Summary

Rising Costs of Child-Care

According to data from the 2024 Silicon Valley Index, child-care costs in Silicon Valley have nearly quadrupled over the past 20 years, rising twice as quickly as the regional inflation rate since 2013 (the index identifies Silicon Valley as Santa Clara and San Mateo counties and parts of Alameda and Santa Cruz counties). Over the past decade alone, child-care costs have more than doubled. In Silicon Valley, the average monthly cost of child care is $2,496 per month, amounting to nearly $30,000 per year. Child-care costs are higher in the region's more affluent areas (for both unlicensed in-home care and licensed center/home-based child-care providers), which especially affects child-care access for low-income families in these areas, highlighting the systemic inequities throughout the regional economy. For several Bay Area families with young children, child-care costs have become the largest monthly expense—above housing, health care, and taxes. This trend is particularly apparent in families with young children and those with more children than adults (e.g., one parent, two children). Table 1 below shows the annual costs of child care for various family compositions for 2023.

Table 1: 2023 Costs of Childcare—Silicon Valley, Bay Area, and California Comparison

	1 Infant	1 Infant 1 Preschooler	2 School-Age Children	1 Infant 1 Preschooler 1 School-Age Child
Silicon Valley	$36,000	$67,900	$43,900	$89,900
Bay Area	$33,100	$61,600	$39,600	$81,400
California	$25,800	$46,400	$28,800	$60,800

Based on data from the most recent Santa Clara County Childcare Needs Assessment Report, families with one child under the age of six years who need licensed care allocate 30% or more of their income on child care.

The high cost of child care affects the ability of parents and guardians to access quality care for their children while they work and their ability to afford other necessary living expenses. Unfortunately, as discussed in the section below, available subsidies are insufficient to alleviate this burden on low-income families.

Another factor to consider is the impact of these trends on child-care staff. While pay rates for child-care workers impact the cost of child care as discussed below, these rates remain insufficient to afford the cost of housing and other expenses in the communities in which child-care staff work. In addition, these workers also struggle to afford the cost of care for their own children. According to the Santa Clara County Childcare Needs Assessment Report, the child-care work force has been decreasing, as workers are leaving the field to pursue higher-compensating careers to be able to afford living and working in Silicon Valley.

Limited State and Federal Child-Care Subsidies

In California, subsidized child-care providers are paid in one of two ways: (1) by accepting vouchers from families; or (2) by contracting directly with the state. Providers who accept vouchers are reimbursed by the state based on the Regional Market Rate (RMR) Survey. The RMR survey provides "rate ceilings" based on the provider setting and the age of the child for all 58 counties in California. The rate ceiling is the highest payment a provider can receive from the state for the care of a child. Providers that contract directly with the state are paid with a statewide rate called the Standard Reimbursement Rate, which has typically been adjusted for various factors such as the age of the child or disability status.

According to the California Budget and Policy Center, the state has updated voucher-based payment rates for child-care providers only twice since Fiscal Year 2016-17. During this same period, the state law requiring annual increases to the statewide minimum wage went into effect, raising the wage by 40% from 2017 to 2022.

The rate ceilings for child-care providers across all 58 counties generally have not kept pace with the rising minimum wage. Similar to voucher-based payment rates, policymakers have not consistently updated the Standard Reimbursement Rate each year for contract child-care providers to keep up with rising staff costs and the increasing price of food and supplies. From 2016-17 to 2021-22, the Standard Reimbursement Rate increased by 28.2%, falling short of the 40% increase in the state minimum wage.

In 2019, the United States Government Accountability Office (GAO) found that of the estimated 8.7 million children eligible for subsidies in their state, only 23% of children received the subsidies. The GAO interviewed state administrators who shared that states are required to prioritize which eligible children receive subsidies due to limited state funds, resulting in a long-standing gap between the number of children eligible for subsidies and those who receive them. Administrators also cited concerns about the overall limited federal funding levels for child-care subsidies, including both time-limited and one-time funding.