

Child Care and Preschool: Overview of Programs and Budget Proposals

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Assembly Budget Subcommittee No. 2 on Education Finance
Hon. Kevin McCarty, Chair





Child Care and Preschool Programs



State Is Providing Subsidized Child Care and Preschool to Over 430,000 Children in 2016-17 Through Variety of Programs

Program	Description	Estimated Slots in 2016-17
CalWORKs Child Care		
Stage 1	Child care becomes available when a participant enters the CalWORKs program.	41,806
Stage 2	Families transition to Stage 2 child care when the county welfare department deems them stable.	51,083
Stage 3	Families transition to Stage 3 child care two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years old) or they exceed the income eligibility cap.	34,770
Subtotal		(127,659)
Non-CalWORKs Child Care		
General Child Care	Program for low-income, working families that subsidizes care provided in licensed settings.	28,737
Alternative Payment	Program for low-income, working families that subsidizes care provided in licensed and non-licensed settings.	30,614
Migrant Child Care	Program for migrant children from low-income, working families.	3,064
Care for Children with Severe Disabilities	Program for children with severe disabilities living in the Bay Area.	104
Subtotal		(62,519)
Preschool		
State Preschool	Part-day, part-year program for low-income families. Full-day, full-year program for low-income, working families.	163,603
Transitional Kindergarten	Part-year program for four-year olds with birthdays between September 2 and December 2. May run part day or full day.	79,905
Subtotal		(243,508)
Total		433,686



Key Components of Programs



All Programs Have One or More of Following Eligibility Criteria

- Family income.
- Age of child.
- Birth month of child.
- Parental work hours.



Care Provided in Four Types of Settings

- Licensed centers.
- Licensed family child care homes.
- License-exempt homes.
- School classrooms.



Standards Vary Across Programs

- All programs must meet certain health and safety standards, but specific standards vary.
- All programs have standards for staffing qualifications and staff-to-child ratios, but specific standards vary.
- Some programs require care to include developmentally appropriate activities.



Program Funding



Funding Model Varies Across Programs

- The state funds programs through vouchers, direct contracts, and the Local Control Funding Formula (LCFF).
- California Work Opportunity and Responsibility to Kids (CalWORKs) child care, the Alternative Payment Program, and some Migrant Child Care are voucher-based. Voucher rates vary regionally.
- State Preschool, General Child Care, Care for Children with Severe Disabilities, and some Migrant Child Care are reimbursed through direct contracts with the California Department of Education (CDE). Reimbursement rates are the same across the state.
- Transitional Kindergarten is funded based on the average daily attendance of eligible children. School districts receive this funding through their LCFF allocations.



Trends Over Last Decade

Funding Cut During Recession, Increased During Recovery

Child Care and Preschool Funding Over Time^a				
<i>(In Millions)</i>				
	2007-08	2010-11	2013-14	2016-17
CalWORKs Child Care	\$1,442	\$1,108	\$862	\$1,150
Non-CalWORKs Child Care and Preschool	1,711	1,608	1,251	1,834
Totals	\$3,153	\$2,716	\$2,113	\$2,984

^a Does not include Transitional Kindergarten funding. Makes no inflationary adjustments.

Rates Mostly Flat During Recession, Increased in Recent Years

- In 2010-11 and 2011-12, the state reduced license-exempt rates and operational funding rates for agencies administering the state’s voucher programs, with spending on rates in 2011-12 \$116 million lower than 2009-10.
- Starting in 2014-15, the state provided rate increases three consecutive years, with spending on rates in 2016-17 \$397 million higher than 2013-14.

Slots Decreased During Recession, Increased During Recovery

- Between 2007-08 and 2013-14, CalWORKs slots decreased, with 65,000 (35 percent) fewer slots in 2013-14 than in 2007-08. Since 2013-14, CalWORKs slots have increased, with 6,148 (5 percent) more slots in 2016-17 than in 2013-14.
- Between 2007-08 and 2013-14, non-CalWORKs slots decreased, with 44,000 (17 percent) fewer slots in 2013-14 than in 2007-08. Since 2013-14, non-CalWORKs slots have increased, with slots in 2016-17 about 25,000 (12 percent) higher than in 2013-14.



Child Care and Preschool Budget

(Dollars in Millions)

	2015-16 Revised	2016-17 Revised ^a	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	\$334	\$418	\$386	-\$32	-8%
Stage 2 ^b	419	445	505	60	13
Stage 3	257	287	303	15	5
Subtotals	(\$1,010)	(\$1,150)	(\$1,193)	(\$43)	(4%)
Non-CalWORKs Child Care					
General Child Care ^c	\$305	\$321	\$319	-\$1	— ^d
Alternative Payment Program	251	267	279	12	4%
Migrant Child Care	29	31	31	— ^d	— ^d
Care for Children With Severe Disabilities	2	2	2	— ^d	— ^d
Infant and Toddler QRIS Grant (one-time)	24	—	—	—	—
Subtotals	(\$611)	(\$620)	(\$630)	(\$10)	(2%)
Preschool Programs^e					
State Preschool—part day ^f	\$425	\$447	445	-\$2	— ^d
State Preschool—full day	555	627	648	21	3%
Transitional Kindergarten ^g	665	704	714	10	1
Preschool QRIS Grant	50	50	50	—	—
Subtotals	(\$1,695)	(\$1,828)	(\$1,857)	(\$29)	(2%)
Support Programs					
Totals	\$76	\$89	\$82	-\$7	-8%
Funding					
Proposition 98 General Fund	\$1,550	\$1,679	\$1,709	\$30	2%
Non-Proposition 98 General Fund	885	984	1,002	18	2
Federal CCDF	573	639	606	-32	-5
Federal TANF	385	385	446	61	16

^a Reflects Department of Social Services' revised Stage 1 estimates. Reflects budget act appropriation for all other programs.
^b Does not include \$9.2 million provided to community colleges for certain child care services.
^c General Child Care funding for State Preschool wraparound care shown in State Preschool—full day.
^d Less than \$500,000 or 0.5 percent.
^e Some CalWORKs and non-CalWORKs child care providers also use their funding to offer preschool.
^f Includes \$1.6 million each year used for a family literacy program at certain State Preschool programs.
^g Reflects preliminary LAO estimates. Transitional Kindergarten enrollment data not yet available for any year of the period.
QRIS = Quality Rating and Improvement System; CCDF=Child Care and Development Fund; TANF=Temporary Assistance for Needy Families;
CDE = California Department of Education; and DOF = Department of Finance.



2017-18 Child Care and Preschool Changes

(In Millions)

Change	Proposition 98 General Fund	Non-Proposition 98 General Fund	Federal Funds	Total
Annualization of Changes Initiated in 2016-17				
Annualizes Regional Market Rate increase ^a	—	\$45	\$12	\$57
Annualizes State Preschool slot increase	\$24	—	—	24
Annualizes 5 percent license-exempt rate increase	—	9	2	11
Subtotals	(\$24)	(\$54)	(\$13)	(\$91)
Caseload Changes				
Decreases non-CalWORKs slots for statutory growth adjustment ^b	-\$4	-\$3	—	-\$7
Makes CalWORKs caseload and average cost of care adjustments	—	61	-\$73	-11
Subtotals	(\$4)	(\$58)	(\$73)	(\$118)
Other Adjustments				
Adjusts Transitional Kindergarten for increases in LCFF	\$10	—	—	\$10
Replaces state funds with federal funds	—	-\$93	\$93	—
Removes one-time funding	—	-1	-6	-7
Subtotals	(\$10)	(\$95)	(\$88)	(\$193)
Totals	\$30	\$18	\$28	\$76

^a Includes a hold harmless provision so that no provider receives less than it received in 2015-16. This provision will expire at the end of 2017-18.
^b Reflects 0.4 percent decrease in the birth-through-four population.
 LCFF = Local Control Funding Formula.

Governor Increases Spending on Child Care and Preschool by \$76 Million

Governor Proposes Suspending Much of Multiyear Budget Agreement

- Does not fund new rate increases, add new State Preschool slots, or annualize certain rate increases adopted in the 2016-17 budget plan.



Comments on Budget Proposals



Many New Full-Day State Preschool Slots for Local Education Agencies (LEAs) Have Gone Unused

- In 2015-16, the state funded 5,830 additional full-day State Preschool slots for LEAs, but LEAs were issued only 1,646 of these slots due to a lack of applicants. CDE used remaining funds to issue 1,490 full-day slots for non-LEAs and 4,551 part-day slots (at LEAs and non-LEAs).



School Districts Have Fiscal and Programmatic Incentives to Serve Children Using Expanded Transitional Kindergarten Rather Than Full-Day State Preschool

- On a per-day basis, the Transitional Kindergarten funding rate is 21 percent higher than the average full-day State Preschool rate.
- Transitional Kindergarten programs also operate for a shorter length of time and have fewer programmatic restrictions than State Preschool.



Recommend Allowing All Types of Providers to Apply for Any Newly Funded State Preschool Slots