



# **LASTING RETURNS: STRENGTHENING CALIFORNIA'S CHILD CARE AND DEVELOPMENT SYSTEM**



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## **CALIFORNIA BUDGET PROJECT**

The **California Budget Project** (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low and middle income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions. Support for the CBP's Child Care Policy Project comes from the Penney Family Fund. Grants from the Ford, James Irvine, Charles Stewart Mott, California Wellness, and Friedman Family Foundations and the California Endowment provided additional support for this report. Dan Galpern prepared this report.

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# **LASTING RETURNS:**

## **STRENGTHENING CALIFORNIA'S CHILD CARE AND DEVELOPMENT SYSTEM**

### **EXECUTIVE SUMMARY**

Reliable and safe child care is an economic necessity for millions of California families, enabling parents to work or gain the education and training they need to become employed. Parents also increasingly recognize the role of quality child care and early education in preparing their children for success in school and beyond. And policymakers see child care as a key tool for helping families become or remain economically self-sufficient.

California's child care system is diverse. The quality and availability of care varies by county and neighborhood. Some families receive excellent service that meets parents' needs for reliability, affordability, and convenience, while providing children with quality care that promotes physical, cognitive, emotional, and social development. For others, available child care services are adequate, though not of high quality. For others still, child care opportunities are inadequate or unaffordable.

This report provides an overview of California's child care system and examines the state's subsidized system in greater detail. Among its principal findings:

- California families with working parents are less likely to rely on center-based child care than are families in the nation as a whole.
- The supply of child care in recent years has not kept pace with the movement of families from welfare to work. Many parents may use informal care even when they might prefer to enroll their children in licensed child care homes and centers.
- Thousands of school-age children in California are without child care or other adult supervision in the after-school hours when they may be most susceptible to harmful influences.
- Only a small portion of licensed child care programs are available to parents who work outside the traditional work day.
- Child care that is available may be of low quality, according to several studies. Moreover, while research finds that quality child care and early childhood programs provide substantial benefits to low income children and their families, the evidence suggests that child care used by low income families – including low income working families – tends to be of low quality.
- State child care spending tripled between 1996-97 and 2000-01. Nearly half of funds in California's subsidized child care system are federal, including the Child Care and Development Fund (CCDF) and the Temporary Assistance to Needy Families (TANF) Program. The largest share of state and federal child care funds goes to families receiving CalWORKs or transitioning from welfare to work.
- Despite California's considerable investment in child care, this report estimates that nearly 280,000

children in working families qualify for child care assistance on the basis of income but do not currently receive it.

- Many subsidized child care centers are experiencing a funding crisis. Programs operated by school districts are most likely to experience problems, but many community-based centers are having difficulties as well. The funding crisis stems, in large part, from a decline in the purchasing power of the daily rate paid to child care centers that serve low income and at-risk children.
- Low pay and limited funding have created a child care staffing crisis that undermines the ability of many community-based child care programs to provide good quality, stable child care.

The report makes seven principal recommendations:

***1. Develop a master plan for the state's subsidized child care and development system.***

A thorough review of governance, planning, finance, and accountability issues is needed in order to ensure that public child care dollars are best spent to improve the care and well-being of California's children. This can be accomplished by crafting a master plan through a comprehensive planning process that involves parents, administrators, policymakers, and child development experts. It must also involve the full participation of both state agencies with the significant responsibility for child care programs, as well as the Department of Finance and members of the Legislature.

***2. Resolve the subsidized child care center funding crisis.***

The state should continue the effort – begun during the 2000-01 state budget with \$33 million in funds dedicated for this purpose – to restore the lost purchasing power of the Standard Reimbursement Rate (SRR) for state-subsidized child care centers. Increasing the SRR by the same adjustment applied to basic K-12 education requirements since 1981-82 would cost approximately \$178 million, or roughly 6 percent of 2000-01 total child care spending.

***3. Fully fund child care for all eligible children in working families.***

Resources permitting, the state should initiate a five-year program to fully-fund California's subsidized child care system. At least half of the new child care should be based in subsidized centers in low income neighborhoods in order to promote access to quality child care in areas that are most in need.

***4. Guarantee child care to low income working families.***

The Legislature should establish a pilot program in one or more counties that guarantees child care to working families with incomes below a specified level. The income level should reflect geographic differences in the cost of living and could be increased annually based on available funding. The new program would combine funding from existing programs into a single program. Administrative savings gained from consolidating programs and funding should be reinvested and used for program expansion and quality improvement initiatives.

***5. Increase efforts to resolve the child care staffing crisis.***

The state should continue to allocate targeted support for child care staff salary increases and retention efforts. In light of the magnitude of the staffing crisis, it would be appropriate to restrict the use of these funds to programs serving children in state subsidized programs.

***6. Ensure that state subsidized child care programs are high quality and enhance children's readiness for school.***

The California Department of Education's admirable framework for child care program quality should incorporate a rigorous evaluation component, a method for making programs accountable, and a fiscal

incentive structure that promotes the provision of quality care.

***7. Require the CDE to develop and operate an adequate child care data collection and analysis system.*** The Legislature should conduct rigorous oversight of CDE data collection and analysis efforts. If substantial progress is not evident by December 2001, the Legislature should use federal quality improvement child care funds to engage an independent team of experts to evaluate the status of data collection efforts and make recommendations to ensure that timely, accurate, policy relevant data is available.

## INTRODUCTION

Reliable and safe child care is an economic necessity for millions of California families, enabling parents to work or gain the education and training they need to become employed. Parents increasingly recognize the role of quality child care and early education in preparing their children for success in school and beyond, and policymakers see child care as a tool for helping families become or remain economically self-sufficient.

California's child care system is diverse. The quality and availability of care varies by county and neighborhood. Some families receive excellent service that meets parents' needs for reliability, affordability, and convenience while providing children with quality care that promotes physical, cognitive, emotional, and social development. For others, available child care services are adequate, though not of high quality. For others still, child care opportunities are inadequate or unaffordable.

This report provides an overview of California's child care system and examines the state's subsidized system in detail. Along the way, it identifies key fiscal and policy questions that policymakers and concerned citizens should consider. A final section offers recommendations aimed at improving the ability of California's child care system to meet the needs of working parents and their children.

## DEMAND FOR CHILD CARE IS RISING

The growing demand for affordable, quality child care in California results from an expanding population, increased numbers of mothers in the workforce, and new work requirements imposed by welfare reform.

- **Population:** California's preschool-age population (0-4) has increased by an estimated 71 percent since 1970. The Department of Finance (DoF) projects an additional 12 percent increase – to 3.1 million children – by 2010.<sup>1</sup>
- **Rise in the number of working mothers:** The percentage of California mothers in the paid workforce increased from 40.5 percent in 1970 to 65.1 percent in 1998, an increase of 61 percent.<sup>2</sup> A low unemployment rate and a strong economy continue to pull previously unemployed and underemployed parents into the workforce.
- **Welfare reform:** Recent changes made to state and federal welfare laws have pushed more parents into the workforce. At the same time, additional funding for child care helped address a major impediment to families trying to move from welfare to work.

## CHILD CARE IN CALIFORNIA

Nearly two-thirds of California families with preschool-age children rely on non-parental child care arrangements.<sup>3</sup> Researchers have found that California families with employed mothers and preschool-age children rely more heavily on parent care and less on center-based child care than do such families in the US as a whole (Table 1).<sup>4</sup> Several factors – including the availability and cost of good quality care – likely account for the different mix of arrangements used by working families. Cultural preferences may also play a role.<sup>5</sup>

In California, the age of the child, rather than family income, appears to be the more important determinant of whether a family uses center-based care. While only 9 percent of California children under age



**Table 1: Primary Child Care Arrangements: Children Under Age Five with Employed Mothers**

	United States	California
Children ages 0 to 4	11,544,114	1,526,391
Center-Based Care	32%	19%
Family Child Care*	16%	16%
Relative Care	23%	26%
Parental Care**	24%	34%
Nanny/Babysitter***	6%	5%

\*Care by a non-relative in the home of the provider

\*\*Includes care by a non-working parent, as well as care by a parent while working

\*\*\*Care by a non-relative in the child's home, including babysitters and nannies

Source: Capizzano, Adams, and Sonenstein, *Child Care Arrangements for Children Under Five: Variation Across States*, Urban Institute (March 2000).

three with working mothers relied on center-based care in 1997, 31 percent of children age three to four depended on center-based care for their primary child care arrangement.<sup>6</sup> Not surprisingly, families with three- and four-year old children were also significantly less likely than those with infants and toddlers to rely on parent care in California (25 percent versus 42 percent, respectively).

In contrast, California families' use of center-based child care appears to vary little with family income. Twenty percent of working California families with moderate and higher incomes were found to depend on center-based child care, while 17 percent of those with incomes at or below 200 percent of the federal poverty line (\$25,258 for a family of three in 1997) relied on center-based care, a statistically insignificant difference.<sup>7</sup> Again, the California findings differ from the nation as a whole, where families with incomes above 200 percent of the poverty line were far more likely to rely on center-based care than were families with incomes at or below that level (35 percent versus 26 percent).

While use of formal child care may be lower in California than in the nation as a whole, recent state administrative data show a substantial increase in the number of children that child care centers are licensed to serve (Table 2). Capacity in licensed family child care homes has also increased.<sup>8</sup> The largest absolute increase was in centers serving preschoolers, while the percentage increase was greatest in centers serving school-age children. Capacity increased more rapidly during 1996-00 than in the 1992-96 period, consistent with the movement of more parents into the workforce to satisfy the demands of welfare reform and California's economic expansion.

**Table 2: California Licensed Child Care Capacity, 1992 to 2000**

Facility type	1992	1996	2000	Percent Change (1992 to 2000)
Centers: Preschool-age	428,562	460,912	493,096	15.1%
Centers: Infants	19,722	23,853	30,132	52.8%
Centers: School-age	95,019	117,757	147,615	55.4%
Centers: Sick Children	183	140	76	-58.5%
Family Child Care Homes	320,125	321,225	372,293	16.3%
<b>Total</b>	<b>863,611</b>	<b>923,887</b>	<b>1,043,212</b>	<b>20.8%</b>

Source: California Department of Social Services, Community Care Licensing Division

To provide a measure of assurance to working parents, the state Department of Social Services (DSS) and several counties under contract with the DSS regulate child care centers and family child care homes.<sup>9</sup> The centers and homes must meet basic health and safety requirements. Teachers in child care centers must have completed post-secondary courses in child development. DSS licensing staff grant or withhold licenses from applicants who wish to start child care programs, conduct random site visits of licensed facilities, issue plans of correction or fines for violations and, in severe cases, close facilities that violate health and safety standards.

In addition to licensed child care, many parents rely on care that is not regulated by the state. Unlicensed child care includes care provided by friends or relatives, commonly referred to as “kith and kin” care. Child care is exempt from state regulation if the provider is a relative of the children in care, or if the child care is pursuant to a cooperative arrangement between parents and involves no payment. In addition, child care is exempt where a paid provider cares for the children of only one family in addition to his or her own children.<sup>10</sup> License-exempt child care providers are not required to be trained in child development, and the residences in which they care for children are not subject to health and safety inspections.<sup>11</sup> There is no accurate estimate of the number of license-exempt providers or the number of children they serve.

In recent years, child care experts have reported difficulty in helping parents find licensed child care in

### **After-School Care**

School-age child care programs, like preschool programs, typically provide close supervision of children. For reasons ranging from cost to recognition of a child’s increasing assertion of autonomy, parents and their school-age children often elect other arrangements to fill the gap between the end of the typical school and work day. After-school care may include enrichment activities under the general direction of parents, including organized sports or lessons. It may also include self-care – a grab-bag category that extends from self-directed productive activities to harmful or risky activities that may include drug, alcohol, or tobacco use, sexual activity, and crime.

After years of inattention, educators and policymakers have begun to address the issue of what happens to children “when school is out.” Some – driven by recognition that American students receive far less core academic instruction than students in other industrialized nations – prefer to extend the school day or rely on after-school programs that stress academic teaching, tutoring, and mentoring.<sup>14</sup> Others – concerned that the risk of violent juvenile crime rises sharply after 3 p.m. – look to after-school programs as safe havens, where children at their own initiative can do homework, engage in sports and other recreational activities, or simply socialize with peers under adult supervision.<sup>15</sup>

If there is any consensus on after-school time, it is that a child’s regular engagement in some type of organized, adult-supervised activity reduces the likelihood of risky behavior or exposure to harmful influence. For example, one study based on large-scale data sets found that tenth graders who were not involved in school-sponsored activities “were 57 percent more likely to drop out, 49 percent more likely to use drugs, 37 percent more likely to become teen parents, 35 percent more likely to smoke, and 27 percent more likely to be arrested.”<sup>16</sup> There is also some evidence that participation in after-school programs can lead to improved study habits, higher grades, and better peer relations, though caution is warranted when interpreting such results due to the likelihood of selection bias.<sup>17</sup> As with programs for preschool-age children, the studies of after-school programs suggest that low income children tend to benefit more from participation in quality programs.<sup>18</sup>

A recent Urban Institute analysis of a survey of US families revealed that California school-age children appear less likely to rely on self-care as their primary after-school arrangement than do those in the nation as a whole.<sup>19</sup> Still, in California, the survey indicates that tens of thousands of school-age children rely on self-care as their primary after-school arrangement, and spend at least some after-school hours each week without adult supervision (Table 3).

<b>Table 3: After-School Arrangements for School-Age Children with Employed Mothers</b>					
	<b>Percent of Children Ages 6 to 9 in Care</b>			<b>Percent of Children Ages 10 to 12 in Care</b>	
	<b>US</b>	<b>California</b>		<b>US</b>	<b>California</b>
<b>Non-parental primary child care arrangements</b>	<b>55%</b>	<b>60%</b>	<b>Non-parental primary child care arrangements</b>	<b>35%</b>	<b>35%</b>
Before- and After- School Program	21%	24%	Before- and After- School Program	10%	7%
Family Child Care	8%	7%	Family Child Care	5%	7%
Nanny/Babysitter	5%	4%	Nanny/Babysitter	4%	5%
Relative	21%	25%	Relative	17%	16%
<b>Parent Care/Other</b>	<b>40%</b>	<b>38%</b>	<b>Parent Care/Other</b>	<b>40%</b>	<b>50%</b>
<b>Primarily Self-Care</b>	<b>5%</b>	<b>2%</b>	<b>Primarily Self-Care</b>	<b>24%</b>	<b>15%</b>
<b>Any Self-Care</b>	<b>10%</b>	<b>6%</b>	<b>Any Self-Care</b>	<b>35%</b>	<b>32%</b>

Source: Jeffrey Capizzano, Kathryn Tout, and Gina Adams, *Child Care Patterns of School-Age Children with Employed Mothers*, Occasional Paper #41, The Urban Institute (September 2000), and unpublished Urban Institute analysis of the 1997 National Survey of American Families.

part because the supply has not kept pace with the increased demand from families moving from welfare to work. A comparison of CalWORKs caseloads and licensed child care trends supports this assertion. In the four-year period following passage of the federal welfare reform law, caseloads dropped dramatically, resulting in the parents of up to 600,000 California children entering the workforce or working more hours.<sup>12</sup> However, the supply of licensed child care increased by only 119,325 openings, or “slots,” over the same period, suggesting a substantial gap in the supply of licensed child care. That gap may be mitigated by several factors. For example, some families with school-age children may not feel they need to enroll their children in a formal child care program. Other families may not need child care because the parents are not working.<sup>13</sup> But at least some parents who had previously received cash assistance through CalWORKs may not work because adequate child care is not available to them. Others may work, but are forced to rely on informal care, even when they might prefer to enroll their children in licensed child care homes and centers.

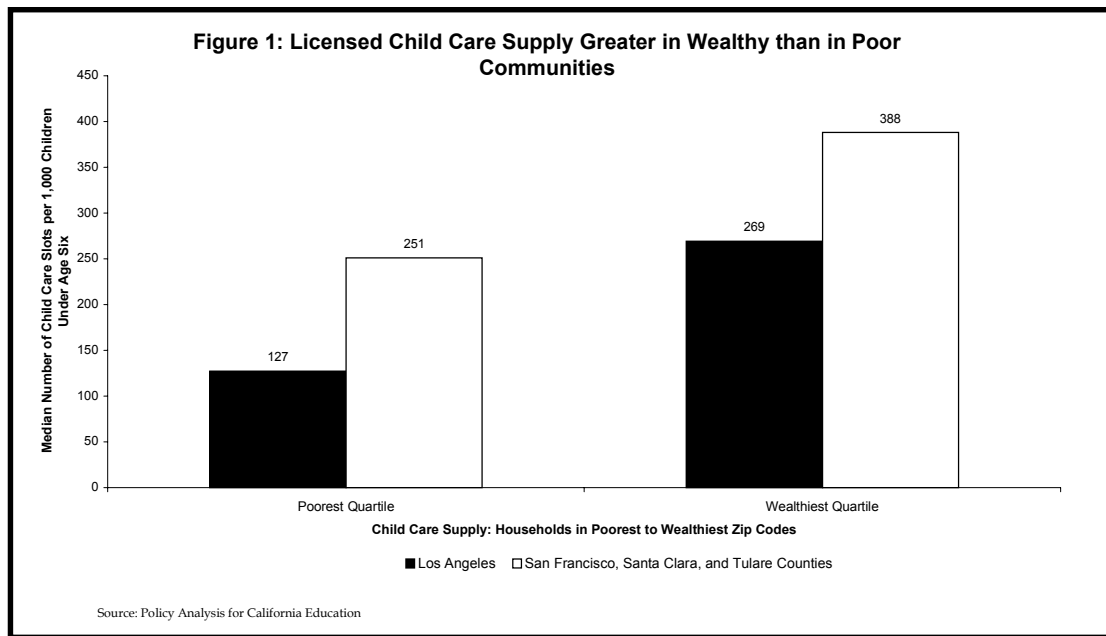
## ACCESS TO CHILD CARE

Affordable, quality child care that meets the needs of parents and children alike is especially difficult for low income families to obtain. First, child care can be prohibitively expensive. For a family of three earning a monthly median-level income of \$3,900, care for two preschool-age children exceeds \$1,000, more than one-quarter of the family’s monthly income.<sup>21</sup> For a family with a monthly income equivalent to the poverty line for a family of three (\$1,179), typical child care expenses would consume nearly all of the family’s income.<sup>22</sup>

*“I will transfer to California State University in the spring, but if there is a waiting list for funded child care I will once again have to find alternative means, which is extremely difficult. More child care funding could help ensure that I am able to finish college and provide my daughter with the life she deserves.”*

Student, American River College, Sacramento<sup>20</sup>

Second, the supply is inequitably distributed across communities. A 1997 study of four California counties – Los Angeles, San Francisco, Santa Clara, and Tulare – found that the supply of licensed child care in low income communities was far less than in high income communities (Figure 1).<sup>23</sup> The supply of licensed care is also limited in communities with large Latino populations.<sup>24</sup>



Third, available child care may fail to match non-traditional schedules often worked by low income parents. National data indicate that about 40 percent of preschoolers have mothers who work during evening or weekend hours. The figure increases to 52 percent for low income mothers.<sup>25</sup> However, according to an analysis by the California Child Care Resource and Referral Network, only 4 percent of California child care centers and 33 percent of family child care homes in 1998 offered care during the evening or on weekends.<sup>26</sup> For many parents, informal, license-exempt care may be the only option outside the traditional work day.

Fourth, while care for preschool-age children may be relatively available, over 70 percent of respondents to a recent nationwide survey of agencies with child care resource and referral programs found care for infants and toddlers, children with special needs, and for mildly ill children difficult to find.<sup>27</sup>

Lastly, available child care may be of low quality. There is no nationally representative study of child care quality, but two studies in the early 1990s examined a range of child care programs in several states. The Cost, Quality, and Outcomes in Child Care (CQO) study examined 401 child care centers in California, Colorado, Connecticut, and North Carolina; the Study of Children in Family Child Care and Relative Care examined 226 family child care home settings in California, North Carolina, and Texas. Only 14 percent of centers were found to provide care of sufficient quality to support child development, and only 9 percent of family child care homes were found to be of good quality.<sup>28</sup>

*“When my daughter turned 2 years 9 months and outgrew her small family child care, I looked for a center-based preschool. I was pleased to find a program with an experienced director, a new facility, racial and economic diversity within the program....Then, the head teacher left to take a better paying position....Over the course of the next year, the classroom fell apart. Within the following year, seven teachers or assistant teachers came and went in the classroom. At first, my daughter cried, “Why did my teacher have to leave!” every day on the way home, but after awhile, with so many transitions, she got numb.*

*[Eventually] we pulled our daughter from the school when we realized that on trips outside the classroom, aides and substitutes did not even recognize all the children in their care, and could not possibly protect them properly.”*

Deena, San Francisco mother of one daughter

### What is Quality Child Care?

Early childhood experts define quality child care as care that meets a child's basic needs and promotes physical, social, and cognitive development. To assess quality, researchers typically evaluate a program's operating standards, working conditions, and learning environment.

**Operating Standards.** Good quality child care programs operate with small group sizes, high adult-child ratios, and adequate indoor and outdoor space per child. They meet basic health and safety requirements. Staff have specialized training, formal education, and experience in caring for children.

**Working Conditions.** Quality child care programs provide good working conditions for teachers or providers. Adequate salary and benefit packages enable centers to attract and retain well-trained staff, and satisfied child care workers have been found to be more sensitive to children in their care.

**Learning Environment.** Providers and teachers in quality child care programs are highly engaged with children, are sensitive to their needs, respond with enthusiasm to a child's initiative, and manage child behavior without being harsh. Children in quality programs are involved in "socially-appropriate play" with other children and providers, and are encouraged to explore materials "in ways that fit their age and developmental stage."<sup>29</sup>

It is possible to have quality programs in the absence of quality standards and good working conditions, but researchers say this is unlikely. Rather, quality standards and decent working conditions tend to establish a foundation for positive classroom dynamics and experiences that promote child development.<sup>30</sup> Ultimately, the quality of care "is inherent in the child care provider" and the relationship the provider establishes with the child. Accordingly, quality child care is a function of provider characteristics – temperament, training, education, and motivation – and also the structure and stability of the child care program and work environment.<sup>31</sup>

Parents, like researchers, value the quality of interactions between providers and children in care. However, while parents and researchers may agree in theory on the definition of quality child care, they may evaluate actual programs differently. One study, for example, found parents to consistently "overestimate" the quality of care their own children receive, generally regarding the quality of the child care they use as high, while "on average, researchers rated the quality as mediocre."<sup>32</sup>

### QUALITY CHILD CARE AND LOW INCOME CHILDREN

The quality of child care may be especially important for low income children who, according to researchers, are more likely to experience ill health, reduced verbal ability, and other characteristics associated with lower school achievement.<sup>33</sup> The CQO study found that quality child care can benefit children from a range of family backgrounds. However, the largest social and cognitive effects (exhibited by better math skills and fewer behavioral problems) are found in children traditionally regarded by researchers as "at risk of not doing well in school," including those from lower income families.<sup>34</sup>

Several long-term studies of intensive, targeted early childhood programs have demonstrated substantial benefits to low income children. The Abecedarian Project in North Carolina provided high-quality care and education from several weeks after birth through the preschool years. Researchers found improved language skills and significant IQ effects.<sup>35</sup> Follow-up studies found significant advances in reading and mathematical ability and reasoning skills through elementary and secondary school, as well as improved rates of enrollment in college.<sup>36</sup>

*"If I had quality child care I would be able to work full-time, [but] without it I have to stick to low-wage jobs. I have had to go through seven babysitters. I make \$1,200, but my rent is \$900. I have been on a [child care] waiting list for so long that my kids are in school."*

Gilda, San Francisco  
mother of two school-age children

These findings are consistent with those reported in the Ypsilanti, Michigan-based Perry Preschool project. Perry also utilized an experimental design to study outcomes in low income children but, unlike Abecedarian, limited intervention to two years, when children were three and four years of age. In addition to finding subsequent educational gains for the test children, researchers found significant long-term social benefits over the succeeding 23-year period, including increased rates of employment, reduced welfare utilization, and fewer run-ins with the criminal justice system.<sup>37</sup>

Unfortunately, though research suggests that high-quality child care and early childhood programs provide substantial benefits to low income children and their families, evidence also suggests that child care used by low income families tends to be of low quality.<sup>38</sup> The National Institute on Child Health

### Child Care Under Welfare Reform

*"Policy makers must decide whether to address the development of children with the same intensity they display in moving single mothers swiftly into jobs."*

*Remember the Children: Mothers Balance Work and Child Care Under Welfare Reform*

In a February 2000 report, UC Berkeley and Yale University researchers evaluated the experience of 948 families who had enrolled in new state welfare programs during 1998 or 1999. The families lived in five cities in three states: San Jose and San Francisco, California; Tampa, Florida; and Manchester and New Haven, Connecticut.<sup>42</sup>

The report found:

- Many women successfully moved into jobs, but wages remained low and households impoverished.
- Good parenting practices that enhance child development were often lacking, a possible consequence of high rates of maternal depression.
- Fewer than half of the families received child care subsidies to which they were entitled, and of those using subsidies, relatively few received good quality care.

Child care experiences varied among the five locations. While only 13 percent of enrolled mothers in Manchester and New Haven received child care subsidies, 48 percent of the families surveyed in San Jose and San Francisco and 50 percent in Tampa used subsidies. The difference, the authors suggest, may be attributable to a greater effort by caseworkers in Florida and California to place children in centers, influenced by a greater supply of centers in these regions.<sup>43</sup> Other factors may include greater success in educating parents about their options, and the siting of child care workers in welfare offices.<sup>44</sup>

The report found center-based care used by enrolled families in San Jose to be of good quality, with a rating of 5.8 out of 7 on the Early Childhood Environment Rating Scale (ECERS). In San Francisco, center-based quality was rated "nearly good" (achieving a 4.6 ECERS score, where a 5.0 rating is considered a good score).<sup>45</sup> While the authors considered California centers with an average ECERS score of 5.2 to be just above the "good" rating, California scores far surpassed those of the Florida and Connecticut centers (with 3.3 and 2.3 ECERS ratings, respectively).

The authors suggest that the relatively greater supply of child care centers in Tampa may be partly attributed to Florida's "light regulatory requirements" that permit for-profit companies to "enter the field with relative ease."<sup>46</sup> California centers, by contrast, operate under relatively strong regulations designed to ensure that basic health and safety standards are met and that staff have appropriate training. Moreover, California centers operating under state contracts are required to meet additional program standards and higher staff-to-child ratios. However, the study found that California-based families relied more heavily on license-exempt or kin and kin care than on center-based child care.<sup>47</sup> Quality in both license-exempt and family child care home settings was found to be low, with "the television...on far more, fewer books and learning materials...present, and [settings that] offer less organized and sometimes less safe environments for young children."<sup>48</sup>

and Human Development (NICHD) reported recently that family child care used by low income children under age three and center care used by near-poor families was of relatively low quality.<sup>39</sup> Similar findings were reported by UC Berkeley and Yale University researchers who examined child care used by families on welfare in five urban areas, including San Jose and San Francisco, California.<sup>40</sup>

The quality of child care appears to be related to a family's ability either to afford high-quality care or to gain access to a child care subsidy program. In the NICHD study, for example, poor families who used center care received care that was "comparable to the center care received by affluent children." However, when children in near-poor families used center care, quality was lower than that received by poor families, "presumably because those in near-poverty do not qualify for the subsidized care that those in poverty do."<sup>41</sup>

## CHILD CARE OPTIONS FOR LOW INCOME FAMILIES IN CALIFORNIA

The California Department of Education (CDE) and Department of Social Services (DSS) administer subsidized child care programs at the state level.<sup>49</sup> At the local level, child care programs are administered by community-based agencies, schools, public agencies (including county welfare departments and county offices of education), and by some local colleges.

Generally, parents may apply for child care assistance if they work, are seeking employment, are engaged in vocational training, or have a special need. Families receiving care also must have a family income no greater than 75 percent of the state median income (\$2,925/month for a family of three in 2000).<sup>50</sup> Children in low income families may also enroll in state preschool or Head Start programs, which provide opportunities for social and educational enrichment. Parents may find the variety of options confusing and frustrating because not everyone who qualifies is able to receive care due to limited funding and limited enrollment.

*"My biggest worry about losing my child care when my two years are up is what is going to happen to all the accomplishments I've made since I have moved from welfare to work, and what's going to happen to my six-year old child."*

Irene, Oakland, mother of one using CalWORKs Stage Two child care

Families may receive assistance directly from their county welfare department if they receive cash aid and participate in a welfare-to-work program. Other low income families may enroll directly with a state contracted child care center; receive a voucher to enroll in a local child care center or family child care home program; or arrange informal, license-exempt care.

## County Welfare Departments

County welfare departments have traditionally administered child care for families receiving cash assistance. Under welfare reform, county welfare departments administer the first phase of child care for families receiving assistance through the CalWORKs program. Eligible families may apply for child care upon entry into CalWORKs and can receive child care subsidies while parents are engaged in work or work education activities.

## Alternative Payment Programs

Community-based child care organizations and public agencies (including schools, county offices of education, and counties) may operate alternative payment (AP) programs that provide child care subsidies for families receiving CalWORKs assistance, for those no longer receiving cash aid who are working and, in the general child care subsidy program, to at-risk children and to income-eligible working families.<sup>51</sup> Designed "to provide for maximum parental choice," the AP program enables parents to select child care from any provider. The AP program then issues a certificate that a family may redeem

for a specific number of hours of care. The state's payments to providers are tied to the local child care market.

### CalWORKs Child Care

In 1996, Congress repealed the federal Aid to Families with Dependent Children (AFDC) program and replaced it with the Temporary Assistance to Needy Families (TANF) funding stream, which provides block grants to states to provide services to low income families. To conform the state's low income programs to federal changes made in 1996, California's 1997 welfare reform law repealed the Aid to Families with Dependent Children (AFDC) program and seven categorical child care programs linked with AFDC.<sup>52</sup> In their place, the Legislature established the California Work Opportunity and Responsibility to Kids program (CalWORKs) and a new three-stage child care delivery system. The Legislature's intent in the CalWORKs child care program was to move families who were or had been receiving cash aid "from their relationship with county welfare departments to relationships with institutions providing services to working families...."<sup>53</sup>

**CalWORKs Stage One.** County welfare departments administer the first stage of CalWORKs child care. In 2001, 26 counties operated Stage One child care programs solely through county social or human services agencies, while 27 counties contracted out the entire responsibility to community-based child care agencies.<sup>54</sup> Five counties contracted out a portion of their Stage One program while continuing to run a portion of the program themselves. A family is eligible to sign up for Stage One child care when it enrolls in CalWORKs work activities. The family may remain in Stage One for six months or less, unless welfare caseworkers consider the family to be too "unstable" to move to the second stage of child care, or agencies administering child care payments are experiencing shortfalls in Stage Two and Stage Three funding.

**CalWORKs Stage Two.** The California Department of Education (CDE) administers Stages Two and Three child care through contracts with AP programs. Families may transfer from Stage One to Stage Two child care when they are considered stable. "Diversion families" – those eligible for monthly cash aid who instead choose a lump sum payment or work support services in lieu of cash aid – may be enrolled directly in Stage Two child care without passing through Stage One. A family may receive Stage Two child care for up to two years after it leaves cash aid, so long as the family is income-eligible and the child in care is under age 13.

**CalWORKs Stage Three.** Stage Three child care may be provided without a time limit to continue service to families who have reached their two-year limit in the CalWORKs Stage Two child care program.<sup>55</sup> Eligibility for the program is restricted to CalWORKs recipients and former recipients who are income-eligible. However, a family is not guaranteed service in Stage Three, and a family may have to wait until "a funded space is available."<sup>56</sup> In practice, the Legislature has fully funded the cost of all three CalWORKs child care stages since the program's inception.

In the CalWORKs child care program, AP programs provide child care subsidies to families receiving cash aid and to families no longer on aid who are transitioning to work. In the general AP program, subsidies are allotted, on a funds available basis, first to families with children considered at risk of abuse or neglect, and secondly to income-eligible families whose parents are working or seeking work, in training, seeking housing, or incapacitated. Because the demand for non-CalWORKs, subsidized child care often exceeds the supply, families may be placed on waiting lists maintained by AP programs and subsidized child care centers.

### Subsidized Child Care Centers

State-subsidized child care centers, operated under contract with the CDE by local schools, county education offices, and community-based organizations, provide services to income-eligible families and at-risk children. Eligibility for center-based care is the same as in the general AP program, with priority for enrollment granted first to at-risk children without respect to family income. Other children are enrolled on the basis of family income if parents are working, seeking work or housing, incapacitated,



or engaged in vocational training. Several programs serve particular categories of children, including those from migrant families, school-age children, and three- and four-year old children in the state preschool program.

The subsidized, contracted centers must hire teachers with professional education and training (Appendix 1). Curricula must be developmentally appropriate, safe, and meet the needs of children and their families. Program standards generally are more rigorous than the state's licensing requirements and aim to track "social, physical, and cognitive growth" and promote children's "success in the public schools."

## Resource and Referral Programs

Resource and referral (R&R) programs, operated by community-based organizations or public agencies pursuant to contracts with the CDE, provide information and assistance to parents seeking child care.

### On the Edge: One (Hypothetical) Search for Child Care

Diana is a single working mother looking for child care for her 18-month old daughter, Jessica, and four-year-old son, Jeremy. She has recently completed a veterinary technician program and found a full-time job paying \$10.00 an hour. The combination of her rent, transportation, and other costs of daily living leave her with little money to pay for child care. In recent weeks she has been "patching it together" with help from two neighbors and a cousin. Two of these arrangements are available only for a limited time, and Diana fears that without good quality, dependable child care she may not be able to hold on to her job.

Although she has learned from friends that she might receive child care if she applied for welfare, Diana resists because to qualify she would have to reduce her work hours and thus limit her ability to advance. Instead, Diana applies for several child care subsidy programs at her local child care agency. She learns that several dozen families are ahead of her on waiting lists because they have lower incomes.

Staff at the child care agency urge Diana to try to enroll her children in several local child care centers that have contracts with the state CDE to provide care to low income families. Two weeks later, after securing permission to take a half-day off work, Diana visits the centers. Only one has an infant program. All three centers have preschool programs. Diana signs up for the programs that can meet her needs. Unfortunately, she learns again that many other families are ahead of her on the waiting list because they have lower incomes.

The options, to Diana, seemed impossible: she could reduce her family food budget, but does not want her children to go hungry. She could delay paying her rent, but then she'd risk losing her apartment, and affordable apartments are scarce. She could quit her job and go on welfare, but that would defeat much that she has been working toward.

Each Wednesday, and sometimes more often, Diana calls staff at the contracted centers and at the AP program, but each time she learns that openings for her children are still not available. She calls a number of times to the local resource and referral program, trying to find more affordable care in the event that her subsidy runs out. She visits five programs to which she is referred, but in one center the classrooms seem overcrowded, and at two family child care homes the children seem unhappy and the TV is blaring. Diana puts her name down on the two remaining programs – a center and a family child care home – even though she can't afford them right now.

A month later the child care agency staff still will not guarantee Diana that a subsidy will become available, and the contracted child care centers still tell her that she is only near the middle half of their waiting lists. Diana thinks she may be up for a raise in two months; maybe then she will be able to place Jeremy in one of the private child care programs. But she wonders what she will do with Jessica if she doesn't receive help soon.

These services are provided without regard to family income. They also coordinate training and provide technical assistance to persons establishing new child care programs. R&R programs often maintain free resource and lending libraries for use by providers and parents.

California's welfare reform law requires R&R programs to locate staff at county welfare offices or to provide other methods of helping families enrolled in CalWORKs to rapidly find stable child care while parents participate in welfare-to-work activities. Most child care agencies that administer R&R programs also administer AP and CalWORKs child care programs, allowing the same organization to help low income parents locate child care and determine whether a program might be available to help them pay for it.

### Local Child Care Planning Councils

Local child care planning councils are appointed by county supervisors and county superintendents of education and consist of parents, providers, community members, and representatives from public agencies.<sup>57</sup> Among other statutory requirements, councils are required to assess local child care needs and convey those needs and priorities for local service to CDE. Councils are also required to prepare comprehensive countywide child care plans, review whether CDE- and DSS-funded child care programs meet local needs, promote partnerships with various agencies, and coordinate part- and full-day programs. Although the councils do not provide child care directly, they may serve as a focal point for low income parents to advocate for additional services and improved quality.

### CALIFORNIA'S STATE AND FEDERALLY FUNDED CHILD CARE PROGRAMS

California's subsidized child care system uses both state and federal dollars to provide child care and development services through a number of different programs (Table 4). Several programs provide services to families in CalWORKs or to those no longer receiving cash aid, but who are low income and working. Others provide child care to low income working families regardless of their current or past receipt of cash assistance. The part-day state preschool program provides educational enrichment for low income children regardless of whether their parents are employed.

*"If I had child care, I could finish my program and work toward self-sufficiency. I want to work for a living, and I want to make a better life for my kids. And it's hard...there's only one of me doing it all. I have been on a child care waiting list forever...for nine years."*

Jennifer Davis, student, mother of four, City of Alameda

Other programs aim to improve child care quality or provide consumer education to families regardless of family income.

The CDE administers the majority of programs and funding in California's subsidized child care system. The CDE contracts with community- and school-based centers to provide child care to eligible families, and with community-based agencies, schools, and public agencies (including counties) to provide child care subsidies to at-risk children, income-eligible families, and families participating in the CalWORKs program (Stages Two and Three). In addition, the CDE administers funding for resource and referral (R&R) programs; for child care "quality-improvement" activities, including teacher or provider training projects; and for child care facility improvements.

The DSS administers the CalWORKs Stage One child care program and a few smaller programs. DSS child care funds are distributed to counties as part of annual CalWORKs allocations. County welfare departments administer Stage One child care programs directly or subcontract the responsibility to community child care agencies. Most current DSS child care funds come from California's federal TANF block grant.

**Table 4: State Child Care and Development Programs, 2000-01**

<b>Program*</b>	<b>Description</b>	<b>Estimated Enrollment</b>	<b>Budgeted (Dollars in Millions)</b>
State Preschool (CDE)	Provides part-day center-based child development for children ages 3-5 in public schools and community-based agencies.	100,500	\$271.1
General Child Care (CDE)	Provides child care and development for children ages 0-13 in centers and family child care home networks through contracts with schools, colleges, county offices of education, and community-based agencies.	80,500	\$548.6
Extended Day Care or Latchkey (CDE)	Provides child care to school-age children before and after school.	6,000	\$28.2
CalSAFE (CDE)	Provides child care and parenting education to pregnant and parenting teens in high school.	5,000	\$38.3
After-school Partnerships (CDE)	Provides incentive grants for after-school programs.	97,500	\$90.8
Migrant Child Care (CDE)	Provides preschool and infant care and development programs in or near migrant housing facilities during agricultural periods.	9,000	\$27.5
Alternative Payment (CDE)	Provides certificates or vouchers through community-based and public agencies for purchase of child care in the private market.	35,000	\$200.4
CalWORKs Stage One (DSS)	Provides child care vouchers for families upon enrollment in CalWORKs. Administered by county welfare departments and child care agencies.	87,000	\$468.1
CalWORKs Stage Two (CDE)	Provides child care certificates or vouchers, through community-based and public agencies, for CalWORKs families and those in transition to work for up to two years after leaving CalWORKs.	106,500	\$589.2
CalWORKs Child Care Reserve (CDE or DSS)	A TANF-funded reserve to fund any child care need in Stage One and Stage Two over the amount in the annual Budget Act.	14,000	\$127.9
CalWORKs Stage Three (CDE)	Provides child care certificates or vouchers, through community-based and public agencies, for families after Stage Two child care.	30,500	\$172.6
Resource and Referral (CDE)	Provides consumer information and child care referrals to parents regardless of income.	N/A	\$15.5
Facilities Revolving Loan Fund (CDE)	Provides loans to aid in the purchase, renovation, or relocation of child care facilities.	N/A	\$55.2
Quality Services (CDE)	Provides funding for training, planning, and health and safety efforts aimed at improving the quality of child care programs. Includes one-time funds.	N/A	\$134.6
Support Activities (DSS)	Provides funds for programs to increase child care capacity, criminal background checks of child care providers, and self-certification of health and safety practices of license-exempt providers.	N/A	\$ 7.7
California State University	Provides general assistance to CSU child care centers.	3,000	\$ 1.3
CalWORKs College Parents (CCC)	Provides child care for persons on public assistance who are enrolled in community colleges.	3,000	\$ 15.0
Cooperative Agencies Resources for Education (CCC)	Provides counseling, transportation, education, and child care for single-parent students receiving public assistance.	11,500	\$ 11.0
Employer Tax Credits	Tax credits for employer supported child care. Credit maximums are 30 percent of start-up or construction costs for child care facilities and for employer contributions to employee child care plans.	N/A	\$ 13.0
Personal Income Credit	Provides a refundable personal income tax credit for child care expenses paid by taxpayers whose annual income does not exceed \$100,000.	N/A	\$ 195.0
<b>Total</b>		<b>589,000</b>	<b>\$3,011.1</b>

\*Key: CDE: California Department of Education; DSS: Department of Social Services; CCC: California Community Colleges.

Source: Department of Finance, based on the 2000-01 Budget Act. The number of children served in California's subsidized child care programs is based on estimates prepared by the Department of Finance using budgeted funding levels and average rates of payment.

California budgeted \$3.01 billion for child care and related services in 2000-01, more than triple the 1996-97 funding level (Table 5). Funding for programs administered by the CDE increased by 216 percent, while DSS-administered programs increased 171 percent during the same period.<sup>58</sup> The 2000-01 Budget also includes a new refundable tax credit to help parents offset part of their out-of-pocket child care expenses.<sup>59</sup>

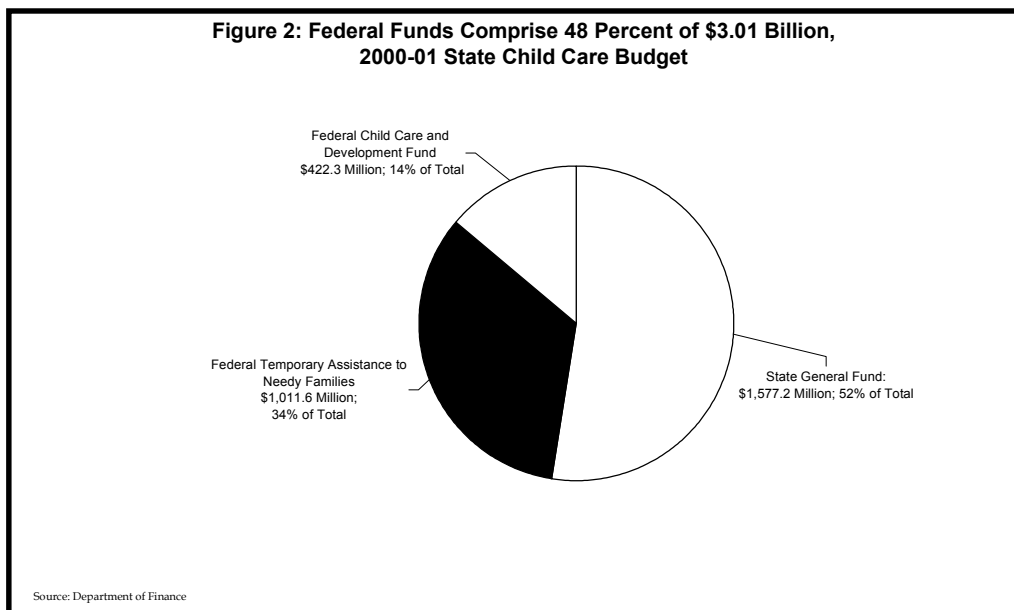
<b>Table 5: Growth in California Child Care Funding</b> (Dollars in Millions)							
	<b>1996-97</b>			<b>2000-01</b>			<b>Total Increase 1996-97 to 2001-01</b>
	<b>Budget</b>	<b>State Funds</b>	<b>Federal Funds</b>	<b>Budget</b>	<b>State Funds</b>	<b>Federal Funds</b>	
California Department of Education (CDE)	\$686.6	75%	25%	\$2,172.1	61%	39%	\$1,485.5
Department of Social Services (DSS)*	\$222.7	50%	50%	\$603.7**	2%	98%	\$381.0
Other	\$16.6	82%	18%	\$235.3	100%	0%	\$218.7
<b>Total</b>	<b>\$926.0</b>	<b>69%</b>	<b>31%</b>	<b>\$3,011.1</b>	<b>52%</b>	<b>48%</b>	<b>\$2,085.1</b>

\*DSS state funds for 1996-97 include \$12.3 million in county funds

\*\*Includes reserve for Stage One & Stage Two

Source: Department of Finance, unpublished data (March 2000)

Much of the growth in funding for California's subsidized child care system comes from federal dollars. Congress increased federal funding for child care in recognition that families would need child care in order to leave welfare for work. In 1996-97, prior to welfare reform, California spent \$284 million in federal child care funds, 31 percent of total state child care spending. The 2000-01 state budget includes \$1.4 billion in federal funds, 48 percent of California's total child care spending (Figure 2).



The two principal federal child care funding sources, Temporary Assistance for Needy Families (TANF) and the Child Care and Development Fund (CCDF), grant states broad authority to serve low income families. The TANF funds may be used to help low income families with cash assistance, employment training, and work support programs, including child care. The state budget appropriated over \$1 billion in TANF funds for child care in 2000-01, 34 percent of total state child care spending.<sup>60</sup> Congress must reauthorize both the TANF block grant and the CCDF in 2002. Federal law requires states to spend the majority of their annual federal CCDF grant on child care for low income working families.<sup>61</sup> In addition, at least 4 percent of each state's annual CCDF expenditures must be dedicated to activities that provide consumer education, increase parent choice, and improve the quality and availability of child care.<sup>62</sup> Eighty-four percent of California's child care funded with federal CCDF and matching state dollars is licensed care.<sup>63</sup> The 2000-01 state budget appropriates \$422 million from the CCDF, 14 percent of total child care spending.<sup>64</sup>

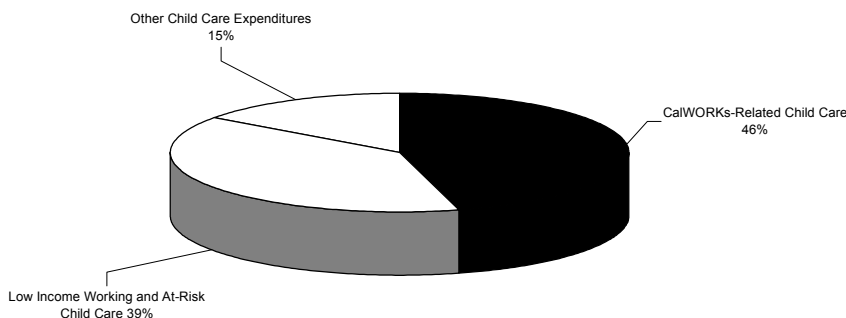
State general funds have also contributed to the growth in California's child care system in recent years. While General Fund child care dollars totaled \$642 million in 1996-97, the 2000-01 budget allocates \$1.58 billion, a 146 percent increase over the four year period.<sup>65</sup>

The largest share of state and federal child care funds goes to families receiving CalWORKs assistance and those who no longer receive cash assistance, but are working and low income (Figure 3). The second largest category of child care spending funds services to other low income families who may have no history of welfare receipt, as well as families with at-risk children, and includes the CDE-administered general child care and development, state preschool, alternative payment, and several other programs. Finally, a smaller but still substantial part of 2000-01 spending (15 percent) is dedicated to improving the accessibility, quality, and affordability of child care, and aids families of all income levels.

*"Before welfare reform passed, families could keep their child care subsidy and have wages up to the state median. Now families are cut off when they reach 75 percent of the state median. I work with the help of child care, and my earnings are near the border. But in San Francisco, where rent is so expensive, 75 percent of the state median wage is not enough to make it and pay for child care."*

Maria Luz Torre, San Francisco mother of two school-age children

**Figure 3: CalWORKs Related Child Care Comprises Nearly Half of Total 2000-01 State Budget Child Care Expenditures**



Source: Department of Finance

## Additional Public Support for Child Care in California

**Head Start.** Head Start is a federally-funded program that has served children in families who receive public assistance or whose incomes fall below the poverty line, since 1965.<sup>66</sup> Local public and community-based agencies operate Head Start programs under direct contract with regional offices of the federal Department of Health and Human Services. While most programs cover children ages 3 to 4, infants and toddlers may also be served. Most agencies operate Head Start as part-day programs and, as with the state preschool program, families enrolled in Head Start may include working parents who make secondary child care arrangements to fully cover their hours of work. For federal fiscal year (FFY) 2000, an estimated 81,804 California children were served in Head Start at a cost of \$545 million.<sup>67</sup> In addition, 4,525 California infants and toddlers were enrolled in Early Head Start at a cost of \$41 million in FFY 2000.

*My one-year-old son is in subsidized care, but my 2 ½ year-old son is on the waiting list. I can't afford to pay for child care while I work, so my mother-in-law in Tijuana takes care of my older son for a week or two at a time. It's hard on both my husband and me when my son leaves. We want to cry together; it's like losing a child each week. We don't get to see our older son develop.*

Shannon Aleman, mother of two, assistant teacher at Oceanside Child Development Center

**Proposition 10.** Proposition 10 of 1998 increased tobacco taxes to pay for programs for children ages 0-6. Proposition 10 will raise over \$700 million per year in new funds.<sup>68</sup> Twenty percent of funds go to the state's Children and Families Commission, with the balance administered by county children and families commissions. The state commission may use its allotted funds for communications, education, research and development, and training programs. The state commission may also recommend "changes in state laws, regulations, and services" needed "to carry out an integrated and comprehensive program of early childhood development in an effective and cost-efficient manner."<sup>69</sup>

County children and families commissions must adopt a strategic plan that supports early childhood development. Child care initiatives considered by local commissions include efforts to improve child care quality and to enable programs to attract and retain qualified staff. However, during the first year of Proposition 10 implementation, few local commissions funded additional child care services for low income families.

## How Does California Provide Subsidized Care?

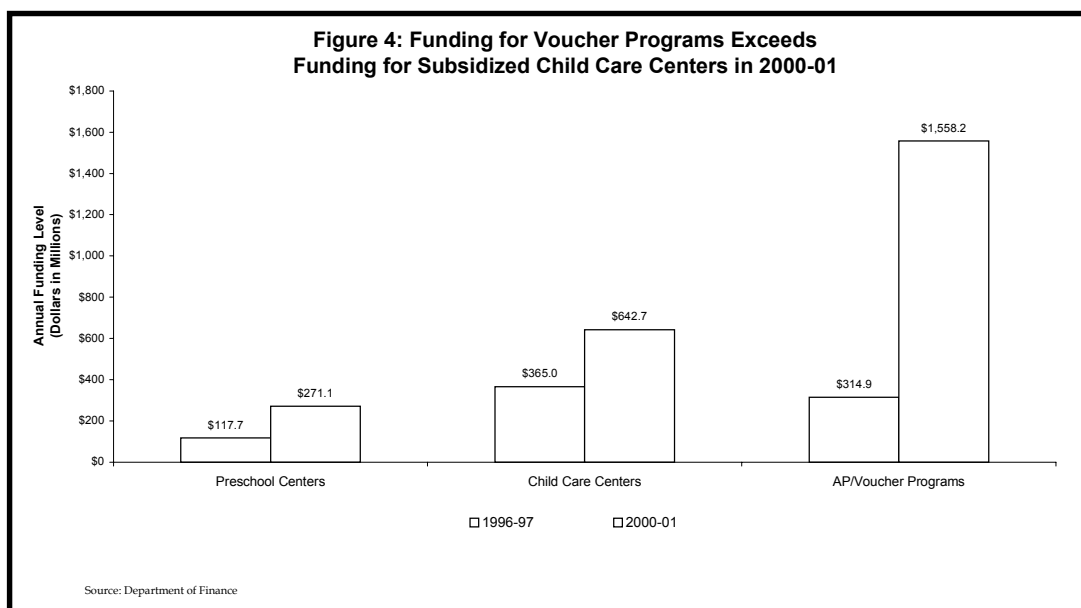
California's subsidized child care system provides services through two basic delivery modes: 1) direct contracts with child care centers and 2) voucher or alternative payment (AP) programs. There are significant differences in the mechanism by which programs receive funds for providing subsidized care between the two delivery modes and in the amount of funding provided per day.

Centers that contract with the CDE to provide subsidized care to eligible families receive funding based on the number of children they serve and number of days of care provided. These programs have the advantage of maximizing parental choice. The daily payment rate for contract care is capped at a Standard Reimbursement Rate (SRR).<sup>70</sup> Contracts have the advantage of providing centers with a stable funding stream.

AP or voucher programs are funded based on the amount providers charge for care up to a cap or market rate ceiling. Specifically, AP programs pay up to the 93<sup>rd</sup> percentile of charges by providers within a region or the fee providers normally charge to parents who do not receive subsidies, whichever is less. AP or voucher programs allow parents to select virtually any provider of care, including license-exempt care. However, the structure of AP and voucher programs, which allow parents to change to

another provider and which do not require providers to meet the standards imposed on subsidized centers, may limit their effectiveness in promoting the expansion of quality child care services, since providers are not guaranteed stable funding.

Most of the recent increase in state support for child care has gone to AP or voucher programs. Funding for subsidized child care centers increased by 76 percent between 1996-97 and 2000-01, while funding for AP or voucher programs increased by 395 percent during the same period (Figure 4). Support for state preschool programs, which also operate through contracted centers, increased substantially (130 percent). However, these programs may be of limited use to many working families, since they typically operate for three hours a day and only during the school year.



## CALIFORNIA'S MAJOR CHILD CARE CHALLENGES

This report now turns to a discussion of seven major policy issues that must be addressed in order to improve California's subsidized child care and development system. The first involves the overarching need for a comprehensive or "master" plan for the child care system. In the absence of a political consensus to establish a comprehensive planning process, however, advocates and policymakers must still wrestle with the fundamental funding, equity, quality, and data analysis issues examined in the balance of this section.

### 1. Create a State Master Plan for the Subsidized Child Care System

Recent efforts to overhaul state and federal welfare programs included efforts to streamline subsidized child care programs and to integrate programs for families receiving cash assistance with those for the working poor. While some improvements were made, California's subsidized child care system remains overcomplicated and uncoordinated. A number of programs serve similar popula-

*I loved working with children and families, and I would love to work with them in the future. But the amount of stress on the job in relation to what I was paid...I really felt I had no choice but to leave and pursue another career. My heart is still with children and families though, and I hope to stay closely tied to the field, but I don't believe I'll be able to return to the same type of work.*

Daisy Talob-Lapinid,  
former site director, state preschool  
program, San Diego

tions and a burdensome contracting process impedes expansion efforts and consumes administrative resources. The division of state funding and administrative responsibility has led to inadequate oversight and inhibited efforts to improve planning and responsibility.

**Recommendation:** A thorough review of governance, planning, finance, and accountability issues is needed in order to ensure that public child care dollars are best spent to improve the care and well-being of California's children. This can be accomplished by crafting a master plan through a comprehensive planning process that involves parents, administrators, policymakers, and child development experts. It must also involve the full participation of both state agencies with the significant responsibility for child care programs, as well as the Department of Finance and members of the Legislature. A master plan should:

- 1) Evaluate whether administrative authority for state and federal child care programs should be divided between the CDE and DSS at the state level, and between county welfare departments, schools, and community-based child care agencies at the local level.
- 2) Decide whether access to subsidized child care should be expanded over time to families who currently struggle with child care expenses, but whose incomes exceed current income eligibility ceilings.
- 3) Consider methods to improve the subsidized child care system and promote greater accountability in the provision of quality care. Among other considerations, planners might evaluate methods of linking child care payment rates and contracts to certifications of quality of care. Planners might also delineate the degree to which child care contractors and agencies should be responsible – and funded – to provide support to parents over and above the care they provide to their children.

## **2. Resolve the Subsidized Child Care Center Funding Crisis**

Recent reports suggest that a number of subsidized child care programs are on the brink of a financial crisis. In late 2000, one large school district program actually gave up its contract to continue providing child care to nearly 1,000 low income children, due to inadequate state funding levels.<sup>71</sup> The program's operating budget exceeded its revenues by \$475,000 in 1999-00, with a projected shortfall of \$1 million in 2000-01, and the district was no longer willing or able to continue to fill the gap.

While no comprehensive survey has been done, administrators of programs operated by other school districts maintain they are under similar financial pressure.<sup>72</sup> In recent years, an increasing share of state K-12 expenditures has been earmarked to specific programs.<sup>73</sup> As a result, school-based child care programs have faced especially difficult budgetary decisions, as previously available local school district funding that supplemented state child care contracts has been reduced. However, the general problem of child care funding shortfalls is not limited to school-based centers. Many community-based child care agencies – particularly those in high job growth regions – have been forced recently to pass up opportunities for program expansion because reimbursement rates have not been sufficient to enable centers to attract and retain qualified staff.<sup>74</sup> Where annual appropriations for child care cost of living adjustments (COLAs) fail to keep pace with inflation, or fail to match COLAs provided to basic K-12 allocations (revenue limits), budget shortfalls may result.<sup>75</sup>

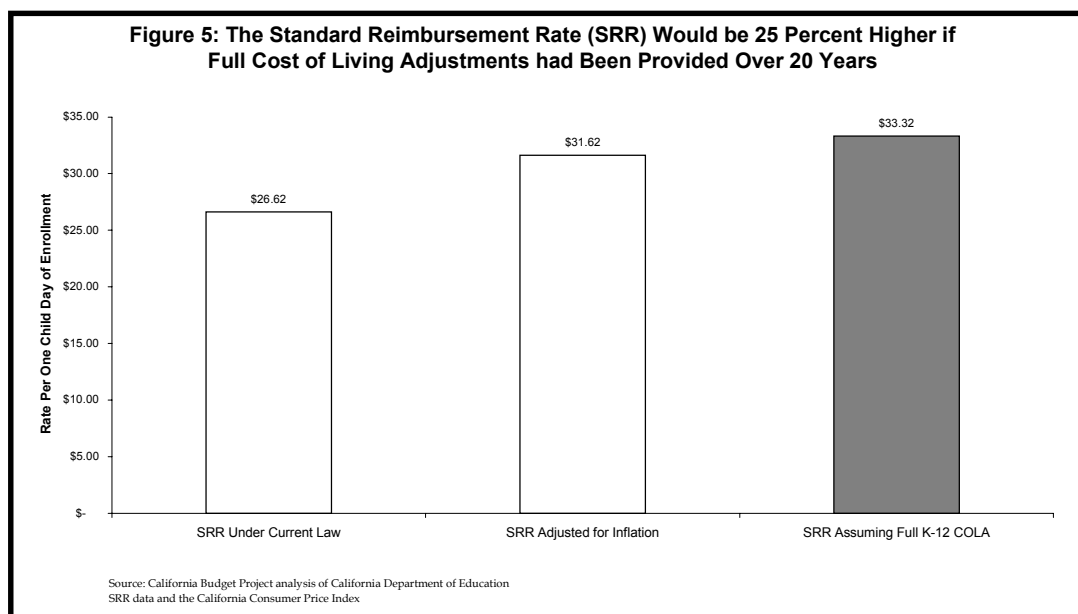
Several factors combine to undercut the stability of subsidized center-based child care programs, including:

- The statewide program to reduce elementary school class sizes, which has drawn child care teachers to higher paid K-12 teaching opportunities. At the same time it has increased pressure on school



districts to reassign space from on-site child care programs to K-12 classrooms.

- The recent economic expansion that has generated employment opportunities with compensation and benefit packages superior to that offered by most child care programs.
- The state's failure to provide sufficient increases in the standard reimbursement rate (SRR) to allow subsidized child care programs to pay competitive salaries (Figure 5).<sup>76</sup>



Because of the erosion in purchasing power, the SRR for subsidized child care centers is lower than the maximum market-based rate the state pays for child care through its AP/voucher programs in many parts of the state.<sup>77</sup> For a subsidized child care center, the 20-year erosion of the purchasing power of the SRR represents a loss of approximately \$40,000 per classroom in annual revenues.<sup>78</sup>

**Recommendation:** The state should continue the effort – begun during the 2000-01 state budget with \$33 million in funds dedicated for this purpose – to restore the lost purchasing power of the SRR for state-subsidized child care centers. Increasing the SRR by the same adjustment applied to basic K-12 education requirements since 1981-82 would cost approximately \$178 million, or roughly 6 percent of 2000-01 total child care spending.

### 3. Fully Fund California's Subsidized Child Care System

California's child care programs currently serve a fraction of those who qualify for care based on family income and need. Many children who could benefit from quality child care fail to receive it due to inadequate state support for subsidized programs. This report estimates that a third of the children who need and qualify for care, approximately 280,000 children, are not currently served by the state's subsidized system (Table 6).

Filling this gap is within the state's reach. The cost of extending care to those children who currently qualify, but do not receive it, is less than the increase in funding for subsidized child care programs over the past five years. This report estimates that it would cost \$1.7 billion to expand subsidized child care

**Table 6: How Many California Children Need Subsidized Child Care?**

Average monthly count of California children eligible for subsidized care during 1995-97	1,511,070
Adjustment for population growth: 1996-2000	1,591,903
Total eligible children in need (assumes 50 percent utilization rate)	795,952
Total number of children estimated served in state and federal programs, including Head Start	675,329
Number served in After-School Partnership Program	(97,500)
Adjustment for Head Start and State Preschool Programs	(62,276)
Total number of children served from income-eligible working families	517,434
<b>Children from eligible working families who are not currently served and need child care</b>	<b>278,518</b>
Share of eligible children from working families currently served in subsidized child care	65%
<b>Estimated cost to expand child care to the eligible population of children in need</b>	<b>\$1,648,241,952</b>

Detailed documentation on the estimates in this table is contained in *How Many Children Need Subsidized Child Care in California?*, California Budget Project (updated March 28, 2001), at [www.cbp.org](http://www.cbp.org).

*I was helped to get child care at Orange Coast [Community] College, where my son went to the center on the campus. Then, when I transferred to Long Beach State, the college child care director referred me to the local AP [the Children's Home Society]. I was able to enroll without having to go back on the waiting list. Through this [subsidy] I received center-based and after-school care while I completed college. I now make too much to qualify for child care, but it is still a struggle. I can't imagine the Governor lowering eligibility below 75 percent [of the state median income].*

Samantha Evans, mother of one school-age child, Torrance

services to those who qualify for and need it; by comparison, child care funding increased by \$2.1 billion between 1996-97 and 2000-01.

**Recommendation:** Resources permitting, the state should initiate a five-year program to fully-fund California's subsidized child care system. At least half of the new child care should be based in subsidized centers in low income neighborhoods in order to promote access to quality child care in areas that are most in need.

#### **4. A First Step: Guarantee Child Care to Low Income Families and Those Leaving Welfare for Work**

Since 1997, California has made a substantial commitment to provide child care to families moving from welfare to work. However, the improved funding situation for these families has served to highlight the child care need of other low wage families, who often experience lengthy waiting periods for subsidized child care.

Fully-funding the state's subsidized child care programs, as recommended above, would ensure access for all children who need and qualify for care. As an interim step, the state should establish a child care assurance program in several counties that guarantees child care to working families below a specified income level. Families with incomes above the eligibility limit should be "grandfathered in" to

ensure that no child loses services under the new program. Additional children could be enrolled based on available funding. Such an approach would preserve the strengths of the current system – parental choice and a multi-faceted delivery system – while extending access to the working poor.

**Recommendation:** The Legislature should establish a pilot program in one or more counties that guarantees child care to working families with incomes below a specified level. The income level should reflect geographic differences in the cost of living and could be increased annually based on available funding. The new program would combine funding from existing programs into a single program. Administrative savings gained from consolidating programs and funding should be reinvested and used for program expansion and quality improvement initiatives.

## 5. Expand Staff Retention Efforts

High quality child care depends on qualified teachers, aides, and administrators. As noted above, reimbursement rates for the state's subsidized child care centers have not kept pace with inflation, making it difficult for centers to recruit and retain qualified staff. Low wages are also a problem for centers that do not receive subsidies, as well as for family child care homes and other providers.

In 1999, the median California child care worker – the worker exactly at the middle of the earnings distribution – earned just \$7.89 per hour. On an annual basis, child care workers earned \$17,420, slightly lower than the 2001 poverty line for a family of four (\$17,650).<sup>80</sup> Low wages have led to high turnover rates. Recent reports document annual turnover rates for child care teachers in excess of 20 percent in Alameda, Sacramento, and Marin Counties, with even higher rates for teacher assistants.<sup>81</sup> Turnover has been fueled by opportunities created by falling unemployment rates and a tightening labor market, as well as by competition from relatively higher paid positions in public schools created by the infusion of funds for class size reduction in grades kindergarten through 3.

Last year, state lawmakers took a first step toward addressing this problem, with a \$15 million appropriation for a new salary and retention program administered through local child care planning councils.

**Recommendation:** The state should continue to allocate targeted support for child care staff salary increases and retention efforts. In light of the magnitude of the staffing crisis, it would be appropriate to restrict the use of these funds to programs serving children in state subsidized programs.

*We have lost 20 teachers and staff in one year, out of 32.*

*It is demoralizing. My children, the kids who are enrolled here, what does it do to their development, to their ability to trust? The parents have tremendous concern over this. They ask, "Who is taking care of my child? Who can I talk to?" In my job, I'm always looking for new, qualified staff.*

Linda Conde, Director,  
Oceanside Child Development  
Center

*At my other job, they pay me more than here. And my other job is at a taqueria. Don't you think a teacher should be paid more than a cashier should?*

Teacher's Assistant, Marin  
County<sup>79</sup>

## 6. Support School Readiness

The state Education Code requires the Superintendent of Public Instruction (SPI) to ensure that each CDE-administered child care and development program provides support to the public school system. However, no evaluation has been done to determine whether programs meet this goal. Several national and multi-state studies, some with California-based components, suggest that intensive, targeted, high-quality service can yield important intellectual, cognitive, and social benefits that improve a child's prospects for later school success.<sup>82</sup>

The CDE has considerable latitude to establish program standards and develop performance measures to evaluate child outcomes. Toward that end, the CDE has developed "Desired Results," a set of child and family outcome goals, measures, and program requirements for California's subsidized child care

system.<sup>83</sup> The CDE standards aim to help children to maximize physical and motor skills, ensure they are safe and healthy, enhance personal and social competence, and aid them in becoming effective learners. Other elements seek to ensure that families achieve their economic goals and support family involvement in their children's learning and development.<sup>84</sup>

**Recommendation:** The CDE's "Desired Results" plan should incorporate three additional elements: A rigorous evaluation component to develop a baseline of information about contracted programs, gauge their improvement over time, and measure their effectiveness in promoting school achievement; a method for making programs accountable to the goals established by "Desired Results;" and a fiscal incentive structure that promotes the provision of quality care.

## 7. Develop Policy-Relevant Data

Child care policy debates and planning efforts are hindered by a lack of basic data. At present, the CDE cannot provide even basic information on the characteristics of the children and families it serves. While the federal government requires states to submit periodic reports covering children served by the federal Child Care and Development Block Grant and state matching funds, California was two years behind in filing the required reports at the end of 2000.

This "data-free" environment impedes rational state planning and budgeting and interferes with efforts to distinguish anecdotal problems from those that merit action. Advocates have maintained, for example, that openings in subsidized child care programs seldom become available to low income working families because state law prioritizes children considered "at-risk" of abuse without respect to family income. In addition, the usefulness of part-day preschool programs to working families is the subject of some dispute. Without sound data, neither question can be adequately addressed.

The Legislature has directed the CDE to establish a workable data collection system aimed at maximizing the opportunity to utilize available federal child care funds and to provide policy-relevant data. There are some signs that the CDE is moving forward. According to department staff, the CDE is currently surveying families served in the subsidized system to meet federal reporting requirements and, by the end of 2001, intends to collect detailed data on all families served by subsidized programs on a regular basis.

**Recommendation:** The Legislature should conduct rigorous oversight of CDE data collection and analysis efforts. If substantial progress is not evident by December 2001, the Legislature should use federal quality improvement child care funds to engage an independent team of experts to evaluate the status of data collection efforts and make recommendations to ensure that timely, accurate, policy relevant data is available.

## CONCLUSION

California's investments in child care provide an essential service to low income families that benefits the state's economy as a whole. The recommendations included in this report are intended to strengthen that system, so parents can work to gain a measure of family income security, while California's youngest residents are helped to achieve their full potential.

This report concludes that continued investments in child care are needed to extend services to all children from working families who are eligible for, and need, subsidized care. An additional, smaller investment is needed to promote the financial stability of existing centers and reduce staff turnover.

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These efforts would be aided by the development of an adequate system to collect and analyze data, improved program oversight, and the establishment of a state master plan for child care. With strong leadership, the necessary reform and expansion of California's subsidized child care system is within the state's reach.



**APPENDIX 1:**  
**CALIFORNIA CHILD CARE CENTER STAFF EDUCATION AND STAFF TO CHILD RATIOS**  
**Standards for Private and California Department of**  
**Education (CDE)-Contracted Programs**

Private Child Care Centers	CDE-Subsidized Child Care Centers
<p style="text-align: center;"><b>Teacher Aide</b></p> <p>Completion of six units in early childhood education (ECE) or child development prior to employment, or completion of at least two units per semester following employment until six units are completed.</p>	<p style="text-align: center;"><b>Teaching Assistant</b></p> <p>Retention of a Child Development Assistant Permit, issued by the Commission on Teacher Credentialing, requiring completion of six units in ECE, child development, or the equivalent.</p>
<p style="text-align: center;"><b>Teacher</b></p> <p>Completion of 12 ECE units and six months of work experience in licensed child care or similar setting, or a current Child Development Associate credential and six months of on-the-job training.</p>	<p style="text-align: center;"><b>Teacher</b></p> <p>Retention of a Child Development Associate Teacher Permit, or one of four higher permits, issued by the Commission on Teacher Credentialing, requiring a minimum of 12 units in ECE or child development and 150 hours of experience in an instructional capacity, or the equivalent.</p>
<p style="text-align: center;"><b>Child Care Center Director</b></p> <p>Completion of 15 units and at least four years of child care teaching experience, with three units in administration and 12 units in ECE, child development, or the equivalent.</p>	<p style="text-align: center;"><b>Child Development Site Supervisor Permit</b> (single site)</p> <p>Completion of an Associate degree or 60 semester units, including 24 units in ECE or child development, six additional units in administration, and 350 hours of experience in an instructional and supervisory capacity, or the equivalent.</p> <p style="text-align: center;"><b>Child Development Program Director Permit</b> (one or multiple sites)</p> <p>Completion of a BA degree with 24 units in ECE or child development and six units in administration, and one year's experience as a site supervisor, or the equivalent.</p>
<p style="text-align: center;"><b>Staff to Child Ratios</b></p> <p><i>Infants (under two years):</i> One teacher for every four infants, or one teacher and two aides for every 12 infants.</p> <p><i>Toddlers (18 to 30 months):</i> One teacher for every six toddlers, or one teacher and one aide for every 12 toddlers.</p> <p><i>Preschool (30 months to enrollment in kindergarten or first grade):</i> One teacher for every 12 children, or one teacher and one aide for every 15 preschool children.</p> <p><i>School-Age (kindergarten or first grade and above):</i> One teacher for every 14 children, or one teacher and one aide for every 28 school-age children.</p>	<p style="text-align: center;"><b>Staff to Child Ratios</b></p> <p><i>Infants (0 to 18 months):</i> One teacher for every 18 infants, and one adult for every three infants.</p> <p><i>Toddlers (18 to 36 months):</i> One teacher for every 16 toddlers, and one adult for every four toddlers.</p> <p><i>Preschool (36 months to enrollment in kindergarten):</i> One teacher for every 24 children, and one adult for every eight preschool children.</p> <p><i>School-Age (kindergarten through age 14):</i> One teacher for every 28 children, and one adult for every 14 school-age children.</p>

Sources: Private-sector child care center regulatory requirements are summarized from Title 22 of the California Code of Regulations. CDE-subsidized child care center regulatory requirements are summarized from Title 5 of the California Code of Regulations, and California Commission on Teacher Credentialing, Child Development Permit (effective February 1, 1997), downloaded from <http://www.ctc.ca.gov/credentialinfo/leaflets/cl797/cl797.html>.

## APPENDIX 2: GLOSSARY OF TERMS

**AFDC:** Aid to Families with Dependent Children. A federal entitlement program repealed in 1996 and replaced by TANF. California's AFDC program was repealed in 1997 and replaced by CalWORKs. AFDC provided cash assistance and work support, including child care assistance, to low income families with children.

**Alternative Payment (AP) program:** A program run by a local government agency or nonprofit organization that has contracted with the CDE to provide payments to a child care provider selected by an eligible parent (Education Code, Section 8208).

**CalWORKs:** California Work Opportunity and Responsibility to Kids, a program that replaced California's Aid to Families with Dependent Children (AFDC) program. CalWORKs, established by California statute in 1997, is California's TANF program. It provides cash assistance and work support services – including child care – to low income families with children.

**CCDBG:** Child Care and Development Block Grant. Established in 1990, the CCDBG provided funding to states to enable them to expand child care services to low income families. Since 1996, CCDBG funds have been incorporated into the CCDF single child care funding stream.

**CCDF:** Child Care and Development Fund. The major federal child care funding stream to states, established by 1996 federal legislation. The CCDF combines funding from Child Care and Development Block Grant (CCDBG) and several former AFDC child care programs.

**CCR:** California Code of Regulations.

**CDE:** California Department of Education. Sometimes referred to as the State Department of Education.

**Child care and development programs:** Programs that offer a full range of services for children from infancy through age 13, for any part of a day, by a public or private agency, in centers and family child care homes (Education Code, Section 8208).

**Child care center:** Any child care facility of any capacity, other than a family child care home, in which less than 24-hour per day non-medical care and supervision are provided to children in a group setting (CCR, Title 22, Section 101152).

**Child care license:** A written authorization from the DSS or a county to operate a child care center or family child care home and to provide care and supervision (CCR, Title 22, Section 10152).

**Children at risk of abuse, neglect, or exploitation:** Children who are so identified by a legal, medical, or social service agency, or emergency shelter (Education Code, Section 8263).

**DoF:** California Department of Finance.

**DSS:** California Department of Social Services.

**Eligible children:** Children who are currently eligible for state subsidized child care and development services (Education Code, Section 8263).



**Entitlement:** Programs governed by legislation in a way that legally obligates the government to make specific payments to qualified recipients.

**Infant:** A child under two years of age (CCR, Title 22, Section 101152).

**License-exempt child care provider:** A person 18 years of age or older who provides child care to a minor and is not required to hold a child care license (Health and Safety Code Section 1596.792).

**Licensing evaluator:** A duly authorized officer, employee, or agent of the DSS or an officer, employee, or agent of a county or other public agency authorized by DSS to license child care centers (CCR, Title 22, Section 101152).

**Parent:** Any person living with a child who has responsibility for the care and welfare of the child (Education Code, Section 8208).

**Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA):** A federal statute, enacted August 22, 1996, that repealed federal AFDC and related child care programs, and established TANF and the CCDF.

**Preschool-age children:** Children who are not infants, toddlers, or school age. (Health and Safety Code, Section 1597.059).

**Resource and Referral (R&R):** A program run by a public or private agency to provide parents with information and assistance in locating child care (Education Code, Section 8208).

**School-age child care center:** A child care center where care and supervision are provided to school-age children in a group setting (CCR, Title 22, Section 101152).

**Standard Reimbursement Rate (SRR):** The per-child maximum payment rate established by the CDE that is used to calculate the amount of a contract earned by subsidized child care centers for service to one preschool-age child. The SRR is adjusted by several factors to account for increased costs to serve infants, toddlers, and children with special needs (Education Code, Section 8265.5).

**State preschool program:** A part-day educational program for low income or otherwise disadvantaged prekindergarten-age children (Education Code, Section 8208).

**Support services:** Services in addition to child care that child care agencies provide to families to aid the physical, mental, social, and emotional growth of children. These include protective services, parent training, provider and staff training, transportation, parent and child counseling, and resource and referral services (Education Code, Section 8208).

**TANF:** Temporary Assistance to Needy Families, which replaced the federal Aid to Families with Dependent Children (AFDC) program in 1996, is a federal funding stream that provides block grants of aid to enable states to provide time-limited cash assistance and work support services to low income families with children. A portion of TANF funding may be used for child care services to low income families.

**Toddler:** A child between the ages of 18 months and 30 months (CCR, Title 22, Section 101152).

## ENDNOTES

- <sup>1</sup> California Budget Project calculations for the 0-4 population are based on unpublished data provided by Department of Finance covering the 1970-2040 period.
- <sup>2</sup> California Budget Project analysis of US Bureau of the Census, Current Population Survey data, March 1970 and 1998.
- <sup>3</sup> Jeffrey Capizzano, Gina Adams, and Freya Sonenstein, *Child Care Arrangements for Children Under Five: Variation Across States*, Assessing the New Federalism Policy Brief B-7, The Urban Institute (March 2000).
- <sup>4</sup> Ibid., p. 7. As noted by Capizzano, Adams, and Sonenstein, "The survey did not include questions about parental care, which could include care provided by the other parent, the mother caring for the child while she worked, or care for the child at home by a self-employed mother. If the respondent did not report an arrangement, the child is assumed to be in one of these 'parental care' categories."
- <sup>5</sup> For example, Hispanic families are less likely than those from African-American and White families to use center-based care. National Research Council, *From Neurons to Neighborhoods: The Science of Early Childhood Development* (2000), p. 306. See also Jeffrey Capizzano, Kathryn Tout, and Gina Adams, *Child Care Patterns of School-Age Children with Employed Mothers*, Occasional Paper #41, The Urban Institute (September 2000), pp. 12-15.
- <sup>6</sup> Jeffrey Capizzano, Gina Adams, and Freya Sonenstein, *Child Care Arrangements for Children Under Five: Variation Across States*, Assessing the New Federalism Policy Brief B-7, Table 1, The Urban Institute (March 2000). Both age groups in California relied significantly less than their national counterparts on center-based care.
- <sup>7</sup> Ibid. Similarly, no statistically significant difference was found between these families with respect to their reliance on parent, relative, and family child care.
- <sup>8</sup> California Department of Social Services, Community Care Licensing Division, unpublished data. Licensed capacity represents the numbers of children that can be served by licensed child care facilities, not the number of children that are actually enrolled in child care programs. For example, even though the capacity of licensed child care homes has increased, the number of family child care home licensees has declined moderately over the period. Specifically, the 16 percent **increase** in licensed family child care home capacity over the 1992-00 period was accompanied by a 4 percent **decline** in the number of licensed family child care homes. In other words, fewer family child care homes now serve, on average, more children per facility. As more providers reach their licensed limit, the trend toward fewer providers may lead to a decline in the number of children served.
- <sup>9</sup> California Department of Social Services, Community Care Licensing Division, unpublished data. Ten counties conduct licensing evaluations: Del Norte, Fresno, Inyo, Marin, Mendocino, Sacramento, Santa Cruz, Sutter, Tehama, and Yolo.
- <sup>10</sup> License-exempt cooperative arrangements may include no more than 12 children under care at any one time and place.
- <sup>11</sup> Only license-exempt providers that serve state subsidized children are regulated. Such providers must pass a criminal background check and self-certify their conformance with health and safety standards. Certain center-based child care programs operated by schools, or on school grounds, and many school-age recreational programs, also are exempt from licensing rules.
- <sup>12</sup> California Budget Project calculations based on Department of Social Services, *Public Welfare in California*, Table 7A (September 1996), and Department of Social Services, *California Work Opportunity and Responsibility to Kids (CalWORKs) Cash Grant Caseload Movement and Expenditures Report* (September 2000).
- <sup>13</sup> According to a study of adults receiving CalWORKs in 1998, after seven to nine months, 15 percent had left aid and were working, while 14 percent had left aid and were not working. Department of Social Services, Research and Development Division, *Characteristics and Employment of Current and Former CalWORKs Recipients* (June 6, 2000), downloaded from [www.dss.cahwnet.gov/research/calworksspecialrpts/calworksspecialreports.htm](http://www.dss.cahwnet.gov/research/calworksspecialrpts/calworksspecialreports.htm).
- <sup>14</sup> Joy G. Dryfoos, "The Role of the School in Children's Out-of-School Time," *The Future of Children*, The David and Lucile Packard Foundation (Fall 1999), p. 118. Students in Japan, France, and Germany spend "twice the time American students spend in core academic instruction."
- <sup>15</sup> US Department of Education, *After-School Programs: Keeping Children Safe and Smart*, (September 2000), p. 1. This report identifies a number of features of exemplary after-school programs, including goal setting, strong management, sustainability, qualified and committed staff, family involvement, enriched learning opportunities, coordination with schools, continuous evaluation, and attention to safety, health, and nutrition.
- <sup>16</sup> Nicholas Zill, Christine Winquist Nord, and Laura Spencer Loomis, *Adolescent Time Use, Risky Behavior, and Outcomes: An Analysis of National Data*, Westat (September 11, 1995), pp. 40-41. See also, Joy G. Dryfoos in "The Role of the School in Children's Out-of-School Time," *The Future of Children*, The David and Lucile Packard Foundation (Fall 1999), and Kathleen Sylvester and Kathy Reich, "After-School Programs: Issues & Ideas," *The Future of Children*, The David and Lucile Packard Foundation (November 2000), downloaded from [www.futureofchildren.org/asp.pdf](http://www.futureofchildren.org/asp.pdf).
- <sup>17</sup> Olatokunbo Fashola, *Review of Extended-Day and After-School Programs and Their Effectiveness*, Center for Research on the Education of Students Placed At Risk, Report No. 24 (John Hopkins University: October 1998), p. 54, downloaded from [www.csos.jhu.edu/crespar/Reports/report24.pdf](http://www.csos.jhu.edu/crespar/Reports/report24.pdf). If "the more competent children...elect to participate in activities," an observer comparing children who participate with those who do not may be misled to believe in beneficial programmatic effects. One study that attempted to adjust for selection bias found that "both forces were at work - children who were doing well chose to participate in enrichment activities, and once they were involved, they were likely to benefit." Deborah Lowe Vandell and Lee Shumow, "After-School Child Care Programs," *The Future of Children*, The David and Lucile Packard

Foundation (Fall 1999), pp. 69-70. However, a 1998 review of the after-school program literature cautioned that "research on after-school programs is at a very rudimentary stage..." and few after-school studies "meet minimal standards of research design."

<sup>18</sup> Deborah Lowe Vandell and Lee Shumow, "After-School Child Care Programs," *The Future of Children*, The David and Lucile Packard Foundation (Fall 1999), pp. 66-70.

<sup>19</sup> Jeffrey Capizzano, Kathryn Tout, and Gina Adams, *Child Care Patterns of School-Age Children with Employed Mothers*, Occasional Paper # 41, The Urban Institute (September 2000).

<sup>20</sup> Unless otherwise noted, quotes from persons who use subsidized child care are from interviews conducted by the author in the spring of 2000.

<sup>21</sup> A family at the median has a higher income than 50 percent of families, but a lower income than half of all families. Average statewide costs for two preschoolers was \$1,012 in 1999. Source: California Budget Project analysis of 1999 unpublished data provided by the California Child Care Resource and Referral Network. Average monthly child care center rates for counties (and some sub-county regions) were weighted by the number of licensed child care slots covered by surveyed centers. The source for median income for a family of three is California Department of Education, Child Development Division, *Revised Child Care and Development Fee Schedule*, Management Bulletin 00-14 (September 1, 2000) downloaded from [www.cde.ca.gov](http://www.cde.ca.gov) and is not directly comparable to the median reported by the US Census Bureau.

<sup>22</sup> US Department of Health and Human Services, *The 2000 HHS Poverty Guidelines*, Federal Register (February 15, 2000), downloaded from <http://aspe.hhs.gov/poverty/00poverty.htm>.

<sup>23</sup> Bruce Fuller, et al., *An Unfair Head Start: California Families Face Gaps in Preschool and Child Care Availability*, Policy Analysis for California Education (PACE) (November 1997). Licensed child care refers to child care both in family child care homes and in child care centers. Child care that is exempt from licensing – in-home care to the children of only one family, for example – is not analyzed. The PACE report found one success story – San Francisco – where the supply of care is relatively high and evenly split between above- and below-median income neighborhoods.

<sup>24</sup> Bruce Fuller and Emlei Kuboyama, *Child-care and Early Education: Policy Problems and Options*, Policy Analysis for California Education (December 2000).

<sup>25</sup> US Department of Health and Human Services, *Access to Child Care for Low Income Working Families* (October 19, 1999), downloaded from [www.acf.dhhs.gov/news/ccreport](http://www.acf.dhhs.gov/news/ccreport).

<sup>26</sup> California Child Care Resource and Referral Network, *Child Care Portfolio 1999* (1999).

<sup>27</sup> General Accounting Office, *Education and Care: Early Childhood Programs and Services for Low-Income Families*, GAO/HEHS-00-11 (November 1999), pp. 10-12.

<sup>28</sup> Suzanne Helburn and Carollee Howes, "Child Care Cost and Quality," *The Future of Children*, The David and Lucile Packard Foundation (Summer/Fall 1996), pp. 66-68.

<sup>29</sup> Ibid.

<sup>30</sup> John Love, Peter Schochet, and Alicia Meckstroth, *Are They In Any Real Danger? What Research Does - and Doesn't - Tell Us About Child Care Quality and Children's Well-Being*, Mathematica Policy Research, Inc. (1996), p. 30.

<sup>31</sup> National Research Council and Institute of Medicine, *From Neurons to Neighborhoods: The Science of Early Childhood Development* (2000), pp. 314-318.

<sup>32</sup> Suzanne Helburn and Carollee Howes, "Child Care Cost and Quality," *The Future of Children*, The David and Lucile Packard Foundation (Summer/Fall 1996), p. 70.

<sup>33</sup> Arloc Sherman, *Wasting America's Future*, Children's Defense Fund (1994), and Greg Duncan and Jeanne Brooks-Gunn, "Family Poverty, Welfare Reform, and Child Development," *Child Development* (January/February 2000), pp. 188-196.

<sup>34</sup> Ellen Peisner-Feinberg, et al., *The Children of the Cost, Quality, and Outcomes Study Go To School*, Frank Porter Graham Child Development Center (University of North Carolina, Chapel Hill: 1999), p. 29 and p. 40.

<sup>35</sup> Frances A. Campbell and Craig T. Ramey, "Preventive Education for High-Risk Children: Cognitive Consequences of the Carolina Abecedarian Project," *American Journal of Mental Deficiency*, Vol. 88, No. 5. (1984), pp. 515-523. Researchers surmise that lasting IQ effects may be particular to Abecedarian because the program began intensive services to at-risk children when they were very young. 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. 65-66.

<sup>36</sup> 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, and "Cognitive and School Outcomes for High-Risk African-American Students at Middle Adolescence: Positive Effects of Early Intervention," *American Educational Research Journal*, Vol. 32, No. 4 (Winter 1995), pp. 743-772. See also, F.A. Campbell, et al., "Early-Childhood Programs and Success in School: The Abecedarian Study," in S. Barnett and S. Boocock, eds., *Early Care and Education for Children in Poverty* (1999), pp. 145-303; Margaret Burchinal, et al., "Early Intervention and Mediating Processes in Cognitive Performance of Children of Low-Income African-American Families," *Child Development*, Vol. 68, No. 5, (October 1997), pp. 935-954; Craig Ramey, et al., "Persistent Effects of Early Intervention on High-risk Children and Their Mothers," *Applied Developmental Science* (in press); and Campbell, et al., "The Development of Cognitive and Academic Abilities: Growth Curves from an Early Childhood Educational Experiment," *Developmental Psychology* (in press). For a comprehensive discussion of the statistical evidence, to date, of the impact of early childhood programs, see National Research Council and Institute of Medicine, *From Neurons to Neighborhoods: The Science of Early Childhood Development* (2000), especially pp. 70-87, 337-380, and 545-548.

<sup>37</sup> Lynn A. 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. 34-37, 81-85, and 91-93. Perry Preschool researchers estimated, in light of these and other benefits, that government would save seven dollars for each dollar invested in a Perry Preschool-like program for low income children. Other researchers have re-examined the evidence and found a benefit-cost ratio of 2-to-1.

<sup>38</sup> John Love, Peter Schochet, and Alicia Meckstroth, *Are They In Any Real Danger? What Research Does - and Doesn't - Tell Us About Child Care Quality and Children's Well-Being*, Mathematica Policy Research (1996).

<sup>39</sup> National Institute of Child Health and Human Development, *The NICHD Study of Early Child Care* (1998), downloaded from [www.nichd.nih.gov/publications/pubs/early\\_child\\_care.htm](http://www.nichd.nih.gov/publications/pubs/early_child_care.htm).

<sup>40</sup> Bruce Fuller, Sharon Lynn Kagan, et al., "Remember the Children: Mothers Balance Work and Child Care under Welfare Reform," *Growing Up in Poverty Project: Wave 1 Report*, Policy Analysis for California Education (February 2000). Hereafter, Fuller and Kagan 2000.

<sup>41</sup> National Institute of Child Health and Human Development, *The NICHD Study of Early Child Care* (1998). See also, National Institute of Health News Alert, *Children Score Higher on Tests When Child Care Meets Professional Standards* (July 1, 1999), downloaded from [www.nichd.nih.gov/new/releases/DAYCR992.htm](http://www.nichd.nih.gov/new/releases/DAYCR992.htm).

<sup>42</sup> Fuller and Kagan 2000.

<sup>43</sup> Fuller and Kagan 2000, p. 75.

<sup>44</sup> Linda Jacobson, *Are Child Care Options Expanding?*, Policy Brief, Policy Analysis For California Education (Summer 2000), pp. 4-7. Child care utilization rates in San Jose and San Francisco may not be representative of California as a whole. As reported by Fuller and Kagan 2000, p. 110, an analysis of county administrative data suggest only 20 percent of welfare clients eligible for Stage One child care under CalWORKs were found to be drawing subsidies in Los Angeles. However, the low utilization rate may be explained in part by the failure of the county to account for enrollment in other forms of state and federally subsidized child care arrangements used by recipient families.

<sup>45</sup> Fuller and Kagan 2000, pp. 76-84. The Early Childhood Environment Rating Scale (ECERS) and the Family Day Care Rating Scale (FDCRS) are two instruments commonly used to assess early childhood programs. UC Berkeley and Yale researchers used the instruments to measure four aspects of each child care program: space and basic furnishings, personal care routines, language-related materials, and discipline strategies used by the provider. In addition, researchers used another early childhood assessment instrument (the Arnett Scale) to assess interaction between providers and children, though reported results for these interactions combined scores for centers and home-based providers.

<sup>46</sup> Fuller and Kagan 2000, p. 77.

<sup>47</sup> Fuller and Kagan 2000, p. 73. Of the 262 child care providers used by enrolled families in San Jose and San Francisco, 54 percent were kith and kin, 17 percent were family child care homes, and 29 percent were child care centers. The experience of families in other states differed sharply. Seventy percent of child care used by enrolled families in Florida, for example, was center-based care.

<sup>48</sup> Fuller and Kagan 2000, p. 90.

<sup>49</sup> The California Community Colleges and the California State University administer a few small programs as well.

<sup>50</sup> Children from families receiving cash assistance, considered at risk of abuse or neglect, or in homeless families, qualify for several child care programs without respect to parent income.

<sup>51</sup> First priority for service is to be given to children who are recipients of Child Protective Services (CPS), while the second priority is to be given to all income-eligible families. Within the second priority, families with the lowest gross monthly income in relation to family size are admitted first.

<sup>52</sup> The child care programs that were repealed effective January 1, 1998 included AFDC Income Disregard, Greater Avenues for Independence (GAIN) and Non-GAIN Education and Training, Transitional Child Care, Supplemental Child Care, and the California Alternative Assistance Program. The Title IV-A At-Risk Child Care program ended on September 30, 1996.

<sup>53</sup> Education Code, Section 8354.

<sup>54</sup> Department of Social Services, Child Care Program Bureau, unpublished data (March 2001).

<sup>55</sup> The 2000-01 Budget Act restricts the use of Stage Three child care funds to those who have fully exhausted their time in Stage Two. AB 1740, Chapter 52, Section 6110-196-0001, provision 9(b), and AB 1740, Chapter 52, 6110-196-001, provision 8(c)(6)(d).

<sup>56</sup> Education Code, Section 8354.

<sup>57</sup> A list of councils can be found at [ftp://www.cde.ca.gov/ChildDevelopment/LPC%20list.pdf](http://ftp://www.cde.ca.gov/ChildDevelopment/LPC%20list.pdf).

<sup>58</sup> Department of Finance, unpublished data. The 2000-01 Budget total for DSS child care expenditures includes \$127.9 million in funds that may be utilized by counties or CDE-contracted alternative payment (AP) programs to provide additional CalWORKs Stage One or Stage Two child care services. State funds allocated through the CDE count toward the school funding guarantee established by Proposition 98 in 1988. For additional information on Proposition 98, see California Budget Project, *Proposition 98: An Introduction* (July 2000), at [www.cbpp.org](http://www.cbpp.org).

<sup>59</sup> California Franchise Tax Board, downloaded from [www.ftb.ca.gov/child\\_dep\\_care\\_expense.htm](http://www.ftb.ca.gov/child_dep_care_expense.htm). With a refundable tax credit, parents with incomes below the threshold for owing state income tax receive a check from the state that reimburses them for a portion of their child care expenses up to the amount allowed by the credit. The state child and dependent care expenses credit is available only to taxpayers with annual incomes of less than \$100,000.

<sup>60</sup> California Budget Project calculations based on DoF unpublished data.

<sup>61</sup> Federal law provides that "not less than 70 percent [of non-discretionary CCDF funds be] used to provide child care assistance to families," including those receiving cash aid, those in transition from welfare to work, and those at risk of becoming dependent on cash assistance.

<sup>62</sup> Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), July 30, 1996, Section 658G. States must expend at least 70 percent of mandatory and matching CCDF funds on services to eligible children, “no less than 4 percent” of its total CCDF funds toward quality improvement activities, and “not more than 5 percent” of its total CCDF funding for administrative purposes. They further must spend “a substantial portion” of the balance of their CCDF funds on “child care services to low income families.” Federal Register, Vol. 63, No. 142, Section 98.50 (July 24, 1998), p. 39,989.

<sup>63</sup> Based on CDE, ACF Form 800 data for CDE services provided from October 1, 1998 to September 30, 1999 (updated March 3, 2000). CCDF funds include discretionary (including transferred TANF funds), mandatory, federal matching, state matching, and maintenance of effort funds. US Department of Health and Human Services, Administration of Children, Youth and Families, Child Care Bureau, *Annual Aggregate Data Reporting for States and Territories* (ACF-800): ACF-800 Reporting Instructions/Definitions, downloaded from [www.acf.dhhs.gov/programs/ccb/policy1/current/pi0005/800inst.htm](http://www.acf.dhhs.gov/programs/ccb/policy1/current/pi0005/800inst.htm).

<sup>64</sup> Department of Finance, unpublished data (March 2000).

<sup>65</sup> The 1996-97 state General Fund figure includes contributions from counties to welfare-linked child care.

<sup>66</sup> US Department of Health and Human Services, Administration on Children and Families, Head Start Bureau, *Public Assistance and Head Start Eligibility* (Log No. ACYF-PI-HS-99-06, Issued 7-29-99), downloaded from [www2.acf.dhhs.gov/programs/hsb/regs/pi/pi99\\_06.htm](http://www2.acf.dhhs.gov/programs/hsb/regs/pi/pi99_06.htm).

<sup>67</sup> Unpublished Head Start and Early Head Start funding information received from CDE analyst Michael Zito.

<sup>68</sup> Department of Finance, *Governor's Budget Summary 2000-01*, p. 143.

<sup>69</sup> Health and Safety Code, Section 130125(j).

<sup>70</sup> The SRR was \$26.62 in 2000. The SRR can be increased by the Legislature through legislation or the state budget.

<sup>71</sup> 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,” *Los Angeles Times*, (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).

<sup>72</sup> Jessica Garrison, “Orange County’s Child-Care Plan Has Statewide Impact,” *Los Angeles Times* (November 28, 2000).

<sup>73</sup> California Budget Project, *The Budget Unplugged: The Social and Economic Context of the Governor's Proposed 2001-02 Budget* (January 2001), pp. 38-39.

<sup>74</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. 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), and Katherine Corcoran, “Child-Care Centers Suffer Critical Shortage of Workers,” *San Jose Mercury News* (July 23, 2000). See also California Child Development Administrators Association, *Funding Crisis Threatens California's Subsidized Children's Centers* (January 2001).

<sup>75</sup> Revenue limits provide basic, general purpose operating support for local school districts. The state failed to fully fund revenue limit COLAs during the tight budget years from 1990-91 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 cost of living adjustments during the early 1990s.

<sup>76</sup> The SRR is the maximum amount a center-based program receives to provide service to an eligible child enrolled in the program.

<sup>77</sup> In 1999, this was true in 14 counties, including in Alameda, Contra Costa, Los Angeles, Marin, Orange, Sacramento, San Diego, San Francisco, San Mateo, and Santa Clara. California Budget Project analysis of monthly rates in child care centers serving preschool-age children, based on the 1999 market rate survey conducted by the California Child Care Resource and Referral Network.

<sup>78</sup> Assuming 250 days per year of operation and 24 children in a classroom, revenues would be \$40,219 higher if the SRR had been adjusted by the K-12 COLA since 1981-82, and \$30,044 if the SRR had been adjusted by the Consumer Price Index since 1981-82. California Budget Project calculations based on CDE data, and the Consumer Price Index 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). Source for minimum 250 days of operation requirement for CDE contractors: Child Development Division, Management Bulletin #28 (January 5, 2001), p. 7.

<sup>79</sup> Marin Consortium for Quality Child Care, Marin Child Care Commission, and the Parent Services Project, *Our Stories: Parents and Teachers for Quality Child Care* (undated publication).

<sup>80</sup> US Department of Labor, Bureau of Labor Statistics, *National Occupational Employment and Wage Estimates* (January 26, 2001), downloaded from [http://stats.bls.gov/oes/1999/oes\\_ca.htm#\(1\)](http://stats.bls.gov/oes/1999/oes_ca.htm#(1)).

<sup>81</sup> Center for the Child Care Workforce, *A Profile of the Alameda County Child Care Workforce: Growing Evidence of a Staffing Crisis* (October 1999); *A Profile of the Sacramento County Child Care Workforce: Findings from the 1998 Survey of Child Care Centers and Family Child Care Homes* (1999); and *A Profile of the Marin County Child Care Workforce* (February 2000).

<sup>82</sup> For example, one recent study found that children who attended higher quality child care programs in their preschool years had higher cognitive and social skills in second grade. Richard Clifford, Mary Culkin, Ellen Peisner-Feinberg, Carollee Howes, Sharon Lynn Kagan, *The Children of the Cost, Quality, and Outcomes Study Go To School*, Frank Porter Graham Child Development Center (University of North Carolina, Chapel Hill: 1999), p. 29.

<sup>83</sup> California Department of Education, *Indicators and Measures of Desired Results for Children and Families*, Draft (December 23, 1999), *Program Standards for Center-Based Programs and Family Child Care Home Networks*, Draft (November 24, 1999); and *Desired Results: Contributors, Contributor Indicators, Measures, Methods, and Criteria for R&R Agencies* (undated). See also CDE,

*Prekindergarten Learning Development Guidelines* (2000), Appendices B and C.

<sup>84</sup> The goals are basically the same for alternative payment (AP), resource and referral (R&R) programs, and center-based programs, though information on child outcomes is to be collected by AP and R&R staff from parent surveys rather than through direct teacher/provider assessments.



