Chapter 6

CHILD CARE

I. CONDITION INDICATORS

A. Child Care Demand: National Demographics and the PRA

Full-time child care for preschoolers is divided into two submarkets: full-day infant care and full-day toddler care. In addition, there is a separate increasing demand for part-time day care for children in school.

1. U.S. Full Day Infant and Toddler Care

Of the 21 million children in the United States under 6 years of age, 13 million are in child care. Among children under the age of one, 45% received regular child care.[1] Child care demand has been driven traditionally by numbers of women in the work force. That demand increasingly includes the parents of very young children. In 2001, 60.2% of women in the United States with children under age 3 were part of the civilian labor force.[2] the trend is expected to continue: In 1992, 75% of all women between the ages of 25 and 54 were working; the Bureau of Labor Statistics projects that proportion to increase to 83% by 2005.[3] In 2001, 77.7% of families maintained by women (no spouse present) included an employed person; also in 2001, both parents were employed in 63.2% of married couple families with children under 18.[4]

Surveys of the important preschool (full-day) market reveal the identities of current child care providers. Where mothers are employed, almost 39% of children under the age of five are now cared for in another's home; another 25.8% are cared for in organized child care facilities. A 1996 Census Bureau population report found 30% of preschoolers in organized child care facilities (centers), 21% with non-relative child care providers (family day care or in-home babysitters), 17% with grandparents, 16% with their fathers, 9% with other relatives, and 7% whose mother worked at home or in other miscellaneous arrangements.[5] Care by relatives is substantially higher where family income is below the poverty line, with 60% placed with relatives, compared to 46% of children in higher income families.[6]

A recent national survey of three- to five-year-olds who were cared for outside the home found a somewhat similar breakdown, with 60% in a center-based program, 16% in "non-relative" care (either licensed family child care, or with neighbors or friends), and 23% with relatives.[7] The ethnic breakdown indicates substantial differences, with whites using center based programs at 60%, non-relative care 19%, and relative care 19%. Black children of the same age are predominantly in a Center based program at 73% (reflecting the use of Head Start), with 33% in relative care and very few (7%) in non-relative care. Hispanic pre-school children have the least center based contact, at 44%, slightly more non-relative care at 13% and relative care halfway between the White and Black rates at 27%.[8] The numbers confirm the thesis of advocates that non-relative family child care remains either unaffordable or is unavailable for minority parents (*e.g.,* not located in urban low-income neighborhoods), that Head Start has yet to be embraced by or is unavailable to Hispanic parents, and that relatives of minority children bear a substantial child care burden.

A declining 23.1% of 3- to 5-year-old preschool children surveyed nationally were cared for only by a parent: Only 13.7% of Black children, 23.2% of White, and a larger 33.4% of Hispanic.[9] In general and for all ethnic groups, as family income declines, a higher percentage of children are cared for by parents directly or by relatives. Families with income about $75,000 are primarily in centers (74%) or in non-relative care (21%)—only 16% are cared for by relatives. Another 13% of upper middle class parents are cared for only by a parent. In contrast, a lower but still substantial 56% of impoverished children (family income below $10,000) are in centers. These are not private nursery schools, but primarily the increasingly funded federal Head Start and state counterpart programs. Fewer impoverished children are also in non-relative care at only 13%—which is more likely to be a friend or neighbor than licensed family day care. And a much larger 28% are with relatives. The percentage of impoverished 3 to 5 year old children cared for only by a parent is more than double the rate of upper middle class children (28% vs. 13%).[10]

A recent report by the Urban Institute examined the child care patterns of children under age 3 of working mothers in the U.S. The report estimated that 73% of infants and toddlers of employed mothers are primarily cared for by someone other than a parent while their mother is working; 27% are cared for by relatives; 22% are cared for in centers; 17% are cared for in family child care settings; and 7% are in the care of nannies or baby-sitters. The report further noted that 39% of infants and toddlers of employed mothers are in care full-time. The average time in nonparental care per week for infants and toddlers of employed mothers is 25 hours. Finally, 34% of infants and toddlers of working mothers are in two or more nonparental child care arrangements.[11]

2. U.S. Part-time Care for Children 5 to 14 Years of Age

Part-time child care for children in school is also driven by maternal employment. Of the 38.8 million U.S. children between 5 and 14 years of age, only 14.4 million have a parent at home who is not working or in school.[12] Public schools provide some 18,000 programs of after school care nationally. However, 70% of U.S. public schools offer few after school child care services.[13] Accordingly, experts estimate that 5 million school age children spend substantial time in "latchkey" status—home alone without adult supervision.[14] California's pro-rata share would be 650,000 latchkeyed children, a conservative estimate given the state's demographics.[15]

3. New Demand from Federal Welfare Reform

In addition to the current child care demand created by households where both parents work outside the home, additional demand comes from unemployed parents who live below the poverty line and who would require child care in order to work. Welfare reform pursuant to federal welfare reform (the Personal Responsibility and Work Opportunity Reconciliation Act or "PRA") will require such employment by large number of parents now receiving Temporary Assistance to Needy Families (TANF), formerly Aid to Families with Dependent Children (AFDC).[16]

The PRA includes a two-year maximum period (starting from January 1998) before just under 80% of those receiving TANF must theoretically be in a "work activity." For the vast majority of parents receiving aid, such activity will require child care, which the PRA requires states to provide.[17] Literal compliance with the law will require an extraordinary bolus of child care capacity and subsidy during 2002–03 and the following year—after which many families will lose fall federal TANF funds since they will have exhausted the lifetime sixty-month maximum. State aid at a reduced level (the so-called "child's share") may continue, but such funding is uncertain in the future and the "child's share" may place the family below one-half the poverty line.

B. California Child Care Demand

1. Children Under 5 Years of Age

In California, 49% of the mothers of children under 5 years of age are employed. The demographics of this employed group indicates 34% of their children are cared for by the parent, 26% by a relative, 19% in center based care, 16% in family child care, and 5% using a babysitter or nanny in the home.[18] Compared to national averages, California young children are much less likely to be in center-based care and more likely to be in parental care than their national counterparts. Only 9% of California children under 3 years of age are in centers, versus 22% nationally, and only 31% of 3-4 year olds as compared to 45% nationally.[19] One reason for this variation is a lack of state investment in center based care. California impoverished children are particularly deficient in center based care vis-a-vis national rates, with 17% in center facilities compared to 26% nationally.[20]

2. Children 5 to 14 Years of Age

Sixty percent of California mothers of school age children under 13 years of age are now employed. In general, the placement of these children parallels the national data, with substantial differences between children 6 to 9 years old and those 10 to 12 years of age. Sixty percent of the former group is in supervised care, 38% with the parent, 25% with a relative, 24% in family child care, and with a troubling 6% in substantial "self care" (without adult supervision). In contrast, only 35% of the 10 to 12 year old group is in supervised care with the parent providing 50% of it and relatives 16%. Even more troubling, 32% report some self care and 15% substantial self-care (*i.e.*, lacking any adult supervision). Not all of this parental neglect is economic; at least one study indicates that it somewhat cuts across income lines and represents a cultural movement to relegate children to television or other popular cultural entertainment, or to peer interaction with decreasing involvement of adults, who pursue their own interests. [21]

3. Overall

Fifty six percent of mothers of all children birth to 14 years of age now work. The state has 3.8 million such children whose parents work. The California Child Care Resource and Referral Network tracks available placements, referring parents to available spaces, and statistically computing supply and costs. The Network calculates 1,534,951 California children aged 0–5 live in households where parents work and require all day child care. Of these, 829,707 of them (51%) are currently in care outside the family, one of the lowest rates in the nation.[22] Another 2,533,471 children from 6 to 13 years of age are in working families and need after-school care; currently 451,064 (20%) receive care outside of the family.[23]

As noted above, California has special "hotlines" run by Network agencies at the county level to route parents to available care. A recent survey revealed that California callers request the following types of care: infant care (34%), preschool (toddler) care (41%), and school age care (25%). Requests are for the following types of providers (with some requesting multiple options): family child care homes (80%), child care centers (61%), and in-home care (4%). Importantly, 70% request full-time care (79% for children ages 0–5).[24]

Of the 3.8 million children needing child care, 1.38 million are currently income eligible for child care subsidy from the Child Care and Development Fund (discussed below). That eligibility applies to families earning under 75% of state median income (approximately $31,000). Federal law allows a state to provide help to 85% of state median income, which would bring the number of eligible children to 1.73 million.

As noted above, impoverished, single-parent families receiving TANF assistance are now required to work and form a new source of demand for child care beyond those of currently employed parents counted above. As discussed in Chapter 2, the economic upturn combined with CalWORKs' requirements have reduced this population, but it remains at almost 1 million children. The parents of most of these children will be theoretically compelled to engage in "work activity" before the end of 2003, and their children are assured of "adequate child care" by the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRA). Further, the state implementation of the PRA ("CalWORKs") requires counties to provide last resort public service employment for all persons not in private employment or otherwise exempt for a three-year period starting in 2000–01. As discussed in Chapter 2, counties are unlikely to have sufficient available resources to comply with this requirement— particularly as to the almost 200,000 parents who remain unemployed. However, efforts within the range of resources may be expected, and each person who is so employed must have "adequate child care" provided for their young children—at public expense if necessary.

In addition, the over 750,000 children whose parents have been removed from TANF rolls over the past five years provide another source of potential new demand. Evidence is growing that a large number are in deeper poverty as parents work part-time at below TANF grant compensation. Those still struggling parents, and the success stories who have left TANF for full time employment and are near or above the poverty line, receive assured child care assistance for only two years—and under the Governor's proposed 2002–03 budget into a third year. These families are in jeopardy of welfare return, where they will in due course face TANF reductions and cut-offs. Many of these parents have added to the "working parent" totals above because of their recent appearance in the work force during 2000 and 2001, after the Current Population Survey data above was gathered.

Some of these parents who return to TANF assistance may again seek CalWORKs employment assistance before penalties are imposed. But this optimistic scenario suggests a critical flaw in the current welfare reform model. Because child care is time-limited, but can be restarted with unemployment, impoverishment, and re-entry into TANF, parents can whipsaw from employment (for one to two years) followed by welfare return and required employment at a new job *de novo*. The process inhibits the assured continuity of employment that leads to promotion and higher earnings for self-sufficiency. The yo-yo problem is not an academic theory. The *Los Angeles Times* has reported 5,200 parents in Los Angeles County and 13,000 statewide who found jobs in 1999 and 2000 and who faced child care cut-offs during January to June 2000. Interviews with those facing this dilemma indicate a strong desire not to return to welfare, but many have been compelled to give up their jobs and return to TANF rolls until final cut-offs are imposed or they requalify for CalWORKs child care.[25]

It is the overall lack of resources to serve this working poor population which underlies the problem of the two to three year limit for help after leaving TANF rolls. The limit exists because of the following dilemma: Should working poor family "x" receive child care help simply because a parent received TANF assistance, while it is denied to another parent who refused public assistance? The state's focus has not been on children, or advancing families to self-sufficiency, but on reducing the visible, politically unpopular TANF rolls. Ironically, resulting policy gives TANF recipients a child care advantage over other working poor, while also undermining the larger goal of reducing child poverty. This conundrum lies behind the Governor's January 2002 proposal to change child care rules and put all working parents on a more even footing. However, his solution did not involve substantial new resources to scale, and spreads reaches more children with less subsidy per child covered. As discussed below, the general fund crisis led the Governor to delay his proposal to 2003–04 and to maintain the current system largely intact for proposed 2002–03.

C. California Child Care Supply

As Table 6-A presents, California's Department of Social Services counted 1,118,407 total licensed child care capacity in March 2002. Most facilities—83% of family child care and 71% of center spaces—are available for either full-day or part-time care. Of the family day care providers, 29% are available for evening, overnight, or weekend care, while only 2% of the centers are so staffed. Spanish-speaking providers number 18% in family child care homes and 41% in child care centers, with Chinese speakers making up 1% and 3%, respectively.[26]

Facility Type	Total Capacity	Total Licensed Facilities
Family Child Care Homes	410,977	44,923
Infant Centers	34,440	1,589

Child Care Centers	517,876	9,750
Child Care Centers-School Age	155,014	3,055
Child Care Center-Mildly Ill Children	100	10
TOTAL CAPACITY - ALL AGES:	1,118,407	59,327

TABLE 6-A. Licensed California Child Care Capacity 2002[27]

Licensed family day care providers have been traditionally licensed in two categories: "small"—able to accept up six children; and "large"—required to have an extra provider on site and limited to twelve children. Senate Bill 265 (O'Connell and Leslie) (Chapter 18, Statutes of 1996), effective January 1, 1997, allows the small homes to take eight children instead of six, and the large homes fourteen instead of twelve. The small homes remain limited to two infants and the large homes are limited to three infants.

An independent review of child care supply vs. demand (conducted by California's Little Hoover Commission) concluded conservatively that 1998 child care supply included 967,290 spaces and that 2.34 million children "need care outside the home." The undersupply leaves "1.3 million children...in unlicensed care—including neighbors or friends—or not receiving adequate supervision."[28] Changes to 2002 bring that undersupply to just under 1.2 million.

The Child Care Resource and Referral Network estimated in 2001 that only one slot at a licensed child care center or family child care home exists for every 4.6 children with working parents—this amounts to a supply which meets less than 22% of the current demand.[29] Short supply is particularly stark for Los Angeles County (with supply only at 17% of demand)[30] and for infant care throughout the state (statewide, just 5% of licensed center slots are for infants).[31] These calculations are made apart from the additional numbers of TANF recipients required to work and guaranteed child care availability by federal law, as discussed above and in Chapter 2.

A national study focusing on twelve states found high variation in non-parental child care, ranging from Mississippi where working mothers obtain child care for 85% of their children, to California with a low of just 41%. The data indicate that California has the weakest supply of child care among the states surveyed—by a substantial margin. A breakdown of supply shows a particular shortage of child care center capacity. Only 19% of California children are so accommodated, half the rate of Alabama, Mississippi, and Minnesota. Children in licensed family child care or the care of relatives are close to the average, but those remaining in "parental" care is highest in California, at 30%.[32] The inference drawn by child care experts is clear: California has the highest rate of kids left with unrelated friends, left to the care of young siblings, or left home alone, the so-called "latchkey child" population.

D. Distribution of California Supply

The distribution of supply versus demand is another concern. A study of licensed child care supply in Los Angeles County found the most affluent quarter of communities by zip code had 212% of the available spaces than the poorest quarter.[33] In poor areas of Los Angeles, where over one-third of the children live in TANF receiving homes, there are 10 to 20 children under 6 years of age for every available licensed child care space.[34]

The shortage of licensed spaces is most severe in minority neighborhoods. In a recent examination of one such neighborhood—with a 59% Latino population—a *Los Angeles Times* investigation found "six slots in licensed day-care centers for every 100 children under 6 years of age," about one-fifth the rate of spaces/child extant in Burbank or Pasadena, with a middle class population and the Latino percentage at a more typical 22%.[35]

In October 2000 the Human Services Alliance released a report on the current undersupply of child care slots in Los Angeles. The Report surveyed 500 low income parents and put a human face on the numbers. Virtually all of those surveyed qualify for child care subsidies, but supply does not exist for their use. Alarmingly, 52% reported that a lack of child care caused them to lose a job, and 68% reported that it impeded them from attempting employment. One half of those surveyed did not have a provider outside the family of any type, although 87% of those without placement were actively seeking it. As the data for California indicates, parents stay home and eschew employment (now required for safety net assistance) or count on family or friends.[36]

The state has a Childcare Facilities Revolving Fund to finance child care related construction (see discussion below), but it is funded at the $50–$60 million level. In order to bring California up to the child care center capacity typical of most states, over $3 billion in new construction would be required, and concentrated in low income urban areas where the demand is great and the supply lacking. Tax credits, bond financing and other financial facilitation warrant high priority. Job retention is not realistic without available child care facilities. Although a substantial investment, such construction would be a fraction of current public commitment to prison construction (see data in Chapter 9).

E. Child Care Costs

Table 6-B presents approximate ranges of the average weekly cost of child care in California for 1997, which have increased slightly to 2000. The precise charge varies by facility, but the averages and price ranges represented apply to the vast majority of families. A typical family with one two-year-old child and one four-year-old child will incur approximately $10,000 per annum for child care costs. The benchmark family of one mother and those two children will earn, after social security and other deductions, approximately her child care costs. One infant at average cost will leave her with about $3,500 in net cash for rent and food.

A single parent earning minimum wage, with one child in full-time child care, would be expected to pay approximately 47% of her wages for licensed child care.[37] A family of one mother working full-time at minimum wage with two children under five (infants or preschool) will earn—after Social Security and other deductions—about the same amount as her child care will cost. One infant will cost 75% of the mother's take-home pay; two children over six will leave her with $3,000 per year in net earned income.

	Family Day Care Home	Day Care Center
Infant	$6,396	$9,404
Preschooler (2–5)	$5,934	$6,394
School Age	$3,536–$5,980	$4,472–$5,824

TABLE 6-B. California Range of Average Annual Child Care Costs, 2001[38]

California Resource and Referral Network 2001 data finds infant care at $784 per month at centers and $533 per month in licensed family child care homes. Preschoolers up to 5 years of age cost an average of $533 at centers and $495 in family child care.[39] The Network's 2001 survey found that in every county in California, the cost of putting an infant and a preschooler in full-time care is more than the fair market rent for a two-bedroom apartment.[40]

In February 2002, the Los Angeles County Department of Health surveyed a random sample of 2,174 children from 0–5 years of age countywide for child care provision. It found that 50% of children in families earning over 300% of the federal poverty line were in child care, compared to only 12% of those under the poverty line and 16% of those earning from 100% to 200% of the line. Sixty one percent of parents below the poverty line (and 53% between 100% and 200% of the line) found it difficult to obtain care for their children. The reasons cited for inability to find care array as follows: Unable to Afford—53%; Hours or Location Problem—45%; No Space Available—41%; Quality of Care Unsatisfactory—39%.[41]

F. Child Care Financial Assistance: Current Levels and Need

1. Assistance Provided

Child care presents two supply issues: (1) sufficient supply of slots and in needed locations, and (2) financial assistance for those who require it to work. Given the costs above, enhancing supply will serve little purpose if it is not affordable. Table 6-C presents the approximate number of children receiving public assistance from the major program groupings available. As noted below, each of these five groupings includes a number of individual programs with separate criteria for qualification.

Where subsidies are received, providers are paid based on surveys of market child care charges. And few parents receive full payment, most receive only that benchmark amount *with* an obligation to co-pay. That minimum "co-pay" from parents is currently $43 per child per month for the major DSS/CDE programs below. Such a charge is significant for a family earning under $20,000 per year and for whom a $1,000 expense has real discretionary spending consequences.

	2001–02
State (Head Start—Preschool)	112,000
CalWORKs Stage 1 Child Care (DSS)	99,600
CalWORKs Stages 2, 3 Child Care (CDE)	147,000
Other subsidy programs[42]	461,000

TABLE 6-C. Approximate Number of Children Receiving Child Care Subsidy from Major Programs—2001–02

As Table 6-C indicates, a total of 820,000 California children are served by subsidized child care programs in fiscal 2001–02, including federal Head Start. These numbers are up substantially from the pre-1996 levels of 350,000 to 400,000. However, CalWORKs has added new working parents, with many among the 200,000 remaining parent s in TANF now required to join the labor force to be added. Those parents represent over 400,000 children—many of whom will require care during 2002–03 if the statutory command is to be followed (see Chapter 2) The total recent and projected demand substantially consume the child care subsidy additions of the last five years.

In general, two substantial groups of children receive meaningful child care subsidies: those whose parents are receiving or recently received TANF payments, and four year olds given pre-school assistance.

2. Unmet Need

The state has increased assistance starting in the current 2001–02 year, primarily through some refundable tax credits and some expansion of child care spending. However, as discussed below, the credit provides less than 10% of child care costs. The total amount added in the current year represents less than 15% of the amount needed to provide meaningful assistance to the working poor. The increases fall into two categories, an amount for a small number of TANF parents who have been employed for more than two years to carry them into a third year, and small subsidies available more widely (*e.g.*, subsidies for before/after school programs). But unless one is in the small recently employed TANF group (representing less than 5% of the working poor eligible for help), or seeks pre-school for a 4-year-old, help is unlikely—as the current record waiting lists for child care subsidy attest.

For most working poor parents, help at a 10% or 20% level is little better than no help at all. They cannot afford 80% or even 50% of market child care costs given their meager incomes. For a working poor parent with two children costing $11,000 per year in child care, and able to earn $16,000 to $25,000 in gross income, a credit amounting to under $1,500 in total assistance, will not permit purchase of those services. Most of the state's working poor have little discretionary income after rent, utilities, clothing, and expected premiums for Healthy Families coverage for their children. They only with difficulty have enough to make the $516 per year co-pay contribution for one child required for current child care subsidy.

Children Now places the need for child care among the 5- to 14-year-old group at about 2.3 million, a figure representing the percentage of children in that group currently cared for by relatives. About 55% of this group live in low income families (defined here as under $31,542 for a family of four) and are unlikely to be able to attend a program that charges full cost. Thus, about 1.2 million (such 5–14 year old) children likely need subsidized after school care.[43] Children Now estimates that 607,000 children aged 5 to 14 receive subsidies, which is high,[44] but concludes that 632,239 children in this age group need and should qualify for subsidized child care but do not receive it. The survey finds that the Governor's current 2001–02 funding will reach under 8% of the need.[45]

The Little Hoover Commission contends that the current major child care subsidy system serves "7% of those eligible."[46] And it correctly identifies how limited supply is allocated: "[the] priority system for determining who receives child care subsidies [is] children receiving welfare assistance through CalWORKs and children at-risk in the protective services system…Low income working families receive subsidies as funds become available."[47] Waiting lists have grown long over the last three years of welfare reform: "In 1998 there were an estimated 200,000 children on the waiting list for government (child care) subsidies in California."[48] According to the California Budget Project, the number has grown to 280,000 by 2002.[49] In addition, large numbers of parents no longer bother to seek waiting list status given its length and continuing lack of funding.

G. Indicator Concerns

Public subsidy has grown since 1995, but so has the need and as of 2000, the legal obligation to provide "adequate child care" to those parents who have been employed through CalWORKs for at least one year, and for the 200,000 parents the law requires to be so employed (or in a "work activity" such as training). Of the 750,000–800,000 California children in licensed child care facilities, about one-third receive public subsidy. To comply with the existing CalWORKs law, subsidies must approximately double and spaces must increase by 50%. Child advocates agree that the optimum solution must reach the working poor, ideally through a seamless sliding scale (assistance phases out as children age and income increases). Such a policy would allow parents to gradually earn themselves above the poverty line and into self-sufficiency. It will require more than three times the current subsidy and two to three times current capacity, as the demographics above infer.

The return on this investment is the further and more permanent collapse of TANF rolls, increased tax revenues, enhanced productivity, and assistance toward self-sufficiency. The *status quo*, including the proposed budget for 2002–03, will not assuage continued high rates of child poverty, with their attendant costs (see Chapters 2, 8, and 9). One immediate cost of insufficient child care investment comes from latchkeyed children, which the Assembly Office of Research estimates involve approximately 620,000 California children aged 6–14, presently unsupervised before or after school.[50]

Current CalWORKs implementation raises the following child care questions:

(1) Where are the 700,000 children of those parents who have left TANF rolls and are not receiving child care assistance? How many remain in poverty with parents who lack child care help necessary for work and needed income?

(2) What will happen to the over 400,000 children still on the rolls whose parents will be required to work before the end of 2003 (as the CalWORKs statute reads)? Although substantial funding may be committed under a "child care" label, it has been formatted into block grants to counties with substantial discretion over its allocation. As Chapter 2 discusses, the most recent survey reveals that only 19% of the state CalWORKs block grant funds to counties is expended on child care assistance. [51]

. As discussed in Chapter 2, the county grants cannot accommodate training, education, job placement, county provided community service employment (as a last resort) *and* child care. The projected funding shortage is obscured by the lulling effect of a $1.6 billion surplus from 1996–00 TANF roll reductions, which has now disappeared, leaving only the accrued CalWORKs "incentive payments" remaining. This county reserve is being substantially expropriated by the state, as discussed in Chapter 2, and will not provide a substantial source for discretionary child care funding.

(3) What will happen to the over two million children of the working poor who are in danger of falling onto TANF without child care help, particularly if there is an economic downturn?

(4) How can child care be provided for the new demand of hundreds of thousands of TANF children who must receive it under CalWORKs given the skewed distribution of spaces geographically (*i.e.*, the dearth of spaces in neighborhoods where the impoverished live and the disproportionate concentration of supply in affluent neighborhoods)?

(5) Given financial pressures to provide child care at the lowest possible cost, what are the quality-of-care implications for children? Record numbers will be spending less time with parents and family, and more with child care providers. The child care industry is currently among the lowest paid in the nation. Will provided care be nurturing, stimulating, contributive to development—or warehousing to facilitate adult work and welfare removal mandates?

II. MAJOR PROGRAMS AND BUDGETS

A. Historical Line-up (to 1997–98)

Public spending for child care may be divided into five areas: (1) subsidy programs administered by the California Department of Social Services (DSS); (2) subsidy programs administered through the California Department of Education (CDE); (3) "Head Start" programs funded and administered through the U.S. Department of Health and Human Services (DHHS); (4) regulation of licensed child care providers to assure child safety; and (5) child care-related tax subsidies.

The largest set of programs providing child care in California are the "child development" programs funded through CDE. Within that account, two subaccounts dominate: preschool training, roughly modeled on the federal Head Start program, and "general" child care. This latter account includes many subaccounts as described below.

Federally-originated programs which contribute federal funds to state agencies for administration have traditionally focused on TANF recipients and have had the primary purpose of reducing assistance rolls through parental employment. Historically, these programs have included child care under the federal "JOBS" program ("GAIN" in California)—combining job training, placement, and child care for TANF parents. Realizing that when these parents obtain jobs, they are unable to continue where lacking child care support, the federal government advanced "Transitional Child Care" for up to one year to those who were newly-employed. The federal government also developed the "at-risk" category, addressing parents who are working—but are likely to regress into welfare dependency without child care assistance. Unfortunately, each of these programs (and others) had separate rules, application procedures, and administrative costs—with many parents forced out of employment as they fell between or outside the discrete and separate programs. And they were administered by the Department of Social Services, separate from the extensive state child care programs run by the Department of Education. The DSS jurisdiction followed the assumption that eligibility necessarily involved county level departments of social services whose welfare caseworkers had contact with TANF parents requiring child care to work.

However, many of the federal and state programs became indirectly coordinated through the evolution of "resource and referral" (R&R) agencies in most counties. These agencies have served very successfully as a "marketplace" for child care—both privately-paid and publicly-subsidized. Very simply, family child care providers and child care centers notify their local R&R agency when they have slots available, and provide information to the R&R about their facilities. The R&R agency also helps on the supply side by assisting new providers with state licensure. Each R&R agency has a widely-publicized local "hotline" number. When a parent needs child care, the line is called and an expert discusses available slots, their location, and features. Importantly, the R&R agency also has expertise in available subsidies and can determine whether a parent may qualify and help with the paperwork.

Head Start programs have been and remain structurally distinct. Traditionally focusing on school preparation for impoverished children with part-day care at four years of age, it meets some child care needs, but focuses on cognitive development to give young children starting school a more even chance. It has not been administered through grants to states, but is one of the few programs administered directly by the federal jurisdiction.

B. PRA Changes: The New Line-Up

1. PRA Provisions

The federal government's 1996 enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRA) led to the creation of a new "Child Care and Development Fund" (CCDF). This fund absorbed both the "transitional" and the "at-risk" programs described above, and included as well the old Child Care and Development Block Grant (CCDBG)—creating a single "super child care block grant." Under this new "capped entitlement" funding scheme, states receive a mandatory base amount at the level each received previously under Title IV-A in 1992–94, 1994 alone, or 1995 alone—whichever is highest. These funds are sent as a block grant without any required state match—unlike the previous programs they absorbed. Congress then appropriated $7.2 billion in total for the grant over six years.

A state may obtain additional funds beyond this block grant on a matching basis *if* it (1) obligates all of the block grant money allocated to it for the fiscal year it seeks new money, and (2) spends at least as much as it has been spending from its own resources in matching federal funds or in providing its own child care. In other words, more federal money is available beyond the block grant on a matching basis, so long as the state is spending above and beyond what it previously spent on child care and is not diverting previous state commitment so it can be "supplanted" with federal funds.[52] If the state so complies, it receives (based on its percentage of the nation's children under 13 years of age) of another $3.2 billion to the states starting in the federal 1999–2000 fiscal year, $100 million more than in 1998–99. As noted, the state must match *this* funding 50/50.

States must spend at least 70% of federal block grant funds on TANF recipients, those leaving TANF, or those in danger of falling back onto TANF (see the three federal programs described above and now within the block grant).

2. PRA Employment Percentage Targets for TANF Recipients

California legislative staff believe that the following represents the percentages of TANF parents who must work in order for California to avoid a possible penalty of up to 5% deduction from federal TANF grant funds:

Year	All Families	Est # of parents to meet state work requirements	Two-parent families	Hours required per week
1997	25%	189,628	75	20
1998	30%	227,553	75	20
1999	35%	265,479	90	25
2000	40%	303,404	90	30
2001	45%	341,330	90	30
2002	50%	379,256	90	30

Table 6-D. State Estimate of Number of Employed TANF Recipients Necessary to Meet Federal Percentage Targets[53]

As Table 6-D indicates, the required number of work hours for TANF recipients has climbed from 20 hours per week in 1997–98, to 25 in 1999 and 30 hours (at least three-fourths time) in 2000 and thereafter. Although recent economic upturn have reduced TANF rolls, the likelihood of sufficient jobs to accommodate the increasing numbers listed by the end of 2003 is problematical. In addition, the numbers listed exclude all undocumented parents of citizen children receiving TANF, and assume no cycling back for former TANF parents or other working poor who lack child care assistance. As explained in Chapter 2, the state receives credit for TANF roll reduction from 1995 and which is subtracted from the numbers arrayed above. However, that credit has benefitted from the strong economic growth in California from 1996 to 2001, and which now appears to be entering a plateau, with some downturn possible.

Such a downturn will swell TANF rolls quickly, as those who have recently left those rolls for new employment will be among the first laid off. Second, the one parent family requirement increases 5% in 2000–01 and another 5% in current 2001–02. DSS has estimated the need to employ another 150,000 parents over the next two years to meet these targets, assuming no substantial economic downturn.

Moreover, apart from the work participation targets themselves, both the PRA and CalWORKs at least nominally require every person receiving TANF for 24 months or more from 1998 to be in a "work activity" meeting minimal hours requirements. And the CalWORKs statute goes further and requires counties to provide community service employment for every such person who is not employed privately. Although 20% of the caseload is exempt from this requirement, literal compliance would require the employment of over 200,000 parents by 2003. Since there are approximately two children per adult, and over three-fourths of them are below thirteen years of age, child care must be made available by law for approximately 300,000 children not currently in child care so their parents can work the required thirty hours/week.

Further complicating the issue is now pending TANF reauthorization. The Bush Administration proposal includes a requirement for a minimum of 40 hours of work a week for parents. Given the data concerning the nature of employment available to many impoverished parents, and the longstanding pattern of substantial but part-time work, this standard has serious implications. An increase at least to 35 or 38 hours is likely given the similar work requirement increases in Democratic proposals. These increases are not consistent with the job reality of TANF recipients, nor reflective of the child care needs of involved children. Full time employment means that after-school child care for young elementary and middle school age children becomes necessary. As discussed above, the supply of such care does not match the location or extent of the demand.

While intending to reward work, and allow parents to increase family income and self-sufficiency, harsh requirements based on an "all or nothing" formula forces a Hobson's choice on parents: do not work at all and suffer extreme poverty below rent and minimum nutrition levels, or work full time and latchkey children home alone, or put in the care of whomever may be available.

As discussed in Chapter 2, the more realistic way to comply with federal PRA employment percentage "targets" among TANF recipients is to help the working poor population toward a non-subsidized "liveable wage." Making these new—already working—parents "recipients" ("participating" families) under the PRA secures compliance with the targets. That participation may take the form of child care grants, or a state Earned Income Tax Credit, as discussed in detail in Chapter 2. In the alternative, California could seek a federal waiver and request a more measured integration of TANF families into the workforce, in conjunction with a major campaign to stem unwed births.[54] Child advocates argue that such a model is realistic and more beneficial to children than the current plan: (1) employ 150,000–200,000 parents at makework tasks at twice the cost of TANF from 2002 through 2003, (2) dismiss all of them two to three years later, (3) accompany that dismissal with total or partial TANF cuts (having reached the maximum sixty-months from 1998 in assistance), leaving at 2003–04 about 750,000 children with no sustenance aside from food stamps and perhaps state-only reduced TANF assistance and amounting to severe impoverishment at or below one-half of the federal poverty line (see discussion in Chapters 2 and 3).

3. The Line-Up in 1997–98

Against this challenge was a slightly altered line-up of programs, funding sources, and administration. In 1997–98, the state allocated approximately $1.2 billion in state and federal funds for child care programs administered through CDE or DSS. Table 6-E presents the line-up, with details of individual programs described in the account presentations below:

Program	No. of Children Enrolled	1997–98
CDE Programs*		
General Child Care	70,324	**$350 million
Alternative Payment	40,000	***$216 million
State Preschool	54,078	$121 million
Specialized	17,660	$ 58 million
DSS Programs		
TANF Income Disregard	52,100	$78.6 million
GAIN	24,470	$77.3 million
NET	10,151	$14.8 million
Transitional Child Care	4,971****	$34.1 million
Cal-Learn	23,000	$12.9 million
Child Care & Development Fund	9,000	$353 million

* Excludes Resource & Referral Agency funding at $14 million and Quality Improvement funding (training, education) at $14.9 million for 1997–98.

** Includes $32.6 million to fund part of At-Risk Child Care services.

*** Includes $17.6 million to fund part of At-Risk Child Care services.

**** Includes Community School-Age Services (Latchkey) for school age children before and after school, migrant child care, School Age Parenting Child Care so teen parents can finish school.

Table 6-E. Child Care Program Line-Up in 1997–98[55]

The Child Care and Development Fund, described above, combined three then existing federal Title IV-A programs, including the "at-risk" category of working poor, resource and referral provision, and spending for child care quality enhancement. It feeds some of the other substantive programs listed above and had an existing combined budget of $253 million. Hence, the major budgetary increase has involved

TANF employment requirements: the $100.2 million in additional funding received from the federal government, increasing to $353 million in 1997–98. This fund will then grow by another $81 million between 1997–98 and 2001–02, most of which will compensate for inflation and underlying population increase. Table 6-E excludes head start and miscellaneous specialized programs and which bring total children served up to just above 400,000.

4. The Post-1998 Line-Up Under CalWORKs

Starting January 1, 1998, the DSS programs above were absorbed within CalWORKs, the state's implementation of federal welfare reform pursuant to the PRA. The new program will pay child care providers directly in three stages:

- **Stage 1** is operated by county departments of social services under the aegis of the state Department of Social Services. It is intended to provide immediate, short-term care (usually up to six months) to enable TANF parents to begin job training or initial work activities. Families will receive child care vouchers under a capped entitlement format. Local DSS will use existing county resource and referral agencies providing hotline services for families (and historically focusing on CDE child development programs).

- **Stage 2** is designed for families who have obtained stable employment or who are transitioning off aid. It is to be administered by the state Department of Education. It is also a capped entitlement program. The current "alternative payment" system for the working poor provided much of this coverage under contract with the Department of Education.

- **Stage 3** covers current or former CalWORKs recipients and families receiving "diversion services." It is administered by CDE, and is available on a "third priority" basis and as resources are available after satisfaction of demand for Stages 1 and 2. It includes Department of Education contracted alternative payment program expansion. The assistance in this Stage is based on a sliding scale according to income.[56]

The CalWORKs statute creates "local planning councils" appointed by boards of supervisors and county superintendents of schools, whose members include child care providers, consumers, local officials, and members of the community. The councils are responsible for assessing needs, setting priorities, designing a system, coordinating part-time care so working parents may have their children covered in order to work, developing partnerships, and submitting a local plan to local officials, and then to CDE.[57]

The new system was a compromise between giving all child care funds to counties (SB 933), or all such funds to the Department of Education (SB 530). Child advocates favor management under CDE due to its commitment to "child development," focusing on quality of care. In contrast, advocates consider the Department of Social Services priority to be work facilitation and TANF roll reduction—with less attention to the quality of care received by children.

The "capped" entitlement status means that all persons who qualify will receive child care—to the extent funds are available. That qualification is important in light of the overall funding mechanism—inclusion of child care funds within "CalWORKs block grants" to counties. The counties are free to allocate this broad grant among job development, training, education, public service employment, job placement, child care, and other PRA-related expenses. Hence, the actual amount to be expended for child care is uncertain.

One of the most important decisions made in CalWORKs child care was to allow TANF subsidy to go to non-licensed child care providers. In practice, this means that parents may pay friends or relatives to care for their children. There are some advantages to this flexibility—it means likely care from those within a family circle. Moreover, the lack of licensed supply in impoverished neighborhoods discussed above effectively compelled latitude in the selection of care providers. However, the latitude granted has been virtually unrestricted, and there are serious dangers in the delegation of child care to persons without background or track record. These children will not even have the protection of regular inspections of their home environment provided for licensed child care to assure safety from such dangers as accessible poisons, firearms, etc. which benefit the children entrusted to licensed providers. Many of the unlicensed providers selected will be choices of last resort for parents, who face limited options given the lack of extended family ties in many California homes, and the lack of licensed spaces nearby.

To the extent modest funding for the care of one or two children creates unlicensed supply, the danger is magnified. The population attracted by $7,500 per year to care for two toddlers may not be the ideal persons to be entrusted with the care of those children for 8–10 hours a day, five days a week.

Program	Description	Enrollment	Budgeted (millions)
Department of Social Services			
CalWORKs Stage 1	Vouchers for child care while in CalWORKs training/job search	99,600	$589
CalWORKs Reserve	Available for Stage 1 or 2 as needed	21,300	$90
Department of Education			
CalWORKs Stage 2	Vouchers for child care after CalWORKs employment for up to two years	103,500	$561
CalWORKs Stage 3	Vouchers for former TANF recipients after Stage 2 expiration/ working poor	43,500	$218
Alternative Payment	Vouchers for child care for working poor	35,000	$201
General Child Care	Child care for children 0–13	90,000	$579
State Pre-School	State head start part day child care for 3 and 4 year olds	112,000	$301
After-School Partners	Incentive grants for after-school care	97,500	$88
Extended Day (Latch)	School age care before/after school	6,000	$28
CalSAFE	Teen parent child care	4,500	$38
Migrant Child Care	Infant/preschool care near fields	9,000	$28
Resource & Referral	Lists spaces, helps parents find care	n.a.	$16
California Community Colleges			
CalWORKs College	Child care for TANF parents at college	3,000	$15
Resources for Educ	Single parent students child care, help	11,500	$11
Federal Head Start (in CA)			
Head Start	Preschool prep./care for 4 year olds	106,786	$637

TABLE 6-F. Major Child Care Service Programs for California Children: 2001–02

C. Major Account Description and Status

We present below the major budget accounts relevant to child care. However, recent changes noted above, the transfer of some programs from DSS to CDE, reimbursements, the problems of unspent carryovers, and other inconsistencies make year-to-year comparison inapplicable for many of them. However, as the notes to Table 6-E indicate, the additional programs announced for specific populations and purposes (*e.g.*, after school programs, quality enhancement funding, funding for the working poor, *et al.*) do not always represent entirely new money, but repackaging of previous spending. Whether real increases are added depends on additions above inflation and population gain.

1. Special Purpose Additions to Child Care Accounts Post-1998

Some significant spending occurs beyond service provision to CalWORKs participants. The Department of Education funding for the working poor (Stage 3 CalWORKs recipients and others eligible for subsidy), and special after-school program spending is discussed below separately, as is the system of federal and state tax incentives (see Section H *infra* (Tax Subsidies)). In addition, some spending occurs beyond the provision of care, either to assure safety (regulation) or to enhance quality. This spending is also discussed separately below (see Section F *infra* (Child Care Regulation: Safety) and Section G *infra* (Quality of Care)).

Other special purpose programs of substantial size since 1998 have included:

- "Expanded Use of High Quality Center Based Care." The purpose here is to stimulate center based facilities in impoverished neighborhoods where unmet demand is high, as discussed above. Up to $100 million annually "may be made available" to develop such centers under planning to be developed by CDE together with Local Child Care Planning Councils.

- A "Child Care Facilities Revolving Fund." The purpose of the proposed revolving fund is to assist facility expansion (new portable child care classrooms) for schools. The Fund received $44.9 million in 1999–2000, increased to $56.2 million in 2000–01 and added $72 million in current 2001–02. The proposed 2002–03 budget will add no new funds, and will in fact subtract $42 million from the fund for Proposition 98 general fund reduction. The Governor's 2002–03 Budget Summary contends that "these expansions are nearing completion." Obviously, the funding cut-off is occurring well before that completion.[58]

2. CalWORKs Child Care

Under CalWORKs, just over $888 million was set aside for local assistance for child care and related services in 1998–99; this amounted to a $571 million total fund increase over the 1997–98 level for the various DSS child care programs which have now been consolidated under CalWORKs. However, much of this increase was a roll-over of unspent funds from prior years—going back to 1996–97.

In general, the sums of monies which are spent, as well as changes in program grouping from 1989, make comparisons before 1998–99 problematical. The focus of child care spending is now on the future: with the next two years of CalWORKs implementation and its 2002 reauthorization occupying center stage. CalWORKs' forced employment of parents will hit in fiscal 2002–03 and funds rolled over to date will be depleted. As discussed in Chapter 2, counties have received funds from two major sources, a single CalWORKs grant from the state (paralleling in some respects the federal block grant to the states). The counties were free to allocate it between job training, public service employment, administration, benefits, and for other purposes, including child care provision. The other major fund consists of "incentive payments" made by the state to counties based on their success (measured substantially by TANF roll reductions). The state suspended incentive payments in the current year while the surplus shrank from $1.5 billion [59] to $1.1 billion. In the year 2002–03 budget maintains the suspension—and also takes back about one-third remaining in county hands. After the state take-back and ongoing attrition, it will disappear entirely before the end of 2002."[60]

a. January 2002 Child Care "Reform" Proposal

In his January 2002–03 budget, Governor Davis presented a controversial child care "reform" proposal. The context of the proposal is the current system's focus on the reduction of TANF rolls. Hence, Stages 1 and 2 child care money is expended on CalWORKs training, and the first two years of employment. At this point, Stage 3 CalWORKs kicks in to provide child care to those who have worked for two years. Without such support many of those parents who obtain employment would be forced back onto the rolls since child care cost payment is not realistic for those without relatives or other options. However, the Governor's child care officials point out that the current arrangement assures child care for all those who have been on TANF and then obtained jobs under CalWORKs, and leaves little money to help the working poor who have never been on TANF (*e.g.*, the alternative payments program in Table 6-F). Hence, the working poor never on welfare but who may be "at risk" of losing employment if they do not receive some assistance are denied it in large numbers—with less than 25% of those needing such help receiving it.

The Governor's office points out that under the current system a mother and two young children with a $15,000 per year income who has never received welfare, and now has new expenses which require either child care help or the surrender of her employment to care for her children, will likely receive no help. Meanwhile, a TANF family whose parent has collected TANF for four years without work, has now found a job and after two years is making $18,000 per year is assured of substantial child care help. The Office concludes that such arbitrary discrimination against a person based on their refusal to accept state assistance is not equitable.

One response to the equity argument of the Governor is to cite three characteristics differentiating many TANF parents from non-TANF receiving families. First, many non-TANF working parents have been able to work and obtain adequate child care—whether with the help of relatives or private charity. While many of these arrangements are not to the advantage of involved children, they have been able to maintain employment. A large proportion of TANF parents have been unable to secure such employment, based both on training and preparation, and on the overwhelming cost of child care, as Chapter 2 discusses. The fact of their historical underemployment attests to that failure. Second, the TANF parents were led into employment with the promise of "adequate child care." That promise is buttressed by a public investment in training, qualification and job search that job abandonment would sacrifice. Third, unlike the parent who has not recently received TANF benefits, the TANF receiving parent is time limited and if forced back onto the rolls faces cut-off or cut-down to extreme poverty levels in perhaps a short time span.

Notwithstanding these *caveats*, the basic equity argument of the Governor's Office has important merit. The optimum solution is not to take child care away from a group which has particularly demonstrated its need for such help as a condition of employment. Rather, it is to expand child care to the working poor through a sliding scale applicable to all—regardless of prior TANF history—on a basis responsive to legitimate need.

The problem with the Governor's reform is that it is not primarily a supplement to add child care help, but a redistribution. It takes child care help from those now receiving it—or those on TANF who will need it for CalWORKs compliance—and distributes it to a wider population of working poor. The overall proposal would also increase after-school programs by $30 million, and an overall increase of $150 million, or 4.9%. Except for the after-school increase, the budget would hold actual spending even with population and inflation change.

The Reform Plan would add an extraordinary add $425 million to the Alternative Payment Program that serves the working poor in general, bringing its total up to a record $626 million and able to provide care help to 111,000 children, 76,000 more than in the current year. Hence, proposal is basically a shift, or redistribution of existing monies. Those losing assistance will include few parents able to afford child care, as their TANF/employment histories indicate. The Governor will get most of this new money for the working poor from the CalWORKs program, reducing Stage 1 child care by $50 million, Stage 2 by $133 million, and Stage 3 child care by $218 million.[61] It is unclear how the state is to employ the 200,000 parents required to work in 2002–03 without care for many of the 400,000 children involved and requiring Stage 1 and Stage 2 child care.

Few of those on Stage 3 child care (employed more than two years) are receiving $12,000 raises at the start of their third year of work to pay for child care. The proposal concedes that it assumes the cut-off of 16,000 from Stage 3 assistance. The Governor would argue that those so cut will have access to Alternative Payment help on an even footing with others, and that if they are able to qualify, they will be a part of a larger pool of working poor receiving it. Some advocates for the poor counter with the three distinguishing features listed above delineating the Stage 3 group. But the real flaw is the implicit assumption that the issue is a zero-sum game, and that child care for the working poor can only be provided by taking it away from another child care recipient. If such a limited weltenschaung were adopted, additional funds might be better found in the federal and state child care tax credit expenditures extending to those earning above $50,000 per year. But within the state budget and the broader revenue authority of the state, many sources of revenue exist to provide quality child care for children whose parents must work. See Chapter 1 for discussion of revenue availability, tax expenditures, and personal income growth in California.

The Governor's plan includes five troubling features beyond the lack of financing, as follows:(1) it reduces eligibility for subsidized child care from 75% of the state median income to 66% to 60% (depending on the county of residence); (2) it removes coverage for those 13 year old children currently eligible (CalWORKs already excludes them), (3) it requires substantially higher co-pay fees to receive help—such co-payments would be imposed on a mother and two children making only $850 per month. A family with three children in child care in a high cost county would be asked to pay almost $993 per month, or 34.7% of a family's income, (4) child care providers would be required to assess the fees—putting them in the direct position of collection or denial of care; and (5) the amount of assistance has been based on a county by county survey of market charges—with 93% of that level set as the maximum; the Governor's reform would substantially reduce that maximum to the 75th percentile. This would require either co-pays beyond the scheduled increase, or child care provider absorption of lower revenue. The result is likely to be further supply constriction for these children, as occurs when Medi-Cal rates drop too far below market levels.

b. May Revise 2002 Retraction

The Governor's proposed reforms in January 2002 raised a storm of protest from child advocates, child care providers, and the Women's Caucus. Facing the coextensive budget shortfall precluding the modest expansion of Alternative Payments, the Governor retracted his reform proposal in his May 2002 Revise, with its advancement possible in 2003–04 or thereafter. Indeed, its revisiting is likely given his citation of likely Stage 3 caseload projections of $358 million in 2002–03, increasing to $748 million by 2005–06. Implicit is the administration's view that as time passes and more CalWORKs parents work three, four, five and more years—to continue to give them absolute assurance of child care while other working poor at lower income and greater need are denied help becomes progressively difficult to justify.

Hence, the final administration child care funding proposal from the May Revise is similar to the Table 6-F outline of current spending for 2001–02, with one major augmentation—$75 million more for after-school programs able to serve 79,000 more children, as discussed below. It fully funds Stage 3 child care, including $103.7 million specifically to fund those CalWORKs parents who have reached the two year mark in their employment and need funding for a third year. Based on his budget documents, it is unlikely the Governor will propose a fourth year of funding for Stage 3 parents in 2003–04.

The budget as altered in May 2002 does not reduce Stage 1 chid care as much as Table 6-F below indicates, restoring $50 million to raise the total to $527 million. However, that total remains below Stage 1 spending in any of the years since full CalWORKs implementation in 1999–2000. It is unclear how this sum will finance the CalWORKs entry of the 200,000 parents with over 400,000 children—many of whom will need child care as they enter mandatory CalWORKs coverage.

The May 2002 Revise also includes two reductions from the current year numbers of Table 6-F, including a Stage 2 child care subtraction of $85.9 million based on anticipated caseload reduction for an estimated 21,400 children whose parents will reach the end of their five-year period for allowable assistance and will be dismissed from public service employment.[62] Note that the Revise does not discuss what will happen to these children absent employment, child care, and TANF safety net help (or at best a reduction to the "children's share" of TANF from state funds in an amount placing such families typically below 50% of the poverty line; see Chapter 2).

Complicating actual spending is the fact that almost all of the CalWORKs child care funding takes the form of inclusion in state block grants to counties, as discussed in Chapter 2. As noted above, recent surveys reveal that only 19% of these block grant funds are in fact being expended on child care, a lower amount than budget documents assume. These funds may be spent as counties decide between education, job search, placement, training, and most critical—public service employment itself.

3. DSS California Alternative Assistance Program and Income Disregard/Supplemental Child Care

A small part of the TANF child care subsidy comes from two related programs: the Alternative Assistance Program, which allows child care help in lieu of TANF, and Supplemental Child Care keyed to the TANF income disregard program. State regulations allow TANF recipients to disregard (for purposes of TANF) up to $175 per month ($200 if a child is under two) of earned income expended for child care. Hence, recipients can keep the first $175 they earn without TANF reduction or disqualification when the $175 is spent on child care. The amount is increased to $200 where children are younger than two years old. A total of 52,100 children covering about 26,000 parents currently take advantage of the disregard incentive to work—a substantial portion of TANF parents with jobs.

	1998–99	1999–2000	2000–01	2001–02	2002–03
General Fund	$1,527	$10,282	$35,885	$107,565	$119,508
Federal Trust Fund	$278,584	$564,721	$565,590	$480,422	$356,727
Reimbursements	$232	$760	$744	$918	$1,036
Total	$280,343	$575,763	$602,219	$588,905	$477,271

Dollar amounts are in $1,000s. Source: Governor's Budget.

TABLE 6-G. CalWORKs Stage 1 Child Care (DSS)

The income disregard amounts to approximately $80 million in mostly federal funds, which are paid to persons who would be ineligible but for the disregard. The state has reimbursed recipients for any child care expenses in excess of the disregard up to the 75th percentile of the regional market rate. This supplemental disregard allows those who work to keep, in effect, another $100–$150 per month per child in earnings. Families receiving the child care income disregard must be transitioned to a payment method that makes direct payments to the child care provider.[63] Table 6-G does not include this disregard sum.

The Alternative Assistance Program (AAP) is the existing vehicle used by the Governor in his proposed January reform proposal to spread child care assistance out more generally (albeit in smaller amounts and with co-payments) to a larger number of working poor parents. Its broad scope allows such use, and child advocates support the addition of substantial sums to this account for the additive purpose cited, but without the subtractions included in the Governor’s proposal. Its current level of $201 million would not be appreciably altered in the May Revise retraction of the reform proposal. The last would have added $425 million to the Alternative Payment Program, bringing its total to $626 million and serving an additional 76,000 children. As revised, child care will not be retracted from Stage 3 recipients, co-payments will not be imposed, and qualifications will not be raised, but these 76,000 children will not receive child care.

4. California Department of Education (CDE) Child Development

The preschool and after school programs of the California Department of Education (CDE) are legislatively intended to include some component of cognitive development, *i.e.*, an educational element. Thus, many of them are labeled as “child development” as opposed to “child care.” CDE programs cover a wide spectrum, ranging from child development for handicapped children so they may be mainstreamed into regular classes, to child care for teenagers with children, to enable them to complete high school.

These "special population" programs are funded through discrete accounts intended to provide a particular child care service where there has been historical need. But other more general programs provide child care based on income and need. Chief among these are the CDE's general child care, alternative payment, and extended day programs.[64]

These general programs receive most of the funding extant and focus on children at risk of abuse or neglect as a first priority; income of the applicant is a second criterion. In terms of non-abused children, qualification is based on family income. The programs must by law accept the lowest-income applicants ahead of others.[65] Underfunding has created waiting lists. Persons have been (and will be for Stage 3 CalWORKs) accepted for child care assistance on a sliding fee scale, but a new applicant with lower income preempts those at the top of the list, regardless of their tenure there. Hence, in most counties, only abused and neglected children and the very poorest have been able to obtain this assistance, as others in large numbers—also below the poverty line—are preempted.

Exacerbating the devolution of child care decisions to the local level has been a lack of regulatory guidance from the California Department of Education. Stage 2 and 3 applicants do not know the rules, because none have been adopted until recently, and these have been summary in format. According to the Child Care Law Center, many children have experienced interruptions, the employment of their parents has been jeopardized, and child care providers have gone months without payment (delays which are serious given their low levels of recompense) .[66] In January 2000, parents and providers filed suit in San Francisco superior court, contending *inter alia* that the Department is required by law to adopt rules governing: eligibility, enrollment, priority of services, funding, and reimbursement procedures. Instead, the Department has allegedly issued guidelines by what is termed "underground rulemaking," *e.g.*, unilateral decision, without the notice, hearing, opportunity for comment et al required by the California Administrative Procedure Act (APA). Although San Francisco Superior Court Judge David Garcia ruled that the Department could not be ordered to issue CalWORKs child care regulations, he struck down two of the Department's Management Bulletins as violating the APA; however the court also denied writ relief to petitioners regarding other Department bulletins, finding that some had expired by their own terms, and others merely paraphrased applicable statutes. On June 28, 2001 the Department issued emergency rules to guide Stage 2 and Stage 3 child care eligibility. The rules were adopted and submitted to the Office of Administrative Law for review in early 2002. The rules make clear the 24 month cut-off for Stage 2 CalWORKs child care and generally repeat the terms of the applicable statute.[67]

a. CDE General Child Care

CDE "general" child care is currently funded at the $1.28 billion level, and is proposed at $1.5 billion in the January budget, as depicted in Table 6-H. A fund of $165 million is to be held in reserve, with $65 million available to add to either Stage 1 or Stage 2 child care as caseloads require. The current year reserve for that disposition is $90 million. The reserve allows the Governor to avoid giving the funds to the counties (DSS Stage 1) or to the somewhat independent California Department of Education. From the administration's perspective, retrieving such funds from either recipient should the sum initially given prove excessive is less difficult than reserving it for payment if needed.

	Budget Year						Estimated	Proposed	Percent Change	
	1989-90	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	'89-'01	Proposed
Total	$312,295	$511,619	$636,056	$740,310	$854,750	$1,140,205	$1,279,468	$1,514,506	309.7%	18.4%
Adjusted Total	**$505,953**	**$587,134**	**$713,456**	**$807,391**	**$909,572**	**$1,172,118**	**$1,279,468**	**$1,465,964**	**152.9%**	**14.6%**

Dollar amounts are in $1,000s. Sources: Governor's Budgets.
Adjusted to children age 0–19 and deflator (2001–02=1.00). Adjustments by Children's Advocacy Institute.

TABLE 6-H. CDE Child Development

The CDE programs funded by the Table 6-H account include Stages 2 and 3 of CalWORKs, state preschool spending, After-School Partners, and the three small programs listed in Table 6-F (extended day, CalSAFE, and migrant child care). The Governor's Budget does not include in this account other CDE administered programs, particularly the alternative payment and general child care accounts, which total $780 million in the current 2001–02 fiscal year. Table 6-F has a more complete listing of major child care programs, levels and amounts.

A separate sub-account within general state child care pays for agencies which serve as the critical facilitator for both child care providers and for parents seeking to find nearby spaces for their children. Approximately 70 resource and referral agencies in all 58 counties of the state assist providers with licensing problems, business resources, and training. As discussed above, they provide "hotline" services for parents—informing them of existing vacancies with licensed child care providers in the geographic area of the parent's need. Funding for this program has gradually increased from $9.5 million in 1993–94 to $16 million currently.

CalWORKs child care is arranged as follows: DSS child care Stage 1 funding and can be used for no other purpose; almost all of the $589 million currently so designated is simply included in the state "block grant" going to the counties, with county discretion as to the amount for to be expended for various purposes.

The $561 million currently expended for Stage 2 is also confined to that particular qualifying use—the first two years of CalWORKs employment. A reserve fund is available to add to Stage 1 or 2 as needed. However, none of this Stage 1 or 2 or reserve funding is available for Stage 3—or for other expenditure for the working poor in general—regardless of need or risk of falling onto TANF rolls without it (the previous basis for "at risk" federal child care assistance).

As discussed in Chapter 2, a month where any aid is received, even if a parent works part time counts against the limit. At that five year mark the TANF grant, already reduced from above $950 per month in constant dollars over the last decade to $645, is then cut to $420 for the benchmark Mother with two children and to under $320 for the parent with one child. That limited assistance depends upon available "state only" funding.

b. CDE Preschool Programs

The CDE preschool program is the third-largest state education directed child development account. It has received the historical support of both the previous and current Governor and the legislature. This program is not intended as just a child care program, but rather as a state version of federal "Head Start"—addressing four-year-olds and designed to prepare them for an equal start in the public schools (see Head Start discussion below). It provides subsidies for educational child development for approximately 112,000 children. CDE preschool trends are comparably tracked from 1995–96. As Table 6-I indicates, this account has increased as adjusted at a substantial rate, particularly during 2000–01. That increase was consistent with the Governor's pledge to provide state pre-school for 100,000 children in 2001. The promise was kept, and funding has kept pace with inflation and population to the proposed 2002–03 year.

	Budget Year					Estimated	Proposed	Percent Change	
	1995-96	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	'95-'01	Proposed
Total Funding	$106,826	$127,000	$142,000*	$180,000*	$271,121*	$275,000*	$301,000*	157.4%	9.5%
Adjusted Total Funding	**$115,265**	**$135,798**	**$149,953**	**$187,766**	**$276,506**	**$275,000**	**$292,828**	**138.6%**	**6.5%**

Dollar amounts are in $1,000s. Source: Governor's Budgets; Department of Finance. * Estimates of Children's Advocacy Institute.
Adjusted to 0–4 population and deflator (2001–02=1.00). Adjustments by Children's Advocacy Institute.

TABLE 6-I. CDE Preschool

c. CDE After-School Programs

Within the CDE general child care budget, the Governor's current budget expanded the After School Learning and Safe Neighborhoods Partnerships Program by $20 million, with spending to start mid-year (January 2002 to allow time for application and award). These grants go mostly to grades K-9 where at least 50% of the students qualify for free or reduced cost meals. They provide children with academic support, homework assistance, and enrichment programs. In 1999–2000, 57 base grants were awarded, serving 19,203 elementary school and 11,778 middle school children. An additional 38 supplemental grants were awarded (vacation, summer session, intersession), serving 9,708 elementary and 6,001 middle school children. Funding during current 2001–02 has been approximately $87.8 million, which translates to $5 per child per day. There is a local match of 50% required.[68]

The proposed 2002–03 budget increases spending by $75 million to a total of $163 million for the program—a total capable of serving 176,000 children. However, note that $30 million of that sum is actually a carryforward of current year grants that were suspended—the actual increase is $45 million. The May Revise finances $41 million of that augmentation from federal 2002 No Child Left Behind Act (education reauthorization).

5. Proposed After-School Initiative

The After School Education and Safety Program Act will be placed on the November 2002 state ballot. Sponsored by actor Arnold Schwarzenegger, the initiative would eventually allocate $430 million for after school programs in elementary and middle schools. The money source would be an assured portion of natural revenue growth starting in 2004. The measure was drafted by respected public interest health activist Mary Ann O'Sullivan, and skillfully avoids the supplantation danger that undermines much well intentioned child-related special funding (as the Governor's May 2002 diversion of added effect from the federal No Child Left Behind Act of 2002 illustrates). This After-School financing measure directs added funds for programs intended to augment education, assist child care, and deter delinquency.

The measure does earmark a portion of new revenues that might be better allocated to other child related needs, and political scientists bemoan the inflexible specification of funding beyond legislative discretion. However, the current pressures on legislators and the Office of Governor commend some reservation for purposes lacking powerful constituencies. The measure is commended by the need for after-school programs, the already sunk public cost in the facility itself, and the lack of child care and positive activities—specially for the middle school population. It is not extreme in its scale, essentially tripling such funding after the Governor's proposed 2002–03 increase.

D. Inadequate State Coverage of the Working Poor

The proposed total child care budget is an increase over historical spending. And overall child care assistance, including Head Start, has extended from 400,000 children six years ago to 820,000 currently. But that 420,000 increase involves 200,000 parents. Demand since 1996 has increased substantially more than these numbers given the removal of almost one million children and over 400,000 parents during this period from TANF rolls, allegedly because the parents are working. In addition to population growth and increased work incidence, the growth in child care budgets—although facially impressive—has not matched demand originating from population growth, increased parental employment, and TANF caused demand (see Condition Indicator discussion at beginning of this Chapter).

The most important problem in the child care account is its overall level of funding, and the exclusion of the working poor—an omission the Davis Administration has acknowledged implicitly in its January 2002 child care reform proposal. As discussed above, Stage 1 and Stage 2 CalWORKs child care are walled off from Stage 3. That is, excess from budgeted amounts does not roll over to or is not available for such Stage 3 (or other spending for the working poor).

If money remains after satisfying the Stage 3 CalWORKs recipients who have been off TANF assistance (working) for more than two years, it is then theoretically available to other working poor. Such remaining funds are allocated on a priority basis, first for abused children and then for the working poor starting with those at the lowest income level. The minimal level of money made available for Stage 3, and increasing demand from more CalWORKs employed TANF parents passing their two year deadlines each year means that it will not reach many parents on long waiting lists. The Governor has conceded that the cost of child care for those parents employed for two years or more will be $280.5 million in 2000–01, and will increase to $628.9 million in 2004–05 as more and more parents reach the two year mark and continue to work.

It is possible the administration expects the funds from Proposition 10 to be devoted to more generally to assist impoverished parents. Although a Proposition 10/Administration joint venture is being planned to make young children "school ready," that effort is not scheduled to meet the larger Stage 3 child care undersupply.[69] Moreover, the May Revise of 2001 announced use of Proposition 10 funds for child care raises questions of inappropriate diversion.[70] The 2002–03 budget's major child care Proposition 10 joint project is $5 million from the Commission matched by $5 million from the general fund to create incentives for providers to seek accreditation status.[71]

In Spring 1999, the Davis Administration acknowledged the problem of child care impediment to child poverty amelioration among those willing to work. It initiated a review of child care policies and contends that it lacks data to proceed. Tellingly, it defined the charter of its inquiry "to assure equitable access to child care for working poor families, within available resources."[72] Foreclosing new resources as an inquiry begins would appear to limit options. The Governor's current 2001–02 Budget explains itself enigmatically as follows: "This ($157 million for Stage 3 CalWORKs) fully funds the Administration's one year commitment to this population pending completion of the child care policy review. Upon conclusion of this review, Stage 3 funding needs will be addressed, in combination with the necessary policy changes to the overall child care program, to meet the goals expressed last year of serving the State's neediest families within existing resources."[73] That ominous language appeared to signal the withdrawal of commitment to help the poor beyond two years of post-employment help for former TANF recipients through CalWORKs and pre-school child development for four-year-olds.

The fears of advocates for the poor and children were vindicated on May 22, 2001 with the release of this long-awaited review of state child care policy. The four consultants retained by the Administration submitted a report to the State and Consumer Services Agency which followed an explicit limiting directive: options to be analyzed would focus on the distribution of existing resources.[74] Substantial new funds were not on the table. As a result, the Report outlines seven optional scenarios within this limited framework. None of them approaches significant help for impoverished families and children. Each simply redistributes current subsidies in different packages, generally paying less to many in order to pay something to more persons. The underlying problem is that child care costs are substantial and the spreading out of subsidies so that large numbers are offered 10% or even 40% of their costs constitutes an offer hundreds of thousands of parents cannot accept. They cannot make the 90% or 60% match such an offer requires.

One respected source noted some of the problems with the Report, which appears to represent the range of options to be considered by the Davis Administration: "All (7 scenarios) spread existing dollars among more families, shift costs to low income families, and restrict access to providers...The impact on many families could be very harsh...Scenario 6 (for example) would cause 54,500 children to lose their subsidy, while extending it to an estimated 76,500 others....The report provides no analysis of the potential impacts of eliminating child care subsidies from thousands of currently served families,...Similarly, the report does not analyze families' ability to pay the proposed higher fees (the Report recommends)."[75]

Beyond the problem facing TANF parents employed after 1998 is the larger question of the working poor who theoretically are vulnerable to TANF entry, and who need some help to push past the poverty line. The amount available to the working poor, and necessary to realistically lift over 2 million California children above the poverty line is insubstantial. The May Revise 2002 proposal of the Governor, although couched in terms of overall equity, vindicated the concern of the Report's critics. It reallocated funds without significant increase. It did not put on the table the real competing considerations—child care for children vs. tax expenditures (see discussion of $24 billion in current tax expenditures), or child investment vs. Department of Corrections spending (*e.g.*, prison guard compensation). Or if confined to child related spending—child care vs. bonus awards for all test takers scoring in the upper 10% at their school.

Without a plan for sliding scale child care for the working poor at a level making quality care feasible, waiting lines continue for help, children will increase in latchkeyed status (as the most recent studies of adolescent children of CalWORKs parents is suggesting), and hundreds of thousands of parents are unable to lift their children and themselves from poverty through work.

E. Federal Child Care Spending

The three major child care related federal accounts in total national spending are as follows:

	FY 2001	FY 2002
Child Care and Development Block Grant Fund (CCDBG):	$2.0 billion	$2.1 billion
21st Century Community Learning Centers	$0.8 billion	$1.0 billion
Head Start	$6.3 billion	$6.5 billion

The first (CCDBG) program is included within the state child care funding discussed above, as is a portion of the 2002 No Child Left Behind Act pertaining to child care (including some after-school program funding). In addition, two smaller accounts have child care implications. The Early Reading First Initiative provides $75 million nationally in 2002 to provide professional development and pre-reading instruction for children from 3 to 5 years of age in Head Start and state pre-school programs. In addition, within the Individuals with Disabilities Act (IDEA, see Chapter 5) are Infant and Toddler grant programs funded at $383 million, and IDEA preschool programs for children with special needs, funded at $390 million.

1. Head Start

The federal Head Start program is not reflected in the state budget numbers above (except for Table 6-F) because it does not channel its federal monies through state budgets, but follows the unusual pattern of direct federal administration. Funding has increased modestly since 1989–90, and now serves about 50% of the eligible population, providing additional "catch-up" preparation for four-year-olds who live in families making under $15,000 per year.[76]

Head Start provides preschool preparation for impoverished children, focusing on three- and four-year-olds about to enroll in the public school system. About 12% of the enrollment consists of children with disabilities. Ninety percent of Head Start teachers have degrees in early childhood education or have obtained a credential or state certificate to teach preschool children. Large numbers of parents traditionally participate as volunteers in Head Start classes. California's 2001–02 Head Start allocation was $637 million, up from $568 million in fiscal 1998. The enrollment has increased from just over 80,000 in 1998[77] to 106,786 currently.[78]

California has 1,945 Head Start Centers, housing 5,081 classes and employing 18, 565 persons. Twenty-eight percent of them are or were Head Start parents. Hispanic children make up 65.8% of enrollees in the state, with African American enrollment at 13.6% and White enrollment at 12.7%. Over 70% of Head Start families report annual family income at under $15,000.[79]

Traditionally, Head Start has been a part-day, four-days-per-week program for four-year-olds. It has been expanding its scope gradually to provide full-day coverage to assist parents who need to work full-time. Currently, about 50% of the programs offer full-day child care to assist these parents. Another area of expansion is the inclusion of children under 4 years of age. An "Early Head Start" program was initiated by Congress with the reauthorization of the Head Start Act in 1994. For fiscal year 1999, the national appropriation reached nearly $340 million and has remained approximately level with population and inflation to 2002. About 30% of the state's Head Start enrollees are now 3 years old.

The average Head Start class has 18 children, with two staff/teachers for a 9 to 1 ratio. The setting allows health checks for child enrollees, and 96% receive medical screenings and 88% dental examinations, and 92% were up-to-date with immunizations.

The increase in federal Head Start of from $6.3 to $6.537 amounts to 3.6% and is essentially level in relation to inflation and population growth. The current Bush Administration proposal for 2003 is also level.

2. 21st Century Learning Center Grants

One substantial federal program approved and expanded after 1998 provides indirect resources to facilitate some after-school activities which can supplement education and ameliorate child care burdens to some extent: the 21st Century Learning Centers Program. This program was established by Congress to award grants to rural and inner-city public schools, or consortia of such schools, to enable them to plan, implement, or expand projects that benefit the educational, health, social services, cultural and recreational needs of the community. It is administered by the U.S. Department of Education. Grants awarded under this program may be used to plan, implement, or expand community learning centers. The program is designed to target funds to high-need rural and urban communities that have low achieving students and high rates of juvenile crime, school violence, and student drug abuse, but lack the resources to establish after-school centers.

By statute, a 21st Century Community Learning Center grant cannot exceed three years. By statute, the Department will not consider for funding any application that requests less than $35,000 per year. Currently, the average grant size is approximately $500,000 and the typical grant supports four Centers, at an average cost per Center of approximately $125,000. Annual costs per Center range from $35,000 to $200,000, depending on the array of proposed activities and the availability of additional resources. The amount of funding in FY 2001 nationally was $846 million, with an increase in 2002 to $1 billion.

F. Child Care Regulation: Safety

California's child care facilities as of March 1, 2002 includes 44,923 licensed family day care providers, 9,750 larger day care centers, another 1,589 such centers specializing in infant care and another 3,055 such centers focusing on school age children. The first category (family day care) involves care in the homes of the providers. As discussed above, they include from one to fourteen children each; most are "small" day care homes caring for up to eight children. These facilities are licensed by the state Department of Social Services, either through its Community Care Licensing Division or by delegation to some counties.[80]

The law currently funds Child Care Ombudspersons to facilitate child care, and provides inspectors to assure minimum safety. About one-fifth of the licensees are licensed and inspected at the county level (where the state has so devolved that function).

Increasingly, parents entrust their children for most of the day to care and facilities of strangers, either in a commercial center context, or in the home of a day care provider. Safety issues are of particular importance given the tendency of young children to test their environment, and the increase in allowable children per facility discussed above. In January 2000, the General Accounting Office released a national review of state child care safety and health regulation using 1999 data. California's performance was near the bottom of the nation. It carries the 4th smallest inspection staff per facility licensed in the nation, with a 249 caseload per inspector. National standards advise 75 facilities per staff; California would have to triple its staff to comply. As discussed above, it allows among the highest number of children per facility by type. It is one of just six states which have "non-expiring licenses," requiring no renewal whatever without limitation. Its frequency of visits per year for compliance was "less than one every two years for family day care, and once a year for Centers," less frequently than any other state.[81]

This national report was followed in August 2000 with a report from the California State Auditor highly critical of the performance of DSS in monitoring the criminal histories of persons working in child care settings. Such settings can constitute particularly attractive employment for child molesters, who commonly seek out situations allowing private contact with children. The Auditor noted that where DSS discovered criminal histories it exercised its discretion to allow child care functions by such persons at a 95% rate. It adds "the department interprets state law regarding FBI check requirements in a way that does not fully protect children and may have inappropriately licensed or allowed individual to work in child care facilities without first reviewing their FBI criminal histories."[82] The Report was also critical of the DSS monitoring of child care workers after licensure, and its lack of expeditious enforcement of existing standards where violated. Dangerous contact between felons and young children is even more likely in the unlicensed context, which increasingly dominates child care for impoverished children. DSS does little to check on the placement of children with relatives, friends, et al. often required to secure CalWORKs employment (see Trustline expenditure discussed above).

The failure to fund child care regulation contrasts with the Legislature's stated intent in its enactment of AB 3087 (Chapter 1316, Statutes of 1992), a comprehensive child care regulation reform measure.[83] However, the legislation was amended to condition its terms on adequate funding, which the Legislature refused to provide. Accordingly, the child advocates sponsoring the bill included a funding mechanism: selling customized license plates (Kid's Plates") which contain one of four special symbols: a heart, star, plus sign, or child's hand print . Although these plates were successfully implemented, this source has been impeded by lack of full cooperation from the Department of Motor Vehicles, has been divided by the legislature to fund five separate (other) child-related accounts, and will not produce significant revenues for several more years. The failure to fund child care regulation is critical because the reform legislation of 1992 would require annual inspections, plus spot inspections, and make other changes to assure child safety. California requires the annual inspection of dog kennels, a provision which is funded and enforced statewide. As the GAO Report documents, California pays much less attention and gives lower priority to the placements for its children.

The other major source of funding relied upon by the legislature is the implementation three years ago of one of the few tax or fee increases approved by the Legislature over the past eight years—a fee on child care centers and family day care providers, one of the lowest-paid sectors of the economy.[84] Most recently in January 2000, the Davis Administration (DSS and CDE) proposed a major increase in child care fees, to impose charges on parents directly. The proposal is perhaps the only major tax or fee increase proposal of the past six years, and would impose additional costs on poverty line families struggling to pay necessities, and impose substantial monthly costs on many families just below the self-sufficiency levels discussed in Chapter 2.[85]

Table 6-J presents the spending trend for the inspection, licensing, and regulation of these providers. Adjusting for inflation and the number of facilities regulated, adjusted spending for child care regulation was substantially level from 1989 to 1997–98. It increased during 1998–99 and has continued close to level as adjusted since. The funding has more than matched the population adjustor used but has not kept pace with the number of children in child care (due to CalWORKs *et al.*) from 1989–90. In particular, the number of child care licensees to be monitored is now 59,327, almost doubling since 1989 The Governor's May 2002 Revise adds $2.7 million to the $126.1 million proposed for 2002–03. But the 3% adjusted increase remains below the increase in licensees. The funding proposed does not allow significant increase in the inspection rate necessary to protect children—who here spend many hours per day at a home or facility out of the control of parents.

	Budget Year							Estimated	Proposed	Percent Change	
	1989-90	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	'89-'01	Proposed
Total	$54,763	$79,841	$81,819	$82,077	$98,738	$109,348	$119,010	$122,726	$126,079	124.1%	2.7%
Adjusted Total	**$84,449**	**$88,222**	**$87,690**	**$86,709**	**$102,731**	**$112,542**	**$120,588**	**$122,726**	**$123,286**	**45.3%**	**0.5%**

Dollar amounts are in $1,000s. Sources: Governor's Budgets
Adjusted to age 0–9 population and deflator (2001–02=1.00). Adjustments by Children's Advocacy Institute.

TABLE 6-J. Community Care Licensing

G. Quality of Care

1. Quality Failure Problems and Consequences

Both adequacy and quality of child care has become a dominant subject of scholarship and commentary. Over the last three years, more than twenty major reports, studies, and surveys have covered basic child care issues, particularly in light of welfare reform. Studies generally conclude that attention in the early developmental years is important and has lasting impact. Even with substantial increases, the supply of subsidized child care is inadequate given PRA-generated demand; the working poor are driven back onto TANF because of their lack of access to care for their children, and the quality of child care is uneven and disappointing.[86]

A four-state study of quality in child care centers found that only 14% could be rated as high in quality.[87] The Packard Foundation's Center for the Future of Children concluded that "(1) the quality of services is mediocre, on average; (2) the cost of full-time care is high; (3) at the present time, the cost of increasing quality from mediocre to good is not great, about 10%; [and] (4) good child care is dependent on professionally approved staffing ratios, well educated staff, low staff turnover.[88] One of the leading authorities in the field concludes that the state of child care "reflect[s] the low priority given to children's care and women's work in American society."[89]

Other recent studies have raised serious questions about the impact of low quality child care on children, particularly given the sacrifice of parental time and attention often implicated. The findings discussed in Chapter 2 of some problems with older children who lose substantial parental monitoring are here underlined by California data showing low levels of parental or other adult supervision for children over the age of 10. These children are increasingly latchkeyed home alone, or are sometimes relied upon themselves to care for younger siblings. An increasing number lack direct paternal impact and often lack male models. The popular culture tends to fill that vacuum with regrettable messages about laudable male qualities: being decisive, forceful, tough, threatening, violent. Although such caveats are discounted by many child care advocates, the implications of enhanced peer group influence, or reliance on popular cultural, are not a source of comfort.

The concerns of many were heightened by some preliminary findings released in April of 2001 from the substantial longitudinal study of child care consequences conducted to date. Financed by the National Institute of Child Health and Human Development, the study started in 1991, with 1,364 children from 10 cities undergoing detailed surveys, and follow-up study—including observation of class room and social behavior. Three preliminary findings have emerged from the first seven years of observation: (1) 17% of kindergartners who had been in child care showed more assertive and aggressive behaviors; (2) family relationships correlate more closely with measures of aggression than does child care; and (3) higher quality child care correlates with academic success in early school years. The first finding produced great controversy because of the political ramifications implicit in a message that child care was not beneficial to children. While the degree of aggression measured is not severe, it is a variable appropriate for continued and careful measurement. However, a full-time parent is not an option for millions of children, and the findings of this and other studies confirm the advantages of high quality child care where it is provided, with this study confirming: "The quality of child care over the first three years of life is consistently but modestly associated with children's cognitive and language development. The higher the quality of child care (more positive language stimulation and interaction between the child and provider), the greater the child's language abilities at 15, 24, and 36 months, the better the child's cognitive development at age two, and the more school readiness the child showed at age three." The study also acknowledged that other variables were more influential, including family income, maternal vocabulary, home environment, and maternal cognitive stimulation.[90]

Recent additional evidence has been presented during 1999–2001 concerning the deleterious consequences of latchkeying children and the advantages of high quality child care. In addition to four studies,[91] the Journal of the American Medical Association published a peer reviewed article on May 8, 2001 which involved a long term (17 year) study of 1,539 low income children enrolled as 3 and 4 year olds in Chicago Public Schools' Child-Parent Centers, with half-day care similar to Head Start, and some school-age services linked to elementary schools at ages 6 to 9. The results were more decisive than the NICHHD study discussed above, with those admitted in the program 33% less likely to be arrested and 41% less likely to be arrested for a violent crime, and 20% more likely to finish high school *vis-a-vis* control groups. The study conclusion: "Participation in an established early childhood intervention for low-income children was associated with better educational and social outcomes up to age 20 years."[92]

Three other national studies released in 2001 and 2002 found that parental employment did not harm or benefit infant, toddler or school age children—where quality and subsidized child care was provided. Studies have also found that programs that increase both income and employment earnings (earnings supplements) benefitted children in terms of academic (school) performance. Adolescent children, however, had negative academic outcomes in each of the programs studied (mandatory employment, earning supplements, and time-limited assistance). Negative impacts included poorer school performance and higher special education enrollment.[93] Other studies confirm the importance of quality child care, reduction of family poverty, and attention to adolescents.[94] These findings have implications for the current TANF reauthorization debate (should parents be required to work 40 hours a week as opposed to 30?), and also for the importance of after-school programs which reach adolescent populations (see discussion above).

Concern about child care quality, particularly for CalWORKs parents now compelled to work, is supported by a major study by the University of California and Yale University, released in February 2000. The study focuses on three states, including California. The California sample involved single mothers in San Francisco and San Jose with young children enrolled in CalWORKs for 6 months. Compared to control groups, the study found: that young children are moving into low-quality child care as their mothers are employed, and that child care centers are in short supply in the neighborhoods where needed. Accordingly, almost half are compelled to leave children with family or friends.[95]

Quality is compromised in California by three factors: (1) lack of any certification or other system to provide enhanced status to providers as a positive incentive to learn and improve;[96] (2) high staff turnover (now at 30% per year), much of it from public school class size expansion attracting child care workers; and (3) low pay. The last factor is of particular importance, and influences the first two. Some family day care workers do not earn minimum wage. Current compensation allows a full-time child care worker providing for a 6-year-old to receive $3.57 up to $527 per month. These workers, in whose hands children are placed, generally live below the poverty line themselves.[97] At the higher end for child care, the average salary of a preschool teacher in California is about $24,600 for twelve months of work. An elementary school teacher *starts* at $24,835 for a ten month year with a realistic career track to earn $50,000.[98]

On April 29, 2001, a University of California at Berkeley study focusing on California reported that salaries for child-care teachers, which found the current average to be about $24,600 per year, and found compensation to have fallen over the last six years in relation to inflation. The study focuses on child care centers in Santa Cruz, Santa Clara, and San Mateo counties, but its results appear to be fairly generalized. In examining centers, the study overstates income because of the much smaller compensation (generally close to minimum wage) available for licensed family day care providers. But the study found that "just 24% of teaching staff employed in 1996 were still on the job in 2000, more than half of the centers reporting turnover last year had not replaced the staff they lost, when teachers leave a center about one-half leave child care provision entirely, and wages for teachers decreased 6% adjusted for inflation since 1994."[99] The study found "the presence of a greater proportion of highly trained teaching staff in 2000 is the strongest predictor of whether a center can sustain quality improvements over time. Wages is also a significant predictor."[100]

Although pay is low, the overall size and importance of child care was underlined in a September 2001 report gauging its impact on California's economy and concluding that it employs 123,000 persons and generates $4.7 billion in direct revenues—as much as the livestock industry, or California's considerable vegetable production. In addition, child care services enable parents to earn $13 billion per year, which in turn generates $40 billion in economic activity. The Study places the overall impact at $65 billion, more than the motion-picture industry. It concluded that the industry is a critical component of the state's economic infrastructure endangered by inadequate supply, low pay, and high staff turnover.[101]

2. Quality-Related Spending in 1999–2001, and As Proposed for 2002–03

Since 1999, a number of specific programs related to child care quality have been added to the budget, although some represent the repackaging of previous spending. Small expenditures in the $200,000 to $5 million range have funded and continue to fund:

- a voluntary early childhood education program for caregivers of infants and toddlers, offered through the state Department of Social Services to improve the quality of child care ;
- loans or grants to providers to assist providers to meet state or local standards, including help for the Local Child Care Planning Councils created by CalWORKs noted above;

- monitoring compliance of providers with licensing and regulatory requirements (some of which involve quality control, as well as safety);
- school-age training; including a preschool education project, and a Health Hotline;
- mentor teacher services for child care providers (supervision assistance, training of provider trainers, and health benefit pilots);
- a "Comprehensive Consumer Education Campaign";
- training and recruitment of TANF recipients as child care teachers or providers;
- a Trustline Registry of License Exempt Providers (to detect possible child molesters among providers/employees;
- a one time $5 million expenditure in 2000–01 for incentives to child care centers to achieve and maintain accreditation, and requiring a $2 match for every public $1;
- centralized waiting lists;
- partial implementation of the year 2000 adopted California playground safety regulations at child care centers (and to enhance disabled child access to centers);
- a CalWORKs Center Based Pilot Initiative in increase access to high quality care by CalWORKs families;
- and child care facility renovation financing.

In current year 2001–02, $89 million was spent for these purposes, and the proposed 2002–03 budget increases the amount to $102 million. The proposed new budget continues funding the pre-kindergarten training, health and safety hotline, the exempt provider Trustline expansion to relatives in contact with children under care, a centralized waiting list pilot project, and development of pre-kindergarten curriculum. The largest program funded is $15 million expended annually and continued in 2002–03 to improve "child care retention incentives through locally driven programs."

Spending for child care quality has not been driven by need or program efficacy, but by the federal requirement that minimum general fund monies be so committed. California does not provide substantial funding beyond that minimum and increases for qualify purposes are generated (as is the case in proposed 2002–03) from federal spending in this category.

Spending levels for most of the enumerated purposes above do not correspond to need and are not to a scale providing meaningful impact. For example, the proposed budget provides $4 million to train TANF recipients to become child care workers. Such spending has substantial merit, but would require ten to twenty times the committed sum to have an appreciable impact on the job needs (and child care needs) of the relevant population.[102] Similarly, the $15 million spent annually to "improve child care teacher retention " through local incentive grants does not address the underlying causes of the attrition rate, as discussed above.

H. Child Care Tax Subsidies

1. Federal Non-Refundable Tax Credit

Public funding or subsidies are provided through federal and state tax credits for child care, based on income eligibility, and by direct subsidies. One tax credit remains available, a federal child care credit. A family whose income is less than $10,000 annually may claim 30% of their child care costs as a tax credit; a family whose income is over $28,000 annually may claim 20%. The maximum cost for which a credit may be claimed is $2,400 for one child and $4,800 for two or more children.[103] As of 2002, the credit has been increased to $3,000 for a single child and $6,000 for two or more children. The amount gradually declines with earnings up to $86,000 in adjusted gross income. Most important, the tax credit is non-refundable—it is merely an offset to tax liability. The working poor who do not pay income taxes receive no benefit from it. A parent with two or more children must earn enough to pay $6,000 in taxes to take full advantage of such a credit. The working poor at or just above the federal poverty line, those for whom child care costs effectively preclude employment, are essentially excluded from this child care assistance. Studies of the federal system indicate that the credit benefits some poor families, but also tends to extend to the middle class more than do the direct subsidy programs.[104]

2. The 2001 California Refundable Tax Credit

During the 2000–01 year, the California legislature enacted one tax expenditure of potential importance to children: a refundable tax credit. Because it is "refundable," it does not merely offset taxes due, but is directly payable to partially offset child care expenses. Hence, unlike the federal credit which effectively excludes those who need this assistance the most, the state credit can benefit working poor families. The credit ranges from $454 for taxpayers with less than $10,000 of income to zero for taxpayers with incomes in excess of $100,000. This will reduce General Fund revenues by $195 million in 2000–01 and $189 million in 2001–02.

The amount of the state credit is tied (in a complex formula) to the non-refundable federal child care tax credit. The federal credit increase noted above implies some increase in the state amount. Applying the formula, parents making under $40,000 will receive a $661 credit for one child. Although helpful, the family earning below $25,000 per year, or below $15,000 per year will likely be unable to afford the remaining $4,000 to $6,000 per child at current costs. If one is unable to afford the remaining costs and child care services are not purchased, the credit is not received.

The federal increase discussed above will allow a direct offset of $3,000 for one child and $6,000 for two or more on a sliding scale, depending on income. But as noted above, it does not begin to accrue until an adjusted gross income producing tax liability exists, thus excluding entirely the working poor who do not have federal income tax liability. Instead of focusing on this excluded group, the state system extends at least some benefits to federal beneficiaries, all the way to $100,000 in adjusted gross income. A state taxpayer at $70,000 of adjusted income will get—in addition to a federal credit, a state credit of $127 as of 2002.

Total revenue loss costs of the state increase will be $6 million for $2002–03, with estimates growing to $40 million in 2003-04 and $45 million in 2004-05.[105]

The new tax credit is an important asset for children. However, its level and distribution miss helping the population of children most in need. It extends in substantial measure to parents earning above $50,000 per year, even up to $70,000. It subtracts from general fund tax revenues to help such families who are able to afford child care. More important, it compensates families for no more than 10% of child care costs. The catch-22 is that those who cannot afford the remaining 90% of cost are unable to take advantage of the benefit at all. And the economics of child care make affording such a large expense unrealistic for the vast majority of working poor parents currently unable to afford such care.

However, the concept has merit and if a larger investment were to be made on a sliding scale basis, the contribution to stimulating parental employment and ameliorating child poverty would be substantial. A better model would pay a percentage of the median market rates (already established for subsidy purposes) for those children under 14 years of age who require care (or disabled children to 18 years of age). For parents who work more than 30 hours a week, the rates should be set as follows:

- 80% of cost up for working families earning under the federal poverty line;
- 60% for families who are below 150% of the poverty line;

- 40% for those below 200% of the poverty line;
- 20% for those below 250% of the line; and
- 10% for those below 300% of the line, at which point the credit would not apply.

Such a structure would save some on the high income end, and cost substantially more on the low income side, but provide relief where it is most needed (see Recommendation below for cost and details).

The major remaining state tax credit relevant to child care is a 30% credit for start-up costs in providing a facility for the children of employees, and up to 30% of money contributed to a child care plan for employees. The tax spending for these credits totaled $13 million in 1994–95, and is projected at $6 million each per fiscal year thereafter.[106]

III. SUMMARY AND RECOMMENDATIONS

A. Consequences

The large increases in child care funding to facilitate welfare reform are misleading. Those increases accommodate about one-third of the TANF parents required to work and do not match the other forces driving child care demand, including the estimate that by 2010 85% of the state's labor force will consist of parents.

Almost one half of the child care money is delivered through a "block grant" to counties which totals an insufficient sum to provide both child care and the other demands placed upon it (particularly the substantial new expenses involved in CalWORKs required county provided employment and effective after 2001. Much of the large announced sum will be absorbed into the larger CalWORKs grants to counties, which counties may allocate to child care or other supportive services as the need exists. The counties paper reserves are now gone, and remaining incentive funds are fast disappearing in 2002, with one-third of them taken in the Governor's 2002–03 budget proposal for state general fund relief.

Contrary to the contentions of welfare reform advocates, most studies confirm that the brunt of TANF roll reduction derives from economic expansion. That expansion has retracted in 2001–02 and unemployment rates are turning slightly higher. The CalWORKs statute requires counties to publicly employ 80% (the non-exempt) TANF recipients unable to find private employment, and such a mandate costs more than twice the per enrolled person cost of the previous TANF aid system. It requires compensation equal to the TANF grant plus food stamps, plus the cost of supervision and overhead, plus child care costs averaging about $10,000 per year per covered parent.

As in previous budgets, substantial announced funding is reserved for TANF Stages 1 and 2, leaving the critical Stage 3 to limited funding—even if funds remain unspent for Stages 1 and 2. The pattern has been to roll them over to the next year rather than to provide child care to the Stage 3 (or the alternative payment program) available to the working poor in danger of TANF reentry.

The Governor's Reform proposal is suspended. It would have displaced many newly employed in order to provide opportunity for child care to working parents of lower income who have not received TANF recently and are not part of CalWORKs. It failed to add substantial new resources. The Governor's 2002–03 budget did will add some funding for after-school child care. However, in the May Revise this sum was substantially provided by new federal funds (the 2002 No Child Left Behind Act) which were displaced from additive effect and allowed to replace previously allocated general fund spending. Other spending is essentially held even as demand continues to increase and as studies confirm the importance of child care quality to the children served.

The state has long waiting lists of working poor who need help, with only 21% of those eligible receiving help, and with waiting lists at record levels of 280,000. California has appropriated a small fraction of funds necessary to assure this population of child care and the opportunity to advance toward self-sufficiency. Without a comprehensive sliding scale subsidy for working poor parents, upward track employment is dubious.

Regulatory safety spending remains inadequate and reflects a low priority for the safety of children. Affirmative quality assurance is lacking—with record numbers of children spending longer hours in licensed child care with declining public investment to enhance the qualifications or pay of those who care for them, or to assure a nurturing, stimulating environment.

Beyond the lack of investment in licensed child care quality, the state has responded to the lack of licensed supply in impoverished neighborhoods by allowing wholesale selection of unlicensed child care providers—usually relatives. Circumvention of any licensed based assurance of safety or quality. Hence, the state will now allow unlicensed caregivers to receive TANF child care subsidy. Large numbers of children are placed with caregivers not subject to effective home safety inspections, not trained in child care, and often the choice of parents with limited options. Rather than increasing licensed supply (including the training and qualification of relatives as licensed providers if appropriate), or investing in quality along the model of most European nations, California has taken the easy option of turning children over to whomever a parent can find who is willing.

As discussed in Chapter 2, a rational alternative to meet the 50%/90% federal “work participation” targets which has partly driven the requirement of county workfare employment of so many, is to assist more working parents, and term that aid a “TANF” at-risk grant (which the federal child care block grant explicitly allows). These are persons on aid who are working. Child care aid for the working poor could bring these working persons into the TANF umbrella, meeting participation targets and avoiding federal penalties—of particular importance 2002 TANF reauthorization proposals to increase work requirements to 40 hours per week and to raise the work participation target to 90%. The federal percentage target may be met through policies to assist the working poor (child care and EITC; see Chapter 2).

Child care provided under current plans will lower the safety and quality of care appreciably. Public investment in licensed supply and quality, including better trained teachers, stimulating lessons, lower caregiver/child ratio, *et al.,* will not be at the top of funding priorities given current legislative mandates and pressures. Child care is an economic necessity for many, and studies indicate that attentive child care may not harm children. But studies have not reversed the intuitive verity that little available in the child care market matches the devoted attention of a competent parent.

B. *California Children’s Budget* Recommendations

***Recommendation #1*. Create a single, seamless child care system on a sliding scale based on income and number/age of children. Alternatively, expand the state’s new refundable child care tax credit to provide that sliding scale subsidy. *Estimated cost: $900 million general fund ($450 million federal match)*[107]**

A proper system of subsidy must maintain some child care assistance past the poverty line and beyond the arbitrary two-year “transitional child care” term. Extending it year by year for some because they have once received TANF while denying it to those earning the same sum who have refused welfare is not equitable or effective. Child care should be fully provided to those below the poverty line who work, and then reduced for the benchmark mother and two children as family income begins to rise above $1,400 per month on a graduated scale as children grow older, and terminated entirely as “self-sufficient” income levels are achieved (see Chapter 2). If choosing to accomplish this end through refundable tax credit expansion, subsidy could be provided along the following illustrative scale for persons working more than 30 hours per week: 80% of median market rates for children under 14 requiring care where family income is below the federal poverty line, 60% where income is 150% of the poverty line; 40% where income is 200% of the poverty line; 20% where income is 250% of the poverty line; and10% where income is 300% of the poverty line.

The proposed system would eliminate the considerable paperwork required and reduce the confusion attending the current fragmented offerings of the state. While Head Start type pre-school programs, and those serving special needs children may augment such a seamless system, it would replace the CalWORKs based system (focusing on welfare roll diminution) with one equitably applying to all parents, and focused on children served.

Recommendation #2*. The Department of Education should administer all state child care, which should be given a cognitive development mandate. *Estimated cost: $100 million for quality enhancement

The focus should be “we are entrusted with children and have the chance to advance their learning and development,” rather than “we shall hold these children so adults can work”—the current mindset. DSS should remove itself from child care provision wholly. CDE should enter into contracts with county departments of social services through the existing child care resource and referral network to satisfy TANF parent child care needs. Within the CDE system, those referrals should have high priority.

Recommendation #3*. A state task force should revise the regulation of child care to upgrade its quality, including continuing education and "advanced certification" for providers, with premium rates for providers and centers which meet higher quality standards. *Estimated Cost: $2 million

Recommendation #4*. Licensed child care providers working full-time with income below 120% of the poverty line should receive a $500/year refundable tax credit. A separate $500/year refundable tax credit should be available to all providers who meet enhanced certification standards pursuant to Recommendation 3. *Estimated cost:$70 million

These tax credits should be available to all full time caregivers, and should be prorated to 50% of their amount for all caregivers working more than half-time. This is a population entrusted to the care of children at least as vulnerable and deserving of quality care as those in public school. But as discussed above, it is perhaps the lowest paid sector of our economy. The proposed tax credits are designed to encourage both enhanced supply, and improved quality. Cost estimates assume that 40% of child care providers will qualify for one of the two credits, and 10% for both.

Recommendation #5.* A refundable tax credit of $500 per employed caregiver making more than 120% over minimum wage should be available to centers and family day care employers. *Estimated cost: $40 million

Consistent with recommendation #4, this tax credit would stimulate wage increases for caregivers to assure a measure of dignity and respect for the work they do. The cost assumes that from 25% to 35% caregivers would benefit.

Recommendation #6*. The state should allow a tax credit for child care centers amounting to $500 per year for each child (enrolled for a full year) living below 150% of the poverty line for the center. *Estimated cost: $180 million

Child care costs $4,500 to $7,000 per child per year; this non-refundable tax credit for centers gives a tax reduction of 10% of that amount to stimulate new center locations in areas where such children will enroll. The current supply shortfall where centers are most needed may require a larger tax credit, or even a refundable credit, but incentives should be mounted to stimulate that supply. The estimated cost assumes the credit is received for 300,000 currently enrolled, plus a 20% increase in enrollment stimulated by the credit.

Recommendation #7*. The state should implement a five-year plan of bond investment and tax credit subsidy to provide $3 billion for the construction of quality child care centers in areas of undersupply, coordinated with the provider tax credits of Recommendation #6, an expansion of AB 1542.**[108] ***Estimated cost: To be determined

Recommendation #8*. The state should triple its regulatory oversight budget for child care from current levels over a three-year period. *Estimated Cost: $56 million

The number of staff inspectors needs to be more than doubled to meet national caseload standards. Additional sums are needed to provide salary augmentation and training improvement to assure vigilant and competent oversight of the facilities where over half of California's children under the age of five now spend most of the day. However, recognizing the extreme deficiency extant, that increase should be phased over three years to assure measured expansion and quality hiring.

Chapter 6 **ENDNOTES**

1. The White House, Office of the Press Secretary, *Child Care: A Challenge for America's Working Families* (Washington, D.C.; January 7, 1998) (available from the White House Virtual Library at http://www.whitehouse.gov/cgi) (citing data from the U.S. Department of Education's National Center for Education Statistics).

2. Bureau of Labor Statistics, *Employment Status of Mothers With Own Children Under Three Years Old by Age of Youngest Child, and Marital Status, 2000–01 Annual Averages* (Washington, D.C.; 2001) at Table 6 (available at http://stats.bls.gov).

3. Bureau of Labor Statistics, *Bulletin 2452* (Washington, D.C.; April 1994) at Table A-1.

4. Bureau of Labor Statistics, *Employment Characteristics of Families in 2001* (Washington, D.C.; March 2002).

5. Lynne M. Casper, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, *Who's Minding Our Preschoolers?* (Current Population Reports No. P70-53) (Washington, D.C.; March 1996) at 1. See *id.* at 2 (Table 1) for a breakdown by employment status of mothers (full-time, part-time, night shift, day shift) and identifying who provides care in the child's home or in the provider's home (relative, non-relative, *et al.*).

6. *Id*. at 5 (Figure 4).

7. U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2001* (Washington, D.C.; 2002) at Table 45.

8. *Id.*

9. *Id.*

10. *Id.*

11. The Urban Institute (Jennifer Ehrle, Gina Adams) and Child Trends (Kathryn Tout), *Who's Caring for Our Youngest Children? Child Care Patterns of Infants and Toddlers*, (Washington, D.C.; January 2001) at viii.

12. Based on 1997 data, see Administration for Children and Families, Department of Health and Human Services' Child Care Bureau, *Out-of-School Time School-Age Care* (available at www.acf.dhhs.gov/programs/ccb/faq/school.htm).

13. *Id.*

14. *Id.*

15. California adults tend to move often and have less access to extended family for help; in addition, work incidence is higher due to higher rents and other living costs.

16. See discussion below and in Chapter 2 of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and of California's implementing CalWORKs plan.

17. See discussion and citations in Chapter 2.

18. Kathleen Snyder and Gina Adams, *State Child Care Profile for Children with Employed Mothers: California, State Profiles*, Urban Institute (February 2001) Table 1 at 1 (hereinafter *"State Child Care Profile: California")*.

19. *Id*. at 4.

20. *Id*. at 5.

21. See Jeffrey Capizzano and Gina Adams, *Child Care Patterns of School-Age Children with Employed Mothers*, (Washington D.C.; 2000) passim; the study involved a telephone survey of 44,000 households in 1997, and found 20% of children ages 6 to 12 are regularly left without adult supervision after school.

22. Nationally, 75% of all working mothers place their pre-school children in non-parental child care. Jeffery Capizzano, Gina Adams, and Freya Sonenstein, *Child Care Arrangements for Children Under Five: Variation Across States*, Urban Institute: New Federalism: National Survey of America's Families, Number B-7 at 1–5. The survey used 1997data. See www.newfederalism.urban.org/html/series_b/b7.html. The Capizzano study estimates

the California rate of preschool child care with working parents at 58%, compared to the national average of 73%; the more recent and precise CRRN numbers indicate the disparity is even more substantial between national out of home care rates and California's (*id.* at Table 1). California Child Care Resource and Referral Network, *The California Child Care Portfolio 2001* (San Francisco, CA; 2001) (hereinafter "*The California Child Care Portfolio 2001*").

23. *The California Child Care Portfolio 2001, supra* note 22, at 2.

24. *Id.* at California data.

25. See Amy Pyle, *Welfare Reform Successes Face Subsidy Cutoff*, L.A. TIMES, Nov. 30, 1999, at A-3.

26. California Child Care Resource and Referral Network, *The California Child Care Portfolio 1997* (San Francisco, CA; 1998) at 13.

27. California Department of Social Services, *Community Care Licensing Division, Licensed Child Care Facilities* (Sacramento, CA; March 2002).

28. Little Hoover Commission, *Caring for Our Children: Our Most Precious Investment* (Sacramento, CA; September 1998) at 10, 12 (hereinafter "*Caring for our Children*").

29. *The California Child Care Portfolio 2001, supra* note 22, at 3.

30. See the California Child Care Resource and Referral Network data gathered and discussed *in Child Care in California: A Short Report on Subsidies, Affordability, and Supply,* Urban Institute (2001) Figure 2 at 2 (hereinafter "*A Short Report on Subsidies*").

31. *The California Child Care Portfolio 2001*, *supra* note 22, at 3.

32. *Id.* Note that the population surveyed was under five years of age, limiting the option of older siblings of sufficient age to be trusted with child care responsibility.

33. Bruce Fuller and Casey Connerty, PACE Center, University of California, Berkeley; Fran Kipnix, California Child Care Resource & Referral Network; Yvonne Choong, University of Chicago, *An Unfair Head Start: California Families Face Gaps in Preschool and Child Care Availability* (1997).

34. *Caring for our Children, supra* note 28, at 41.

35. Melissa Healy, *Latinos at Center of Chicken-Egg Debate Over Child-Care Funds*, L.A. TIMES, Sept. 29, 1998, "Community Section" at 1.

36. Sam Mistrano, *Transforming Child Care from the Ground Up*, Human Services Alliance (Los Angeles, CA; October 2000), passim.

37. California Attorney General's Office, *Women's Rights Handbook* (Sacramento, CA; 1998) at 224.

38. California Child Care Resource & Referral Network, *2001 Annual Cost of Care in California* (San Francisco, CA; 2001). The school-age figures are from 1997 data.

39. *A Short Report on Subsidies, supra* note 30, Figure 2, at 2.

40. *The California Child Care Portfolio 2001, supra* note 22, at 3.

41. Los Angeles County Department of Health Services, *Child Care Among Young Children in Los Angeles County* (Los Angeles, CA; February 2002) at 1–5.

42. The "other subsidy programs" category includes general child care, alternative payment programs, CalSAFE, afterschool programs, federal Head Start, and other child care activities; see Table 6-F.

43. Children Now, *After School Care of Children: Challenges for California* (Oakland, CA; April 2001) at 3.

44. The survey counts "21st Century Learning Centers at 132,000, and 150,000 "licensed care reported to DSS", and the partially double counts by also including all DSS and CDE subsidized programs in full. Note that the subtraction of the current licensed care population is inappropriate since the universe in need the survey starts with is numbers of children in the care of relatives. Hence, none of them are in licensed child care facilities. A more accurate number of those currently receiving subsidy in this age group would be 300,000, approximately one half the estimate made, see *id.* at 3–5.

45. *Id.*, at 4. Children Now points out that the Governor proposed an additional 44,000 slots. In addition to the point made in the survey of gross inadequacy is its substantial confinement to TANF related purposes. See discussion below.

46. *A Short Report on Subsidies, supra* note 30, at 1.

47. *Id.*

48. *Id.*

49. California Budget Project, *Lasting Returns: Strengthening California's Child Care and Development System*, (Sacramento, CA.; May 2001) at 1–2 (see www.cbp.org).

50. Assembly Office of Research, *Caring for Tomorrow: A Local Government Guide to Childcare* (Sacramento, CA; 1985) at 8.

51. California Budget Project, *TANF and CalWORKs: How California Spends the Money*, Welfare Reform Update (Sacramento, CA; Aug. 2001) at 5.

52. Such a supplantation danger is an endemic problem in federal-state and state-county relations; the larger jurisdiction wishes to subsidize an increase in resources in an area, which is frustrated when the new money is taken, and an equivalent amount previously spent by the receiving jurisdiction for the subsidized purpose is then subtracted and diverted elsewhere or "supplanted." In effect, this budgetary strategy diverts the resources given for one purpose to another purpose. To combat these diversions, larger jurisdictions often require that there be a "maintenance of effort (MOE) by the smaller receiving jurisdiction—to ensure that it maintain the same spending it had been committing and treat new money as a genuine "add-on."

53. California Senate Budget and Fiscal Review Subcommittees No. 1 and No. 3, *Joint Informational Hearing: Child Care* (Sacramento, CA; May 8, 1997) at 3 (staff report preceding public hearing) (hereinafter "*Joint Informational Hearing: Child Care*").

54. As discussed in Chapter 2, the state's argument for such a waiver—particularly as to the 90% employment among TANF-U (families with two unemployed parents) recipients—is strengthened by California's disparate demographics. No other state has even 20% the number of TANF-U recipients as does California.

55. *Joint Informational Hearing: Child Care*, *supra* note 53.

56. CAL. EDUC. CODE §§ 8350–8355.

57. See, *e.g.*, CAL. EDUC. CODE §§ 8277.6(e), 8286.

58. Office of the Governor, *Governor's Budget Summary 2002–03* (Sacramento, CA; Jan. 2002) at 142 (hereinafter "*Governor's Budget Summary 2002–03*").

59. See Assembly Budget Committee, *Governor's 2001–02 Budget Proposal for Department of Social Services* (Sacramento, CA; January 2001) at 4. The counties have accumulated a CalWORKs reserve of $1.15 billion dollars as of 2000–01 fiscal year from "incentive payments" from the state based on the reduction of TANF rolls. But those incentive payments will now cease (see discussion in Chapter 2). It is unclear how long the surplus which has accumulated will last (assuming counties have maintained these reserves) with the increased obligation to provide community service employment and child care to a large number of remaining TANF recipients required by law to work.

60. See County Welfare Directors Association quote in California Budget Project, *CalWORKs Performance Incentives: Can the Money Be Better Used?* (Sacramento, CA; May 2001) at 4.

61. Note that some of these reductions would be partially ameliorated from other sources, and additional reductions would be imposed to provide most of the sums for Alternative Payment addition. For a full explanation of the Governor's proposal, see *Governor's Budget Summary 2002–03, supra* note 58, at 137–142.

62. Office of the Governor, *Governor's May Revise 2002–03* (Sacramento, CA; May 2002) at 20.

63. California Department of Social Services, *Child Care Fact Sheet* (Sacramento, CA; December 1997) at 2 (see www.dss.cahwnet.gov/calworks/childcar.html).

64. About one-half of the money expended by CDE is administered directly by the Department, usually under contract to private providers. The other half is administered through school districts which may provide services directly, or also contract them out to private providers.

65. See CAL. EDUC. CODE § 8263(b)(2).

66. See Margie Gentzel, *Department of Education Embroiled in Lawsuit Over CalWORKs Child Care Programs,* CAPITOL WEEKLY, Feb. 14, 2000, at 1.

67. See Children's Advocacy Institute, *Children's Regulatory Law Reporter*, Vol. 3, No. 2 (2002) at 15–16, describing amendments to 5 CCR §§ 18400–18434). See also Western Center on Law and Poverty, *Health and Welfare Update May 2001* (Los Angeles, CA; May 2001) at 7; see also *Rose, et al. v. Eastin, et al.*, San Francisco County Superior Court Case No. SCV-309526.

68. See http://www.cde.ca.gov/afterschool/factsheet.htm.

69. While those funds are substantial and some may be devoted to child care, three problems inhibit reliance on them. First, they are confined to children under the age of five and as Stage 2 parents reach the two-year mark, an increasing number have children over five years of age. Second, the Proposition 10 funds has a strong "health and safety" mandate beyond child care. Third, allocation of the 20% state share is set by formula with little available for child care, and the remaining 80% is expended by county level commissions with no assurance of consistent child care investment.

70. The Governor's May Revise of 2001 included the intended use of Proposition 10 funds ($25 million for Stage 1 child care) to meet the state's required federal $2.7 billion Maintenance of Effort sum. Where Proposition 10 monies supplants funds the state is otherwise obligated to provide, it essentially diverts those sums into the budgetary process and blunts the supplemental or additive effect which that initiative promised.

71. *Governor's Budget 2002–03, supra* note 58, at 142.

72. Office of the Governor, *Governor's May Revision 2000* (Sacramento, CA; May 2000) at 16.

73. Office of the Governor, *Governor's Budget Summary 2001–02* (Sacramento, CA; Jan. 2001) at 115.

74. See Michael Wright, Ellen Moratti, Susan Bassein, and Steven Moss, *Child Care Fiscal Policy Analysis: Analyzing Options to Focus the State's Existing Resources to Serve the State's Neediest Families,* The Results Group (May 22, 2001) (see www.otcdkids.com).

75. California Budget Project, *Falling Short: The Administration's Child Care Review* (Sacramento, CA; May 2001) at 1 (see www.cbp.org).

76. Unlike most federal subsidy programs, Head Start is not channeled through a state agency but is dispensed through direct federal contracts with providers. In general, Head Start funding has been increasing, with California capturing approximately 10% of the budget, now increasing to 12%. Approximately 50% of eligible children in California participate in the program. Waiting lists remain substantial, but it is possible that state CDE preschool is filling some of this demand.

77. *Gore Unveils Math Program in LA Visit*, L.A. TIMES, Nov. 13, 1998, at B-3.

78. California Head Start Association, *Head Start in California* (Sacramento, CA).

79. See California Head Start Association, *Head Start in California* (Sacramento, CA; 2002) (see www.ca-headstart.org/facts.html).

80. Currently, 49,972 day care and community care (which do not provide child care) facilities are licensed by the state and 9,150 by selected counties.

81. General Accounting Office, *Child Care: State Efforts to Enforce Safety and Health Requirements,* GAO/HEHS-00-28 (January 2000) at 19, 28, 37.

82. California State Auditor, Bureau of State Audits, *Department of Social Services: To Ensure Safe, Licensed Child Care Facilities, It Needs to More Diligently Assess Criminal Histories, Monitor Facilities, and Enforce Disciplinary Decisions*, Report 2000-102 (Sacramento, CA; August 2000) at 1–5 (see www.bsa.cal.gov/bsa/).

83. See AB 3087 (Speier) (Chapter 1316, Statutes of 1992). This bill sought to mandate spot inspections and reform of child care regulation in other respects, including: (1) creation of an intermediate "civil penalty" power to enforce important safety standards; (2) provisions requiring immunization records maintenance, CPR capability, and fire response plans; (3) enhanced "child care advocate" positions; and (4) a separate child care director and division within DSS for increased accountability. However, these reforms were made contingent on funding from the "Kids' Plates" program authorized by the bill.

    The "Kids' Plates" funding mechanism created a new California personalized vehicle license plate whereby drivers can add one of four new custom "symbols" to their license plate, including a child's handprint, a plus sign, a heart, or a star. Money from the sale of these enhanced plates ($20 for a symbol randomly added or $50 for a customized plate) is dedicated to the child care licensing program and to other child safety accounts.

84. The legislature has enhanced revenues for child care regulation (inspections) by imposing the state's first fee applied to child care centers and to family day care. A small family day care home caring for one to six children pays $25 to apply and a $25 annual fee; those caring for six to twelve children pay $50 initially and $50 annually. Centers accommodating from one to thirty children pay $100 initially and $100 annually. The fee increases with capacity, to $500 for initial application and $500 annually where the capacity exceeds 120 children. The Legislative Analyst has recommended that a special fund be established from these revenues to provide technical assistance to licensees, and to implement the important regulatory reforms of AB 3087 (Speier) (Chapter 1316, Statutes of 1992). Current law provides that fee revenues exceeding $6 million shall be expended to establish and maintain new licensing staff to provide technical assistance to licensees.

85. For an analysis, see California Budget Project, *Evaluating the Impact of a Proposed Increase in Child Care Fees on Low Income Families* (Sacramento, CA; February 2000) at 1–7 (see www.cbp.org/brief/ bb000201.html).

86. See, *e.g.*, David Illig, California Research Bureau, *Birth to Kindergarten: The Importance of the Early Years* (Sacramento, CA; February 1998) (conducted by request of Senator Dede Alpert); Jane Knitzer and Stephen Page, Columbia University National Center for Children in Poverty, *Map and Track: State Initiatives for Young Children and Families* (New York; NY; 1998); Anne Mitchell, Louise Stoney, and Harriet Dichter, *Financing Child Care in the United States*, Ewing Marion Kauffman Foundation and The Pew Charitable Trusts (1997); Sharon L. Kagan and Nancy E. Cohen, Yale University, The Bush Center in Child Development and Social Policy, *Not By Chance: Creating an Early Care and Education System for America's Children* (New Haven, CT; 1997); Mary L. Culkin, Scott Groginsky, and Steve Christian, National Conference of State Legislatures, *Building Blocks: A Legislator's Guide to Child Care Policy* (Washington, D.C.; 1997); Children's Defense Fund, *Study Reveals Working Families Are Locked Out of Child Care*, 19:4/5 CDF REPORTS 1 (Washington, D.C.; April/May 1998); U.S. General Accounting Office, *Welfare Reform: Implications of Increased Work Participation for Child Care (*GAO/HEHS-97-75) (Washington, D.C.; 1997); Mark H. Greenberg, Center for Law and Social Policy, *The Child Care Protection Under TANF* (Washington, D.C.; 1998); U.S. General Accounting Office, *Welfare Reform: States' Efforts to Expand Child Care Programs* (GAO/HEHS-98-21) (Washington, D.C.; 1998); Center for the Future of Children, The David and Lucile Packard Foundation, THE FUTURE OF CHILDREN: FINANCING CHILD CARE (Richard E. Behrman, M.D., ed.) (Los Angeles, CA; Summer/Fall 1996).

87. Suzanne W. Helburn, ed., University of Colorado, Center for Research in Economic and Social Policy, *Cost, Quality, and Child Outcomes in Child Care Centers: Technical Report* (Denver, CO; 1995).

88. Suzanne W. Helburn and Carollee Howes, Center for the Future of Children, The David and Lucile Packard Foundation, *Child Care Cost and Quality*, 6:2 THE FUTURE OF CHILDREN: FINANCING CHILD CARE (Richard E. Behrman, M.D., ed.) (Los Angeles, CA; Summer/Fall 1996) at 79–80.

89. *Id*. at 80.

90. See Robin Peth-Pierce, *Early Child Care: About the NICHD Study of Early Child Care* (2001) at 10.

91. *Child Care Outcomes When Center Classes Meet Recommended Standards for Quality*, American Journal of Public Health, 1999; National Center for Early Development and Learning, *The Children of the Cost, Quality, and Outcomes Study Go to School,* 1999; Nancy Kerrebrock, Eugene Lewitt, *Children in Self-Care*, The Future of

Children 9(2), Packard Foundation, 1999, at 151-160; Jill Posner and Deborah Candell, *After-school Activities and the Development of Low-Income Urban Children: A Longitudinal Study*, Developmental Psychology 35(3): 868-879.

92. Arthur Reynolds, Judy Temple, Dylan Robertson, Emily Mann, *Long-term Effects of an Early Childhood Intervention on Educational Achievement and Juvenile Arrest,* Journal of the American Medical Association, Vol. 285, No. 18 (May 19, 2001) (see www.jama.com).

93. See G. Hamilton, S. freedman, L. Gennetian, C. Michalopoulos, J. Walter, D. Adams-Ciardullo, A. Gassman-Pines, S. McGroder, M. Zaslow, S. Ahluwaliea, and J. Brooks, *How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*, U.S. Department of Health and Human Services (December 2001). See also P.A. Morris, A.C. Huston,, G.J. Duncan, D.A. Crosby, J.M. Bos, *How Welfare and Work Policies Affect Children: A Synthesis of Research*, Manpower Demonstration Research Corporation (March 2001) (www.mdre.org/NextGeneration/NGPublications.htm); see also P. Morris, V. Know, L.A. Gennetian, *Welfare Policies Matter for Children and Youth: Lessons for TANF Reauthorization*, MDRC Policy Brief, Manpower Demonstration Research Corporation (March 2002) (see www.mdre.org/NextGeneration/NGPPublications.htm).

94. J.L. Brooks, E.C. Hair, M.J. Zaslow, *Welfare Reform's Impact on Adolescents: Early Warning Signs*, Child Trends Inc. (Washington D.C., July 2001) (see www.childtrends.org/publications.asp); G.J. Duncan, P.L. Chase-Lansdale, *Welfare Reform and Children's Well Being*, Brookings Institute Press (2001) at 390–417; M.K. Shields (Editor), *Children and Welfare Reform,* The Future of Children, Vol. 12, No. 1, Packard Foundation (2002) (see www.futureofchildren.org); M. Zaslow, J.L. Brooks, K.A. Moore, P. Morris, K. Tout, and Z. Redd, *Impact on Children In Experimental Studies of Welfare-to-Work Programs*, Child Trends (Washington D.C.; 2001) (see www.childtrends.org/publications.asp).

95. Bruce Fuller, Sharon Lynn Kagan, *Remember the Children: Mothers Balance Work and Child Care Under Welfare Reform, Growing Up in Poverty Project 2000, Wave 1 Findings: California, Connecticut, Florida*, University of California at Berkeley and Yale University (February 2000) at 3–6.

96. See the interesting study William T. Gormley, Jr. and Jessica Lucas, *Money, Accreditation and Child Care Center Quality,* Foundation for Child Development, Working Paper Series (August 2000) passim (see www.ffcd.org). The study cites eighteen states providing certification to assure and demonstrate enhanced child care quality, and which also triggers enhanced compensation. Evidence is compelling that this incentive driven technique for enhancing quality works.

97. For a discussion of labor commissioner protests by workers and rate levels extant, see Carla Rivera, *Day-Care Providers Say State Reimbursements Fail to Pay a Living Wage*, L.A. TIMES, May 19, 2000, at B-3.

98. California Child Care Resource and Referral Network, *The California Child Care Portfolio 1999* (San Francisco, CA; 1999) at 2–5.

99. See Marcy Whitebrook, Laura Sakai, Emily Gerber, Carollee Howes, *Then & Now: Changes in Child Care Staffing, 1994–2000,* Institute of Industrial Relations (Berkeley, CA; April 2001) *passim.*

100. *Id.,* Summary at 4.

101. M. Cubed, *Economic Impact of California's Child Care Industry*, National Economic Development and Law Center, (Sept. 2001). See also Lee Romney, *Child Care Raises State Economy, Report Says*, L.A. TIMES, Sept. 5, 2001.

102. See discussion in Chapter 7 outlining much larger spending dedicated to upgrading the teaching skills of already functioning teachers. The professional development task there addressed may be less substantial than the training of non-teachers to care for a group of infants and toddlers. See also the discussion of Chapter 2 indicating the numbers of TANF parents facing employment obligation, and the current spending and costs of their training in general.

103. A separate federal "Wee Tot" Earned Income Tax Credit (EITC) Supplement allowed a credit of 5% of earned income up to $388 for a parent who stays home to care for a newborn and in so doing loses eligibility for straight earned income tax credit benefits. That credit was repealed in 1994.

104. A study by Harvard University's Professor Bruce Fuller surveyed 1,800 child care centers in 36 states and concluded that families with annual incomes over $50,000 pay 6% of their incomes for child care, while families earning under $15,000 devote 23% of their income for child care. The tax credits provide a tax expenditure of $4 billion annually. One-third of the credit goes to families with incomes above $50,000 per year. For a discussion, see Diego Ribadeneira, *Day Care Credits Said to Favor Well Off*, BOSTON GLOBE, Sept. 18, 1992, at 3.

105. Senate Committee on Budget and Fiscal Review, *Overview of the 2002–03 Budget Bill* (Sacramento, CA; Jan. 2002) at 22.

106. See AB 3144 (Chapter 748, Statutes of 1994); see also California Department of Finance, *Health and Welfare Spreadsheets* (Charts 96: Childcar. EA/71) (Sacramento, CA; January 1, 1996).

107. Note that this $900 million would provide assistance to the 170,600 children of the working poor identified on page 6-8 for a substantial portion of their child care expenses, plus the anticipated expenses of TANF parents who would be employed under CalWORKs and should be eligible for similar funding above and beyond the current Stage 1 and Stage 2 population.

108. See loan guarantee program in California Education Code section 8277.5 (Chapter 270, Statutes of 1997, amended by Chapter 823, Statutes of 1998, amended Chapter 492, Statutes of 1999).