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 some form of regular nonparental child care.[1] Among children under the age of two, 52% received regular nonparental child care.[2] Child care demand is largely driven 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 U.S. with children under age 3 were part of the civilian labor force.[3]

The trend of increasing numbers of women working 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.[4] 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.[5]

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.[6] 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.[7]

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.[8] 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 preschool children have the least center-based care at 44%, slightly more non-relative care at 13% and relative care halfway between the White and Black rates at 27%.[9] 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), and that Head Start has yet to be embraced by or is unavailable to Hispanic parents. In fact, one recent survey of preschool assistance found 29% of white and 36% of African-American three- and four-year-olds attending preschool, while only 12.6% of their Hispanic counterparts were so enrolled.[10]

A declining 23.1% of three- to five-year-old preschool children surveyed nationally were cared for only by a parent: 13.7% of African -American children, 23.2% of white children, and a larger 33.4% of Hispanic children.[11] It is clear that the growing Hispanic population of children in the state disproportionately lack preschool assistance and are cared for by parents and relatives—with impacts on the work availability for families now suffering required employment and safety net withdrawal.

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 three- to five-year-old children cared for only by a parent is more than double the rate of upper middle class children (28% vs. 13%).[12]

A recent report by the Urban Institute examined the child care patterns of children under age three 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.[13]

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 5–14 years of age, only 14.4 million have a parent at home who is not working or in school.[14] According to a 2003 report from the National Center for Education Statistics, about half the children in K–8 are placed in a nonparental care arrangement after school. The most common nonparental after school care arrangements for such children are center- or school-based programs, followed by relative care and self-care. The smallest grouping are in the care of a nonrelative or in extracurricular activities after school.[15]

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.[16] Accordingly, experts estimate that 5 million school age children spend substantial time in "latchkey" status—home alone without adult supervision.[17] In a 2003 report, Child Trends estimated that 3,325,000 six- to twelve-year-olds regularly spent time unsupervised or in the care of a young sibling in 1999. Of these 866,000 were six- to nine-year -olds and 1,050,000 were low-income children.[18] California's pro-rata share of the national five million total kids unsupervised would be 650,000, and its share of the older (6–12 years old) child estimate in 2003 is 432,250 in latchkey status—both conservative estimates given the state's demographics.[19]

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).[20]

The PRA includes a two-year maximum period before just under 80% of those receiving TANF must theoretically be in a "work activity." A substantial number of families are now suffering "sanctions" or reductions in safety net assistance for children. And a large number of children are in families reaching the five year lifetime maximum for TANF federal assistance. California will currently provide state-only assistance for the "child's share" in the case of sanctioned families or those reaching the five year mark. However, the total of that child's share is a subtraction from a base of support that has been reduced to record levels in relation to the poverty line. As discussed in detail in Chapter 2, the basic child safety net amount (maximum TANF grant and average food stamps) reached a record low of 74% of the poverty line in 2002–03. For 2003–04, the budget as enacted will carry children to a record low of 69% of the line (for those in the urban counties of "Region 1") and to 67% of the line in the remaining rural counties of "Region 2." Further, the "sanction" reductions will carry the benchmark family of one parent and two children in the higher Region 1 from a $637 maximum grant to $514 and even with a slightly higher average food stamp allocation, these families will reach 61% of the 2003 poverty line, those in the lower benefit Region 2 will go from $607 to $489 and fall to 59% of the line. These levels are maximums, and average TANF benefits are $150 per family lower. The net result is the relegation of substantial numbers of children to below 50% of the poverty line—a level designated as "extreme poverty" by experts. The benchmark family is reduced to below $650 per month for rent, utilities, transportation, clothing and food for the family. Those currently suffering such sanctions amount to 58,980 parents covering over 120,000 children as of June 2002. The proportion of Welfare to Work (WtW) participants sanctioned has increased to 34% of all WtW participants, up from 25% a year earlier.[21] To this base, another 140,000 and 240,000 children have parents facing the five year limitation and a similar cut-down during the last half of fiscal 2003–04 (see discussion in Chapter 2).

For the vast majority of parents receiving aid, work (the alternative to these sanctions) will require child care, which the PRA requires states to provide.[22] Literal compliance with the law will require an extraordinary bolus of child care capacity and subsidy during 2003–04 and the following year to allow those able to work that opportunity. As discussed below, that child care promise is now being broken by the Congress, and was breached by the state in the 2003–04 budget. Those who have complied with the intent of federal welfare reform and have obtained jobs will now lose child care support after just one year of employment. Few can afford to pay the $3,500 to $6,000 per year per child in care costs, as discussed below. Those parents who lack family to provide that care then face the Hobson's choice of latchkeying their children home alone, or leaving employment to care for them—which triggers sanctions or the five-year cut-off and levels below basic rent and sustenance costs of their children.

B. California Child Care Demand

1. Children Under 5 Years of Age

In California, two-thirds of the mothers of children under 5 years of age work in the paid labor force.[23] 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.[24] 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 age 3 are in centers, versus 22% nationally, and only 31% of 3–4 year olds as compared to 45% nationally.[25] 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.[26]

2. Children 5–14 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 6–9 years old and those 10–12 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 10–12 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. [27]

3. Overall

The clear majority of mothers of all children birth to 14 years of age now work. The state has 3.8 million children of such parents. The California Child Care Resource and Referral Network (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.[28] 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.[29]

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).[30]

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 $32,000 for a family of three, $39,000 for a family of four). 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" during 2004. As noted, their children are assured of "adequate child care" by the 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. 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.

In addition, one million California children whose parents have been removed from TANF rolls over the past six 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 (see data in Chapter 2). 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 proposed 2004–05 budget, will be subject to problematical Stage 3 child care—funded at only a small fraction of the demand.

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.[31]

The provision of child care to those who have left TANF for employment raises a difficult collateral ethical issue that former Governor Davis has articulated and Governor Schwarzenegger has now embraced: Should working poor family "x" receive child care help simply because a parent received TANF assistance, while it is denied to another working parent at the same income but 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 former Governor's January 2002 proposal to change child care rules and put all working parents on a more even footing, a policy withdrawn by Davis, but now adopted by Governor Schwarzenegger in his proposed 2004–05 budget, as discussed below.

Child advocates would not object to treating all working poor similarly—whether previously on TANF or not—where the effect is to add resources for inclusion of more working poor without forcing former TANF parents back onto rolls. That consequence carries with it the following implications not applicable to the working poor population generally: (1) the TANF parents have a somewhat more convincing need for child care in order to seek employment *vis-a-vis* the working poor in general. For the latter have in fact obtained employment notwithstanding lack of child care help. The latter group may be able to work because they have a temporary Grandmother or other relative willing to help out, or they may suffer hardship from employment without child care help, or they may be latchkeying their children. But the TANF group has a clear record on lack of work without assistance, with child care help a critical need for their employment. (2) The TANF recipients were promised "adequate child care" in return for training and employment, and have kept their part of the bargain. (3) The TANF parents reentering do not obtain raises within two years sufficient to allow child care payment at market rates, and when they reenter TANF rolls to provide shelter for their children, they now do so under a sixty-month lifetime limit to assistance for the family. Moreover, they now suffer a reduction of the "parents' share" of the safety net grant, reducing benefits to approximately one-half of the poverty line—extreme poverty levels. Of great consequence, the Schwarzenegger 2004–05 budget exacerbates this sanction by proposing an additional 25% reduction, taking away a substantial part of the "children's share" as well—moving most of these families into income levels compelling homelessness and child endangerment. Ironically, the cost of retrieving children suffering extreme neglect from lack of shelter, food shortfall, *et al*. involves removing them from otherwise competent and loving parents into a foster care system that will cost from 3 to 10 times the per capita expense of TANF.

A final element in the mix is the current Bush administration PRA reauthorization proposal to increase weekly work hours required for TANF recipients to an inflexible forty-hour minimum and to radically change participation requirements placing states and impoverished parents in an untenable position. The vast majority of TANF recipients must work, notwithstanding lack of jobs and child care funding or states face loss of federal funding. The proposed rigid requirements conflict with the realities of limited employment for new entrants, child care supply and subsidy shortfall, and the legitimate need for many parents to work 20–35 hours in order to avoid latchkeying young children (see detailed discussion in Chapter 2).

In summary, the developing combination of disinvestment in child care involves: (a) the cut-off of many newly-employed parents after two years of work from child care help; (b) increased sanctions, down to below one-half of the poverty line, after sixty months of benefits have been received in a lifetime; and (c) the minimum requirement of forty work hours per week in order to be considered "employed." Where an individual works part-time and seeks a small TANF stipend, the negative results are compounded: he/she loses a full month of welfare reliance against the sixty-month limit, and he/she fails to qualify as "employed" for purposes of federal funding and penalties.

C. California Child Care Supply

As Table 6-A presents, California's Department of Social Services counted 1,146,529 total licensed child care capacity in December 2003. 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.[32]

Facility Type	Total Capacity	Total Licensed Facilities
Family Child Care Homes	415,126	44,506
Infant Centers	38,464	1,746
Child Care Centers	533,490	9,927
Child Care Centers-School Age	159,370	2,993
Child Care Center-Mildly Ill Children	79	7
TOTAL CAPACITY - ALL AGES:	1,146,529	59,179

TABLE 6-A. Licensed California Child Care Capacity, December 2003[33]

Center capacity has been increasing, but not at a rate above population growth. The July 2002 study of center spaces by the PACE academic center found that between 1996 and 2000 actual spaces increased by only 19,000 statewide, barely over child population growth. It amounts to an increase in total center and preschool slots from 13%–14% of the state's 0–5 population.[34] Most important, this four-year period measured corresponds to the announcement of increased spending and federal and state voluble commitment to child care—particularly to centers and preschool. This modest 19,000 slot increase occurs over the first four years of welfare reform involving almost 600,000 children withdrawn from TANF rolls—a number now leveling at one million, many representing parental employment requiring child care.

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."[35] Changes to 2003 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.[36] Short supply is particularly stark for Los Angeles County (with supply only at 17% of demand)[37] and for infant care throughout the state (statewide, just 5% of licensed center slots are for infants).[38] 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%.[39] 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. Statewide, the availability of child care center slots is about one-third higher in the most affluent zip codes, compared to zip codes populated by lower-income families.[40] In general, impoverished areas (inner cities and rural areas) have the lowest supply of child care in relation to demand. Regionally, Southern California—especially Los Angeles and Orange Counties and the "Inland Empire" counties have particularly sparse supply, averaging 11–14 slots per 100 children aged 0–5, while the four Bay Area counties constituting more of a suburban setting, have double that supply—from 21 to 28 slots per 100 preschool children.[41]

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.[42] In poor areas of Los Angeles, where over one-third of the children live in TANF receiving homes, there are 10–20 children under 6 years of age for every available licensed child care space.[43]

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%.[44]

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.[45] In September of 2002, the Los Angeles Office of Public Counsel released a report on County child care supply finding that "of 100 kids in the county needing care, 16 have it." It cited hostile local zoning and other barriers to quality center supply.[46]

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 annual cost of child care in California for 2001, which have increased slightly since. 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 Sand 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.[47] 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.

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.[48] 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.[49]

	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[50]

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%.[51]

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. Where subsidies are received, providers are paid based on surveys of market child care charges. 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 requires subtraction from a small sum available for discretionary spending.

The numbers benefitting from subsidy represent almost a doubling of commitment from spending prior to 1996. However, three *caveats* apply to this new investment: (a) it starts from a low base, with substantial unmet demand prevailing prior to1996, (b) the increase represents only a portion of the dramatic demand increase from post-1996 welfare reform work requirements, and (c) the subsidy increases have not translated into child care supply increase—particularly for high quality center slots and in locations where most needed, as discussed above. The subsidy increase has reached more children than the increase in licensed child care centers and family supply as discussed above. Some of these additional children receiving subsidy are currently in licensed spaces, but a large number are now cared for by relatives who are unlicensed and may be marginal providers—but who receive child care subsidy given the lack of licensed supply, particularly in rural areas and the inner cities.

2. Unmet Need

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.[52] Children Now estimates that 607,000 children aged 5–14 receive subsidies,[53] but concludes that 632,239 children in this age group need and should qualify for subsidized child care but do not receive it.[54] Another large group of children in the 0–5 age group are in families who qualify for subsidy and similarly lack assistance.

In addition to direct subsidies, the state has enacted a refundable child care tax credit. However, as discussed below, the credit provides less than 10% of child care costs; for most working poor parents, help at a 10% or 20% level is little better than no help if they cannot afford the remainder. 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.

Using a broader definition of those eligible, the Little Hoover Commission contends that the current major child care subsidy system serves "7% of those eligible."[55] And it correctly identifies how the limited application of subsidy almost substantially excludes the base population of working poor. "[T]he 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."[56] 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."[57] According to the California Budget Project, the number grew to 280,000 by 2002.[58] In addition, large numbers of parents no longer bother to seek waiting list status given its length and continuing lack of funding. Children Now's July 2002 Report Card found that federal and state subsidies miss 40% of the one million children of working poor families needing help. It found that 53% of the state's three- and four-year-olds attend preschool, with a national incidence of 64%. Only 41% of California's children participate in the successful federal Head Start program, compared to 58% nationwide.[59]

II. MAJOR PROGRAMS AND BUDGETS

A. Historical Line-up (to 1997–98)

The *California Children's Budget* separates out five kinds of public spending for child care: (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.

1. Resource and Referral Agencies

"Resource and Referral" (R&R) agencies at the county level indirectly coordinate the first three types of public spending above (child care subsidies) and are themselves an important budgetary line item. 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.

2. Department of Social Services (DSS) Programs

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.

3. California Department of Education Child Development (CDE) Programs

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.

4. Federal Head Start

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, and 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 child-related national programs administered directly by the federal jurisdiction.

B. PRA Changes: The Post 1997–98 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.

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-C. California Child Care Program Line-Up: 1997–98[60]

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.[61] 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. 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. The Line-Up: 1997–98 to 2004–05

In 1997–98, before state implementation of federal welfare reform, the state allocated approximately $1.2 billion in state and federal funds for child care programs administered through CDE or DSS. Table 6-C presents the line-up as welfare reform started. It excludes head start and miscellaneous specialized programs and which bring total children served as welfare reform started in 1998 to just above 400,000.

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 in Table 6-C above and has a combined budget of just over $250 million. The major budgetary increase has involved TANF employment requirements: with $353 million of additional funds provided as of 1997–98. This fund grew by another $80 million between that year and 2003–04, primarily compensating for inflation and underlying population increase.

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 then paid child care providers directly in three stages, roughly analogous to the historical federal programs: JOBS (GAIN in California), transitional, and "at-risk" child care, respectively:

- **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 uses existing county resource and referral agencies providing hotline services for families.

- **Stage 2** is designed for families who have obtained stable employment or who are transitioning off aid. It is administered by the state Department of Education. It is also a capped entitlement program. It provides child care subsidy for up to two years after a parent obtains employment—if income qualified and subject to possible co-payment obligation.

- **Stage 3** covers current or former CalWORKs recipients and families receiving "diversion services." It covers those families who have left TANF roles through CalWORKs and are beyond the two year period of Stage 2. 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. Assistance is based on a sliding scale according to income.[62]

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.[63]

As Table 6-D indicates, about 684,000 California children are expected to be served by the major subsidized state child care programs during the 2004–05 fiscal year. Another 107,000 are served by federal Head Start, mostly four-year-olds and some three-year-olds preparing for kindergarten four days a week (see discussion below). The 2003–04 budget assumed substantial reductions in CalWORKs Stage 1 to 72,000 and substantial increases in before and after school "enrichment" programs, assumptions also implicit in the proposed 2004–05 budget, discussed below.

Program	2004–05
CalWORKs Stage 1 Child Care (DSS)	89,000
CalWORKs Stage 2 (including Community Colleges)	96,500
CalWORKs Stage 3	57,000
General Child Care (SDE)	86,100
State Preschool and After-School	308,500
Alternative Payment Programs	29,800
Other	17,200
TOTAL	**684,100**

TABLE 6-D. California Major Child Care Programs and Children Receiving Subsidy—2004–05 Estimated Enrollment[64]

The current system favoring CDE control of almost all state child care (except for CalWORKs stage 1) represents a partial victory of SB 530 for CDE control of child care over the alternative of SB 933 that would have devolved child care administration to counties. 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. Further, DSS administration through counties, particularly if funding is based locally, threatens wide variations by locality and a lack of local public funding to compensate for increased demand.

The victory for CDE minimum assurance was only partial. Although CDE administers most programs, the CalWORKs child care program (Stages 1, 2, and 3) is not an effective entitlement as structured financially. That status is afforded in theory because parents subject to work requirements must be afforded "adequate child care" under the PRA. But each of these programs is governed by a federal grant that is based on a pre-set figure rather than on qualified demand.

The capped grant structure for CalWORKs child care was then replicated by the state to the counties after 1998 through state "CalWORKs" grants that include monies to be used for child care, job development, training, job search, public service employment, *et al.* How monies are to be allocated between various functions is largely determined locally. Grants such as these from federal to state and state to local jurisdictions are commonly termed "capped entitlements." Child advocates contend that "capped entitlement" is an oxymoron, that "entitlement" necessarily means services based on statutory qualification—not on predetermined funding (*e.g.*, Medicare for the elderly is an entitlement, and payroll taxes are adjusted to assure that legal demand is met).

The quandary between the child care guarantee and funding limits has been theoretical as federal and state grants have produced surpluses at the county level from 1998 to 2001. But these are now gone or have been taken by the state for general fund reduction. The federal amounts promised the states will likely not meet the demand from those who qualify. And that shortfall would be substantially exacerbated by the enactment of the pending PRA 2003 reauthorization proposal of the Bush Administration, federal deficits limiting federal help, and state problems— including the pushing of unprecedented debt obligations forward through 2010–11. The conflict between a "right" to child care necessary for employment and a limitation on statutorily promised funds to enable that care purpose raises two questions: Which children will be denied subsidized child care? What are the implications of denial for required work, family grant reductions/ cut-offs (sanctions), and the safety net for children?

3. Demand and Unlicensed Providers

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 has effectively compelled latitude in the selection of care providers. This latitude has been virtually unrestricted, and there are dangers in the delegation of care to persons without background, training, or track record—and perhaps based merely on the revenue available to them or to the involved parents. 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, or other dangers.

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. They often lack the economy of scale available to licensed in-home providers ("family" child care) able to form a viable income from the care of eight children. 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. The "alternative payment" vouchers going to many CalWORKs families for this care does not have an easy alternative where licensed supply is lacking, as discussed above. But spending in this category has increased markedly over the past five years and the traditional licensed child care centers view them as working excessively to supplement the income of impoverished families rather than to provide high quality child care.

C. Major Account Description and Status

From the viewpoint of families, the programs outlined below provide assistance to parents who work in one of five categories: (1) those who are in the Welfare to Work program and are leaving or have recently left TANF rolls (Stages 1 or 2 above), (2) those with three or four year olds who qualify for state "preschool" or federal head start, (3) those who have statutorily defined specific needs and so qualify (migrant, handicap or medical incapacity, at-risk of abuse, teen pregnant for schooling, community college enrolled), (4) for the working poor as available (and under Stage 3 above) who earn less than 75% of state median income, and (5) as a refundable tax credit for 10% to 15% of child care cost.

Those who qualify for one of these forms of child care subsidy may receive it through care cost payment for their children directly to a state contracted child care "center," through a federally financed federal head start facility, or they may receive a "voucher" or a refundable tax credit to pay for its cost at a center, in the home of a licensed "family" child care provider, or with an "exempt" provider, such as a relative. The option of vouchers for relative-care (license exempt) has increased markedly over the past five years as center and other spaces have been unavailable in the locations where impoverished parents need care, as discussed above. Families are exempt from co-payments for child care where there income is below 50% of the state median, but must contribute on a sliding scale where income exceeds that level.

1. CalWORKs Child Care: Stage One and Supplemental Child Care

CalWORKS Stage one is administered by the California Department of Social Services through county welfare departments. It begins when a participant enters the CalWORKs grant program to obtain training and engage in job search activities. Local welfare departments refer families to Resource and Referral agencies to locate child care slots, and those departments pay providers directly for child care to facilitate transition to work. Once work is obtained, participants move into CalWORKS Stage 2 administered by the California Department of Education and discussed below.

Under CalWORKs, just over $888 million was set aside for California local jurisdictions to use 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 previous DSS (welfare related) child care programs. As noted above, DSS now retains only Stage one child care and the other two stages are assigned to CDE accounts. However, much of the 1998–99 increase was not new money, but a roll-over of unspent funds from prior years—going back to 1996–97 and the initial federal PRA grants to state for welfare to work purposes.

In general, sums expended and changes made since this Children's Budget usual trend start date of 1989 are too complex and substantial to allow meaningful trend analysis. The focus of child care spending is now on the future: with the 2004 federal reauthorization of the PRA occupying center stage. Counties have received funds from two major sources, a single CalWORKs grant from the state and "incentive payments" made by the state to counties based on their success (measured substantially by TANF roll reductions). CalWORKs' spending demands hit hard in fiscal 2002–03 and 2003–04. The state suspended incentive payments in 2001–02 while the surplus shrank from $1.5 billion[65] to $1.1 billion. The 2002–03 budget continued the suspension—and also took back about one-third remaining in county hands. After the state take-back and ongoing attrition, it will disappear entirely before the end of 2004."[66] Similarly, surplus funds rolled over from prior years have been depleted as well. See discussion above and in Chapter 2.

	Budget Year					Appropriated	Proposed
	1998–99	1999–2000	2000–01	2001–02	2002–03	2003-04	2004-05
General Fund	$1,527	$10,282	$35,885	$102,995	na	$7,769	$56,898
Federal Trust Fund	$278,584	$564,721	$565,590	$451,483	na	$471,834	$432,671
Reimbursements	$232	$760	$744	$903	na	$0	$0
Total	$280,343	$575,763	$602,219	$555,381	$497,100	$479,603	$489,569
Adjusted Total	$304,677	$618,312	$632,209	$573,320	$505,054	$479,603	$480,903

Dollar amounts are in $1,000s. Sources: Governor's Budgets; Department of Social Services. Adjusted to deflator (2003–04 = 1.00)

TABLE 6-E. CalWORKs Stage One Child Care (DSS)

Table 6-E sets forth spending for CalWORKS Stage 1 within DSS jurisdiction at the state level. As the table indicates, the final total for 2002–03 was $497 million, a substantial reduction from the 2000–01 highpoint of $602 million, and representing a third straight year of reduction. In addition, the final 2003–04 "reserve" of funds to go to Stage 1 or Stage 2 as caseload demand was set at $61.6 million,[67] substantially lower than reserve amounts in previous years and only able to compensate for a shift of 10,000 children contrary to advance estimates of over 20,000. The reserve as proposed for 2004–05 is even lower, at $52 million.

Although some reduction from 2000–01 may be justified by the decline in TANF caseload, that number has now leveled and is increasing slightly, as discussed in Chapter 2. Moreover, the population included may require substantially more Stage 1 investment per capita than did the initial group obtaining employment. The population includes those having difficulty in obtaining employment and requiring a training investment, and those who have been laid off due to the modest employment downturn of the last two years. This last population includes those who more demonstrably needed such child care to achieve training or employment search success (*e.g.*, who lacked child care from relatives or other alternatives).

In theory, each of the three stages of CalWORKs child care is "caseload driven." But spending for current 2003–04 is budgeted down 20% from 2000–01 levels, and over 24% when accounting for inflation. As TANF caseloads level or increase, the legitimate demand under the federal law "adequate child care" guarantee will conflict with budgeted resources *in extremis*. Child advocates fear budgetary pressures created by these reduced sums may lead counties to deny work opportunity to parents where the consequence is sanctions and safety net reduction to extreme poverty levels for children. Adding to the concern over the 2004–05 budget assumptions that fewer persons will participate in CalWORKs are the changes likely from PRA reauthorization in 2004, which the Republican controlled Congress is considering from President Bush, and which raises the minimum work week to qualify from 30 to 40 hours, and substantially increases the percentage of recipients who must work—changes that would dictate substantial CalWORKs caseload increase (and Stage 1 child care demand)—even assuming economic expansion.

2. California Department of Education (CDE) Child Care / Child Development

The numerous and varied child care programs of the California Department of Education (CDE) are legislatively intended to include some component of cognitive development, *i.e.*, an educational element. Thus, they are generally labeled as "child development" as opposed to "child care." This distinction is also important because many also remain under the protection of Proposition 98—that portion of the state budget general fund reserved by the state constitution for education. In *CTA v. Huff*, the Court of Appeal upheld that education protected status for child development programs, including both preschool and general CDE child care against a challenge by the California Teachers' Association seeking its removal. That removal would have relegated school preparation teaching to competition with law enforcement and other powerful interests and would have left a larger share of general fund spending for the K–14 courses taught by CTA members.[68] The major CDE programs are CalWORKs Stage 2, CalWORKs Stage 3, general child care, alternative payment programs, extended day programs, and preschool.[69] In addition, specialized programs serve particular populations, such as pregnant teens, community college students, migrant workers, and others, as discussed below.

All federal funding for CDE child care and development programs flows through the Child Care and Development Fund (CCDF)—established pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act (PRA) of 1996. In addition to this dedicated block grant sum, Temporary Assistance for Needy Families (TANF) funds for child care are transferred from the California Department of Social Services to fund CalWORKs Stages 2 and 3. Federal funds are used in both center-based programs and alternative payment programs.

The CCDF in turn consists of three "funding streams" including Child Care and Development Block Grant (CCDBG) monies (now called "discretionary") plus two additional components referred to as "mandatory" and "matching" funds. These funds must be spent on TANF recipients of assistance or recipients "at-risk" of needing TANF assistance. "Discretionary" monies are appropriated at the "discretion" of Congress and are not guaranteed. Within this category, Congress "earmarked" monies for quality expansion, infant-toddler quality improvement and school-age/resource and referral activities. "Mandatory" funds are determined from California's federal 1994 Title IV-A appropriations for child care that was part of funding for the now defunct Aid for Families of Dependent Children (AFDC) program. The State must maintain its previous level of State portion expenditures for these funds as a maintenance of effort (MOE) requirement in order to receive the specified federal amount, as discussed above and in Chapter 2. "Matching" grant funds are new monies that the State can access to meet stated goals of the Act, if the State meets its MOE requirement for the "mandatory" monies (as California has accomplished to date). There must be a match of State General Fund expenditure for these expenditures. At least four percent of all CCDF monies (including State matching funds) must be spent to improve the quality and availability of child care to meet the goals enumerated under Title VI of the Act.

(a) CalWORKs Stages 2 and 3 use federal funds to provide child care for children whose parents are in the CalWORKs Stage 2 and Stage 3 programs described above. As noted, Stage 2 is administered by CDE through its alternative payment (AP) program contractors. CalWORKs families are transferred into Stage 2 when the local welfare department deems the parents to be employed in stable and qualifying jobs. Benefits are limited to two years post employment. A small portion of the services in Stage 2 is administered directly by the California Community Colleges through its centers or through an AP delivery system for the benefit of students. Stage 3 is also administered by CDE through alternative payments. A family can move to this stage when it has exhausted its two-year limit in Stage 1 and/or Stage 2 (referred to as "timing out").

(b) Alternative Payment Program (APP), funded with state and federal funds, offer an array of child care arrangements for parents, such as in-home care, family child care, and center-based care. The APP helps families arrange child care services and makes payment for those services directly to the child care provider selected by the family. The APP is intended to increase parental choice and accommodate the individual needs of the family. Theoretically, the "working poor" who have never applied for or received TANF may have a need for child care help to enable them to continue employment. For example, such a need may arises when work demands increase, relatives previously caring for children are unable to do so or a pregnancy occurs. These families were once in the "at risk" category under federal law—those at risk of entering TANF caseload unless they can receive child care help. Unlike those eligible for the higher priority Stage 1 CalWORKs funding, these are generally persons qualified and able to work as their current employment attests. However, as discussed above, the public investment in this population has been marginal and is reduced in the enacted 2003–04 budget. It now covers a small percentage of the working poor at risk of employment difficulty without subsidy and waiting lists for such help beyond current funding are lengthy throughout the state.

(c) General Child Care and Development programs are state and federally funded programs that use centers and family child care home networks operated or administered by either public or private agencies and local educational agencies. These agencies provide child development services for children from birth through 12 years of age and older children with exceptional needs. These programs provide an educational component that is developmentally, culturally, and linguistically appropriate for the children served. The programs also provide meals and snacks to children, parent education, referrals to health and social services for families, and staff development opportunities to employees. Table 6-F below presents the general child care services account. The proposed 2004–05 budget accomplishes a 6.0% adjusted decrease from the current year.

						Estimated	Proposed	Percent Change	
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	'98-'03	Proposed
GF Total	$428,000	$458,000	$463,500	$578,700	$606,503	$610,503	$593,400	42.6%	–2.8%
Adjusted Total	**$489,338**	**$511,028**	**$499,720**	**$615,911**	**$625,450**	**$610,503**	**$574,095**	**24.8%**	**–6.0%**

Dollar amounts are in $1,000s. Sources: Governor's Budgets, Legislative Analyst's Office.
Adjusted to children age 0–19 and deflator (2003–04=1.00). Adjustments by Children's Advocacy Institute.

TABLE 6-F. CDE General Child Care Services

The general child care and alternative payment programs receive much of the funding extant and focus on children at risk of abuse or neglect as a first priority; and income of the applicant as 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.[70] 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.

(d) Before and After School Programs were expanded in the former Governor's 2001–02 budget by $20 million. Traditionally termed the acronym rich "After School Learning and Safe Neighborhoods Partnerships Program (BASLSNPP)", the passage of Proposition 49 in November 2002 changed its name to the "After School Education and Safety Program Act" (see discussion of new Act below). 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 2001–02 was approximately $88 million, which translates to $5 per child per day. There is a local match of 50% required.[71] As discussed below, the program has expanded since 2001 and as proposed.

(e) State Preschool Programs consist of part-day developmental care for three- to five-year-old children from low-income families, emphasizing parent education and involvement. The program functions in addition to basic preschool education activities; other components include health, nutrition, social services, and staff development. These programs are administered through local educational agencies, colleges, community action agencies, and private non-profit agencies. The state preschool program allows contractors to extend the normal half-day of care to "full-day" with certain restrictions (facilitating parental employment). Some current preschool providers chose this "wrap-around" of their existing half-day program. Agencies continue to operate in a half-day mode as a state preschool program, but then follow general child care rules and regulations for the remainder of the program day (with less focus on cognitive training and kindergarten preparation). The state preschool program provides subsidies for just under 150,000 children and covers many children not a part of the federal Head Start program discussed below.

As Table 6-G indicates, this account has increased as adjusted at a substantial rate through 2000–01. That increase was consistent with the former Governor's year 2000 pledge to provide state preschool for 100,000 children. The promise was kept. As Table 6-G indicates, amounts budgeted since 2001 have been flat, as adjusted, with a slight reduction from 2002–03. In general, this popular account has escaped the larger reductions suffered by other child care programs and child advocates have been emboldened to propose universal pre-kindergarten preparation/care—citing research on the advantages of pre-kindergarten preparation. As discussed below, some Proposition 10 funds and individual county efforts join a proposed new initiative and legislative interest in early education, resources permitting.

	Budget Year							Estimated	Proposed	Percent Change	
	1995-96	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	'95-'03	Proposed
Total	$106,826	$127,000	$142,000*	$180,000*	$271,121*	$275,000*	$307,500*	$303,883	$314,000	184.5%	3.3%
Adjusted Total	**$114,432**	**$134,899**	**$148,924**	**$186,343**	**$295,723**	**$291,263**	**$316,388**	**$303,883**	**$304,587**	**165.6%**	**0.2%**

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 (2003–04=1.00). Adjustments by Children's Advocacy Institute.

TABLE 6-G. CDE Preschool

Beyond these major accounts outlined above are narrow programs for special populations and for supportive services, as follows:

(f) Migrant Child Care and Development. These programs serve children of agricultural workers while their parents are at work. The centers are open for varying lengths of time during the year depending largely on the harvest activities in the area. In addition to these center-based programs, the 2003–04 budget continues to provide for the Migrant Alternative Payment Network Program that allows eligibility and funding for services to follow migrant families as they move from place to place to find work in the Central Valley.

(g) Campus Child Care and Development. These programs are intended primarily to care for the children of students enrolled in college. The centers are typically operated by either student associations or the college administration and provide the same comprehensive services as general child care and development programs.

(h) School Age Community Child Care Program (Latchkey). Not the larger, generic before and after school program discussed below, these "latchkey" programs provide a safe environment with age and developmentally appropriate activities for school-age children during the hours immediately before and after the normal school day and during school vacations. These programs must have a minimum of 50% enrollment from families that can pay the full cost of care, although this requirement may be waived when the agency can demonstrate its impracticality.

(i) Resource and Referral agencies, as discussed above, provide information to all parents and the community about the availability of child care, assist potential providers in the licensing process, provide direct services including training, and coordinate community resources for the benefit of parents and local child care providers. These services are available in all 58 California counties.

(j) Quality Improvement Plan. California's commitment to early childhood education and child development spans over five decades. California continues to promote a positive child and family focused philosophy. Service to low-income families remains a priority and State program goals demand that high-quality child development programs and services be made available. The Quality Improvement Plan for 2001-2003 addressed the federal mandates for infant/toddler capacity building, resource and referral programs, and school-age capacity building.[72]

(k) Local Child Care and Development Planning Councils. CDE supports the overall coordination of child care services at the local level through Child Care and Development Planning (LPCs) established in each of the 58 counties. The LPCs are mandated to conduct county child care needs assessments and to prepare plans to address identified needs. These assessments must include information on the supply and demand for child care, including the need for both subsidized and non-subsidized care.

3. Structural Reform Proposals [Stage 3 Abolition/Realignment]

In his January 2002–03 budget proposal, former Governor Davis presented a controversial child care reform proposal. Some elements of that proposal were repeated in the 2003–04 proposal, and others appeared again in the 2004–05 proposal submitted by the Schwarzenegger Administration. This reform notes that Stages 1 and 2 child care money is expended on CalWORKs training, and the first two years of employment, respectively. At that point, Stage 3 kicks in to provide child care to those who have worked for two or more years. Without such support, many of those parents who obtain employment would be forced back onto the rolls given child care costs. However, former Governor Davis argued that Stage 3 child care operates to give help to those who have been on TANF and then obtained jobs under CalWORKs, and may leave bereft the working poor who have refused or never been on TANF—even where such families have the same or lower income. Should parents be favored simply because they have claimed welfare? That is a fair question. Advocates for the poor argue that many of those not receiving TANF have been able to make arrangements for care without public assistance and the greatest need is generally among those demonstrably unable to work without child care help.

But the reform proponents have a point in implying that family income may be a more just criterion for need and assistance than is prior TANF participation. The argument gains strength where a substantial number of Stage 3 beneficiaries are receiving vouchers to compensate relatives caring for their children. For many of those who have not claimed TANF have made identical arrangements prior to the growth of these alternative payment vouchers to "unlicensed providers." Hence, relatives of one family are paid for child care while relatives of another at the same (or lower) income level are not. The political basis for the distinction is impact on TANF rolls. That is, the former group is more likely to return to those rolls if not helped, while the latter have had to make do without that help and are more likely to continue managing without claiming TANF benefits.

Another distinction of some weight offered by critics of former Governor Davis' reform was the fact that former TANF recipients were offered a deal: "You work and we provide child care until you achieve an income that enables you to become self-sufficient. And for those who reject the offer, we impose federally a five year lifetime limit of help." Does that offer and acceptance justify higher priority help for these families? And for how long and to what income level?

The practical problem with Governor Davis' reform is that it did not propose to add coverage for apparently deserving families, but to redistribute the same fund of money. He would have limited Stage 3 child care and put it and other child care funds into Alternative Payment vouchers available to the working poor in general on a sliding scale.[73] New child care money added would approximate general inflation/population growth. The result will be at least some elimination of child care for recent TANF recipients and their re-entry onto rolls. An arrangement that adds sufficient resources to still provide help to the vast majority of former TANF recipients who are recently employed would eliminate much opposition. Such an addition allows for the more equitable distribution sought, and remains a prudent expenditure given the relatively low income of recently employed CalWORKs participants. Such expansion offers help to additional deserving families, rather than conferring it through denial to those who remain in legitimate need (*see* proposal in Part III: Summary and Recommendations, *infra*, that would implement the equity considerations of the Davis proposal without such a cost).

In order to accomplish the redistribution without significant new money, recent reductions proposals from former Governor Davis included: (1) reduce eligibility for subsidized child care from 75% of the state median income to 66%–60% (depending on the county of residence); (2) remove coverage for those 13-year-old children (CalWORKs already excludes them); (3) require 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 former Governor's proposal 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 would be further supply constriction for these children, as occurs when Medi-Cal rates drop too far below market levels. And it has implications for child care quality as pay for providers is already near the bottom of occupational compensation levels (see Quality discussion below).

The former 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. However, its repeated advancement is likely, particularly as more CalWORKs parents work three, four, five and more years—adding to the pool of allegedly preferred recipients, and to the inequity *vis-a-vis* working poor not eligible for Stage 3 money.

Former Governor Davis' 2003–04 budget proposal included some of the cuts listed above, but more profoundly proposed to "realign" CDE general child care, alternative payment programs, CalWORKs Stage 2, resource and referral, Migrant Child Care, Latchkey, Campus Centers and Handicapped from the state to the counties. Counties would have been allocated part of a new $0.005 sales tax increase to finance this and other realigned programs. The proposal brought another storm of protests from the child care community, and from counties. The current shortfall counties are experiencing would make preservation of those funds for child care use difficult. And the new fund exclusively relied on may not correspond to future need. Indeed, where sales contract due to economic downturn, the need for child care help may increase. The Governor pared back his realignment program substantially in his May 2003 Revise, including the retraction of child care from inclusion, and it was not enacted.

However, other cuts and changes were approved, and many of the retracted proposals in somewhat altered form are now part of Governor Schwarzenegger's 2004–05 proposed budget, as itemized below.

4. California Child Care Spending: 2001–02 to Proposed 2004–05

Table 6-H presents the total state monies expended for all major child care subsidy programs in 2001–02 and as proposed for 2004–05. The federal Head Start program is not channeled through the state budget, but is almost uniquely funded directly from Washington, D.C. Its funding is discussed below. In terms of the California budget, the state's commitment to child care since 2001–02 would decline by an adjusted 4.5% under the Governor's proposed 2004–05 budget.

Although the 2003–04 enacted child care budget did not implement the structural changes proposed over the last two years, it implemented momentous reductions. The final enacted budget subtracted $384 million from state general fund revenues for CDE child care subsidy. Those cuts included $119 million backfilled with TANF federal Stage 2 funding, $18 million from the last of TANF carryover funding, and $15 million with federal Child Care Development Fund (CCDF) monies. Each of these substitutions for state general fund monies involves transfer of funds from federal block grants that subtract from CalWORKs training, education, job search or other functions needed for parental employment. In addition to federal fund backfill, $36 million in general fund reduction is replaced with "Proposition 98" funds currently assigned to state child care—which then subtracts that sum from another account. Although the child care account may benefit from these redirections, they are not net additions for children, but involve subtraction elsewhere.

Each of these four fund redirections is designated as "one time." Hence, the general fund base for child care is reduced by this $188 million with no prospective source for its backfill for 2004–05. The prospect of their replacement in the future is minimal given the deficit already accrued in advance for the next fiscal year and the unprecedented borrowing from future revenues to finance immediate general fund relief (see Chapter 1 discussion).

The child care community (17 trade associations of providers, child advocates, and others) formed a

"California Partnership for Early Care and Education" (Partnership) group to advocate for reduction alternatives where pending proposals cause particular harm. Their deliberations led to alternative suggestions for many proposed by former Governor Davis or by legislators. The Partnership was able to influence the legislative final product in 2003–04 in ways beneficial to children—including continued funding for the essential Resource and Referral Agencies (that help providers and operate hotlines to find spaces for parents), cancellation of the Alternative Payment Provider administration cut (already reduced 5% in 2002–03 and given new tasks), preservation of the family fee schedule from onerous increases, *et al.* But as enacted, the budget eliminates 13-year-olds from child care, and the programs listed in Table 6-I suffered reductions where population and inflation require increases to stay even.

Program	Description	2001-02 (millions)	2004-05 (millions) (as proposed)
Department of Social Services			
CalWORKs Stage 1	Vouchers for child care while in CalWORKs training/job search	$555	$490
CalWORKs Reserve	Available for Stage 1 or 2 as needed	$90	$52
Department of Education			
CalWORKs Stage 2	Vouchers for child care after CalWORKs employment for up to two years	$561	$530
CalWORKs Stage 3	Vouchers for former TANF recipients after Stage 2 expiration/ working poor	$218	$353
Alternative Payment	Vouchers for child care for working poor	$201	$182
General Child Care	Child care for children 0–13	$579	$593
State Preschool	State head start part day child care for 3 and 4 year olds	$301	$314
Before and After School Learning & Safe Neighborhoods Partnership Program	Funds the establishment of local after school education and enrichment programs	$88	$122
21st Century Community Learning Centers	Provides academic enrichment and recreational activities to students in K–12	na	$76
Extended Day (Latch)	School age care before/after school	$28	$26
CalSAFE	Teen parent child care	$38	$23
Migrant Child Care	Infant/preschool care near fields	$28	na
Resource & Referral	Lists spaces, helps parents find care	$16	$16
California Community Colleges			
CalWORKs College	Child care for TANF parents at college	$15	$15
Cooperative Agencies Resources for Education (CARE)	Single parent students child care, help	$11	$12
TOTAL		**$2,729**	**$2,804**
TOTAL ADJUSTED*		**$2,862**	**$2,733**

*Adjusted by deflator and 0–9 child population (2003-04=1.00).

TABLE 6-H. Trend Major California Child Care Service Programs

Beyond these fund substitutions are substantial reductions of $196 million from 2002–03 levels in raw numbers. Subtractions include:

Program	Reduction for 2003–04*
Provider Compensation Rate Reduction	$ 82 million
CalWORKs Stage 3	$ 57 million
Eliminate child care subsidy for 13 year olds	$ 16 million
Alternative Payment Rate Reduction	$ 12 million
Preschool Program	$ 10 million
After School Program	$ 7 million

New Income Disqualification	$ 7 million
Eliminate Quality Improvement Technical Assistance	$ 5 million
Total in Unadjusted Program Reductions	**$196 million**

*See *AB 1765 Floor Report – the 2003 Budget Bill*, Senate Republican Fiscal Office, July 27, 2003 at 4.

TABLE 6-I: CDE Child Development Reductions, 2003–04

Regrettably, much of the reduction as approved will attack compensation for child care providers—currently among the lowest paid sectors of the economy. Unlike some Western European nations rewarding child care providers with pay above teacher levels (acknowledging the importance of early enrichment), the American economy and state place these caregivers/teachers near the bottom rung in pay, with resulting high turnover and low educational attainment (*see* discussion of "Quality," *infra)*. Proposition 10 and other limited monies have financed pilot projects in child care training enhancement and retention with promising results. And research from 2000 to the present has added to findings showing important correlation between quality child care and child health, and performance in later school.

The 2003–04 enacted reductions include a general lowering of ceilings for provider compensation. Under current practice, payment for child care to licensed providers operates under a percentage of what is termed the "Regional Market Rate" (RMR). Surveys by geographic area establish actual market prices for types of care (infant, toddler, part day school age) under competitive conditions. Subsidy amounts may be subject to variation depending not only on regional RMR, but on the percentage of children cared for who are publicly subsidized, and whether the provider is licensed or not. The Partnership was concerned that vouchers going to unlicensed care givers (often relatives) not have the same value as compensation for licensed providers who are inspected and regulated receive. The ceiling for licensed providers has been the 93% of the applicable RMR rate. The final budget adopted a reduction to 85%. The Partnership proposed return to a 93% tier for licensed day care and center providers "that demonstrate positive child outcomes leading to school readiness and success," and advocated for the Legislature and CDE to consider how to measure that efficacy for statutory implementation. Most child advocates agree that creating a reward for those who skillfully prepare children for school and assist their school performance, or otherwise particularly benefit children, should have a reward for that success. Ideally, such tiers would not be created through reductions, but additions closer to market rates paid by the private sector—and allow sufficient revenue to stimulate expansion and replication of effective providers.

Program	Proposed Reductions for 2004–05*
CalWORKs Stage 2	$ 53.8 million
CalWORKs Stage 3	$ 32.5 million
General Child Care	$ 17.1 million
Alternative Payment Reduction	$ 16.3 million
Latchkey program	$ 3.3 million
Total in Unadjusted Proposed Program Reductions	**$123 million**

**See Governor's Budget Summary 2004–05, K–12 Chapter,* at 58.

TABLE 6-J: Additional CDE Child Development Proposed Reductions, 2004–05

The proposed budget for 2004–05 would make permanent many of the reductions of the current year, and particularly reduce funding available for child care for the working poor. The Schwarzenegger Administration has embraced the concern of former Governor Davis about the inequity of extending child care for recently employed welfare recipients beyond two years—while denying assistance to working poor families at lower income who have never been on welfare. As discussed above, the facial inequity of such favoritism is apparent. However, child care advocates argue that the solution is not to cut off former CalWORKs families from child care, but to provide sufficient resources to allow the working poor to obtain quality child care so they may receive some help at levels just above the poverty line. Such assistance will allow them to retain sufficient income to pull their families above the poverty line, and more realistically up to the "self-sufficient" level discussed in Chapter 2. The diversion of limited funds to this group from former

CalWORKs families is momentous. This is a population that has already indicated a need for child care (and perhaps training/placement) to obtain employment. More of these parents have been unable to find relatives or other placements than may be the case with the working poor. Since child care costs commonly amount to most of the take home pay for a minimum wage worker, their continued employment is threatened and their reentry onto TANF rolls likely. Then at the 60-month mark many now approach, sanctions reduce such families to the extreme poverty of approximately one-half of the poverty line, as discussed in Chapter 2.

As proposed in January 2004, Governor Schwarzenegger's 2004–05 budget would cut off former TANF recipients who have found employment under CalWORKs at the three-year mark. That is, after two years in Stage 2, assured Stage 3 coverage would last for only one year—bringing assured assistance (assuming income and otherwise qualified) to no more than three years. The proposal does allow a second Stage 3 year to those promised two years under previous law, but the cut-off would occur earlier after 2004–05 for tens of thousands of parents. Few have obtained raises to afford the then-imposed cost of such care, and they then confront the Hobson's choice of leaving employment, or seeking marginal care, or latchkeying their children at home. Some of these working families may still qualify for continued child care under competition with the long waiting lists of the working poor seeking assistance throughout the state. However, CalWORKs families end up competing with working poor families for affordable, available child care, with the current availability meeting only a small fraction of demand, as discussed above.

The details of other proposed 2004–05 reductions occur in the context of persons entrusted with the care of young children and are currently compensated commonly at low recompense—substantially below those performing similar functions in Western Europe, and a fraction of compensation paid teachers starting at kindergarten. They occur as to parents living below or near the federal poverty line. The proposed 2004–05 budget would impose the following reductions and restrictions:

■ Makes permanent the removal of 13-year-olds as eligible for subsidized child care.

■ Provides that assistance for the care of 11- and 12-year-olds will be available only if after school programs are demonstrably unavailable for those children. The proposal estimates 18,000 of these children will be cut-off—and although purporting to shift them to after-school child care—presents savings estimates (of $75.5 million) that are either inflated, or anticipate substantial net cut-offs. In fact, after school programs are commonly not available on weekends or over the summer. Are they "available" as to parents required to work during such periods? Does it take into account the lack of proximity of licensed child care to substantial demand, as discussed above? The LAO notes that the cut-off from general child care means that these 11- and 12-year-olds will receive priority in after-school programs under the "reform's" design, and that existing programs are at or near capacity, requiring denial of care to younger children. Is a net denial of care to younger children consistent with proper child care priorities?

■ Eliminates child care subsidy for grandparents.

■ Creates a three-tier income eligibility structure for general child care (*i.e.,* divides counties into lower, medium, and high cost categories similar to TANF grants and lowers the family income levels allowing qualification in rural counties), cutting off approximately 2,000 families from help in 2004–05[74] and more ominously presaging larger cut-offs in future years.

■ Permits CalWORKs families to get on general child care waiting lists immediately upon earning income.

■ Bases income eligibility thresholds on a fixed dollar amount beginning in October 2004. This amount would be adjusted annually in accordance with changes in the California Necessities Index (CNI). The income eligibility changes would result in an estimated 1,900 children losing eligibility for child care for a total state savings of $9.3 million.

■ Imposes new "family fees", a co-pay requirement on subsidy recipients, to be payable directly to providers, and specified in proposed new tables in the Education Code. In other words, the state will deduct this amount from the sum it pays the provider, and leave the provider to attempt collection from the parent. This fee sum starts at 1.4% of family income, and tops out at 10%. The amounts to be so assessed are substantial for working parents earning near the poverty line and will amount to $22 million in new co-payments affecting 77,250 children.

■ Establishes a sliding scale for child care reimbursement, starting at only 40% of the regional market rate for such service (for non-licensed providers) and increasing to 85% for those "who can demonstrate the integration of early childhood development principles and are so accredited.[75] Rules will determine with greater precision how the lines will be drawn between five identified categories of providers arrayed along the 40% to 85% of market price spectrum. However, those cut to unprecedented low levels of below 50% of market rates are asked to provide care for children at half the rate paid caregivers at "market", a market that provides compensation close to minimum wage. As the distribution of supply discussion above indicates, the most impoverished children tend to live in areas lacking licensed providers capable of qualifying for the higher rates. Apart from distributional equity, will a compensation cut to below 50% of market rates maintain minimal child care supply as to such children (*i.e.*, living in inner cities or rural areas)?

■ Assigns substantial funds from CalWORKs child care as Proposition 98 education funding to allow concomitant reductions in otherwise required Proposition 98 funding for education.

■ Adds $2 million to start-up a "comprehensive anti-fraud proposal." The *Governor's Budget Summary 2004–05* states that "[c]hild care fraud may cost the State well over $100 million." This "estimate" is based on the stated assumption that "10% of the Alternative Payment program" involves fraudulent pay-out. Aside from its simplicity as a large, round number, the basis for such an estimate is uncited and unknown.[76]

On April 14, the Assembly Budget Subcommittee on Health and Human Services rejected Governor Schwarzenegger's proposal to limit CalWORKs Stage 3 child care to one year and to limit eligibility for non-CalWORKs child care and development services to two years for pursuit of education and training. The Subcommittee is expected to address other parts of the 2004–05 child care budget in May and June 2005.

2004 May Revise. In May 2004, the Governor released his May Revise, in which he modified some of his January 2004 proposals pertaining to child care. Major components of the May Revise include the following:

■ Consistent with the January 2004 Governor's Budget proposal, all families in CalWORKs will be able to place their names on waiting lists for general child care programs once they have earned income.

■ Consistent with the January 2004 Governor's Budget, families in Stages 1 and 2 that are still receiving cash aid as of June 30, 2004, will continue be eligible to receive services in Stage 3 for up to one more year once they enter that Stage.

■ Families in Stage 3 on June 30, 2004, will be shifted to the non-time limited AP program. However, funding for AP is extremely limited, with long waiting lists. These families will compete with all other impoverished families for limited subsidy help.

■ Families in Stages 1 and 2 that are not receiving cash aid as of June 30, 2004, will be eligible to receive services in Stage 3 for up to two years, instead of one year, once they enter that Stage.

■ Families pursuing an education currently have indefinite eligibility for child care, if child age and family income criteria are met. The January 2004 Governor's Budget would have limited this education eligibility to two years. However, many education programs, such as nursing, take longer to complete. The May Revision therefore expands this proposal to include an additional eligibility criteria for child care, consistent with criteria proposed for the CalWORKs program: If the first 20 hours of child care eligibility are for work activities, then education activities can be used as the need basis for child care services beyond those 20 hours, without a two-year limit.

■ The Administration is proposing to allow not only accreditation, but also results from the use of accepted environmental rating scales to measure high quality, to qualify child care providers for the highest rates within the proposed tiered reimbursement structure. Several counties already implement ratings

through local child care advisory entities utilizing Proposition 10 funds and other sources. This addresses the problem of limited
accrediting agency capacity.

■In an April 1 Finance Letter, the Administration proposed provisional language authorizing the Superintendent of Public Instruction to waive grant caps for 21st Century Community Learning Center after school programs to create additional slots for 11- and 12-year-old children redirected from state and federally funded subsidized child care programs as a result of proposed reforms. The May Revise proposes to expand this grant cap waiver authority to state-funded after school programs.

Overall, the Governor's May Revise changes to CDE-administered child care programs increase total funding by $50.7 million; some of the more major funding changes are described below:

■Instead of $164.8 million in proposed savings associated with the child care reforms—as projected by the Governor in January 2004— the May Revise reflects a savings of $119.5 million. Thus, the May Revise provides $45.3 million more in funding to reflect the lowered savings.

■A projected decline in Stage 2 and Stage 3 caseload reduces general fund spending by $13.5 million and TANF funding by $31.5 million.

■ The 21st Century Community Learning Center After School Programs experienced a $61.8 million increase via an April 1 Finance Letter, in addition to a May Revise increase fo $25.4 million.

The Legislative Analyst estimates a net of 20,000 children directly losing child care assistance due to the proposed changes, with 77,250 children costing their parents new co-pay amounts notwithstanding their impoverished condition. These effects exclude the indirect consequences of younger children denied after care and the reduction from K–12 education accounts because of Proposition 98 designation of federal CalWORKs funds, *et al*. As discussed in Chapter 1, these and other reductions from 2001–02 are not the result of a crisis of spending, but a conscious choice to spend billions of dollars on tax reductions and benefits for favored economic interests and the elderly. Perhaps most disappointing is the consistent labeling of reductions for child care as "reforms," as if providing such care and investing in the children involved is a species of error demanding correction.

The CalWORKs May Revise changes are misleadingly phrased as beneficial to TANF families whose parents have obtained employment. What the system actually offers as finally proposed is one to two years of post employment child care—followed by relegation to the huge pool of Alternative Payment eligible parents among the working poor. Most parents at this point will earn too much to move to the head of that long waiting list line and will be among the vast majority for whom help is denied. Few of these parents achieve sufficient pay raises to afford the $4,000 per child in care expenses so they may work—on top of rent and other rapidly increasing expenses. These are parents demonstrably unable to work without such help—as past TANF assistance suggests. Large numbers will either be forced from work, or compelled to leave their children latchkeyed at home, or in dangerous settings. As discussed above, California has one of the highest latchkey rates in the nation. Exacerbating the problem is further disinvestment by the reduction of compensation levels to a fraction of market level—a market already producing scant pay for child care providers.

The state disinvestment and deficit picture is exacerbated by the 2001 and then the 2003 federal tax cuts, which indirectly also reduce state revenues where replicated in state personal taxation, and which suggest lower federal contributions (see Chapter 1 and discussion of federal CCBG accounts below). The scale of these federal tax reductions is extraordinary, particularly if they remain in place and none are sunsetted, as the Bush Administration favors. Only 5% of the average annual federal tax savings for California adults from these two waves of tax cuts would produce $1.85 billion in additional revenue for quality child care— enough to meet the needs of the working poor, facilitate employment, diminish child poverty, and give children higher quality care—with its documented benefits for their health and education.[77]

5. A New Before and After School Program—Proposition 49

Largely because of monies available from the federal Leave No Child Behind Act in 2002–03, the BASLSNPP program discussed above and other before-and-after school enrichment programs reached $163 million in state and federal investment in 2002–03, serving 176,000 children. The enacted 2003–04 budget added $34 million federal funds (the 21st Century Learning Centers Program discussed below) to bring the total to $197 million, with the hope of reaching 298,500 children. These programs are included in this chapter because they may serve a child care purpose for some of those children participating. However, the emphasis may be on using school fixed plant investment before and after school hours to enrich educational opportunity and not provide daily care for those elementary and middle school children particularly needing adult supervision during the hours parents work.

Beyond the programs discussed above, including the existing after school program, a new Proposition was proposed and approved by the California electorate in November 2002. The After School Education and Safety Program Act, sponsored by Governor Schwarzenegger before he was elected to office, would eventually allocate up to $550 million for after school programs in elementary and middle schools. Among other things, the Act expands programs to include computer training, fine arts, and—unsurprisingly—physical fitness. Schools serving mostly low-income students would receive priority funding but when general fund increases allow, all elementary and middle schools will receive funding. The law adds law enforcement to the groups allowed to collaborate for after school activities.

Current spending for after school programs is at $122 million ($196 million, including the federal 21st Century Learning Grants contribution discussed below). The money for increases under the initiative would be an assured portion of natural revenue growth starting in fiscal 2004–05 under a defined formula. Current spending is assured for the next fiscal year. Increases above that level depend upon the level of non-Proposition 98 general fund spending above a defined base. That base is the highest level of non-Proposition 98 spending in 2000–01, 2001–02, 2002–03, or 2003–04, plus $1.5 billion. In other words, general fund revenues and spending would have to grow (rather than shrink as they have in 2003–04 and as proposed for 2004–05). In addition, the initiative allows additions only beyond Proposition 98 required funding. If no monies are expended beyond the guarantee (as has been the recent pattern), no increased funds need be allocated. Only where the Legislature increases beyond the Proposition 98 minimum will the measure mandate additional funds under its terms. As the Legislature adds to the Proposition 98 base, spending for its after school purposes will become a part of the minimum guarantee, thus expanding somewhat the constitutional minimum amount for education. This provision is important because of the current pattern of treating the Proposition 98 guarantee as a ceiling rather than a floor, and reducing below its required levels wherever spending in a previous year exceeds it (see Chapter 7).

The measure does earmark a portion of new revenues for a particular purpose when legislators and others might prefer alternatives. Political scientists bemoan the inflexible specification of such special 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—particularly for the middle school population. One source reports 42,200 children on waiting lists for after school programs in the state.[78] The measure is not extreme in its scale, and would take the current $196 million to no more than $550 million, probably over three to four years. It would collaterally expand by that amount the Proposition 98 required base. Hence, the monies are not coming at the expense of education programs for children, but rather genuinely supplement them. The Legislative Analyst estimates that no increase from the initiative will occur under its formula until 2006–07 at the earliest.

6. Paid Family Leave: SB 1661 (Kuehl)

In 2002, California enacted SB 1661 (Kuehl), the nation's first paid family and medical leave legislation. Signed into law on September 23, 2002, it is effective as of July 2004. It allows up to six weeks of paid family or medical leave for employees with a special responsibility and need to care for a baby (whether by birth, adoption or foster care), and may take leave to care for an ill family member. Federal law allows twelve weeks of unpaid leave for individuals working for businesses with fifty or more employees. California's law similarly applies to such larger enterprises, but the state's Disability Insurance Program will finance up to 55% of the employee's salary for six of those twelve weeks. Employees pay just under $3 per month to fund it. The statute does not cost employers the pay of absent employees but socializes the cost among all employees benefitting. While such leave will cost parents lost pay, that loss is softened by the fund. Perhaps most important is the statute's symbolic statement about commitment to children during their first six weeks. Experts universally concede the bonding and other benefits to the child arising from direct parental care during this early period.

7. Enacted 2003 Child Care Related Legislation

During 2003, legislators introduced 25 major bills relevant to child care and development.[79] Five of the statutes were enrolled to former Governor Davis, who signed four of them into law. Three of these made minor changes to existing law involving no cost; the fourth more materially exacts additional taxation on licensees (characterized as "fees"), and cuts health and safety oversight of child care facilities substantially. The bills passed by the Legislature include:

■ AB 51 (Simitian) would have required that the "land use element of local general plans "identify categories of land use, if any, that provide for child care facilities." It excepted small and large day care homes, applying only to centers. The identification requirement would have started during the already required periodic review of those general plans after January 2004. This exceedingly modest bill passed the Legislature and was enrolled to former Governor Davis, who vetoed it.

■ AB 305 (Mullin) requires cities and counties to grant additional density bonuses or incentives where developers include child care centers in housing development plans. These bonuses are additional advantages appended to initial incentives secured through the provision of a proportion (generally, 10% to 20% of the units) of the development for "affordable income" housing. The measure requires that qualifying low-income children have access to those centers to receive the additional bonus advantage. Former Governor Davis signed this bill on September 20, 2003 (Chapter 430, Statutes of 2003).

■ AB 529 (Mullin) marginally allows more children to be cared for in licensed small and large family day care. The traditional limits of six children in small family and twelve children in large family day care were expanded in the 1990s to eight and fourteen children, respectively; however, at least two of the children had to be over age 6. This new statute allows one of the children to be in kindergarten (perhaps 5 years of age), allowing a number of day care providers to add another child to their care. Former Governor Davis signed this bill on October 9, 2003 (Chapter 744, Statutes of 2003).

■ AB 1683 (Pavley) requires child care licensing inspectors to post notes regarding their site visits, including any citations relevant to discovered immediate risks to children, and any compliance reports. While previous law required that such documents be public in nature, the new law specifies information to be included in their reports and requires the posting of information for thirty days. Former Governor Davis signed this bill on September 16, 2003 (Chapter 403, Statutes of 2003).

■ AB 1752 was a budget trailer bill which raised licensing fees on the marginal child care industry, and cut the frequency of inspections—including small day care homes where active children spend 4–8 hours a day in the home of providers. As discussed below, the previous inspection schedule was already less frequent than the state requires for dog kennels. Former Governor Davis signed this measure on August 9, 2003 (Chapter 225, Statutes of 2003).

Most of the 20 proposed bills not enacted promised more significant improvement for child care. These were either withdrawn or died in the suspense file of the appropriations committees of the Assembly or Senate. Those still alive as "two-year bills" (carried over to the 2004 second year of the session) face the same close-to-categorical bar on new funding precluding progress for children in 2003.

8. Proposed 2004 Legislation / Preschool Initiative

a. Voluntary Universal Preschool: AB 56

Perhaps the most ambitious new initiative in the child care area is AB 56 (Steinberg). In addition to making kindergarten mandatory for all five-year-olds, this measure would establish grants for school Readiness Centers (as defined by the California First 5 Commission) to improve child readiness for kindergarten—including an ambitious program of voluntary "universal preschool" for all three- and four-year-olds by 2014. Also, it would authorize expenditures for child access from birth to five for health and development screening and assessment services.

The various goals of AB 56 are realistic in the relative short-term with the infusion of modest new revenues. The federal Head Start and state preschool programs are in place and cover the majority of four-year-olds who seek that preschool preparation. Studies confirm that two years of such preparation is more likely to allow impoverished children to overcome the considerable initial obstacles to learning as they enter public schools (see discussion of Quality, *infra*). Similarly, the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) element of Medi-Cal, California Children's Services (CCS), and special education mandates are intended to cover early child assessment for health and disability. All of these programs, currently formatted in narrow terms and requiring individual qualification and limitation, would likely benefit from the efficiency of barrier reduction under the universal approach proposed by AB 56. Child advocates argue that, as with the Children's Advocacy Institute's proposal for "true presumptive eligibility" for child health coverage, such an approach saves the considerable resources devoted to entry paperwork, qualification, denials, appeals, and separate funding streams. The state declares it a priority to prepare its three- and four-year-olds for public school and the review of all children for health and disability during their first five years. Such a policy is uncontroversial through most of the developed world.

b. Mandatory Preschool Opportunity: The 2004 Reiner/CTA Initiative

Related to AB 56, Rob Reiner and the California Teacher's Association organized an initiative drive for the Improving Classroom Education Act, intended for the November 2004 ballot. It adds to the state Constitution a mandate for preschool opportunity for all four-year-olds. It does not extend public Kindergarten back one year, but rather absorbs existing preschool private providers who opt to participate into the system. Where they meet standards, they are allowed to continue receiving compensation based on the children receiving preschool education at their facility. Importantly, compensation is raised to $7,500 per child, from the current $4,800 received by state preschool providers, and the $5,400 received by Head Start providers. After five to seven years of transition, all instructional staff will become employees of an applicable school district or county office of education. Hence, they will become "teachers" in a more widely recognized manner, and they would be included among the persons that districts and offices must negotiate with for salaries and benefits, and would bring them within the ambit of unemployment insurance and worker's compensation benefits accruing to public teachers. Money from the initiative may also be used to purchase texts and instructional materials, equipment, school furniture and playground equipment.

The ambitious initiative also funds its own terms, by reforming one of the continuing inequities in Proposition 13. Business properties open in 1977 have their assessments frozen at just about appraised values 27 years ago, while market values have increased tremendously. Further, businesses often sell stock or corporate ownership rather than the property itself, preventing a new sale to trigger a re-assessment for tax purposes. As a result, new businesses may be compelled to pay property taxes ten times greater than their established competitors. This initiative redresses that inequity, increases the maximum property tax rate from 1% of appraised valuation to 1.55%, and then exempts from taxation business personal property assessed against small businesses. Homeowners and farmers are not affected by the initiative. The $6 billion of additional revenue to be produced would be divided between lower classroom size and teacher quality improvements ($4 billion) and the child care expansion described above ($2 billion).

Although nearly one million signatures were gathered to qualify the measure for the ballot, organizers announced in April 2004 that they were suspending their campaign. According to a release by Rob Reiner, a "crowded and complicated ballot—along with a volatile political climate—was going to make victory this November an uphill battle."[80] Instead of waging that war, supporters decided to withdraw the measure, in order to "draft a better initiative or legislation from the ground up."[81]

c. Other 2004 Major Child Care Legislation

Several other major bills relevant to child care are pending in the 2004 legislative session. The most significant pending measures include:

■ AB 72 (Bates) would prohibit resource and referral agencies from making referrals to licensed providers suffering revocation or temporary suspension, or those on "probation." The bill defines probation as "the period of time that a licensed child day care facility is required to comply with specific terms and conditions set forth by the department in order to stay or postpone the revocation of the facility's license." Those agencies would also be required to notify the alternative payment programs within their respective territories of any facilities in violation of licensure conditions. Those programs, in turn, would be required to stop payments and to inform the parent and provider of the termination and the reason.

■ AB 242 (Liu), as introduced in 2003, would establish minimum education requirements and standards for all center-based early childhood educators and supervisors. All publicly-funded providers must complete state-approved professional development programs. The bill would encourage California's colleges and universities to prepare greater numbers of qualified teachers for school, including preschool. As amended in March 2004, the measure merely states in spot-bill fashion: "This bill would state the intent of the Legislature that California increase the number of qualified teachers and prepare a larger and more sufficient amount of qualified teachers for the public schools and institutions of higher education."

■ AB 366 (Mullin) would require the state Department of Social Services (DSS) to operate a substitute child care employee registry pilot program until January 1, 2007 and then permit its continued operation thereafter. The registry would check the criminal backgrounds of its registrants, allowing child care providers to hire substitute employees without having to perform checks themselves. Current law provides for such checks for foster care providers and group home employees. The coverage for child care workers is more problematic. Those employees who work at more than one facility (designated "substitutes") are particularly difficult to check where each facility is separately obligated to perform the check, or where multiple local registries exist. The fragmentation of verification is a particular problem in the San Francisco Bay Area, where five different counties lie in close geographic proximity and a single employee can theoretically seek employment in many of those jurisdictions at the same time. Accordingly, the identified pilot counties in the legislation are: Alameda, Contra Costa, Orange, Sacramento, San Francisco, San Mateo, and Santa Clara. Although the bill purports to charge for the registration services provided, the fiscal impact, as with other legislation, makes its passage uncertain.

■ AB 379 (Mullin) as amended in 2004, would require "home education networks" to support educational services for children receiving subsidies in home-based care. The "networks" are those local agencies and non-profits contracted to make payments to care providers for subsidized children. The legislation outlines their obligations to track the performance of providers in some detail, including the provision of age and developmentally appropriate activities for children, parenting education, and parent involvement, social services and referrals, health services, nutrition, and training for family home providers and staff, assessment of each family home provider in meeting these goals, and developmental profiles of enrolled children. In addition to these enumerated requirements, the bill adds that network contractors also: (1) recruit, enroll, and certify eligible families; (2) recruit, train, support, and reimburse licensed family home providers; (3) collect parental sliding scale fees; (4) set standards for educational quality and conduct assessments of the quality of the program offered by each family home providers; (5) ensure that basic health and nutrition requirements are met; (6) monitor contract compliance; and (7) provide data and reporting as may be required by CDE.

■ AB 1240 (Mullin), as drafted in 2003, requires a criminal background check before persons may be "present" in a child care licensed facility (or any community care facility, including foster care group homes). Currently, such persons may request exemption from this requirement. The bill as it existed last year would require the licensee to request that exemption. In 2004, the bill was amended back to make only one change in current law. Violation now may yield licensure discipline (denial, suspension or revocation) and civil penalties of up to $100 per violation. The bill adds to the civil penalty by raising the penalty to $100 per day of violation for up to thirty days. The alteration of this bill into less meaningful format is a reflection of budgetary constraints. The provisions subtracted might have involved slight expense, but the penalty increase may have (a small) revenue enhancing impact.

■ AB 1558 (Daucher) would require Trustline Registration (for criminal background check) for health club or gym employees who care for or supervise children on site (or on behalf of the club) by July 1, 2004.

The bill exempts non-profit organizations from its terms.

■ AB 1569 (Correa) instructs the office of the Legislative Analyst to complete and submit to the Legislature a study by January 1, 2005 concerning the DSS and Department of Justice criminal background check process for child day care facilities.

■ AB 2407 (Bermudez) would repeal existing law that limits kindergarten to four hours per day, thus allowing school districts to offer full-day kindergarten programs that are no longer than other grades at the school.

■ AB 2970 (Pavley) would allow school districts to change the date at one or more schools by when a child must be five before entering kindergarten from December 2 to September 1; require the school district to be compensated for the loss of funding due to reduced enrollment; and require school districts to provide prekindergarten programs with that funding. Those prekindergarten programs would provide services to 4- and 5-year-olds who are displaced by the date change in a classroom setting and meet the Title 5 requirements of migrant child care and development programs, preschool programs, or general child care and development programs.

■ SB 70 (Torlakson), as amended in 2004, authorizes CDE to develop voluntary physical education guidelines for After School Education and Safety Programs. The retraction from required standards to voluntary guidelines makes the measure of questionable significance since CDE has generic authority to adopt rules for such programs.

■ SB 432 (Ortiz) requires the Superintendent of Public Instruction to create a task force to prepare for a universal preschool program (see discussion of AB 56 and pending initiative, *supra*). The task force is charged with the task of deciding eligibility and reimbursement rates to providers participating. It urges concentration on low-income communities and reporting on the impacts among that population. The measure is now inactive, but may revive should AB 56 achieve passage.

■ SB 481(McPherson) would liberalize spending options for 21st Century Community Learning Center (federal) grants, removing state-originating mandates to spend specified amounts for adult literacy, equitable access to school programs, and training. Instead, it would specify percentages of annual federal funding set aside for these enumerated purposes. The concept is to not overly circumscribe local allocations by applying federal percentages for each school district individually.

The preschool opportunity expansion and enrichment plans of AB 56 and of the Reiner/CTA initiative portend substantial investment in and benefit for California children. The increase in preschool coverage, and the compensation bolus and "teacher status" provided by the planned initiative raises the bar for children in a meaningful way. Most of the remaining bills listed above were blocked in the suspense files of one of the two appropriation committees or were otherwise modified to remove any expense impact. Those changes generally removed significant child benefit for most of them. Meanwhile, budget related trailer bills enacted last year and proposed for 2004–05 promise regression in the form of cuts in child care subsidy for the working poor in general, and in compensation available to providers for those still receiving subsidy, as discussed above.

■ SB 1612 (Speier) would require DSS to allow counties to match federal foster care funding with county funds in order to subsidize child care for foster care parents.

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 subsidies from 400,000 children six years ago to over 800,000 currently. But that 400,000+ increase involves over 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. Although facially impressive, growth of child care budgets has not matched demand from population growth, increased parental employment, and TANF caused demand (see Condition Indicator discussion of supply, *supra*).

The politically popular preschool development for four year olds has enjoyed some expansion, as have after-school programs. But overall funding excludes the child care needs for children zero to five among the working poor—a population needing five day a week for their children in order to start or to continue working—is suffering from extant and planned constriction. The consequences involve the parental conundrum of choosing between employment with problematic care from marginal relatives or latchkeying children alone, or staying at home to provide care directly. The last option now carries with it a serious dimunition in basic safety-net support, as discussed in Chapter 2. Of additional concern, that safety net reduction in TANF and food stamps from above the poverty line before 1989 to more than one-third below the line currently now is proposed for further reduction where parents refuse to work or reach the sixty-month parental lifetime limit. Not only will parents lose "their share" of the TANF grant, but the proposed 2004–05 would even reduce the remaining "children's share" another 25%, accomplishing safety-net retreat to below one-half of the poverty line—"extreme" child poverty, the lowest such level in two generations.

It is possible the administration expects the funds from Proposition 10 to be devoted more generally to assist impoverished parents. Although a joint Proposition 10/Administration venture is being planned to make young children "school ready," that effort is not scheduled to meet the larger Stage 3 child care undersupply.[82] Moreover, the 2001 May Revise announced use of Proposition 10 funds for child care raises questions of inappropriate diversion.[83] 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.[84]

In Spring 1999, the previous 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."[85] The starting point for child care policy discussion over the last two years, and as proposed for 2004–05, is the preclusion of any additional funds in favor of continued and enhanced tax reductions for favored groups, as discussed in Chapter 1.

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 previous 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.[86] 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 former 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)."[87]

Although not all of the recommendations were enacted in 2003–04, many are reflected in the proposal of 2004–05 by the Schwarzenegger Administration. With a state policy of tax benefits in lieu of child care investment, the universal preschool ambitions of child advocates and some legislators are problematical. Only the Reiner/CTA Initiative presents a realistic option for upgrading given its inclusion of a funding source. And the Schwarzenegger Administration has at least a psychological commitment to after-school care over the longer term, assuming general fund revenues increase in future years. As to the brunt of the children of the working poor—especially those from birth to three years of age—no such investment is in prospect. This is a large population or particular sensitive need, requiring close care and undergoing life-determining brain development. Rather than enjoying prospective investment, this critical population faces cuts with long term poverty and health implications.

E. Federal Child Care Spending

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

	FY 2001	*FY 2002*	*FY 2003*
Child Care and Development Block Grant Fund (CCDBG):	$2.0 billion	$2.1 billion	$2.1 billion
21st Century Community Learning Centers	$0.8 billion	$1.0 billion	$1.0 billion
Head Start	$6.3 billion	$6.5 billion	$6.7 billion

CCDBG 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 starting in 2002 to provide professional development and pre-reading instruction for children ages 3–5 in Head Start and state preschool 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 and 2004 Reauthorization

The federal Head Start program is not reflected in the state budget numbers above 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.[88]

As of 2003, California has 1,788 Head Start Centers, housing 4,996 classes and employing 20,420 persons, 27% of them are or were Head Start parents. Children in the program in California are 66.5% Hispanic, 11.2% White and 11.1% African-American. And Spanish is the home language for 51% of participating children. The parents of those children are generally employed (56%) or in school (21%). Over 70% of Head Start families report annual family income at under $15,000.[89]

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 three years old.

The average Head Start class has 18 children, with two staff/teachers, for a 9–1 ratio. The setting allows health checks for child enrollees: 96% receive medical screenings and 88% dental examinations, and 92% were up-to-date with immunizations. 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. The average annual teacher salary is $26,600 for those with an associate degree and $30,600 for those with a baccalaureate degree.[90] Large numbers of parents traditionally participate as volunteers in Head Start classes. The major agencies contracting with the federal government for Head Start services are public private non-profits (40%), school systems (35%) and community action agencies (15%).[91]

California's 1998 Head Start allocation was $568 million. It increased to $637 million in fiscal 2001–02 and to $813 million for fiscal 2003. Enrollment has increased from just over 80,000 in 1998[92] to 106,786 currently[93]. Of these children, 58.1% are four years old and 33.5% are three years old; 27% of all children are given full (extended) day coverage to facilitate parental employment.[94]

Although Head Start has increased to fiscal 2003, it is scheduled for similar funding levels for fiscal 2004, representing a small adjusted decrease under the Bush Administration proposal. Unless increased, California participation is likely to remain at just over 50% of eligible four-year-olds and a small percentage of three-year-olds.

The reauthorization of Head Start in early 2004 threatens to make momentous changes in its format. The School Readiness Act (HR 2210) will move the program from the Department of Health and Human Services to the Department of Education. More importantly, it will initiate a pilot program in eight states to transform them into an essentially block-grant to the state format, allowing state expenditure of funds in coordination with state preschool programs. The intent of the bill is to allow all states that option should the pilot states prove successful. On the one hand, this change may facilitate coordination for the universal preschool California plans discussed above. On the other hand, it places allocation of now separate federal funding into the hands of state officials subject to budgetary pressure to reduce spending in order to preserve substantial tax cuts over the last eight years. The danger is one of traditional "supplantation," where increased federal funds are committed to the states, who then reduce much of their own spending in the same area and reducing the intended additive effect Congressionally intended. Some child advocates also fear that the program will lose the strong parental involvement element that states have generally failed to replicate. Perhaps of greatest concern, Head Start has directed families to health, nutrition, special needs and other state services—referrals incurring significant state costs, perhaps less assiduously made by a supervising state agency.[95]

On July 25, 2003, HR 2210 passed the House by a single vote (217 to 216). The measure authorized spending ceilings of $6.87 billion for 2004, $7 billion for 2005, $7.1 billion for 2006, $7.25 billion for 2007 and $7.4 billion for 2008. These "ceiling" authorization levels will assure substantial real spending reductions, amounting to a 7.2% increase over four years, from 6% to 10% conservatively projected inflation and population increase over that period. Hence, fewer children as a percentage of the four year old population will be enrolled in 2008 than is currently the case.

On October 29, 2003 the Senate Health, Education, Labor and Pensions Committee (HELP) voted 21–0 to reauthorize Head Start substantially as constituted. On November 24, Senator Judd Gregg (R-NH) filed the "Head Start Improvements for School Readiness Act," the Senate counterpart to HR 2210; it is scheduled for vote sometime in 2004. The Senate version would increase authorized spending by $400 to $500 million over the House figures listed above for fiscal 2005–07, subject to later appropriation decisions to determine actual spending levels. If appropriated at maximum authorized levels, the Senate version would substantially match inflation/population change to 2008. The bill charges the National Academy of Sciences with developing objective outcome measures of Head Start impact to recommend appropriate standards and changes to the Secretary of HHS (which maintains control over Head Start in the Senate version). It would require increased training and qualifications for Head Start teachers and staff. Currently, 50% of teachers must have at least an AA degree. By September 30, 2009, all center-based teachers would have to be so qualified, have taken equivalent coursework or be specifically certified as "effective" by the program director involved locally. By September 2010, at least 50% of all teachers must have at least a baccalaureate degree relating to early childhood education or a related subject (or its coursework equivalent) and demonstrate teaching competence to the program director. By September 30, 2007 all curriculum specialists and education coordinators must have at least a baccalaureate degree or its equivalent in a child development area. And by the same date all "teaching assistants" must have a "child development associate" credential or be enrolled in a CDA or baccalaureate program. Each Governor would be required to establish a State Advisory Council to coordinate federal Head Start with related state programs. Most important, the bill would raise eligibility for Head Start from the poverty line to 130% of the line—allowing substantially more children to participate, if appropriations are forthcoming for them.

The bill seeks to stimulate performance by holding providers accountable for successful school preparation—*e.g.*, giving priority for renewal to those whose performance meets goals and expectations.

In addition to such a stick, it also provides the carrot for up to 200 agencies nationally, in the form of $100,000 or more annual grants for five years to transmit successful "best practices" to other agencies in their states. It also arranges for focus on and study of special populations, including abused and neglected children and— of special importance for California—children with English language deficiency. The state has an extraordinary percentage of Head Start children who speak Spanish at home (see data above). Finally, the measure increases the percentage of federal Head Start funds that may be applied to "early Head Start" (three-year-olds). Currently at a 10% maximum, the ceiling would be raised to 11% for 2005, 13% for 2006, 15% for 2007, 17% for 2008 and 18% for 2009. Of great concern in reviewing the Senate alternative is the conflict between its provisions and authorized funds for accomplishment. The provision of a teacher corps of enhanced qualification and other changes included in the Senate version will require funding above and beyond sums necessary to stay even with population growth and inflation.

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, 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 $125,000. The amount of funding in FY 2001 nationally was $846 million, with an increase in 2002 to $1 billion.

In 2002, SB 1478 (McPherson) and AB 1984 (Steinberg) further defined the 21st CCLC program. The federal money is funneled through CDE and provides five-year grant funding to establish or expand after school programs that provide students, particularly students who attend schools in need of improvement, with academic enrichment opportunities.

The after-school programs are important for children over five years of age and allow utilization of the substantial public sunk cost in school physical plant for after school hours. The 2003–04 budget increased this spending from $30 million to $68 million and the 2004–05 budget proposes $76 million to serve 79,000 students.

The efficacy of current after-school programs has been questioned by some critics, including in particular this 21st Century program funding. As with much federal and state spending, little is allocated for independent evaluation. But in February 2003, a report on the program financed by the U.S. Department of Education by Mathematica Inc. was released. Findings were generally unfavorable, with little evidence of significant academic benefits for attendees.[96] It found latchkey lack of adult attendance similar between those attending center activities and those not attending them. Attendees did not feel relatively safer and had more of their property damaged by others. To the alarm of some—a higher rate of attendees used or sold illicit drugs—although the number so engaging was very low.[97] President Bush responded by proposing to cut the account by 40% nationally for fiscal 2004. Child advocates argue that rather than reject investment in after school programs, spend sufficient sums for evaluation to find what works and transfer funds in a refined way accordingly. For example, the Mathematica study cited by critics includes the following ambiguous finding: "A subgroup analysis found larger [math] grade point improvements among black and Hispanic middle school students and their teachers also reported less absenteeism and tardiness..."[98] What subgroup? With what characteristics? With what program elements?

3. Congressional PRA Reauthorization and Child Care Development Funding

TANF replaced AFDC in the 1996 PRA welfare reform plan with a multi-year phase in format. It started with a small percentage of recipient parents required to work at least 20 hours a week and increased year to year to the current level of at least 50% working 30 hours a week or more. The base period for counting the 50% success rate was welfare rolls extant in 1996. Numerous factors since 1996 (including an economic upturn and investment in work and child care from the PRA reform) reduced TANF rolls significantly, making the 50% "work participation" target feasible.

However, the Bush Administration proposal for 2004 PRA reauthorization makes two critical changes. First, "work" qualification requires 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.

In addition, the Bush Administration reauthorization proposal changes the work participation requirement to 90%, and alters the related formula for calculating the base number of "participants". The combination of these work participation changes makes qualification problematical. These problems with pending PRA changes are discussed in Chapter 2, which also includes a *Children's Budget* proposal for 2004–05 to comply with federal PRA employment percentage "targets" by expanding child care grants to the working poor—thus adding to CalWORKS "participants" who are working.

Exacerbating the proposed changes for impoverished children is the proposed freezing of Child Care and Development Block Grant (CCDBG). The two major sources of federal child care spending for TANF recipients are the CCDBG (itself divided into a "guaranteed" portion and a "discretionary" allocation), and the separate TANF block grant to the states. In addition, a small portion of the Social Services Block Grant is available for child care for the family preservation of potentially neglected children. The current Bush Administration proposal is to freeze all of these funding sources at fiscal 2004 levels through 2009, except for the discretionary portion of the CCDBG, which would be cut below 2002 to 2004 funding levels of $2.1 billion. The proposed levels for 2006 to 2009 are $2.05, $2.05, $2.06, and $2.06 billion, respectively. The reduction from 2002 levels in real spending per population would sink *seriatim* year after year, to a cumulative reduction of over 30% by 2009. This reduction would be only partially offset by planned increases in the mandatory portion of the CCDBG of $200 million per year over five years. That increase would leave a net real spending decline in CCDBG monies of approximately 10% overall. This decline occurs in the context of increases in the numbers of persons who have left TANF and need continued Stage 3 funding (to be cut, as the Schwarzenegger Administration proposes in California). Regrettably, the Bush administration has claimed a funding increase of $3.5 billion over five years, misleadingly counting discretionary authorization levels as additional spending (theoretical maximums, not actual appropriations in the House and Senate Finance bills specifying the actual amounts over the five years).[99] Estimates of the amount of child care funding needed to fulfill the PRA promise of "adequate child care" to allow employment for impoverished parents range from the Congressional Budget Offices's $4.5 billion estimate (the amount needed to keep pace with inflation over five years to the $5.7 billion sum estimated by the Center for Law and Social Policy.[100]

As discussed above and in detail in Chapter 2, the early TANF block grant surpluses from 1996–2000 dissipated during 2001–03 and counties are now under unprecedented budget pressure to cut CalWORKs spending, including the child care increment. The retraction of Stage 3 CalWORKs child care discussed above reflects that retraction. Of greater concern is the apparent refusal of the Congress to adjust to the flattening and possibly increasing TANF caseloads and the exhaustion of rolled over funds from early TANF block grant years. Instead of increasing funds to allow parental employment in the face of more serious safety net sanctions, the proposal is for adjusted declines in grant funds to states, including California. One source estimates that nationally at least 300,000 fewer children will receive child care assistance in 2009 than in 2003.[101] California's share of that projection is 40,000 children.

F. Child Care Regulation: Safety

California's child care facilities as of December 2003 included 59,179 licensed child care facilities, including 14,673 larger facilities (centers)—including 1,746 facilities specializing in infant care. Another 44,506 family child care facilities are also licensed, including both the small family category of up to 8 children and the larger family child care of up to 12[102]. All of these facilities are licensed by the state Department of Social Services, either through its Community Care Licensing Division or by delegation to some counties.[103] 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 not by the state, but 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.[104]

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."[105] 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 and various legislative proposals 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.[106] 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.[107] Most recently in January 2000, the former 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.[108]

The 2000 increase was rejected by the Legislature, but in 2003–04 the Legislature approved a harsh Davis Administration proposal increasing fees on child care licensees (and foster care providers, *et al*) by 25% to 100%. The proportion of the inspection budget financed from those fees increased from 8% of the total budget to 40%. Notwithstanding this momentous "tax increase" applied to a poverty-level industry, the Schwarzenegger 2004–05 budget proposes another wave of increases for 2005–06 and another wave for 2006–07. Child care center fees, at $200 in 2002–03 would climb each year to $800 by 2006–07. The Legislative Analyst notes that by 2006–07 the fees collected will equal or exceed total regulatory (inspection) costs and could be used as a general fund profit center unless the monies are protected through special fund designation. It is unclear why the inspection and protection of children in the care of non-relatives should be dependent upon the marginal financial strength of a coextensively publicly underfunded industry. Child advocates contend that concern for the health and safety of children should not be so limited and that such expenditures properly draw upon the general fund.

Table 6-K 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 facilities to be monitored is now 61,606, double the 1989 sites to monitor.

	Budget Year									Estimated	Proposed	Percent Change	
	1989-90	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	'89-'03	Proposed
Total	$54,763	$79,841	$81,819	$82,077	$98,738	$109,348	$119,010	$117,275	$122,147	$123,515	$124,900	125.5%	1.1%
Adjusted Total	**$87,193**	**$91,087**	**$90,521**	**$89,540**	**$106,021**	**$116,137**	**$127,935**	**$123,000**	**$125,094**	**$123,515**	**$121,720**	**39.6%**	**–1.4%**

Dollar amounts are in $1,000s. Sources: Governor's Budgets, Department of Finance materials
Adjusted to age 0–9 population and deflator (2003–04=1.00). Adjustments by Children's Advocacy Institute.

TABLE 6-K. Community Care Licensing

Scheduled inspections of licensed facilities where children spend 4 to 8 hours a day occur only once every three years. In contrast, dog kennels are inspected annually by statutory requirement. The enacted 2003–04 budget changes the inspection rate to once every five years. Ten percent of licensed providers will be inspected annually based on risk factors and the other 10% will be inspected randomly. The new budget reduces spending an adjusted 1.4% from 2003–04 and a cumulative 8.8% from fiscal 2002–03. The budget does not allow for adequate inspections where reports of problems are received and allows no resources for sufficient random inspections common to regulatory systems. The retraction of inspections to ascertain playground equipment safety, or to find swimming pool, firearm, poison and other hazards among the state's 46,971 family day care sites will have health and safety consequences for some children who depend on the protection of adults. That safety assurance retraction will occur notwithstanding the four-fold growth in licensing fees between 2002–06.

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.[109]

A four-state study of quality in child care centers found that only 14% could be rated as high in quality.[110] 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.[111] 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."[112]

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 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.[113]

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,[114] 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 three- and four- 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."[115]

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.[116] Other studies confirm the importance of quality child care, reduction of family poverty, and attention to adolescents.[117] These findings have implications for the current TANF reauthorization debate (*e.g.,* whether parents should be required to work forty hours a week as opposed to thirty), 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 six 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.[118]

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;[119] (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.[120] 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[121].

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."[122] 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."[123]

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.[124]

2. Quality-Related Spending, 1999–2003

From 1999–2003, a number of specific programs related to child care quality were 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 2001–02, $89 million was spent for these purposes, and the 2002–03 budget increased the amount to $102 million. The 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."

Four other special purpose programs of substantial size have been directed at enhancing the supply and quality of child care centers, including:

■ "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 2001–02, then subtracting $42 million from the fund for Proposition 98 general fund reduction in current 2002–03, with the Governor's 2002–03 Budget Summary contending that "these expansions are nearing completion." Obviously, the funding cut-off is occurring well before that completion.[125]

■ In 1999, Alameda and San Francisco Counties implemented child-care retention incentive programs (CRI), providing graduated stipends to CDE child care center staff linked to education and training. In March of 2001, the California Child and Families Commission created by Proposition 10 (now called "First

5 California Commission) awarded matching funds to 14 county First Five Commissions implementing these incentives. The program includes stipends to center staff to compensate for extraordinary low pay and lack of training by rewarding class/training attendance and stimulating retention of experienced staff. Stipends ranged from $250 for assistants to $500 to $2,500 for teachers to $5,000 for directors—with precise amounts set at the county level. Independent reviews of the program released in 2003 suggests substantial success, with 77% of program participants attending at least one course, conference or workshop in a six month period, and with 90% affirming that the assistance "strongly or somewhat" influenced them to stay in the field.[126]

■ In 2001, the academic center Policy Analysis for California Education distributed $4.8 million in assigned First 5 California funds to six demonstration training projects directly to groups who teach child care workers for areas or populations lacking current supply. Recipients included the Chicano Federation, Inland Empire CONNECTIONS, the Early Childhood Job Training Project, the Enhanced Mentor Program, the Nevada County Educator Support Program, and the San Mateo Career Development Program. The purpose is to increase "early care and education" teachers, stimulate training and encourage retention. Early outcome evaluations appear positive, and include the recruitment of 3,197 participants by June of 2003. Twenty percent of those participating are family child care providers, with the remaining 80% split evenly between current center teachers/staff and newcomers. Nearly 60% of participants are Latino. The program confronts obstacles inherent in child care provider demographics: Most participants work full- or part-time, have little higher education, and receive close to minimum wage levels for child care. Nevertheless, the substantial numbers attracted and early survey results suggest that the Proposition 10 grants are an appropriate supplement to current community-college-based education for these providers.[127] The community college mechanism for training may not easily reach the population and areas most in need of expansion and retention—as the targeted PACE program directs. And community college accounts are suffering substantial reductions (see Chapter 7).

3. 2003–04 Quality Enhancement Initiatives

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. Those requirements are Congressionally intended to add to state child care quality efforts as a condition of receiving federal funds. All of this spending is included in the totals in the tables above but such quality related spending is separated out for federal compliance, and serves as a window into the state's priority for the instruction and care of its children. The state does not provide substantial funding for these purposes, and rather than add to its effort has simply designated pre-existing accounts as "quality related" to meet federal requirements. Quality related increases— aside from substantial generic state preschool investment—has been generated primarily from federal sources, or more recently from the California First Five Commission (Proposition 10) spending. One of the fears of child advocates is that the state will "supplant" Proposition 10 monies in the same way it supplants federal funds related to quality. That is, it will divert current spending in a category where Proposition 10 Commissions add funds, minimizing the intended additive effect of that addition and essentially diverting those monies into general fund (and tax) relief. For example, the largest program cited above ($15 million for teacher retention grants) was eliminated in the Governor's May 2003 Revise and is expected to be blue lined. The Revise revealingly notes the elimination of "$13 million in teacher retention bonuses, which is offset by recent implementation of a $24 million Proposition 10 Commission initiative."[128]

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 current and prior budgets include $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.[129] Similarly, the $15 million spent annually to "improve child care teacher retention" through local incentive grants lacks scale and cannot meaningfully compensate for the overwhelming shortfall in market-level pay for child care providers. Moreover, the current budget does not address the underlying causes of the attrition rate, as discussed above.

The current 2003–04 budget lists for federal compliance purposes $96.4 million in child care "quality improvement activities." Thirteen such accounts were funded at over $2 million and make up 80% of this spending. The four largest accounts making up most of the sum currently budgeted are:

Resource and Referral	$20 million
License Enforcement for Child Care	$9.5 million
Child Care Salary and Retention Incentive Program	$15 million
Local Child Care & Development Planning Council Grants	$5.6 million

The 2003–04 budget entirely eliminated the $5 millon allocated for Quality Improvement Technical Assistance. This retraction contrasts with proposed HR 2210 indicating strong Congressional intent to roll out "best practices" and providing grants for that purpose (see discussion above). The 2004–05 budget maintains current spending for most of the Quality accounts, but the adjusted effect is a 4% reduction in real spending per child.

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.[130] 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.[131]

2. The 2001 California Refundable Tax Credit

During 2000–01, 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 tax credit reduced General Fund revenues by $189 million in 2000–01 and from $180–$200 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 receives—in addition to a federal credit, a state credit of $127 as of 2002.

The new tax credit is an important asset for children. However, its level and distribution miss 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 thirty hours a week, the rates should be set on a sliding scale from 80% of the cost for those below the poverty line, to 10% for those above 250% of the line, terminating entirely at 300%. 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.[132]

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 85% of the state's labor force will consist of parents by 2010.

Recent budget pressures have not hit preschool (state and federal) provision hard, and after-school programs have remained stable or increased somewhat. But these investments apply primarily to four year olds, and to a small percentage of school age children. Child care for those parents who have "played by the rules" and secured employment to leave TANF rolls, and child care for the working poor in general—particularly as it affects children from birth to four years of age—remains starkly deficient.

Almost one half of 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 now in effect). 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 reserves are now gone, and incentive funds have disappeared (much of taken over the last two years 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. Federal law requires "adequate child care" as the state part of the bargain in receiving federal funds, a bargain buttressed by sanctions against families where parents do not obtain work after sixty months of aid—notwithstanding bona fide efforts. That sixty-month limit now threatens to apply to all employment under forty hours per week. Exacerbating the problem has been employment loss—especially for the types of jobs available to TANF recipient parents, and now the Schwarzenegger proposal to deny the COLA to TANF recipients and to impose a further 5% cut discussed in Chapter 2. These reductions are applied to a population of 70% children who have been reduced in total safety net support from above the poverty line in the 1980s to one-third below the line currently and still lower as proposed. Then the proposed 2004–05 budget would also add to the sanction amounts for parents who fail to meet CalWORKs requirements or meet their sixty-month lifetime limit with not only a "parents' share" subtraction, but an additional 25% cut to the remaining "children's share." The consequence of these combined policies is to relegate hundreds of thousands of children to "extreme poverty", defined by experts as less than one-half of the federal poverty line—a level indicating homelessness and substantial nutritional shortfall. The critical safeguard for the one million children whose parents are not receiving TANF, and for many more whose parents are at risk of lay-off, illness or other misfortune, is the provision of child care to allow for retraining, job search, and employment. The proposed 2004–05 budget will short change these parents—limiting after next year the coverage of any assured child care to three years post employment. It is ironic for the state to, on the one hand increase sanctions for non-compliance with PRA welfare-to-work terms and to subtract from safety net assurance, while itself failing to comply with its concomitant obligations to facilitate that employment—often requiring child care, as promised.

Exacerbating the problem further is the location of child care supply, with centers located in suburban areas and often impractical for inner city or rural children to reach—and where minority and impoverished children concentrate. The proposed 2004–05 budget cuts in half the compensation to be paid to the non-licensed providers that necessarily dominate available supply in these areas. While some premium may be properly paid for licensed child care, and for education steeped care, it reduces compensation to 40% of the regional market rate in an industry already among the lowest paid in the economy.

Beyond the TANF and former TANF population, long waiting lists of working poor at risk of unemployment due to child care needs, or unsafely latchkeying their children at home alone, or with marginal caregivers. Only 21% of those eligible receive assistance waiting lists are 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. And the proposed budget subtracts from the inadequate investment extant for these children. They count among their large number the youngest and most vulnerable children warranting such care.

Regulatory safety spending remains inadequate and reflects a low priority for the safety of children. Unprecedented fee increases are proposed of up to 400% over five years in order to prevent any general fund contribution to child care inspections. Apparently, Governor Schwarzenegger has found one form of taxation that passes muster in addition to student tuition increases—increases to licensed child care providers. Meanwhile, inspections are reduced to one every five years, while dog kennels are inspected annually. Beyond safety, assuring "quality" of care is lacking—with record numbers of children spending longer hours in licensed child care. Investment in such quality measures generally comes from federal sources, and continues to decline as the state uses supplantation tactics to replace state funds with federal monies in order to subtract state sums from general fund obligation.

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. Except under the proposed budget such persons would now be paid an unprecedented low 40% of the market rate.

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 unless public pressure is brought to bear on behalf of a constituency that is itself powerless.

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)[133]

A proper system of subsidy must maintain some child care assistance past the poverty line and beyond an arbitrary three-year "transitional child care" term. Over the long-term and assuming similar dangers to involved children, extending child care indefinitely for some because they have once received TANF—while denying it to those earning the same sum who have refused welfare—is not equitable, as both the former Davis and current Schwarzenegger administrations contend. But the solution is not to violate promises made to some, but to keep an underlying promise to the children of all who work and contribute. Where children need care for parental employment, it should be provided, and assistance should diminish as income rises on a sliding and equitable scale. As income for the benchmark mother and two children rises above $1,400 per month, assistance will begin to diminish, to be terminated at income levels allowing typical wages to achieve self-sufficiency (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, and terminating at 300% of the poverty line. Given heavy payroll taxes to pay for the substantial safety net universally offered to the elderly, such assistance is minimal. For example, no assistance would be offered to the benchmark family at above $46,000 per annum, although typical child care costs for two children and current taxes will reduce net income to below $30,000 per year for housing, transportation, clothing and food. The proposed subsidies are modest for families below this level. Such a schedule does not provide comfort nor an incentive to create children at public expense. But it does protect involved children from the kind of poverty that inflicts lasting damage for many of them, and long-term costs for the state.

The proposed system would eliminate the considerable paperwork required and reduce the confusion attending the current fragmented offerings of the state. Ideally, Head Start and special education provision would fold into such a system under the aegis of a binding state commitment. The subsidy offering would be based on income, employment, and demonstrated need. 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. Spend Adequate Monies to Upgrade the Quality of Child Care Provision, including Training and Certification for Pay Bonuses, Meaningful Retention Subsidies, and "Best Practice" Roll Out Grants. Estimated cost: $700 million ($250 million

federal match)

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 for CalWORKs related and general child care. 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.

A state task force should revise the regulation of child care to upgrade its quality, including independent outcome measurement of varying child development approaches. And the task force should arrange for continuing education and "advanced certification" for providers— with premium rates for those meeting higher quality standards and for those proficient in handling special needs children. For those providers whose performance suggests particular success under task force review, grants should be available for statewide dissemination and subsidy of such "best practices," as pending federal legislation would provide on a small scale.

Recommendation #3. Confer Refundable Tax Credits on Child Care Providers Close to or Below the Poverty Line to Facilitate Self-Sufficient Income and Dignity Appropriate to Their Entrusted Task. Estimated cost: $120 million.

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 and additional $500/year refundable tax credit should be available to all providers who meet enhanced certification standards pursuant to Recommendation 2.

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. The proposed credits are intended to enhance supply, and quality. Cost estimates assume that 40% of child care providers will qualify for one of the two credits, and 10% for both.

Recommendation #4. Enact the Reiner/CTA November 2004 Initiative to Broaden and Upgrade Preschool Education. Estimated cost: $2 billion, self-generated by the measure.

The Reiner/CTA Initiative would rectify one of the growing inequities in Proposition 13 property taxation of business property. It would moderate the radical assessment disparity between older properties held by corporations (who sell stock rather than the property to transfer ownership and avoid triggering reassessment). These older properties pay one-tenth or less of the property taxes paid by new businesses (frequently started by younger individuals just starting out), who buy or lease newly built properties of similar market value. The former have their property frozen at 1977 values plus 1% a year at most, and enjoy an unfair competitive advantage and inequitable free ride at the expense of newer and often younger competitors. The Initiative also raises the limit for business property taxes from 1% to 1.55% and partly countervails that by exempting personal property from small business tax assessment—another unfair assessment in its application. The changes do not apply to homeowners or farmers. The measure will generate $6 billion in additional revenue per annum, with $4 billion to be expended on important K–12 education upgrading (and discussed in Chapter 7 below). The remaining $2 billion is slated for preschool expansion and improvement, and will make a momentous difference for the state's three- and four-year-olds. While the scope of the initiative focuses on only part of the child care demand, it accomplishes the collateral task of bringing large numbers of children up closer to even as they enter kindergarten, particularly in language skills. Given the international labor marketplace of the future, these children cannot afford to fail at academics—manual labor employment is not likely to achieve expansion for meaningful employment.

As discussed above, the initiative promises momentous and long term benefits for California's children, especially the large population of children where English is not spoken at home. Universal preschool opportunity would be provided, with important incentives for quality enhancement. Expansion of three year old coverage would be feasible. And the initiative allocates $7,500 per child, enough to stimulate a new supply of quality teachers for these children. Compensation levels for this work would approach salaries of kindergarten teachers and within seven years these "child care providers" would be "teachers" in most every sense of the word—with enhanced educational qualification, hiring by school districts or offices of education, benefits, and incentives to advance.

The initiative was withdrawn during May 2004, but the Children's Budget recommends its approval by the Legislature or by petition for electoral inclusion for the earliest opportune ballot.

Recommendation #5. Create a refundable tax credit for child care centers and employers of $500 for each caregiver they employ at a salary that is above 120% of minimum wage. Estimated cost: $40 million

Consistent with Recommendation #4, this tax credit would stimulate wage increases for caregivers beyond the scope of those performing a "kindergarten preparation" role. It would assure a measure of dignity and respect for the work they do. The cost assumes that from 25%–35% caregivers would benefit.

Recommendation #6. 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. Estimated cost: $180 million

Current proposed legislation attempts to tinker with developer incentives by adding "density" or other credits where developers provide child care facilities in conjunction with low income housing elements (see discussion of 2003 and 2004 legislation above). Such bills have merit, but cannot be expected to have substantial impact alone given the costs of such centers. Giving the property owner a tax credit based on impoverished use of the facility provides a focused incentive. It amounts to a tax reduction of 10% of typical child care costs 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 advanced to stimulate such needed supply in locations where demand is concentrated. That subsidy for the property owner is not as marginal as are "density credits" because they continue annually. Hence, 50 children in a center will yield $25,000 per year in continuing income, enough to warrant a capital expense of more than $500,000 at an assumed rate of 5% income on capital. That sum applied to child center building construction is not insubstantial. If anticipated profit after paying for teachers, equipment and other costs is 10% of an average $5,000 annual care charge per child, the credit doubles the profit and warrants a $1 million building cost expenditure in market terms—before density credits and other incentives. .

Recommendation #7. 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.[134] Estimated cost: To be determined

Recommendation #8. Triple the state's regulatory oversight budget for child care from current levels over a three-year period. Estimated Cost: additional $40 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. This expense properly comes from general fund sources. The interest of the public in the safety of the state's children should not depend upon payment levels affordable from one of the most underpaid sectors of the economy.

Chapter 6

ENDNOTES

1. Children's Defense Fund, *Child Care Basics* (Washington, D.C.; April 2001) at 1 (available at www.childrens defense.org/cc_facts.htm).

2. Forum on Child and Family Statistics, *America's Children: Key National Indicators of Well-Being 2002* (Washington, D.C.; July 2002) at 11(available at www.childstats.gov/ac2002/pdf/ac2002.pdf).

3. 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.

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

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

6. 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.*).

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

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

9. *Id.*

10. Moira Inkelas, PhD., Neil Halfon, MD, MPH, Kim Uyeda, MD, MPH, Greg Stevens, PhD, Janel Wright, *The Health of Young Children in California, Findings from the 2001 California Health Interview Survey,* UCLA Center for Health Policy Research and First 5 California (July 2003) at i - xi, (hereafter *"UCLA Child Health 2001"*)

11. *Id.*

12. *Id.*

13. 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.

14. 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).

15. U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 2003* (Washington, D.C.; June 2003) at Indicator 38.

16. *Id.*

17. *Id.*

18. See Child Trends, *Left Unsupervised: A Look at the Most Vulnerable Children* (Washington, D.C.; April 2003), at 1-4.

19. 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.

20. 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.

21. For DSS data presentation covering WtW participants and numbers sanctioned for each month of fiscal 2001–02, see Coalition of Cali

fornia Welfare Rights Organizations, *Recipient Impact Statement—2003–04 CalWORKs Proposed Budget* (Sacramento, CA; 2003), Figure 5, at 6.

22. See discussion and citations in Chapter 2.

23. Bruce Fuller, Shelley Waters Boots, Emilio Castilla, Diane Hirshberg, *A Stark Plateau—California Families See Little Growth in Child Care Centers,* PACE Child Development Projects in cooperation with the California Child Care Resource & Referral Network (Berkeley, CA; July 2002) at 1 (hereinafter "*Little Growth in Child Care Centers*").

24. 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")*

25. *Id*. at 4.

26. *Id*. at 5.

27. 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.

28. Nationally, 75% of all working mothers place their preschool 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*").

29. *The California Child Care Portfolio 2001, supra* note 28, at 2.

30. *Id.* at California data.

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

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

33. California Department of Social Services, *Community Care Licensing Division, Licensed Child Care Facilities* (Sacramento, CA; December 2003).

34. Bruce Fuller, Shelly Waters Boots, Emilio Castilla, Diane Hirschberg, *A Stark Plateau: California Families See Little Growth in Child Care Centers,* Policy Analysis for California Education (PACE), July 2002 at 1-4 (hereafter "*Stark Plateau*"). For full report, see http://pace.berkeley.edu/policy_brief_02-2.pdf.

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

36. *The California Child Care Portfolio 2001, supra*note 28, at 3.

37. 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*").

38. *The California Child Care Portfolio 2001*, *supra* note 28, at 3.

39. *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.

40. *Little Growth in Child Care Centers, supra* note 23, at 9.

41. *Stark Plateau, supra* note 34 at 6.

42. 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).

43. *Caring for our Children, supra* note 35, at 41.

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

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

46. See Cheryl Romo, *Report Points Out Day-Care Bind for Poor*, LOS ANGELES DAILY JOURNAL, 9-23-02.

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

48. *A Short Report on Subsidies, supra* note 37, Figure 2, at 2.

49. *The California Child Care Portfolio 2001, supra* note 28, at 3.

50. 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.

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

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

53. 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.

54. Children Now points out that the Governor proposed an additional 44,000 slots for 2001–02. In addition to the point made in the survey of gross inadequacy is its substantial confinement to TANF related purposes. *After School Care of Children, supra* note 52, see also discussion below.

55. *A Short Report on Subsidies*, *supra* note 37, at 1.

56. *Id.*

57. *Id.*

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

59. *Children Now 2002 Report Card on California's Children*, Children Now, July 2002, at 1-3.

60. California Senate Budget and Fiscal Review Subcommittees No. 1 and No. 3, *Joint Informational Hearing: Child Care*, (Sacramento, CA, May 8, 1997) at 3.

61. 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."

62. CAL. EDUC. CODE §§ 8350–8355.

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

64. Legislative Analyst's Office, *Analysis of the 2004–05 Budget Bill* (Sacramento, CA; Feb. 2004) at C-20.

65. See Assembly Budget Committee, *Governor's 2001–02 Budget Proposal for Department of Social Services* (Sacramento, CA; January 2001) at 4.

66. 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.

67. Office of the Governor, *California State Budget 2003–04*, August 2004, at 5 (hereinafter "*Final 2003–04 Signed Budget*")

68. *See California Teachers Association v. Huff (Children's Lobby, et al.)*, 5 Cal.App. 3d 1513 (1992).

69. 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.

70. See CAL. EDUC. CODE § 8263(b)(2).

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

72. The Quality Improvement Plan projects are described in the State Plan for the Federal Child Care and Development Fund, at www.cde.ca.gov/cyfsbranch/child_development/plan.htm

73. 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. The Governor would 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. 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. It is unclear how the state is to employ the over 200,000 parents required to work in 2003–04 without care for many of the 400,000 children involved, and requiring Stage 1 and Stage 2 child care.

74. See Office of Legislative Analyst, *Analysis of the 2004–05 Budget*, February 2004, at Figure 2 and "Child Care" discussion, hereafter "*LAO 2004–05*").

75. Office of the Governor, *Governor's Budget Summary 2004–05* (Sacramento, CA; January 2004) at 58.

76. *Id*., at 57.

77. See Chapter 1 discussion of the 2001 and 2003 federal tax cuts and citations to studies indicating a conservative total of $3 trillion in national tax relief they will provide over the first decade of the century. California taxpayer average annual savings is over $37 billion and 5% of that total is $1.85 billion, effectively doubling state child care investment. See Recommendations below.

78. See *Program and Site Surveys, Regional Lead Estimates*, Foundation Consortium, Waiting Lists and Expressed Interest in Participation in Currently Funded After School Learning and Safe Neighborhoods Partnerships Programs, surveying 11Regions, January 18, 2001, presented at the Joint Legislative Informational Hearing on After School Programs (Sacramento, CA; January 24, 2002); see www.foundationconsortium.org/pdf/afterschool/waitlist.doc.

79. AB 22 (Maddox), AB 51 (Simitian), AB 56 (Steinberg), AB 72 (Bates), AB 305 (Mullin), AB 379 (Mullin), AB 424 (Richman), AB 529 (Mullin), AB 1326 (Simitian), AB 1558 (Daucher), AB 1569 (Correa), AJR 12 (Chan), SB 7 (Alpert), SB 14 (Escutia), SB 167 (Escutia), SB 432 (Ortiz), SB 550 (Vasconcellos), SB 875 (Escutia), AB 905 (Hancock), AB 975 (Mullin), SB 70 (Torlakson), SB 575 (Poochigian), SB 677 (Ortiz). See Children's Advocacy Institute, *Children's Bills,* Budget Brief, March 2003, at 1-2.

80. See e-mail from Child Development Policy Institute, *Letter from Rob Reiner On Universal Preschool*, April 22, 2004.

81. *Id.*

82. 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.

83. 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.

84. Office of the Governor, *Governor's Budget 2002–03* (Sacramento, CA; January 2002) at 142.

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

86. 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).

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

88. 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.

89. See California Head Start Association, *Head Start in California* (Sacramento, CA; 2004) (see www.ca-headstart.org/facts.html, accessed in March 2004.

90. *Id.*.

91. *Id.*

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

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

94. See www/ca-headstart.org/facts.html as of March 2004.

95. For a detailed listing of position papers and commentary on the proposed Reauthorization changes, see http://www.ca-headstart.org/reauthorization.html.

96. Ed. Roy Grisham, 12 contributors, *When Schools Stay Open Late: The National Evaluation of the 21st Century Community Learning Centers Program: First Year*, ,Mathematica Policy Research Inc., (February, 2003) at xii, For full report, see http://www.mathematica-mpr.com/PDFs/whenschools.pdf. (Hereafter, "Stay Open Late")

97. Note that it is unclear whether selection bias could create such a result since such after-school gatherings could facilitate inter-student contact leading those doing drugs to select attendance due to the perception that contacts for later sales may be accomplished—whether such facilitation occurs or not.

98. *Stay Open Late, supra* note 94, at xii.

99. See discussion at Sharon Parrott, Jennifer Mezey, Mark Greenberg, Shawn Fremstad, *Administration Is Misstating Amount of Child Care Funding in Pending TANF Reauthorization Bills,* Center on Budget and Policy Priorities and Center for Law and Social Policy, December 13, 2003, at 1–4.

100. *Id.*, at 5.

101. Jennifer Mezey, Sharon Parrott, Mark Greenberg, Shawn Fremstad, *Reversing Direction on Welfare Reform: President's Budget Cuts Child Care for More than 300,000 Children,* Center on Budget and Policy Priorities, February 10, 2004, at 1–4, see www.clasp.org.

102. See Table 6-A and note 33, *supra*.

103. 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.

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

105. 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/).

106. 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.

107. 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.

108. 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).

109. 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).

110. 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).

111. 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.

112. *Id*. at 80.

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

114. *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.

115. 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).

116. 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).

117. 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).

118. 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.

119. 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.

120. 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.

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

122. 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.*

123. *Id.,* Summary at 4.

124. 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.

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

126. Bridget Hamre, Rebecca Grove, Justin Louie, *Matching Funds for Retention Incentives for Early Care and Education Staff—Evaluation, Year One Progress Report 2001-02*, PACE Policy Brief 03-1, February 2003, at 1–9.

127. Elizabeth Burr, Bridget O'Brien, *Training and Retaining Early Care and Education Staff—Year One Progress Report, 2001–02,* PACE Policy Brief 03-3, February 2003, at 1-7.

128. Office of the Governor, *Governor's May Revise 2003–04* (Sacramento, CA; May 2003) at 32.

129. 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.

130. 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.

131. 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.

132. 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).

133. 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.

134. 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).