

June 2, 2015

# Child Care and Development: Overview of Conference Issues

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L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented to:  
Budget Conference Committee  
Hon. Mark Leno, Chair



## Overview of Child Care and Development (CCD) Plans

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- Overall Plans:**
  - Senate plan increases CCD funding by a total of \$331 million.
  - Assembly plan increases CCD funding by a total of \$606 million.
  
- Commonalities:**
  - Both houses increase child care slots.
  - Both houses raise reimbursement rates.
  - Both houses extend collective bargaining rights to family child care workers.
  
- Differences:**
  - Assembly plan spends more on quality improvement activities.
  - Assembly plan modifies program eligibility criteria.
  - Senate plan shifts all CCD programs other than California Work Opportunity and Responsibility to Kids Stage 1 into Proposition 98.

## Details of CCD Plans

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<b>Comparison of Senate and Assembly Plans</b>				
<i>(In Millions)</i>				
<b>Issue</b>	<b>Senate</b>		<b>Assembly</b>	
	<b>Amount</b>	<b>Description</b>	<b>Amount</b>	<b>Description</b>
RMR increase	\$112	Remove deficit factor from 2009 RMR survey starting July 1, 2015.	\$106	Increase RMR to the 85 <sup>th</sup> percentile of the 2014 RMR survey deficated by 10 percent starting January 1, 2016.
Alternative Payment Program slots	110	Add 13,200 slots starting July 1, 2015.	44	Add 10,000 slots starting January 1, 2016.
SRR increase	56	Increases SRR by 4.4 percent starting July 1, 2015.	124	Increases SRR by 20 percent starting January 1, 2016.
General Child Care slots	53	Add 4,300 slots, with priority for infants and toddlers, starting July 1, 2015.	—	—
Quality improvement efforts	—	—	80	Establish infant and toddler QRIS. Establish community college consortia to collaborate on child care best practices. Provide additional professional development to providers.
Program eligibility	—	—	68	Increase program eligibility from 70 percent to 100 percent of state median income.
License-exempt rate	—	—	65	Increase license-exempt rate from 60 percent to 70 percent of the family child care home rate starting January 1, 2016.
SRR adjustment factors	—	—	30	Increase the SRR infant and toddler adjustment factors. Reduce the "full-day plus" adjustment from 10 hours to 9 hours.

(Continued)

**Details of CCD Plans**

*(Continued)*

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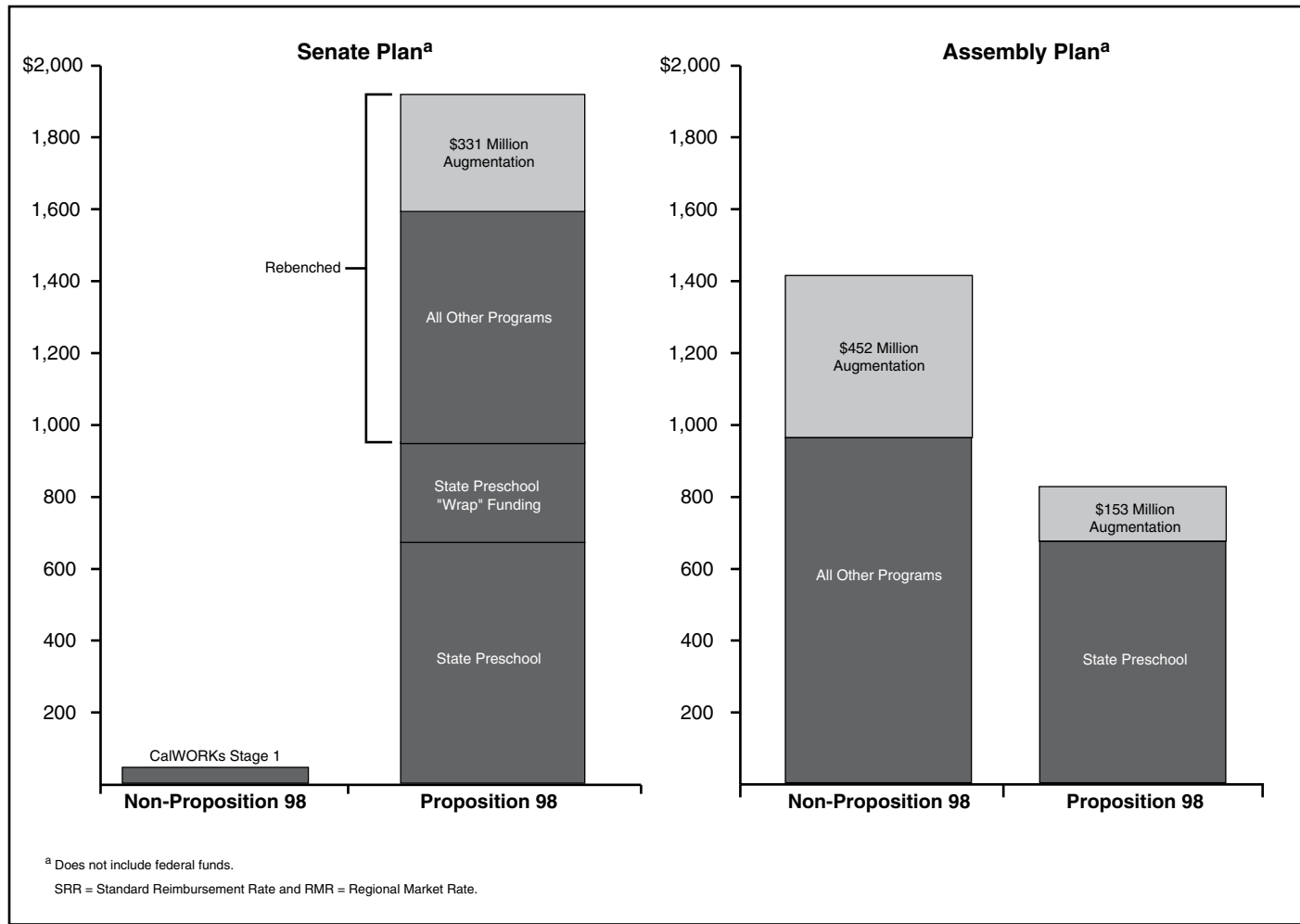
Issue	Senate		Assembly	
	Amount	Description	Amount	Description
State Preschool slots	—	—	29	Add 10,500 full-day slots starting March 1, 2016.
Administrative support allowance	—	—	29	Increase Alternative Payment agencies' administrative support allowance from 17.5 percent to 20 percent of total contract amounts.
Eligibility redetermination	—	—	20	Limit reporting of changes in income to greater than 10 percent.
Meal reimbursement	—	—	10	Reinstate state child care meal reimbursement.
Consumer education database	—	—	0.3	Provide funding to Resource and Referral Network for consumer education website.
<b>Totals</b>	<b>\$331</b>		<b>\$606</b>	

RMR = Regional Market Rate; SRR = Standard Reimbursement Rate; and QRIS = Quality Rating and Improvement System.

# Houses Take Different Approaches to Scoring CCD Actions

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(In Millions)



## Guidelines for Developing Conference CCD Plan

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- Reimbursement Rates.** Seek consistency, simplicity, and transparency in any reimbursement rate changes.
- Slots.** Seek to provide flexibility in child care options while also providing programs that help children prepare for school.
- Federal Requirements.** Consider new federal requirements before making changes to quality improvement efforts and program eligibility criteria.

## Where to Start in Building Conference CCD Plan

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- ☑ **Specific Components of Plan Will Depend on the Size of the Total Augmentation**
- ☑ **Substantive Reimbursement Rate Increases Cost a Minimum of \$175 Million**
  - With an augmentation of this size, the Legislature could remove the deficit factor from the 2009 Regional Market Rate (RMR) survey (\$112 million) and increase the Standard Reimbursement Rate (SRR) by 5 percent (\$64 million).
    - These two actions would provide roughly similar per-child rate increases, thereby increasing purchasing power comparably. The actions also would result in child care providers and families being treated more consistently across counties.
- ☑ **If the Legislature Approves an Augmentation of Less Than \$175 Million, We Recommend Maximizing the Effects of the Funding by Increasing Slots**
  - Under current reimbursement rates, \$10 million funds 1,280 Alternative Payment Program slots, 800 General Child Care slots, or 1,090 full-day State Preschool slots.
- ☑ **If Approving an Augmentation of More Than \$175 Million, the Legislature Could Support Some Combination of Substantive Reimbursement Rate Increases and Additional Slots**
  - For example, with \$475 million (an augmentation level about midway between the Senate and Assembly plans), the Legislature could: (1) update the RMR to the 75<sup>th</sup> percentile of the 2014 survey (\$200 million), (2) provide 8,300 Alternative Payment Program slots at the higher rate (\$74 million), (3) increase the SRR by 10 percent (\$128 million), and (4) provide 7,200 General Child Care slots (\$73 million) at the higher rate.