State and Federal Funding and Budget Update

Alameda County Child Care Planning Council

January 21, 2011
Highlights of the
1. Governor’s Budget Proposal
2. Federal Funding, Budget & Policy
3. New Local Leadership
The Good News

- Stage 3 child care funding is restored!
- Planning Council and AB212 aren’t (yet) targeted for further reductions, we’re still at 50% of our original Planning Council contract and 75% of our original AB212 contract.
- Child care wasn’t completely eliminated like it was in last year’s budget.
$12.497 billion in spending reductions, including a more than 25 percent ($1.5 billion) reduction to the CalWORKs Program and $1.7 billion in cuts to the Medi-Cal Program and $1 billion in cuts to higher ed;

$12.027 billion in additional revenues, primarily from a five-year extension of temporary tax increases originally enacted in 2009; and

$1.885 billion in borrowing from special funds and other one-time measures.

The Governor’s proposals include deep cuts to health and human services programs, as well as higher education. They also include a significant shift of program responsibility from the state to counties, and eliminating redevelopment programs.
Highlights of the Governor’s Budget Proposal: CalWorks

- Limit families to 48 months cash assistance from 60 months, effective July 1, 2011 ($698.1 million savings)

- Cut CalWORKs grants by 13 percent, effective June 1 ($13.9 savings 2010-11, $405 million 2011-2012). Maximum monthly grant for family of three in a high cost county would drop from $694 to $604.

- $34 million in savings anticipated from the elimination of 11 and 12 years olds from Stage 1 child care.
Governor’s Budget ECE Highlights: $716 mill cut/CDD

<table>
<thead>
<tr>
<th>Cut Description</th>
<th>State Savings</th>
<th>State Impact</th>
<th>Alameda County Impact</th>
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<tbody>
<tr>
<td>Reduce state subsidies by 35% except part-day preschool</td>
<td>$577 million</td>
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<td>$42 million cut to serve same number of children</td>
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<td>Cut 11 and 12 year olds</td>
<td>$93 million ($34 million federal, $59 million state)</td>
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<td>370 11-12 year olds with state subsidies</td>
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<td>Lower eligibility to 60% SMI from 75% (not sure if this applies to state preschool)</td>
<td>$79 million</td>
<td>Family of 3: $3769 to $3015 monthly, or $50,000 to $40,000 for family of four</td>
<td>Not yet clear</td>
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Agency A has a $1 million contract to serve 118 children. They receive $34.38 per child per day.

Agency A’s contract will now be $650,000 to serve 118 children. They receive $22.35 per child per day.

Scenario 1: Agency A chooses not to charge families any co-payment and they try to make it on 35% less than they had the year before.

Scenario 2: Agency A chooses to charge a family co-pay to make up the difference, or $260/month per child. The family of four (who now has to make less than $40,000/yr to qualify), has two preschoolers, and would now have to pay $720/month.
One Analyst’s Prediction

- Rough estimate of program loss: 75% to 90% of all CDD center bases spaces would be lost due to classroom and agency closures. (Savings to the State would be much higher than the projected $716 million.)
Possible Scenarios for Alternative Payment Programs

AP Agency B has a $1 million contract that would become a $650,000 contract.

Scenario 1: Private Center C normally charges $1000/month. Currently they receive $1000/month from the AP. Now they might get $650.* They choose to not charge a parent co-pay and try to make it on that rate.

Scenario 2: Private Center C chooses to charge a family co-pay to make up the difference, or $350/month per child. The family of four (who now has to make less than $40,000/yr to qualify), has two preschoolers, and would now have to pay $700/month.

*This may not be possible according to federal regulations.
Some AP agencies may close because they will have to do the same amount of work with 35% less operating funds.

Depending on a program’s clientele, programs will either suffer because they only serve subsidized families or slots previously filled by subsidized children will be filled by children from higher income families.

Center providers might charge higher co-payments to try to meet their costs, and family child care homes and/or licensed exempt providers might be forced to accept low co-payments or waive co-payments. This would result in a significant shift of families from centers to family child care and license-exempt providers.
$16.29 million decrease in quality funds due to no backfill of ARRA funds

Eliminates Centralized Eligibility List ($7.9 million)

Increase of $948,000 in federal funds for 2011-2012 for ELAC (unexpected money from the feds)

Shifts and changes in CalWORKs Stages
Other ECE Related Changes

- Drains $1 billion out of $2 billion state and local Prop 10 reserves for Medi-Cal for 0-5. Requires ballot initiative.

- Licensing: no changes

- Realignment of child care starting in 2012?
Local Leaders in Sacramento

Alameda County legislators on Budget Committees:

- Assemblyman Sandre Swanson
- Assemblywoman Joan Buchanan
- Senator Loni Hancock
Federal Policy: Good News

Child Care Nutrition Reauthorization:

- President Obama signed into law the new Child Nutrition law on December 14

CACFP Improvements:

- Improves promotion of good nutrition & wellness
- Reduces paperwork for parents, providers & sponsors
- Increases access in low-income neighborhoods
- Requires a child care & CACFP study
- Encourages improvements in child care licensing
Lame duck House passed increases in CCDBG and Head Start.
Lame duck Senate did not have 60 votes to break filibuster.
Republican leadership sent its caucus a loud message that they must stick together and vote "No" on the omnibus.
We have a Continuing Resolution until March 4 and does NOT include ARRA funds for CCDBG and Head Start, or the Challenge Fund through the budget and appropriations process this year.

“It is going to be one of the most challenging times we have all faced as advocates. We did an incredible job working together to move the ARRA child care and Head Start increases and the Challenge Fund through the budget and appropriations process this year. We will be tested in the months ahead and will need to work not just with our early childhood colleagues but with a broad Coalition of groups to stave off deep cuts in spending.”
Federal Funding Impact on California

Total number of children at-risk of losing slots (CCDBG and Head Start combined):
34,000

Head Start ARRA Funds (includes Early Head Start):
$215.3 million

Early Head Start Children Served with ARRA:
5,729

Head Start Children Served with ARRA:
1,605

CCDBG ARRA Federal Funds:
$220.3 million

CCDBG children served with ARRA:
27,000
Questions?

Sources:
R&R Network
Urban Counties Caucus
The Governor’s Budget
FRAC
CA Budget Project
National Women’s Law Center
CCDAA