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HOW MANY CHILDREN NEED SUBSIDIZED CHILD CARE IN CALIFORNIA?

Legislators, policymakers, and child care advocates have been frustrated by a lack of accurate information on the number of children from working families in need of subsidized child care, which is the result of an inadequate system for collection and analysis of data on California's subsidized child care and development programs. In this paper, the California Budget Project (CBP) estimates the demand for and cost of providing assistance based on state and federal data sources.

232,000 Eligible Children in Need of Child Care Assistance

The CBP estimates that an additional 232,000 children need subsidized child care beyond the number that can be served under the Governor's January 2000 budget proposal.

The estimate is based on Census data from a forthcoming report to the federal Department of Health and Human Services that finds approximately 1.5 million California children were eligible for subsidized child care from 1995-1997.¹ This paper uses the 1.5 million figure as a baseline for estimating the number of children eligible for subsidized care in the year 2000 (see Table 1).

Research on child care used by families enrolled in California's CalWORKs program indicates that no more than 50 percent of families use the subsidies they are entitled to.² Others appear to manage or make due with the help of families and friends, or have work schedules or situations that permit parent care. After adjusting for the 50 percent use rate and for population growth, the CBP estimates that a total of 771,000 children are eligible for subsidized care and would be likely to use it if it were made available to them.

To estimate the number of children in need of care, the CBP estimate subtracts the number of children who are currently served in a state or federal child care subsidy program. According to estimates prepared by the Department of Finance (DOF), a total of 612,500 children will be served by state and federally subsidized child care programs in fiscal 2000-01.³ An additional 86,000 receive care in federally funded Head Start programs in California.⁴

¹ Abt Associates, *National Study of Child Care for Low-Income Families: State and Community Substudy Draft Report* (April 3, 2000), Appendix 3.10. The estimate in the report is adopted from an Urban Institute micro-simulation model that tabulated children under age 13 in families where all parents work and where income does not exceed 75 percent of the state median, as adjusted by family size. The estimate may be an undercount if trends in the labor force participation of mothers have added to the numbers of low wage parents in the workforce since 1997.

² Bruce Fuller, et al, *Remember the Children: Mothers Balance Work and Child Care under Welfare Reform* (Graduate School of Education, PACE: Berkeley, CA: February 2000), pp. 74-76 and 100.

³ No accurate "head count" is available of children served in Department of Education subsidized child care programs. The Department of Finance estimate is based on total expenditures divided by average child care costs.

⁴ A somewhat higher number of Head Start children may have been served in 1999 and likely will be served in 2000-2001, but the 1998 figures presented in this paper are the latest that are available.

After adjusting for the number of children receiving care who may not be from working, low income families, we estimate that 539,000 eligible children receive the child care subsidy program they need.⁵ In other words, approximately 70 percent of children in need of care are served by California's subsidized child care system. It should be noted that this figure may overestimate the percentage of children receiving assistance because it does not account for the increase in labor force participation of low wage parents since 1997, the increase in the number of parents who would join the work force if child care were more widely available, and the portion of children currently served by more than one child care program.⁶

Based on our estimate that 70 percent of children needing care receive it, approximately 232,000 children in families with incomes at or below the current eligibility limits are without the subsidized child care they need. Expanding services to these 232,000 children would cost nearly \$1.29 billion annually, a 48 percent increase over the Governor's January 2000 budget for child care, based on current average per child costs.⁷ Our estimate does not reflect any future increase in state costs to pay for higher child care reimbursement rates to enable programs to raise staff salaries or for other quality improvements.

Table 1: Children in Need of Subsidized Care in California	
Explanation of Estimate	Estimate
Average monthly count of California children eligible for subsidized care during 1996-98*	1,511,070
Adjustment for population growth: 1997-2000**	1,541,291
Total eligibles in need (assumes 50% "take up" rate)	770,646
Total number of children estimated to be served in state and federal programs, including Head Start	698,868
Number served in after-school partnership program***	(97,500)
Adjustment for Head Start and State Preschool Programs****	(62,289)
Total number of children served from income eligible working families	539,079
Children from eligible working families who are not currently served and need child care	231,567
Percent of eligible children from working families currently served in subsidized child care	70%
Annual cost per child in subsidized care*****	\$ 5,554
Estimated cost to expand child care to the eligible population of children in need	\$ 1,286,063,096

* Urban Institute estimate for a forthcoming Abt Associates report to the federal Department of Health and Human Services

** CBP calculations based on Department of Finance estimates

*** Program is not means-tested and provides only a partial child care subsidy

**** Assumes that one third of Head Start and State Preschool parents need full time child care

***** Estimated by summing General Child Care, Alternative Payment and CalWORKs Child Care appropriations, and dividing by the estimated number of children served in these programs

⁵ Our estimate adjusts for children served in programs that do not require families to be income eligible, and for income eligible families who likely need full-day service but receive only part-day care. The adjustment for part-day care is based on the experience of one Southern California child care and Head Start agency, and assumes that in one third of families in part-day preschool programs both parents work and really need full-day child care. Accordingly, the estimate of children served in subsidized child care programs subtracts one third of those estimated to be served in part-day programs (State Preschool and Head Start). In addition, the estimate for eligible children served subtracts the children estimated to be served in the After-School Partnership Program because that program does not limit enrollment to income eligible families and provides only partial funding for after-school programs. The adjustment for part-day programs may be conservative, because "(a)bout half of those who rely on Head Start indicate they need full time, full year child care." T. Berry Brazelton, et. al., *America's Child Care Crisis: A Crime Prevention Tragedy* (Washington, D.C.: Fight Crime: Invest In Kids, 2000), p. 14.

⁶ In addition, as discussed above, the adjustment for children served in part-day programs may undercount the number in need of full time child care. On the other hand, it is possible that the child care utilization rate used for the calculations in this paper may be high, potentially leading to an overestimate of the number of eligible children who would use a child care subsidy if it were available. Adjusting for these factors is difficult in the absence of reliable data.

⁷ The estimate is based on an average child care subsidy cost derived from adding local assistance costs in the General Child Care, Alternative Payment Child Care, and Stages One, Two, and Three CalWORKs-linked child care programs, divided by Department of Finance estimates of the total children served in these programs. When a cost-of-living adjustment of 2.84 percent is applied, the average cost works out to \$5,554.