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Overview of State's Child Care and Development System

LEGISLATIVE ANALYST'S OFFICE

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State Has Two Systems for Delivering Child Care and Development (CCD) Services

Two Child Care and Development Systems

	Voucher-Based System	Direct Contractor System
Description	The California Department of Education (CDE) allocates funding to local Alternative Payment (AP) agencies. ^a The AP agencies issue vouchers to families, who in turn choose their own child care providers.	The CDE contracts directly with child care providers for a certain number of slots. Eligible families enroll with these providers.
Programs (Estimated Number of Slots)	<ul style="list-style-type: none"> • CalWORKs Stage 1 (43,000) • CalWORKs Stage 2 (65,000) • CalWORKs Stage 3 (27,000) • NonCalWORKs AP Program (29,000) 	<ul style="list-style-type: none"> • State preschool (130,000) • General Child Care (47,000) • Migrant child care program (3,000) • Severely Handicapped Program (200)
Types of Providers	<ul style="list-style-type: none"> • Licensed centers and family child care homes (FCCHs) • Relatives or friends providing child care without a license ("license-exempt") 	<ul style="list-style-type: none"> • Licensed centers and FCCHs
Standards	Licensed providers must meet basic health and safety standards and adhere to Title 22 regulations.	Must meet health and safety standards and adhere to more rigorous Title 5 regulations.
Payment Rates	<ul style="list-style-type: none"> • Maximum voucher amounts are based on Regional Market Rates (RMR) and differ by county and age of child, with higher rates for infant/toddler care. • Current maximum rates for licensed providers are set at the 85th percentile of RMR, based on 2005 data. License-exempt providers can earn up to 60 percent of the region's licensed rate. • Maximum monthly voucher rates for a preschool-age child in full-time licensed care range across counties from about \$650 to about \$1,110. 	<ul style="list-style-type: none"> • Contractors are paid at a daily Standard Reimbursement Rate (SRR) for each eligible child they serve. • The SRR is the same in all regions of the state, with additional funds provided to centers that care for infants/toddlers and children with special needs. • The monthly rate for a preschool-age child in full-time care is about \$715.

^a CalWORKs Stage 1 child care is funded through the Department of Social Services, not CDE, and is administered locally by county welfare departments (CWDs). Roughly half of CWDs in the state subcontract with AP agencies to administer Stage 1 child care services.



CCD Budget

Child Care and Development Budget Summary						
<i>(In Millions)</i>						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 Proposed
CalWORKs Child Care						
Stage 1	\$616	\$547	\$486	\$309	\$390	\$417
Stage 2	505	476	458	442	419	398
Stage 3	418	412	288	152	162	173
Non-CalWORKs Child Care						
General Child Care	780	797	785	675	465 ^a	465
Alternative Payment Program	257	275	271	213	174	174
Other child care	72	46	28	30	28	27
Subtotals, Child Care	(\$2,648)	(\$2,554)	(\$2,315)	(\$1,821)	(\$1,638)	(\$1,654)
State Preschool	\$429	\$439	\$397	\$368	\$481 ^a	\$481
Support Programs	106	109	100	76	76	73
Totals	\$3,183	\$3,101	\$2,812	\$2,265	\$2,195	\$2,207

^a Reflects shifts of \$164 million for preschool slots within part-day State Preschool Program rather than General Child Care Program.

- The CCD System Is Supported by a Combination of State and Federal Funds.** State funds include both Proposition 98 and non-Proposition 98 General Fund dollars. Federal grants include the Child Care and Development Fund and Temporary Assistance for Needy Families.
- All CCD Programs Have Experienced Reductions in Recent Years.** Funding has dropped by about one-third.
- Governor Proposes Few Changes in 2013-14.** Budget proposal includes only minor caseload adjustments.



Notable CCD Reductions in Recent Years



Since 2008-09, the State's CCD System Has Experienced Notable Reductions.

- Overall funding for CCD programs has decreased by \$985 million (31 percent).
- About one-quarter of slots have been eliminated (110,000 slots).



Other Policy Changes Over This Period Have Included:

- Instituting work exemptions (and not offering child care) for the California Work Opportunity and Responsibility to Kids (CalWORKs) participants with very young children.
- Reducing maximum reimbursement rates for license-exempt providers from 90 percent to 60 percent of licensed rates.
- Lowering income eligibility thresholds from 75 percent to 70 percent of the state median income.
- Eliminating the "Latchkey" after school program.
- Reducing administrative and support allowances for Alternative Payment agencies from 19 percent to 17.5 percent of total contract amounts.
- Capping reserve balances for Title 5 centers at 5 percent of total contract amounts.
- Eliminating funding for the state's Centralized Eligibility List.
- Reducing or eliminating several of the state's quality improvement projects.
- Implementing parent fees for part-day, part-year state preschool programs.



Other Statewide CCD Activities and Resources

- Federal Head Start Program.** Contractors in California receive roughly \$900 million directly from the federal government to provide preschool, early childhood, and family support services for around 120,000 children.
- County First 5 Commissions.** Roughly \$400 million annually in Proposition 10 tobacco tax funding supports various county-based activities, including preschool, child health care services, and professional development and stipends for child care providers.
- Quality Improvement Activities.** As a condition of receiving federal child care funding, the state must conduct activities to improve the quality of child care in California. In 2012-13, the state budgeted \$72 million for 27 distinct projects including professional development, stipends for providers, and activities related to health and safety.
- Resource & Referral (R&R) Agencies.** The state provides \$22 million from the quality improvement funds for R&R agencies to compile and disseminate detailed information about local child care services and conduct activities related to improving the supply and quality of child care.
- Federal Race to the Top—Early Learning Challenge Grant.** California received a \$53 million grant to improve child care and development for children ages birth to five, including establishing and expanding local systems for rating and improving the quality of specific early learning programs. Grant activities will span five years (2011-12 through 2015-16).