

June 1, 2009

# An Overview of the May Revision: Child Care and Development (CCD)

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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



## The February Budget Package Holds CCD Funding Steady at \$3.2 Billion

June 1, 2009  
Page 1

<b>California Child Care and Development Programs</b>					
<i>(Dollars in Millions)</i>					
<b>Program<sup>a</sup></b>	<b>2008-09 Budget Act</b>	<b>2008-09 Revised</b>	<b>2009-10 Budget Act</b>	<b>Change From Revised</b>	
				<b>Amount</b>	<b>Percent</b>
<b>CalWORKs<sup>b</sup> Child Care</b>					
Stage 1 <sup>c</sup>	\$617	\$616	\$705	\$89	14.4%
Stage 2 <sup>d</sup>	532	505	443	-62	-12.2
Stage 3	433	418	389	-28	-6.8
Subtotals	(\$1,582)	(\$1,538)	(\$1,537)	(-\$2)	(-0.1%)
<b>Non-CalWORKs Child Care<sup>b</sup></b>					
General child care	\$810	\$780	\$789	\$9	1.2%
Other child care programs	338	329	333	4	1.3
Subtotals	(\$1,148)	(\$1,109)	(\$1,122)	(\$13)	(1.2%)
<b>State Preschool</b>	\$445	\$429	\$435	\$6	1.3%
<b>Support Programs</b>	\$106	\$106	\$102	-\$4	-4.0%
<b>Totals—All Programs</b>	<b>\$3,281</b>	<b>\$3,182</b>	<b>\$3,196</b>	<b>\$13</b>	<b>0.4%</b>

<sup>a</sup> Except where noted otherwise, all programs are administered by the California Department of Education.  
<sup>b</sup> California Work Opportunity and Responsibility to Kids.  
<sup>c</sup> Administered by California Department of Social Services.  
<sup>d</sup> Includes funding for centers run by California Community Colleges.

## Major Components of February Budget Package

*(Continued)*

June 1, 2009  
Page 2

- Makes cost-of-care and caseload adjustments for California Work Opportunity and Responsibility to Kids (CalWORKs), with the intent to fully fund the program in 2008-09 and 2009-10.
- Reduces non-CalWORKs child care funding by just over \$55 million in 2008-09 due to contracting issues that resulted in unused monies. Reduction was made permanent in 2009-10, resulting in the potential loss of approximately 10,000 child care slots.
- Provides approximately \$19 million to fund growth in non-CalWORKs child care slots.
- Does not provide a cost-of-living adjustment for non-CalWORKs child care providers (maintaining reimbursement rates at the 2007-08 level).

## February Package Left Two Child Care Issues Unresolved

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June 1, 2009  
Page 3



### Reimbursement Rates:

- In January, the Governor proposed to decrease the reimbursement rate ceilings for Alternative Payment providers while at the same time moving to the most recent market rates. Although many providers would still receive a year-to-year raise in reimbursement rates, the state would save nearly \$70 million (across all Alternative Payment programs).
- The *2009-10 Budget Act* assumed \$39 million of associated savings but did not make accompanying statutory changes.



### Family Fees:

- In January, the Governor proposed the creation of a new family fee structure that would result in higher fees for most families.
- The *2009-10 Budget Act* assumes \$14 million in associated savings but did not make accompanying statutory changes.

## New Proposals for Consideration

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June 1, 2009  
Page 4

- Governor's May 14 Proposal:** Reduce Alternative Payment programs (both CalWORKs and non-CalWORKs) a total of \$36 million to account for estimated overpayments.
- Governor's May 29 Proposal:** Eliminate CalWORKs child care programs (\$212 million savings). Conforms to May 26 proposal to eliminate CalWORKS program.
- LAO Options:** Make targeted reductions that minimize the loss of direct service.
  - Reduce expenditures on "Quality Improvement" activities to the federally required level (\$30 million savings).
  - Eliminate the Extended Day (Latchkey) program as it is largely duplicative of after school programs (\$32 million savings).

## California to Receive \$220 Million in One-Time Stimulus Funding for CCD

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June 1, 2009  
Page 5

- Of the \$220 million, approximately \$37 million needs to be used for quality improvement activities. The remainder is for direct services.
- This one-time augmentation can be spread across multiple budget years. Both the LAO and the California Department of Education have recommended allocating \$110 million each year for both 2009-10 and 2010-11.
- These funds must be used to supplement and not supplant state support for CCD.
- Allowable uses include:**
  - Funding additional slots (such as backfilling the \$55 million reduction to non-CalWORKs slots under the February package).
  - Reducing family fees temporarily.
  - Supplementing provider income temporarily (such as providing one-time grants for professional development or retention).