

# CalWORKs Stage 3 Child Care

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LEGISLATIVE ANALYST'S OFFICE

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## What Is CalWORKs Stage 3 Child Care?

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### **Designed for CalWORKs Families Who “Time Out” of Stage 2**

- Legislature created the Stage 3 child care program in 1997 in order to provide continuing child care for former California Work Opportunity and Responsibility to Kids (CalWORKs) recipients who reach the end of their two-year Stage 2 time limit.
- Participants can stay in Stage 2 while on CalWORKs for up to two years after the family stops receiving a CalWORKs grant.



### **No Time Limits in Stage 3**

- Provided funding is available, former CalWORKs recipients may receive Stage 3 child care as long as their income remains below 75 percent of the state median income and their children are age 13 or below.
- Legislative practice to date has been to fully fund the estimated need.



## Who Receives Priority Under the Current Child Care System?

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### **Priority Given to Families That Received a CalWORKs Cash Grant**

- Families that have been on CalWORKs and subsequently leave the program can continue to receive child care under Stage 3.
- However, working poor families that have never been on CalWORKs receive care only if space is available. (Typically, there are long waiting lists for non-CalWORKs child care.)



### **Pilot Program for Working Poor Families**

- In our *Analysis of the 2000-01 Budget Bill*, we recommended enactment of legislation to conduct a pilot test of a Wisconsin-style child care program in up to four counties in California, directed at addressing unmet child care needs of working poor families.



## What Is the Cost to Fully Fund Stage 3 Child Care?

### 2002-03 Budget—As Revised by the Legislature in AB 8x (In Millions)

	One-Time Funds	Ongoing Funds	Total
General Fund	\$28.9	\$103.3	\$132.2
Federal funds	94.8	121.5	216.3
<b>Totals</b>	<b>\$123.7</b>	<b>\$224.8</b>	<b>\$348.5</b>



#### Current-Year Costs

- The 2002-03 budget, as revised by the Legislature in AB 8x (Oropeza), includes a total of \$348.5 million—\$132.2 million in Proposition 98 funds and \$216.3 million in federal funds—to fully fund Stage 3.
- The \$348.5 million includes \$123.7 million in one-time funds from prior-year savings and carryover.



#### Budget-Year Costs

- According to the administration, the cost to fully fund Stage 3 in 2003-04 is \$451.4 million. This is because more CalWORKs recipients are expected to reach their two-year Stage 2 post-assistance time limit.
- Therefore, funding Stage 3 in the budget year (relative to AB 8x and absent the Governor's child care realignment proposal) would require \$226.6 million in new Proposition 98 resources.
  - \$123.7 million to "backfill" one-time funds in the current year.
  - \$102.9 million to serve additional children eligible for Stage 3 child care.



## What Is the Interaction Between Proposition 98 and the Governor's Realignment Proposal?

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- Most State Child Care Programs to Go to Counties.*** The 2003-04 Governor's Budget proposes to "realign" state and county program funding responsibilities, including most child care programs administered by the State Department of Education. To offset these fiscal changes, the budget provides a net \$8.2 billion from increased taxes.
  
- Revenues Excluded From Proposition 98 Calculation.*** The Governor's proposal assumes that the realignment revenues would not affect the Proposition 98 minimum guarantee. This is because the new revenues would flow directly into the Enhanced State and Local Realignment Fund, and therefore would not count as "General Fund proceeds of taxes." If the \$8.2 billion revenues were considered General Fund proceeds of taxes, Proposition 98 would require the state to provide an additional \$3.5 billion in K-14 appropriations.
  
- "Rebenching" Proposition 98 to Reflect Transfer of Child Care Programs.*** As part of transferring most child care programs out of Proposition 98, the Governor proposes to rebench the minimum guarantee downward by the amount of Proposition 98 funds provided to these programs in 2002-03. This in effect lowers the minimum guarantee in 2003-04 by about \$880 million.