



## CHILD CARE LAW CENTER

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### CCLC Response to the 2008-09 Governor's May Revisions May 15, 2008

Governor Schwarzenegger's May Budget Revision proposes to address the huge budget gap by relying primarily on ever larger cuts that will be devastating to California's families and our state's future. We strongly oppose the Governor's deep cuts to health care, senior and disabled services, schools, and supports for low income families and children. The May Revision also includes dubious revenue proposals and a distracting "power-grab" that undermines our state's system of checks and balances by giving the Governor unprecedented power to make cuts without approval from our legislators.

CCLC and the 73 parents, child care providers and advocates who participated in our 2008 Work Group support a balanced solution to the California budget crisis including raising revenue and eliminating the tax cuts of the last decade. In addition, California must maintain current funding levels and access to subsidized child care for children and families.

Our legislators and our Governor need to find real solutions that don't jeopardize the care and education of our children, health care for the sick and elderly, or the environment. We believe that the people of California are ready to seek balanced solutions for investing in our shared future. We are working together with all Californians to reject the Governor's approach and build the future our children deserve.

#### **New Proposals in May Revision** *(based on information available as of May 15, 2008)*

- **Cuts to California's Lowest Income Families:** The Governor proposes unconscionable cuts to poor families receiving CalWORKs assistance by reducing the already low monthly grant level by 5%. This means that a working family of three with a current grant of \$723 a month in a high cost county will lose \$74, and be forced to somehow find a way to live on \$649. In a low cost county, the same family's grant of \$689 would be cut by \$70 to \$619 per month.<sup>i</sup> At the same time, the Governor's proposal suspends the 5.27% CalWORKs COLA which was scheduled to go into effect June 1st.<sup>ii</sup> The bottom line is that these new proposed cuts would significantly reduce the most basic support to California's lowest income families. If implemented, these cuts, together with the extensive CalWORKs cuts proposed by the Governor in January, will have a devastating effect on the families who are in greatest need.
- **Permanent Reduction in Payments to Child Care Providers:** The Governor proposes to lower the ceiling on rates that can be paid to child care providers serving families receiving subsidies by reducing the Regional Market Rate (RMR) cap from the 85<sup>th</sup> percentile to the 75<sup>th</sup> percentile for a savings of \$19.4 million.<sup>iii</sup> The Regional Market Rate (RMR) is used to reimburse providers who serve both CalWORKs families and other low income working families eligible for child care vouchers. The 2007 RMR survey has not been released, so it is not possible to analyze the impact on child care providers and communities, but if the RMR cap is permanently lowered this will lead to reduced access to a wide range of providers for families in the subsidy system, and may significantly reduce the income of many of these small child care business owners.

It is disingenuous for the Governor to propose that hard working family child care and center providers should pay for the underinvestment in child care resulting in a waiting list. The current rate ceiling should be maintained and the subsidized child care system should be adequately funded by ensuring that California has the revenue needed to support California's working families. Pitting lower rates to child care providers against the number of children who can be cared for is ludicrous given the enormous wealth and resources available in California to invest in our children. This is another example of low and moderate income people bearing the brunt of "solutions" to the budget crisis.

The Legislature, CDE, and the child care community have long recognized that determining the appropriate reimbursement rates to be paid to licensed child care facilities that serve subsidized families is a complex task that involves balancing significant policy considerations. It could result in a situation where the highest quality family child care providers and centers will have little incentive to care for subsidized children and those serving low income neighborhoods will have trouble surviving. A reduction of the cap is a policy issue that should be thoughtfully addressed, not instituted in the heat of a budget crisis.

- **Children should not lose access to child care due to bureaucratic snafus:** California must ensure that all available funds are spent for child care for eligible children. We agree with the LAO that the Department of Education should address contracting barriers and "take steps to reduce the amount of unspent funds in future years." Based on our Work Group's consensus, we see three levels of changes that should be analyzed -- potential immediate changes that could be implemented directly by CDE or via BBL or TBL this year; intermediate solutions that could be implemented by CDE directly or through regulation or legislation after a hearing on the topic; and thornier issues requiring additional analysis of impacts on families and programs. Although we agree with the LAO's call for a process to deal with the chronic unspent funds, we oppose a rebenching of the child care budget this year. The problem of unspent funds is a result of contracting and fiscal complexities, not from any reduction in low income families' urgent need for subsidized quality child care. The base for child care funding should not be permanently reduced in a year of an enormous overall budget deficit and unresolved CDE fiscal issues.

#### **Governor's 2008-09 May Revision retains cuts of \$198.9 million to child care programs.**

- **More than 17,000 children will be added to Waiting Lists:** Beyond the projected loss of 8,000 current child care slots the budget cites, the Department of Finance's figures show a projected loss of an additional 9,156 child development slots overall, for a total of 17,156. While the Budget Summary claims that normal attrition rates in these programs should "reduce the likelihood of a currently enrolled child losing their slot," with these cuts, children who are not yet enrolled will lose access to a high quality early care and education experience while their parents will lose an important work support. California already has waiting lists of 200,000 children statewide who are eligible for child care subsidies. The State should be investing each year to reduce the number of children on these lists, not adding to them, even in a difficult budget year.
- **Additional children lose care due to freezing the child care eligibility cap:** Families striving for self sufficiency lose access to subsidies unless the state median income (SMI) used to determine eligibility is updated on an annual basis. As parents eloquently testified when this cut was proposed in earlier years, families who lose their eligibility could be forced

to return to cash aid or leave their children in unsafe situations. Lowered income eligibility also makes it more difficult for state-contracted centers in high cost areas such as Alameda County to enroll sufficient numbers of eligible families to maintain their programs.

- **Contracted centers' Standard Reimbursement Rate (SRR) frozen:** The Budget proposes no Cost of Living Allowance (COLA) or growth funding for contracted child development programs. California's Title 5 state-contracted centers are high quality models for the entire nation. The recent Rand Report discussed the challenges facing Title 5 programs serving preschool aged children, especially in the 22 counties with 80 percent of the preschool-age population where the SRR has dropped well below the market rate.<sup>iv</sup>
- **Community Care Licensing visits cut 50%:** The Governor remains intent on cutting the unannounced visits made to child care facilities by Community Care Licensing by 50%. This threatens to undermine the basic health and safety protections for children in child care and preschool settings. The proposed budget would reduce unannounced random visits from the current rate of 30% of all centers and family child care homes per year to 14%. Requiring a visit once every seven years marks a distressing retreat in program safety for children in care and means children can go from birth to kindergarten without a monitoring visit to their child care setting. A solid, consistent and frequent monitoring program is essential to the safety of our children and the cornerstone to efforts to improve program quality.
- **Facility funds depleted:** There is great need for child care facility investment and discussion of the most effective means to invest, including the use of bond funds. The Governor proposes to remove \$17.7 million from the Child Care Facilities Fund in addition to the \$25 million removed in Special Session. The barriers which have resulted in limited use of the Fund can be addressed through the development of regulations and program changes designed to meet the pressing facilities needs of early education providers. The Legislature should instruct the Department to work with stakeholders to develop regulations while continuing the program.
- **Reductions to Resource and Referral Services:** The May Revise does not restore the reductions to the invaluable services provided to all families and providers by the resource and referral programs in California.
- **Reductions to quality expenditures:** The May Revise retains cuts to investment in activities to improve the quality of our child care system. We are awaiting further detail to see how these cuts are allocated.

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<sup>i</sup> Highlights Of Governor's Proposed May Revision 2008-09 State Budget May 14, 2008 John Laird Chair, Assembly Budget Committee, page 15.

<sup>ii</sup> Highlights Of Governor's Proposed May Revision 2008-09 State Budget May 14, 2008 John Laird Chair, Assembly Budget Committee, page 15.

<sup>iii</sup> Ibid., page 17

<sup>iv</sup> Lynn A. Karoly, Elaine Reardon, Michelle Cho *Early Care and Education in the Golden State* 2007, page 20.