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# Overview of California's Child Care and Development System

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LEGISLATIVE ANALYST'S OFFICE

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Senate Budget and Fiscal Review  
Subcommittee No. 1 on Education  
Hon. Marty Block, Chair

Senate Budget and Fiscal Review  
Subcommittee No. 3 on Health and Human Services  
Hon. Ellen Corbett, Chair





## Eligibility and Access

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**Subsidized Child Care Generally Designed for Low-Income, Working Families**

- Families' incomes must be below 70 percent of state median income (SMI)—\$42,000 for a family of three.
- Parents must be working or participating in an education or training program.
- Children must be under the age of 13.

**Some Families Are Guaranteed Access to Subsidized Child Care**

- All families currently participating in California Work Opportunity and Responsibility to Kids (CalWORKs) activities are guaranteed access to subsidized child care services if they meet the above requirements.
- Families that formerly participated in CalWORKs typically also are guaranteed subsidized child care services, as long as they continue to meet the above requirements.
- Only a portion of non-CalWORKs families receive subsidized child care. Waiting lists for these families are common.



## Programs

- State Provides Subsidized Child Care and Preschool Through a Variety of Programs**

<b>Overview of State's Child Care and Preschool Programs</b>		
<i>2013-14</i>		
<b>Program</b>	<b>Description</b>	<b>Estimated Number of Slots</b>
<b>CalWORKs Child Care</b>		
Stage 1	Serves families entering the CalWORKs program.	38,000
Stage 2	Serves families beginning when the county welfare department deems them stable.	57,000
Stage 3	Serves families beginning two years after they stop receiving cash aid. Families remain in Stage 3 for as long as they remain otherwise eligible for child care.	33,000
Subtotal		(128,000)
<b>Non-CalWORKs Child Care</b>		
General Child Care	Serves low-income, working families not affiliated with CalWORKs.	47,000
Alternative Payment	Serves low-income, working families not affiliated with CalWORKs.	26,000
Migrant and Severely Handicapped	Serves specific populations of children.	3,000
Subtotal		(76,000)
<b>Preschool</b>		
State Preschool	Part-day, part-year preschool program for low-income families.	(136,000)
<b>Total</b>		<b>340,000</b>

- State Also Has Programs to Support Child Care Quality, Including Curriculum and Professional Development**



## Settings and Standards

**Child Care Provided in One of Three Settings**

- Centers
- Family child care homes (FCCHs)
- License-exempt providers

**Each Child Care Program Must Meet Certain Requirements**

<b>Child Care Settings and Standards Vary by Program</b>		
<b>Program</b>	<b>Settings</b>	<b>Standards</b>
<b>CalWORKs (all stages)</b>	Centers, FCCH, license-exempt providers	<ul style="list-style-type: none"> <li>• Centers and FCCH must meet health and safety requirements monitored by the state. License-exempt providers must self-certify that they meet modified health and safety standards.</li> <li>• Teachers in centers must hold Child Development Associate Credentials (or 12 units in ECE/CD). License-exempt and FCCH providers are not subject to credential requirements.</li> </ul>
<b>Alternative Payment</b>	Centers, FCCH, license-exempt providers	<ul style="list-style-type: none"> <li>• Same as for CalWORKs programs.</li> </ul>
<b>General Child Care</b>	Centers and FCCH	<ul style="list-style-type: none"> <li>• Must meet health and safety requirements monitored by the state.</li> <li>• Teachers must hold Child Development Permits (24 units in ECE/CD plus 16 general education units).</li> <li>• Program must include developmentally appropriate activities (as defined in Title 5 regulations).</li> </ul>
<b>State Preschool</b>	Centers and FCCH	<ul style="list-style-type: none"> <li>• Same as for General Child Care programs.</li> </ul>
<b>Migrant and Severely Handicapped</b>	Centers and FCCH	<ul style="list-style-type: none"> <li>• Generally same as for General Child Care programs, with certain additional programmatic components.</li> </ul>

FCCH = family child care home; and ECE/CD = early childhood education/child development.



## Administration and Funding

- Two State Agencies Administer Child Care Programs**
  - Department of Social Services administers CalWORKs Stage 1.
  - California Department of Education (CDE) administers all other programs.
  
- Programs Funded by a Combination of State and Federal Funds**

<b>Child Care and Preschool Budget</b>					
<i>(Dollars in Millions)</i>					
	2012-13 Actual	2013-14 Revised	2014-15 Proposed	Change From 2013-14	
				Amount	Percent
<b>Child Care Expenditures</b>					
<b>CalWORKs Child Care</b>					
Stage 1	\$289	\$337 <sup>a</sup>	\$385	\$48	14%
Stage 2 <sup>b</sup>	419	358 <sup>c</sup>	364	6	2
Stage 3	162	183 <sup>c</sup>	186	3	2
Subtotals	(\$870)	(\$878)	(\$935)	(\$57)	(6%)
<b>Non-CalWORKs Child Care</b>					
General Child Care	\$465	\$473 <sup>d</sup>	\$479	\$6	1%
Alternative Payment	174	177 <sup>d</sup>	179	2	1
Other child care	28	28 <sup>d</sup>	28	—	1
Subtotals	(\$666)	(\$678)	(\$687)	(\$9)	(1%)
<b>Support Programs</b>	\$76	\$74	\$73	-\$2	-2%
<b>Totals</b>	<b>\$1,612</b>	<b>\$1,630</b>	<b>\$1,694</b>	<b>\$64</b>	<b>4%</b>
<b>Child Care Funding</b>					
State Non-Proposition 98 General Fund	\$779	\$776	\$783	\$7	1%
Other state funds	14	—	—	—	—
Federal CCDF	549	541 <sup>d</sup>	556	15	3
Federal TANF	372	313 <sup>a</sup>	355	42	13
<b>State Preschool (Proposition 98)</b>	<b>\$481</b>	<b>\$507</b>	<b>\$509</b>	<b>\$2</b>	<b>—</b>
<sup>a</sup> Reflects LAO funding estimate based on administration's adjusted Stage 1 caseload estimate. <sup>b</sup> Does not include \$9.2 million provided to California Community Colleges (CCC) for Stage 2 child care. Governor's budget documents display these costs in CCC's (not CDE's) budget. <sup>c</sup> Does not reflect midyear augmentation of \$9.4 million for Stage 2 and \$12.1 million for Stage 3. <sup>d</sup> Differs from administration's estimate due to reflecting both the assumed federal sequestration cut and the associated General Fund backfill. CCDF = Child Care and Development Fund; and TANF = Temporary Assistance for Needy Families.					



## Payments to Providers

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### State Pays for Services Through Vouchers and Contracts

#### Vouchers

- The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers.
- Reimbursement rates vary by county based on a Regional Market Rate (RMR) survey of licensed providers. Currently, the RMR is set at the 85<sup>th</sup> percentile of the 2005 RMR survey of provider rates.
- The RMR represents the maximum amount the state will pay for care. If families choose providers that charge at or below the RMR, the state will pay the actual cost of care. If families choose providers that charge above the RMR, the families must pay the difference.
- The maximum monthly RMR for full-day care for a four-year-old child ranges from \$643 in Sutter County to \$1,100 in Marin County.

#### Contracts

- General Child Care, Migrant and Handicapped child care, and State Preschool are reimbursed through contracts with CDE. Providers are reimbursed based on the number of children they serve.
- Providers are reimbursed based on a Standard Reimbursement Rate (SRR). The SRR is the same across the state.
- The monthly SRR for full-day care for a four-year-old child is \$716.



## Notable Reductions During Recession

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### **Between 2008-09 and 2012-13, Child Care and Preschool Programs Experienced Notable Reductions**

- Overall funding for child care and preschool programs decreased by \$984 million (31 percent).
- About one-quarter of slots were eliminated (approximately 110,000 slots across all programs).



### **In Addition to Eliminating Slots, the State Implemented Certain Policies to Achieve Budgetary Savings, Including:**

- Instituting work exemptions for CalWORKs participants with very young children.
- Reducing the RMR for license-exempt providers from 90 percent to 60 percent of licensed rates.
- Maintaining the RMR and SRR at 2005 and 2007 levels, respectively.
- Lowering income eligibility thresholds from 75 percent to 70 percent of SMI.
- Reducing payments to administrative agencies from 19 percent to 17.5 percent of their total contract amounts.
- Reducing or eliminating several of the state's quality improvement projects.
- Implementing parent fees for part-day State Preschool services.
- Reducing nutrition funding for some private child care centers and homes.