FACT SHEET: Alternative Payment Programs and California's Looming Childcare Crisis

- In 1976, Governor Jerry Brown's office set forth a pilot program to expand the growth of child development programs in the state. The outcome of that pilot program was legislation in 1980[1] to create Alternative Payment (AP) childcare programs in each of California's 58 counties. The purposes of APPs were to enable innovative community-based public (county offices of education) and private nonprofit agencies to develop non-traditional, regional approaches that would support parental choice to a variety of childcare and early education settings for children from birth on.

- Today, there are 71 APPs that administer California's subsidized childcare programs across all 58 counties. The focus of these programs is to support working families and those on the California Work Opportunity and Responsibility to Kids (CalWORKs) program with access to a variety of early care and education settings, inclusive of high-quality Title 5 centers, Family Childcare Home Education Networks (FCCHENs), family childcare providers, and small business childcare and early learning providers.

- These programs may also link families living in or near poverty to supports for housing, food, clothing, and mental health. ***In the 2021 Budget Act[2] APPs are funded to support vouchers for 129,332; children in CalWORKs Stage 2 – 34,287; children in CalWORKs Stage 3 – 68,109; for a total of 231,728 subsidized children 0-12.***

- In 2016, the California Budget and Policy Center (CBPC) reported that more than 1.2 million income eligible children in need of childcare did not receive services. In 2017-18, that number surged to 2.032 million with1.804 million income eligible with no access and roughly 230,000 with partial access. Prior to the pandemic, it was rumored that the current number was approaching 2.3 million. From March 2020 to today, the projected need is likely much higher considering school closures and the number of families that have lost their jobs, but are ready to re-enter the workforce as the economy recovers.

- For Stage 1 CalWORKs, it is funded through the counties. Thirty-seven of the 58 counties contract out their CalWORKs Stage 1 contract to their local APP. APPs currently have contracts to support roughly 93 percent of the CalWORKs Stage 1 caseload.

- APPs serve low-income working families eligible for CalWORKS stages 1, 2 and 3 childcare, as well as non-CalWORKS families who meet specific income thresholds. Fundamentally, APPs support and enable parental choice through access to a variety of early care and education settings for their kids.

- Parental choice in childcare settings is already extremely limited. It is estimated that at least 8,500 licensed childcare sites in California closed as a result of the COVID-19 pandemic, representing nearly 30 percent of providers.[3] More than 110,000 childcare workers left the labor force, and 420,000 childcare slots may be lost permanently.[4]

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[1] AB 3059 (Sieroty); Chapter 798, Statutes of 1980

[2] Slots DMC 21_BA.pdf (memberclicks.net)

[3] Source – CalChamber letter to Assembly and Senate Budget Chairs, January 24, 2022

[4] Source, Cal Chamber, "Childcare Crisis"

- The lack of available childcare had a detrimental impact on women in particular. By September 2020, women were leaving the workforce at a rate four times more than men nationally, and two times more in California. Women of color were disproportionately affected.[5]

- During the COVID-19 pandemic, Governor Newsom issued Executive Order N-45-20[i], enacted in SB 820 (2020)[ii], to stabilize childcare providers and centers by requiring state agencies to reimburse all family childcare providers and centers based on the maximum certified hours of need of an eligible family, rather than actual hours of care provided. The rationale for this action was that family childcare providers and centers as business owners have ongoing operational costs and staff salaries to pay regardless of the attendance of a child. It also was recognized that if a child does not show up, the childcare slot cannot be readily filled and the provider is left with a financial shortfall. This rationale holds true whether in or outside of a pandemic.

- Executive Order N-45-20, coupled with federal relief and guidance from the U.S. Department of Health and Human Services,[iii] was instrumental in reducing the exodus of providers, supporting more childcare assistance vouchers for income eligible and essential worker families, and ensuring all families had equitable and fair access to all childcare settings—until June 30, 2021. To further support the family childcare provider and center workforce with stability, and continuing to allow all families equitable access to all childcare settings, the language to continue fair and equitable access to all childcare was incorporated into AB 131[iv] and the sunset date extended until June 30, 2022.

- Family childcare providers and centers that accept a voucher as reimbursement for care budget a specific amount per slot based on capacity to cover the cost of providing care. To expect a childcare business to take on the financial risk of uncertain reimbursement for holding a slot for a subsidized family is simply not a reasonable risk.

- California's early childhood workforce[v], is a field dominated by women of color, is wracked by poverty wages, high turnover and inequity. Although the Budget Act of 2021 implemented use of a newer Regional Market Rate Ceiling Survey[vi], the reimbursement rates continue to fall below livable amounts. Even with the implementation of a new RMR survey and rate ceilings, on average family childcare providers receive between $5.52 to $10.50 on average.

- If AB 1649 is not enacted, our poorest families will have inequitable access to childcare, families will be discriminated against, and families with fluctuating work schedules who currently have their babies and children in stable family childcare homes or centers will face the real possibility of being disenrolled.

- In the 2021 Budget Act, the Governor added 110,500 new childcare slots to the eligibility program, and has proposed an additional 36,000 in the 2022-2023 budget. However, the Governor has not provided for any funding to help enroll and connect California's poorest families to these new slots, nor did he provide any funding to help increase the workforce of childcare professionals. Nearly across the board, these new slots double existing subsidized childcare slot contracts, with no funding to ensure the childcare experts are available to serve them.

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[55] Ibid

- In contrast to Governor Newsom and California, 37 other Democratic and Republican Governors, along with President Biden in his 2022 State of the Union address, have prioritized the importance of investing in childcare and early learning.

- Every week, California loses more early care and learning professionals because the reimbursement rates paid for childcare services are inadequate – ranging from $5.52 to $10.50 per hour. Nearly one-third of private pay childcare centers supporting subsidized families have not seen a reimbursement rate increase since 2016. With minimum wage in California rising to $15.00 this year, these lower reimbursement rates will result in even fewer providers and less access for families.

Additional Background:

1. **Disruptions to Child Care Arrangements and Work Schedules for Low-Income Hispanic Families are Common and Costly**

2. **Removing child care from the Proposition 98 guarantee**

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[i] 4.4.20-EO-N-45-20 (ca.gov)
[ii] Bill Text - SB-820 Education finance.
[iii] CCDF-ACF-IM-2021-01 (hhs.gov)
[iv] Bill Text - AB-131 Child development programs. (ca.gov)
[v] Interactive Map - Early Childhood Workforce Index 2020 - CSCCE (berkeley.edu)
[vi] Reimbursement Ceilings for Subsidized Childcare - Child Development (California Dept of Social Services)