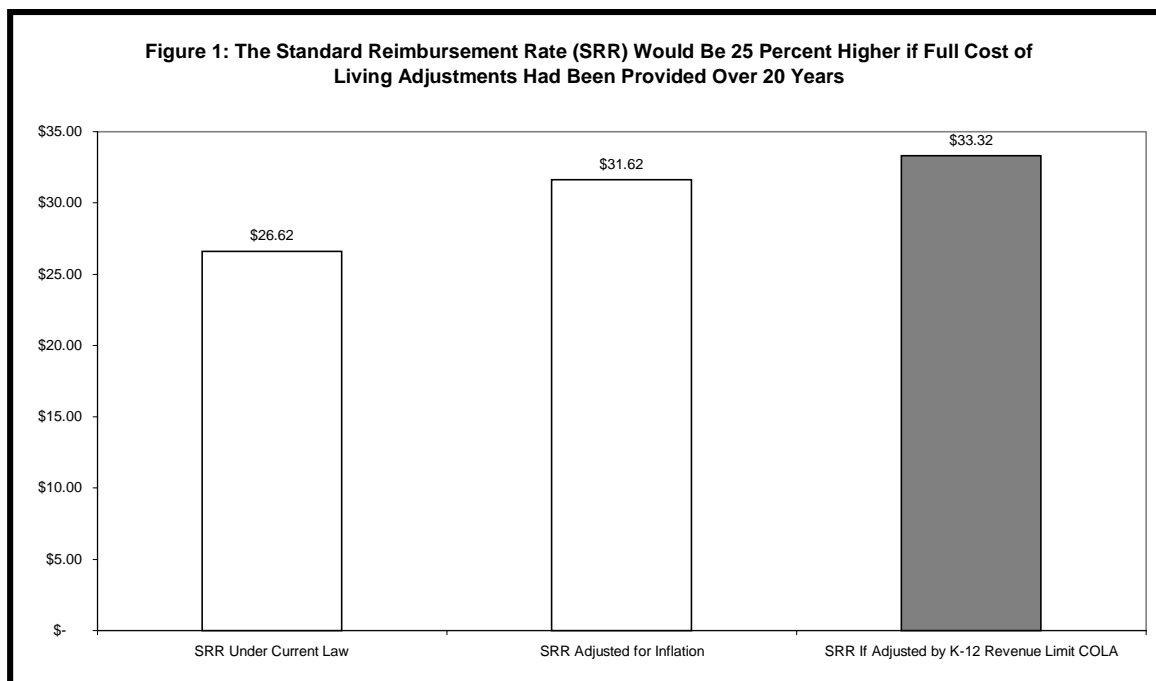


## CALIFORNIA'S SUBSIDIZED CHILD CARE CENTER FUNDING CRISIS

California's system of subsidized child care programs for low income working families relies on several hundred school and community-based child care centers that contract with the state to provide care and early education to children ages 0 through 13.

In recent years, child care directors have argued that state funding levels are too low to permit them to hire and retain qualified staff and maintain program quality.<sup>1</sup> While a number of child care programs have been able to supplement their budgets with local school district discretionary funds or with private fundraising, program directors consider these to be unreliable sources of long-term financing.<sup>2</sup> Recently, a number of child care program directors have turned down expansion opportunities, citing insufficient state reimbursement rates.<sup>3</sup> In light of these developments, this paper explores whether the state funding rate for child care is really insufficient.

The funding subsidized centers receive is a product of their days of operation and the number of children they serve.<sup>4</sup> The standard reimbursement rate (SRR) is the maximum daily per-child payment that subsidized child care center-based programs may earn.<sup>5</sup> The SRR for 2000-01 is \$26.62.<sup>6</sup> An examination of the recent history of the SRR supports the claim that rates have not kept pace with inflation (Figure 1 and Appendix). At several points – coinciding at times with severe state budgetary pressures – the Legislature provided either no cost of living adjustment (COLA) to subsidized child care programs, or a smaller adjustment than the rate of inflation or



the increase provided to basic K-12 education allocations.<sup>7</sup>

Even with the substantial increase provided as part of the 2000-01 budget agreement, the purchasing power of the 2000-01 SRR remains 16 percent lower than in 1981-82. If the SRR had been adjusted by COLAs provided to basic K-12 education allocations over the 20-year period, it would be 25 percent higher than its 2000-01 level.<sup>8</sup> For a classroom of 24 children in operation for 250 days, this represents a difference of \$40,200 in annual revenues.<sup>9</sup>

High quality child care advances the state’s school readiness goals. Though no comprehensive assessment of California’s subsidized child care centers has been done, examinations of model child development programs in other states have found significant benefits, including enhanced academic achievement and intellectual development among participating children from disadvantaged backgrounds.<sup>10</sup> To enable state subsidized child care centers to maintain quality, the SRR should be increased to keep pace with inflation. If child care programs had received the same cost of living adjustment provided to the basic allocation for K-12 education (revenue limits), funding levels would be approximately \$178 million higher in the current budget year, roughly equal to 6 percent of the 2000-01 total state child care budget.

<b>Appendix: The Child Care Standard Reimbursement Rate Compared with the California Consumer Price Index and COLAs Provided to Basic K-12 Allocations (Revenue Limits)</b>						
<b>State Fiscal Year</b>	<b>Child Care COLA</b>	<b>Actual Child Care SRR</b>	<b>California CPI</b>	<b>SRR if Adjusted by the CPI</b>	<b>Revenue Limit COLA</b>	<b>SRR if Adjusted by the Revenue Limit COLA</b>
1981-82	6.00%	\$ 16.28	10.8%	\$ 17.01	7.90%	\$ 16.57
1982-83	0.00%	\$ 16.28	2.3%	\$ 17.40	0.00%	\$ 16.57
1983-84	6.00%	\$ 17.26	3.6%	\$ 18.03	8.00%	\$ 17.90
1984-85	4.00%	\$ 17.95	4.9%	\$ 18.92	6.02%	\$ 18.98
1985-86	4.00%	\$ 18.67	4.0%	\$ 19.68	6.19%	\$ 20.15
1986-87	1.00%	\$ 18.85	3.3%	\$ 20.32	5.49%	\$ 21.26
1987-88	0.00%	\$ 18.85	4.2%	\$ 21.17	2.54%	\$ 21.80
1988-89	4.10%	\$ 19.62	4.9%	\$ 22.20	4.10%	\$ 22.69
1989-90	4.64%	\$ 20.53	5.0%	\$ 23.32	4.64%	\$ 23.74
1990-91	3.00%	\$ 21.15	5.3%	\$ 24.57	4.76%	\$ 24.87
1991-92	0.00%	\$ 21.15	3.6%	\$ 25.46	4.69%	\$ 26.04
1992-93	0.00%	\$ 21.15	3.2%	\$ 26.28	2.74%	\$ 26.75
1993-94	0.00%	\$ 21.15	1.8%	\$ 26.74	1.92%	\$ 27.27
1994-95	0.00%	\$ 21.15	1.7%	\$ 27.20	3.23%	\$ 28.15
1995-96	2.73%	\$ 21.73	1.4%	\$ 27.59	2.73%	\$ 28.92
1996-97	3.21%	\$ 22.43	2.3%	\$ 28.23	3.21%	\$ 29.85
1997-98	5.28%	\$ 23.61	2.0%	\$ 28.80	2.65%	\$ 30.64
1998-99	3.18%	\$ 24.36	2.5%	\$ 29.52	3.95%	\$ 31.85
1999-00	1.41%	\$ 24.71	3.1%	\$ 30.44	1.41%	\$ 32.30
2000-01	7.73%	\$ 26.62	3.9%	\$ 31.62	3.17%	\$ 33.32

<sup>1</sup> California Child Development Administrators Association, *Funding Crisis Threatens California’s Subsidized Children’s Centers* (January 2001).

<sup>2</sup> For example, in September 2000 the Orange County Department of Education announced that it would close 13 school-based subsidized child care centers serving nearly 1,000 low income children because of this type of “encroachment” on school district funds. Jessica Garrison, “Low-Income Day Cares to be Closed,” *Los Angeles Times*, Orange County Edition (September 14, 2000); “Day Care Ends, But Needs Don’t,” editorial, *Los Angeles Times*,

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(September 17, 2000); Danette Goulet, "Day-care Meeting Offers Little Comfort," *Los Angeles Times*, Community Newspapers, (September 19, 2000); Lisa Richardson and Tina Borgatta, "Rally Against Child Center Closures," *Los Angeles Times*, Orange County Edition (September 29, 2000); David Haldane, "Day Care Hearing Ends in Protest," *Los Angeles Times*, Orange County Edition (October 12, 2000). See also, Paul B. Miller, *Stepping Down: The Current Crisis in the Financing of Early Care and Education*, Tri-Cities Children's Centers, Inc. (Fremont, CA: 2000).

<sup>3</sup> Based on the author's discussions with program staff and child care advocates in Alameda, Kern, Los Angeles, Marin, Placer, Sacramento, San Francisco, and Santa Clara counties.

<sup>4</sup> The total is capped by the center's annual contract amount.

<sup>5</sup> Education Code, Section 8265. The SRR is increased by a factor of 1.7 for services to infants, and by a factor of 1.4 for services to toddlers. Education Code, Section 8265.5.

<sup>6</sup> The SRR is for full-day service provided to a preschool-age child. California Department of Education (CDE), Child Development Division, *Management Bulletin #28* (January 5, 2001), p. 7. A subsidized child care center can earn a total of \$6,655 if it provides 250 full days of service to a preschool-age child.

<sup>7</sup> Revenue limits provide basic, general purpose operating support for local school districts. The state failed to fully fund revenue limit cost of living adjustments (COLAs) during the tight budget years from 1990-01 through 1994-95. The 2000-01 budget included a \$1.84 billion augmentation to restore the purchasing power of revenue limits. In addition, schools depend on funding from a number of state categorical programs. Many of these categorical programs did not receive full COLAs during the early 1990s.

<sup>8</sup> For purposes of comparing the child care SRR with K-12 funding, this paper compares COLAs for K-12 revenue limits with those provided to child development programs.

<sup>9</sup> Assuming 250 days per year of operation, revenues available to a subsidized child care center classroom would be \$40,200 higher if the SRR had been adjusted by the K-12 COLA since 1981-82, and \$30,000 higher if the SRR had been adjusted by the Consumer Price Index (CPI) since 1981-82. CBP calculations based on CDE data, and the CPI for California downloaded from [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Price.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Price.htm).

<sup>10</sup> For an analysis of the Carolinian Abecedarian Project, see Craig T. Ramey and Frances A. Campbell, "Effects of Early Intervention on Intellectual and Academic Achievement: A Follow-up Study of Children from Low-Income Families," *Child Development*, Vol. 65 (1994), pp. 684-698. For an assessment of a range of child development programs, see Lynn Karoly, et al., *Investing in Our Children: What We Know and Don't Know about the Costs and Benefits of Early Childhood Interventions*, RAND (1998), pp. 11-71.