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Overview of California's Child Care and Development System

LEGISLATIVE ANALYST'S OFFICE

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On Health and Human Services

Hon. Tony Thurmond, Chair

Assembly Budget Subcommittee No. 2 on Education Finance

Hon. Kevin McCarty, 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.



Notable Reductions During Recession



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 state median income.
- Reducing payments to administrative agencies from 19 percent to 17.5 percent of total contract amounts.
- Implementing parent fees for part-day State Preschool services.



Recent Augmentations

2014-15 Budget Act Included Augmentations for Child Care and Preschool Programs.

- Provide an additional \$281 million across the programs.
- Increase slots and rates and provided funding for quality improvement actions and facilities.

Major 2014-15 Child Care and Preschool Spending Changes	
<i>(In Millions)</i>	
Change	Amount
Provide 7,500 additional full-year, full-day State Preschool slots ^a	\$70
Provide quality improvement grants for State Preschool	50
Increase the SRR by 5 percent	49
Caseload adjustments ^b	26
Fund quality improvement activities (one time)	25
Increase the RMR by 9 percent ^c	19
Repeal part-day State Preschool fees and backfill foregone revenue	15
Provide 1,000 additional General Child Care slots	13
Provide additional facilities loans for State Preschool (one time)	10
Provide 500 additional Alternative Payment Program slots	4
Totals	\$281

^a Includes funding for an additional 4,000 full-day slots beginning June 15, 2015.
^b Includes CalWORKs caseload changes and higher per-child costs as well as 0.5 percent statutory growth for State Preschool, General Child Care, and Alternative Payment Program.
^c The weighted average increase in the RMR is 9 percent. Actual increases vary by county and provider type. Rate increase began January 1, 2015.
 SRR = standard reimbursement rate and RMR = regional market rate.



Assessment of Current System



Strengths

- Some families have choice among child care providers.
- Some programs include developmentally appropriate activities.



Weaknesses

- Families have differing levels of access to subsidized child care.
- Families have differing levels of choice among child care providers.
- Families receive care with different developmental standards.
- State reimburses some child care providers subject to lower standards at higher rates.