Child Care and Development (CCD) Budget: Overview of Conference Issues

LEGISLATIVE ANALYST'S OFFICE







Overview of CCD Approaches

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Summary of Proposition 98 Child Care Packages

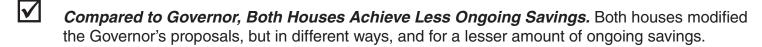
(In Millions)

	Governor	Senate	Assembly	Comments
Ongoing Solutions				
Make across-the-board reduction	-\$577.5	-\$165.0	-\$178.0	In contrast to Governor, both houses would reduce slots and prioritize by income. (A) reduces by 10 percent and includes preschool, (S) reduces by 13 percent and excludes preschool.
Lower income eligibility ceiling	-79.2	-150.0	-40.0	Governor and (S) reduce from 75 percent to 60 percent of state median income (SMI), but (S) also includes preschool. (A) reduces to 70 percent SMI and includes preschool.
Eliminate services for 11- and 12-year olds	-59.3	-41.0	_	(S) preserves funding for care during non- traditional hours. Also assumes additional \$19 million in non-Proposition 98 General Fund savings.
Use Temporary Assistance for Needy Families funds (not General Fund)	_	-100.0	_	Conforms to revenue action.
Reduce administrative allowance	_	-15.0	_	(S) reduces from 17.5 percent to 15 percent of contract amount.
Reduce license-exempt provider rates to 60 percent of licensed rates	_	-54.0	-54.0	Not in Conference. Also assumes additional \$45 million in non-Proposition 98 General Fund savings.
Subtotal—Ongoing Solutions	(-\$716.0)	(-\$525.0)	(-\$272.0)	
One-Time Solutions				
Defer CCD payments	_	_	-\$150.0	
Use one-time Proposition 98 funds		-\$122.8	-216.9	_
Subtotal—One-Time Solutions	(—)	(-\$122.8)	(-\$366.9)	=
Totals	-\$716.0	-\$647.8	-\$638.9	_



Overview of CCD Approaches

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- Both Houses Rely Heavily on One-Time Solutions to Support Ongoing CCD Programs.

 Senate relies on \$123 million and Assembly relies on \$217 million in one-time funds for ongoing CCD programs. Assembly also defers \$150 million in CCD payments until 2012-13.
- Both Houses Achieve Additional Savings From K-12 Education. Given both houses make fewer CCD reductions, they make additional K-12 cuts in order to tie to the Governor's overall Proposition 98 spending level of \$49.3 billion.



LAO Guiding Principles for Building CCD Packages

n A	pproaching Reductions to CCD Budget:						
V	Balance Access and Quality.						
V	Prioritize Services for the Neediest Families and Children.						
V	Prioritize Direct Services for Children Over Administrative and Support Activities.						
n Reconciling Legislative Packages:							
V	Maintain Transparent, Consistent Statewide CCD Program. Across-the-board reductions may have unintended consequences by creating different de facto eligibility criteria across contractors. That is, despite both houses taking action to set the statewide income eligibility ceiling at a specific level, an unallocated reduction could result in maximum family income levels that vary by contract—potentially creating notable inconsistency across the state in who benefits from the program						
V	Ensure Solutions Are Achievable. Both packages include one-time funds that have not yet been identified. Also, deferral might not be feasible for some child care contractors to manage.						
V	Prioritize Reductions That Yield Ongoing Savings. Minimize need for additional cuts in						



LAO-Recommended CCD Package

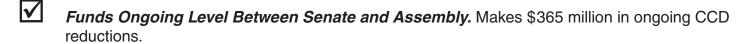
LAO Compromise					
(In Millions)					
	Governor	Senate	Assembly	LAO	Comments
Ongoing Solutions					
Make across-the-board reduction	-\$577.5	-\$165.0	-\$178.0	_	LAO Alternative (see below).
Lower income eligibility ceiling	-79.2	-150.0	-40.0	-150.0	Senate.
Eliminate services for 11- and 12-year olds	-59.3	-41.0	_	-41.0	Senate.
Use Temporary Assistance for Needy Families (TANF) funds	_	-100.0	_	-70.0	Senate with updated estimate, conforming to actions on revenues. Would include \$30 million additional Proposition 98 and \$40 million from TANF.
Reduce licensed provider rates	_	_	_	-35.0	LAO Alternative. Reduce licensed provider rates from 85th to 75th percentile of market rates. Would yield additional \$30 million savings in non-Proposition 98 General Fund.
Reduce administrative allowance	_	-15.0	_	-15.0	Senate.
Reduce license-exempt provider rates to 60 percent of licensed rates	_	-54.0	-54.0	-54.0	Not in Conference.
Subtotal—Ongoing Solutions	(-\$716.0)	(-\$525.0)	(-\$272.0)	(-\$365.0)	
One-Time solutions					
Defer CCD payments	_	_	-\$150.0	_	Senate.
Swap with one-time Proposition 98 funds	_	-\$122.8	-216.9	-\$83.5	LAO Compromise. Reflects identified funds.
Subtotal—One-Time Solutions	(—)	(-\$122.8)	(-\$366.9)	(-\$83.5)	
Totals	-\$716.0	-\$647.8	-\$638.9	-\$448.5	



LAO-Recommended CCD Package

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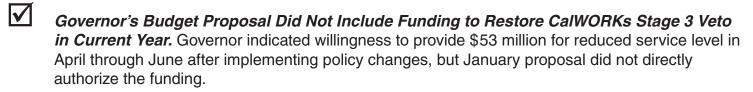
Relies Only on Identified One-Time Funds. Use \$83 million in one-time funds certain to materialize.

Identifies Additional Savings in K-12 Budget to Substitute for Unidentified One-Time Funds.

Makes \$267 million in additional K-12 cuts in order to tie to same overall Proposition 98 funding level.



California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 3 Child Care Funding



- Administration Subsequently Submitted a Section 26 Letter to Provide \$62 Million for Services Offered January Through March. Based on recent JLBC action, the funds will be released by mid-March.
- Both Houses Approved One-Time Proposition 98 Funds to Provide Services in April Through June. The Assembly provided \$60 million, the Senate provided \$50 million.
- Assembly Amount More Closely Aligned to Current Caseload Estimates. If the Legislature wishes to fully restore the CalWORKs Stage 3 program for April through June, recent estimates suggest it will require \$60 million.