of three to \$37,060, 12.2 percent below the current level.
- This proposal would eliminate child care and preschool for 15,700 children.

## The Income Eligibility Limit for Child Care and Preschool Would Drop for a Second Consecutive Year Under the Governor's Proposal



# The Governor Proposes To Reduce Payments for Child Care and Preschool Providers

- The Governor proposes to:
  - Reduce, by 10 percent, payments for child care and preschool providers who contract directly with the state. The daily, per-child rate for full-day services would drop from \$34.38 to \$30.94, and the part-day preschool rate would fall from \$21.22 to \$19.10. Because the state pays the same amount regardless of location, providers in high-cost areas would be at risk of closing their doors.
  - Reduce payments for licensed child care providers who receive vouchers. Maximum payments would drop to the 50th percentile of the 2009 Regional Market Rates, with an average reduction of between 12 percent and 14 percent, according to the Legislative Analyst's Office (LAO).



**The Governor's Proposal Would Also  
Consolidate All Child Care Programs Into a  
County-Run Block Grant and Roll Back  
the Recent Preschool Expansion by 2013-14**


# The Governor's Proposal Would Consolidate All Child Care Programs Into a County-Run Block Grant

- The Governor proposes to consolidate all major child care programs – including both CalWORKs and non-CalWORKs child care – over a two-year period into a block grant that would be administered by the counties. Most child care programs are currently overseen by the California Department of Education.
- Virtually all funding for CalWORKs Stage 2 and 3 child care, along with funding for the Alternative Payment Program, would be moved to the block grant in 2012-13.
- Funding for CalWORKs Stage 1 child care, General Child Care, and other child care programs would be shifted into the block grant in 2013-14, at which point all child care providers would be paid with vouchers.

# The Governor's Proposal Would Reverse the Recent State Preschool Expansion

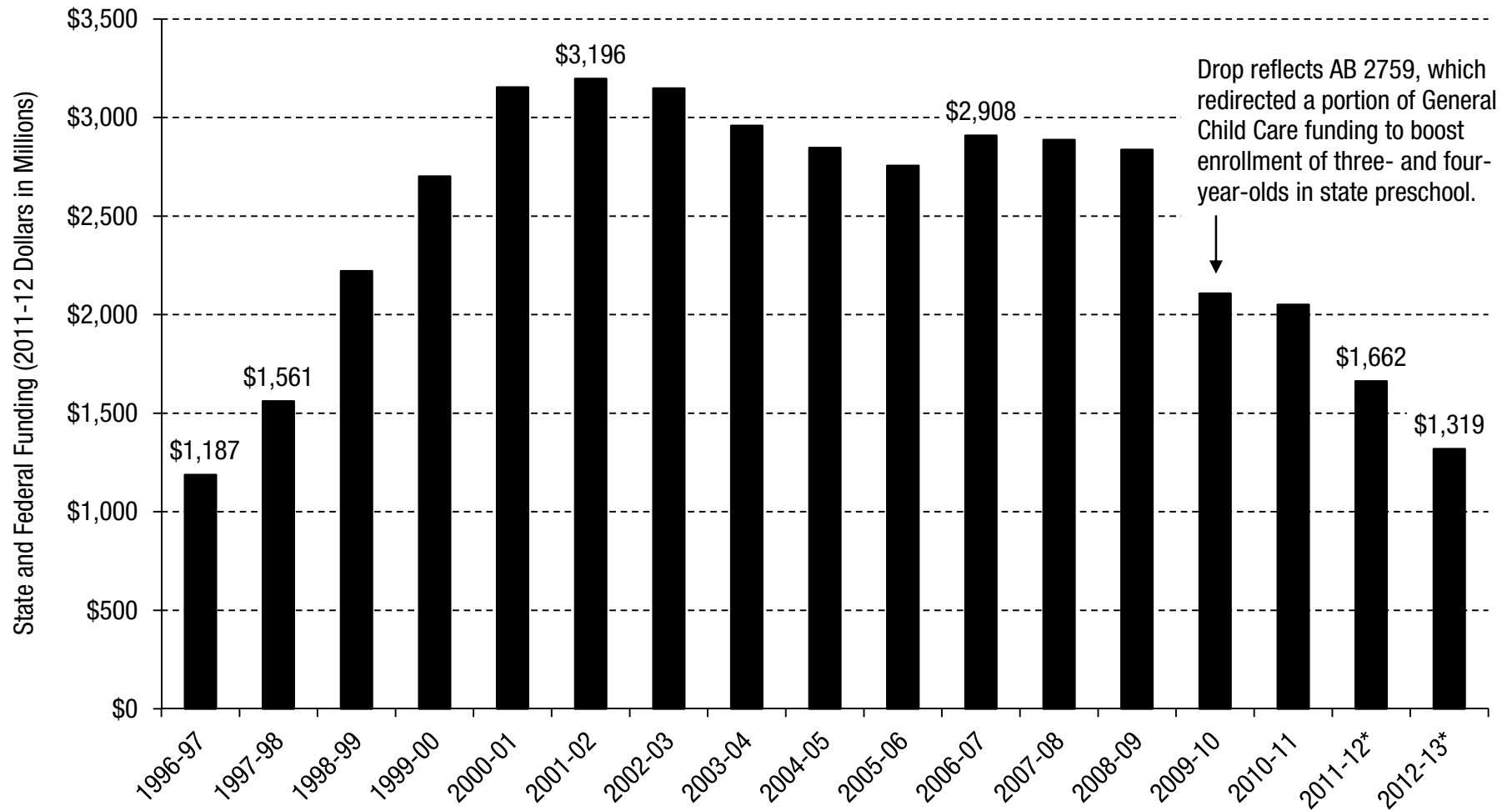
- The Governor's proposal would roll back the expansion of state preschool made possible by AB 2759, which redirected a portion of General Child Care funding to increase enrollment of three- and four-year-olds in state preschool.
- General Child Care dollars currently used to fund full-day preschool would be shifted into the new voucher-based block grant in 2013-14, thereby eliminating more than half of the funding currently available for preschool. Consequently, state preschool would revert to a part-day, part-year program in 2013-14, as was the case prior to AB 2759.
- The LAO estimates that this change, along with the proposed reduction to the income eligibility limit for preschool, would reduce enrollment in state preschool from 145,000 in 2011-12 to 91,000 in 2013-14, a 37 percent decrease.





**The Governor's Proposal Would Cut Funding  
for Child Care by 20.7 Percent (\$343.4 Million)  
in 2012-13 — Dropping Funding Below the  
1997-98 Level, After Adjusting for Inflation**


## Funding for Child Care Would Drop Below the 1997-98 Level Under the Governor's Proposal, After Adjusting for Inflation



\* 2011-12 estimated and 2012-13 proposed.

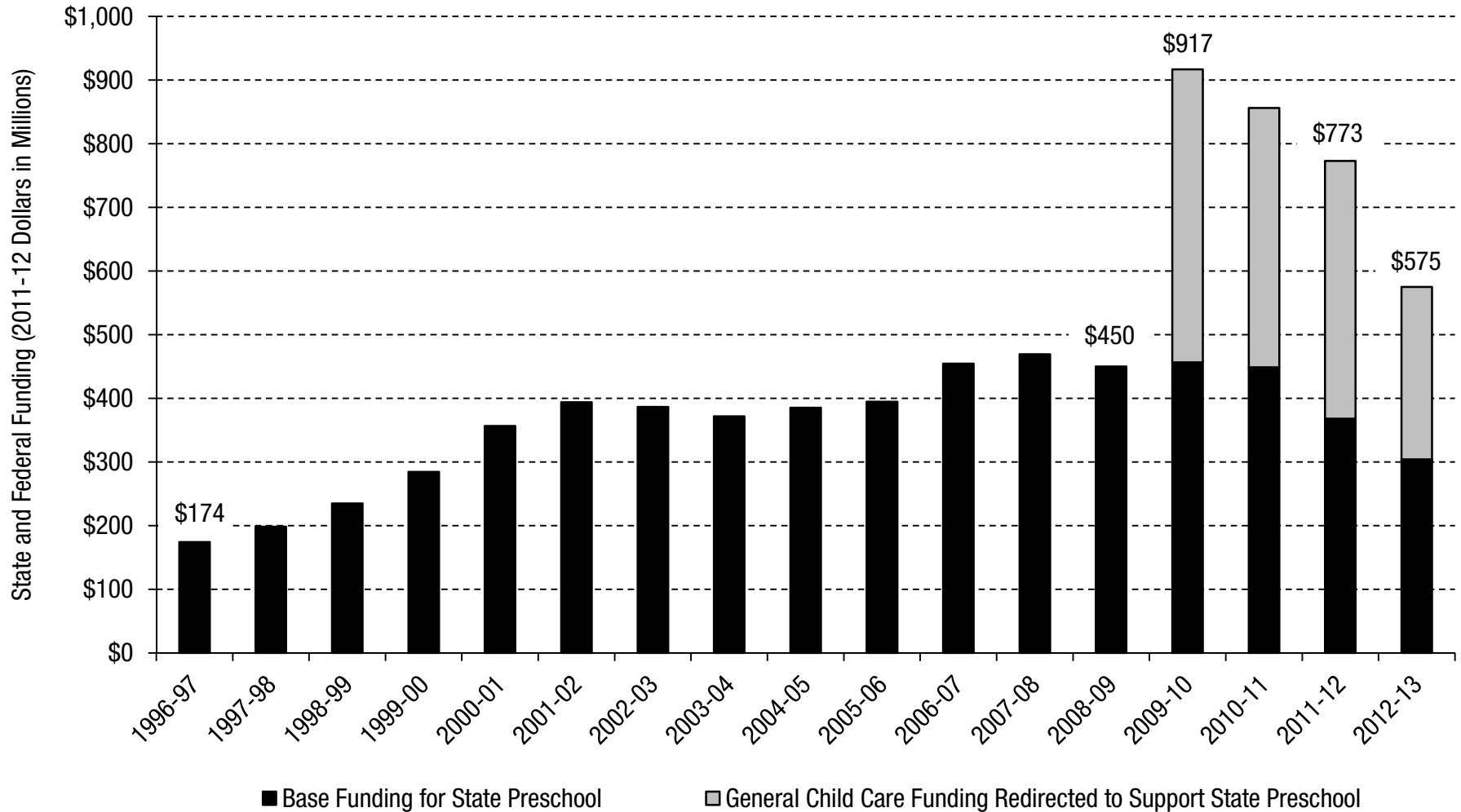
Note: Includes CalWORKs and non-CalWORKs child care.

Source: California Department of Education, Department of Finance, Department of Housing and Community Development, Department of Social Services, and Legislative Analyst's Office



# The Governor's Proposal Would Cut Funding for Preschool by 25.6 Percent (\$198.0 Million) in 2012-13, After Adjusting for Inflation

## Funding for the California State Preschool Program Would Drop by Nearly \$200 Million in 2012-13 Under the Governor's Proposal, After Adjusting for Inflation

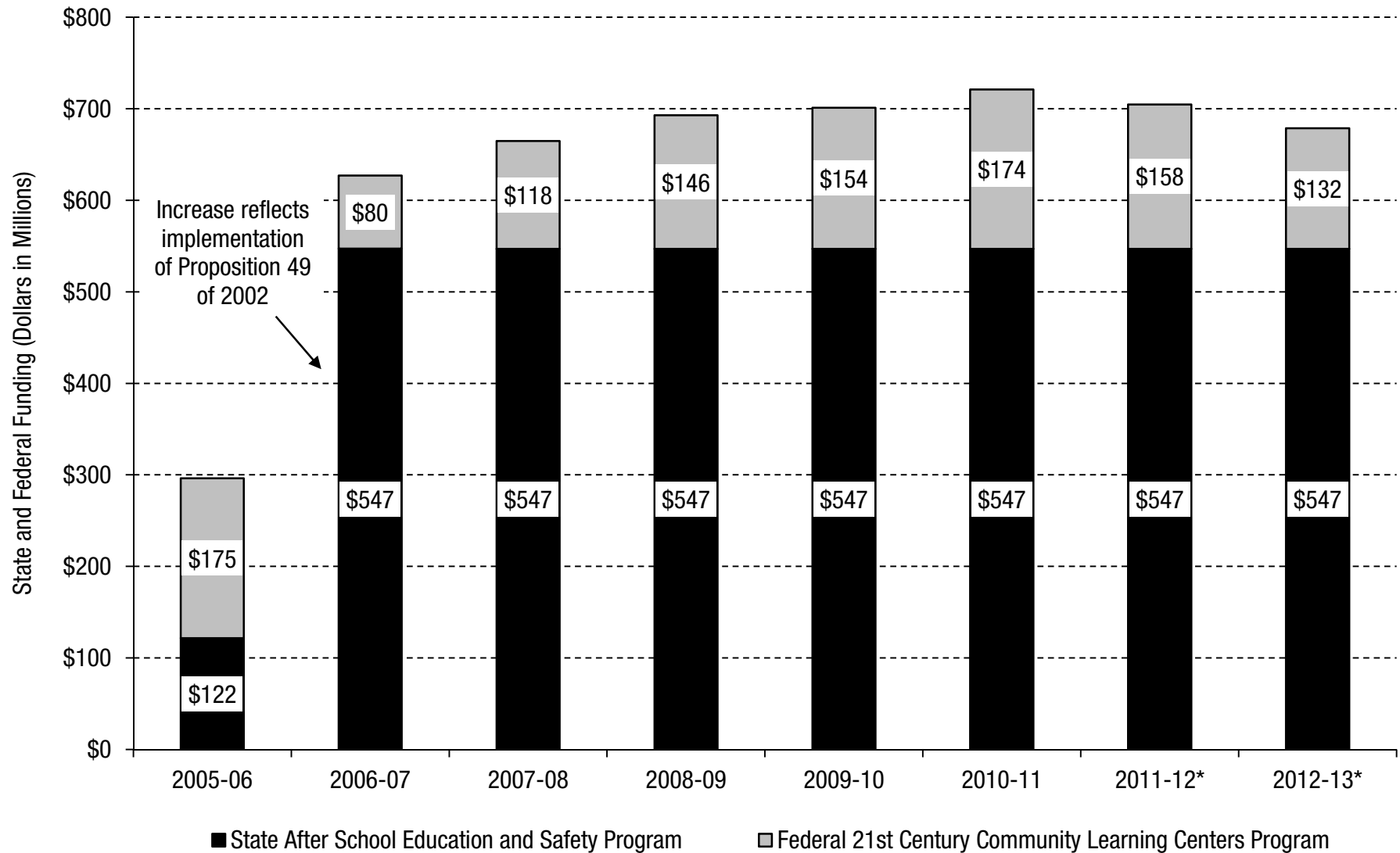


State Funding for Afterschool Programs  
Has Not Been Cut in Recent Years —  
and Would Not Be Reduced Under  
the Governor's Proposal — Because  
It Is Protected by Proposition 49 of 2002

# State Afterschool Funding Has Remained Stable in Recent Years Due to Proposition 49 of 2002

- Proposition 49 of 2002 requires the state to spend approximately \$550 million each year on afterschool services. The measure prohibits the Legislature from reducing this funding without voter approval, even in years in which the state faces a substantial budget shortfall.
- As a result, annual state funding for afterschool programs has remained constant at approximately \$550 million – even as policymakers have made deep cuts to child care and preschool programs to help close budget gaps.
- In contrast, federal afterschool funding varies from year to year and is projected to drop from \$158 million in 2011-12 to \$132 million in 2012-13, without adjusting for inflation.

## State Afterschool Funding Has Remained Constant Since 2006-07, Without Adjusting for Inflation

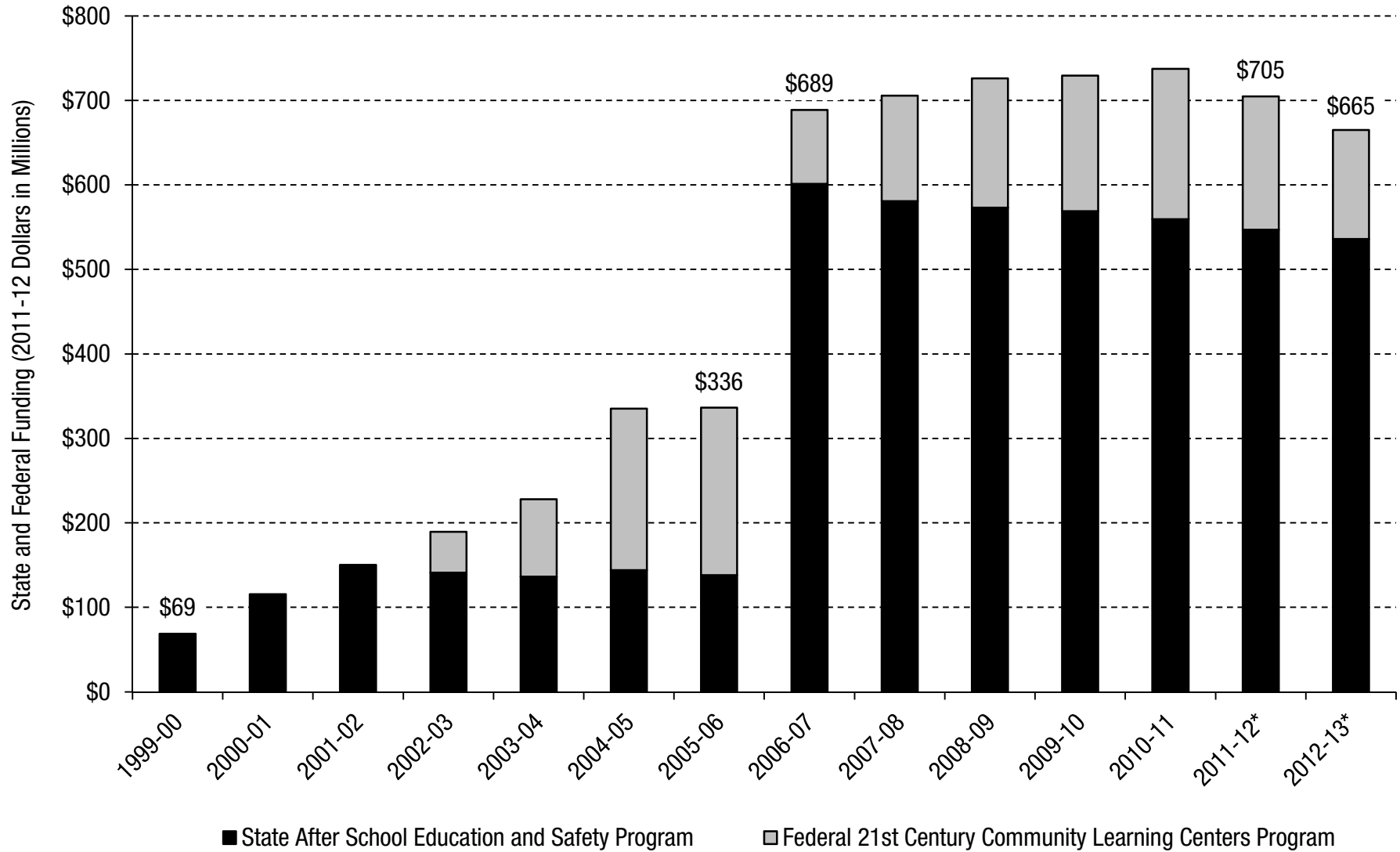


# Total State and Federal Afterschool Funding Has Increased Substantially Since the Late 1990s

- State and federal afterschool funding has increased nearly ninefold since the late 1990s, rising from \$69 million in 1999-00 to a projected \$665 million in 2012-13, after adjusting for inflation.
- In contrast, funding for child care and preschool would decline to \$1.9 billion in 2012-13 under the Governor's proposal, down from a peak of \$3.6 billion in 2001-02, after adjusting for inflation.
- Due to these trends, afterschool funding is projected to comprise 26 percent of child care and development funding in 2012-13, compared to just over 2 percent in 1999-00.



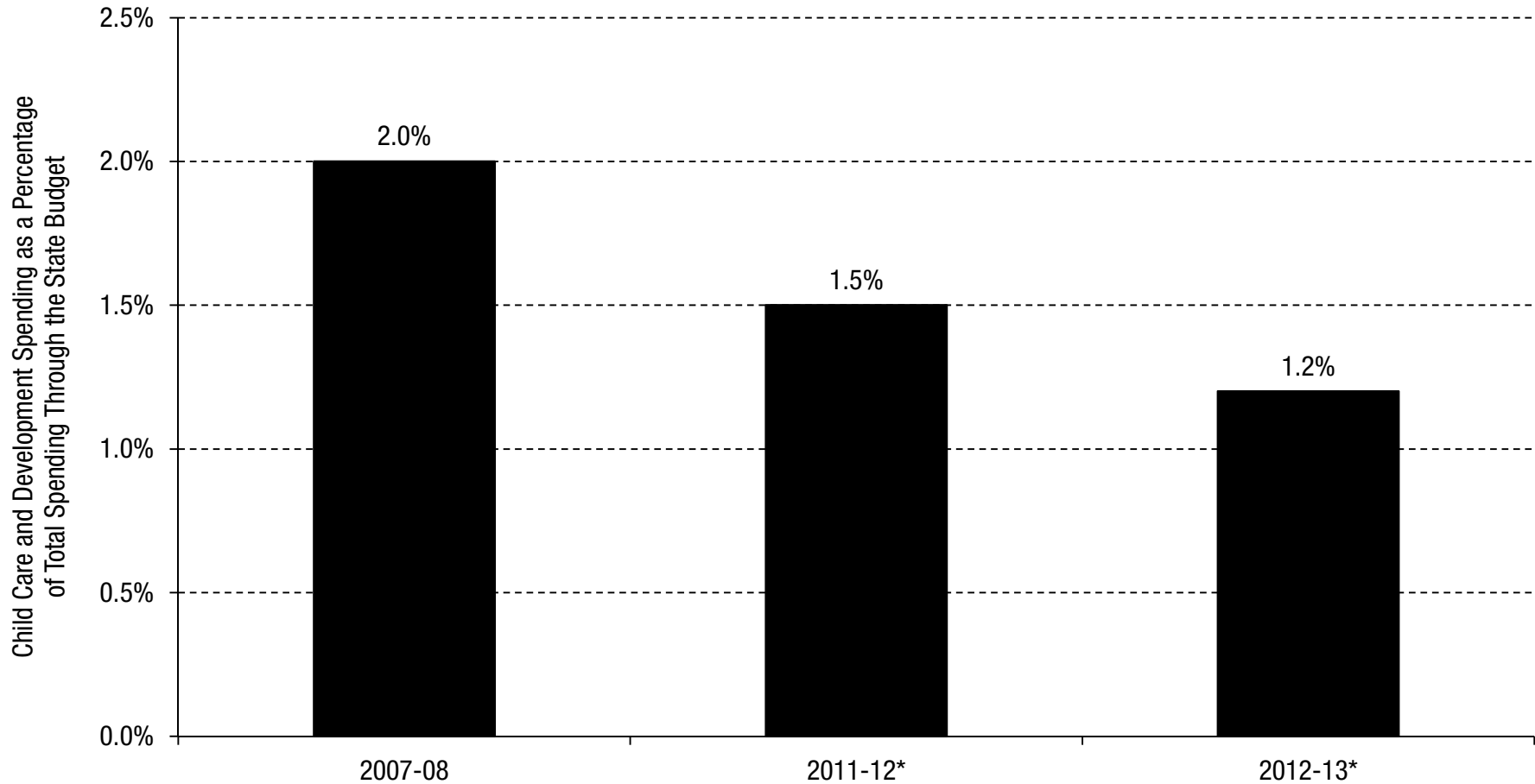
## Afterschool Funding Has Increased Nearly Ninefold Since 1999-00, Even After Adjusting for Inflation





**Child Care and Development Spending  
Would Fall to 1.2 Percent of State Spending  
in 2012-13 Under the Governor's Proposal,  
Down From 2.0 Percent in 2007-08**

## Child Care and Development Spending as a Share of Total State Spending Fell by One-Quarter From 2007-08 to 2011-12 and Would Decline Further in 2012-13 Under the Governor's Proposal



\* 2011-12 estimated and 2012-13 proposed.

Note: Child care and development spending includes child care, preschool, and afterschool dollars. Total spending includes both federal dollars and state General Fund, special fund, and bond fund dollars.

Source: California Department of Education, Department of Finance, Department of Housing and Community Development, and Department of Social Services



# Providing Affordable and Accessible Child Care and Preschool Is Critical for California's Future

# Child Care Is a Win-Win for Parents and Employers

- Research shows that child care assistance helps working parents and their employers. Specifically:
  - Parents with access to child care are more likely to be employed and to have higher earnings than parents who lack such assistance.
  - Single mothers who receive child care are more likely to hold onto their jobs than those who do not receive such assistance.
  - Child care assistance allows parents to succeed on the job by reducing the likelihood that they will have to miss work or cut back their hours due to child care responsibilities.

# Strong Child Care and Preschool Programs Help California's Students Succeed

- Studies show that child care and preschool are vital to future academic success. Specifically:
  - Low-income children who receive high-quality child care exhibit stronger reading and math skills in elementary school than children who did not receive such care.
  - Low-income children who complete high-quality preschool show stronger academic skills in elementary school than their low-income peers who did not attend such a preschool. These preschool graduates are also less likely to repeat grades or be enrolled in special education and more likely to graduate from high school than children who did not attend high-quality preschool.

# Strong Child Care and Preschool Programs Help California's Students Succeed (continued)

- Reducing child care and preschool opportunities for California's children, as the Governor proposes, would make it harder for working parents to balance work and family life.
- The proposed cuts would also leave a larger share of children unprepared to succeed in school and gain the skills they need to compete in the global economy.
- These outcomes would threaten the competitiveness of California's future workforce as well as the state's economic vitality.