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Technical Appendix: Calculating the Need for Subsidized Child Care in California

The California Budget & Policy Center's analysis of the number of children and families eligible for subsidized child care and development programs in California was guided by a methodology developed for Child Care & Early Education Research Connections by Wladimir Zanolini and Robert M. Goerge at the University of Chicago and J. Lee Kreader and Ayana Douglas-Hall at Columbia University. Research Connections is a partnership between the National Center for Children in Poverty at Columbia University and the Inter-university Consortium for Political and Social Research at the University of Michigan.

This analysis relies on data from the US Census Bureau's American Community Survey (ACS). The ACS is an ongoing survey that provides vital information on an annual basis on a wide range of topics including employment, housing, education, demographics, and more. The ACS provides both (1) detailed income variables, which the Budget Center uses to calculate families' income eligibility for subsidized child care and (2) specific family relationship variables, which the Budget Center uses to group various household members into families.¹ However, as explained below, the survey data do not capture certain information that is taken into account in assessing families' eligibility for subsidized child care in California. Taken together, these data limitations likely result in a conservative estimate of the number of children and families in California who are eligible for subsidized child care.

This analysis focuses on subsidized child care programs administered by the California Community Colleges, the California Department of Education, or the Department of Social Services. Families are eligible for subsidized child care if the child who would receive care is under the age of 13; the family establishes an appropriate eligibility status, such as by having an income below the limit set by the state; and the family demonstrates a need for care, such as parental employment.² The methodology used in this analysis involves several steps: (1) defining families and determining family size, (2) calculating countable income, and (3) determining family eligibility status and reason(s) for needing subsidized child care. The following sections describe these steps in detail.

Defining the Family and Determining Family Size

This section (1) reviews how California defines "family" in assessing eligibility for subsidized child care and (2) outlines the method by which this analysis constructs unique family units using ACS data.

How California Defines "Family" in Assessing Eligibility for Subsidized Child

Care

The California Code of Regulations (CCR) states that:

“Family” means the parents and the children for whom the parents are responsible, who comprise the household in which the child receiving services is living. For purposes of income eligibility and family fee determination, when a child and his or her siblings are living in a family that does not include their biological or adoptive parent, “family” shall be considered the child and related siblings.³

In other words, a “family” consists of either:

- Children and the parent or parents who are responsible for their care and welfare, including step-parents, but *excluding* any other adults who may also reside in the household,⁴ or
- Children only, in cases in which a biological or adoptive parent is not present.⁵ In other words, the state would consider these children to constitute a “child-only” family for the purpose of assessing eligibility for subsidized child care.⁶

The methodology used in this analysis fails to capture the small number of children who were not living with a biological or adoptive parent and who thus fall into the “child-only” family category.⁷ The ACS does not contain income data for children under the age of 15. Since it is not possible to determine family income for most children in these child-only family units, these observations were excluded from the analysis. Children from birth through age 12 in child-only families accounted for 2.6% of the total number of children from birth through age 12 in California in 2017. Excluding these observations likely results in a conservative estimate of the number of children and families eligible for subsidized child care.

How This Analysis Constructs Unique Family Units

The US Census Bureau categorizes families within a household as either a primary family or a subfamily (if present), based on family members’ relationship to the head of household. The way in which individuals and families are categorized is not always aligned with state rules regarding eligibility for subsidized child care. As a result, this analysis constructs unique family units using ACS relationship variables based on the state’s definition of “family,” as described above. However, the process for constructing family units was different for each type of family.

- **Primary families.** The ACS contains detailed relationship variables for primary families within each household. These variables allow for greater specificity when constructing families from the primary family units than is possible with Census Bureau-designated subfamilies. For the purpose of this analysis, the constructed family units include children under the age of 18, 18-year-olds who were in high school, and the biological or adoptive parent or parents. In cases where the head of household was living with an unmarried partner, the family unit was determined based on whether or not the head of household and the partner had a child in common.⁸ If so, state rules would require these individuals to apply for subsidized child care as a single family unit, including both the child in common and any other children in the family. However, if the head of

household and an unmarried partner each had their own children *but did not have any children in common*, they could apply as separate family units.⁹ This analysis assumes that both parents in such “Brady Bunch” families would opt to apply separately.

- **Subfamilies.** The Census Bureau defines a subfamily as “a married couple with or without never-married children under 18 years old, or a single parent with one or more own never-married children under 18 years old living in a household.”¹⁰ However, the Census Bureau’s coding of subfamilies does not group unmarried partners into the same subfamily, regardless of whether they have a child in common, because the definition of subfamily is limited to *married* partners. The Census Bureau codes unmarried partners and their children (if any) as separate individuals or separate subfamilies within the household. Following the Census Bureau, the Budget Center’s analysis groups the unmarried partners and their children (if any) as separate subfamilies regardless of whether the unmarried partners have a child in common. In some households, children and adults were categorized as boarders, housemates, other relatives, or other non-relatives. Where possible, these observations were categorized as a subfamily and the adults were assumed to be the biological or adoptive parents of the children.

Calculating Countable Income

This analysis calculates income eligibility using the ACS income variables. Each individual age 15 and older has a “total personal income.” This is the sum of eight different income variables, such as wages, Social Security, interest, and retirement income.¹¹ In California, several types of personal income are excluded for the purpose of determining a family’s eligibility for subsidized child care:

- Loans;
- Student aid;
- Food assistance;
- Tax refunds;
- GI Bill entitlements or forms of hardship or hazardous duty pay;
- Adoption assistance payments;
- Non-cash assistance or gifts;
- Supplemental Security Income/State Supplementary Payment (SSI/SSP) cash assistance;
- Insurance or court settlements, including for pain and suffering;
- Work reimbursements;
- Business expenses for the self-employed;

- Disaster relief grants; and
- Wages earned by a child under age 18.¹²

In addition, child support paid by the parent of the child receiving subsidized child care is subtracted from the parent's income when calculating income for eligibility purposes.

Of these items, children's wages (for those age 15 and over) and SSI/SSP cash assistance are accounted for individually in the ACS data. All other types of personal income that California disregards for the purpose of determining eligibility are not accounted for individually in the data and therefore cannot be excluded from the analysis. Likewise, child support paid by the parent also is not accounted for in the ACS data and cannot be excluded from the analysis.

To calculate each family's countable income, the Budget Center's analysis subtracts SSI/SSP cash assistance from total personal income for (1) the head of household, (2) the spouse/partner (if applicable), and (3) 18-year-olds enrolled in high school. For children age 15 to 17, this analysis subtracts wages from total personal income along with SSI/SSP cash assistance. These calculations result in new estimates of total personal income for the purpose of determining families' eligibility for subsidized child care. However, due to data limitations (described above), these estimates likely overstate family income because many types of income that California excludes when calculating families' income eligibility could not be subtracted from total personal income. This likely results in a conservative estimate of the number of children and families eligible for subsidized child care.

Income eligibility for subsidized child care is based on the eligibility limits for initial certification effective on July 1, 2017.¹³

Determining Family Eligibility Status

State law requires that parents first establish family eligibility status based upon (1) income eligibility (outlined above), (2) whether or not the family receives cash assistance through the California Work Opportunity and Responsibility to Kids (CalWORKs) welfare-to-work program, (3) family homelessness, and/or (4) whether or not the children are in contact with child protective services.¹⁴ Of these four criteria, this analysis captures families whose eligibility status is based on family income or on homelessness.

This analysis is unable to determine family eligibility status based upon receipt of CalWORKs cash assistance and/or whether or not the children are in contact with protective services. Due to these limitations, the final estimates likely result in a conservative estimate of the number of children and families eligible for subsidized child care.

Identifying Reason(s) for Needing Subsidized Child Care

In addition to establishing an appropriate family eligibility status, families must have a "reason for needing service." The reasons outlined in state law and regulations are: (1) child

involvement with child protective services or child is at risk for abuse or neglect, (2) employment or seeking employment, (3) vocational training, (4) parental incapacitation, (5) family homelessness and/or (6) seeking permanent housing for family stability.¹⁵

The ACS data cannot be used to identify families that are involved with child protective services and/or seeking permanent housing. However, the ACS data do include information related to employment, vocational training, parental incapacitation, and homelessness, albeit with limitations. As a result, the Budget Center's analysis focuses on four reasons for needing subsidized child care: employment (or seeking employment), vocational training, parental incapacitation, and homelessness.

Employment

State law and regulations allow parents who are employed or seeking employment to establish and maintain eligibility for subsidized child care.¹⁶ This analysis uses two variables that provide information on whether respondents were employed or if they were seeking employment. Parents in the armed forces were also counted as employed.

Vocational Training

State law and regulations allow parents to establish and maintain eligibility for subsidized child care based on participation in vocational training. Vocational training is defined as "training leading directly to a recognized trade, paraprofession, or profession."¹⁷ The regulations regarding vocational training are broad and encompass typical job training programs in addition to coursework leading to a bachelor's degree and, potentially, a master's degree. Specifically, parents who are engaged in vocational training are eligible for subsidized childcare for six years or for 24 semester units after earning a bachelor's degree, whichever expires first.¹⁸ In addition, minor teen parents may also count high school attendance, or its equivalent, "until after the teen parent's 18th birthday, or high school graduation, whichever is later."¹⁹

The Budget Center's analysis uses two ACS variables to estimate the number of parents engaged in vocational training. One variable indicates whether or not an individual is enrolled in school, and, if the individual is attending school, the second variable provides data on the grade level they are enrolled in. "School" is defined by the ACS as schooling which leads to a high school diploma or a college degree. Individuals enrolled in school are assumed to be participating in vocational training, as defined in state regulations.

Vocational, technical, or business school enrollment is not measured by the ACS. Due to this data limitation, the Budget Center's analysis likely underestimates the number of children and families eligible for subsidized child care based on enrollment in job training programs that do not lead to a bachelor's or master's degree.

Parental Incapacitation

California defines "incapacitation" as "the temporary or permanent inability of the child's parent(s) to provide care and supervision of the child(ren) for part of the day due to a physical or mental health condition."²⁰ When determining a family's need for subsidized child care,

parental incapacitation is assessed on a case-by-case basis and requires a doctor's note stating that the individual needs assistance with the care of a child.²¹ The ACS provides a number of different types of "difficulties" that can be considered incapacitating. These include difficulties related to hearing, vision, memory, walking or climbing stairs, performing basic activities outside the home, and caring for oneself. The Budget Center's analysis assumes that any parent who has difficulty remembering, walking or climbing stairs, performing basic activities, or caring for themselves could also use assistance in caring for a child and would be eligible for subsidized care due to parental incapacitation. In contrast, this analysis assumes that any parent who has difficulty seeing or hearing would *not* need assistance in caring for a child.

Homelessness

State law and regulations allow parents to establish and maintain eligibility for subsidized child care based on whether the family is experiencing homelessness. To meet the state's eligibility guidelines for homelessness, families must provide 1) a written referral from a social service provider, such as a medical service agency or an emergency shelter, or 2) a written statement from the family describing the family's current living situation. The written referral suffices to support the family's need for care. In contrast, if the family submits a written statement, they must also provide documentation of need, as described above, such as employment or vocational training.²²

The ACS surveys individuals in both "institutionalized group quarters," such as prisons, and "non-institutionalized group quarters," such as homeless shelters. Individuals in group quarters are not linked by relationship. For example, children residing in non-institutionalized group quarters would not be linked to their parents. Because families experiencing homelessness meet both the eligibility and need criteria with a written referral, data on family characteristics, such as income or parental employment, are not also necessary to determine eligibility. While the definition of "non-institutionalized group quarters" includes homeless shelters as well as other types of housing, the Budget Center's analysis assumes that all children living in non-institutionalized group quarters are homeless. According to ACS data, in 2017, an estimated 1,972 California children under the age of 12 were residing in non-institutionalized group quarters. By comparison, the US Department of Housing and Urban Development (HUD) reported that more than 21,000 homeless families with children in California – both sheltered and unsheltered – were counted on a single night in January 2017.²³ Clearly, HUD's figure is substantially higher than that reported by the ACS. This discrepancy is at least partly due to the fact that the ACS data do not include homeless families that are unsheltered. Due to these data limitations, the Budget Center's analysis likely underestimates the number of children and families eligible for subsidized child care based on homelessness.

¹ The Census Bureau's Current Population Survey (CPS) is another potential data source. However, the CPS sample size is considerably smaller than the ACS, which limits its utility in generating estimates for groups with small numbers. For example, this could include children of different races and ethnicities. In addition, CPS sample weights are not designed for sub-state analysis, which means that analysis of county or metropolitan-area data is not possible.

² California Education Code, Sections 8263(a)(1) and 8208(i), and California Code of Regulations, Title 5, Sections 18083(e) and (g).

³ California Code of Regulations, Title 5, Section 18078(f).

⁴ State regulations broadly define a "parent" as an "...adult living with a child who has responsibility for the care and welfare of the child." See California Code of Regulations, Title 5, Section 18078(m). Step-parents are included in the family unit because family

relationships are defined by blood, marriage, or adoption. See California Code of Regulations, Title 5, Section 18083(d). In addition, based on conversations with state officials and eligibility workers, “children” means people under age 18 and 18-year-olds attending high school.

⁵ Based on conversations with state officials and eligibility workers, “children” means people under age 18 and 18-year-olds attending high school.

⁶ This means, for example, that a foster parent, a caretaker relative, or a legal guardian would not be counted as part of the family for the purpose of assessing income eligibility for subsidized child care.

⁷ For example, foster children were categorized as a child-only families within a household and were excluded from the analysis.

⁸ The ACS provides detailed relationship variables only for the head of household. This means that it is not possible to determine if the unmarried partner is the biological or adoptive parent of the head of household’s biological children. The Census Bureau’s Annual Social and Economic Supplement of the Current Population Survey (CPS) provides more detailed relationship variables. Using the CPS, the Budget Center estimates that 55% of households with unmarried, cohabitating parents had a child in common. The Budget Center applied this same percentage to the ACS data. Specifically, 55% of the ACS households with cohabitating parents with children were randomly selected and marked as having a child in common. The remaining 45% of these families were marked as not having a child in common.

⁹ This is based on conversations with eligibility workers and California Code of Regulations, Title 5, Section 18400(e)(1).

¹⁰ Children who are age 18 and over are not coded as part of the subfamily by the Census Bureau.

¹¹ The total personal income variable reflects pre-tax income.

¹² California Code of Regulations, Title 5, Section 18078(a).

¹³ California Education Code, Section 8263.1. See also California Department of Education, Management Bulletin 17-08 (July 2017).

¹⁴ California Education Code, Section 8263(a)(1)(A).

¹⁵ California Education Code, Section 8263(a)(1)(B).

¹⁶ See California Department of Education, Management Bulletin 17-14 (September 2017), for details on parents’ need for subsidized child care on the basis of seeking employment.

¹⁷ California Code of Regulations, Title 5, Section 18087(a).

¹⁸ California Code of Regulations, Title 5, Sections 18087(a).

¹⁹ California Department of Education, Management Bulletin 11-28 (August 2011). Beginning on January 1, 2018, all parents engaged in an educational program for English language learners or in a program to obtain a high school diploma (or the equivalent) also meet the need for subsidized child care. See Management Bulletin 18-02 (February 2018).

²⁰ California Code of Regulations, Title 5, 18078(n).

²¹ California Code of Regulations, Title 5, 18088(c)(1).

²² California Code of Regulations, Title 5, Section 18090. See also California Department of Education, Management Bulletin 18-04 (July 2018).

²³ US Department of Housing and Urban Development, *The 2017 Annual Homeless Assessment Report (AHAR) to Congress, Part 1* (December 2017), p. 36.