What If We Expanded Child Care Subsidies in California?

Linda Giannarelli, Gina Adams, Sarah Minton, and Kelly Dwyer

*What if the child care subsidy system were funded so all **California** families with incomes below 150 percent of the federal poverty guidelines who meet the other conditions for eligibility and want a subsidy receive one?*

About **249,800 additional children** could receive a subsidy in an average month.

Roughly **56,800 children** could be lifted out of poverty.

Child care is a critical family need, allowing parents to work while keeping children safe and supporting their healthy development. But quality child care is expensive and difficult to find, particularly for low-income parents, who face additional challenges affording and finding care while they work.

Child care subsidies from the Child Care and Development Fund (CCDF) can help low-income families with children younger than age 13 (or older children with special needs) pay for child care, yet the current child care system offers subsidies to only a fraction of eligible families. What if the system were funded so all California families with incomes below 150 percent of the federal poverty guidelines (FPG) who meet the other eligibility criteria and want a subsidy receive one?

Using the Urban Institute's Analysis of Transfers, Taxes, and Income Security (ATTIS) microsimulation tool, we estimate that in California,

- an additional 89,400 families with incomes below 150 percent of FPG who already meet the other eligibility rules (e.g., are working or engaged in another activity that qualifies for CCDF help) could receive a subsidy in an average month;
- approximately 40,600 additional mothers would be able to join the workforce because they would get a subsidy;
- about 249,800 additional children could receive a subsidy in an average month, including those whose parents are already in eligible activities and those whose parents would join the workforce; and
- these changes would raise incomes for many affected families and lift 56,800 children out of poverty, primarily because of the estimated increase in parental employment.

What does this mean for children and families? Research shows that giving parents subsidies can allow them to choose higher-quality child care, which can help children's healthy growth and development. Subsidies also help parents remain in the workforce, thus boosting their lifetime earnings and improving their long-term financial health. Higher family incomes and reduced time in poverty are both associated with better long-term outcomes for children.

*What if the child care subsidy system were funded so all families in **California** with incomes below 150 percent of the federal poverty guidelines who meet the state's other conditions for eligibility and want a subsidy received one?*

About **69,700 additional infants and toddlers** could receive a subsidy in an average month.

Roughly **17,300 infants and toddlers** could be lifted out of poverty.

SPOTLIGHT ON INFANTS AND TODDLERS IN CALIFORNIA

Parents of infants and toddlers (children younger than age 3) face unique challenges in finding and affording quality child care. Care for younger children is more expensive and harder to find than care for school-age children. Child care barriers can be particularly difficult to surmount for low-income parents with young children, making it harder for these parents to work.

Quality child care is especially important for infants and toddlers, whose brains and bodies are developing with astonishing speed. Adverse circumstances or inadequate care can jeopardize this critical period of growth and development.

Subsidies from the CCDF can help low-income families with infants and toddlers, yet the current child care system offers subsidies to only a fraction of eligible families.

But what if the system were funded so all California families with infants and toddlers and incomes below 150 percent of FPG who meet the other eligibility criteria and want a subsidy receive one?

Using the ATTIS microsimulation tool, we estimate that in California,

- an additional 58,100 families with children under age 3 and with incomes below 150 percent of FPG who meet the state's other eligibility rules (for example, are working or engaged in other activities that qualify for CCDF help) could receive a subsidy in an average month;
- nearly 19,300 additional mothers would be able to join the workforce, knowing a subsidy would be available;
- about 69,700 additional infants and toddlers could receive a subsidy in an average month, including those whose parents are already in eligible activities and those whose parents would join the workforce; and
- the changes would raise family incomes and lift 17,300 additional infants and toddlers out of poverty, primarily because of the estimated increase in parental employment.

This fact sheet summarizes findings from "What If We Expanded Child Care Subsidies? A National and State Perspective" by Linda Giannarelli, Gina Adams, Sarah Minton, and Kelly Dwyer (**https://urbn.is/2HxHVqc**). The brief describes the methodology in more detail and includes citations for the supporting research.

Fact sheet notes: The analysis uses the ATTIS model together with the 2016 American Community Survey public-use data. Under 2019 annual poverty guidelines, 150 percent of FPG for a family of three is $31,995 in California. Poverty changes are assessed by subtracting out-of-pocket child care expenses from family cash income and comparing with the applicable official poverty threshold. This exercise included raising the income eligibility limits in California to 150 percent of FPG for all family sizes. Estimates are rounded to the nearest 100.

This research is funded by the Pritzker Children's Initiative and the Robert Wood Johnson Foundation. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Further information on the Urban Institute's funding principles is available at **urban.org/fundingprinciples**.