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Overview of California's Child Care and Development System

LEGISLATIVE ANALYST'S OFFICE

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Hon. Marty Block, Chair

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Hon. Holly Mitchell, Chair





Eligibility and Access

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

- Families' incomes must be below 70 percent of state median income—\$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 services are common.



Programs

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

Overview of State's Child Care and Preschool Programs		
<i>2014-15</i>		
Program	Description	Estimated Number of Slots
CalWORKs Child Care		
Stage 1	Begins when a participant enters the CalWORKs program.	38,000
Stage 2	Families are transitioned to Stage 2 when the county welfare department deems them stable.	52,000
Stage 3	Families are transitioned to Stage 3 two years after they stop receiving cash aid. Families remain in Stage 3 for as long as they remain otherwise eligible for child care.	35,000
Subtotal		(125,000)
Non-CalWORKs Child Care		
General Child Care	Program for low-income, working families not receiving CalWORKs child care. (Includes "wrap-around" care for some part-day State Preschool participants.)	51,000
Alternative Payment	Another program for low-income, working families not receiving CalWORKs child care.	27,000
Migrant and Severely Handicapped	Programs targeted for specific populations of children.	3,000
Subtotal		(81,000)
Preschool		
State Preschool	Part-day, part-year preschool program for low-income families.	149,000
Total		355,000



Settings and Standards

Child Care Provided in One of Three Settings

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

Each Child Care Program Must Meet Certain Requirements

Child Care Settings and Standards Vary by Program		
Program	Settings	Standards
CalWORKs (all stages)	Centers, FCCH, license-exempt providers	<ul style="list-style-type: none"> • 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. • Teachers in centers must hold a Child Development Associate Credential (or complete 12 units in ECE/CD). License-exempt and FCCH providers are not subject to credential requirements.
Alternative Payment	Centers, FCCH, license-exempt providers	<ul style="list-style-type: none"> • Same as for CalWORKs programs.
General Child Care	Centers and FCCH	<ul style="list-style-type: none"> • Must meet health and safety requirements monitored by the state. • Teachers must hold a Child Development Permit. • Program must include developmentally appropriate activities (as defined in Title 5 regulations).
State Preschool	Centers and FCCH	<ul style="list-style-type: none"> • Same as for General Child Care.
Migrant and Severely Handicapped	Centers and FCCH	<ul style="list-style-type: none"> • Generally same as for General Child Care, with certain additional programmatic components specific to special populations of children served.^a

^a A small portion of the Migrant child care program is subject to the same requirements as the Alternative Payment Program instead of the General Child Care program.
 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**

Child Care and Preschool Budget					
<i>(Dollars in Millions)</i>					
	2013-14 Actual	2014-15 Budget Act	2015-16 Proposed	Change From 2014-15	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	\$337	\$330 ^a	\$362	\$32	10%
Stage 2 ^b	367	355	349	-6	-2
Stage 3	202	220	264	44	20
Subtotals	(\$906)	(\$904)	(\$974)	(\$69)	(8%)
Non-CalWORKs Programs					
State Preschool	\$507	\$664	\$657	-\$8	-1%
General Child Care	464	544	574	31	6
Alternative Payment	177	182	190	7	4
Other child care	28	29	30	1	2
Subtotals	(\$1,176)	(\$1,420)	(\$1,450)	(\$31)	(2%)
Support Programs	\$74	\$73	\$73	—	—
Totals	\$2,157	\$2,397	\$2,497	\$101	4%
Funding					
Non-Proposition 98 General Fund	\$763	\$809	\$941	\$133	16%
Proposition 98 General Fund	507	664	657	-8	-1
Federal CCDF	556	570	555	-15	-3
Federal TANF	330	353	344	-10	-3

^a Reflects Department of Social Services' revised Stage 1 estimates for cost of care and caseload.
^b Does not include \$9.2 million provided to community colleges for Stage 2 child care.
 CCDF = Child Care and Development Fund and TANF = Temporary Assistance for Needy Families.



Payments to Providers

State Pays for Services Through Vouchers and Contracts

Vouchers

- Care provided through the three stages of CalWORKs child care and the Alternative Payment Program is 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 85th percentile of the 2009 RMR survey of provider rates deflated by 10 percent.
- 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 \$710 in Kings County to \$1,124 in Marin County.

Contracts

- Care provided through General Child Care, Migrant and Handicapped child care, and State Preschool is 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 \$752.



Restructuring California's Child Care and Development System



Current System Has Several Serious Design Flaws

- Some families guaranteed access for many years whereas other eligible families never receive child care benefits.
- Similar families have different amount of choice in selecting care provider.
- Similar families provided different standards of care.
- State has higher reimbursement rate for lower standard of care.
- Reimbursement rate structure unnecessarily complex.



System in Need of Comprehensive Restructuring

- Allow more families to access system by instituting time limit.
- Provide families with similar levels of choice in selecting care provider.
- Require developmentally appropriate care for children birth through age four.
- Update reimbursement rates to reflect higher standard of care.
- Create new, unified reimbursement rate structure.