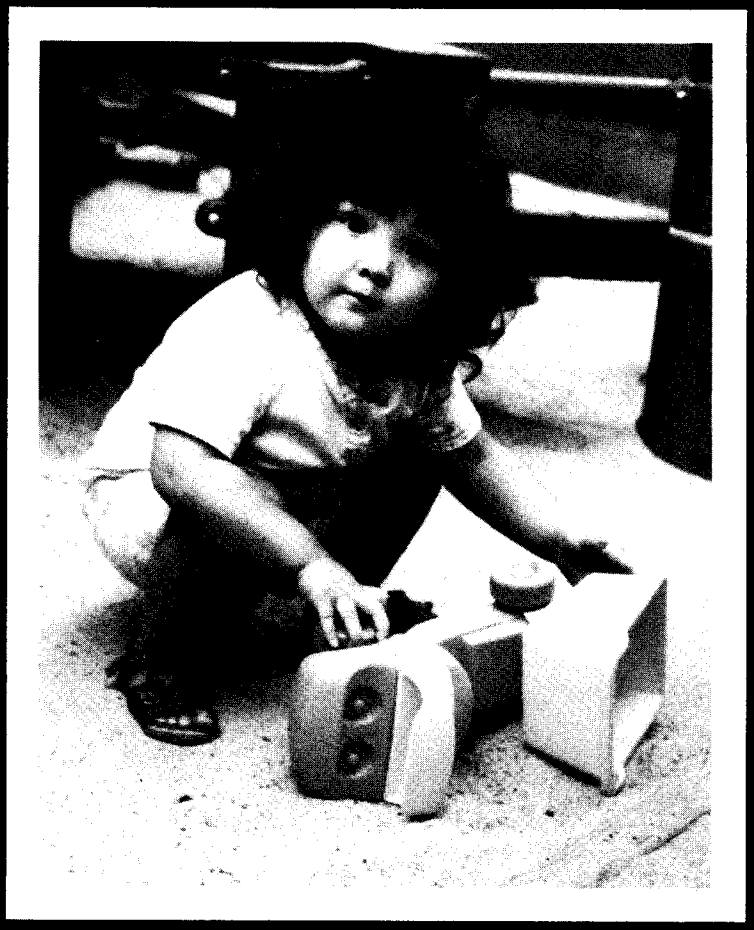
LITTLE HOOVER COMMISSION



CARING FOR OUR CHILDREN: OUR MOST PRECIOUS INVESTMENT

September 1998

Little Hoover Commission

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To Promote Economy and Efficiency

The Little Hoover Commission, formally known as the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, is an independent state oversight agency.

By statute, the Commission is a bipartisan board composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assemblymembers.

In creating the Commission in 1962, the Legislature declared its purpose:

...to secure assistance for the Governor and itself in promoting economy, efficiency and improved services in the transaction of the public business in the various departments, agencies and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies and instrumentalities, and all expenditures of public funds, more directly responsive to the wishes of the people as expressed by their elected representatives...

The Commission fulfills this charge by listening to the public, consulting with the experts and conferring with the wise. In the course of its investigations, the Commission typically empanels advisory committees, conducts public hearings and visits government operations in action.

Its conclusions are submitted to the Governor and the Legislature for their consideration. Recommendations often take the form of legislation, which the Commission supports through the legislative process.

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Additional Copies of this report may be purchased for $5 per copy. The report also is available on the Commission's website.

State of California

LITTLE HOOVER COMMISSION

September 18, 1998

The Honorable Pete Wilson
Governor of California

The Honorable John Burton
President Pro Tempore of the Senate
and members of the Senate

The Honorable Ross Johnson
Senate Republican Leader

The Honorable Antonio Villaraigosa
Speaker of the Assembly
and members of the Assembly

The Honorable Bill Leonard
Assembly Republican Leader

Dear Governor and Members of the Legislature:

This is a time of great change for California's families and a moment for which we will be judged by history.

If we make the right choices, the right investments, we will nurture a new generation of successful and productive Californians. If we surrender to the status quo, we will have squandered our children's future.

Welfare reform is our new imperative. Child care is an essential ingredient in the successful transition from public assistance to financial independence. The vast majority of newly working and low-waged parents simply cannot afford child care, let alone the quality of care that could give their children an early advantage to escape poverty. As a society, we are now requiring poor parents to find jobs. As a society, we must hold up our end of the bargain by providing the child care that makes sustained employment possible.

In addition, demographic and economic trends are spreading across the social spectrum, affecting lower-class families and middle-class families -- urban, suburban and rural families. As more mothers move into the workforce, more children are spending more hours in the care of another adult, often outside their home.

Finally, our precious and pressing opportunity is defined by unequivocal evidence that children's earliest experiences fundamentally shape their capacities for well-being as adults. Better day care produces better students, better workers, better parents. One long-term evaluation of an early child development program demonstrated that for every dollar invested in the effort, society gains a seven-fold return.

Milton Marks Commission on California State Government Organization and Economy ✦http://www.lhc.ca.gov/lhc.html

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During its examination of the State's child care programs and policies, the Little Hoover Commission found many dedicated professionals caring for thousands of children. Their successes, however, are too limited in scope, suggesting the enormous potential that a comprehensive child care strategy has to improve the lives of so many more children and families.

With this report, the Commission hopes to lead state and local policy makers to realize that child care is more than a handful of government programs, or one more work-related expense for employed parents.

Child care is the opportunity of a lifetime -- whether that child is from a welfare or a two-employed-parent family, whether the government or another source is paying for the care. Research, fiscal prudence and our own moral compass compel us to make the most of this opportunity for each child's development.

Altogether, the costs associated with our failing to seize this opportunity are too high to tally or to tolerate -- abuse and neglect, academic failure and unemployment, broken families and poverty, crime and delinquency. Those costs drain public coffers, and leave pain that cannot be healed.

We urge you to join us in making the issue of universal, accessible and affordable child care a personal one, a public one, a societal commitment -- to demand progress and to expect excellence, for the sake of a healthy future for our children. As a Commission and as individuals, we will help you seize this opportunity.

Sincerely,

Richard R. Terzian
Chairman

Caring for Our Children:

Our Most Precious Investment

September 1998

Table of Contents

Section	Page
Executive Summary	i
Introduction	1
Background	7
A New Vision for Children	23
Availability for All	37
Assistance for Some	55
Quality Throughout	71
Conclusion	87
Appendices	93
Endnotes	103

Table of Sidebars

Title	Page
Uncle Sam Meets Mother Goose	10
Welfare Reform's Three-Stage Plan	18
Missing: Information to Make Policy By	29
The Work of the Committee	31
Planning for a Vision	32
Keeping Kids Safe After School	49
Strategies From Other States	51
California Department of Education Child Care Development Programs	58
"I Want to Work"	59
The Contracting Prototype Study	62
The Importance of the Early Years	74
By Age 3...	75
The Ingredients of Quality	76
License-Exempt Providers	77
Center Supervision Requirements	78

Table of Graphics

Title	Page
California's Children	11
The Cost of Child Care	13
Major Child Care Funding Sources	15
Where the Money Goes	16
Department of Education Child Care Programs	17
Child Care Facilities	19
South-Central L.A.: Variation in Supply of Total Slots	42
Uneven Distribution of Child Care Spaces	42
Fresno County: Variation in Supply of Total Slots	43
Under Age 6 and Poor	90

Executive Summary

Executive Summary

Fundamentally, the primary responsibility for raising children remains with their parents. Nevertheless, child care is a modern-day reality that also has become a public priority because of two recent historic developments.

First is the enormous increase in need and demand for available and affordable child care -- because welfare reform is pushing hundreds of thousands of parents into the workforce, because many families cannot make ends meet without two paychecks, and because the number of children living in poverty continues to grow even in years of plenty.

Second is the compelling research documenting what teachers and parents intuitively have known for a long time: that the earliest experiences of childhood fundamentally shape a child's capacity to learn and can enable a lifetime of success.

Together these two developments present a daunting challenge to us Californians. Investing in assuring quality care for our children is both morally correct and socially smart in all of our best interests.

For parents and providers, policy makers and community leaders, these developments present monumental challenges and opportunities. As a public issue, child care creates an urgent responsibility to expand the supply of services and to increase the quality of services provided.

Most importantly, the quality and quantity of child care is currently limited by an insufficiency of high-caliber and committed care givers. We must make high-profile efforts -- higher pay, scholarships and other rewards -- to attract more professionals into the field of child care. They must be drawn by the opportunity -- defined by the State's renewed dedication to nurture our youngest citizens -- to engage in meaningful, life-affirming work.

The evidence is compelling: Public and private expenditures for child care amount to an investment. The dividends are paid out over a lifetime of higher earnings and lower criminal justice and social services expenditures.

Beyond pecuniary considerations, the moral imperative is inescapable: We now know the human costs of inadequate nurturing. And as a society, California has both the knowledge and the resources to make a significant difference in the lives of thousands of children. So many lives could be improved, the well-being of society stands to benefit from effective child care programs.

For too long, child care policies have been haunted by a seemingly unavoidable trade off. Should available public funds be spent in ways that ensure as many children as possible have a safe place to play? Or alternatively, should public resources be focused on creating high quality, early education for those children who are lucky enough to get into impacted public programs?

To pursue quality and forsake quantity results in more children left in potentially unsupervised and unsafe environments. To pursue quantity at the sacrifice of quality wastes the potential child care has to nurture a life of accomplishments and to prevent a life of failure and frustrations.

Neither is acceptable public policy for California.

The first priority should be to meet the need for safe, supervised care. Still, we owe it to our children, and their future and ours, to commit ourselves to generate the political will to find sufficient public funds for both quantity and quality care.

Our ambition to pursue both goals with equal vigor is tempered by the reality that child care is only one of many worthy investments for public funds -- and by the complication that child care services are provided through a wide variety of providers, from informal arrangements with relatives to regulated private businesses.

Nevertheless, these realities should shape the State's strategy -- not dilute its ambition.

Meeting out child care needs will require a comprehensive and integrated strategic plan.

And it will require California's parents, taxpayers and policy makers to commit the necessary resources to fund and implement that plan.

In general, the State and its partners will have to enact reforms that streamline state administration and reinforce the responsibility and capacity of individual communities to contribute their share, define their needs, and manage available resources to fill them.

Additional expenditures should be predicated on a commitment to search for and expand the most cost-effective ways to increase facilities, improve training and retention of staff and encourage private investment in child care services.

The strongest child care policies will be those that acknowledge the demographic and economic changes expanding the need for nonparental supervision and which provide parents with the best choices for meeting this need.

In preparing this report, the Commission concluded that California's existing programs and regulations lack the synergy necessary to maximize the opportunities at hand. There is no system there -- no clear and widely held goals, no alignment of efforts, no vision for how the variety of child care providers and organizations serve the common and essential purpose of fostering the potential of young lives.

After more than a year of investigation, consultation and deliberation, the Commission has reached the following findings and recommendations for "Caring for Our Children, Our Most Precious Investment."

A New Vision for Children

Finding 1: California lacks and needs an effective strategy to provide the supply of high-quality child care -- and in particular, to expand the supply of high-caliber care givers -- that working families need today to enable children to succeed later in life.

As California's child care policies have evolved, state policy makers have failed to make the array of child care programs work with the

effectiveness of an integrated system. In times of significant change, from a fiscal perspective, good planning and coordination are essential to ensuring that policy goals are clearly defined and a strategy is crafted that at least makes it possible for these goals to be reached.

Recommendation 1: The Governor and Legislature should adopt a California child care master plan to guide the State's efforts to help families and local communities meet their child care needs.

- ***Designate a qualified entity to develop the plan.*** The master plan should be developed by the Child Development Policy Advisory Committee, in consultation with the Department of Education and the Department of Social Services. The mandate and resources of the Committee should be expanded to reflect its responsibility for developing the plan.

- ***Assure universal access to child care.*** The master plan should be founded on a commitment by the State that ensures working families have access to affordable, stable and high-quality child care. Particular attention must be paid to the range of needs, including off-hour care and care for children with disabilities.

- ***Emphasize child development needs.*** The master plan should be based on the latest child development research and should define overarching state goals for child care and map out specific actions needed to accomplish those goals. It should identify issues where additional research is warranted, including the quality of license-exempt care, and identify potential funding sources.

- ***Address staff shortages.*** The master plan should quantify and address the persistent shortage of dedicated, talented and trained care givers and expand the supply and increase the quality of child care.

- ***Give local needs priority.*** The master plan should be based on detailed neighborhood-level assessments of child care needs and supply. The assessments should be funded by the State and conducted by local planning councils in accordance with pre-set deadlines. The plan should assess the gaps between need and supply within and among counties. Thereupon, the plan should provide a mechanism for allocating resources that is guided by broad state policy goals, but based on locally identified needs.

- ***Streamline the State's role.*** A fundamental goal of the master plan should be to streamline the State's role based on its historic role in promoting early education. To accomplish that purpose, the plan should provide for improved collaboration between the Department of Education and the Department of Social Services, or the consolidation of the State's child care activities into one organization.

- ***Require legislative approval.*** The child care master plan should be completed within two years and submitted to the Legislature for approval. The plan should be updated every five years to ensure that developing concerns are identified and addressed in a timely manner.

Availability For All

Finding 2: Shortages of licensed child care extend throughout the state and are especially severe in low-income, rural and minority communities. Even where child care is available, it is often inaccessible to families because of cost, location or other factors.

The State has a formally declared interest in expanding child care services to meet the needs of California's families -- whether or not these children are eligible for publicly assisted programs. Yet by expert estimates, California has a shortage of nearly 1.5 million licensed child care spaces. This estimate likely understates the demand for child care services, and it masks the uneven distribution of child care across the state. In many poor, minority and rural communities of California, child care is scarce. Particular services -- such as care for infants, care during evening and weekend hours and care for children with disabilities -- also are in short supply. Welfare reform is putting even greater strains on the supply of child care.

Recommendation 2: Guided by the child care master plan, the Governor and the Legislature should set a goal of expanding California's child care capacity so all Californians have access to these services.

- ***Make better use of existing public facilities and programs.*** The State should expand school-based child care services by funding portable buildings and incorporating child care facilities into standard school designs. Similarly, park and recreation districts could be better utilized by better coordinating their programs with state and local child care efforts. And the State should make more

funding available for child care coordinators in counties and cities desiring to establish that position.

- ***Encourage greater use of private child care centers and family homes.*** The State should assess the potential for filling vacancies in existing private child care centers and family care homes and provide incentives for providers to fill the vacancies. The State should develop a model zoning ordinance for adoption by local agencies that would allow for large family child care homes to be a permitted use within residential areas so long as providers self-certify compliance with parking and noise ordinances. Grants also could be provided to local communities enabling them to waive permit fees charged to providers seeking to expand child care facilities.

- ***Expand the role of nonprofit foundations and the private sector in developing facilities and providing child care.*** The State should expand tax incentives to encourage employers to develop facilities and to provide child care for low-wage employees. Similarly, the State should provide incentives for small business owners to collaborate to provide child care.

- ***Focus public investment in areas of greatest need.*** The State should establish a five-year grant program, targeted to regions of the state in greatest need of child care services, to enable local agencies and private providers to build child care facilities and to acquire and renovate existing facilities. The State should expand its revolving loan fund to increase investment in new facilities. And the State should investigate the need for underwriting reform in liability insurance for special needs care givers and, if necessary, establish an assigned risk pool to provide liability insurance to providers caring for special needs children.

- ***Improve resource and referral agencies.*** The visibility of these agencies could be raised through an orchestrated outreach effort. The quality of the agencies could be improved by requiring R&R staff to be trained so they are prepared to help parents understand the services that are available, as well as help parents learn the basics of parenting.

- ***Expand lists of licensed providers.*** The Governor and Legislature should require the Department of Social Services to provide listings of licensed child care facilities on the Internet, over the telephone, and at schools and libraries. The listings should be organized by county and should include all relevant information about the services provided, including any history of licensing infractions.

Assistance for Some

Finding 3: The State's subsidized child care system serves only a fraction of eligible families and the services provided are not well-matched to the needs of local communities.

The State's subsidized child care system is intended to provide care for poor families who need child care in order to work outside the home or attend job training. But the system has never had enough funding to serve all persons eligible. Eleven years ago, when the Little Hoover Commission last looked at the State's subsidized child care programs, only about 7 percent of eligible families were receiving child care services. Today the system provides care for about 25 percent of those eligible for services. In fiscal year 1997-98, state subsidized child care programs served about 439,792 children. With welfare reform, an estimated 600,000 more children will need subsidized child care over the next five years -- more than doubling the number now receiving assistance.

Recommendation 3a: The Governor and the Legislature should provide sufficient funding for subsidized child care to serve all eligible families.

- ***Creatively seek to leverage public resources.*** If welfare reform is to be successful and if working poor families and former welfare recipients are to stay off welfare, the State must make a commitment to subsidize quality and safe supervision for needy children. The State should supply enough funding to provide subsidized child care to all eligible families based on the needs defined by the master plan. The funding could be provided by increasing state money for subsidized care and by leveraging state funding through foundations and the private sector.

- ***Make sure parents understand their options.*** The Governor and the Legislature should direct the Department of Education to design a public outreach program to advise low-income, non-welfare families about the availability of subsidized child care.

Recommendation 3b: The Governor and the Legislature should fundamentally reform the State's subsidized child care funding and contracting mechanisms to better serve local needs.

- ***Collapse program categories.*** The Governor and the Legislature should consolidate the Department of Education's subsidized child care programs into no more than three broad categories with uniform eligibility and reporting requirements. The program categories should be consistent with overall state goals identified in the master plan and with local needs assessments.

- ***Tie reimbursements to market rates.*** The State should link the reimbursement rates paid to all providers who offer care to subsidized children to the prevailing market rate in the community where the care is offered and to the added costs of meeting state program requirements.

- ***Provide funding in block grants.*** Once the State's child care master plan is developed and local child care needs assessments are completed, the Governor and the Legislature should provide child care funding to the counties in the form of block grants. The amount of the grants should be determined by local needs assessments and by county low-income demographic data. The grants should be used to support child care services that meet state-established family eligibility and provider quality standards.

- ***Reform the contracting process.*** In the short-term, until the master plan is developed and block grant funding has been instituted, the Department of Education should establish a pilot program to test alternatives to the present system of contracting for subsidized child care services. Those reforms should be guided by the results of the department's prototype contracting study.

Quality Throughout

Finding 4: Despite research showing that the care provided to infants and toddlers significantly affects the child's capacity to learn and succeed in later life, state policies and other factors subvert the goal of assuring all children receive high-quality care and early education opportunities.

By the time children enter kindergarten, their personality and capacity for learning have already been largely shaped by their life experiences. The most critical part of that development occurs in the first three years of life, when the brain builds the physical foundation for learning and a child's experiences shape personality traits and behavioral characteristics. The earliest care a child receives represents a once-in-a-lifetime opportunity to encourage academic, social and career success.

Recommendation 4: The State should undertake a broad-based effort to improve the quality of child care available to children and to expand opportunities for early education.

- ***Improve the quality of care in licensed centers and family child care homes.*** The State should increase the reimbursement rates paid to contractors in the Department of Education subsidized child care program to enable providers to increase the salaries of child care workers. The salaries should be scaled according to the child development permit matrix to reflect the care giver's level of training. Centers also could be paid a higher rate if they have received accreditation by the National Association for the Education of Young Children.

- ***Improve the quality of license-exempt care.*** The Governor and the Legislature should enact legislation requiring relatives providing license-exempt care to pass a TrustLine background clearance in order to be paid for providing subsidized child care. Legislation also should be enacted requiring license-exempt providers to pass health and safety inspections conducted by the Department of Social Services in order to be paid for providing subsidized child care. Legislation also should be enacted allowing the State to pay higher reimbursement rates to license-exempt providers who have undergone training in child development and to provide incentives for exempt providers to open licensed family day-care homes.

- ***Create incentives for providers to meet off-hour needs with quality care.*** The Governor and the Legislature should enact legislation allowing the State to pay higher reimbursement rates in its subsidized programs to providers who offer care during non-traditional work hours or to disabled children, who offer a range of support services to families and who have undergone additional training to offer high levels of care to children.

- ***Create incentives for people to enter the field and receive more training.*** The Governor and the Legislature should enact legislation expanding scholarships and providing tuition credits for students undergoing training to become child care workers. Legislation also should be enacted requiring family child care providers to undergo training in early childhood education, including requirements for annual continuing education in the field.

- ***Expand opportunities for children to attend preschool.*** While the Commission did not extensively study the concept of universal preschool, the issue is central to the State's long-term pursuit of

high quality early child development programs. The State should fund an in-depth academic investigation of the potential to provide preschool education to all three- and four-year-olds in the state. The State should fund pilot projects in a cross-section of California school districts to test the potential for providing preschool education on a voluntary basis to all three- and four-year-olds. The State should provide seed money and technical assistance to local agencies and private providers in counties lacking preschool opportunities to help them to develop early education programs.

Introduction

Introduction

For most families, child care has become one of the parental imperatives: food, shelter, clothing -- and now providing adult supervision for their children when they are at work. At a minimum, parents who work need, and have a right, to know their children are safe and sound. As an ideal, child care should capitalize on the once-in-a-lifetime opportunities to develop the potential that children hold to become productive and successful adults.

Child care has become a central issue in the lives of most Californians -- and as a result of growing importance to policy makers. Changing demographics, economics, public priorities -- along with a better understanding of how children develop -- are reshaping families, communities and government.

These defining trends are described in detail in this report. But briefly, more families are headed by single parents, more two-parent families need two incomes to make ends meet, and more welfare parents are moving into the workforce. These trends create a huge demand for child care services that are not readily available or affordable.

At the same time, researchers are documenting how the earliest life experiences fundamentally shape a person's intellectual and emotional capacities and character. These findings provide unavoidable evidence that child care programs are an investment that over time can pay private and public dividends -- in the academic success of schoolchildren and in the socialization of adolescents; in the ambition of young workers, the inspiration of new parents and the integrity of community leaders.

Taken together, these trends heighten a longstanding competition between the quantity of services available and the quality of services provided. The dilemma has been this: Should scarce funding be stretched as far as possible to provide a safe place for as many children as possible, or should funds be stretched only as far as they can while providing programs that fully develop the potential of the children enrolled in them.

In this study, the Little Hoover Commission examined each of these key issues -- availability for all, assistance for some and quality throughout -- as well as the numerous smaller issues embedded within them.

Most child care is provided by private organizations with the fees paid entirely by the parents. A growing portion of children receive care that is paid at least in part with state or federal funds. Regardless of who pays, policy makers have long recognized the overriding public interest in the welfare and development of children. The result is a three-tiered policy that moves from general principles and programs to specific ones:

1. ***Overriding Interest.*** Because of the long-term social and economic implications of child care, the State has had a longstanding policy of supporting safe and nurturing child care services. This is exemplified by tax credits for private child care expenses and fiscal inducements for businesses to provide care for the children of workers. These policies have the potential to effect all Californians, and certainly all children receiving private or public care services.

2. ***Facility Licencing.*** Because of the immediate concerns about the welfare of children in formalized care settings, the State regulates child care centers and family care providers. The regulations are intended to ensure that facilities meet minimum health and safety standards, levels of supervision, and in the case of centers, staff training. These programs have the potential to effect all children in licensed care facilities.

3. ***Financial Support.*** Because of concerns about the well-being of impoverished children, the State subsidizes care for low-income families. In some programs the goal has been to help families get off of public assistance by supervising children while their parents are at work or school. In other programs, the goal has been to provide the children of poor working families with early educational experiences. Either way, the State plays a large and growing financial role. These programs directly effect the families receiving or eligible for services, as well as society overall.

The Little Hoover Commission has a long history of looking at state programs and policies that effect children -- from foster care and homelessness to numerous reviews of California's educational system. More specifically, in 1987 the Commission published a report titled *The*

Children's Services Delivery System in California, which recommended ways to expand both the supply and the quality of child care.

In initiating this review, the Commission wanted to re-examine child care in light of the growing importance of this service in the lives of Californians.

To ground its work, the Commission empaneled an advisory committee of more than 100 child care experts, including state and local government officials, local child care coordinators, representatives from children's advocacy organizations, child care providers, academic researchers and others. A list of advisory committee members appears in **Appendix A.**

In addition the Commission conducted two public hearings on child care issues in January and February of 1998. At those hearings, 15 witnesses testified concerning the principal issues confronting California's parents, child care providers and government agencies. A list of the witnesses is included in **Appendix B.**

During the seven-month course of the study, the Commission also examined numerous studies on child care issues, gathered material from think tanks, and interviewed dozens of experts in the child care field.

The Commission's conclusions are presented in this report, which begins with a transmittal letter, an Executive Summary and this Introduction. The following sections include a Background and four chapters:

- A New Vision for Children
- Availability for All
- Assistance for Some
- Quality Throughout

The report ends with a Conclusion, Appendices and Endnotes.

Background

- ***In California, more than 4 million children ages 13 and under live either in two-parent households where both parents are employed or in single-parent families where the parent works outside the home.***

- ***California's child care programs fall into two categories: licensing facilities and subsidizing care to the children of low-income families and welfare recipients. Nearly 440,000 children participated in subsidized care programs in 1997.***

- ***Under welfare reform, the State has begun to move some 500,000 welfare recipients -- 60 percent of them single mothers with at least one preschool-aged child -- off public aid and into employment.***

Background

Over the last half-century, dramatic economic and demographic forces have reshaped families and the workplace -- and as a result, have radically changed how children are supervised, nurtured and parented.

One of the first family-altering events was World War II, which drew women into the workplace and government into the business of child care. The expansion of public assistance programs in the 1960s broadened government's role in providing child care for children from low-wage working parents while helping to prepare those children for school success.

In more recent years, economic and demographic forces dramatically reshaped the demands for private and public-supported child care. And as federal and state welfare programs have been refashioned -- requiring recipients to become financially independent -- the demand for child care services have increased even more.

Expanding the supply of child care, however, is only half of the challenge. The balance of the task is defined by a maturing understanding of how children develop, and how early life experiences can radially determine success or failure in later life.

In response to these early needs, an infrastructure of federal, state and local agencies and programs have been established. Collectively, more than a billion dollars in public money is spent on child care in California each year. The primary question is how these agencies and programs can best evolve to meet the growing demands and seizing the opportunities that researchers have shown child care programs can be.

Changing Demographics, Economics and Priorities

In recent decades, the structure and economics of family life has dramatically changed. One consequence of these changes is that child care -- in a single generation -- has gone from the exception to the norm.

Formal child care was born out of necessity to help women who were recruited into the production facilities of World War II meet their family obligations. In real life, Rosy the Riveter pioneered the life of working women who struggled with the full-time job of motherhood while laboring to build ships, airplanes, trucks and other material for the war effort. Because of the national interests at stake, the government became involved in helping those women meet their family responsibilities so they could carry out their work responsibilities.[1]

The value of these programs extended beyond the war -- providing a template for programs that could help families as economic and demographic trends resulted in a growing percentage of parents looking for child care outside the home.

In 1950, 14 percent of women with children under age 6 were employed outside the home. Nationwide the figure now stands at more than 60 percent.

The absolute numbers are staggering. In California, more than 4 million children ages 13 and under live either in two-parent households where both parents are employed or in single-parent families where the parent works outside the home.

Of particular interest are the youngest of those children. More than half of the children in California under the age of 6 -- some 1.7 million youngsters -- live in households with two employed parents or a single parent who works outside the home. The Census Bureau estimates that 840,000 of those children have care providers outside the family.[2]

Uncle Sam Meets Mother Goose

To meet the production demands of World War II, more than 19 million American women joined the workforce. At first, most of the women were young and single. But as the war progressed, a greater percentage of these women were mothers, whose husbands were overseas or who were in the workforce themselves.

After touring dozens of production facilities, First Lady Eleanor Roosevelt concluded that the most critical problem women war workers faced was the lack of adequate child care. Moreover, she feared that children were being neglected, and that a public backlash against working mothers could undermine the role of women in the war effort.

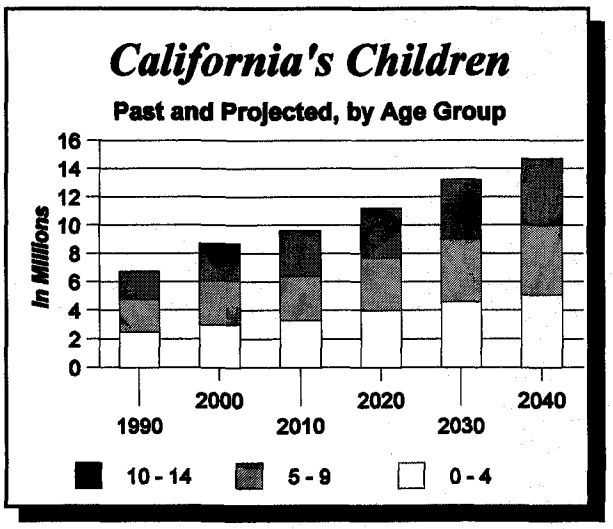
At the urging of the First Lady, the first government-sponsored child care center was established in 1942 under the Community Facilities Act, which provided communities with financial assistance in meeting war-related expenses such as new schools and hospitals.

Mrs. Roosevelt also persuaded the Kaiser Company to establish a day care center at the shipbuilder's yards in Portland, Ore. The center became a model for preschool programs and a lure for workers across the country.

By war's end, the government had spent $50 million building and operating centers in which more than 1.5 million children played and learned. It also established a public interest in providing child care and the value to children of preschool education.

Five fundamental trends are defining demand for child care services:

- ***More children.*** Many of California's public challenges result from its growing population, and child care is no exception. In 1998, California has an estimated 7 million children age 13 and under. By the year 2010, California is expected to have 9.5 million children age 13 and under, with 3.2 million of those infants under the age of two. As the chart shows, the Department of Finance projects the population of children to grow at about 200,000 a year or 2 million over a decade -- reaching 11.5 million children by the year 2020.



- ***More single parents.*** Nationwide, the percentage of children nationwide who live with both parents has declined from 88 percent in 1960 to 69 percent in 1995, according to the Census Bureau. The percentages are lower for children of color -- 33 percent of black children and 33 percent of Hispanic children live with both parents. Moreover, single parent families -- regardless of race or ethnicity -- tend to have lower incomes.

- ***More two-worker families.*** There are a number of reasons why more women are in the workforce. But for many families, the high cost of living and the decline in real wages have required two paychecks to make ends meet. As women experienced in World War II, the most critical challenge of satisfying home and work responsibilities is securing adequate child care.

- ***More welfare recipients entering the workforce.*** For more than a decade, reformers have encouraged welfare recipients back into the workforce by providing job training, child care and other services that lower the hurdles to self-sufficiency. The welfare reforms of the last two years will require nearly all welfare recipients to pursue work, increasing the demand for child care whether or not the government is helping to pay the bill. This will require the supply of child care services to grow by half a million spaces, often in neighborhoods where child care already is scarce and needed by working families with few choices.

- ***More interest in preschool education.*** As children move out of infancy and near school-age, more parents enroll children in preschool or care centers regardless of whether or not the mother is employed outside the home. Preschool has evolved from a luxury to an expectation. And while that trend has the potential to boost academic success, it also increases competition for space in child development programs.

These five trends are fundamental. But the consequence they have on individual families and communities -- and as a result, all of California -- are not well understood.

For example, no one can account with much precision what happens to all of the children of working parents when their parents are not at home. Even more basic, no one knows with any certainty how many children working parents have.

The best that researchers and policy makers have are estimates. In California there are 7 million children ages 13 and under. According to a crude, but commonly accepted formula, experts estimate that 4.2 million of those children have working mothers. And of those, 2.3 million children are estimated to need formal child care services.

So who is caring for these 2.3 million young Californians? State regulators have licensed 967,290 spaces in child care centers and homes. The remaining 1.3 million children are either in unlicensed care -- including neighbors and friends -- or are not receiving adequate supervision.[3] The formula is assumed to underestimate the gap between supply and demand for services.

On the supply side, state officials know that many licensed spaces are not actually on the market -- because centers and family operators are no longer in business or because providers, particularly family home providers, often operate at less than a full house.

On the demand side, there is evidence that more parents would make use of child care if it were affordable and available. For instance, a national study reported in the *Monthly Labor Review* found that 14 percent of mothers between the ages of 21 and 29 cited the lack of child care as the reason they were not in the workforce.

The need to expand the supply of child care and the options the State has toward that end are discussed in Finding 2.

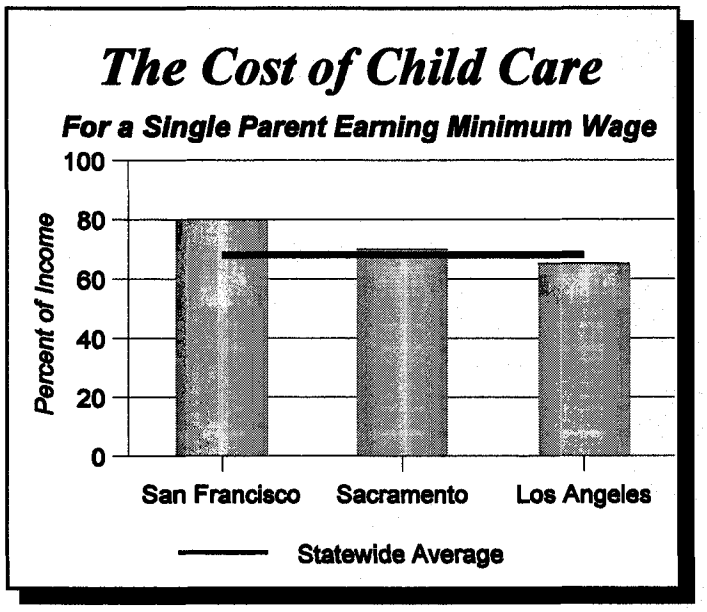
In order to close whatever gap exists between the supply and demand for child care services, supply will have to grow faster than the population of children and fast enough to accommodate the demands created by a greater percentage of parents entering the workforce.

The choices that parents do make about how to care for their children are based on what is affordable, what is available and whether they understand their options. For many parents, their options are limited and inadequate.

According to a survey by the Resource and Referral Network, single parents working a full-time minimum wage job would have to pay on the average 68 percent of their income for child care in a licensed child care center for their infant under the age of two.

As the chart displays, in the Bay Area, the percentage is 80 percent. In Sacramento, it is 75 percent and in Los Angeles, 65 percent.[4] In reality, many low-income parents receive assistance with what would otherwise be simply be too high of a price to pay. Others, however, turn to cheaper alternatives, such as relatives and friends.

These numbers are for families with one paycheck from a minimum wage job. For many more low-income and even middle-income families, the cost of quality child care is a large burden. U.S. married couples on average spend 7 percent of their income on child care; single-parent families spend an average of 12 percent of their income on child care.[5]



Historically, the State has attempted to enact policies that create more affordable options and higher quality of care for everyone who relies on formalized child care. The greatest share of resources, however, has been spent helping poor families. For these parents, the availability and affordability of child care may be the deal breaker for getting off public assistance and into the workforce. For these children, the experience of a high quality child care program may be what gives them a head start toward scholastic success and a better paying job than their parents.

In this category, the numbers also are staggering. More than 1.2 million children in California under the age of 14 -- nearly one in five -- are living below the poverty line.[6] For much of the last three decades, the families of these children received public assistance. In the long run, the success of welfare reforms will shape their economic standing. In the short run, however, public child care programs will have an immediate effect on their well-being.

The Welfare Reform Challenge

Today, welfare reform lends new urgency to the importance of ensuring that California's working parents have access to safe, dependable child care. Under the federal welfare reform act, the State on Jan. 1, 1998 began to move some 500,000 welfare recipients -- 60 percent of them single mothers with at least one preschool-aged child -- off public aid and into employment. One known result will be an enormous increase in the number of children needing state-subsidized child care. One unknown consequence is the impact welfare reform-related demand for child care will have on the availability of low-cost and subsidized services previously relied upon by the working poor.

At present, the State's subsidized child care programs are able to serve only about 25 percent of the more than 1 million California children eligible for those services. Over the next five years, as welfare reform evolves, an estimated 600,000 more poor children will require care at an annual cost per child of between $3,000 and $5,000 per child. While state and federal welfare reform legislation increased funding for subsidized child care, it is uncertain if the additional funding will be sufficient and if enough child care will be available to serve former welfare families and other low-income families.

At present, the State's subsidized child care programs are able to serve only about 25 percent of the more than 1 million California children eligible for those services.

The Personal Responsibility and Work Opportunity Reconciliation Act, HR 3734 (Public Law 104-193), signed into law by President Clinton on August 22, 1996, eliminates the Aid to Families with Dependent Children (AFDC) program, puts strict limits on the length of time welfare recipients can collect aid and requires recipients to participate in "work activities" while receiving aid.

The law gave states added responsibility and flexibility in child care by eliminating federal requirements and consolidating funding into a Temporary Assistance for Needy Families (TANF) block grant. The federal law imposes a five-year lifetime limit for a family to receive federal block grant funds, but sets no limit on recipients receiving state funds. It also allows states to exempt 20 percent of welfare cases for hardship reasons.

California's welfare reform law -- AB 1542, the Welfare-to-Work Act of 1997 -- was enacted to implement the federal legislation and signed by the Governor on Aug. 11, 1997. The act created the California Work Opportunity and Responsibility for Kids (CalWORKS), which limits adults to five years of aid over a lifetime, limits those already receiving aid to 24 months of assistance, and limits new recipients to 18 months of continuous aid. Recipients must participate in work activities while receiving aid, which are defined as working, looking for work, attending school or participating in job training. Single parents must participate in "welfare-to-work" activities for at least 20 hours per week beginning Jan. 1, 1998. On July 1, 1998 the requirement increased to 26 hours a week and on July 1, 1999, will increase to 32 hours a week. Two-parent families have a combined work requirement of 35 hours a week.

California's 1997 welfare reform law reduced the number of families that are eligible for state-subsidized child care by changing the threshold for exclusion from 84 percent of the state median income to 75 percent of the state median income. (For fiscal year 1997-98 the median income for a family of three was $2,503 per month.) Children who received subsidized care under the old limits could continue in the programs, but new siblings are excluded if family income exceeds the 75 percent limit. Families pay for services according to a sliding-scale set by the State,

with families below 50 percent of the state median income exempt from the fees entirely. Abused and neglected children, and those who otherwise require child protective services, are eligible for care regardless of family income and receive first priority for available spaces.

Welfare reform has brought a surge of new resources into public child care programs. In some instances, the money has been used to bolster the services already being provided to low-income people in the workforce. But in some important ways the State has tried to tailor the programs to the changes that welfare families are expected to undergo as they move toward financial independence.

Child Care Funding

Funding for child care services comes from a combination of federal and state sources. In recent years, funding has grown significantly, reflecting both welfare and educational reforms. State expenditures on child care (including federal dollars spent by state-sponsored programs) has grown from $324.4 million in fiscal year 1987-88 to $1.3 billion in fiscal year 1997-98. A majority of the state funds come from the portion of the budget guided by Proposition 98 -- the voter-approved constitutional amendment that established a minimum level of funding for California's schools, from kindergarten through community college.

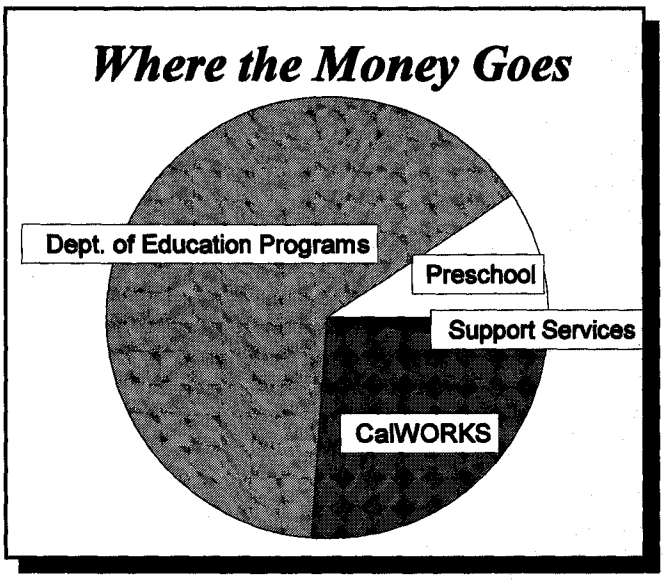
The Head Start program, which is financed with federal money in direct contract with local service providers, represents another $461 million, for a total public expenditure on child care of $1.78 billion.

The funding for child care programs come from federal and state sources. Including Head Start, about 60 percent of the public money is federal and 40 percent is state. Most policy discussions, however, exclude Head Start, putting the federal share of public child care funding at 40 percent. Excluding Head Start, the major sources of funding are:

Major Child Care Funding Sources		
Level	*Source*	*Amount*
Federal	Child Development Block Grant	$353.4 million
Federal	TANF Child Care Block Grant	$211.7 million
State	General Fund (Prop 98)	$646 million
State	General Fund (Non-Prop 98)	$105 million
Total		$1.316 billion

As the chart on the following page shows, the largest share of these resources -- nearly $826 million -- goes to the child care programs administered by the state Department of Education. Historically these

programs were targeted at low-income families. As part of welfare reform, they are targeted at families eligible because of their income and families who are working to get off of welfare. The State's preschool program, which also is administered by CDE, received $127 million.



The second largest share of resources in FY 1997-98 -- $307 million -- went to child care for CalWORKS families transitioning from welfare during the first six months of the reforms, from January through June 1998. The balance of the money went to a variety of education, training and other support programs administered by the Department of Social Services. Taken together, about half of the money spent by the State was distributed through the Alternative Payment Program, which provides parents with vouchers for services. The balance of funds went to providers under contract to provide services to low-income families.

While these programs are limited to low-income families, middle income families in California also benefit from about $350 million in child-care tax credits. They also benefit from statutes and local ordinances that require and encourage public buildings and private workplaces to include child care facilities.

The State's Role in Child Care

The State's child care programs fall into two broad categories: licensing child care facilities and providing subsidized care to the children of low-income families and welfare recipients. In all, nearly 314,000 families -- nearly 440,000 children -- participated in child care services subsidized by state programs in 1997. The programs are administered by the California Department of Education (CDE) and the Department of Social Services (DSS).

Department of Education. The Department of Education, through its Child Development Division, contracts with more than 2,000 public and private agencies and individuals to provide child care to infants, toddlers, preschoolers and school-aged children from low-income families. The CDE programs emphasize child development and school readiness and have strict requirements for support services, including parent education, referrals to community services and health screening. At present, the CDE programs serve more than 282,000 children -- less than 30 percent of those eligible -- with thousands more children on waiting lists to get into the programs.

The CDE programs, at 1997-98 levels, are outlined in the following table:

Department of Education Child Care Programs		
Program	**Funding**	**Children**
General child care and development. This program provides child care services in day care centers and family child care homes through contracts with school districts, county offices of education, local community groups and for-profit and nonprofit corporations. The programs serve children from infancy through school-age and include supervision, activities, nutrition, parent education, staff development and social services. They provide care for up to 10 hours per day, five days a week, year-round.	$405.5 million	109,573
Alternative Payment Program (APP). Under the AP Program, families select a child care provider. Alternative Payment agencies verify eligibility and issue payment to the provider selected by the family.	$266.4 million	61,328
Family Child Care Homes (FCCH). This program provides the same services as the general child care program, only in family homes. Small FCCHs serve up to 8 children; large FCCHs serve up to 14 children.	$73.8 million	3,650
State Preschool Program. In this program, school districts, county offices of education and nonprofit agencies provide part-day care for children ages 3 to 5 from low-income families. Modeled after the federal Head Start, the program encourages parent involvement and includes nutrition, parent education and health and social services.	$127.7 million	83,860
School-age Community Child Care Programs -- "Latchkey." Latchkey programs offer educational and recreational activities to school-age children before and after school and during vacations. Half the families in latchkey programs must be subsidized and half pay the full costs.	$26.5 million	16,664
School-age Parenting and Infant Development (SAPID). SAPID provides parenting education and child care services for adolescent parents completing high school. SAPID is run by school districts and county offices of education.	$20.9 million	2,192
Migrant Child Care. This program provides seasonal care in centers for the children of migrant workers.	$16.9 million	3,091
Campus Child Care. The campus child care program provides on-campus, center-based care for students attending college and incorporates the same services as the general child care development program.	$2.6 million	1,817
Severely Handicapped Program. This program provides supervision, care, developmental activities, therapy and counseling to eligible families in the Bay Area.	$1.2 million	179
Totals	$941.5	282,354

Department of Social Services. The department's historic role has been to license child care providers. As welfare reform has evolved over the last decade, the department also has taken on a role of subsidizing care for those families attempting to transition into financial independence.

Prior to Jan. 1, 1998, DSS administered six different child care programs that had developed during early reform efforts to help families transitioning off welfare. In fiscal year 1996-97, those programs assisted about 94,000 children.

The DSS programs were replaced under CalWORKS by a three-stage child care program designed to provide families with a "seamless" continuum of care.

The new programs provide families with immediate, short-term child care and eventually with stable, long-term child care arrangements. DSS administers the first stage, while the Department of Education administers stages 2 and 3. The three stages are described in the adjacent box and discussed again in Finding 3.

The department's licensing and enforcement efforts are intended to protect the health and safety of children. The State conducts criminal record checks of employees and operators, requires minimum child-to-staff ratios and inspects facilities for fire and other safety issues. The department licenses three types of facilities:

Welfare Reform's Three-Stage Plan

CalWORKS recipients who meet income limits are eligible to receive subsidized care in a three-stage program designed to move families from short-term child care to stable and long-term child care arrangements:

- ***Stage 1:*** Stage 1 is administered by DSS and run by county welfare departments. The counties provide a voucher for child care selected by the parent, which can be either licensed or license-exempt care. Welfare departments also may contract with public and private service providers. To help families establish stable child care arrangements, the welfare department refers families to the local resource and referral program. Recipients can remain in Stage 1 for up to six months or until employment or job training stabilizes.

- ***Stage 2:*** Stage 2 is designed for recipients who are in stable training programs or who are working but receiving aid. This stage is administered by agencies contracting with CDE to provide alternative payment services. Child care services are provided by public and private providers, including county welfare departments. Families can remain in Stage 2 and receive subsidized child care for up to two years after they become ineligible for welfare benefits.

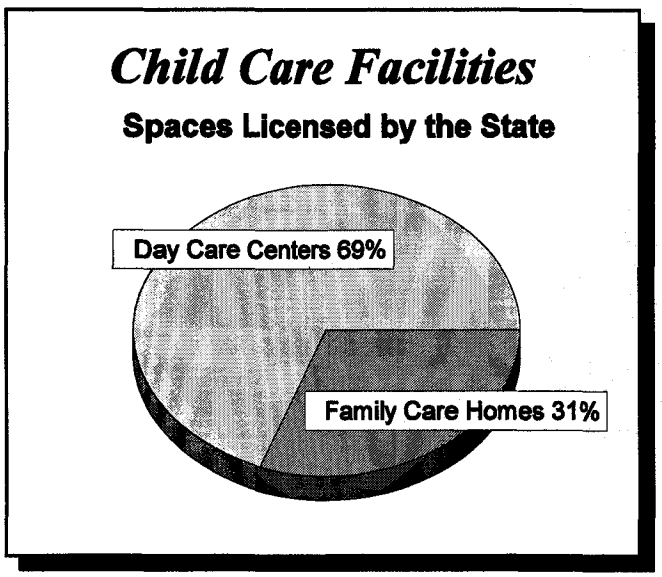
- ***Stage 3:*** This stage begins when a Stage 3 child care space becomes available. It is intended to integrate families into the subsidized child care programs administered by CDE under contracts with public and private agencies. Stage 3 continues subsidized care until a family's income rises beyond 75 percent of the state median.

- ***Small Family Child Care Homes.*** This license allows for a single care giver to take care of up to six or eight children, depending on the license. If licensed for six, a provider may care for no more than three children under age 2, or no more than a total of four children if they are all under age 2. If licensed for eight children, two children must be at least six years of age and no more than three of the children may be under the age of two.

- ***Large Family Child Care Homes.*** Large homes may be licensed for 12 or 14 children. If licensed for 12, no more than four children may be under the age of 2. If licensed for 14 children, two children must be at least 6 years old and no more than three of the children may be under 3 years old. Large homes must have at least one assistant.

- ***Child Care Centers.*** The department issues four licenses -- day care centers, infant care centers that serve children under age 2, school-age centers that provide pre- and after-school care, and centers for mildly ill children. The staff in child care centers must have completed courses in early childhood education. The facilities must meet minimum space, furniture and bathroom criteria.

Combined, the State has issued nearly 56,000 licenses that have the potential to provide care for 967,290 children. Most of the licenses -- nearly 43,000 of them -- are for family care givers. But most of the capacity -- more than 600,000 spaces -- lies in the child care centers.[7] The chart displays the spaces that are licensed in family homes and in centers.



Family child care homes are inspected when they are licensed and once every three years. DSS conducts random inspections of 10 percent of family child care homes each year.

Many child care providers are not required to be licensed. These include baby-sitters and nannies who care for a child in the child's home, and neighbors, relatives or others who care for children from only one other family in addition to their own. These are termed "license-exempt" or "exempt" care givers. Child care centers for school-age children regulated by other agencies or by the military also are not licensed by DSS.

Local Organizations

While state agencies allocate money and award contracts, much of the coordination related to child care is performed by a variety of local public agencies and nonprofit organizations. In recent years, State policies have attempted to increase the role of community leaders and agencies in establishing child care priorities based on local needs. This evolution, however, is far from complete. For the most part, the agencies deliver services that are fashioned, funded and even contracted for by the State. Among the players:

- ***Local Child Care Planning Councils.*** Each county has a child care and development planning council, which sets county priorities for the allocation of child care and development funds. The councils are supposed to assess local child care needs at least once every five years. The State's welfare reform law defined new responsibilities for the planning councils, requiring them to gather data on both subsidized and unsubsidized child care supply and demand, to prepare comprehensive county-wide child care plans based on identified needs, to coordinate part-day programs with other child care services, and to consolidate local child care waiting lists.

- ***Resource and Referral Agencies.*** Each of the State's 58 counties has a resource and referral program (R&R), which operates under a contract with the state Department of Education. The R&Rs provide child care information and referral services to all parents, regardless of income, help potential providers obtain licenses and work with local Alternative Payment Programs to refer families to participating providers. Under welfare reform, parents receiving subsidies for child care must contact the Resource and Referral Agency in their community. Often one agency operates both the Alternative Payment and the Resource and Referral programs.

- ***Local Child Care Coordinators.*** About 30 cities and counties have child care coordinators with diverse responsibilities depending on the needs of the community. Coordinators may carry out long-term child care planning, oversee direct child care services and facilitate the expansion of child care services.

- ***School Districts and County Offices of Education.*** Many local school agencies have state contracts to provide services, in particular before and after school care. Many county education offices also receive funds to provide services to children.

The Federal Role

The federal government provides funding for child care through the welfare programs. These funds come to the State and are then distributed to counties and other local agencies. The Department of Health and Human Services is the primary administrator of these programs, and in particular, the department's Administration for Children and Families, which is responsible for public aid programs, including Head Start and the Child Care and Development Block Grant.

In addition to its contribution to state-sponsored child care programs, the federal government funds Head Start. Head State provides half-day child care, health care, parent training and early learning programs to low-income families with children between the ages of three and five. Although Head Start receives nearly one-third of all public funds spent on child care, it is not linked with the State's subsidized child care

programs. The U.S. Department of Health and Human Services directly funds individual Head Start programs. Head Start requires communities to provide a 20 percent match to the federal funds, and may meet that requirement with volunteer hours, equipment, and space, as well as donations.

In recent years Congress has increased funding, attempting to reach a goal established in 1990 to fully fund the program by 1994. Nationwide, more than $4.5 billion is spent annually on Head Start -- three times the appropriation of a decade ago. California's share was $461 million. More than 71,000 California youngsters are enrolled -- about 40 percent of those eligible. Since it was established in the mid-1960s, more than 700,000 California children participated in Head Start.

The State's welfare reform act directed CDE to work with Head Start to provide extended day and evening care for former aid recipients moving into job training and employment. In addition, the State has received grants and is making other efforts to coordinate Head Start with State Preschool and other child care-related programs.

Summary

Many of the social and economic trends of the last generation are captured in the growing demand for high quality child care. Families from a wide variety of backgrounds rely on child care, and social policies have come to reflect that need. At the same time, policy makers have put particular interest in child care programs that provide financial assistance to low-income families, and in particular those who are now expected to transition from public assistance to financial independence.

A New Vision for Children

- ***Despite good intentions, California's child care policy has grown up without a conscious plan, and as a result, fails in its fundamental purpose -- to make quality child care available to working families.***

- ***While the State spends $1.3 billion a year on child care, policy makers lack detailed information about how that money is spent, what the State is getting for its money and how well the investment in child care is integrated into other programs for children.***

- ***The role of child care has grown large and so important that it is time for a wholesale review of what the State wants to accomplish.***

A New Vision for Children

Finding 1: California lacks and needs an effective strategy to provide the supply of high-quality child care -- and in particular, to expand the supply of high-caliber care givers -- that working families need today to enable children to succeed later in life.

As California's child care policies have evolved, state policy makers have looked for ways to make child care add up to more than the sum of the programs. From a fiscal perspective, good planning, coordination and evaluation makes for efficient programs and effective programs -- reducing gaps and overlaps.

In times of significant change, good planning and coordination is essential to ensuring that policy goals are clearly defined and a strategy is crafted that at least makes it possible that those goals will be reached.

The need for such a plan in child care has never been so great. A majority of women with children under six are in the workforce. Those families -- which come from a range of income levels -- have a direct stake in the quality, availability and accessibility of child care. Yet in nearly every county in the state there is not enough child care to go around. That deficiency both puts children at risk and undermines the ability of parents to hold a job.

It also represents a significant missed opportunity. Neuroscientists say that a child's experiences in the first three years lays the groundwork for all future learning and chances for success in later life. Numerous studies had documented the investment potential in child development -- making lasting differences in the lives of children, but save vast amounts in later public expenditures to address social ills.

The State's Child Care Planning Efforts

California has long been recognized as a leader among the states in its commitment to providing care for children. The commitment is embodied in the breadth of programs -- from education programs targeted at children with specific disadvantages to welfare programs aimed at lowering the hurdles to self-sufficiency. But for all of the individual achievements, the State has struggled unsuccessfully to create a systematic approach to child care.

The following assessment of the State's child care efforts was published nine years ago by Policy Analysis for California Education (PACE), but remains accurate today:

> *The sense of inadequacy and stalemate holds true even in California, which has the best-developed policy toward child care and early childhood programs of any state in the nation. The first and most powerful irony concerning child care and early childhood programs in California is that despite California's leadership in providing such care, most informed observers and advocates feel that the current system does not meet the needs of most children or parents.*
>
> *True, we have much to be proud of, and many exemplary programs exist. California provides more state money for child care programs than any other state, and in California, policy makers and providers have become more sophisticated about child care than in other states.*
>
> *Yet the supply of child care remains insufficient, resources (including state support) are generally considered inadequate, variations in quality are too great, and many substandard facilities exist. The state's "policy" is often chaotic and inconsistent, and there is still little consensus on some of the basic issues of purpose and method.* [8]

This lack of consistency and consensus persists despite numerous legislative attempts to encourage a network of child care providers that includes a system of coordinated government programs. At the heart of these efforts are declared policies that recognize the value of child care -- to individual families, communities, economies, and the state overall.

One of the most eloquent expressions of the public interest values in child care programs was put forth in 1991 legislation. Lawmakers formally declared the need for comprehensive child care programs to serve California's working families. Lawmakers recognized that child care that is available, affordable and of high-quality was vital to the well-being of families and the economy of the state. They recognized the dramatic demographic shift of recent years that put more single parents and both parents into the workplace. And the Legislature affirmed the

State's role in providing programs that can simultaneously help families to remain self-sufficient in the short-term while providing children with a foundation for life-long learning that provides lasting benefits.

The Legislature also recognized that these needs will not be met and the full potential for public programs to improve the lives of Californians will not be fulfilled without adequate planning and cooperation. And in the area of child care, the Legislature recognized that local needs come first:

> *It is in the best interest of California and its families to foster a coordinated, comprehensive child care system which maximizes parental responsibility and parental choice for children from birth to 14 years of age, from families of all income levels, all ethnic groups, and including those children with special needs.*
>
> *Child care needs statewide are diverse and complex; no single approach fits all communities. Existing resources are also diverse and vary in their availability from community to community. The State of California's efforts to meet child care needs must recognize community differences, allow for a pluralistic system, encourage local innovation and initiative and provide encouragement and assistance to parents of preschool children to afford them the opportunity of caring for their children at home.*
>
> *Planning for child care services should be accomplished by a partnership of all groups of persons concerned with providing safe, affordable, high-quality child care services to California families.*[9]

With these considerations in mind, the Legislature created local planning councils, which were charged with assessing community child care needs from the cradle up -- and for a variety of reasons described later in this chapter, have not lived up to their potential. But 1991 was not the first time policy makers recognized the importance of a statewide plan establishing a common vision built on community-established needs.

The Planning Gap

Despite good intentions, California's child care policy has grown up without a conscious plan or design, and as a result, fails in its central and most fundamental purpose -- to make quality child care available to working families. Year after year, the need for better data and better planning in children's services generally, and for child care in particular, has been a repeated lament as reformers -- including the Little Hoover Commission in 1987 -- have looked for ways to improve policies and programs affecting California children. But the State has had only one comprehensive child care plan, and that plan was written 20 years ago. A chronology of planning efforts reveals attempts to coordinate California's child care efforts:

1976 The Legislature called for the Superintendent of Public Instruction to implement a child care plan to be developed by the Commission on Child Care and Development Services. That plan -- drafted in 1978 when the population of the state stood at 22 million -- remains the State's only attempt to date to design a comprehensive strategy for child care in California.[10]

1977 The Legislature enacted a law requiring the Office of Statewide Health Planning and Development to draft a Master Plan for Children and Youth, to be released by July 1, 1980, for the purpose of reorganizing the delivery of child care and other children's services. But policy disputes that arose as the plan was being developed ultimately led to its demise.[11]

1980 The Legislature passed a law, which is still in effect, that calls for the Department of Education to submit a report to the Legislature every three years on the performance of the State's child care and development programs.[12] The reports are supposed to include statistical data on the children and families served by the programs, on the cost and characteristics of the programs and facilities, and information on services provided by resource and referral agencies. But in the eighteen years since the law was enacted, the Department has submitted only three triennial reports: one in 1984-85, one in 1985-86, and the most recent one in 1989-90.

1985 A survey and report on child care conducted by the Gallup Organization for the Governor's Child Care Task Force called for an over-arching plan to address child care needs in California.[13]

1987 The Little Hoover Commission recommended in 1987 that the State establish a Commission on Children and Youth to allow California to set overall State priorities for serving children, and to coordinate child care and other services in order to eliminate duplication of effort and reduce service gaps. That policy recommendation has not been implemented.[14]

1989 Policy Analysis for California Education (PACE), a research center based at University of California, Berkeley and Stanford University recommended that the State "consider adopting a comprehensive children's policy where only a collection of isolated, narrowly conceived programs exist today." Almost 10 years later, the State is still without such a policy.[15]

1991 The State is required to develop a state plan for the use of federal child care development block grant funds, and a 1991 state law requires the Department of Education to coordinate this state plan with the State's master plan for child care and development. But no master plan exists.

Today, the state plan California submits to Washington for the use of federal child care development block grant funds is the only current document resembling a master plan for child care in California. The Department of Education contends that plan satisfies the statutory requirement that it submit a triennial report to the Legislature on the State's subsidized child care programs. But the plan covers less than 10 percent of the children receiving subsidized or unsubsidized child care in California, and does not address broad child care needs and issues.

Missing: Information to Make Policy By

While the State spends $1.3 billion a year on child care, state policy makers lack detailed information about how that money is spent, what the State is getting for its money and how well the investment in child care is integrated into other programs for children. In the short run, better information is needed to craft detailed strategies that can be expected to work. In the long run, detailed information is needed to effectively manage child care programs and modify the State's strategy. The problem is not new. For example, Policy Analysis for California Education described it in its 1989 assessment of children in California:

> *Unfortunately, data on the condition of child care for state-supported providers are no more available than are data on children cared for by entirely private providers. Nor are data available on the kind of care received by children who are eligible for state programs but denied support because of limited funds. More surprisingly, perhaps, relatively little is known about how well the various programs are functioning.*

The problem also is widely recognized. For example, it was reflected by the Legislative Analyst's in the review of the 1997-98 budget proposal:

> *While contractors must file a great deal of paperwork to show they have met detailed administrative requirements, all of this effort provides little useful data for making policy decisions. For example, the State does not collect even the most basic data on key program variables, including number of children served, statewide need for services, and quality of outcomes of child care programs. Thus the level of State funding for child care programs has never been tied to any hard data on what the State is receiving for its child care expenditures.*

During its investigation, many advocates, providers and local officials told the Commission that good solutions will be difficult to craft without good information. In its testimony, PACE said policy makers need better data to more equitably distribute resources, to assess the quality of providers and to determine the costs and benefits of different options:

> *Sacramento needs to take strong leadership in answering these questions -- if we are to find out what we are buying with $1.3 billion each year.*

Local Child Care Planning Councils

The most recent and best attempt to date at improving child care planning and strengthening the voice of individual communities in the planning process has been the 1991 legislation creating local child care planning councils. The Legislature's rationale:

- *Child care needs statewide are diverse and complex; no single approach fits all communities. Existing resources are also diverse and vary in their availability from community to community. The State of California's effort to meet child care needs must recognize community differences, allow for a pluralistic system, encourage local innovation and initiative, and provide encouragement and assistance to parents of preschool children to afford them the opportunity of caring for their children at home.*

- *Planning for child care services should be accomplished by a partnership of all groups of persons concerned with providing safe, affordable, high-quality child care services to California families. It is therefore, the intent of the Legislature that communities develop local planning councils to plan for child care and development, to coordinate child care services in their communities, and to determine local priorities for new state and local funding.*[16]

To fill these needs, the Legislature required every county to establish a planning council and charged them with determining local needs for child care services and recommending funding priorities for federal child care and development block grant funds.

Those duties were expanded in 1997 to cover all local child care needs, both subsidized and unsubsidized. But no timeline was set for the councils to complete that task, and, for reasons that are explained more fully in Finding 3, the structure of the State's subsidized child care system undercuts the local voice in planning and often leaves communities without the kind of child care services they need.

There is another major drawback to the existing planning efforts. While the local-council approach appropriately relies on a community-up perspective to service delivery, it does not provide a venue for reassessing how the State organizes its efforts. And while the service programs are undergoing significant change, the State is not simultaneously reviewing how it conducts its business.

In addition to licensing, the State has historically had two child care programs intended to help specific -- but not always different -- populations. It has had child development programs operated by the Department of Education targeted at low-income children and in recent years it has had welfare programs operated by the Department of Social

Services intended to help aid-dependent families overcome the hurdles toward self-sufficiency.

From the perspective of these agencies, the traditional division of labor has made sense. But as described in the Background, welfare reform is dramatically changing who is participating in publicly sponsored child care programs, how those services are being delivered and what the programs are expected to accomplish in the short term. In many ways, welfare reform is eroding the organizational rationale for who administers programs and how those programs are administered.

However natural this evolution, there is no process in place for holistically examining the structure and procedures the State has in place to meet the Legislature's ambitious policy goals. In addition, without such a mechanism, the work of the local planning councils will not be as effective.

California does have an agency charged with evaluating the State's child care needs. The Child Development Policy Advisory Committee is a citizen's review board appointed by the Governor and comprised of parents, public members, family day care providers, child care center operators and representatives from five state departments. The function of the Committee is to provide public policy recommendations concerning child care to the Governor, the Legislature and state agencies. One of the principal duties of the Committee is to advise the Department of Education on the implementation of the state plan for child care.

The Work of the Committee

For more than 30 years, the Child Development Policy Advisory Committee has provided a venue for discussing alternatives and improving programs serving California's youngest citizens.

The Committee has 27 members, including representatives from five state departments: Education, Social Services, Health Services, Developmental Services and Employment Development. Its members include parents, child care providers and school administrators.

The Committee considers its primary role: "To provide public policy recommendations to the Governor, the Legislature and relevant state departments concerning child care and development. The Committee's intent is to encourage child development policies and programs which are long range, developmentally appropriate and socially advanced."

The Committee was created in 1965 by AB 1331 (Unruh) and given a primary focus of preschool. The Committee's purview expanded as subsidized child care programs grew. The Governor and the Legislature have turned to the Committee to assess public sentiment, review programs, inform policy debates and conduct public education efforts.

The Committee reviews and takes positions on legislation affecting child care. It has received grants to fund special projects. And the discussions of the Committee and its subcommittees are open to the public.

The Committee's World Wide Web address is http://www.cdpac.ca.gov.

The Committee has used public hearings and discussions at its monthly meetings, regional symposiums and annual conference to formulate recommendations for the department's consideration.

Pressing Needs, Unique Opportunities

Beyond welfare reform, the role of child care has grown large and so important that it is time for a wholesale review of what the State is trying to accomplish and how it plans to achieve those goals.

Gone are the days when most children played at home under the watchful eye of stay-at-home mothers. Today's reality is that most mothers work outside the home. They work because a drop in real wages has made it more difficult to support a family on one paycheck; they work out of a conviction that they must secure their own financial security; they work to provide an example to their children; or they work because they represent the sole support of the family.

In California the demographic trends translate to 4 million children under the age of 13 living either in dual-income families or in single-parent households with a working parent. Welfare reform will boost those numbers even higher. Under state and federal welfare reform laws, California must put 500,000 welfare recipients to work over the next five years, 60 percent of them welfare mothers with at least one young child.

These families must have care for their children while they are away. While many children are cared for by other family members while parents are working, a large proportion require care from an outside provider. But statewide, the number of licensed child care spaces in California falls far short of meeting the need for care.

Planning for a Vision

Former Superintendent of Public Instruction Wilson Riles, in a 1994 speech to the Child Development Policy Advisory Committee, pointed that good planning begets good policies:

> *We must remember that where we want to go in a large part determines the path we must take to get there. Our vision for the year 2000 and beyond should be a vision of a society in which all children are helped to reach the maximum of their potential.*

Child care availability also varies widely across the state. In affluent communities, families are more likely to have access to care, while in rural areas of the state and in low-income and minority communities care may be scarce or non-existent. Most communities also report shortages of certain types of care, including care for school-age children, care during evening or weekend work shifts and care for children with disabilities or other special needs. Nearly all communities also have long waiting lists for infant care.

When appropriate care is unavailable, working parents not lucky enough to have family members or friends to care for their children are faced with difficult choices: making do with inadequate care arrangements; leaving children with providers who should be licensed, but are not; leaving children at home unattended; or not working.

The failure to provide adequate care not only puts children at physical risk, but can cause significant developmental harm. A growing body of research tells us that what happens to a child during the early years, particularly from birth to age three, has a significant and lasting effect on the child's development and capacity to learn. During those years the brain lays down the physical maps that provide the foundation for learning. Experiences in the early years also set life-long personality patterns.

The most important element in that experience and the central determinant of a child's healthy development is a stable relationship with a parent or other nurturing care giver. Making sure that children receive good care during the early years therefore carries with it the potential to vastly improve the chances of later school success for children of all income levels. By the same token, failure to make that care available has consequences for both children and society at large.

The High/Scope Perry Preschool Project, which operated in Ypsilanti, Michigan from 1962 to 1967, still shows benefits 30 years later. By age 27, those who took part in the program at ages three and four, had higher earnings, more property wealth, fewer criminal arrests and a greater commitment to marriage than those who did not attend the program.

Studies show that investing in young children from poor families yields substantial benefits to the public. Programs like Head Start that help very low-income families by providing child care and early education experiences along with services for the rest of the family -- such as health screening and transportation -- make significant and lasting differences in the lives of those children and reduce costs that would otherwise be spent later on social welfare needs.

A 1998 RAND study, which examined nine such programs, found that children participating in high-quality care had higher subsequent academic achievement and were less likely to become involved in crime in later years. The study found that every dollar spent on the early-childhood programs later saved as much as $7 in costs for welfare, special education and criminal justice.

The most well-known of those programs -- the High/Scope Perry Preschool Project, which operated in Ypsilanti, Michigan from 1962 to 1967 -- still shows benefits 30 years later. The program provided high-quality preschool learning to African-American children with low IQS from low-income families. Those who took part in the program at ages three and four, by age 27 had higher earnings, more property wealth, fewer criminal arrests and a greater commitment to marriage than those who did not attend the program. Overall, the net savings from the program in the form of increased tax contributions and reduced government spending on welfare, education and criminal justice amounted to $25,000 per participant -- $7.16 for every dollar invested in the program.

The success of these programs and new information about how the human brain develops -- together with the prospect of large numbers of poor children needing care because of welfare reform -- provides the state with a pivotal opportunity to make a difference in the lives of children, and thereby to redirect the course of its own future. As one observer noted:

> *Our new understanding also provides a potential remedy for some of society's greatest ills. For children who grow up in poverty's physical and emotional conditions, it impoverishes their brains. There is growing urgency to put this new information to use.*
>
> *Warehousing children in unstimulating environments while their parents work can dull developing brains. [Child] care centers need to be upgraded and licensed to deliver the best brain-building experiences in the first few years of life....*
>
> *To prevent welfare reform from doing untold harm to young brains adequate child care must be available for all infants and mothers.*[17]

Summary

Society has as big a stake in assuring that every child receives adequate care as it does in assuring that every child goes to school. It is time for California to come to terms with the realities of the 21st century and create the kind of child care infrastructure needed to keep children safe, to support today's working families and to shape the course of its own future by investing in its children. That effort will require a broad-based commitment on the part of government to do the planning necessary to improve the state's child care resources, to provide care for poor families who need it and to stimulate business and industry to make child care more widely available to communities and employees.

Recommendation 1: The Governor and Legislature should adopt a California child care master plan to guide the State's efforts to help families and local communities meet their child care needs.

- ***Designate a qualified entity to develop the plan.*** The master plan should be developed by the Child Development Policy Advisory Committee, in consultation with the Department of Education and the Department of Social Services. The mandate and resources of the Committee should be expanded to reflect its responsibility for developing the plan.

- ***Assure universal access to child care.*** The master plan should be founded on a commitment by the State that ensures working families have access to affordable, stable and high-quality child

care. Particular attention must be paid to the range of needs, including off-hour care and care for children with disabilities.

- ***Emphasize child development needs.*** The master plan should be based on the latest child development research and should define overarching state goals for child care and map out specific actions needed to accomplish those goals. It should identify issues where additional research is warranted, including the quality of license-exempt care, and identify potential funding sources.

- ***Address staff shortages.*** The master plan should quantify and address the persistent shortage of dedicated, talented and trained care givers and expand the supply and increase the quality of child care.

- ***Give local needs priority.*** The master plan should be based on detailed neighborhood-level assessments of child care needs and supply. The assessments should be funded by the State and conducted by local planning councils in accordance with pre-set deadlines. The plan should assess the gaps between need and supply within and among counties. Thereupon, the plan should provide a mechanism for allocating resources that is guided by broad state policy goals, but based on locally identified needs.

- ***Streamline the State's role.*** A fundamental goal of the master plan should be to streamline the State's role based on its historic role in promoting early education. To accomplish that purpose, the plan should provide for improved collaboration between the Department of Education and the Department of Social Services, or the consolidation of the State's child care activities into one organization.

- ***Require legislative approval.*** The child care master plan should be completed within two years and submitted to the Legislature for approval. The plan should be updated every five years to ensure that developing concerns are identified and addressed in a timely manner.

Availability for All

- ***The California Child Care Resource and Referral Network puts the number of "active" licensed spaces at 766,095 -- some 21 percent lower than spaces licensed by DSS.***

- ***Supplies of licensed child care are starkly uneven across the state. Affluent communities are much more likely to have licensed child care available than are low-income minority and rural communities.***

- ***Officials estimate that by 2002, 600,000 more children will need child care as former welfare recipients enter job training and employment. That figure would bring the demand for child care to 2 million more than the number of existing licensed spaces.***

Availability For All

Finding 2: Shortages of licensed child care extend throughout the state and are especially severe in low-income, rural and minority communities. Even where child care is available, it is often inaccessible to families because of cost, location or other factors.

The State has a formally declared interest in expanding child care services to meet the needs of California's families -- whether or not these children are eligible for publicly assisted programs. But by the best estimates, California has a shortage of nearly 1.5 million licensed child care spaces. While many of these children are being adequately cared for by license-exempt providers, there are far more children in need of care than formal child care services can provide for.

The estimate likely understates the demand for child care services, and it masks the uneven distribution of child care across the state. In many poor, minority and rural communities of California, child care is scarce. Particular services -- such as care for infants, care during evening and weekend hours and care for disabled children -- also are in short supply. Welfare reform is putting even greater strains on the supply of child care.

The state Department of Education estimates it would cost $1 billion to develop the child care facilities California needs to support its working families. But there are a number of options for increasing the capacity of child care without such a large expenditure of public funds, including making better use of existing facilities, encouraging more home-based providers and encouraging private employers to play a greater role in providing child care.

California's Child Care Supply

Estimates of California's total child care supply vary widely. As of Jan. 1, 1998, the Department of Social Services, which is responsible for child care licensing, listed 55,795 licensed child care facilities in California. Those facilities were comprised of 42,879 family child care homes and 12,916 child care centers. Combined, these facilities have a capacity of 967,290 licensed child care spaces statewide.[18]

How many of those licensed spaces are actually available, however, is uncertain. One reason is that not all licensed family child care providers are actively providing care. Many providers go out of business within a few weeks of obtaining a license and others take out a license without ever starting up a business. The Child Development Policy Advisory Committee estimates that at any given time 15 to 30 percent of licensed providers are inactive.[19]

The California Child Care Resource and Referral Network, which conducted a county-by-county survey of licensed child care providers throughout California in 1997, put the number of active licensed spaces at 766,095 -- some 21 percent lower than spaces licensed by DSS. The survey counted 234,247 spaces in 30,730 licensed family child care homes and 531,848 spaces in licensed child care centers.[20]

One additional factor puts the number of available spaces in doubt. For reasons that have never been adequately investigated, vacancy rates in family child care homes and centers are estimated to run as high as 40 percent -- raising the question of whether the vacant spaces are actually available even if the provider is active, or whether the provider has decided to care for fewer children than the license allows.

Importantly "licensed" care is not the same as "available" child care. By definition, statistics on licensed spaces do not include providers who are not required to be licensed. Most significant among these are public and private schools that provide after-school care for school-aged children -- although school-based care for preschoolers is required to be licensed -- parks and recreation programs, and other license-exempt providers such as baby-sitters, nannies, relatives or neighbors who care for a child in the child's home or who provide care for the children of only one other family in addition to their own. For instance, the California Park and Recreation Society members provide after-school programs that involve more than 200,000 children.

But since no agency monitors license-exempt care, no statistics are available on those resources. Nor are there statistics available on the number of providers who should be licensed but are not. As part of its welfare reform efforts, Department of Social Services officials estimate that about 64,000 children of welfare families are being cared for by licensed-exempt providers.[21]

The Demand for Child Care

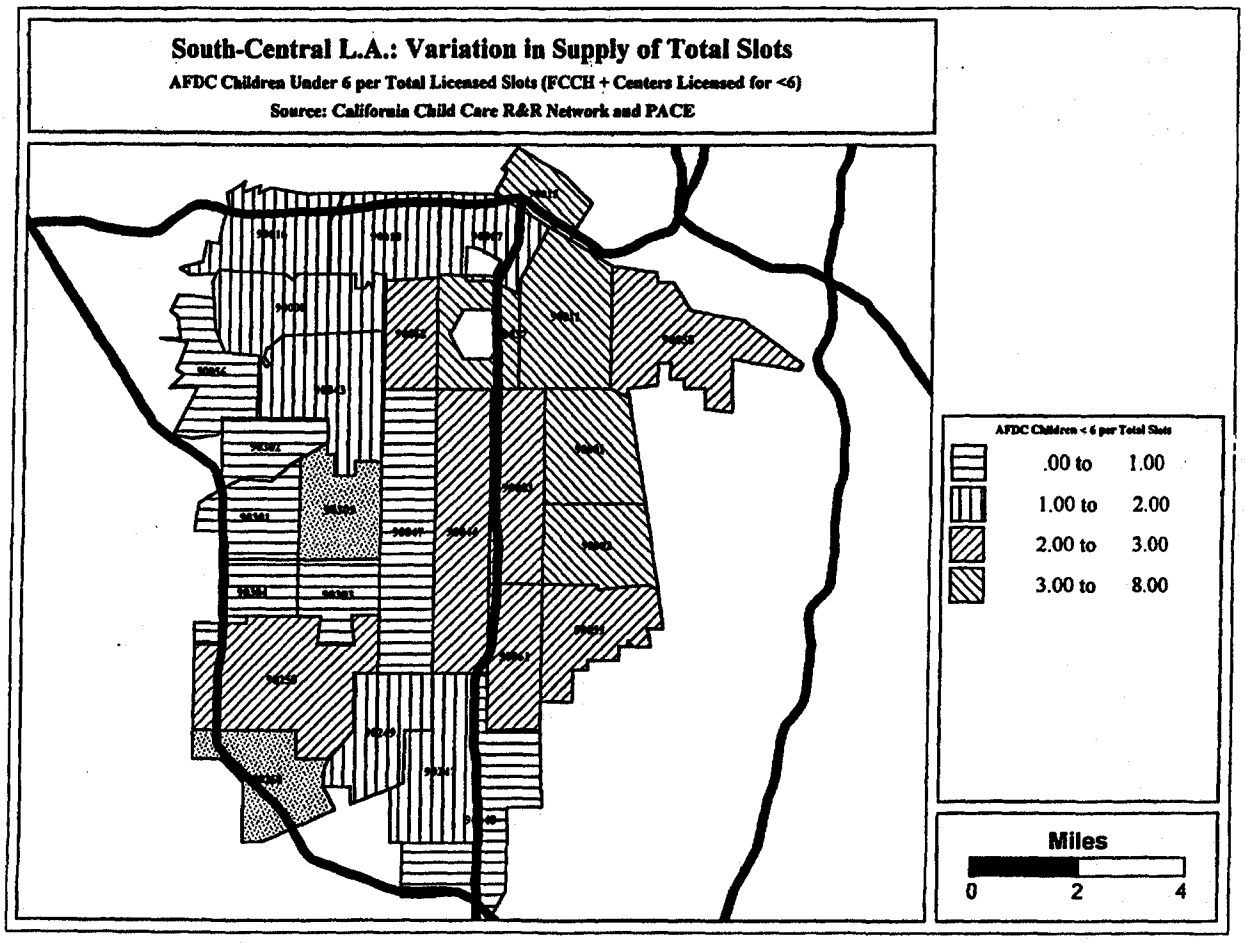
Estimates of the number of children in the state needing child care are equally difficult to gauge. To estimate the national need for child care, researchers employ a formula that multiplies the number of children under age 14 by the percentage of mothers of children under age 14 in the workforce (60 percent). The result is multiplied by the average percentage of children needing care outside the home (55 percent).

Applied to California, the formula indicates that of California's 7,091,668 children under age 14, an estimated 2,340,250 need care outside the home. The math indicates a shortage of more than 1.3 million licensed spaces if all spaces are assumed active. Realistically, however, up to 21 percent of licenses spaces are not really available to parents, pushing the shortage of licensed spaces to 1.5 million.

Even the higher estimate may understate the shortage of licensed spaces, since it does not take into account mothers who would be working if child care were available.[22] Nor does the figure take welfare reform into account. State officials estimate that by 2002, 600,000 more children will need child care as former welfare recipients enter job training and employment. That figure would bring the shortage of licensed child care spaces in California to more than 2 million.

Equally important, the statewide figures do not reveal the differences in child care supply among communities. Studies now being conducted by Policy Analysis for California Education (PACE) researchers and the California Resource and Referral Network show that supplies of licensed child care are starkly uneven across the state. The differences show up when counties are compared to one another and when communities within counties are compared. The studies reveal that affluent communities are much more likely to have licensed child care available than are low-income minority and rural communities. A statistical sampling of communities in Los Angeles County, for example, found that the number of licensed child care spaces in the most affluent one-quarter of zip code areas was 212 percent higher than the number in the poorest quarter of zip codes.[23]

The disparity in child care supply will become more acute as welfare parents seek child care to participate in job training and employment. In parts of South-Central Los Angeles where 40 percent to 57 percent of children under age 6 are on welfare, there are 10 to 20 children under age 6 for every licensed child care space. In another poor section of Los Angeles in which 35 to 42 percent of children under age 6 are on welfare, there are between 20 and 30 children for every licensed slot. The map on the next page shows the differences.[24] Latino communities are particularly lacking in licensed child care services. Researchers have found that in poor Latino neighborhoods, the number of spaces in licensed family child care homes is one-third that of white and African-American communities.[25]

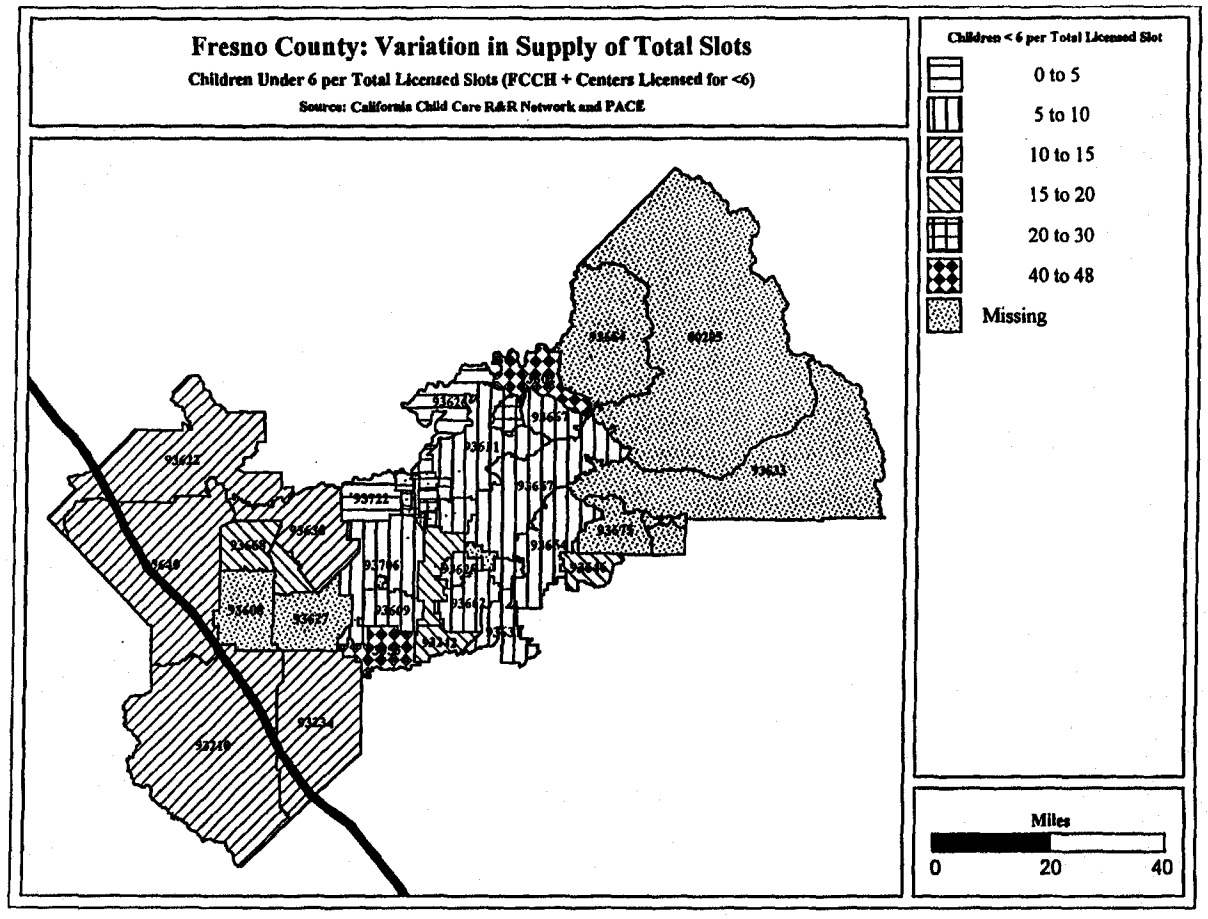


Counties also vary widely in licensed child care supply even when only low-income communities are compared. For example, a comparison of zip codes with median household income under 75 percent of state median in five California counties shows that the number of licensed slots compared to children on welfare varies from 1.3 children per slot in Alameda County to 4.7 children per slot in San Bernardino County.[26] The table below shows these figures.[27]

Uneven Distribution of Child Care Spaces	
County	Children on welfare per active licensed slot
San Bernardino	4.7 children/slot
Los Angeles	3.3 children/slot
Sacramento	2.7 children/slot
Santa Clara	2.1 children/slot
Alameda	1.3 children/slot

Rural communities, particularly in the agricultural regions of the Central Valley, also have a strikingly low supply of licensed child care spaces in relation to the numbers of young children -- and especially in relation to the numbers of young children in the community living below the poverty line. Predominately rural Madera County, which has a large population of agricultural workers and where 25 percent of children under age 14 live in poverty, provides an example. In three Madera County zip code areas in which 30 percent to 50 percent of children under age 6 are on welfare, there are between two and eight children under age 6 for every licensed child care slot.

In one Kern County zip code area where 30 to 40 percent of children are on welfare, there are between 5 and 10 children under age 6 for every licensed space. And in Fresno County -- where one-third of all children under age 14 live in families with incomes below the poverty level -- in one of the poorest zip code areas, there are 40 to 48 children for every space in a licensed child care center or family child care home.[28]



Researchers say the reasons for the inequality are clear: The private child care industry is driven by the market. Child care services grow up not necessarily where the greatest number of children are located, but where there are large numbers of families who can afford to pay for child

care. The map of Fresno County shown here vividly illustrates the disparity between child care services in low-income and more affluent neighborhoods. The map shows that in neighborhoods with the highest numbers of children receiving Aid to Families with Dependent Children (AFDC), there are few licensed child care providers.

For reasons discussed more fully in the following chapter, the subsidized child care programs run by the Department of Education have not filled in these gaps by targeting services to under-served areas.

Inequities in child care supply are not inevitable. Some counties, such as Alameda, San Francisco and Santa Clara, have been more successful than others at making child care available to low-income communities. Child care supply in the poorest communities of San Francisco and Santa Clara counties, for example, are similar to the child care supply in middle-class Los Angeles communities, and in San Francisco child care availability is relatively equal for low-income and higher income communities within the county.[29] In one San Francisco zip code area, for example, in which 45 to 46 percent of children under age six receive AFDC, there are between 2 and 4 children under age six for every licensed child care space.

The ability of counties to provide services for poor communities, PACE researchers noted, is influenced by community infrastructure, including the relative strength of churches and community organizations and the ingenuity of local officials in leveraging children's services.[30]

Barriers to Care

Even in cases where there is adequate child care on a community wide basis, another whole set of issues determine whether there is available care to meet a families needs, and as a rule, families have differing needs. When parents look for child care they typically need answers to the following questions:

- ✔ Is a provider available?
- ✔ Is it a safe and nurturing place for my child?
- ✔ Do they take children my child's age?
- ✔ Do they have room for my child?
- ✔ Do they take siblings?
- ✔ Is care offered during the hours I need it?
- ✔ Is it in a location I can reach?
- ✔ Can I afford it?

Unless the available providers can satisfy those needs, the family may not be able to find child care even though the overall supply of licensed providers in the community may be ample and even though there may be vacancies in licensed care that could be filled. Some of the most significant barriers to finding care:

- ***Age of the child.*** A survey by the California Resource and Referral Network reveals that child care for some age groups is in short supply statewide. Many communities report shortages in care for school-age children, and nearly all communities have long waiting lists for infant care. The survey shows that only 4 percent of licensed centers offer care for children under age two, even though 36 percent of parents contacting Resource and Referral agencies are seeking care for children that age.[31]

- ***Off-hours care.*** Child care during evening, weekend or overnight hours -- when low-income families and former welfare recipients entering the job market are likely to need it -- is also scarce. The survey found that although 29 percent of family child care homes offer care during off-hours, only 2 percent of licensed centers offer such care.[32] Many working parents are also frustrated by a widespread lack of child care services for children after ages 10 or 12, which leaves many adolescents without supervision after school and during school holidays and summer vacations while parents are at work.

- ***Language barriers.*** Language differences can also be a significant barrier to child care, especially in communities with a large percentage of non-English-speaking families but where providers are mostly English-speaking. In Fresno County, for example, 26 percent of families speak Spanish at home, but only 8 percent of family child care providers and 9 percent of providers in child care centers speak Spanish.[33]

- ***Provider location.*** Location is also an issue for parents needing child care, particularly in rural areas where families may have to travel long distances to reach providers, and for poor working families throughout the state who may not own cars and therefore have to rely on public transportation to get themselves to work and their children to day care. These families need child care located either near home, near work, or near bus lines with schedules compatible with work hours in order to be able to access care.

- ***Children with special needs.*** Child care for children with disabilities or other special needs also can be difficult to find. Providers are discouraged from offering care to special needs children by several factors, including the need for special training to care for children with physical or emotional disabilities, the need for physical alterations in facilities to accommodate those with disabilities, and difficulties in obtaining liability insurance to care for special needs children. This is expected to become an increasingly significant problem as large numbers of welfare families begin to need child care. An August 1996 study by the Urban Institute found that 30 percent of families receiving Aid to Families with Dependent Children (AFDC) included parents or

children with disabilities and that in 21 percent of those families either parents or children suffered from severe disabilities.[34]

- ***Cost of child care.*** For many parents, cost is the factor that outweighs all others. No matter how suitable the child care offered in the community, if the family cannot afford to pay for it, it may not be able to obtain care. In California the average cost of full-time care for a child between 2- and 5-years old in a licensed child care center is $94 per week, or $4,888 per year. At that rate, a parent working at a minimum wage job with an annual income of $11,868 would pay 41 percent of yearly earnings for care for just one child. For a child under age 2, the average cost of full-time care in a licensed center in California is $135 per week, or $7,020 per year -- 59 percent of minimum wage.[35] Even for families earning the state median household income of $39,000 a year, the cost is substantial -- 12 percent of income for each child between 2- and 5-years-old and 18 percent for each child under age 2.

- ***Referral services.*** Families seeking child care also may have trouble identifying licensed providers in the community or determining information about a provider's licensing history and record of complaints. The state's 58 counties each have at least one resource and referral agency, which has the responsibility of providing child care information and referral services to all parents, both subsidized and unsubsidized. But the agencies receive funding only for serving subsidized parents, and observers say many make only minimal effort to serve unsubsidized parents. The resource and referral agencies also are often not highly visible to families not connected to the welfare system since many have names that do not readily identify them as a source of child care information, such as Crystal Stairs, Inc. Bananas, or Equipoise, Inc.

Expanding Child Care Supply

The State has a number of options for increasing the supply of child care for working families and for encouraging a more even distribution of child care services. Those options include building on existing child care resources, making better use of schools and other organizations that already serve children, such as parks and recreation districts, and bringing more private sector involvement into child care. Seven areas of opportunity are commonly considered:

1. Increase Family Care Homes

California's 42,879 licensed family child care homes in California already account for about 44 percent of the licensed child care spaces in the state. With low start-up costs and potentially quick start-up times, family child care also offers one of the most readily available

opportunities for expanding the state's child care capacity. Because it will not be possible to develop enough child care centers in a short period of time to meet the need, Department of Education and Department of Social Services officials, in fact, acknowledge that increasing the number of family child care homes will be key to providing enough child care to meet the challenge of welfare reform.

Family child care also offers the opportunity to fill some of the gaps in various types of needed care. The home environment, along with the high adult-to-child ratio, makes family child care homes especially suitable for infant care. And family child care providers are more often willing and able to provide off-hours care than are child care centers, which have higher overhead costs. Since family child care homes are located in residential neighborhoods, they also offer the possibility of distributing more child care to under-served areas. Becoming a family child care provider also offers CalWORKS participants a way to satisfy work requirements while caring for their own children.

Recognizing the potential of family child care homes to help expand the child care supply, the Legislature recently raised the limits on the number of children family child care providers can care for. Under a law that went into effect on Jan. 1, 1997, small family child care homes can now provide care for up to 8 children instead of the previous 6. Large family child care homes -- which require two adults to be present -- may now care for up to 14 children instead of the previous 8. Family child care homes do face obstacles, however:

- ***Conditional use permits.*** State law allows owners of single-family residences to establish small family child care homes on residential properties and prohibits local governments from imposing business licenses and fees on providers. Renters of single family residences also can operate small family child care homes, although they have to notify the landlords or property owners 30 days before going into business. Large family child care homes, however, do not have the same automatic protections. The law allows local governments to require potential providers to apply for conditional use permits, which can cost between $2,000 and $20,000 and take as long as two years to obtain.

- ***Notifying neighbors.*** Local zoning authorities also can require potential providers to notify all property owners within 100 feet of the home of their intent to start a large family child care home -- raising the possibility that neighbors will resist the proposal.

- ***Isolation.*** Family child care providers contend with the disadvantages of isolation and lack of support services, such as backup care when it is needed because of illness or other exigencies.

- ***Low earnings.*** Earnings can also be low, particularly since the provider's own children are counted in the total number of children permitted under the license. A provider with two children who is licensed to care for six therefore actually collects fees for only four children. Fees charged by family child care providers are highly dependent on prevailing regional market rates and range from $250 a week for care in high-end markets to $50 a week in low-end markets. A provider licensed to care for six children, but with two children of her own, in a low-end market, therefore earns only $200 a week.[36]

These and other factors contribute to a turnover rate among family child care providers estimated to run as high as 30 percent a year.

2. *Expand School-based Child Care*

With public schools located in every community, school-based care offers compelling advantages to increasing the child care supply and to equalizing access to child care for parents across the state. Situating child care at schools helps assure parents of safe, supervised child care and eliminates one of the principal headaches for parents of school-age children -- the problem of moving children from child care to school and back again during hours when parents must be at work.

Many schools already provide child care, but efforts to reduce class sizes in elementary schools have dislocated many of those programs, as rooms have been reclaimed for newly created classes. A 1996 survey of schools with DOE contracts to provide subsidized care found that 225 child care facilities serving 5,324 children were expected to be lost to class-size reduction. The department also reports that a lack of facilities is the reason school officials most often cite for not applying for the State's after-school "latchkey" program.[37]

The State, however, could fund portable child care facilities at schools, partner with private companies to place portable facilities at schools, and incorporate child care facilities as new schools are built and as older schools are renovated.

California has 5,097 elementary schools in 999 school districts. Hundreds of more schools will have to be built in coming years to keep up with a growth in student population of almost 100,000 a year. Assuming 600 students per school, the State will have to build 166 new K-12 schools each year to keep up with the increase in students. Thousands of existing schools also are due for modernization. More than half of the classrooms in the state are more than 30 years old and in need of renovation.

Although funding to build new schools and to renovate older schools has been plagued with difficulty since the passage of Proposition 13, school facility financing is presently a high priority in the state Legislature. That

focus, combined with projected budget surpluses in the coming fiscal year, provide an opportunity to incorporate child care needs into planning for school construction and renovation.

3. *Include Parks and Recreation Programs*

For school-age children, parks and recreation programs offer an option for care before and after school and during school vacations. They are particularly suited to providing afternoon activities for older children and adolescents who do not need the highly structured environment of formal day care, but who otherwise are often without supervision after school.

Many of California's 506 parks and recreation districts are already providing such programs. One example is the Sunrise Kids Club, a before- and after-school program operating at five schools in Sacramento County. Run by the Sunrise Recreation and Park District and licensed by the Department of Social Services, the program offers up to seven hours of before- and after-school care per day for children from kindergarten through sixth-grade. The program is funded by parent fees and the district's general fund. Parents pay fees ranging from $5 to $12 per day, depending on the number of hours of care provided.

Another example is the Safe Stockton, Safe Youth After School Recreation Program, which provides daily after-school activities to more than 250,000 students a year at 27 school sites in Stockton. The program is paid for by the city and is provided at little or no cost to participants.

A 1998 survey of parks and recreation agencies in the state found that the cost of after-school programs average about $4.00 per day per child. About 44 percent of those offering after-school programs use schools, while 33 percent use

Keeping Kids Safe After School

The Safe Stockton, Safe Youth After School Recreation Program is a multi-faceted program of after-school activities for children and adolescents offered for free or at nominal cost to participants by the City of Stockton Department of Parks and Recreation. The program, offered at 27 schools in all areas of Stockton, operates every day after school for three hours, with additional activities on weekends.

Activities include flag football, girls' and boys' basketball, cheerleading, track meets, daily homework clubs, reading programs, guest speakers, such as doctors, athletes, and representatives from social service and prevention agencies, field trips, talent shows, anti-gang and anti-drug programs, photography clubs, arts and crafts activities and multi-cultural celebrations. Also included is a R.A.I.S.E. (Recreation Activities Include Self-esteem Education) program, a six-lesson program designed to improve self-esteem.

During the 1996-97 program year, 252,805 children and adolescents participated, with daily program attendance averaging between 1,600 and 1,800.

The recreation activities are free, while a fee of $2 is charged to participants in sports activities and special instructional programs. For low-income children, the fee is paid by a local support group under the umbrella of the Metropolitan Parks and Recreation Commission. Transportation to some activities is provided with San Joaquin Regional Transit bus tokens purchased by the Department of Parks and Recreation and distributed to children who otherwise could not afford to participate.

The program budget for 1996-97 was $480,000. The program is funded through the City of Stockton General Fund.

community centers, and 23 use parks, playgrounds, youth centers, apartment complexes and other facilities.

Despite the potential role of parks and recreation districts in expanding the state's child care supply, they are often overlooked in child care planning. District representatives say they are seldom included in child care planning activities or notified when new funding becomes available for providing state-subsidized child care programs.

4. Expand Boys and Girls Clubs

At a cost of about $200 per child per year, Boys and Girls Clubs provide after-school and weekend activities for children of all ages, with a special focus on disadvantaged youth. Dues for low-income children average $5 to $10 per year. Staffed with youth development professionals and volunteers, the clubs offer athletics, alcohol and drug abuse prevention, health education, pregnancy prevention, leadership development activities and programs in the environment and the arts. The clubs operate in neighborhood-based buildings designed specifically for youth programs and activities.

Boys and Girls Clubs operate in all 50 states as part of a national organization. More than 30 Boys and Girls Clubs are currently operating in California. Like parks and recreation districts, though, Boys and Girls Clubs often have not been incorporated into child care planning activities at the state level.

5. Employ Local Child Care Coordinators

Child care coordinators can play a central role in increasing the supply of child care in a community. Using a planning framework developed by local child care planning councils, coordinators can do the day-to-day work of expanding the child care supply to meet the identified needs.

Child care coordinators, for example, can help small business owners develop cooperative child care arrangements for employees, persuade city and county agencies to waive sewer, water and other fees for child care providers, locate unused space in public buildings for child care programs, mediate zoning disputes and help change zoning ordinances to allow child care facilities in non-residential agricultural and industrial zones so long as safety concerns can be addressed.

The Department of Education provided seed money in 1989 to enable local communities to establish child care coordinator positions. About 50 cities and counties throughout the state responded by hiring child care coordinators, but with local government budget cutbacks, the number of coordinators has since dwindled to about 40.

6. *Encourage Employer-supported Child Care*

With business and industry heavily dependent on women workers, employers could be more active in providing child care for employees -- either by furnishing on-site care or by incorporating child care expenses into employee benefit packages. But in California, as in most other states, employer-provided child care services are the exception rather than the rule. In competitive industries such as biotechnology, where businesses compete to attract skilled workers, or in hospitals, which depend on a skilled, largely female workforce working around the clock, employers may include child care as part of a menu of benefits. But in most industries, especially those employing low-skilled workers, employers have fewer incentives to provide child care benefits.

In the past, to encourage employers to offer child care services to workers, California has provided an employer child care tax credit, but the credit program expired in January 1998. The program allowed employers to claim a tax credit for 30 percent of the cost of building or renovating a child care facility or for contributing to California child care resource and referral services, up to a limit of $50,000 a year. The program also allowed employers a tax credit for 30 percent of the cost of contributing to a qualified child care plan up to a maximum of $360 a year per employee with a dependent under age 12. Legislation to extend the program another year is currently under consideration. Oregon has a similar, but more generous tax credit. The Oregon program allows employers a 50 percent credit for providing child care services to employees, up to a maximum of $2,500 for each full-time employee.

Strategies From Other States

Florida. Prompted by a study that identified industries employing large numbers of workers who use subsidized child care -- including fast food restaurants, grocery stores, insurance companies, banks, hotels and temporary services -- Florida established a public-private partnership under the State's 1996 welfare reform law to encourage industry to help fund child care services for low-income working families. That year the Legislature appropriated $2 million to be matched by $2 million from industry. When employers met the match, the Legislature doubled the State's contribution in 1997 to $4 million. Working families at or below 150 percent of the federal poverty level qualify for the subsidized care.

Colorado. Colorado's governor recently established the Colorado Business Commission on Child Care Financing to look into ways the state could finance child care and expand child care services. Chaired by a bank president, the Commission made a number of recommendations, several of which have since been enacted by the state legislature. Among the recommendations:

- The establishment of a multi-bank community development corporation to provide loans and other financial assistance to child care providers.
- Child care resource guides for businesses and consumers.
- A child care check-off on state income tax returns.
- A child care income tax credit providing a 50 percent tax credit for families earning less than $25,000 a year; a 30 percent tax credit for families earning between $25,000 and $35,000; and a 10 percent tax credit for families earning between $35,000 and $60,000 per year.

Source: National Conference of State Legislatures, *Building Blocks: A Legislator's Guide to Child Care Policy,* 1997.

7. *Encourage Private Sector Financing*

A study by the National Economic Development and Law Center in Oakland found that child care providers and agencies had difficulty financing new child care facilities through banks and other commercial lenders. The study reported that:

- *Providers are reluctant to approach lenders, believing that they lack the technical expertise to make a strong case for a loan. Family child care providers, in particular, are fearful of gender discrimination and of not being viewed as a legitimate business.*

- *Providers experience difficulty when they do seek bank loans. For their part, banks and other lending institutions need to learn how to assess provider credit requirements and how to create loan products that are responsive to the profiles of child care agencies, Head Start programs and family child care providers.*

- *Potential provider problems are low collateral and inadequate cash flow.*[38]

The Center suggested a number of strategies to improve access to private lending sources for child care providers including technical assistance in dealing with banks and a loan guarantee program to encourage private lenders to offer below-market interest rate loans to local providers and community-based organizations for the purpose of developing and improving child care facilities.

California has established a $7 million loan guarantee program for child care facilities. That program, which is scheduled to begin late 1998, will be administered by the Department of Housing and Community Development.

Summary

In 1987, the Little Hoover Commission noted that the lack of available subsidized and unsubsidized child care spaces had "reached crisis proportions in California." While much has happened that increases the demand for services, efforts to increase the supply has not kept pace. Successful efforts to build capacity will need to be multifaceted, using a variety of incentives and tools to expand the variety of potential services.

Recommendation 2: Guided by the child care master plan, the Governor and the Legislature should set a goal of expanding California's child care capacity so all Californians have access to these services.

- ***Make better use of existing public facilities and programs.*** The State should expand school-based child care services by funding portable buildings and incorporating child care facilities into standard school designs. Similarly, park and recreation districts could be better utilized by better coordinating their programs with state and local child care efforts. And the State should make more funding available for child care coordinators in counties and cities desiring to establish that position.

- ***Encourage greater use of private child care centers and family homes.*** The State should assess the potential for filling vacancies in existing private child care centers and family care homes and provide incentives for providers to fill the vacancies. The State should develop a model zoning ordinance for adoption by local agencies that would allow for large family child care homes to be a permitted use within residential areas so long as providers self-certify compliance with parking and noise ordinances. Grants also could be provided to local communities enabling them to waive permit fees charged to providers seeking to expand child care facilities.

- ***Expand the role of nonprofit foundations and the private sector in developing facilities and providing child care.*** The State should expand tax incentives to encourage employers to develop facilities and to provide child care for low-wage employees. Similarly, the State should provide incentives for small business owners to collaborate to provide child care.

- ***Focus public investment in areas of greatest need.*** The State should establish a five-year grant program, targeted to regions of the state in greatest need of child care services, to enable local agencies and private providers to build child care facilities and to acquire and renovate existing facilities. The State should expand its revolving loan fund to increase investment in new facilities. And the State should investigate the need for underwriting reform in liability insurance for special needs care givers and, if necessary, establish an assigned risk pool to provide liability insurance to providers caring for special needs children.

- ***Improve resource and referral agencies.*** The visibility of these agencies could be raised through an orchestrated outreach effort. The quality of the agencies could be improved by requiring R&R staff to be trained so they are prepared to help parents understand the services that are available, as well as help parents learn the basics of parenting.

- ***Expand lists of licensed providers.*** The Governor and the Legislature should require the Department of Social Services to provide listings of licensed child care facilities on the Internet, over the telephone, and at schools and libraries. The listings should be organized by county and should include all relevant information about the services provided, including any history of licensing infractions.

Assistance for Some

- ***Eligibility for all programs is limited to families at or below 75 percent of state median income -- presently $2,503 per month for a family of three. Of California's 7.9 million families with children, 1.9 million -- 24.4 percent -- have incomes at or below 75 percent of the state median.***

- ***In fiscal 1997-98 the State will spend $1.3 billion in state and federal funds to make child care available to low-income families. But the funding does not stretch far enough to provide services to all eligible children.***

- ***In addition to funding limitations, the Department of Education's child care programs are plagued by structural problems that impede the delivery of services.***

Assistance for Some

Finding 3: The State's subsidized child care system serves only a fraction of eligible families and the services provided are not well-matched to the needs of local communities.

The State's subsidized child care programs are intended to provide care for poor families who need child care in order to work outside the home or attend job training. But the programs have never had enough funding to serve all those eligible.

Eleven years ago, when the Little Hoover Commission last looked at the State's subsidized child care programs, only about 7 percent of eligible families were receiving child care services. Today the system provides care for about 25 percent of those eligible for services.

In fiscal year 1997-98, state subsidized child care programs served about 439,792 children.[39] But with welfare reform, an estimated 600,000 more children will need subsidized child care over the next five years -- more than doubling the number now receiving subsidized care.

The State's subsidized programs are not prepared to meet that need. Even with additional funding tied with welfare reform, there is not enough money to serve both welfare families and the children of the working poor. Nor are there enough spaces available in the state subsidized child care programs or in licensed private centers and family child care homes for all those needing subsidized care. And in many communities the kind of subsidized care available does not match the needs of local families.

The State's Subsidized Child Care System

Subsidized child care in California is administered by two agencies -- the Department of Education and the Department of Social Services. The Department of Education programs place primary emphasis on child development and school readiness and are intended for both welfare families and the non-welfare working poor. The Department of Social Services child care programs are available only to welfare recipients and are designed primarily to enable parents to transition off assistance and into jobs.

Eligibility for all programs is limited to families at or below 75 percent of state median income -- presently $2,503 per month for a family of three. Of California's 7.9 million families, 1.9 million -- 24.4 percent -- are families with children whose incomes are at or below 75 percent of the state median.[40]

In fiscal 1997-98 the State will spend $1.3 billion in state and federal funds to make child care available to low-income families. But the funding does not stretch far enough to provide services to all eligible children.

Non-welfare families applying for subsidized child care through Department of Education programs typically end up on long waiting lists to get into programs, and many remain on the lists for years without ever receiving services.

In San Diego County, for example, because of funding shortages, the waiting list for CDE's alternative payment program includes 5,600 families,

California Department of Education Child Care and Development Programs

The following is a summary of the programs administered by the Department of Education. A more complete description, including the funding and child participation data, is included in the Background of this report.

General child care and development. Provides year-around care for children from infancy through school-age in centers and family homes with contracts between CDE and school districts, county offices of education and other public and private agencies.

Alternative payment program (APP). Provides vouchers to parents to pay for child care services from in-home care, family care or center-based care providers.

Family child care homes (FCCH). Provides care for children in family care homes with the same services as the general child care and development program.

State preschool program. Provides part-day care for very low-income children ages 3-5 through school districts, county offices of education and nonprofit agencies. Modeled after the Head Start program, the program includes family services and encourages parental involvement.

School-age community child care programs ("Latchkey"). Offers educational and recreational activities to children before and after school and during school vacations.

School-age parenting and infant development (SAPID). Provides parenting education, child care and development services for adolescent parents and their children while the parents complete high school.

Migrant child care. Provides care in centers for the children of migrant workers during the harvest season.

Campus child care. Provides on-campus, center-based care for the children of college students.

Severely handicapped program. Provides supervision, care, developmental activities, therapy, youth guidance and parental counseling to families in the Bay Area.

with a three-year wait for the non-welfare, working poor.[41] In Los Angeles County, as of December 1997 there were 80,000 children on the waiting list for the alternative payment program.[42]

Because families may appear on more than one waiting list, the Department of Education has made no attempt to keep track of the total number of children statewide waiting to get into programs. A provision in the state welfare reform law, however, will eventually make that information available. Under the law, local child care planning councils are responsible for consolidating the waiting lists in each county. But the law does not set a deadline for that task to be accomplished.

New state and federal funding appropriated to implement welfare reform is intended to provide enough child care for all CalWORKS participants who need care for children in order to work or attend job training. But the funding will not increase services to non-welfare families. Because CalWORKS participants have priority over other families for receiving subsidized care, in many counties non-welfare working families -- those who have avoided going on welfare -- are likely to have an even slimmer chance than before of obtaining child care services as more and more welfare recipients enter the system.

This irony is not lost on the families affected. The child care coordinator for the City of Escondido described the reaction of one non-welfare parent upon learning that she would have lower priority than welfare recipients for obtaining child care. "She said, 'You mean the only way I'm going to get child care is if I go on welfare?'" I had to tell her that was about it."[43]

And whether the funding will prove to be sufficient to provide care even for all CalWORKS participants is still open to question. The Director of the Department of Social Services acknowledges that even if there is enough funding, there will not be enough services available for those needing certain types of child care, including infant care, care during non-traditional work hours, and care for children with special needs.[44]

"I Want to Work"

February 27, 1997

Thank you for mailing me the information on help with child care. I am requesting help because I need to work. My dilemma as well as many other single parents is the high cost of child care. I cannot seem to find a job that pays enough to support myself and my three children and pay for child care. I have had to turn down jobs because after paying for child care and the bus to get to the job, there is about $200 left for a full-time job. I cannot support the four of us on $200 a month. If there's any way I can get some help, it would be appreciated more than you know. I am trying again for my two-year-old to get some help. My son, now 15, was on the list for seven years and nothing ever happened. I hope to God something opens up; I want to work.

Thank you for your time,
Anguished mom

Letter sent by a parent to a resource and referral agency and submitted by the Child Development Policy Advisory Committee at a public hearing on the State Plan for the federal Child Care and Development Block Grant, May 1997.

Overly Complicated Programs

In addition to funding limitations, the Department of Education child care system is plagued by structural problems that impede the delivery of services. The subsidized child care services administered by CDE are provided through a system of separate child care programs designed to provide care in particular kinds of settings, for different age groups, or to address particular needs.

Each program is funded separately and has different eligibility criteria, program standards and reporting requirements. Although the programs are generally acknowledged to provide high quality care for children, the system is confusing to families seeking care, is not well-linked to the child care needs of individual communities, and is not flexible enough to respond as needs change. Many of the programs overlap. And the system is administratively complex, cumbersome, and expensive.

Part of the fault lies in the way the programs developed. The system is not the product of rational design, but rather has evolved piece-meal over the years as legislators established new programs because of needs expressed by constituents or in response to political concerns. One comprehensive report on the State's subsidized child care system observed:

> *Over the past 40 years, the child care and development system has grown with so many confusing and overlapping statutes, regulations, and policies, that nobody can fully understand or effectively administer it.*[45]

The Legislative Analyst, calling the State's subsidized child care delivery system "unnecessarily complex," commented:

> *These programs can have different funding sources, eligibility criteria, points of entry, and separate waiting lists. The uncoordinated manner in which the programs have been designed and administered impedes families' access into the system.*[46]

One analyst called this system of establishing separate programs for separate groups "a hardening of the categories."[47]

This rigid approach frustrates the goals of adequate, affordable and accessible child care in three ways: A cumbersome contracting process, a lack of local input, and inadequate reimbursement rates.

1. Cumbersome Contracting

The rigid structure of the department's child care programs is compounded by the elaborate contracting system used to administer the programs. The department does not provide the services directly, but instead contracts with 2,562 public and private agencies throughout the

state to run the programs. Contractors include school districts, county offices of education, resource and referral agencies, and others. The contracts are awarded through a bidding process administered by the department.

Whenever the Legislature establishes a new program or appropriates money to expand a program, the department issues requests for proposals and potential providers of the targeted programs compete for contracts. The proposals are evaluated by teams of readers recruited by CDE from outside the geographic areas where the services are to be provided.

Once in place, contracts are locked in indefinitely. In the interest of assuring continuity of care for families, the department renews the contracts each year except in the rare case where a serious fiscal or noncompliance problem arises.

The system leaves local communities with little flexibility in offering the child care services needed by local families and little voice either in the providers chosen or in the services provided. Even though local needs may change over time -- with a community needing more infant care or more school-age care, for instance -- a contractor cannot change from one program to another without bidding for and obtaining a contract for the new program. Or, if the Legislature appropriates money in a program category only for the purpose of expanding existing programs, a community that has no pre-existing program in that category cannot get funds to provide the services no matter how badly they may be needed.

The department's system of contracting for program services has been broadly criticized in the past. The Legislative Analyst, writing in the *1997-98 Analysis of the Budget Bill* noted:

> *The complexity of SDE's child care program rules creates problems for both state administrators and child care providers. This complexity permeates every aspect of the child care system. For example, different programs have different eligibility rules and different rate structures. Providers that operate under more than one program also have to negotiate separate contracts for each program.*
>
> *Providers must follow complex rules regarding allowable expenditures and attendance accounting, and collect detailed administrative information on these factors. This information is audited and then reviewed by state administrators. Most of the 89 child care-related positions in SDE are devoted to assisting contractors and implementing the cumbersome rules and requirements.*[48]

Some critics contend that the department does not adequately monitor the hundreds of contractors around the state. Others complain the department does not provide enough technical assistance to help

organizations bid for contracts and does not adequately evaluate contract proposals. One member of the Little Hoover Commission's Child Care Advisory Committee commented:

> *It was scary to be a reader for the infant-toddler RFP. We only had four hours of training. The department was begging for readers. Too much depended on the readers and no one in our group had any knowledge of family day care. You have to make sure people know what to look for and you have to give training to the agencies in how to write the applications. A two-hour workshop is not enough.*[49]

The contracting system puts other roadblocks in the way of communities trying to obtain needed services. In order to win a contract for a new program, for example, the bidder must already have a facility in which to provide the program, but if it develops the facility first it has no assurance that it will be successful in obtaining the program contract. Also, the system puts obstacles in the way of providers using private sector financing to develop or improve facilities by not allowing contractors to use contract income to pay loan costs.

The system also is so cumbersome that the Department has trouble getting money out the door. The complex bidding process and fiscal deadlines arising from the one-year contract period create bottlenecks that tie up funds in Sacramento instead of getting money out to serve communities.

The Contracting Prototype Study

In 1995 the Administration directed the Department of Education to consult with the Legislative Analyst's Office and the Department of Finance to come up with a better contracting system. As a result of that consultation, the department released a report in February 1996.

The Legislature then required the department to design an improved contracting process and to test the design in a pilot project with a small number of child care providers. The plan for the pilot project was to have been completed by January 1997, and implementation of the pilot project was supposed to have begun by July 1997.

But the department delayed the plan, citing the need to devote resources to implementing welfare reform. At this writing, however, the prototype contracting study has resumed.

2. *A Lack of Local Input*

There have been efforts to shift more authority for child care planning from the state to the local level, but the structure of the system undermines those efforts. In 1991, under AB 2141, Local Child Care Planning Councils were established in each county to set priorities for federal child care and development block grant funds, which at that time comprised only a small portion of total child care and development funding. The legislation, however, did not provide enough funding for the councils to carry out that duty and councils have had to rely on local funding to finance planning efforts.

In 1997, as part of welfare reform legislation, the Legislature gave local planning councils the responsibility to assess all local child care needs, subsidized and unsubsidized, at least once every five years and establish priorities for allocating all child care and development funds.

The Department of Education is supposed to take these local needs assessments into account in apportioning program funds. But so long as the subsidized services are locked into rigid program categories and funding priorities rest with the Legislature, the local voice in child care planning is largely an illusion. The role of local planners is reduced to hoping that the Legislature appropriates new money in the program categories that match local needs and that a suitable local provider is successful in winning a contract.

Even within the limits of the present system, the department has not made sure that services are distributed evenly throughout the state by targeting under-served areas or working to bring new contractors into the bidding process. Critics complain that potential contractors do not hear about requests for proposals because the department only notifies existing contractors. Department officials say they have recently initiated a policy to give priority in the proposal process to agencies that have not been CDE contractors, but they concede the policy may be illegal and could be challenged.[50]

And even though state law requires the department to distribute funds for expanding child care programs in a manner that promotes equal access to child development services across the state,[51] department officials acknowledge that they have no information about the location of children served by the department's programs except for the total number of children served in each county. Explained one official:

> *We have nothing that shows where the kids are. You can see the number of children served by counties, but that doesn't tell you where they are in the county. We're just now gathering the data to do geo-mapping to do that kind of information gathering.*[52]

3. *Inadequate Reimbursement Rates*

Critics say the reimbursement rates the State pays to providers also limit the number of providers willing to offer CDE programs. The State has two reimbursement rates. Department of Education contractors who are "direct service providers" -- including centers and family home care networks -- are reimbursed according to an established rate with premiums for infants and special needs children. Reimbursements paid through alternative payment programs and county welfare departments to centers, family home care providers and license-exempt providers, on the other hand, are based on prevailing market rates.

Providers contend that the non-market-based rates are too low to cover the cost of meeting state program requirements, and that even the higher rates for specialized care are not sufficient to cover the cost of that care. Because of the criticism, CDE has another study underway to examine the cost to providers of doing business with the department. The results of that study are expected in late 1998.

Possible Reforms

There has been wide agreement over the years that the State's system of providing subsidized child care is in need of change. Reformers have argued that collapsing the program categories and providing more local control over how child care funding is spent would enable communities to match services to local needs and to adapt services as needs change.

The most recent comprehensive look at the subsidized child care system was mandated by AB 2184 of 1991 and carried out by the Policy Analysis for California Education (PACE), at the University of California, Berkeley and Stanford University. PACE, working with a 70-member work group from the child care community and state agencies, recommended in its 1996 report that subsidized child care programs be collapsed into two broad categories -- contracts and alternative payment programs -- and that the contract programs include general child care, preschool care, care for the children of migrant workers and services for teen-age parents.

Instead of requiring separate contracts for each program, PACE recommended that only one contract be required for each agency providing services. And instead of funding for separate programs, PACE recommended that child care funds be allocated to counties according to a formula based on factors such as the number of welfare families in the county and taking into account state priorities and existing local resources.

The PACE researchers, however, were unable to resolve the issue of who should conduct the contracting: local agencies instead or the Department of Education. The issue remains controversial. Advocates for control of contracting argue that anonymous teams of evaluators cannot understand the nuances of child care services in a local community or evaluate potential providers as effectively as those familiar with community issues. They also argue that CDE's small staff cannot effectively monitor more than 2,000 contractors around the state -- an argument bolstered by a 1995 Bureau of State Audits report that called CDE's resources for administering the programs "inadequate."

But many other local child care officials fear that if contracting was done by local authorities, local politics would intervene, setting up potential conflicts of interest and undermining efforts to provide child care services.

Apart from the contracting issue, however, there is broad support among state and local child care officials for simplifying program categories and providing counties with child care funds untied to specific programs.

Federal welfare reform in 1996 accomplished this goal at the federal level by consolidating the separate welfare-related child care programs

administered in California by the Department of Social Services into the Child Care and Development Block Grant. Efforts to do the same at the state level by giving more control to the counties, however, have been stalled while the State has focused efforts on the compelling need to implement provisions of the federal welfare reform act.

The Complications of Welfare Reform

Welfare reform complicates these problems in two ways. First, it increases the demand for services, and in some instances gives priority for services to welfare recipients over the working poor who traditionally received child care assistance. Secondly, efforts to adapt the system to meet these increasing needs have further complicated the procedures for providing services.

Welfare reform limits the time recipients can receive aid and requires them to participate in work activities while they are receiving aid. Counties must provide supportive services -- including child care for children 10 years of age and under -- to recipients who need such services to participate in work activities.

Under welfare reform, recipients are limited to 60 months of assistance over a lifetime. Those already receiving aid can receive no more than 24 months of continuous assistance, and new welfare applicants can receive only 18 months of continuous assistance.

The state and federal laws allow counties to exempt up to 20 percent of cases from work activities. Recipients can be exempted temporarily from work requirements for specified "good causes," including if child care for a child 10 years of age of younger is "not reasonably available," or if child care arrangements have been interrupted. A temporary exemption extends for as long as the "good cause" continues.

Parents of a first child less than 6 months of age also are exempted from work activities, although counties can reduce the time to three months or extend it to 12 months on a case-by-case basis. For subsequent children, parents are exempted until the child is 12 weeks old, and counties can extend the exemption to 6 months.

The elderly, disabled, and primary caretakers for disabled household members also can be exempted from work requirements. All of the exemptions count as part of the 20 percent limit; if a county exempts more than 20 percent of its caseload, it must pay the cost of the aid.

The state and federal welfare reform laws also revamped child care services for welfare recipients. The federal law eliminated the six subsidized child care programs formerly administered in California by the Department of Social Services and consolidated child care funding into a Temporary Assistance for Needy families (TANF) block grant.

California's welfare reform law, which created CalWORKS, set up a three-stage system to provide child care for participants. The plan brought together the child care programs of the Department of Social Services and the Department of Education to provide a "seamless" system.

The first stage is administered by DSS and run by county welfare departments. The second and third stages are administered by CDE through existing child care programs. The system is intended to allow families to move from immediate, short-term child care to stable, long-term child care arrangements, although families can choose to keep the same child care provider throughout. The three stages work as follows:

- ***Stage One.*** Welfare recipients enter the CalWORKS program through a county welfare department. The recipient meets with an eligibility worker who appraises the person's work history and skills and determines the need for support services, including child care. The welfare department drafts a welfare-to-work plan, defining activities to be performed by the participants. CalWORKS participants who need child care are sent to a resource and referral agency to discuss their needs and options. The agency informs participants about available providers, including friends and relatives of the participant. Participants can choose either a licensed or license-exempt provider. The provider selected by the parent is paid directly by the welfare department. Participants can remain in Stage One for six months or until job training or employment becomes stable. The time can be extended beyond six months if the person's situation has not stabilized or if there are not enough child care spaces available in Stage Two.

- ***Stage Two.*** Once the person is in a stable training program or employment and a funded Stage Two space is available, the county welfare department transfers the family to Stage Two, which is managed by an alternative payment program contracting with the Department of Education. Families can remain in Stage Two for up to two years after they leave assistance. Families can keep the same child care provider selected in Stage One, but in Stage Two the provider is paid by the alternative payment program instead of the county welfare department.

- ***Stage Three.*** The family moves into Stage Three when a funded Stage Three space becomes available. This stage consists of the subsidized child care programs administered by the Department of Education for all low-income families. CalWORKS participants have priority over other families for spaces. Families can remain in this stage and receive subsidized child care for as long as they remain at or below 75 percent of state median income.

Problems with the New System

Although the CalWORKS system is supposed to move participants smoothly through the three stages into long-term child care arrangements, some problems have developed that could have profound implications for low-income families. Some examples:

- ***Client circumstances more complicated.*** The three-stage system, which envisions a smooth transition from job training to permanent employment, often does not fit the real-life circumstances of CalWORKS participants, who are more likely to move in and out of job training and low-income entry-level jobs with periods of unemployment between. That scenario raises the issue of whether participants should be moved back into an earlier stage, even though the system is not designed to accommodate backward movement.

- ***Underfunding in Stages Two and Three.*** The difficulty of predicting the funding needed in the three stages for the 1997-98 fiscal year, and wide variations among counties in projected need, resulted in insufficient funds for Stages Two and Three in many counties. Many families were ready to move to Stage Two but were stuck in Stage One -- with the clock ticking against their benefit cap -- because Stage Two child care was unavailable.

- ***Children with disabilities.*** While counties can exempt only 20 percent of cases for hardships, as many as 30 percent of welfare families include parents or children with disabilities.[53] The 20 percent exemption limit also covers teen parents, the elderly, and others meeting the hardship exemption requirements. As a result, as one witness told the Commission, "There is not enough hardship exemption to go around."[54] Child care will therefore be needed for children with disabilities, but child care providers trained and able to provide that care are in short supply.

- ***What defines "reasonably available" child care?*** Under federal and state law, welfare recipients who do not have "reasonably available" child care for a child 10 years of age or younger or whose child care arrangements have broken down must be excused from participating in welfare-to-work activities. But the State's welfare reform law leaves it to individual counties to define those circumstances. As a result, one witness said:

  These standards may be interpreted quite differently from county to county, thereby preventing parents from operating within a uniform framework of permissible criteria for choosing child care. For example, in one county, "reasonably available" child care may be considered any available child care within the county that operates during the desired hours, even if it is not age appropriate, size appropriate, or geographically appropriate for

that individual child.... Similarly, "broken down" and "interrupted" child care arrangements can be interpreted in many subjective ways. There may be many situations where a recipient does not feel that her or his child is safe or adequately cared for.[55]

A more precise definition of availability could include such considerations as public transportation schedules, health and safety concerns, the distance of the child care provider from the parent's home or workplace, and the hours care is available.

- ***Not enough direction to counties.*** Lack of definition in the state welfare reform law and insufficient direction from state administrators has left counties throughout the state implementing welfare reform differently. There is little training provided for those implementing CalWORKS at the local level, and there is no formal process in place for gathering information from counties about problems or for communicating information to policy makers about urgently needed changes. One member of the Child Care Advisory Committee told the Commission:

  The Department says it's working on regulations, but there is a lot of conflicting information and opinions coming down. We get different answers from different people. We finally think we have it straightened out and then they tell us something different and we have to start over. We are having to figure it out as we go. One legislator told us, "be creative, make your own rules." But we need rules. We want flexibility, but we want answers about what we can and can't do.[56]

- ***The system is too complex.*** The three-stage system of providing care to CalWORKS participants is complicated and time-consuming to administer. As one witness told the Commission:

  The administrative complexity of the three-stage system is troublesome to counties and other administrative partners, and creates the need for additional resources for program administration that under a different structure could be better spent on providing services to clients.[57]

Summary

As long as the State has offered subsidized child care programs, it has struggled to provide services to all of those who are eligible. To a degree, achieving this goal is a matter of financial commitment. But the success of the subsidy programs also depends on streamlining and consolidating the various programs so that public funds can be spent in ways that best address locally determined needs. State policy makers have long recognized these problems and attempted to resolve them through welfare reform. Unfortunately, the system has grown only more complicated, and less likely to achieve its goals.

Recommendation 3a: The Governor and the Legislature should provide sufficient funding for subsidized child care to serve all eligible families.

- ***Creatively seek to leverage public resources.*** If welfare reform is to be successful and if working poor families and former welfare recipients are to stay off welfare, the State must make a commitment to subsidize quality and safe supervision for needy children. The State should supply enough funding to provide subsidized child care to all eligible families based on the needs defined by the master plan. The funding could be provided by increasing state money for subsidized care and by leveraging state funding through foundations and the private sector.

- ***Make sure parents understand their options.*** The Governor and the Legislature should direct the Department of Education to design a public outreach program to advise low-income, non-welfare families about the availability of subsidized child care.

Recommendation 3b: The Governor and the Legislature should fundamentally reform the State's subsidized child care funding and contracting mechanisms to better serve local needs.

- ***Collapse program categories.*** The Governor and the Legislature should consolidate the Department of Education's subsidized child care programs into no more than three broad categories with uniform eligibility and reporting requirements. The program categories should be consistent with overall state goals identified in the master plan and with local needs assessments.

- ***Tie reimbursements to market rates.*** The State should link the reimbursement rates paid to all providers who offer care to subsidized children to the prevailing market rate in the community where the care is offered and to the added costs of meeting state program requirements.

- ***Provide funding in block grants.*** Once the State's child care master plan is developed and local child care needs assessments are completed, the Governor and the Legislature should provide child care funding to the counties in the form of block grants. The amount of the grants should be determined by local needs assessments and by county low-income demographic data. The grants should be used to support child care services that meet state-established family eligibility and provider quality standards.

- ***Reform the contracting process.*** In the short-term, until the master plan is developed and block grant funding has been instituted, the Department of Education should establish a pilot program to test alternatives to the present system of contracting for subsidized child care services. The reforms should be guided by the results of the department's prototype contracting study.

Quality Throughout

- ***During a child's first few months, the human brain forms trillions of connections between brain cells, laying down the physical structure governing vision, language, hearing, and other processes.***

- ***Child development experts have pinpointed the components of high-quality child care: A safe and comfortable environment. Children receive care in small groups. Each adult worker is responsible for only a few children. Personnel are well prepared and adequately paid. Parents are involved.***

- ***Factors impeding good child care include low wages, a shortage of trained workers, high staff turnover, the cost of care and a shortage of licensed care.***

Quality Throughout

Finding 4: Despite research showing that the care provided to infants and toddlers significantly affects the child's capacity to learn and succeed in later life, state policies and other factors subvert the goal of assuring all children receive high-quality care and early education opportunities.

By the time children enter kindergarten, their personality and capacity for learning already have been shaped by their life experiences. The most critical part of that development occurs in the first three years of life. In those early months, the brain builds the physical foundation for learning and a child's experiences shape personality traits and behavioral characteristics.

In terms of child care policies, the State has historically taken a two-pronged approach to quality. The first, through the state licensing program, strives to ensure minimum health and safety standards -- by dictating the size and characteristics of facilities and the ratio of children to supervision. The Department of Education programs have gone beyond safety to provide early development experiences that can capitalize on the opportunity to expand the capacity of children to learn.

However, welfare reform and other demands on the system to provide subsidized care to as many children as possible can conflict with efforts to provide children with the highest quality of care possible.

One solution being explored by educators is universal preschool, which would provide all 3- and 4-year-olds with the opportunity to benefit from early education programs.

The Potential of Children -- and Child Care

The human brain begins to form during the months before birth with the development of billions of brain cells. After birth, during a child's first few months, the brain forms trillions of connections between brain cells, laying down the physical structure governing vision, language, hearing, and other processes. In a child's first eight months the connections form at the rate of three billion per second -- until by eight months of age the brain has formed one thousand trillion connections. After that the number of connections begins to decrease. By age 10, about half have died off. About five hundred trillion connections are left, and these remain throughout life.[58]

Brain cell connections form in response to stimuli from the environment. With learning, they grow stronger; in the absence of stimuli they weaken or disappear. During the developmental phase between birth and age 12, and particularly in the first three years of life, "windows" occur that provide unique opportunities for learning. Once these windows close, the fundamental structure of the brain has been formed.[59]

Personality traits also are established during this time. Brain connections influencing behavior are permanently set by eight months of age, defining responses to future experiences and determining expectations for reward and punishment.

Personality also is affected by biochemical influences, particularly two key hormones -- serotonin and noradrenaline. The hormone serotonin moderates all human emotions and drives. Low levels of serotonin cause depression, impulsive aggression, explosive rage, sexual deviance, and alcoholism, while high levels are associated with shyness, obsessive compulsion, fearfulness, lack of self-confidence, and passivity. Noradrenaline stimulates the brain to respond to anger, and to produce the "fight-or-flight" hormone adrenaline. Low levels of noradrenaline cause tendencies toward cold-blooded acts of violence and thrill seeking;

The Importance of the Early Years

The years from three to 10 are a crucial age span in a young person's life, when a firm foundation is laid for healthy development and lifelong learning. During these seven years, children make great leaps in cognition, language acquisition, and reasoning, corresponding with dramatic neurological changes. They develop greater facility in intellectual problem solving and abstract thinking. Their store of knowledge swells, their attention span stretches, their capacity for reflection increases. They become more proficient in their oral and written communication and better able to relate ideas and feelings to their peers. They also develop greater capability to regulate their own behavior and resolve conflict peacefully. For most children in this age period, it is not too late to overcome earlier difficulties; nor is it too early to prepare for the challenges of early adolescence and middle school.

For most children, the long-term success of their learning and development depends to a great extent on what happens to them during these years of promise. Children fortunate enough to attend a high-quality preschool or child care programs and who enter the primary grades with adequate preparation have a better chance of achieving to high levels than those who do not.

--- Carnegie Task Force on Learning in the Primary Grades, Years of Promise: A Comprehensive Learning Strategy for America's Children, Carnegie Corporation of New York, 1996.

high levels cause over-arousal and are associated with impulsive violence. These hormones normally work together to temper human emotions and behavior, but persistent early traumatic experiences can alter the brain chemistry, resulting in low levels of serotonin and high levels of noradrenaline.[60] Stress in the early childhood years caused by neglect, abuse, poverty, or sensory deprivation can profoundly alter brain development and personality formation:

> ***By Age 3 ...***
>
> *How individuals function from the preschool years all the way through adolescence and even adulthood hinges, to a significant extent, on their experiences before the age of three.*
>
> -- Carnegie Task Force on Meeting the Needs of Young Children, *Starting Points: Meeting the Needs of our Youngest Children*, April 1994.

> *The child who is reared in an unpredictable, abusive, or neglectful environment will have a brain that has developed to view the world as chaotic, violent, frightening, or devoid of nurturance. This child will be much more susceptible to psychosocial stressors through the course of his or her lifetime and will usually develop a hypervigilant, hyperactive arousal system. If primary relationships are characterized by violence, neglect, and unreliability, intimacy becomes maladaptive.*[61]

These relatively recent insights into brain development point the way to counteracting some of the detrimental effects of poverty on young children. Studies show that providing poor children with positive early experiences can make significant differences in intellectual development. A University of Alabama study found:

> *As early as six weeks of age, an early intervention program demonstrated that impoverished children, exposed to mentally and emotionally stimulating experiences, could be prevented from having low IQ's and mental retardation. After three years, children in the intervention group were shown to have IQ's in the normal range, whereas children living in similar poor neighborhoods not participating in the intervention program showed average IQ that was 20 points lower. At age 12, 50 percent of the children in the control group who continued to live unstimulating lives had failed one or more grades, and only 13 percent of the children in the intervention group had a similar failure record.*[62]

Numerous other studies show that providing high quality child care and other support for poor families helps children overcome the effects of poverty, helps them succeed in school, and greatly increases the chances that they will succeed in later life as well.

The new information on how the brain develops also provides the physiological explanation for what most parents already know -- that children treated with love, patience, and understanding, protected from harm and provided with activities that stimulate curiosity, creativity, and learning, are likely to grow up to be friendly, well-adjusted capable

adults. Children of any income level who are deprived of these factors, on the other hand, are more apt to grow up troubled and to have difficulty in school and in later life. Some research suggests that the most important developmental factor is the child's relationship with parents and others in their life:

For healthy development, infants and toddlers need close relationships with a small number of caring people, beginning with their parents and later including other adults. Infants and toddlers develop these relationships in safe, predictable, intimate settings -- in their homes and child care settings.[63]

Conscientious parents who understand what their children need do their best to provide these elements. But when the parents work at full-time jobs and children spend as much as 10 hours a day in a child care setting, a large part of the responsibility for providing children with what they need to thrive necessarily falls to the child care provider.

Child development experts have pinpointed the components needed for high-quality child care: The environment is safe and comfortable. Children receive care in small groups. Each adult worker is responsible for only a few children. Personnel are well prepared and adequately paid. The program encourages parent involvement and is linked to comprehensive health and nutrition services[64] Unfortunately, studies also show that good quality child care is more the exception than the rule. One witness told the Commission:

According to the vast majority of studies, most child care in the United States is in the poor to mediocre range. In other words, only a small percentage of children are cared for in child care settings that are considered "good" to "excellent."[65]

The Ingredients of Quality

The Child Care Law Center in 1992 listed the factors that contribute to high quality child care:

Care givers must:

- *Be adults who are physically, mentally and emotionally capable of caring for children.*
- *Understand and utilize developmentally appropriate practices.*
- *Be sensitive and culturally aware individuals who can establish relationships and communicate with families.*
- *Be stable and dependable.*
- *Be adequately compensated.*
- *Represent, together with fellow staff, a diversity of cultural backgrounds and both genders; and be able to communicate with children in the child's home language.*

The child care program must:

- *Provide enough adults to care for the number of children.*
- *Provide a safe and stimulating physical environment.*
- *Have ample, age-appropriate equipment and supplies.*
- *Allow for small group size, appropriate to the age of the children.*
- *Provide age-appropriate curricula and activities.*
- *Be able to identify special needs of children and families, and to either meet these needs or refer the family to appropriate services.*
- *Know and practice sound health practices, including appropriate responses*

Similarly, a summary of recent studies concluded:

> *A growing body of research has established that the majority of America's young children actually spent their days in settings that are poor to mediocre in quality -- settings that compromise children's long-term development. Eighty percent of the nation's children spend their days -- up to 50 hours per week -- in poor or mediocre child care settings. Care for infants and toddlers, on average, is even worse: 40 percent are in settings that actually jeopardize their health and safety.*[66]

State Efforts to Provide Quality Care

Licensing attempts to address some of the deficiencies in child care and provide standards to ensure children are safely cared for. In California, family child care homes and most child care centers are required to be licensed. Many other kinds of providers, however, are not required to be licensed and are not monitored by the State.

California's licensing requirements for the most part cover only health and safety concerns. The State, however, does require teachers and directors in child care centers to have formal training in early childhood education and requires child care centers to include planned activities and age-appropriate furniture and play equipment for children. Licensing requirements are as follows:

Family child care homes. Family child care homes care for several children in the provider's residence. Providers are not required to have special training, but must meet specified health and safety requirements -- fire extinguishers and smoke detectors, fenced outdoor play areas, adequate heating and ventilation, and safeguards for children from toxins, weapons, fireplaces, stairways, and swimming pools. They must provide supervision for children at all times and providers must be present in the home except when a temporary absence is necessary. All adults in the home must undergo tuberculosis screening and obtain criminal record and child abuse record clearances. Family child care homes are inspected at the time of licensing and once every three years after that. The Department of Social Services conducts random inspections of 10 percent of family child care homes annually. Family

License-exempt Providers

A variety of common child care providers do not have to be licensed under state law, including:

- Those who care only for the children of one other family in addition to their own.
- Those who care for a child in the child's own home.
- A relative or guardian of the child.
- Parents providing child care in cooperative, unpaid arrangements.
- Some public and private schools that provide before- and after-school care for school-age children.
- Some park and recreation programs.
- Child care centers for school-age children that are regulated by the military or other agencies.
- Child care provided on federal lands.

care homes fall into one of two categories -- large and small. The distinctions between the two are described in the Background section of this report.

Child care centers. Providers caring for children in a group setting other than a family child care home must obtain a child care center license. Child care centers must meet the same health and safety requirements as family child care homes, as well as any other state and local zoning requirements, building restrictions, and fire and sanitation standards.

The number of children allowed under the license is determined by the square footage of the indoor and outdoor play space and by the ratio of adults to children. The facility must include 35 square feet of indoor place space and 75 square feet of outdoor play space per child. It must also include one toilet and one sink for every 15 children. The center must include age-appropriate tables, chairs, and play equipment for all children, and planned daily activities must be provided.

Center Supervision Requirements

The adult-to-child ratio required by State law depends on the ages of the children:

- For infants: one adult to four children.
- For ages 2 to 5: one teacher to twelve children; or one teacher and one aide to fifteen children; or one "fully-qualified teacher" -- a teacher with additional training in early childhood education -- and one aide to eighteen children.
- For school-age children: one teacher to fourteen children; or one teacher and one aide to 28 children.

In addition, the director and the teachers in a child care center must have completed at least 12 units of early childhood education. All staff also are required to have had experience working in a licensed child care center or similar setting. The Department of Social Services conducts unannounced inspections of child care centers at least once a year.

In 1997, the Department inspected 20,330 family care homes and centers. It revisited 2,958 facilities to follow up on deficiencies noted in the first inspections. In another 3,541 instances, deficiencies were resolved without revisiting the facilities. Some cases, however, were more serious. The Department initiated 97 civil penalties during 1997 and initiated 1,093 license revocations.

A breakdown of the 949 violations acted upon during fiscal year 1997-98 reveals the importance of the inspections and diligent follow-up investigations. During that period, the Department acted on 141 violations of neglect or lack of supervision, 124 instances of illegal restraint or other personal rights violations, 95 instances of physical abuse, 89 instances of conduct "inimical" to children, 70 violations of sexual abuse and six "questionable deaths."

The Department also acted on 43 violations of operating over capacity, another 43 violations of operating with inadequate facilities and 17 violations of unqualified staff.[67]

How California's Standards Compare

The State's licensing requirements are generally considered to be more adequate than those of many states, but still fall short of ensuring the high level of care that makes the most of the developmental opportunities of the early years. As one comprehensive report on California's child care system observed:

> *California regulates more of its child care, and requires better ratios and more training for teachers, than many other states.... In the area of child care regulation, a ranking above average does not necessarily mean that the state is doing enough. In many instances, California's regulatory requirements do not compare favorably with professional standards of excellence and community practice in top-quality centers.*[68]

The National Association for the Education of Young Children (NAEYC) has defined criteria for high-quality early childhood programs and provided an accreditation process for programs that meet specified criteria. NAEYC standards cover many of the same requirements addressed in the state licensing process, including space, equipment and safety issues, as well as group size and adult-to-child ratios. But the accreditation standards also look closely at the interaction between care givers and children:

> *The association goes well beyond these largely functional measures to provide explicit guidance for care giver-child interactions -- qualities that are closely associated with gains in a child's cognitive development, language skills and social development.*
>
> *For example, the standards specify that staff express affection and respect through holding and talking with children, that they speak to children in a friendly and positive manner, that the children be encouraged to express their feelings, and that staff encourage cooperative behavior and use positive guidance techniques to cope with negative emotions. The NAEYC also stresses the need to provide continuing care and minimize the shuffling of children among classrooms and care givers.*[69]

Child care centers, preschool, kindergarten, and before- and after-school programs can apply for NAEYC accreditation, but relatively few programs in California have so far received accreditation. As of March 1997, 491 programs in California serving 48,243 had been accredited by NAEYC and another 848 programs were in the process of being reviewed by NAEYC for possible accreditation.[70]

Factors Impeding Good Child Care

Studies, child care experts and providers suggest that a number of factors conspire to prevent more child care providers from offering high-quality care that research shows would be better for children.

- ***Low wages.*** The low pay that child care workers receive is widely considered to undermine the quality of care. Child care workers are among the lowest paid workers in the United States. One national study found that child care workers earned an average of $6.89 per hour in 1993. Earnings in California are only slightly higher. According to a 1996 study, California child care teachers in private, for-profit programs earned an average of $7.25 per hour, and in private nonprofit programs, an average of $8.50 per hour -- $14,964 and $17,544 a year, respectively. Most child care workers do not receive paid health benefits. In private nonprofit child care programs, 31 percent of child care staff received paid health benefits, and in for-profit programs, 29 percent received paid health coverage.[71]

- ***Shortage of trained child care workers.*** With low salaries and few employee benefits, child care providers have trouble attracting qualified workers. Policies to reduce class sizes in elementary schools has exacerbated the problem by luring away thousands of the best-qualified day care workers into better-paying classroom jobs.

- ***High staff turnover.*** A direct consequence of the low compensation is high turnover in child care staff. In California turnover rates for teachers in for-profit child care programs in 1996 was 31 percent, and in private nonprofit programs it was 28 percent. For assistant teachers, turnover rates are even higher: 34 percent in for-profit programs and 39 percent in non-profit programs. Staff turnover disrupts the relationship between the child and the care giver and undermines consistency and familiarity of care that children need. With high turnover, noted one commentator: "Children are constantly adapting to new care givers and administrators are constantly orienting and training new staff."[72]

- ***High cost of care.*** Despite the low wages paid to care providers, many families can still not afford higher quality and higher priced child care. According to a 1996 survey by the California Child Care Resource & Referral Network, the average cost of full-time care in a licensed child care center in California for a child younger than 2 is $135 a week or $7,020 a year, and for a child 2-5 years old, $94 a week, or $4,888 a year.[73] For a family at the state median income of $42,300, the cost of licensed care for an infant and a preschooler therefore amounts to 28 percent of the household budget. For a parent earning minimum wage,

the cost of licensed care for two children would exceed total annual earnings.

- ***Shortage of licensed care.*** As the discussion in the previous finding outlined, even when families can afford to pay for high quality care, there is not enough licensed care available for all families needing care for children -- especially for infants, those with disabilities or during non-traditional work hours. In many communities, especially in rural, low-income and minority areas, the shortages of care for children of all ages is severe.

Many of the same factors inhibiting quality in traditional child care settings also limit child care in preschool programs. Despite the documented benefits of high-quality preschool for young children, relatively few children have access to good preschools. Two national studies that included California found that preschools often are lacking in quality. One study found that less than 25 percent of preschools provided children with good or excellent services and rated the average California preschool classroom as "mediocre."[74]

In many communities -- especially in low-income ethnic and rural areas -- families have difficulty finding preschool opportunities at all. A survey of preschool availability in four California counties, for example, found 97 preschool slots per 1,000 children in the poorest neighborhoods of Los Angeles County. In Merced County there were 49 preschool spaces per 1,000 children. By comparison, in affluent communities within Los Angeles County, there were 300 preschool spaces per 1,000 children.[75]

The federal Head Start program and California's State Preschool -- both aimed at low-income children -- do provide high-quality preschool education. But the programs serve relatively few children. About 48,000 children are presently enrolled in the State Preschool Program -- 15 percent of the estimated 325,020 eligible 3- and 4-year-olds. Meanwhile, Head Start serves about 80,000 children in California.[76]

This disparity in preschool opportunities excludes the children who stand to benefit the most from early education. As one study of preschool education in California pointed out:

> *Although the ill effects of poor-quality programs also affect children from more advantaged families, children from low-income families are the least likely to receive high quality services and are the most likely to benefit from them.*[77]

The Impact of Welfare Reform

Welfare recipients facing deadlines to join the workforce almost always depend on the subsidized child care system. But the subsidy system does not always guide parents to the highest quality of care available.

Both state and federal welfare reforms provide for "parental choice" in child care decisions. Instead of guiding children into existing center-based child care programs or into other licensed facilities, the parents receive a voucher allowing them to select their care provider. The provider can be either licensed or license-exempt, and the provider is paid directly by the child care service agency.

The idea of "parental choice," however, may be an illusion. The shortage of licensed care and the limited space in subsidized center-based programs leaves many welfare recipients with the sole "choice" of using license-exempt care. According to recent Department of Education statistics, about 33 percent of children receiving subsidized child care services, including both working poor and welfare recipients, are being cared for by license-exempt providers.[78] For welfare recipients the percentage is higher. One national survey has put the percentage of welfare recipients choosing license-exempt care at 58 percent.

For welfare recipients with a dependable relative or friend who can provide good care for their children, the choice of license-exempt care may be a satisfactory solution. But others may be more interested in bringing child care money into the home of a friend or a relative than in purchasing the best available child care. County welfare workers say too often, children are being left in the care of unemployed boyfriends who are paid by the State as designated license-exempt child care providers.

Furthermore, the system ensnares some welfare parents in a Catch-22. When there is not enough child care funding to meet the demand, the subsidies go to the poorest of the poor. The income formula that is used takes into account the number of people in the household -- giving the highest priority to households with the lowest per capita income. The formula encourages families to designate live-in relatives as part of the household. But relatives who are designated as part of the household cannot be paid as child care providers. So if a grandmother is counted as part of the household in order to receive priority for subsidies, she cannot be paid to care for the children when the mother goes to work. But a boyfriend living in a separate household can be paid.

Efforts to Improve Child Care Quality

In light of the expansive use of license-exempt child care arrangements, the State has made efforts to extend the most basic of quality-related requirements to these more informal care settings:

- ***TrustLine program.*** TrustLine provides a background check to identify those with a history of criminal child abuse. License-exempt providers providing care for subsidized families must submit fingerprints and be cleared by TrustLine in order to be paid to care for children. But the State does not require TrustLine clearance for grandparents, aunts, and uncles of the child.

- ***Health and safety checks.*** Under welfare reform rules, license-exempt providers must complete a health and safety checklist certifying that the provider's home contains a functioning fire extinguisher and smoke alarm and that the home and yard are free of safety hazards. But the certification consists only of a self-completed list, and grandparents, aunts, and uncles of the child are not required to undergo the certification.

It has been more difficult, however, for the State to move beyond ensuring child safety to advancing child care programs to include more elements of early education programs. One often discussed avenue is the expansion of preschool opportunities to all youngsters. To explore the concept of universal preschool, the State Superintendent of Public Instruction created a task force, which in 1998 recommended that preschool education be provided on a voluntary basis to all 3- and 4-year-olds in California, regardless of income. The task force concluded:

> *We now know that a stimulating environment and positive learning experiences during the early years have a powerful effect on young children's later performance in school and behavior as adults. To develop the highly educated workforce needed in the twenty-first century, we must change our way of thinking about early education and provide quality preschool programs to help our children succeed.*
>
> *In a rapidly developing global economy, other states and industrialized nations are far ahead of California in providing universal preschool and child care. Both New York and Georgia, for example, have already launched universally accessible, state-funded early childhood education programs for four-year-olds. In France, 99 percent of all children ages three and four attend preschool.*[79]

The task force called for the universal preschool program to be phased in gradually over the next ten years, and estimated that the cost of such a program would come to $5 billion a year.

Summary

Researchers are documenting the importance of early life experiences in shaping life-long personality traits and capacity to learn. That understanding increases the need for the State to rethink how child care can evolve beyond safe places to play to nurturing environments that encourage ambition, genius and compassion in the next generation of Californians.

Recommendation 4: The State should undertake a broad-based effort to improve the quality of child care available to children and to expand opportunities for early education.

- ***Improve the quality of care in licensed centers and family child care homes.*** The State should increase the reimbursement rates paid to contractors in the Department of Education subsidized child care program to enable providers to increase the salaries of child care workers. The salaries should be scaled according to the child development permit matrix to reflect the care giver's level of training. Centers also could be paid a higher rate if they have received accreditation by the National Association for the Education of Young Children.

- ***Improve the quality of license-exempt care.*** The Governor and the Legislature should enact legislation requiring relatives providing license-exempt care to pass a TrustLine background clearance in order to be paid for providing subsidized child care. Legislation also should be enacted requiring license-exempt providers to pass health and safety inspections conducted by the Department of Social Services in order to be paid for providing subsidized child care. Legislation also should be enacted allowing the State to pay higher reimbursement rates to license-exempt providers who have undergone training in child development and to provide incentives for exempt providers to open licensed family day-care homes.

- ***Create incentives for providers to meet off-hour needs with quality care.*** The Governor and the Legislature should enact legislation allowing the State to pay higher reimbursement rates in its subsidized programs to providers who offer care during non-traditional work hours or to disabled children, who offer a range of support services to families and who have undergone additional training to offer high levels of care to children.

- ***Create incentives for people to enter the field and receive more training.*** The Governor and the Legislature should enact legislation expanding scholarships and providing tuition credits for students undergoing training to become child care workers. Legislation also should be enacted requiring family child care providers to undergo training in early childhood education, including requirements for annual continuing education in the field.

- ***Expand opportunities for children to attend preschool.*** While the Commission did not extensively study the concept of universal preschool, the issue is central to the State's long-term pursuit of high quality early child development programs. The State should fund an in-depth academic investigation of the potential to provide preschool education to all three- and four-year-olds in the

state. The State should fund pilot projects in a cross-section of California school districts to test the potential for providing preschool education on a voluntary basis to all three- and four-year-olds. The State should provide seed money and technical assistance to local agencies and private providers in counties lacking preschool opportunities to help them to develop early education programs.

Conclusion

Conclusion

Every day, more Californians rely on child care services as part of their daily routine. The revolution in family structure and economics over the last generation has resulted in a majority of parents turning to friends, relatives and professionals to share in one of their greatest responsibilities.

The State also shares in this responsibility -- by licensing providers, by subsidizing care for low-income families, and by trying to raise the quality of child care services from mere supervision to early education.

Child care is an issue that affects all Californians because the well-being of all citizens is determined in part by the socialization and education of the next generation. Child care also is an issue that a growing number middle- and upper- income families are concerned with as consumers of those services, often provided by non-governmental organizations.

But the concentration of concern must be on those children -- increasing in real numbers and as a percentage of the population -- who are growing up in poverty.

An analysis completed in July 1998 by the National Center for Children in Poverty documents that California's children are worse off than children in most other states.

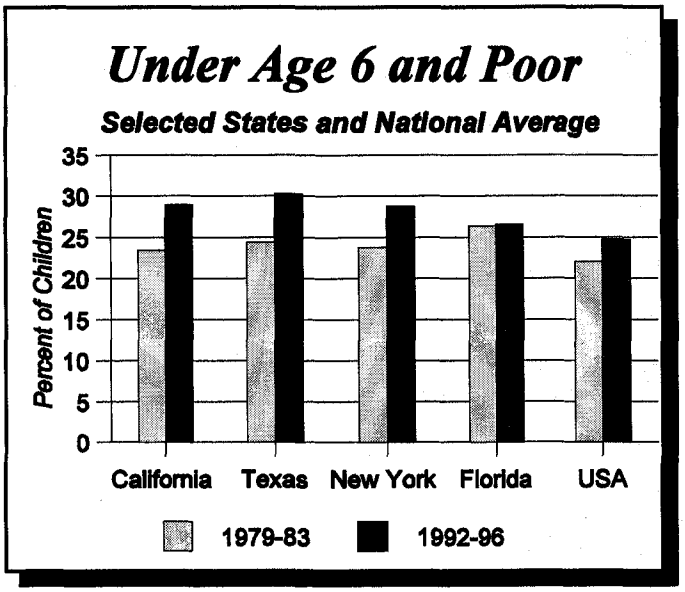
The center looked at statistics from the early 1980s and from the middle 1990s. The percentage of California children in poverty is higher than the national average -- higher than in all but seven other states -- and is increasing.

During the years 1979 to 1983, an average of 23.4 percent of California children under age six -- more than half a million youngsters -- lived in poverty.

During the years 1992 to 1996, an average of 28.9 percent of California children under age six -- nearly 1 million youngsters -- lived in poverty.

Nationally, the percentage of children in poverty increased from 22 percent to 24.7 percent during that period. While the national average increased by 12 percent, the percentage of California children in poverty grew twice as fast -- by 24 percent.

California is not alone in this problem. While some states have seen child poverty rates decline -- such as Pennsylvania, Virginia, Alabama and Mississippi -- many states have experienced increasing rates of poverty.



The chart compares California with the three next largest states, and the national average.

Researchers identified three key demographic factors that help to explain the differences among the states in the rates of child poverty -- the proportions of young children with: (1) single mothers (family structure), (2) mothers who completed high school (parental education), and (3) at least one parent employed full-time (parental employment).

Child care that is available, accessible and affordable can mute the consequences of these and other factors associated with poverty. It can help families overcome the financial burdens of unwed motherhood and divorce. It can enable parents to acquire skills and hold a job. High-quality care is nothing short of an investment -- building the capacity of children to be lifelong learners and earners.

The State has years of experience with child care programs. The experience to date proves that these programs will only live up to the challenge -- and to their potential -- if there is a coordinated plan that allows and requires the State, local governments, school districts, private organizations and parents to each do what they do best.

The plan should reduce and streamline the state bureaucracy, empower communities to define their needs and give them control over the resources required to meet those needs.

The success of this effort will require significant improvements in three specific areas:

- California will have to improve the availability of child care services. Particular attention is needed to increase the choices in low-income and rural communities, which have not always shared equitably in public- assisted child care resources.

- California also will have to make good on its promise to help poor families pay for the child care that enables them to become more self- sufficient. The State has made great strides in this area in recent years, but needs to continue to find the most cost-effective ways to satisfy this commitment.

- And finally, California must recognize that quality of care is an investment in future students, workers and parents.

As with most social issues, there are no simple solutions. Licensed child care services are provided through a complex marketplace of for-profit, non-profit and government-sponsored programs. Many people rely on relatives or friends. Choices are based on an even more complex set of factors -- what is affordable, available, reliable, culturally acceptable. Some parents have few choices at all.

The prescriptions for reform must be as sophisticated as the problem is complex. Improvements will come through a variety of organizational and funding reforms. Employers need the guidance and incentives to increase their role in helping workers take care of family obligations. Parents need to understand their choices and create a demand for quality. Providers needed to be encouraged and given the opportunity to learn how to improve the services they provide.

Whatever level of public resources are allocated to child care must balance the need to increase the supply and the quality, and must be spent in ways that creates the largest return on the public investment.

For pragmatic and moral reasons, the State needs to weave its disparate child care programs into a system that brings out the best in providers and parents -- and in turn the children for which they share responsibility.

Appendices

APPENDIX A

Little Hoover Commission Child Care Advisory Committee

The following people served on the Child Care Advisory Committee. Under the Little Hoover Commission's process, advisory committee members provide expertise and information but do not vote on the final product.

Cindy Acker
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On the Capitol Doorstep

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Alice Walker Duff
Director, Crystal Stairs

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California Department of Education

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Child Care Coordinator
City of Chula Vista

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Chief of Staff to
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Nancy Remley
Chief, Child Care Programs Bureau
Department of Social Services

Toni Richards
Community Connection for Children

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City of Lompoc

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Executive Director
California School-Age Consortium

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Liz Steinberg
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Carol Stevenson
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California State Association of Counties

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City of Santa Monica

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Judy Teague
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Santa Barbara County

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Human Services

Lisa Velarde
President, California Alternative Payment
Program Association

Gail Walker
Child Care Coordinator
City of Milpitas

Ed Warren
Warren Edmunds and Associates

Alan Watahara
President, California Partnership for
Children/California Children's Lobby

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Chair, Senate Health and
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Charles Weis
Ventura County Superintendent of
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LeAnn Wylie
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Madera County

Marie Young
Center for the Future of Children

APPENDIX B

Witnesses Appearing at Little Hoover Commission Child Care Public Hearing January 22, 1998 Sacramento

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Child Development Policy Committee

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Director
Department of Social Services

Jane Henderson
Deputy Superintendent
Child, Youth and Family Services
Department of Education

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Public Policy and Education
University of California, Berkeley

Alice Walker Duff
Director
Crystal Stairs

Witnesses Appearing at Little Hoover Commission Child Care Public Hearing February 26, 1998 Sacramento

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National Conference on State Legislatures

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Country Welfare Directors Association

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Edward Velasquez
Kern County Economic Opportunity Corp.

Javier Guzman
Latino Child Development Association

Carol Robson
California Head Start Association

John Hillis
Private Day Care Provider

Endnotes

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LITTLE HOOVER COMMISSION MEMBERS

RICHARD R. TERZIAN (R) Appointed to the Commission by Governor George Deukmejian in May 1986. Reappointed by Governor Pete Wilson in March 1994. Partner in the law firm of LeBoeuf, Lamb, Greene & MacRae. Chairman of the Commission since March 1994. Served as Vice-Chairman from 1992 to 1994.

MICHAEL E. ALPERT (D) Appointed to the Commission by Assembly Speaker Willie L. Brown, Jr. in May 1994. Reappointed by the Senate Rules Committee in August 1997. Retired partner in the law firm of Gibson, Dunn & Crutcher. Former Chief Deputy Commissioner of the Department of Corporations.

MARJORIE M. BERTE (R) Appointed to the Commission by Governor Pete Wilson in July 1998. Vice President for Underwriting and Policyholder Services with the California State Automobile Association (AAA). Former director of the Department of Consumer Affairs from January 1995 to March 1998.

CARL D. COVITZ (R) Appointed to the Commission by Governor Pete Wilson in October 1993. Reappointed in March 1996. Owner and President of Landmark Capital, Inc. Former Secretary of the Business, Transportation and Housing Agency from 1991 to 1993, and Undersecretary for the U.S. Department of Housing and Urban Development from 1987 to 1989.

DANIEL W. HANCOCK (D) Appointed to the Commission by Assembly Speaker Cruz Bustamante in July 1997. President of Shapell Industries of Northern California since 1985.

ASSEMBLYMEMBER SALLY HAVICE (D) Appointed to the Commission by Assembly Speaker Antonio Villaraigosa in April 1998. Elected to the State Assembly for the 56th District in November 1996. Chair of the Assembly Select Committee on California Ports, and the Select Committee on School Safety.

GARY R. HUNT (R) Appointed to the Commission by Governor Pete Wilson in March 1998. Executive vice president of corporate affairs and administration for The Irvine Company.

SENATOR QUENTIN L. KOPP (I) Appointed to the Commission in March 1997 by the Senate Rules Committee. Elected to the State Senate in November 1986. Chair of the Senate Transportation Committee.

GWEN MOORE (D) First appointed as a legislative member to the Commission by Assembly Speaker Willie L. Brown, Jr. in October 1984. Appointed as a public member by Brown in May 1995. Founder and Chief Executive Officer of GeM Communications Group. Former member of the California State Assembly.

ANGIE PAPADAKIS (R) Originally appointed to the Commission by Governor George Deukmejian in August 1990. Reappointed by Governor Pete Wilson in November 1993. President of Papadakis Advertising. Serves on the Los Angeles County Board of Education and the California-Nevada Super Speed Train Commission.

ASSEMBLYMEMBER CHARLES POOCHIGIAN (R) Appointed to the Commission by Speaker Curt Pringle in March 1996. Reappointed to the Commission by Assembly Speaker Cruz Bustamante in November 1997. Member of the State Assembly since 1994. Serves as a member of the Assembly Appropriations, Transportation, and Revenue & Taxation Committees.

SENATOR JOHN VASCONCELLOS (D) Appointed to the Commission by the Senate Rules Committee in February 1997. Chairs the Senate Public Safety Committee and the Select Committee on Economic Development.

STANLEY R. ZAX (I). Appointed to the Commission by the Senate Rules Committee in March 1994. Chairman and President of Zenith Insurance Company.

"Democracy itself is a process of change, and satisfaction and complacency are the enemies of good government."

Governor Edmund G. "Pat" Brown,
addressing the inaugural meeting of the Little Hoover Commission,
April 24, 1962, Sacramento, California

Cover photography: Sherry Robyn