

Overview of Child Care and Development (CCD) Budget

LEGISLATIVE ANALYST'S OFFICE

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Assembly Budget Subcommittee No. 1

On Health and Human Services

Hon. Holly Mitchell, Chair

Assembly Budget Subcommittee No. 2 on Education Finance

Hon. Susan Bonilla, Chair





Review of Recent CCD Budget Reductions


Summary of Reductions to Child Care and Development in March Budget Package		
<i>(In Millions)</i>		
	Description	Proposition 98 Savings
Child care programs	Reduces contracts by 15 percent. ^a	\$246
Title 5 child care centers and preschool programs	Reduces standardized reimbursement rate by 10 percent.	122
License-exempt child care providers	Reduces maximum reimbursement rate from 80 percent to 60 percent of licensed rate.	44 ^b
Care for 11- and 12-year olds	Eliminates funding for most 11- and 12-year olds needing child care during traditional work-week hours. ^c	36 ^d
Income eligibility	Lowers maximum income eligibility from 75 percent to 70 percent of the state median income.	30
Family fees	Increases fees by 10 percent.	5
Total		\$483


^a Does not apply to CalWORKs Stages 1 and 2 child care. Contract reduction taken after making other policy reductions. Contractors will realize savings by eliminating slots and prioritizing remaining services for families with the lowest income.


^b Also achieves \$28 million non-Proposition 98 General Fund savings related to CalWORKs Stage 1 child care.

^c Statutory language prioritizes displaced children for care in school-based before and after school programs.

^d Also achieves \$15 million non-Proposition 98 General Fund savings related to CalWORKs Stage 1 child care.

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March Package Made Significant Programmatic Reductions to CCD Budget for 2011-12. The budget package made \$483 million in ongoing Proposition 98 reductions to CCD programs, including eliminating child care slots, lowering provider reimbursement rates, and raising family fees.
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Restored CalWORKs Stage 3 Child Care for Remainder of Current Year. The budget package also provided \$60 million in one-time Proposition 98 funds for Stage 3 services from April through June 2011. (An earlier Section 26 letter redirected \$62 million in unused Proposition 98 funds from other child care programs to restore Stage 3 services from January through March 2011.)
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Other CCD Budget Actions. The budget package also relied on \$52 million in one-time funds to support ongoing programs, eliminated \$16 million of CCD quality improvement activities that were funded with expiring federal funds, and eliminated \$9 million in support for county-based Centralized Eligibility Lists.



Overview of Governor's May Revision CCD Proposals

- ☑ ***May Revision Contains Mostly Technical Changes to CCD Budget.*** Adjustments include:
 - Costs from projected increases in CalWORKs Stage 2 caseload (\$27 million in 2010-11 and \$59 million in 2011-12).
 - Savings from projected decreases in CalWORKs Stage 3 caseload (\$82 million in 2010-11 and \$144 million in 2011-12).
 - Savings from statutory adjustments to non-CalWORKs programs based on declining population estimates for children ages birth to five (\$7 million).

- ☑ ***Costs Could Increase as CalWORKs Stage 3 Caseload Stabilizes.***
 - Stage 3 caseload from January through March 2011 appears much lower than anticipated (likely due to the veto of current-year funding), but costs could increase if families return to the program.
 - Additional caseload costs are uncertain, but Governor sets aside \$55 million in 2010-11 and \$34 million in 2011-12 to cover potentially higher costs. Estimates will need to be refined as better data become available.

- ☑ ***Only Significant Policy Proposal Is to Eliminate Early Learning Advisory Council (ELAC).*** Because ELAC is funded by First 5 California, elimination would not result in state savings in the budget year. Proposal would require reverting at least \$8.4 million in federal funds being used for state-level activities to improve California's early learning system. Recommend rejecting proposal.