



County of Los Angeles
Office of Child Care

Within the Service Integration Branch of the Chief Executive Office



Fact Sheet

February 16, 2011

**GOVERNOR'S 2011-12 BUDGET PROPOSALS FOR CHILD CARE
IMPACT ON LOS ANGELES COUNTY REVENUE, JOBS AND SMALL BUSINESSES**

Funding from the State of California for child care and development programs has created thousands of jobs in Los Angeles County and made it possible for thousands more low-income parents to be employed. The income from all of these jobs is vital to the local economy and the related taxes support State and local governments.

We recognize that California is in a budget crisis and significant cuts are recommended for most programs. However, two proposals included in the proposed budget for 2011-12 have the potential to dismantle key components of the child care and development infrastructure, while also substantially increasing unemployment. **The Governor is proposing to:**

- **reduce reimbursement levels to subsidized programs by 34.6 percent and**
- **require low-income families to make up the difference with additional fees.**

In fact, an overwhelming number of families participating in subsidized child care and development programs will be unable to pay **the additional fees (averaging \$238 per child per month)** and will lose all child care subsidies. Without child care, many of these parents will not be able to maintain employment.

If the low-income families enrolled in these programs are unable to pay the additional fees, how will programs continue to operate? In all likelihood, programs will be unable to sustain their operations with only 66 percent of the revenue. Programs will close, jobs will be lost and low-income working families will be without child care and development services.

Unlike other workforce reductions, severely reducing access to child care and development services freezes many low to moderate income families out of the workforce entirely. A reduction in access to affordable child care and development services has the potential to increase the demand for unemployment insurance and welfare assistance.

The Cost of Implementation

Implementing these two proposals could have a significant and negative impact on the local economy. The facts and figures provided on page 2 of this fact sheet are based on examining a population of family records from the Los Angeles Centralized Eligibility List (LACEL). The numbers used as a base reflect families who were enrolled from the LACEL in California Department of Education/Child Development Division (CDE/CDD)-contracted programs between July 1, 2007 and February 10, 2011. Of note, this is not 100 percent of all children enrolled in CDE/CDD-contracted programs, but is representative of all enrolled families.

Alternatives

The Legislative Analyst's Office and various stakeholders are recommending the consideration of proposals which offer more modest reductions in contracts which include reductions in the number of children to be served, or modest increases in parent fees. The Governor's proposals unfairly compound the burden to low-income families and their local communities.

Los Angeles County facts:

▪ Current level of funding in Los Angeles County for all child care and development programs including the part-day California State Preschool Program (CSPP), which is not targeted for reductions. ⁱ	\$598,535,405
▪ Estimated loss of revenues for child care and development services throughout Los Angeles County communities resulting from proposed funding reductions. ⁱⁱ	\$173,758,692
▪ Number of currently enrolled families likely to lose their child care and development services due to the proposed lowering of income eligibility to 60 percent of the State Median Income (SMI). ⁱⁱⁱ	1,944
▪ Number of currently enrolled families earning below 60 percent of the SMI with incomes below \$2,380 per month, therefore unlikely to afford a co-payment of \$238 (on average) per child per month. ^{iv}	28,766
▪ Number of currently enrolled families earning below 60 percent of SMI with incomes above \$2,380 (on average) and therefore assumed to be able to continue care with the co-payment of \$238 per month per child. ^v	10,638
▪ Estimated number of families likely to drop out of subsidized child care and development programs due to the proposed income eligibility changes and co-payment requirements. ^{vi}	30,710
▪ Number of children likely to be affected. ^{vii}	46,023
▪ Number of parents at risk of losing jobs or having diminished earnings due to reduced work hours because of the loss or lack of access to affordable subsidized child care and development services. ^{viii}	23,033
▪ Amount of income lost due to reduced earnings of families formerly supported through subsidized child care and development services; reflects reduced purchasing capacity and tax base. ^{ix}	\$371,468,160
▪ Number of CDE/CDD-contracted programs with reduced revenues due to proposed budget changes and projected high drop-out rates due to co-pay requirements. ^x	101
▪ Number of subcontracting businesses (child development centers, licensed family child care homes, and individuals) with reduced revenues resulting in decreased purchasing power and tax revenues. ^{xi}	485
▪ Number of teachers and other child development staff at-risk of losing their jobs. ^{xii}	4,956
▪ Number of management and other support staff working in license centers and Alternative Payment Program agencies at-risk of losing their jobs. ^{xiii}	627
▪ Amount of income lost due to layoffs of child development program staff. ^{xiv}	\$140,004,540
▪ Estimated income tax gone due to lost wages of child development program personnel resulting from reductions in child care and development support and shrinkage of the population served by subsidized child care and development. ^{xv}	\$3,080,100

Questions or comments relating to this fact sheet may be referred to Laura Escobedo, Los Angeles County Office of Child Care within the Service Integration Branch of the Chief Executive Office, by e-mail at lescobedo@ceo.lacounty.gov or by telephone at (213) 974-4102.

Endnotes

ⁱ Total amount results from aggregating all allocated funds for CDE/CDD-contracted child development centers, Family Child Care Education Networks, California State Preschool Programs (CSPPs) (full- and part-day), Alternative Payment Programs, and CalWORKs Stage 2 and Stage 3 Child Care as documented in the CDE CATS Report (October 2010).

ⁱⁱ Calculated by multiplying total contract amounts for CDE/CDD-contracted programs minus the funding for CSPP part-day programs by 34.6 percent, then applying reductions to account for lowering the income eligibility cap to 60 percent of the SMI and eliminating eligibility for 11 and 12 year old children. The estimate of contract funds for the CSPP part-day programs was derived from site survey information, Los Angeles Centralized Eligibility List (LACEL) agency profiles, and telephone interviews.

ⁱⁱⁱ Reflects families with incomes above 60 percent of the SMI with children drawn from the LACEL and enrolled in CDE/CDD-contracted programs. Data retrieved from the LACEL on February 10, 2011.

^{iv} Calculation of 34.6 percent of the average daily rate multiplied by average days of care per month equals \$238. Assuming that families could pay child care fees equivalent to no more than 10 percent of their gross income, families with incomes below \$2,380 per month would be unlikely to afford the additional co-pay of \$238 per month. The number presented is a maximum and assumes only one child in care. The number presented is conservative as some families have two or more children and therefore would be required to pay \$476 per month for two children, \$714 per month for three children, and so on. (LACEL, February 10, 2011.)

^v Using family income at \$2,380 per month, this number reflects the families with incomes assumed sufficient to cover a co-pay of \$238 per month, representing 10 percent or less of their gross income. The number presented is a maximum, assuming only one child in care. Families with more than one child would pay on average \$238 per month per child. This could mean that additional families would be unable to cover the co-pay since \$476 or more per month for two or more children exceeds 10 percent of monthly gross income.

^{vi} Estimate includes families earning less than \$2,380 per month and families no longer eligible under the proposed reduction in the income eligibility ceiling.

^{vii} Assumes that each family has 1.3 children on average. Based on review of family records retrieved from the LACEL on February 10, 2011.

^{viii} Assumes that 50 percent of families will have at least one parent losing employment, that another 25 percent will experience reduced work hours to accommodate child care needs, and that 25 percent will find alternative arrangements that enable them to maintain their current activities.

^{ix} This calculation uses the average monthly income (\$1,792 per month) as reported from the LACEL and assuming that 50 percent of the families experience at least one parent losing employment, 25 percent experiencing reduced work hours (255 reduction in hours worked weekly) to accommodate their child care needs, and 25 percent able to find alternative arrangements that enable them to maintain their current activities.

^x Count of all CDE/CDD-contracted programs – child development centers, Family Child Care Home Education Networks, California State Preschool Programs (CSPPs) Full-day, Alternative Payment Programs, and CalWORKs Stage 2 and Stage 3 Child Care – in Los Angeles County as documented in the CDE CATS Report (October 2010).

^{xi} Estimate based on the number of children served by the Alternative Payment Program and CalWORKs Stages 2 and 3 Child Care including centers, Family Child Care Homes, and license-exempt individuals (assuming 30 percent utilization).

^{xii} Estimate based on numbers of children served in centers and CSPP Full-day by taking an average ratio of one provider/teacher per eight children plus an estimate based on the children served in an Alternative Payment Program, and CalWORKs Stages 2 and 3 Child Care who are not with a license-exempt caregiver, using an average ratio of one provider/teacher per eight children, which is an average of all possible ratios (1:4, 1:8, 1:12, 1:14).

^{xiii} Reports from individual agencies and calculations for Alternative Payment Programs and the CalWORKs Stages, 2, and 3 Child Care based on caseloads.

^{xiv} A calculation based on an average wage of \$13 per hour and a work schedule of 40 hours per week.

^{xv} Total lost wages multiplied by an average tax rate of 2.2 percent.