2016 Policy Priority:
Prioritize Funding For Child Care in the California State Budget in 2016-17 and Beyond

Presented at the Women's Policy Summit
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What we Propose

In the 2016-17 state budget and beyond, the State Legislature and Governor should strategically invest in child care programs, including increased reimbursement rates for providers, increase child care subsidies for eligible families waiting for child care, and using the most recent income data to determine child care eligibility.

Why this is Important

During the Great Recession, California's subsidized child care programs were deeply cut by over 30%. Even prior to those reductions well over 200,000 income eligible children were not being served. While some reinvestment has occurred in the past two budget cycles, thanks in part to the advocacy of the California Legislative Women's Caucus the funding reductions along with freezing much of the structure at levels from the mid 2000's has put the system more than $1 Billion behind.

What we Propose

The Legislature and Governor should act on the following three priorities in the FY 2016-17 State Budget.

I. Increase Reimbursement Rates for Child Care Providers

Over the last decade reimbursement rates have been held a levels more than 7 years behind the current market. While there have been modest increases provided in the past two state budget agreements; we are still estimated to be nearly $1Billion behind the current market costs for both the Standard Reimbursement Rate and the Regional Market Rate. This deficit limits parent's access to child care options and holds down the compensation of the child care workforce, made up of a majority women of color.

Recommended Actions:

The Legislature should pass and the Governor should sign a Budget that provides a significant rate increase to the Regional Market Rate and the Standard Reimbursement Rate to ensure providers are offered improved compensation and families have access to reliable, quality child care.

II. Expand Access to child care for families through the Alternative Payment Program.

The availability of accessible and affordable child care options allows mothers to maintain employment, pursue education, and have peace of mind knowing their children are being safely cared for and nurtured in child care settings. While some steps were taken in 2014 and 2015 to fund additional *preschool* slots, we still have a long way to go to restore *child care* services that were cut and even longer to meet the real needs.

For our lowest income families who are eligible to access child care through the CalWORKs system, child care is an "entitlement," as long as they meet welfare-to-work requirements. Yet in 2014, 30% of the state and federal TANF child care dollars that funded child care for TANF-eligible families were returned – despite the fact that parents cannot pursue work, education, job training, or mental health services without child care assistance.

Recommended Actions

A. The Budget passed by the Legislature and signed by the Governor should expand parental choice/flexible child care subsidies through the Alternative Payment Program by serving all families that make below 200% of the Federal Poverty Level or a similar eligibility floor based on the new Supplemental Poverty Measure.

III. Update the State Median Income to current levels to ensure access for working families to child care subsidies.

The State is using an outdated estimate of the State Median Income (SMI), which determines child care eligibility. Education Code 8263.1 stipulates that the SMI should be updated annually, but it has been frozen through the budget process since 2007.[i] Only families at or below 70% of SMI are eligible for subsidized child care, but because the SMI has not been updated in nearly eight years, there is a lower income ceiling on eligibility. Today a family of 3 can earn $3,518 per month or $42,216 per year (gross income). If the SMI were to be updated, the California Budget and Policy Center has calculated that a mother of three could earn upwards of $4,291 per month or $51,496 per year, an increase of over $700 per month or $9,280 per year, and still remain eligible for subsidized child care.[ii] An updated SMI would also curtail the practice of working mothers turning down promotions, small raises, or having to cut their hours to remain eligible under artificial income guidelines.

Recommended Actions:

- The Legislature and the Governor should end the practice of freezing income-eligibility guidelines in the budget process and should annually update SMI based on most current data.

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[i] Education Code 8263.1 can be found at http://www.legisweb.com/app/pkgs/calm/Retrieve.asp?ref=urn%3Acalm%3Acode%3Aedc%3Adoc%3Ahtml%23id%28s8263.1%29&resolveIncludes=yes&displayMode=document

[ii] See Five Things You Need To Know About California's Child Care and Development System Updated September 29, 2015 available at http://calbudgetcenter.org/wp-content/uploads/Five-Facts-Everyone-Should-Know-About-Californias-Child-Care-and-Development-System.pdf