

FEBRUARY 13, 2023

# Overview of Child Care and Preschool Programs

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PRESENTED TO: Senate Committee on Budget and Fiscal Review  
Hon. Nancy Skinner, Chair



LEGISLATIVE ANALYST'S OFFICE

# California Subsidizes Many Child Care and Preschool Programs

Program	Key Eligibility Requirements
<b>CalWORKs Child Care</b>	<ul style="list-style-type: none"> <li>• Family earns at or below 85 percent of State Median Income.<sup>a</sup></li> <li>• Family is currently or formally enrolled in CalWORKs program.</li> <li>• Parent(s) work or are in school.</li> <li>• Child is under age 13.</li> <li>• Slots are available for all eligible children.</li> </ul>
<b>Alternative Payment and General Child Care</b>	<ul style="list-style-type: none"> <li>• Family earns at or below 85 percent of State Median Income.<sup>a</sup></li> <li>• Parent(s) work or are in school.</li> <li>• Child is under age 13.</li> <li>• Slots are limited based on annual budget appropriation.</li> </ul>
<b>Migrant Child Care</b>	<ul style="list-style-type: none"> <li>• Family earns at or below 85 percent of State Median Income.<sup>a</sup></li> <li>• Parent(s) work in agriculturally related field.<sup>b</sup></li> <li>• Child is under age 13.</li> <li>• Services are provided throughout the Central Valley.</li> <li>• Slots are limited based on annual budget appropriation.</li> </ul>
<b>Care for Children With Severe Disabilities</b>	<ul style="list-style-type: none"> <li>• Family earns at or below 85 percent of State Median Income.<sup>a</sup></li> <li>• Child is under age 21 and has exceptional needs.<sup>c</sup></li> <li>• Program is located in San Francisco Bay Area.</li> <li>• Slots are limited based on annual budget appropriation.</li> </ul>
<b>Emergency Foster Care Bridge</b>	<ul style="list-style-type: none"> <li>• Limited to children in foster care system and under age 13.</li> <li>• Time-limited child care vouchers until family finds longer-term child care solutions.<sup>d</sup></li> </ul>
<b>State Preschool</b>	<ul style="list-style-type: none"> <li>• Family earns at or below the State Median income.<sup>e</sup></li> <li>• Child is age 3 or 4.</li> <li>• Slots are limited based on annual budget appropriation.</li> </ul>
<b>Transitional Kindergarten</b>	<ul style="list-style-type: none"> <li>• Child is age 4 with a birthday between September 2 and February 2.</li> <li>• Slots are available to all eligible children.</li> </ul>

<sup>a</sup> For example, a family of three cannot earn more than \$82,102 annually in 2022-23 to be eligible for program.  
<sup>b</sup> Family earned at least 50 percent of their total gross income from employment in fishing, agriculture, or agriculturally related work during the 12 months immediately preceding the date of application for services.  
<sup>c</sup> Child must have an individualized education plan or an individualized family service plan issued through special education program.  
<sup>d</sup> Temporary child care vouchers provided up to 12 months, but may be extended for a compelling reason.  
<sup>e</sup> For example, a family of three cannot earn more than \$96,590 annually in 2022-23 to be eligible for program. There are some exceptions to the income eligibility threshold.



## Funding Model Varies Across Programs

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Program	Payment Type
CalWORKs Child Care	Voucher
Alternative Payment	Voucher
General Child Care	Direct Contract
Migrant Child Care	Voucher and Direct Contract
Care for Children With Severe Disabilities	Direct Contract
Emergency Foster Care Bridge	Voucher
State Preschool	Direct Contract
Transitional Kindergarten	Local Control Funding Formula

### State Pays Child Care and Preschool Providers in Different Ways

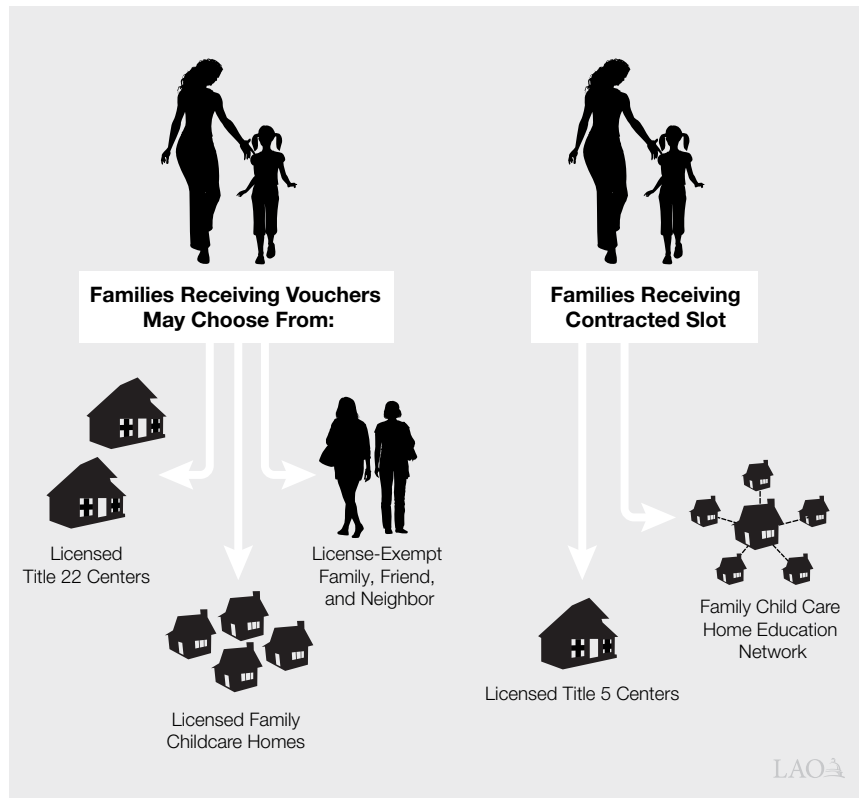
- For voucher-based programs, the state contracts with local Alternative Payment agencies to help families arrange care services and reimburses child care providers selected by families to provide care.
- For direct contract programs, the state directly reimburses child care centers and Family Child Care Home Education Networks based on a fixed number of child care slots.
- For transitional kindergarten (TK), the state directly funds school districts based on the average number of students in class each day throughout the school year.

### Child Care and State Preschool Payment Rates Vary by County

- Historically, the state has used two different provider rates:
  - The Standard Reimbursement Rate (SRR) is a fixed statewide rate (currently \$54.93 per day for child care and \$55.27 for State Preschool). The SRR receives a statutorily required annual cost-of-living adjustment.
  - The Regional Market Rate (RMR) varies based on the county in which the child is served and is based on regional market surveys of a sample of licensed child care providers (currently reflects 75<sup>th</sup> percentile of the 2018 market survey). RMR levels typically only increase when the state takes action to use a higher percentile of the survey or most recent survey.
- In 2021-22, the state shifted direct contract providers to the RMR to the extent the RMR was higher than the SRR.



## Type of Child Care Settings



### Child Care Licensing Requirements and Regulations

- Both subsidized and non-subsidized child care centers and family child care homes are required to be licensed by the Community Care Licensing Division of the Department of Social Services (DSS).
- All licensed child care providers must comply with Title 22 regulations and certain health and safety standards, such as storing cleaning equipment in a location inaccessible to children.
- Licensed child care centers that directly contract with the state must comply with both Title 22 and Title 5 regulations. Title 5 regulations require stricter staffing ratios and staff qualifications than Title 22. Additionally, Title 5 child care providers must provide certain developmentally appropriate activities, such as using toys that develop fine motor skills.
- The state exempts family, friend, and neighbor child care providers from all licensing requirements and regulations.



## Type of Child Care Settings

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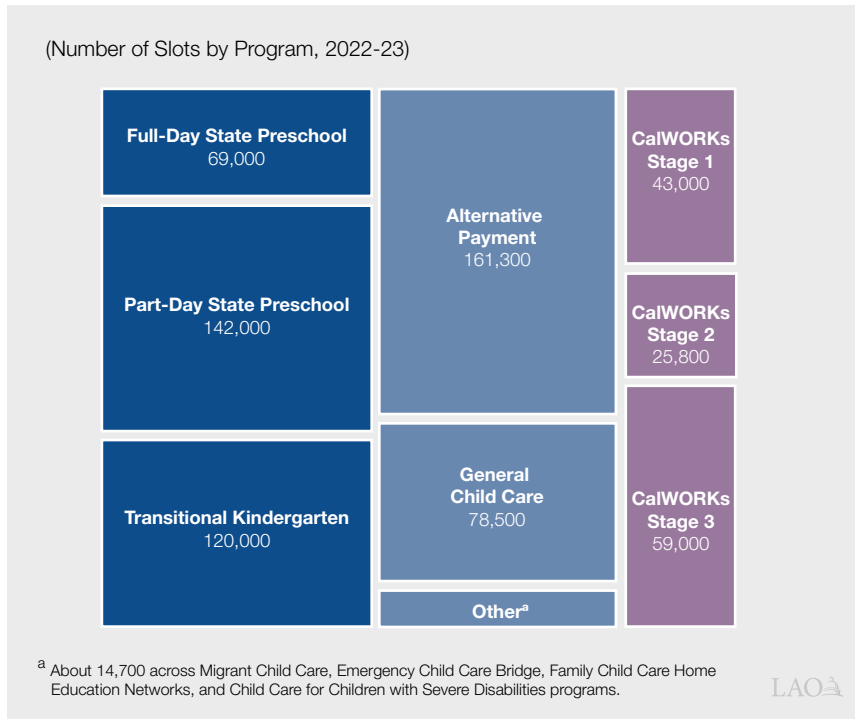
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### Program Structure Varies by Child Care Setting

- **Licensed Title 22 Centers.** Child care is generally provided in a commercial building. Nonmedical care and supervision is provided for infant to school age children in a group setting for periods of less than 24 hours.
- **Licensed Family Child Care Homes.** Child care is provided in the licensee's own home and reflects a home-like environment. Nonmedical care and supervision is provided for periods less than 24 hours. Small family care homes provide care to no more than 8 children, while large homes provide care to no more than 14 children.
- **License-Exempt Family, Friend, and Neighbor.** A single individual who cares for the children of a relative or who cares for the children of a single non-relative family in addition to their own children.
- **Licensed Title 5 Centers.** Similar program structure to licensed Title 22 centers, but also must comply with both Title 22 and Title 5 regulations.
- **Family Child Care Home Education Network.** A consortium of licensed family child care homes that collaborate with a child care network agency to provide child care and developmental services, parenting education, and social and health services referrals. The child care network agency also provides staff training opportunities and quality assessments to family care home providers participating in the consortium. Comply with both Title 22 and Title 5 regulations.



# California Provides Funding to Serve About 713,000 Children Through These Programs



## Capacity Is Capped in Some Child Care Programs

- California Work Opportunity and Responsibility to Kids programs operate like entitlement programs, meaning all children are guaranteed subsidized child care services if families are interested.
- Remaining child care programs are generally capped, meaning they can only serve a fixed number of children.



# California Provides Funding to Serve About 713,000 Children Through These Programs

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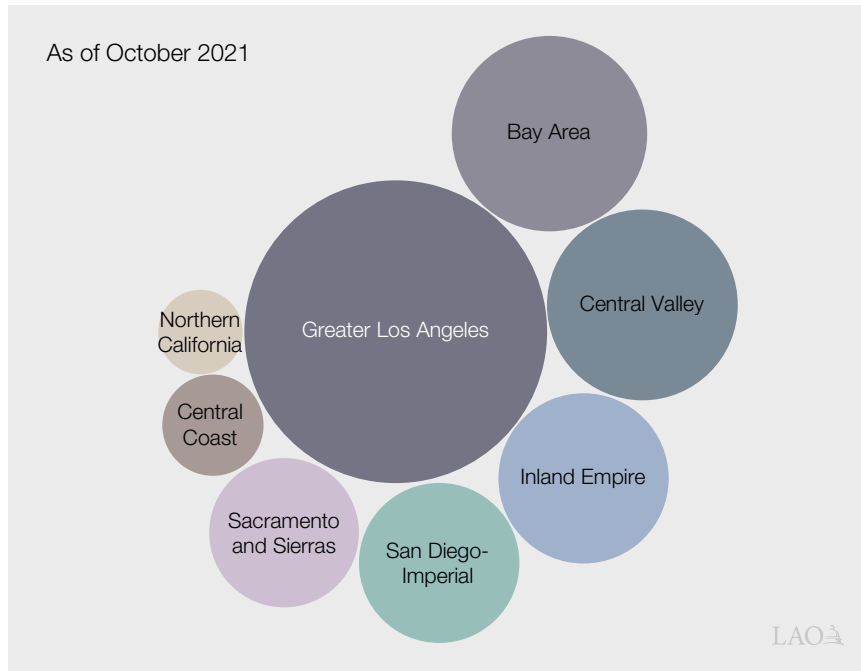
## **2021-22 Budget Agreement to Increase Child Care Slots by 200,000 Over Multiple Years**

- Since 2021-22, the state has added 146,500 child care slots, which more than doubled the number of slots statewide.
- For voucher-based programs, the state typically assumes it will take DSS at least three months to modify AP agency contracts, meaning the earliest providers can begin to fill slots is October of any given year.
- For direct contract programs, the state typically assumes it will take DSS at least nine months to award new slot funding, meaning the earliest providers can begin to fill slots is April of any given year.
- While child care providers are making progress in filling child care slots, we estimate that the majority of the new slots are unfilled. This is likely because: (1) DSS is still in the process of allocating the majority of new slot funding to General Child Care providers; (2) providers are still building up service levels to pre-pandemic levels; and (3) it takes time to advertise the availability of slots, complete required paperwork, and for families to select a child care provider.



## Regional Distribution of Number of Children Receiving Subsidized Child Care

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- In October 2021, over 170,000 children received subsidized child care. About 35 percent of these children received child care in the Greater Los Angeles area.





## Other Recent Child Care and Preschool Changes

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- ***Enactment of Temporary COVID-19 Relief Activities.*** The state implemented a number of temporary program changes in response to the COVID-19 pandemic, including, but not limited to: waiving family fees, providing one-time stipends and supplemental rate payments to providers, and establishing reimbursement flexibilities to mitigate impact attendance declines would have on provider payment levels.
- ***Transition of Subsidized Child Care Programs to DSS.*** The 2020-21 budget package shifted the administration of state child care programs and initiatives from the California Department of Education to DSS beginning July 1, 2021.
- ***Authorization of State-Level Collective Bargaining for Certain Child Care Providers.*** In 2020-21, the state authorized only licensed family child care home operator and license-exempt family, friend, and neighbor providers to collectively bargain on a defined number of issues, including, but not limited to, provider payment rates, benefits, and professional development. These providers are represented by the Child Care Providers United-California union.
- ***Establishment of Child Care Rate Working Groups.*** The 2021-22 budget included legislation to establish two workgroups to make recommendations for implementing a single child care reimbursement rate structure. One workgroup was tasked with assessing the methodology for establishing a new reimbursement rate and quality standards. The other workgroup was tasked with making recommendations for a single rate structure to Department of Finance to inform the *2023-24 Governor's Budget*.
- ***Expansion of TK to All Four-Year Olds.*** The 2021-22 budget included legislation that expands TK eligibility from 2022-23 through 2025-26. At full implementation in 2025-26, a child who has their fourth birthday by September 1 will be eligible for TK, making the grade available to all four-year olds.



## Other Recent Child Care and Preschool Changes

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- ***Requirement for State Preschool Providers to Serve Children With Disabilities.*** The 2021-22 budget included legislation requiring at least 5 percent of children enrolled in State Preschool programs be children with disabilities in 2022-23. This increases to 7.5 percent in 2023-24 and 10 percent in 2024-25 and future years.
- ***Rate Increase for State Preschool Providers Serving Certain Children.*** The 2021-22 budget increased rates for State Preschool providers serving children with disabilities, three-year olds, dual language learners, and children receiving mental health consultation services.

