

Overview of the Child Care and Development Budget

LEGISLATIVE ANALYST'S OFFICE



May Revision Changes Confined to CalWORKs Programs

California Child Care and Development Programs				
<i>2008-09 All Funds (Dollars in Millions)</i>				
Program ^a	2007-08 Revised	2008-09		
		January Budget	May Revision	Change
CalWORKs^b Child Care				
Stage 1 ^{c,d}	\$536	\$554	\$668	\$114
Stage 2 ^e	548	497	530	33
Stage 3	405	420	432	12
Subtotals	(\$1,489)	(\$1,471)	(\$1,630)	(\$159)
Non-CalWORKs Child Care				
General Child Care	\$759	\$753	\$753	—
Other Child Care Programs	329	313	313	—
Subtotals	(\$1,088)	(\$1,066)	(\$1,066)	—
State Preschool	\$422	\$413	\$413	—
Support Services	\$106	\$100	\$100	—
Totals—All Programs	\$3,105	\$3,050	\$3,209	\$159
<p>^a Except where noted otherwise, all programs are administered by the California Department of Education.</p> <p>^b CalWORKs = California Work Opportunity and Responsibility to Kids.</p> <p>^c Administered by California Department of Social Services.</p> <p>^d Does not include reserve funding.</p> <p>^e Includes funding for centers run by California Community Colleges.</p>				

- May Revision includes \$159 million more for Child Care and Development (CCD) programs relative to the January budget.
- The additional funding corresponds to the estimated increase in California Work Opportunity and Responsibility to Kids (CalWORKs) caseload as well as increased cost of care estimates.



LAO Alternative Based on Different Caseload Assumptions

- The LAO alternative provides slightly less total funding (\$33 million) for the CCD budget relative to the May Revision.
- The LAO alternative is based on our analysis of CalWORKs caseload estimates. Our analysis indicates the administration has slightly overestimated caseload and provided \$33 million more than needed to fully fund CalWORKs costs.
- The May Revision and the LAO alternative fund at roughly the same level, and use the same assumptions for federal funds. The proposals vary in the reliance on one-time and ongoing General Fund.
 - **Governor.** Uses \$324 million in one-time and \$1,668 million in ongoing General Fund.
 - **LAO.** Uses \$63 million in one-time and \$1,915 million in ongoing General Fund.

Major Child Care Proposals

Governor		LAO
January Budget		
State Median Income (SMI)	Freeze at 2007-08 level.	Recommend raising SMI consistent with current policy/practice.
Standard Reimbursement Rate	Maintain 2007-08 rate—no COLA.	Recommend Governor's proposal.
Intent to Fully Fund Stage 3	Does not include language from 2007-08 budget expressing the intent of the Legislature to fully fund Stage 3 child care.	No concerns with 2007-08 language.
Alternative Payment (AP) Administrative Costs	Does not include language from 2007-08 budget allowing AP providers to base administrative costs on total contract amount rather than direct payments.	No concerns with 2007-08 language.
State Plan Review Process	Does not include language from 2007-08 budget regarding longer public comment period for State Plan.	Recommend 2007-08 language.
Centralized Eligibility List	Adds language to require applicants to declare under penalty of perjury that information provided at registration was accurate to the best of their knowledge.	Recommend softer alternative language to require a statement about the potential consequences of providing false information at time of registration.
May Revision		
Regional Market Rate (RMR)	Reduces reimbursement rate to 75 percent of RMR upon implementation of new RMR in January 2009.	No recommendation.
RMR Survey	Adds language that the RMR survey shall be conducted every other year rather than every year.	Recommend Governor's proposal.
Family Fee Schedule	Adds language requiring a new Family Fee Schedule be created for 2007-08 and that all future schedules ensure families currently paying continue to pay.	Recommend alternative language requiring that a new Family Fee Schedule be created each time the SMI is adjusted and that family fees begin at 1 percent above cash aid eligibility.
Stage 2 Holdback	Eliminates.	Recommend eliminating the holdback but retaining language to allow Stage 2 to request holdback funds from Stage 1 if necessary.
Cash Flow Management/ Payment Delays	Delays a quarter of five monthly payments to public providers.	Still reviewing other options, including reducing advance payment to these providers from 25 percent to 10 percent.
Public Assistance Reporting Information System	Redirects \$285,000 to rebuild child care contracting information system.	Recommend Governor's proposal.

Regional Market Rate Proposal

- Governor's proposal:
 - Makes new Regional Market Rates (RMRs) effective January 2009.
 - Reduces the maximum reimbursement rate from 85th percentile of the RMR to 75th percentile of the RMR.

- The combined effect of the two actions is likely no cost increase to the state (and thus no rate increase for providers).

- The LAO alternative assumes no cost increase to the state.

- Implementation timing of new RMR entails difficult trade-offs.
 - Could adopt new rates based on most recent survey, thereby better aligning rates with cost and complying with federal law.
 - Could retain existing rates consistent with state policy (reimbursement at 85th percentile of RMR) and other budget decisions (no cost-of-living adjustment for Standard Reimbursement Rate providers).