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The Impact of Expanding Public Preschool on Child Poverty in California

SUMMARY

CONTENTS

Technical appendices to this report are available on the PPIC website.

High-quality child care and preschool programs have numerous benefits—such as promoting the early development of children's social, emotional, and academic skills, and supporting work among parents or other caregivers. Yet child care can also be a significant expense. Many Californians would like to see more children enrolled in preschool, but without policy changes to help families with the costs, the additional financial burden would substantially increase child poverty in the state.

Subsidized child care is a key part of the social safety net that in effect boosts the resources available to low-income families by reducing a significant expense they might otherwise bear. At present, most subsidized child care and preschool programs in California require that families have incomes below specified levels—and often families must meet work requirements as well. But current program funding is not adequate to serve all eligible children.

This report examines the effects on child poverty of expanding access to state-funded preschool for qualifying three- and four-year-olds. We consider several different kinds of expansions, including those that target low-income families and/or working families. We find:

- Among the state's 1.03 million three- and four-year-olds, about 263,000 (26%) are currently served by public preschool programs.
- Expanding access to preschool for low-income families in which all adults are working or in school—and only providing preschool for the hours needed for parents to work—could lower child poverty by up to 12 percent and could serve 263,000 more three- and four-year-olds. Using prevailing market rates, we estimate the potential state cost of this expansion to be $1.03 billion annually.
- Expanding access to full-time care to all low-income children, regardless of parental employment, could lower child poverty by up to 24 percent and could serve 515,000 more three- and four-year-olds. At market rates, we estimate the potential price tag for this expansion to be $4.20 billion annually.
- Latino and single-parent families would see the greatest poverty reductions from preschool expansions. For example, in the expansion to low-income working families, 44 percent of three- and four-year-olds moved out of poverty would be from single-parent families, although only 11 percent of young children live in single-parent families.
- State-funded preschool expansions that are open to families of all income levels would have the same impacts on poverty as the programs above. But research suggests universal programs can have additional educational

benefits, especially for lower-income children. We estimate the potential costs of this kind of preschool program to be $1.32 billion annually if targeted to working families and $5.07 billion annually if provided to families regardless of parental employment.

Our findings suggest that when it comes to reducing child poverty, a program without parental work requirements has the potential for the largest impact. However, policymakers may have other objectives in mind when considering expansions to public child care and preschool. For example, if reducing disparities in early learning is a primary goal, a universal program without income requirements might be more promising. As policymakers consider expanding access to early care and education, clarifying their goals is a necessary first step in weighing the trade-offs between different kinds of expansions and determining the best path forward to improve families' economic well-being and promote the future success of California's children.

Introduction

Child care and preschool play important roles in the lives of families with young children. For children, high-quality early childhood education promotes the early acquisition of social, emotional, and academic skills and can help reduce disparities in kindergarten readiness (Almond et al. 2018; Duncan and Magnuson 2013; Meloy, Gardner, and Darling-Hammond 2019; Phillips et al. 2017).[1] For parents and caregivers, child care often makes it possible to work while children are still too young for school (Davis et al. 2018; Ahn 2012). A PPIC poll from April 2019 found an overwhelming majority of Californians (78%) view preschool as very or somewhat important for children's future success, and 63 percent support the state funding voluntary preschool for all four-year-olds (Baldassare et al. 2019).

At the same time, high-quality child care can be a significant expense for families. In California, the median annual cost for full-time, center-based care for a two- to four-year-old ranged between about $10,900 (Glenn County) and $23,800 (San Francisco County) in 2018.[2] In this report, we explore the role that expanding public child care and preschool could play in mitigating child poverty in California. Treating subsidized child care as a part of the social safety net, like nutrition or cash assistance programs, we frame child care as a necessary expense that can be—and to some extent already is—offset by government assistance.

Public investments in child care are a two-generational strategy for reducing poverty—setting up young children for future success, while improving the economic circumstances of low-income families in the short term. In families where adults currently work, child care subsidies allow families to keep more of their earnings; for those where adults have made financial decisions to care for children at home instead of working, subsidies can encourage a return to work.

While K–12 education is provided freely to all children—and school enrollment is mandatory for those ages 6–18—care and education for younger children is neither universally provided nor mandatory in California.[3] Instead, the state has a complex patchwork of programs, ranging from private care paid for by parents and caregivers, to heavily subsidized care for low-income families, to free Transitional Kindergarten programs for age-eligible children at public schools. In California, public funds primarily support child care and preschool for low-income children—but as discussed below, low-income families' access to these programs is limited.

While policy conversations on early childhood education in California have acknowledged the importance of expanding access to affordable care for all young children, expanding access to preschool has become an area of particular interest.[4] Governor Newsom, for example, included several proposals in his January and May 2019–20 budget plans to expand funding for full-day preschool programs for four-year-olds. The final 2019–20 state budget increases access to full-day state preschool both by dropping family income requirements in areas with high rates of child poverty and by prioritizing working families, rather than making work or school attendance a condition of eligibility. Consequently, this report highlights the effects of expanding publicly provided care to

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[1] Several recent reports have assessed the need for preschool and preschool policy in California. See Melnick et al. (2017) and Stipek et al. (2018).

[2] Author calculations using median daily rates drawn from the California Department of Education multiplied by 250 days. Annual equivalents calculated from median monthly rates are lower—and range between about $9,200 and $18,700.

[3] Children 5 and older are generally eligible to attend public school; in addition, children born between September 2nd and December 2nd are also eligible to attend public Transitional Kindergarten the fall they turn 5.

[4] For examples of two reports that consider care for children ages 0–5 in their recommendations, see the final report by the California Assembly Blue Ribbon Commission on Early Childhood Education (2019), as well as the AB 1520 Poverty Task Force report (California Lifting Children and Families Out of Poverty Task Force 2018).

preschool-age children. We focus on three- and four-year-olds, the age group eligible for state preschool, and briefly touch on the effects of expansions for infants and toddlers.[5]

A key policy decision is whether publicly funded programs should remain targeted to low-income families for whom child care expenses are especially financially burdensome or become available to families of all income levels. Another important consideration is whether preschool is available only to working families—as a way to support or incentivize employment—or if it is provided to all children full time and year round, regardless of parental employment. This report considers the effects of both income-based and non-income-based expansions, with and without work requirements.

We begin by summarizing the ways in which existing publicly funded programs serve families of young children. Next, we assess the effects on child poverty if more families accessed preschool and—for those without current access to a publicly funded program—paid prevailing rates. Then, we examine several preschool expansion scenarios in terms of their effects on child poverty and associated costs. Finally, we conclude with a discussion of the trade-offs between these program expansions and other considerations for policymakers.

Overview of Existing Child Care Programs

California's federally and state-funded child care programs primarily serve low-income children ages 0–5, with low or no family fees. The main programs are the California State Preschool Program (CSPP), Head Start, and Transitional Kindergarten.[6] While funded by the federal and state governments, these programs are operated locally by nonprofits and school districts. In some cases, they can overlap to the point of serving the same children in the same classroom; in others, children from similar families can receive considerably different types of care depending on the program in which they are enrolled (Legislative Analyst's Office 2014).

Despite the variety of options, these programs are not large enough to serve all eligible children. The potential need for child care—even when measured only by program eligibility—dwarfs the availability of financial assistance. The Legislative Analyst's Office (2019a) estimates that 39 percent of children in California, or nearly 2.5 million, were eligible for subsidized child care programs in 2018, but fewer than half a million received care. For eligible four-year-olds, participation appears to be much higher. The Legislative Analyst's Office estimates that 59 percent of California's four-year-olds are income-eligible for CSPP, and 89 percent of those who are both eligible and likely to participate are already enrolled in a public program (Legislative Analyst's Office 2019b).[7]

Relative to other states, California enrolls an above-average share of three- and four-year-olds in state-funded preschool programs. The National Institute for Early Education Research estimates that 11 percent of all three-year-olds and 37 percent of all four-year-olds were enrolled in either CSPP or Transitional Kindergarten in 2017,

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[5] In this report, we simulate expansions in programs for children who would be three or four years old for the fall of 2016, excluding those who are age-eligible for Transitional Kindergarten. A growing share of traditional (non-charter) elementary schools offer Transitional Kindergarten programs; three out of four did so in 2017–18, with a higher share of schools in the least advantaged areas offering Transitional Kindergarten than in the most advantaged ones (Lee and Fuller 2019).

[6] CSPP primarily serves four-year-olds but can include three-year-olds. Transitional Kindergarten primarily serves children whose fifth birthdays fall between September 2nd and December 2nd.

[7] Estimates of unmet need for child care are stymied by the fact that no entity collects an unduplicated count of all children enrolled in local, state, and federal programs; counts can also be difficult to compare directly, given changes in program eligibility rules over recent years and different definitions of need. Several research groups, however, have made important contributions to the larger picture of unmet need. Schumacher (2019a) estimates that about 11 percent of eligible children received full-day, full-year care in 2017; Melnick et al. (2017) estimate that 33 percent of all eligible children under age 6 received any care in 2015–16. And Anthony et al. (2016), estimating the unmet need gap for preschool-age children in 2014, find substantial variation in need across counties and zip codes, with high numbers of children unserved in Southern California and high shares of children unserved in rural Northern and Sierra counties.

compared with 5 percent and 33 percent, respectively, enrolled in a state preschool program in the average state. Of the thirteen states that enroll a higher share of four-year-olds in state preschools than California, nine enroll more than 50 percent of four-year-olds in the state; eight of these nine have universal or quasi-universal programs (Friedman-Krauss et al. 2018). See Technical Appendix A for additional details about the child care policy landscape in California and nationally.

When we compare public investments for California's child care programs to state and federal funding for the state's largest social safety net programs, child care comes out in the middle of the pack. In 2017–18, for example, state and federal governments spent $5.3 billion on child care programs for about 450,000 California children—about half the $9.4 billion Californians received in Supplemental Security Income (SSI/SSP) payments, but close to twice the amount of cash assistance extended to about 1 million California families through CalWORKS ($2.9 billion). From the perspective of funding levels, spending on child care is currently comparable to the $6.6 billion spent providing CalFresh monthly food assistance grants to about 4 million low-income Californians (Danielson 2019).

Child care programs also overlap substantially with safety net programs in their target populations. This is to some extent by design—the majority of child care voucher recipients become eligible based on their participation in CalWORKS, for example. But given that state preschool sets income eligibility based on state median income (about $54,000 for a family of three in 2018–19, and set to increase to about $66,000 for 2019–20), more working families are eligible for subsidized child care than for CalWORKS.[8]

Local child care programs

While the largest preschool programs are funded by the state and federal governments, local governments can also provide funding—and can make a significant impact on the availability of preschool and child care.

Local education agencies (LEAs, which are typically school districts) have the option to use their Local Control Funding Formula funds from the state to support preschools and expanded Transitional Kindergarten; in one example, Los Angeles Unified School District leveraged $44.1 million to support expanded Transitional Kindergarten in 2016–17 (Melnick et al. 2018). In addition, schools or LEAs that receive federal Title I funding—those with a high share of students from low-income families—can use it to offer school- or district-level preschool programs or to supplement publicly provided preschool programs that meet Title I requirements. However, the state does not collect or report systematic data on how local areas use their own funding to support child care programs.

Local governments can also increase access to care using other revenues. San Francisco, for example, uses a local property tax to provide Preschool for All, a universal preschool program for four-year-olds, and the Early Learning Scholarship, a program that provides ongoing or bridge funding to cover gaps in eligibility for children under age 6 from low-income families. San Mateo County combines sales tax revenue with a public-private fundraising partnership in order to increase the county's number of subsidized, center-based care slots (Stipek and Pizzo 2018). Ballot measures in November 2018 secured additional tax funding for local child care programs in the cities of Richmond, Capitola, and Oakland.

[8] Four counties—San Francisco, San Mateo, Alameda, and Santa Clara—have had state waivers in order to set higher thresholds for state-funded programs.

The Role of Preschool in Family Poverty

Our analysis uses the California Poverty Measure (see textbox below), which unlike official poverty statistics, accounts for necessary expenses that families face, such as out-of-pocket medical care, child care used so parents and caregivers can work, and commuting costs. Nonetheless, even many working families with preschool-age children do not report paying for child care. Our estimates indicate that only about a quarter of three- and four-year-olds lived in families with a work-related child care expense in 2016. Families might not report paying for child care because their children are enrolled in a subsidized program or because they have obtained free or low-cost care from relatives or friends.

California Poverty Measure

This report starts with 2016 data created for the California Poverty Measure (CPM), a joint effort of researchers at PPIC and the Stanford Center on Poverty and Inequality (Danielson, et al. 2018; Wimer et al. 2018). The CPM is a detailed, California-specific version of the Census Bureau's Supplemental Poverty Measure (Fox 2018), which is itself a more up-to-date and comprehensive picture of poverty than the official poverty measure (Blank 2008; Citro and Michael 1995). To construct the CPM, researchers augment single-year American Community Survey (ACS) public-use micro data with additional data sources, including the Current Population Survey (CPS), administrative records from the Department of Social Services, and three-year ACS datasets (Ruggles et al. 2018). The primary goal of the CPM is to make improvements in the measurement of poverty in the following areas:

- Base poverty thresholds on representative amounts spent on food, clothing, shelter, and utilities, and adjust them for county-by-county variation in housing costs.
- Count key categories of resources that families have on hand to meet basic needs, rather than just pre-tax cash income.
- Update the definition of family units to include foster children, cohabiting adults, and other family types.

For additional details, see Bohn et al. (2017).

In calculating family resources, we count both cash and near-cash resources in family budgets and subtract non-discretionary expenses that reduce a family's disposable income. Two types of necessary expenses are subtracted: out-of-pocket medical expenses and work-related expenses (principally child care and commuting costs). The CPM treats child care used by parents while working as a necessary expense and subtracts the cost of such care from family resources. This report modifies the child-care expense calculations to create illustrative scenarios.

In this report, we recalculate poverty rates under two different assumptions about families' need for preschool:

- **Work-based need.** Given that several public child care programs currently have work requirements to qualify, in this scenario, we assume children need preschool only if *all* adults in their family are working, in school, report a disability, or are 80 or older.[9] This scenario assumes that children need care only for the hours that adults are working (or in school) and commuting; for example, if parents are working part time, their child is eligible for part-time preschool.[10] All three- and four-year-olds in California would need preschool under this assumption.
- **Non-work-based need.**[11] This scenario assumes all young children are eligible for full-time, year-round care, irrespective of parental employment or other qualifying circumstances. We estimate that all three- and four-year-olds would need preschool under this assumption.

While reasonable, our assumptions do not precisely match the ways that existing programs define need for care. From the perspective of family choice, many families where some adults do not work seek early care and education. For example, we estimate that only 60 percent of children under five years old who were enrolled in subsidized programs lived in families where all adults were working or in school in 2016. And child care that can meet working families' needs is in limited supply; of the potentially 597,000 available slots in subsidized programs for 2018–19, only 280,000 were in programs that guarantee parents the number of hours of care that they need in order to work. Technical Appendix B provides detailed descriptions of these scenarios.

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[9] Only a small percentage of families reported that all adults had a disability or were 80 or older.

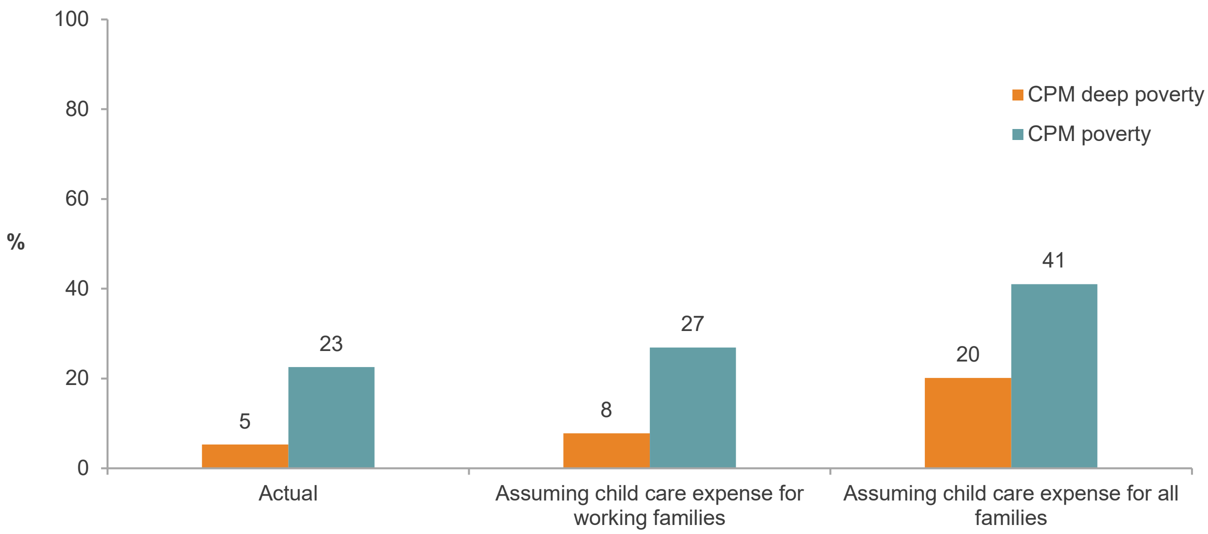
[10] In the case of multiple-adult families, we peg child care hours to the lowest hours of work. For all scenarios, we make the simplifying assumption that adults' employment or enrollment in education would not increase as a result of any expansions of low-cost or free early care. We also do not incorporate other effects that we would expect to be inconsequential in size—for example, the decision to have a child or to have additional children, if affordable child care were more accessible.

[11] Federally funded child care programs through the Child Care and Development Block Grant do include work requirements, which would limit the state's ability to use federal dollars for such an expansion of preschool.

Figure 1 indicates that paying for preschool at prevailing rates would substantially increase child poverty. Our scenarios factor existing child care programs into family budgets. Nonetheless, when we assume that working families, or all families, need preschool, family expenses rise considerably, leading to higher estimates of poverty among preschool-aged children. For example, in our first scenario, where we assume only working parents or caregivers need preschool, we calculate that poverty for young children in 2016 would have been 4 percentage points higher (27% vs. 23%). If instead we assume that families need full-time preschool for all children, irrespective of parental employment, poverty would have been 41 percent—far higher than the estimated actual child poverty rate. Deep poverty, a term commonly used to indicate families living with resources under 50 percent of the poverty line, is also markedly higher under both scenarios.[12]

FIGURE 1

According to our scenarios, child poverty would be higher if families paid for preschool at prevailing rates



SOURCES: Author calculations from the 2016 CPM and auxiliary data sources.

NOTES: Column 1 shows CPM poverty and deep poverty rates for children ages 3– 4. Columns 2 and 3 expand need to include child care for children 3–4 for working families and child care for all families with children 3–4, respectively. In columns 2 and 3, costs are based on 2016 median daily regional market rates (RMRs) for licensed child care centers. These poverty rates include the effects of current investments in early care and education. Without existing programs, we estimate that the poverty rate would be 1 percentage point higher if we assume that only families where all adults work have child care expenses, and 2 points higher if we assume that all families do. The deep poverty rate would be 1 and 3 points higher, respectively.

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[12] The CPM threshold is based on consumers' reported spending on essential items—food, clothing, shelter, and utilities—and is adjusted for the varying cost of housing across California counties. In 2016, the deep poverty threshold for a family of four that rents in California averaged $15,560, and ranged between a low of $11,903 (Imperial County) and a high of $19,552 (San Mateo County). Finding effective solutions to alleviate deep poverty among children was a priority of a legislatively mandated California poverty taskforce that released recommendations in late 2018 (California Lifting Children and Families Out of Poverty Task Force 2018).

The Role of Expanded Preschool in Reducing Poverty

About 1.03 million Californians are ages 3–4 and—according to our estimates—about 263,000 (26%) are already served by public preschool programs. We begin by considering the effects of public preschool expansions that are targeted to low-income children and variation in these effects across regions and family demographics. We then examine the effects of expansions without income restrictions. For our scenarios, we consider expansions that focus on working families and those that include families regardless of parental employment, as described above. Throughout, we include both three- and four-year-olds in our analysis, although state preschool currently prioritizes four-year-olds.

Our goal is to provide an overall assessment of the economic effects for families of publicly funded child care expansions, rather than to delve into specific details of current or past proposals that are likely to be modified through the political process—and that are beyond the capability of our data to fully capture.[13] We assume that expansions of publicly provided care would take the form of expanding high-quality center-based care, similar to CSPP. However, unlike even full-day CSPP, we assume expansions would fully cover family needs *and* that costs would be in line with the county-level survey of median child care costs that the California Department of Education commissions every two years (ICF Macro 2017). See Technical Appendices C and D for additional details about the data and methodology. Technical Appendix E presents results that use the median cost of licensed family child care homes, typically somewhat lower than for child care centers.

Targeting Expansions to Low-Income Families

In this section we explore the results of several hypothetical expansions of preschool that target families below 85 percent of the state median income, reflecting current CSPP income eligibility guidelines.[14]

For preschool-age children, we find that 263,000 to 515,000 more income-eligible children could be served by state preschool, depending on whether or not access is limited to families in which all adults are working.[15] Such an expansion of preschool would raise the share of children served by publicly provided programs from 26 percent of all California children ages 3–4 (currently) to 51 percent. Similarly, if we assume that all income-eligible three- and four-year-olds need preschool, the share of children served would increase from 26 percent to 76 percent. Apart from the additional children who would attend publicly supported preschool under the broadest expansion to low-income children, up to 204,000 more children already served by a single program or a combination of programs would receive additional care to fill a gap in needed hours. In our 2016 data, we estimate that this gap averaged 300 hours annually for working families who currently have subsidized care.[16]

Figure 2 shows poverty rates that include child care costs, based on our two assumptions about need for preschool (as shown in Figure 1), as well as the simulated change in the poverty rate given expanded access to preschool. Under the assumption that working families need preschool, we find a decrease in poverty of up to 12 percent,

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[13] In any expansion of state preschool, there are important considerations of workforce development and program standards that would need to accompany a large increase in enrollment. Other reports have addressed these considerations (California Assembly Blue Ribbon Commission on Early Childhood Education 2019; Stipek and Pizzo 2018).

[14] This income cut-off is consistent with policy as of July 2019. In 2016 the income cut-off was lower, although a few counties had waivers to use higher income cut-offs. To compute eligibility for existing programs in 2016, we use 2016 income cut-offs. The state gradually increased program access in 2017, 2018, and 2019. See Technical Appendix A for additional details. We assume that all children served by other currently existing programs that use different income eligibility guidelines continue to be served, with additional hours provided by the expansions.

[15] These estimates assume 100 percent enrollment. See Technical Appendix E for additional estimates that assume 75 percent enrollment.

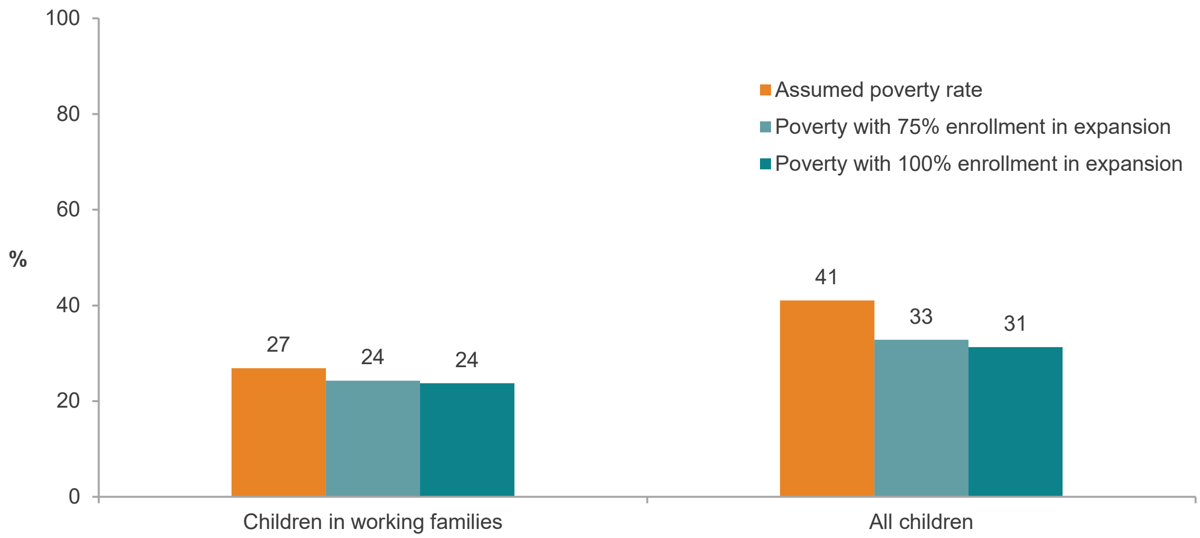
[16] The gap we estimate is between the hours typically provided by full-day CSPP and/or Head Start and parents' hours of work or school.

depending on enrollment, if the state were to make preschool available to all low-income children for the hours needed for parents to work. This is equivalent to moving up to 33,000 children out of poverty.[17]

We find a much larger drop in poverty—a decline of up to 24 percent, depending on enrollment—if all low-income families with three- and four-year-olds receive full-time preschool. This is equivalent to moving up to 100,000 three- and four-year-olds out of poverty. Of course, the assumed baseline poverty rate (41%) is much higher in this scenario due to the much greater assumed need for—and associated costs of—preschool.

FIGURE 2

Expanded access to preschool would decrease poverty, assuming child care is a necessary family expense



SOURCES: Author calculations from the 2016 CPM and auxiliary data sources.

NOTES: Chart shows poverty rates for three- and four-year-olds. Need and expansion of public preschool assumed for families where all adults work (left) and for all families (right). Scenarios are based on 2016 median daily RMRs for licensed child care centers. "Children in working families" includes families in which an adult or adults are in school, report a disability in the ACS, or are 80 or older. Technical Appendix D provides further details of RMRs, and technical appendix Tables E2 and E3 provide additional estimates.

Note that the threshold for income eligibility in these scenarios—85 percent of the state median income—is greater than the CPM poverty threshold in all counties—meaning that further targeting preschool expansions to children in poverty would not alter these estimates. Of course, such targeting would reduce the number of children served and associated costs. Technical Appendix E presents additional estimates for preschool expansions targeted to children in poverty and in deep poverty.

Differences by Region and Family Demographics

Figure 3 compares each region's share of the state's three- and four-year-olds to the region's shares of children moved out of poverty by the two expansions discussed above. In most regions, these shares closely align—suggesting these scenarios have a mostly balanced impact on child poverty across regions of California.

However, we estimate disproportionate impacts in the Bay Area; the Central Valley, Sierra, and Central Coast counties; and San Diego County. While the Bay Area is home to 18 percent of the state's preschool-age children, we find that only about 13 percent of the state's young children moved out of poverty by these expansions would be in the Bay Area. In contrast, in the Central Valley, Sierra, and Central Coast counties, a disproportionate share

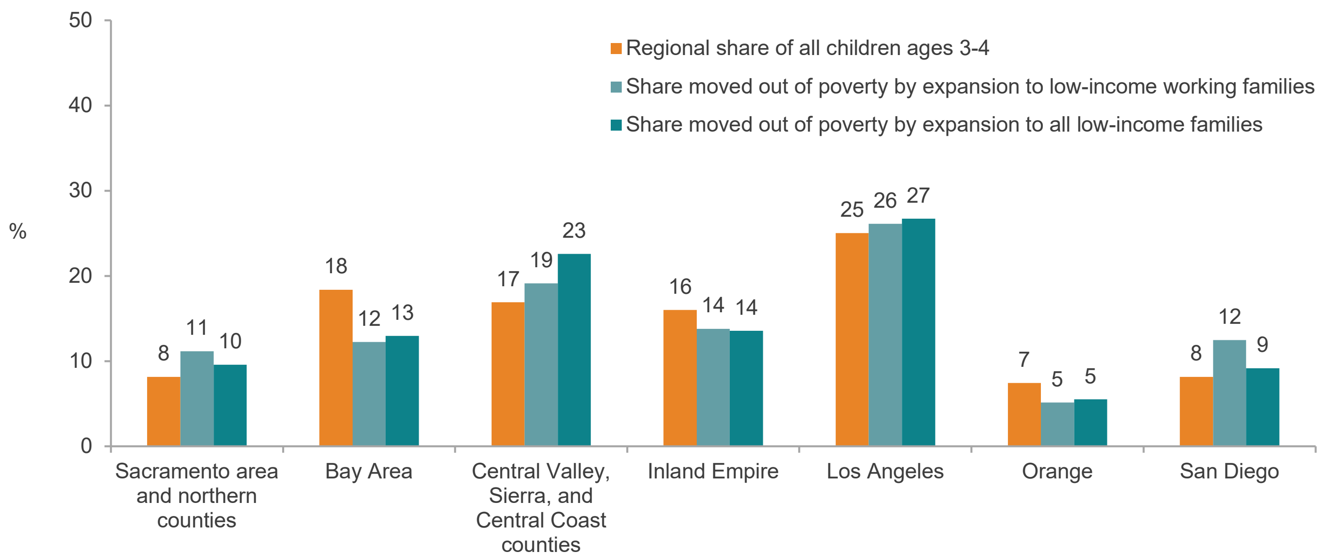
[17] This includes some of the 65,000 children who needed additional hours to meet their family's need under the baseline assumption.

of three- and four-year-olds would be moved out of poverty by the broadest expansion of preschool to all low-income children (23% moved out of poverty vs. 17% of the state's children). And in San Diego County, a disproportionate share of children would be moved out of poverty by the expansion to low-income children in working families (12% moved out of poverty vs. 8% of the state's children).

While there are multiple reasons for these differences, current access to preschool is one potential reason. For example, several Bay Area counties have used local funds and/or state waivers to expand eligibility and preschool slots. In addition, our scenarios are shaped by different employment opportunities and different levels of employment readiness across regions in the state, as noted in our prior research (Bohn and Danielson 2017a; Bohn and Danielson 2017b). This appears to be a factor when comparing the Central Valley, Sierra, and Central Coast counties, where the share of children moved out of poverty is relatively higher for the expansion to all low-income children, to San Diego County, where the share moved out of poverty is relatively higher for the expansion to children in working families.

FIGURE 3

The Central Valley, Sierra, and Central Coast could see larger effects from an expansion targeted to all low-income children



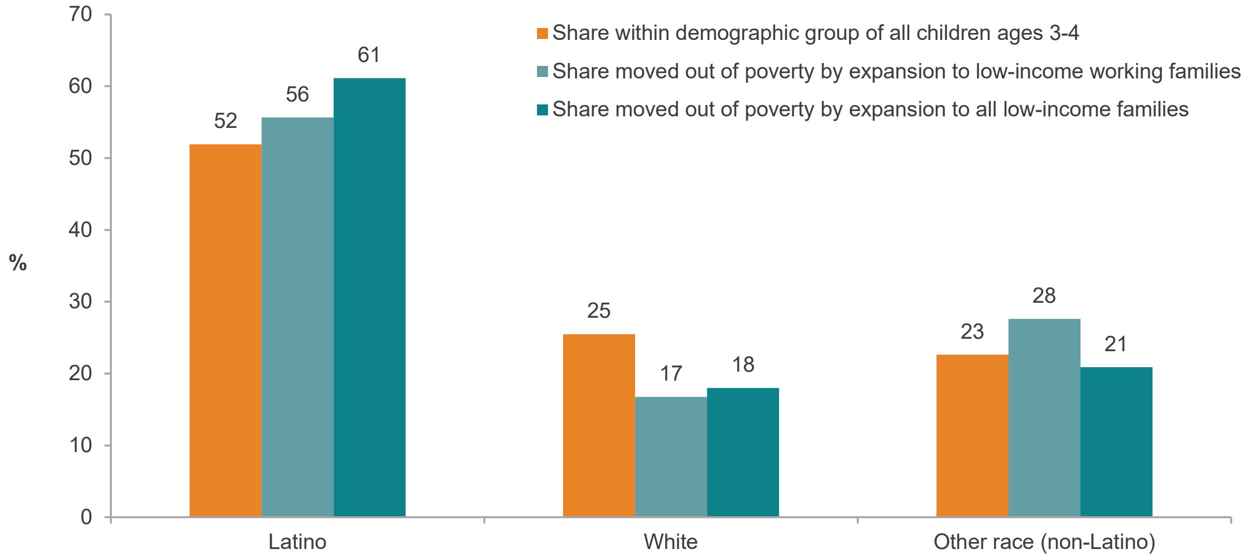
SOURCES: Author calculations from the 2016 CPM and auxiliary data sources.

NOTES: Small sample sizes limit the geographic precision that is feasible to present. Scenario assumes a universal expansion of state preschool to low-income three- and four-year-olds with 100 percent enrollment. Preschool costs are based on 2016 median daily regional market rates for licensed child care centers, and technical appendix Tables E8 and E9 provide the results of additional scenarios. Sacramento area and northern counties: Butte, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Siskiyou, Sutter, Tehama, and Trinity, Yolo, and Yuba counties. The Central Valley, Sierra, and Central Coast includes Alpine, Amador, Calaveras, Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, Mono, Monterey, San Benito, San Joaquin, San Luis Obispo, Santa Barbara, Stanislaus, Tulare, Tuolumne, and Ventura. The Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma. Inland Empire includes Imperial, Riverside, and San Bernardino.

Turning to differences by race/ethnicity, we find that Latino children would benefit most from the broader, non-work-based expansion to all low-income children. This is likely due to a combination of differences in employment opportunities and in family composition, since work requirements assume all adults in the family are available to work unless elderly or disabled. White children are relatively underrepresented in both scenarios, while an expansion targeted to low-income working families would assist a relatively greater share of children of other races/ethnicities.

FIGURE 4

Latino children would see larger benefits from preschool expansions for low-income families



SOURCES: Author calculations from the 2016 CPM and auxiliary data sources.

NOTES: Small sample sizes limit the demographic precision that is feasible to present. Other race includes Asian American, African American, Pacific Islander, Alaskan Native, Native American, and multiracial. Scenario assumes an expansion of state preschool to low-income three- and four-year-olds with 100 percent enrollment. Preschool costs are based on 2016 median daily regional market rates for licensed child care centers, and technical appendix Tables E5 and E6 provide the results of additional scenarios.

We find these expansions are likely to be particularly beneficial for single-parent families. As shown in Figure 5, children in single-parent families would see a relatively larger drop in child poverty from a work-based expansion of preschool to low-income children (44% of those moved out of poverty vs. 11% of the state's children). Children in single-parent families would also see a relatively large reduction in poverty from an expansion to all low-income children, suggesting the outsized role that child care policy plays in the lives of single-parent families.

FIGURE 5

Children in single-parent families would see much of the gains from expanding preschool to working families

SOURCES: Author calculations from the 2016 CPM and auxiliary data sources.

NOTES: Families are defined using the approach taken in the CPM. "Other family composition" includes households with extended family, multiple generations, and other family configurations. Some single-parent families could be classified under "other family composition" if they live with extended family. Scenario assumes expansions of state preschool to low-income three- and four-year-olds with 100 percent enrollment. Preschool costs are based on 2016 median daily regional market rates for licensed child care centers, and technical appendix Tables E5 and E6 provide the results of additional scenarios.

Expanding Preschool to All Income Levels

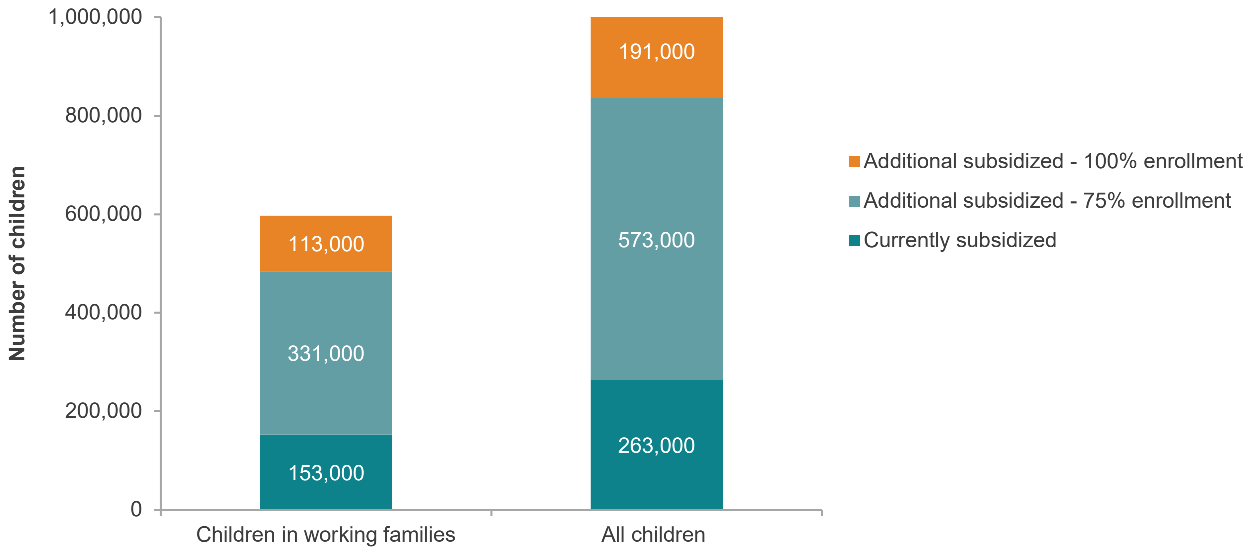
In this section we present the results of expansions that do not hinge on income eligibility. This is clearly a broader expansion, potentially touching all of the roughly 764,000 three- and four-year-olds not currently assisted by existing public programs, as well as many of the 263,000 who are. Such an expansion would take the place of private preschool for at least some families, including many with higher incomes. Higher-income families would, under our scenarios, pay family fees to enroll their children, but they would be far less than the cost of non-subsidized center-based care. Similar to above, we present results assuming that parents or caregivers require child care only while they're working or in school, and assuming that they need full-time, full-year care regardless of employment.

We find that estimates of reductions in poverty (not shown) are identical to the expansions targeted to low-income children. This implies that using 85 percent of the state median income as the eligibility threshold adequately targets children living in poverty across the state and, in particular, does not exclude children living in poverty in high-cost areas—although such a statewide eligibility threshold is potentially overly broad in the sense of providing access to some relatively better-off families in low-cost areas.

Serving all families with young children, regardless of income, results in 331,000 to 573,000 additional three- and four-year-olds enrolled in state preschool if we assume 75 percent enrollment (Figure 6). The low end of that range of children reflects an expansion that targets working families, while the high end assumes all young children need full-time preschool. Up to an additional 113,000 to 191,000 children could access preschool if enrollment were 100 percent.

FIGURE 6

A work-based expansion open to all income levels could reach up to 58 percent of the state's preschool-age children



SOURCES: Author calculations from the 2016 CPM and auxiliary data sources.

NOTES: Scenarios are based on 2016 median daily RMRs for licensed child care centers. Numbers of children rounded to the nearest 1,000. Technical Appendix D provides further details of RMRs, and technical appendix Tables E2 and E3 provide the results of additional scenarios.

Expanding child care to infants and toddlers

While the current policy conversation has focused on expanding publicly provided care to more preschool-age children, younger children can also benefit from high-quality care, and parents may need that care in order to work. There are approximately 1.58 million California children age 2 and under, 100,000 of whom are served by public child care programs—a far smaller share than is the case for three- and four-year-olds.

To provide additional insight into policy options for expanding early care for this age group, we considered several scenarios—again using prevailing, county-level costs for infant and toddler care (typically higher than for care for older children) combined with assumptions about need for care based on family income and employment. Because the reach of public programs is currently smaller, we anticipate that expanding a state preschool-like program to this younger group would have greater poverty effects.

Specifically, our calculations suggest that poverty could decrease by 5 to 7 percentage points if the expansion were targeted to low-income working families (as compared with 3 percentage points for three- and four-year-olds). If the expansion includes full-time care for all low-income families with infants and toddlers, we see a reduction of 13 to 18 percentage points (as compared with 8 to 10 percentage points for three- and four-year-olds). These scenarios assume 75 and 100 percent enrollment, respectively, but parents may have a preference for home-based care for younger children, leading to lower enrollment relative to preschool-age children. See Technical Appendix E for additional estimates.

Costs of Expanding Preschool

At prevailing rates, we estimate that families where all adults work or are in school would need to spend $3.28 billion to enroll their three- and four-year-olds in preschool that covers work and commuting hours, after factoring in existing public programs.[18] If all families paid for full-time preschool, the full cost would be $7.91 billion. Recall that these estimates are based on the median prevailing cost for child care in 2016—our best assumption of market rate costs of child care. They differ from estimates of the amount the state would need to spend in order to enroll the same children in public programs, because policymakers can choose to reimburse child care and preschool providers at non-market rates. For example, state preschool is reimbursed at the state reimbursement rate, which was about $10,000 in 2016, while we estimate that the average cost of a year of licensed child care for a child ages 2–4 was about $12,000 and ranged between about $8,000 and $19,000 (see Table D2 in the technical appendices).[19]

Expanding public preschool programs using the current model for full-day state preschool would eliminate all program costs for the lowest-income families and heavily subsidize care for those with higher incomes. Like many of California's subsidized child care programs, full-day state preschool is offered at no cost to the lowest-income families, and for flat, monthly fees that are capped at 10 percent of family income to relatively higher-earning families. Currently, many families with children enrolled in public programs that charge fees have incomes too low to be required to pay fees: our estimates suggest that, based on their reported incomes, about half of families using public child care programs in 2016 would have been required to pay any fees, and the average family with fees would have been assessed $2,400 for a full year of care.

Under simulated 2019–20 program rules, which have a much higher threshold for family incomes, just 11 percent of those families using public child care programs in 2016 would have been required to pay any fees, based on their incomes.[20] We estimate that if preschool were made available to all three- and four-year-olds in low-income families under the new threshold, a higher share of families would owe fees (38%). Under the broadest expansion to all preschool-age children—without work or income requirements—we calculate that more than half of families (54%) would pay fees.[21]

Figure 7 shows the extent to which various expansions of public preschool would help reduce the total costs paid for preschool by families. Relieving low-income, working families of the cost of preschool for the hours they need to work could cost the state up to $1.03 billion, if it paid the prevailing rate for care, while reducing costs for all low-income families would amount to potential state costs of $4.20 billion. Making all three- and four-year-olds eligible, regardless of family income, would further increase these amounts by $300 million to $860 million, respectively.[22] More narrowly targeting expansions to children in deep poverty or in poverty would reduce these potential costs to the state (see Technical Appendix E for additional estimates).[23] Relatively higher-income families would also contribute a substantial amount in fees—totaling between $1.96 billion and $2.84 billion, depending on the scenario.

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[18] Not shown are costs incurred to enroll families' other children—if any—in child care.

[19] The state reimbursement rate was $12,070 in 2018–19.

[20] We calculate fees for a simulated expanded program using the fee schedule in place as of 2018–19 for counties where the income eligibility threshold was 85 percent of the state median income (see Technical Appendix A for details).

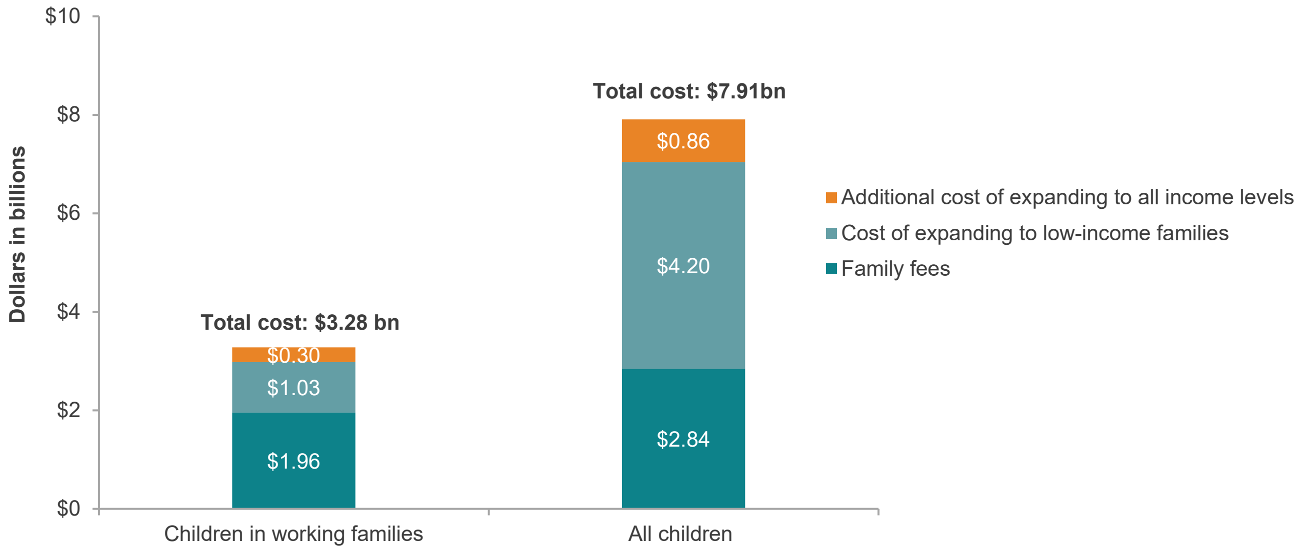
[21] Absent expansion of preschool, families of three- and four-year-olds would need to spend 41 percent of their gross family resources to enroll children in full-day preschool; expanding access to all families would lower that share to 25 percent. See Technical Appendix E for additional details and estimates.

[22] The fact that costs rise by a smaller amount when the expansion is not income-targeted reflects both the relatively small number of high-income children in California and the family fees that higher-income families would pay under the current design of the state preschool program.

[23] We caution that identifying children in deep poverty using the CPM metric is substantially more difficult than using the federal poverty line (FPL), more typical for social safety net programs.

FIGURE 7

Family fees represent sizable shares of total costs under the expansion scenarios



SOURCE: Author calculations from the 2016 CPM and auxiliary data sources.

NOTE: Dollar amounts reflect calculations using median 2016 RMR costs for licensed child care centers and the 2018–19 family fee schedule for counties where income eligibility is set to 85 percent of the state median income; amounts assume 100 percent enrollment in hypothetical expansions of preschool. Technical appendix Tables E2 and E3 provide additional estimates based on 75 percent enrollment and on costs for licensed family child care homes. Family fees include fees borne by families of all income levels.

Conclusion

Public investments in high-quality child care and preschool can help encourage work among parents and caregivers, while promoting the early development of critical social, emotional, and academic skills in young children. Yet child care often represents a significant expense for family budgets, and not all families that could benefit from publicly provided child care do so, in part because funding levels are insufficient to serve all eligible children.

We estimate that about a quarter (263,000) of California's 1.03 million three- and four-year-olds are served by public preschool programs. In recent years, California lawmakers have incrementally expanded existing programs—supported by a temporary influx of federal funds—and have aimed to recover from cuts made during the long and deep recession that the state experienced a decade ago. From a national perspective, California is doing fairly well, with above-average shares of three- and four-year-olds enrolled in state preschool programs. However, examples from several other states suggest California could expand access considerably. Thirty-seven percent of four-year-olds are enrolled in state-funded preschool in California, while other states with fully implemented, universal programs enroll more than 60 percent of four-year-olds.

Current programs in California focus on low-income families, and Governor Newsom's January and May 2019–20 budget proposals indicate that this administration plans to increase preschool access by serving additional low-income families first. The governor's budget proposals and the final state budget identify the goal of achieving universal access to high-quality preschool programs but stop well short of endorsing a universal, state-funded preschool program.

Our analysis suggests that expanding state-funded preschool for income-eligible families could substantially address families' need for preschool and help them shoulder the expense, potentially reducing child poverty by 10 percent to 12 percent if targeted to low-income working families, and by 20 percent to 24 percent if targeted more broadly to low-income families regardless of employment. We estimate a work-based expansion for low-income families would potentially cost the state up to $1.03 billion, while an expansion for low-income families without work requirements would cost the state up to $4.20 billion. Latino children and children in single-parent families would likely see greater poverty reductions relative to other families.

While a program without income requirements would not have any additional effects in terms of poverty reduction, it would reach a much broader swath of California children. It would also clearly be more costly than an income-based program. However, research suggests that children in low-income families benefit more from high-quality preschool programs than those from higher-income families; low-income children may also benefit more from universal programs than those targeted only to low-income families (Cascio and Schanzenbach 2013; Cascio 2017; Phillips et al. 2017). Policymakers can consider incremental eligibility expansions and modifications of the existing family fee structure in order to moderate costs to the state.

With regards to limiting public programs to working families, our findings indicate that poverty reductions are larger when access to child care is not predicated on adults working. National research on reducing child poverty broadly speaking has also found that the most effective government responses combine supports for working families with supports for children regardless of parental employment (Duncan and Le Menestrel 2019). While broad-based supports can disincentivize work, it seems unlikely that a preschool program open to all children regardless of parental employment would have this effect. Nonetheless, targeting public preschool dollars to working families may still be a priority for policymakers.

As policymakers examine ways to expand public child care and preschool programs, they should also consider how to prioritize goals such as reducing child poverty, supporting work, and eliminating disparities in early learning. These priorities will help determine where to devote state dollars first as California strives to improve families' economic well-being and promote future success among our young children.

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