



California Budget
& Policy Center

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

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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

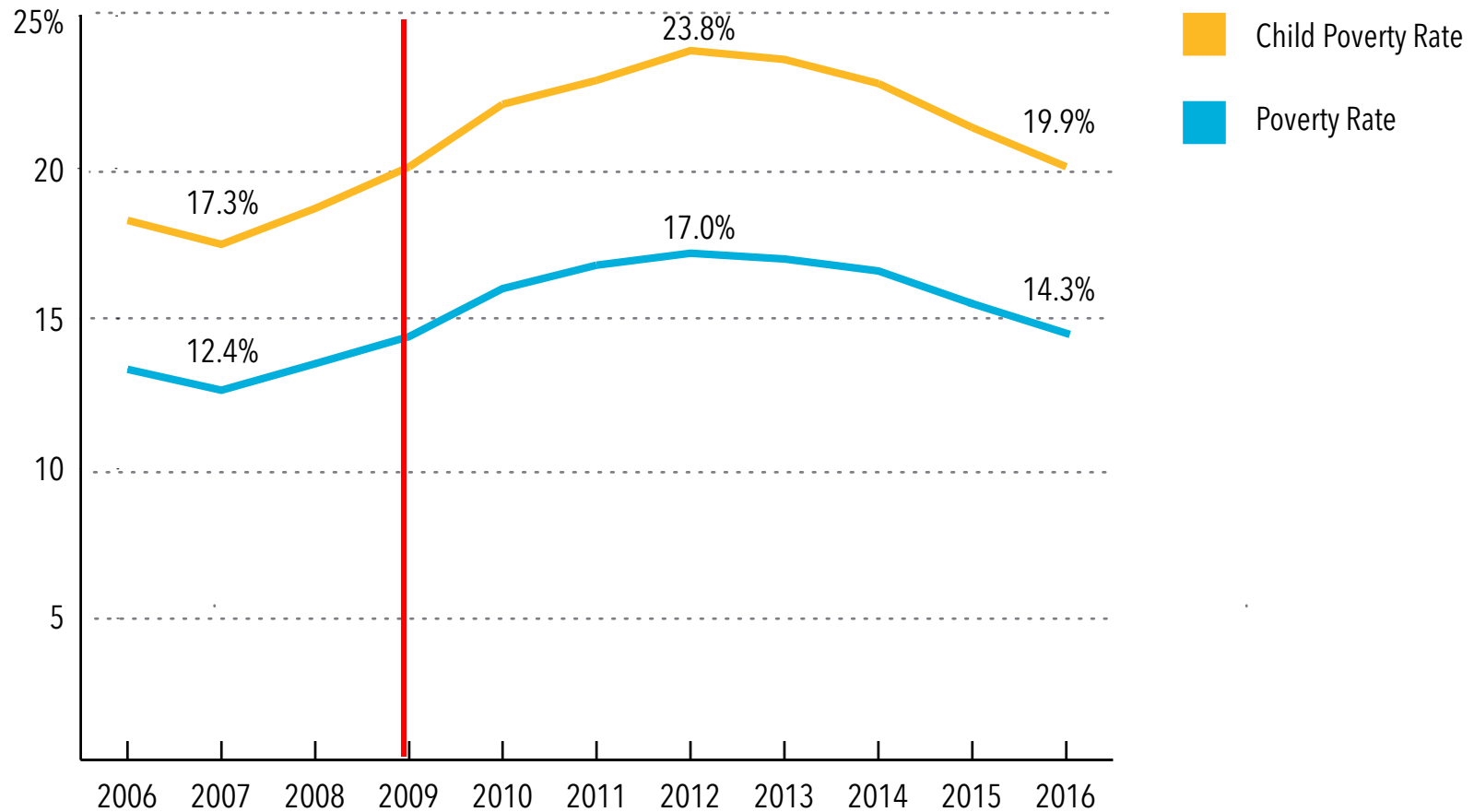
Several key considerations provide the backdrop:

- 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

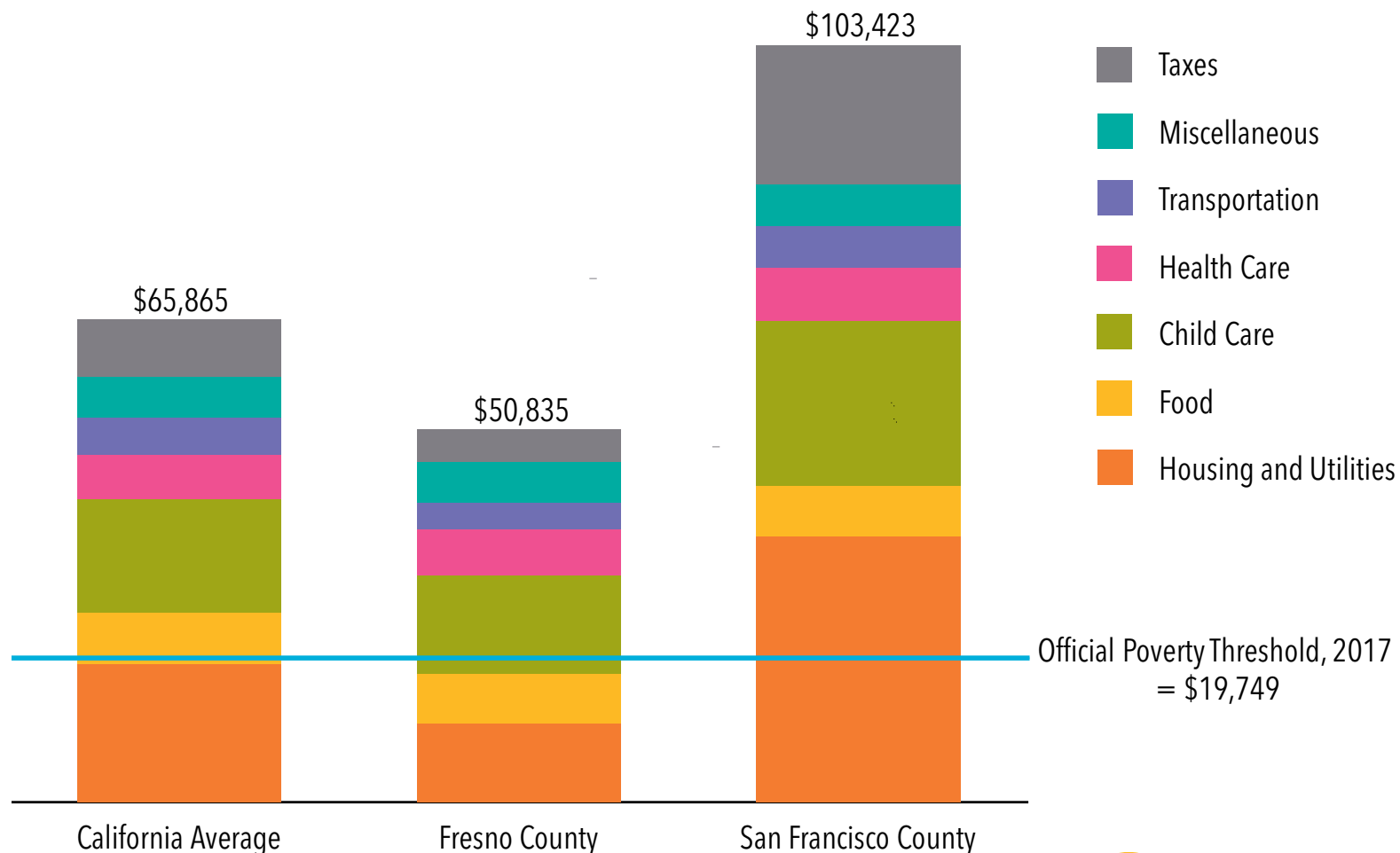


Source: US Census Bureau, American Community Survey



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

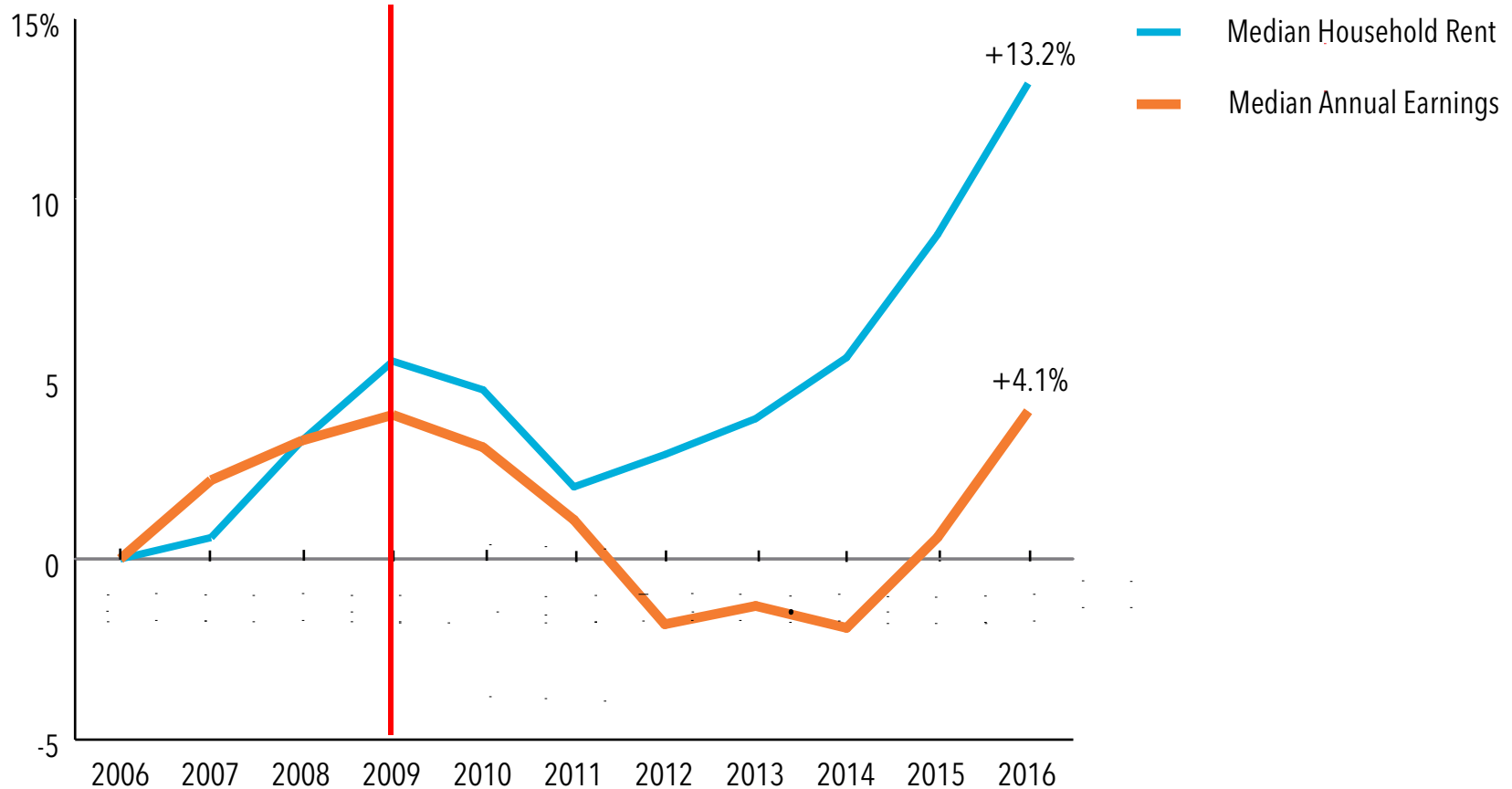


Note: Assumes one preschool-age and one school-age child and a single parent working full-time.
Source: Budget Center *Making Ends Meet* 2017 analysis and US Census Bureau



Workers' Earnings Have Not Kept Pace With Rents in California

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



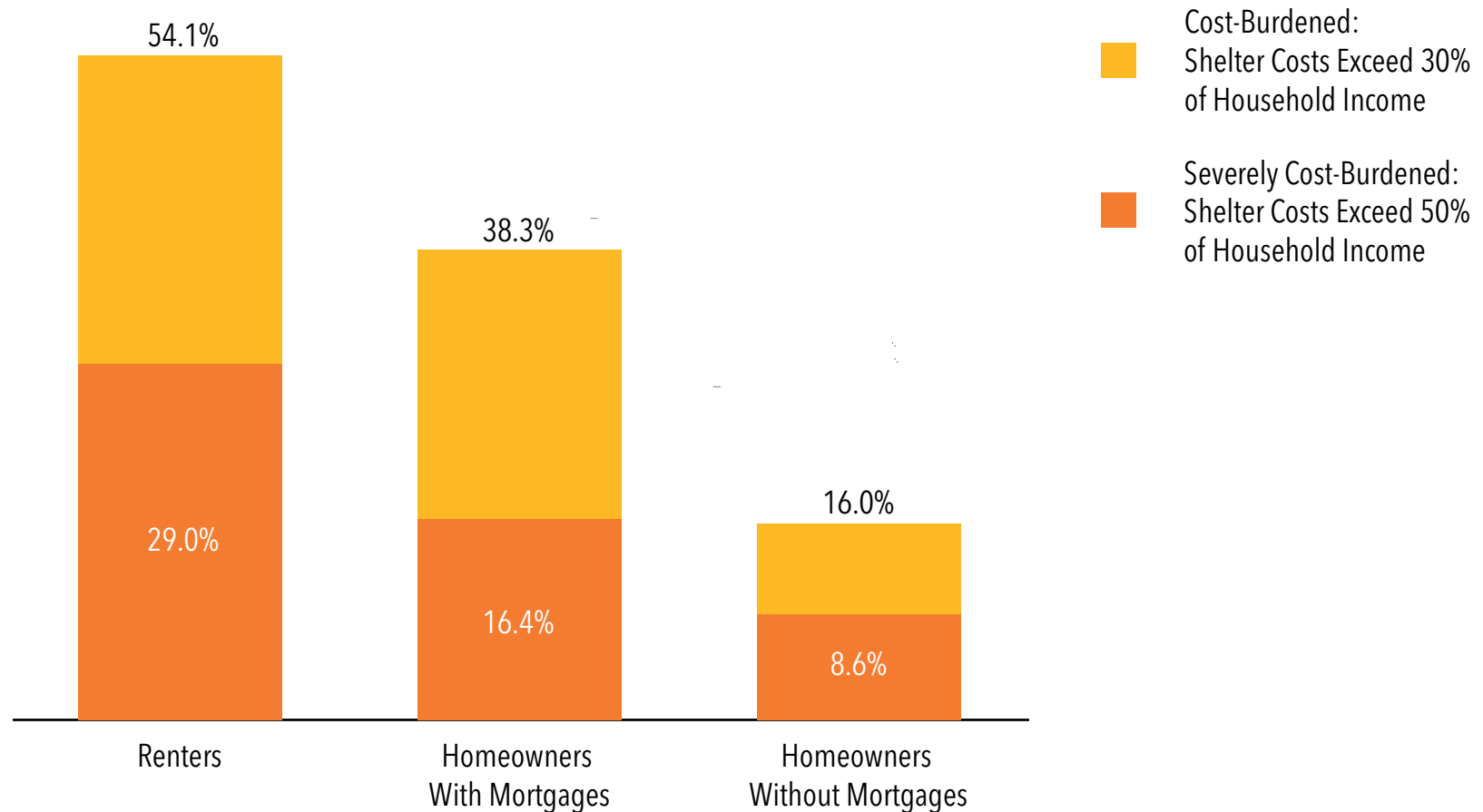
Note: Median annual earnings for individuals working at least 35 hours per week and 50 weeks per year. Excludes workers with \$0 or negative total earnings.

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



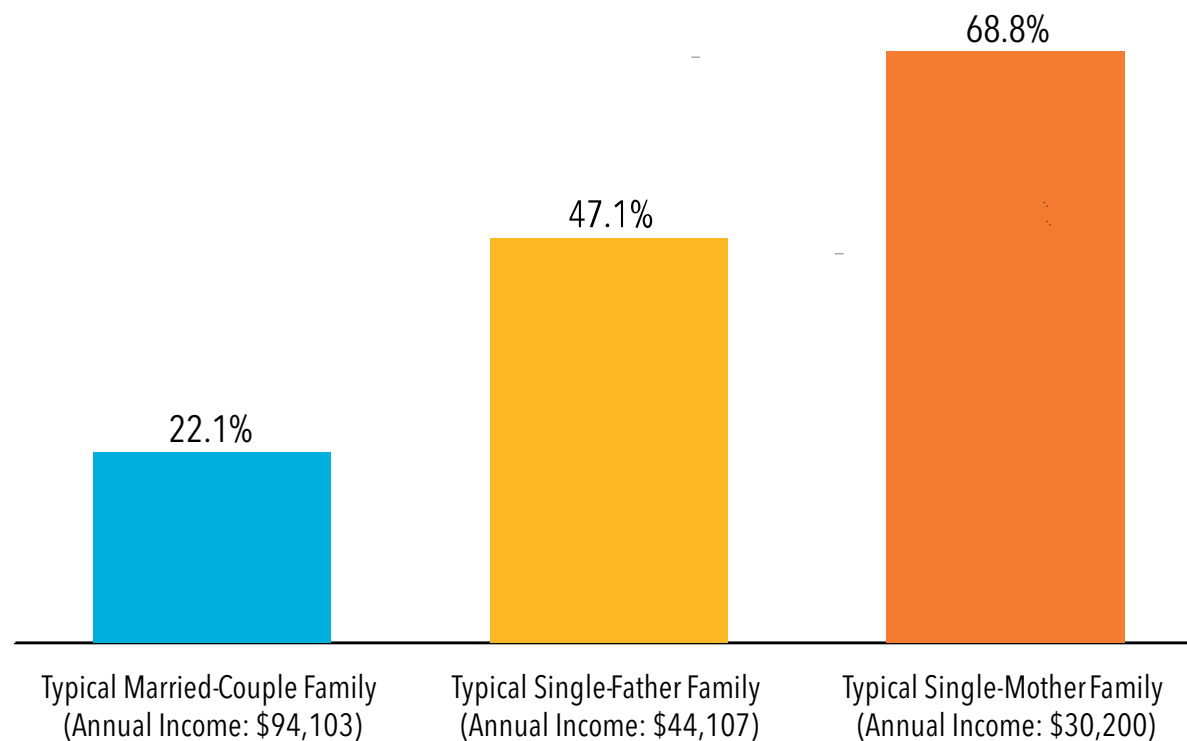
Note: Definitions of housing cost-burden are from the US Department of Housing and Urban Development.

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



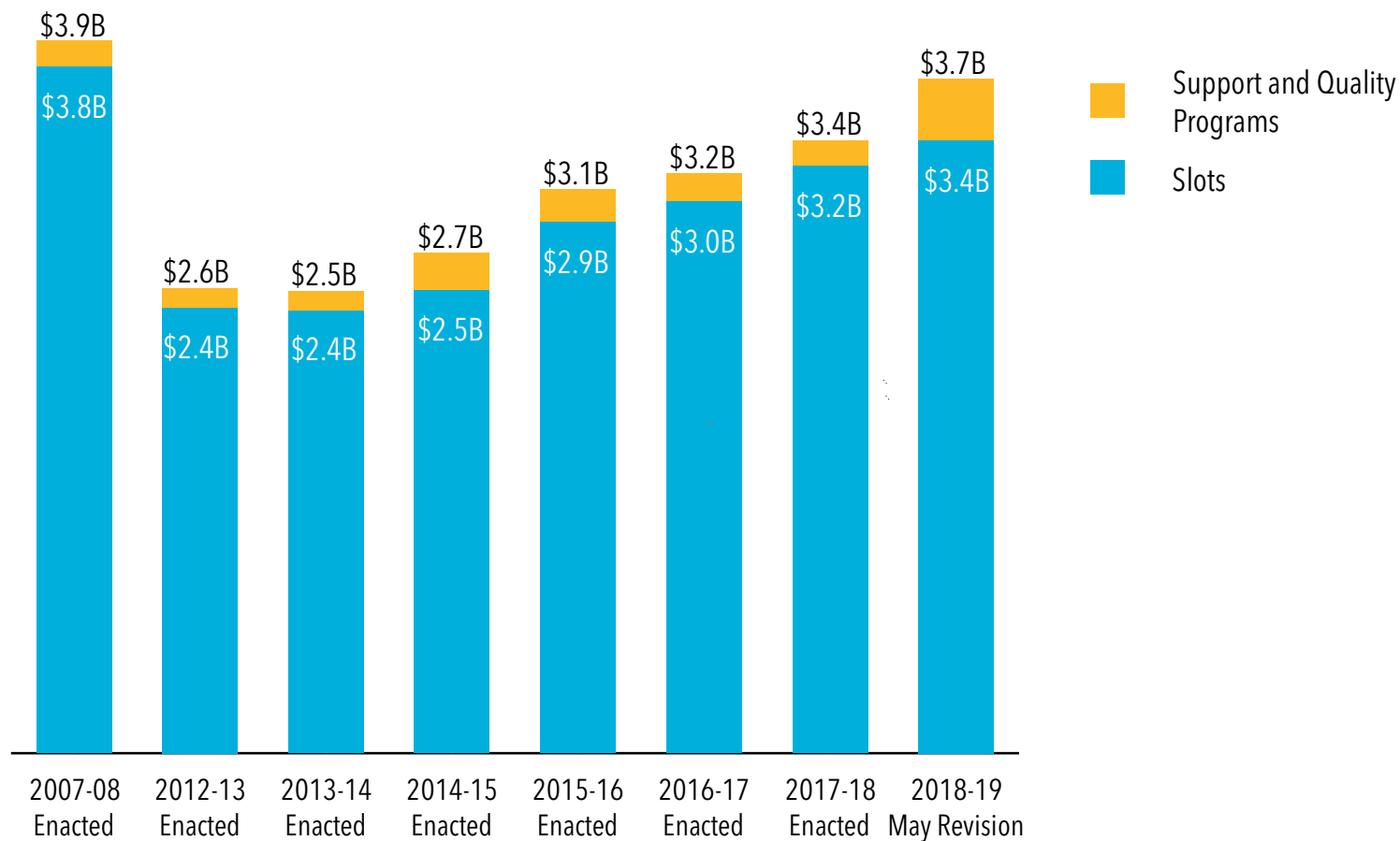
State budget cuts have weakened key services and supports that help families achieve economic security.

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



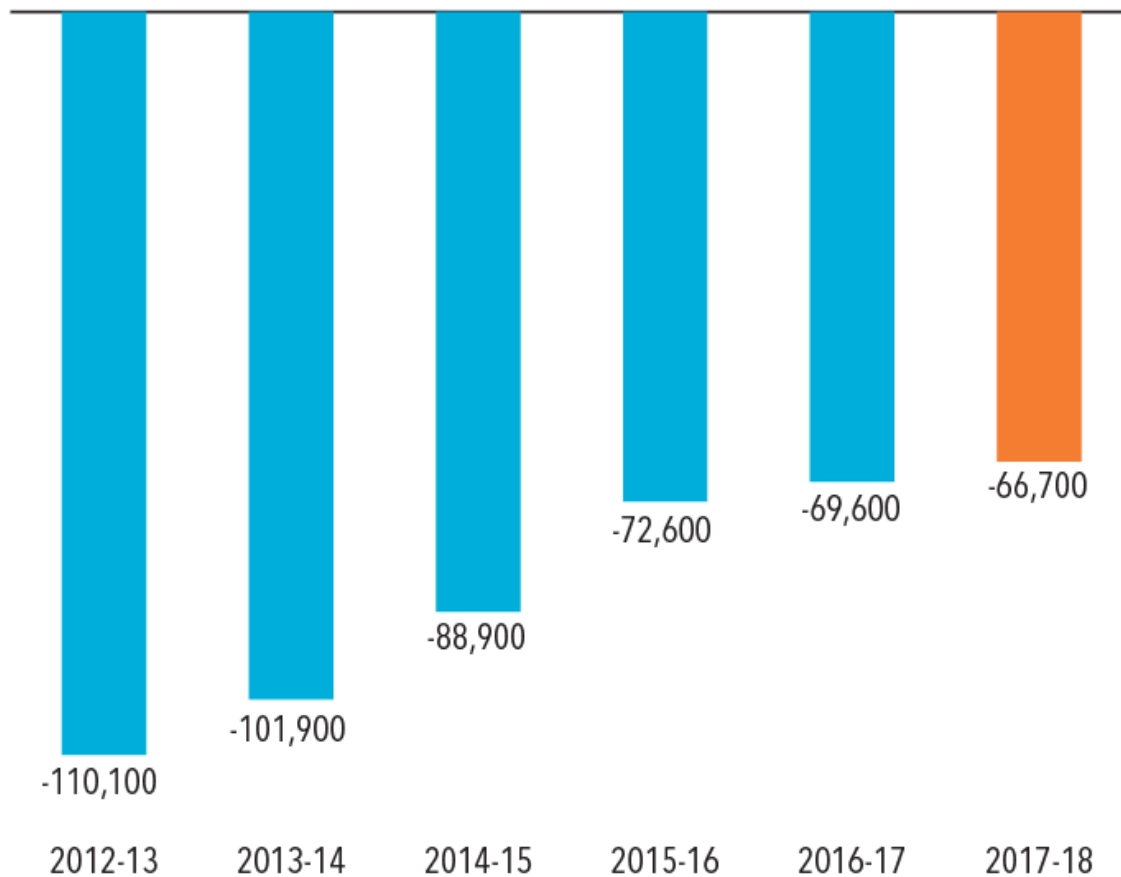
Note: Figures are in 2018-19 dollars and include federal and state funds for slots as well as for quality and support programs. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten.

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



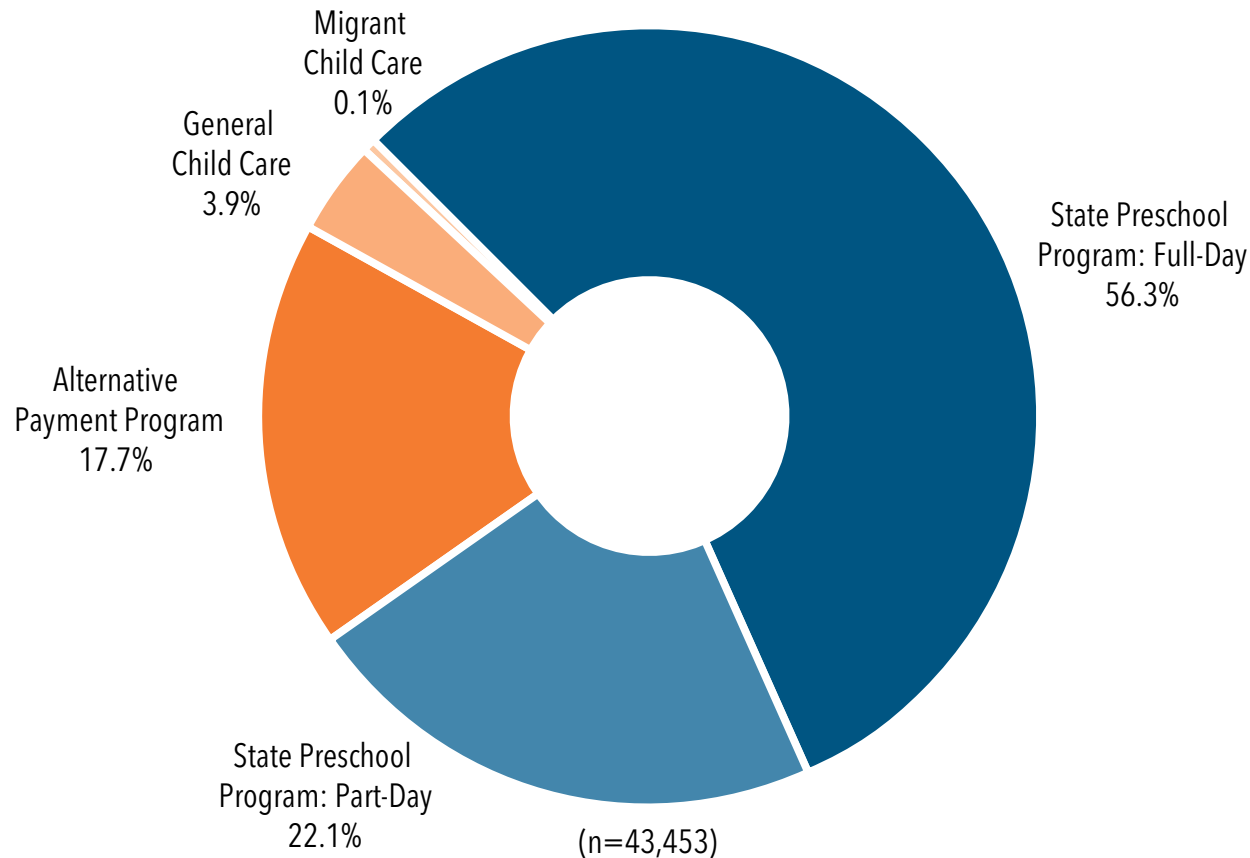
Note: Child care includes CalWORKs and non-CalWORKs programs. Slots include those funded with federal and/or state dollars.

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



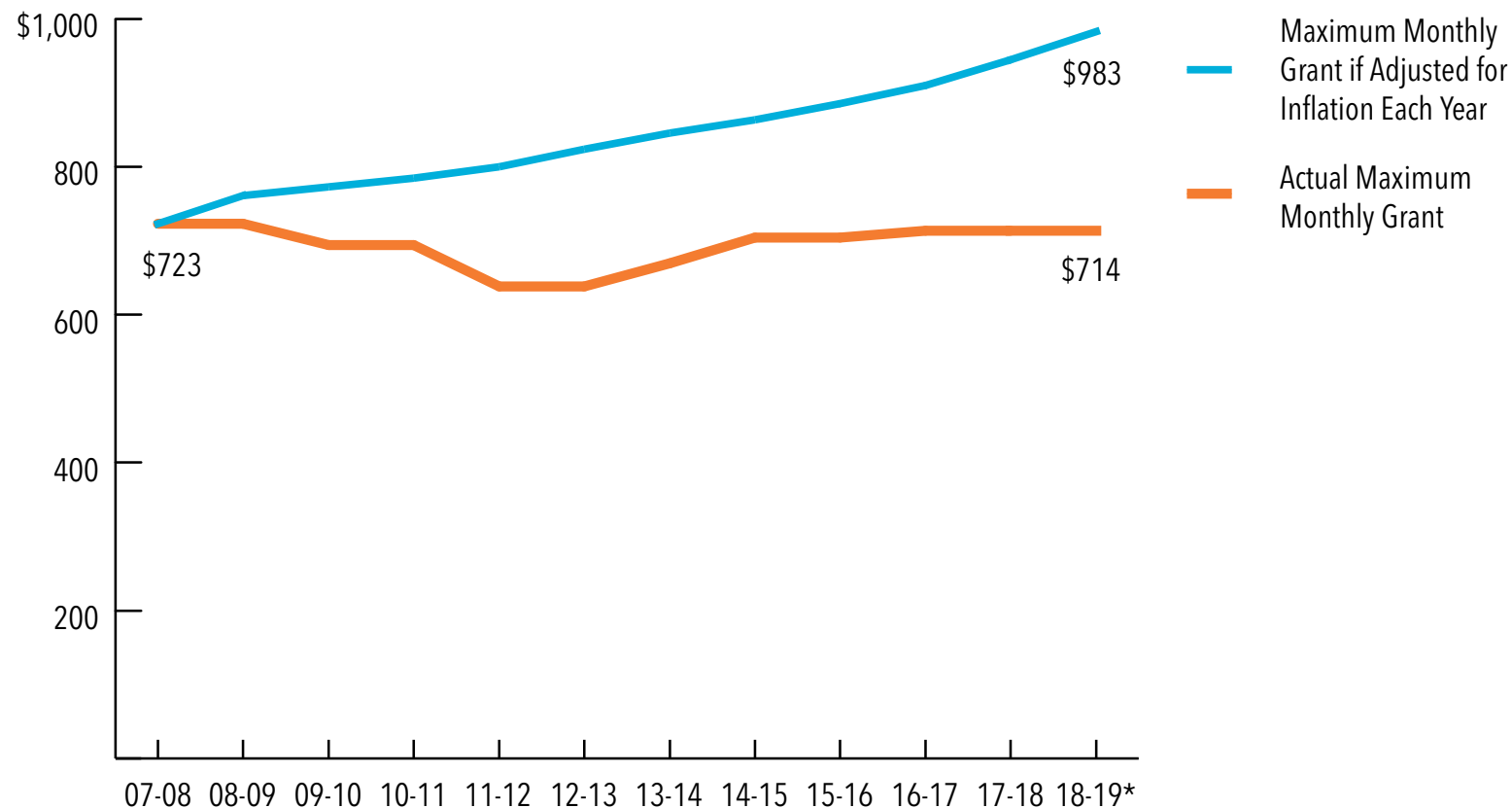
CalWORKs provides modest cash assistance to families while helping parents find and keep jobs.

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.

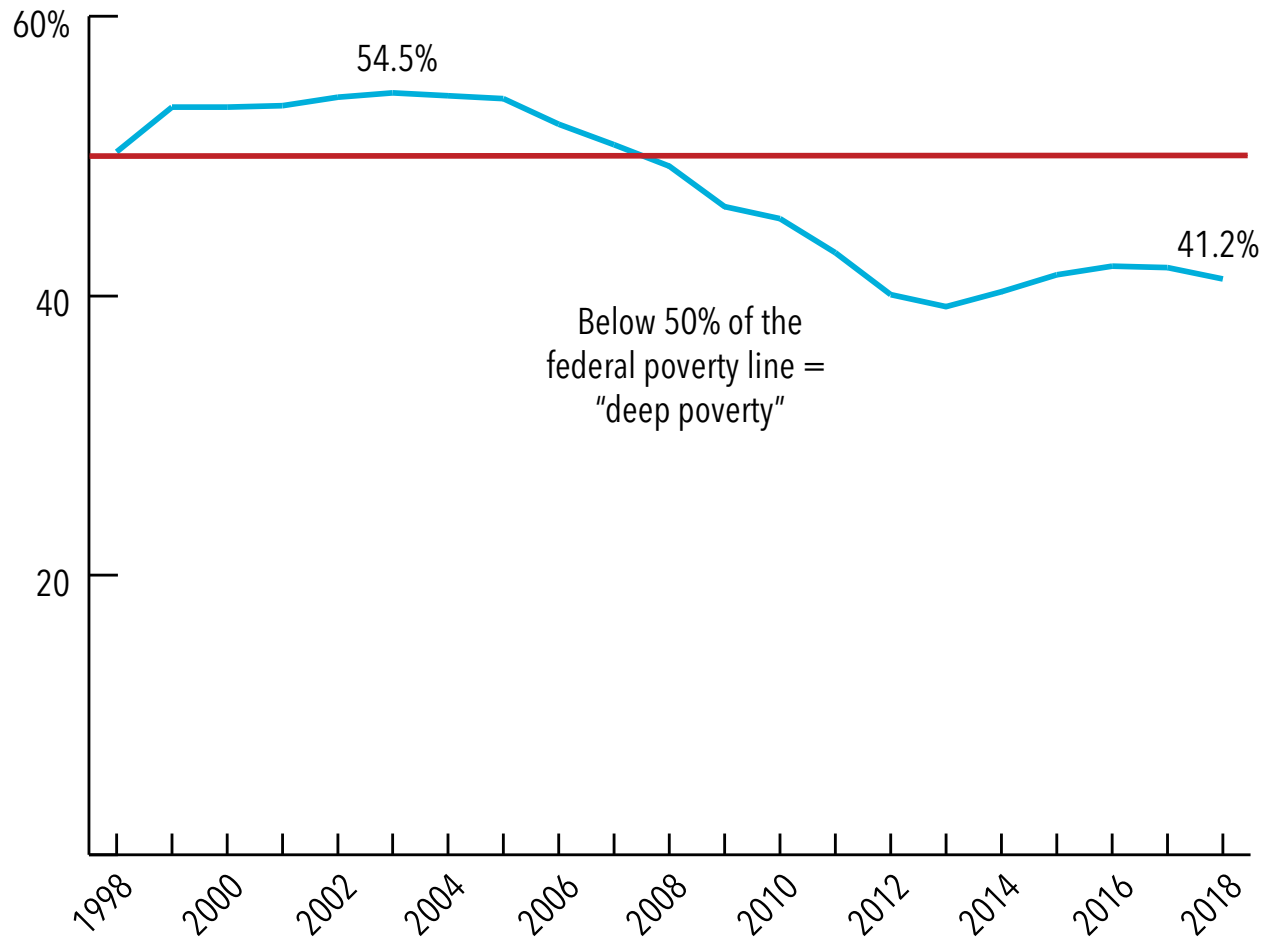
Note: The Governor's proposed budget does not provide a grant increase in 2018-19. Inflation adjustment is based on the California Necessities Index.

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

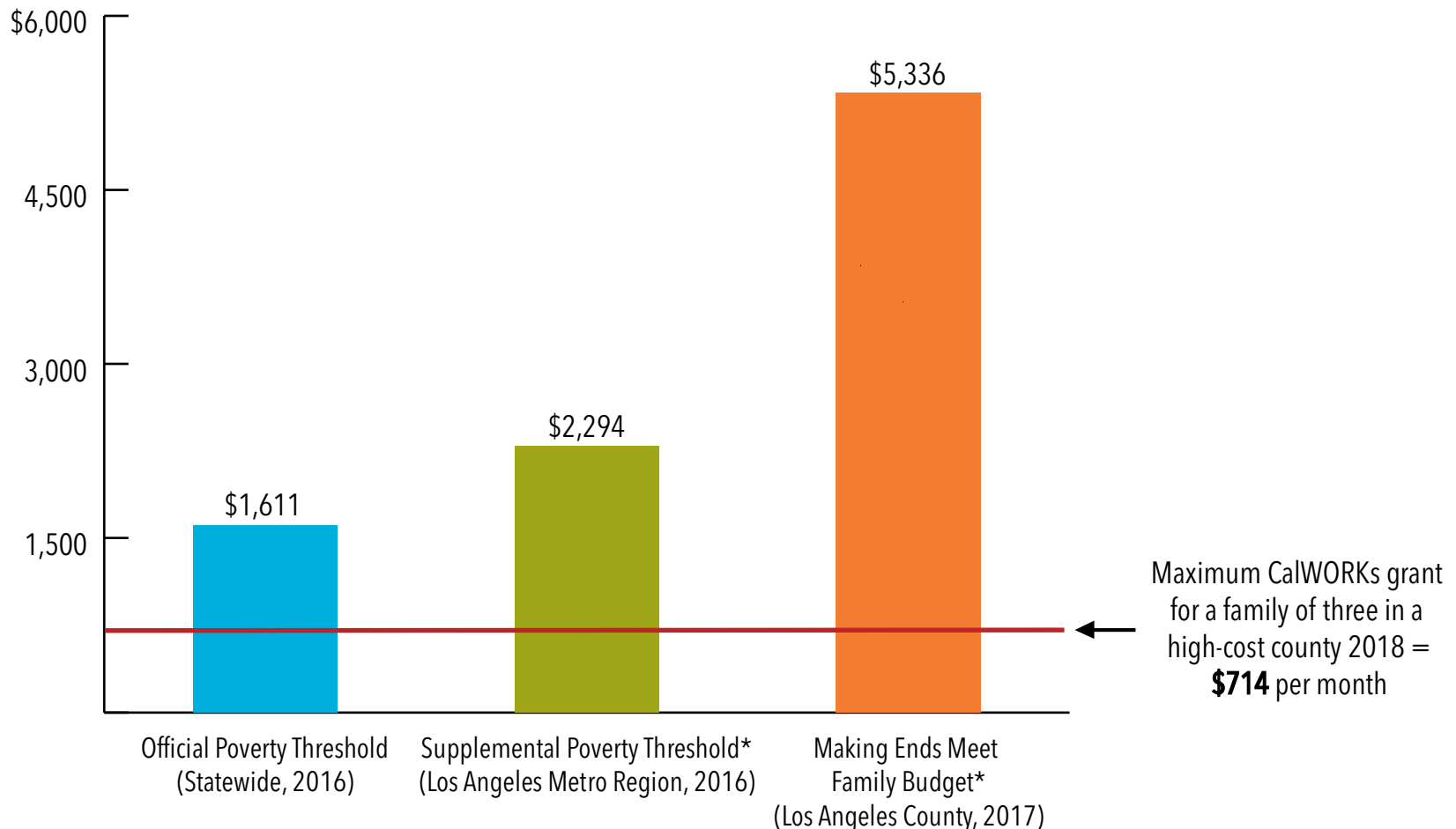


Note: Grants are for high-cost counties. The proposed 2018-19 budget does not increase grant levels.
Source: Budget Center analysis of Department of Social Services, US Department of Health and Human Services, and US Social Security Administration data



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

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

- 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

- 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

- 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 dark, ribbed top and the ornate architectural details of the base. The sky is a clear, vibrant blue. The text is overlaid on the right side of the image.

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



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