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# Overview of State's Child Care and Development System

LEGISLATIVE ANALYST'S OFFICE

Presented to:  
Assembly Select Committee on  
High Quality Early Childhood Education

Hon. Susan Bonilla, Chair





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

## Two Child Care and Development Systems

	Voucher-Based System	Direct Contractor System
<b>Description</b>	The California Department of Education (CDE) allocates funding to local Alternative Payment (AP) agencies. <sup>a</sup> 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 in these subsidized slots.
<b>Programs and Estimated Number of Slots</b>	<ul style="list-style-type: none"> <li>• CalWORKs Stage 1 (46,000)</li> <li>• CalWORKs Stage 2 (65,000)</li> <li>• CalWORKs Stage 3 (25,000)</li> <li>• AP Program (29,000)</li> </ul>	<ul style="list-style-type: none"> <li>• State preschool (145,000)</li> <li>• General Child Care (47,000)</li> <li>• Migrant child care program (3,000)</li> <li>• Severely Handicapped Program (200)</li> </ul>
<b>Types of Providers</b>	<ul style="list-style-type: none"> <li>• Licensed centers and family child care homes (FCCHs)</li> <li>• Relatives or friends providing child care without a license ("license-exempt").</li> </ul>	<ul style="list-style-type: none"> <li>• Licensed centers and FCCHs</li> </ul>
<b>Standards</b>	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.
<b>Payment Rates</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Current maximum rates for licensed providers are set at the 85<sup>th</sup> percentile of RMR, based on 2005 data. License-exempt providers can earn up to 60 percent of the region's licensed rate.</li> <li>• Maximum monthly voucher rates for a preschool-age child in full-time licensed care range across counties from about \$650 to about \$1,110.</li> </ul>	<ul style="list-style-type: none"> <li>• Contractors are paid at a daily Standard Reimbursement Rate (SRR) for each eligible child they serve.</li> <li>• 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.</li> <li>• The monthly rate for a preschool-age child in full-time care is about \$715.</li> </ul>

<sup>a</sup> 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.)



## Overview of Recent CCD Budgets

<b>Child Care and Development Budget Summary</b>					
<i>(In Millions)</i>					
	2008-09	2009-10	2010-11 <sup>a</sup>	2011-12 <sup>b</sup>	2012-13
CalWORKs Child Care					
Stage 1	\$616	\$547	\$486	\$429	\$409
Stage 2	505	476	458	442	419
Stage 3	418	412	288	152	148
Non-CalWORKs Child Care					
General Child Care	780	797	785	675	465 <sup>c</sup>
Alternative Payment Program	257	275	271	213	174
Other child care	72	46	28	30	28
Subtotals, Child Care	(\$2,648)	(\$2,554)	(\$2,315)	(\$1,941)	(\$1,643)
State Preschool	\$429	\$439	\$397	\$368	\$481 <sup>c</sup>
Support Programs	106	109	100	76	76
<b>Totals</b>	<b>\$3,183</b>	<b>\$3,101</b>	<b>\$2,812</b>	<b>\$2,385</b>	<b>\$2,199</b>

<sup>a</sup> Reflects funding shifts across programs for Stage 3 restoration. Also includes \$83 million from local reserves.

<sup>b</sup> Includes midyear trigger reductions totaling \$23 million across all programs. Also includes \$8 million midyear augmentation to Stage 3.

<sup>c</sup> Funds \$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.



## Notable CCD Reductions in Recent Years

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### **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 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.



## Notable CCD Reductions in Recent Years

*(Continued)*

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***The 2012-13 Budget Package Included a Share of These Reductions (\$185 Million and Roughly 27,000 Slots).*** Notable actions included:

- An 8.7 percent across-the-board reduction for all CCD programs other than CalWORKs Stage 1 and Stage 2. (Gubernatorial veto extended reduction to part-day state preschool program.)
- An 18 percent across-the-board reduction for the Alternative Payment Program. (Gubernatorial veto increased from 8.7 percent.)
- Reduced nutrition funding for some private child care centers and homes. (Gubernatorial veto totaling \$10 million. Nutrition reduction not included in overall CCD funding totals listed throughout this handout.)