

The Governor's Budget and the Federal Legislative Update: *Implications for Child Care*



Alameda County

Child Care Planning Council, January 21, 2005

Please Note: Many slides are excerpted from the CA Child Care Resource and Referral Network, the Child Care Law Center, the State's Child Development Division, the Legislative Analyst's Office, the National Women's Law Center and the Children's Defense Fund. Many thanks for their helpful information and resources.

Overview

- 1. The Governor's Budget**
- 2. Federal Reauthorizations Update**
- 3. Federal Budget Information**

The Governor's Budget

From the Legislative Analyst's Office:

Overview: The Governor's proposal contains significant program savings—particularly in K-12 education, social services, and transportation—and borrowing to address the state's 2005-06 budget shortfall. While the 2005-06 proposal has several positive attributes, it falls well short of fully addressing the state's ongoing projected fiscal imbalances. Moreover, its budget reform proposals would put more future state spending on "cruise control" and hamper the ability of future policy makers to establish budget priorities.

The Governor's Budget

From the Legislative Analyst's Office:

Child Care: The budget proposes a series of child care reforms, similar to last year's proposal. The proposal would save \$95 million in the State Department of Education programs and \$63 million in child care for CalWORKs recipients. Key features of the proposal include: (1) phasing in a one-year time limit for Stage 3 child care, (2) tying reimbursement rates to child care quality (which results in significant reductions in reimbursements for license-exempt care), (3) waiting list reforms, and (4) basing income eligibility on the percentage of federal poverty rather than state median income. Most of the savings come from the proposed reduction in reimbursement rates to unlicensed providers.

The Governor's Budget

From the CA Child Care R&R Network and the Child Development Division:

Total Child Care Budget: **\$3.1 billion** (CDE, DSS, CCC) (which is slightly higher than the \$3.0 billion overall child care funding in the current year). Overall funding in Child Development Division programs would increase by \$51.6 million or 2.3 percent more than current year.

Increases:

Statutory growth and COLA adjustment to **non-caseload driven programs**
3.93% for COLA- \$50.8 million
2.41% for growth adjustment for 0-4 year olds- \$29.7m
\$7.9 million for counties to develop and maintain centralized eligibility lists.

The Governor's Budget

From the Child Development Division:

Increases:

Waiting List Changes:

➤ The budget provides \$7.9 million for counties to establish and maintain a centralized child care eligibility list in two parts. First, families with monthly income below the levels at which fees are assessed will receive child care services on a "first come, first served" basis. Second, eligibility for families that are required to pay family fees would be based on the lowest income first, as in current practice.

The Governor's Budget

From the Child Development Division:

Reductions:

This year's child care reform proposals are estimated to save a total of \$172.1 million, including \$102.7 million from CDE programs and \$69.5 million from CDSS programs.

Funding for the center-based child development programs remains essentially the same as current year except that the Extended Day Latchkey Program was augmented by \$3.3 million to restore the current year reduction for services to 11 and 12-year-old children.

After School: Funding for the After School Education and Safety Program would remain unchanged from current year at \$121.5 million. Funding for 21st Century Community Learning Centers is decreased by \$26.8 million which was one-time funds in the current year. Total remaining funds are \$135.9 million.

The Governor's Budget

From the CA Child Care R&R Network and the Child Development Division:

Specific Reductions:

Child Care Eligibility:

1. Effective 2005-06, income eligibility for subsidized child care programs will be based on the Federal Poverty Level (FPL).

75% of the State Median Income (SMI), the current exit level for child care subsidies is approximately 214 – 217% of the FPL. From CDD: The Administration's intent is to establish the new income limits close to the present limit of 75 percent of state median income. No families would lose their current child care services due to this change.

2. After School Programs would continue to be the "preferred placement program" for services to 11 and 12-year-olds. The families of these children would be required to certify that the After School Program does not meet their child care needs in order to receive services in CDD contracted programs.

The Governor's Budget

From the CA Child Care R&R Network:

Specific Reductions:

CalWORKs Child Care Eligibility: (*This appears to be a remake of the May Revise 2004 proposal*)

- Families on Stage 3 child care as of June 30, 2005, transfer to general AP (Alternative Payment) programs along with the corresponding funding permanently expanding the AP program.
- Families off cash aid but still on Stage 1 or Stage 2 remain on child care for up to two years from the date they left cash aid. Then they move to Stage 3 at the end of two years and receive child care subsidies for up to two years on Stage 3.
- Families who are receiving cash aid receive child care subsidies until they leave aid. Receive a maximum of three years of child care subsidies after they leave cash aid.

The Governor's Budget

From the CA Child Care R&R Network and the Child Development Division:

Specific Reductions:

Child Care Reimbursement Rate Limits:

Reduce **License- Exempt** reimbursement rates as follows:

Current reimbursement rate: 90% of the 85th percentile, or the family child care ceiling)

Proposed Reimbursement Rate: Up to 55% of the family child care ceiling if they do not obtain training **within 90 days**.

Proposed Reimbursement Rate: Up to 60% of the family child care ceiling if they do complete health & safety training, seek early childhood education, or attain other designated levels of "quality."

(\$140.1 million in savings (of the total \$172 million savings proposed from child care) is anticipated from the proposed reimbursement change for license-exempt providers).

The Governor's Budget

From the CA Child Care R&R Network and the Child Development Division:

Specific Reductions:

Child Care Reimbursement Rate Limits:

This budget provides \$10 million for CDE to implement a tiered reimbursement system for licensed providers. The funds are for training and continued calibration of environment rating scale evaluators. CDE would be required to submit an expenditure plan and implementation timelines for a tiered reimbursement system to the Department of Finance and CDSS no later than November 1, 2005. The current reimbursement ceilings would be maintained for two years, after which time reimbursement ceilings would be set according to the provider's level of quality care.

The Governor's Budget

From the CA Child Care R&R Network and the Child Development Division:

Specific Reductions:

Child Care Reimbursement Rate Limits:

Family Child Care

75 percent of the 85th percentile if no training

85 percent of the 85th percentile if provider receives an average of 4 on the Family Day Care Environmental Rating Scale (FDCERS) or an Associate Teacher Permit

85th percentile if provider receives an average of 5.5 on FDCERS, Teacher permit or an AA degree, or National Association for Family Child Care (NAFCC) accreditation.

The Governor's Budget

From the CA Child Care R&R Network and the Child Development Division:

Specific Reductions:

Child Care Reimbursement Rate Limits:

Center Based Care

75% of the 85th percentile if no training

85% of the 85th percentile if program receives an average of 4 on the Early Childhood Environmental Rating Scale (ECERS), Infant/Toddler Environmental Rating Scale (ITERS), or School-aged Child Care Environmental Rating Scale (SACERS or all teachers have an Associate Teacher Permit.

85th percentile if program receives an average of 5.5 on ECERS, ITERS, or SACERS, all teachers with a BA degree, NAEYC accreditation or National School-Age care Alliance (NSACA) accreditation.

The Governor's Budget

From the CA Child Care R&R Network and the Child Development Division:

Specific Reductions:

Child Care Reimbursement Rate Limits:

Regulations for establishing an alternative rate setting mechanism for providers that only serve subsidized families were suspended in the current year. The Governor proposes to allow the suspension to expire so that the new regulations for setting the rates for providers not participating in the market will take effect July 1, 2005.

The Governor's Budget

From the CA Child Care R&R Network and the Child Care Law Center:

Specific Reductions:

Community Care Licensing:

The Governor's Budget section on Health and Human Services contains an unexplained reduction of \$572,000 to eliminate the statutory requirement to increase the community care licensing workload. This proposal would delete the requirement to increase the number of licensing visits if there is an increase of ten percent or more citations for licensing violations.

The Governor's Budget

From the CA Child Care R&R Network and the Child Care Law Center:

Other Reductions:

CalWORKs:

\$1 billion in cuts from programs that assist about half a million of California's poorest families. Proposed reduction of CalWORKs grants to families with children by 6.5 percent, reducing the grant for a family of three by \$47 to \$676 a month. Proposed repeal of the statutory cost of living adjustment. Proposal to reduce the money working families can keep from work by an average of about \$100 a month to save the state \$111 million.

Federal Legislative Update

From the Children's Defense Fund:

Head Start:

In 2003, President Bush announced he wanted to “strengthen Head Start.” But administration funding requests for Head Start have been barely sufficient to meet rising costs even as more children have fallen into poverty. Fewer eligible children are enrolled, and programs are being forced to cut services (e.g., transportation) and teaching slots.

In addition, news reports of a confidential OMB memo revealed the Bush Administration's plan to cut Head Start by \$177 million for 2006-keeping 21,820 kids from enrolling.

Also, early indications point to the Bush Administration proposing to block grant Head Start with CCDBG this year.

Federal Legislative Update

From the Children's Defense Fund:

CCDBG:

The President's proposals to leave funding unchanged for child care assistance in the face of rising costs and a growing population mean that as many as 450,000 children stand to lose child care assistance by 2009. Only one of every seven eligible children currently receives a child care subsidy, but the President has opposed increases for child care assistance. States have made drastic cuts to child care services because of state budget crises that have been exacerbated by federal tax cuts. More than 550,000 children across the country are on waiting lists for child care assistance. This number underestimates the true number turned away because many states do not maintain waiting lists. And many families are discouraged from applying for assistance because of long lists or because they are not aware that they are eligible.

Federal Budget Update

Threats to Human Needs Priorities in the FY 2006 Federal Budget

“This cannot afford to be a guns-and-butter term...You’ve got to cut the butter.”

--Senator Judd Gregg, incoming chair of the Senate Budget Committee, *Wall Street Journal*, 12/21/04.

National groups that can connect you to the budget process:

Fair Taxes for All: www.fairtaxes4all.org

Coalition on Human Needs: www.chn.org

Federal Budget Update

From the Coalition on Human Needs:

When the incoming chair of the Senate Budget Committee says “You’ve got to cut the butter,” he is talking about cutting programs that invest in opportunities for all and protections for those in need through education, **child care**, health care, job training, and other vital services. Critical choices are about to be made in the next federal budget – choices that will affect most Americans. The proposals will not merely make cuts in services or benefits – that would be bad enough. Beyond dollar cuts, there will be efforts to curtail the capacity of the federal government to respond or invest, by setting structural limits on programs that will cause them to shrink over time – to serve fewer, and to serve them less well.

Is human needs spending causing the deficit?

No. Only a small sliver (9%) of all the causes of the deficit over the long-term (2002 2011) was domestic spending unrelated to homeland security.

Federal Budget Update

From the Coalition on Human Needs:

What's the message?

The message is simple: The President and Congress should reject federal budget proposals to cut vital services.

Timing:

When the President's budget is released on or before February 7, we will learn what he has chosen to cut. At that point, you can be specific in opposing cuts you believe will hurt low-income people and communities. Comment to the press about the President's budget on the day it is released. Set up meetings with staff people for your senators and house members. Also talk to state elected officials to make sure they understand the impact at home. We can make a difference!