

May 19, 2010

Overview of Governor's Child Care Proposals

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Budget Subcommittee No. 1
On Health and Human Services
Hon. Dave Jones, Chair

Assembly Budget Subcommittee No. 2
On Education Finance
Hon. Wilmer Amina Carter, Chair





Governor Proposes Significant Reductions to Child Care Budget

Governor's Proposed Changes to Child Care and Development Budget					
<i>(In Millions)</i>					
	2009-10 Revised	2010-11		Change From January	
		January Budget	May Revision	Amount	Percent
CalWORKs Stage 2 and 3/Alternative payment	\$1,172	\$963	\$458	-\$505	-52%
General child care	797	797	131	-666	-84
CalWORKs Stage 1	547	444	120 ^a	-324	-73
Migrant child care	39	36	5	-31	-85
Handicapped program	2	2	—	-2	-100
Subtotal Child Care Programs	(\$2,558)	(\$2,243)	(\$715)	(-\$1,528)	(-68%)
State preschool	\$439	\$439	\$439	—	—
Child care support programs ^b	105	102	66	-36	-35%
Other	9	-2	4	6	—
Totals	\$3,110	\$2,782	\$1,224	-\$1,558	-56%
Fund Source					
Proposition 98	\$1,836	\$1,677	\$439	-\$1,238	-74%
Federal funds	1,181	1,075	785	-291	-27
Other	93	29	—	-29	-100

^a Program would serve eligible children through October 1, 2010.

^b Support programs include Resource and Referral programs, centralized eligibility lists, and local child care planning councils.

- Eliminates all Proposition 98 funding for all child care programs except preschool. This includes eliminating CalWORKs Stage 2 and Stage 3 and shifting some funding/caseload to alternative payment programs.
- Eliminates all funding for CalWORKs Stage 1 as of October 1, 2010.
- Assumes state still receives all anticipated federal funding for child care (\$785 million).
- Assumes dramatically scaled back non-CalWORKs child care system remains in place, supported entirely with federal funds.
 - Would reduce child care slots by about 240,000, or about 75 percent, compared to 2009-10.



Proposed Budget Reductions

Governor's Proposed Budget Reductions for Child Care Programs	
<i>(In Millions)</i>	
2009-10 Revised	\$3,110
January Governor's Budget	
Reduce RMR ^a reimbursement ceilings	-\$132
Reduce CalWORKs Stage 3 caseload	-123
Shift Stage 1 funding to county block grant	-47
Other/technical	-26
Subtotal	(-\$328)
May Revision	
Eliminate General Fund for child care	-\$1,200
Eliminate CalWORKs Stage 1 ^b	-324
Lower eligibility ceilings to 60 percent of SMI ^c	-54
Erosion of RMR savings (CalWORKs Stage 2 and 3)	22
Adjustment to Stage 3 reduction	32
Shift Stage 2 and 3 to Alternative Payment Program	—
Other/technical	-35
Subtotal	(-\$1,558)
Total Reductions	\$1,886
2010-11 Proposed	\$1,224
^a Regional market rate. ^b Proposal assumes maintenance of \$120 million in federal funding for first quarter of 2010, assumes elimination would take effect October 1, 2010. ^c State median income.	



Governor's Specific Child Care Proposals

- In addition to dramatic program reductions, Governor proposes policy changes that would affect remaining, scaled-down programs (except state preschool).
 - ***Lower Provider Reimbursement Rate Ceilings (January proposal).*** Would reduce the maximum rate for licensed providers from the 85th percentile of regional market rates (RMR) to the 75th percentile, using the 2005 RMR survey. For license-exempt providers, would further reduce the maximum reimbursement from 90 percent of the licensed rate to 70 percent.
 - ***Lower Eligibility Criteria (May proposal).*** Would reduce eligibility ceiling from 75 percent to 60 percent of state median income.

- Governor also proposes trailer bill language to implement more aggressive actions to minimize and recover overpayments to child care programs.



LAO Recommends Taking a Different Approach

- ☑ ***Recommend Rejecting Governor's Proposal to Eliminate All General Fund Support for Child Care.*** Subsidized child care programs serve state's neediest families, help CalWORKs recipients and other low-income families maintain employment.
- ☑ ***Governor's Proposal Puts Some Federal Funds at Risk.*** Between \$100 million to \$200 million in federal funds could be lost if California does not increase state funding by like amount.
- ☑ ***Recommend More Modest Approach to Generating Savings.*** Recommendations would generate less savings than Governor but would preserve core programs.
 - Base reimbursement rate ceilings on 2009 RMR survey data, set rate ceilings at level state can afford.
 - Adopt Governor's proposal to lower license-exempt provider rates.
 - Lower eligibility criteria to generate savings but preserve services for state's neediest families.
- ☑ ***Recommend Making Targeted Reductions that Would Not Affect Child Care Slots.***
 - Reduce migrant child care program by \$4 million to reflect decreased participation.
 - Reduce funding for quality improvement activities by \$6.2 million to minimum federal requirement.
 - Redirect additional \$4.3 million in federal quality improvement funds to support child care licensing, to save like amount of non-Proposition 98 General Fund.