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Dollars for Child Care and Preschool in 2018-19 Near Pre-Recession Levels With Boost From One-Time Funding

Budget · Child Care & Preschool · September 2018 · By Kristin Schumacher

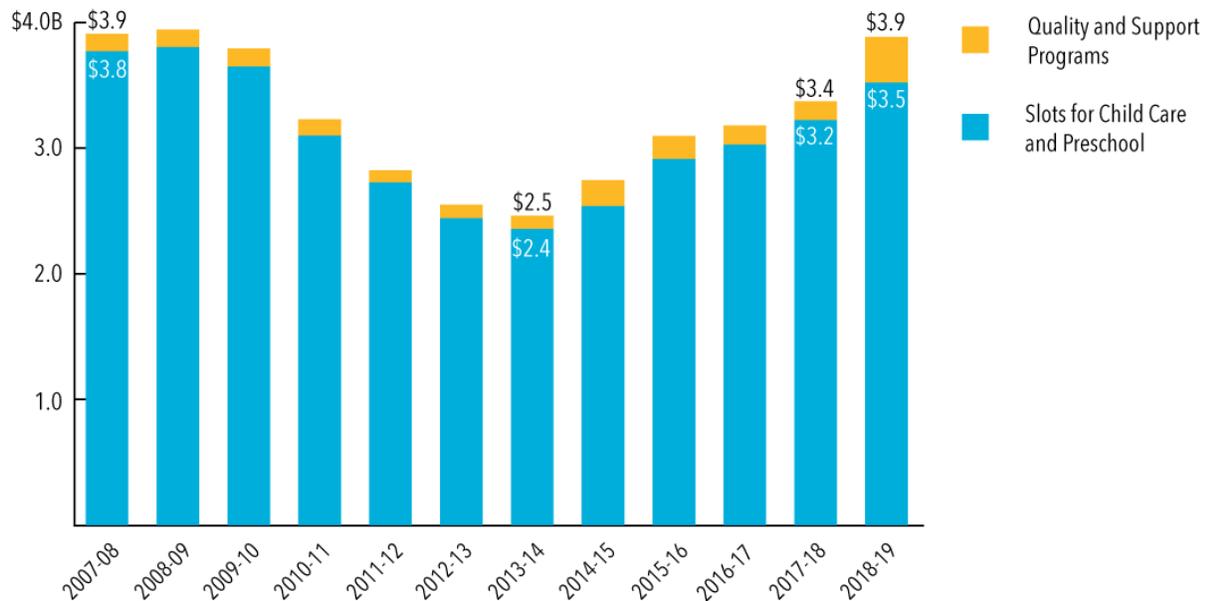
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For the fifth year in a row, funding for California's subsidized child care and development system has increased. This system provides critical child care and early learning opportunities for a limited number of children from low- and moderate-income families, but state funding was cut dramatically during and after the Great Recession, while federal funding for subsidized child care remained relatively flat.[1] This meant that fewer children and families received subsidized care than prior to the onset of the Great Recession. However, state policymakers have incrementally reinvested in these programs and services beginning with the 2014-15 state fiscal year, and bipartisan support for subsidized child care at the federal level has resulted in newly available federal funds, as well. Due to these investments, after adjusting for inflation, overall funding for California's subsidized child care and development system in the 2018-19 fiscal year is \$3.887 billion, 15% greater than in 2017-18 (\$3.375 billion), and nearly even with funding levels in 2007-08, prior to the onset of the Great Recession (see chart).

The 2018-19 budget includes state funds to add 2,100 Alternative Payment Program (AP) child care slots, as well as 2,959 full-day state preschool slots, as agreed upon in the 2016-17 budget agreement. This year's budget also adds 11,307 time-limited AP child care slots with newly available federal funds.[2] The 2018-19 budget also increases payment rates for providers that contract directly with the state, including an additional increase specifically for the care of infants, toddlers, and children with special needs. Still, despite the increase in state and federal resources, overall funding for subsidized child

care and preschool *slots* in 2018-19 (\$3.522 billion) is still nearly \$250 million lower than in 2007-08 (\$3.771 billion), prior to the onset of the Great Recession, after adjusting for inflation.

Total Funding for Subsidized Child Care and Preschool in California (Billions), Inflation-Adjusted



Note: Figures reflect the enacted budget each year except for 2008-09, which reflects the revised budget as of February 2009. Figures include federal and state funds for slots as well as for quality and support programs and are in 2018-19 dollars. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten.
Source: California Department of Education and Department of Finance



In contrast, total funding for programs and activities designed to boost the quality or support the administration of subsidized child care and preschool programs has increased dramatically.^[3] These “quality and support programs” include a range of items such as the Quality Rating and Improvement System (QRIS) and funding for the Resource and Referral Network. Total funding for quality and support programs in 2018-19 is \$365 million — an increase of 143% compared to 2017-18, after adjusting for inflation. This dramatic increase is primarily due to the new Inclusive Early Care and Education Expansion Program, which was funded with \$167 million in one-time Proposition 98 funds that are to be administered through the 2022-23 fiscal year.

While funding for certain quality-boosting activities has increased, funding for other activities that fall within the quality and support category has decreased or been eliminated. For example, the state funded Centralized Eligibility Lists (CELs) with about \$8 million for the maintenance of county-level waiting lists for subsidized slots, but funding for CELs was redirected to child care programs in 2011-12 to mitigate the effects of deep budget cuts. Policymakers have not restored funding for this service. In addition, even though funding for the Resource and Referral Network has remained relatively stable at roughly \$19 million annually since 2007-08, funding has actually decreased by nearly one-fifth (19%) after adjusting for inflation.

California’s subsidized child care and development system keeps families working while providing kids with an environment that helps them learn and thrive. Yet, we know that the number of children eligible for subsidized care far outstrips the number of available slots.^[4] As the new Governor crafts a policy agenda for the next four years, it is critical

that early care and education is at the top of the list. Investing in our state's subsidized child care and development system sets children and families up for success.

[1] The federal American Recovery and Reinvestment Act (ARRA) of 2009 included a \$2 billion boost in funding for the Child Care and Development Block Grant (CCDBG), a major source of federal funding for subsidized child care. Due to this, California received \$221 million in additional federal funds, which the state used in 2009-10 and 2010-11 to offset a portion of the state budget cuts to the child care and development system, which in turn maintained child care assistance for some families who otherwise would have lost it.

[2] Absent ongoing funding from the federal government, these slots will only be available through June 30, 2020.

[3] The 2014 reauthorization of the CCDBG, a major source of federal funding for subsidized child care, required states to increase the share of funds set aside for improving the quality of subsidized child care. See Hannah Matthews, et al., [*Implementing the Child Care and Development Block Grant Reauthorization: A Guide for States*](#) (The Center for Law and Social Policy and The National Women's Law Center: June 2017).

[4] Kristin Schumacher, [*Over 1.2 Million California Children Eligible for Subsidized Child Care Did Not Receive Services From State Programs in 2015*](#) (California Budget & Policy Center: December 2016).

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