

GOVERNOR SIGNS BUDGET ACT OF 2014 CHILD CARE AND DEVELOPMENT SERVICES

Overview

On June 20, 2014, Governor Jerry Brown signed the Budget Act of 2014. The \$156.3 billion budget, part of a multi-year plan, continues the Governor's themes of reducing budgetary debt, building and strengthening the teacher pension system and saving for a rainy day. The budget moderately increases investments in education and health and human services among other state-funded services.¹ The same day, the Governor approved a number of related trailer bills containing implementation language of the main budget bill.

This policy brief summarizes the 2014-15 state budget package as it pertains to child care and development services. Table 1 on page 4 compares the line items for child care and development services contained in the Budget Act of 2014 with the Budget Act of 2013.

Child Care and Development Budget Items

Diverging from previous years of significant cuts and very modest efforts to mitigate harm caused by anticipated federal sequestration, the budget package for 2014-15 reflects important efforts towards the restoration of child care and development services. It allocates funds in three key areas: increasing the number of subsidized spaces available to children of low-income families, raising reimbursement rates for subsidized care, and enhancing the quality of programs that serve our state's children and their families. In addition, the budget package specifies the requirements for the teaching staff of transitional kindergarten, expresses legislative intent for a robust licensing system for child care centers and family child care homes, and reinstates Early Start for infants and toddlers at risk for developmental delays.

Child Care and Development Spaces

- Increases the California State Preschool Program (CSPP) budget by \$30 million to serve 11,500 more three and four year old children in part- and full-day state preschool; 4,000 of the additional spaces are for part-day state preschool beginning June 15, 2015.^{2,3}
 - ✓ Second priority (after first priority for three and four year old children who are recipients of child protective services or at risk of abuse, neglect or exploitation) for state preschool will be given to eligible four year old children who are not enrolled in a state-funded transitional kindergarten program before enrolling eligible three-year old children.⁴
 - ✓ Allocates \$10 million one-time augmentation to provide loans for state preschool facility expansion.⁵ Beginning June 15, 2015, the Superintendent of Public Instruction will award expansion funds, giving priority to applicant agencies that will provide the greatest progress toward achieving access to full-day, full-year services for all income-eligible four year old children. Family Child Care Home Education Networks (FCCHEs) also will be eligible to apply for expansion funds. Needs assessment and other high quality data resources will be used to inform the award decisions.⁶

The California Department of Education/Early Education and Support Division (CDE/EESD) anticipates releasing the Request for Applications in late fall, with notifications of funding sent in early 2015.⁷

- Adds \$57 million to non-Proposition 98 programs, including General Child Care to serve an additional 1,000 infants and toddlers and school age children and the Alternative Payment Program to provide child care and development vouchers to an additional 500 children from birth to 12 years old of low-income families.⁸ Of the allocation for General Child Care, \$2 million is available to provide 4,000 spaces for wrap-around care for children participating in part-day state preschool beginning June 15, 2015.⁹

Reimbursement Rates

- Budgets \$25 million Proposition 98 General Fund and \$24 million General Fund to raise the Standard Reimbursement Rate (SRR) for state contracted child care and development programs by five percent, effective July 1, 2014.¹⁰ The reimbursement rate for part-day state preschool is not to exceed \$22.81 per day (up from \$19.22) and for general child care, programs shall not exceed \$36.10 per day (up from \$34.38).¹¹
- Allocates \$19 million General Fund to update the Regional Market Rate (RMR) for voucher-based providers, effective January 1, 2015.¹² As of that date, reimbursement for child care services provided through the voucher-based programs will be based on the 85th percentile of rates charged by providers offering the same type of care in that region based on the 2009 RMR survey data, reduced by 13 percent. Current rates based on the 2005 RMR survey will be maintained in counties where the use of the 2009 data with the 13 percent reduction would reduce the RMR lower than it was prior to January 1, 2015. License-exempt providers will continue to be reimbursed for costs up to 60 percent of the regional reimbursement limits established for family child care homes.¹³

Quality Improvement

- Provides \$50 million Proposition 98 General Fund to be allocated to local consortia for support of the local early learning quality rating and improvement systems (QRIS) that increase the number of low-income children in high quality preschool programs.^{14,15}

The Superintendent of Public Instruction, in consultation with the executive director of the state board will allocate the block grant funds to the local consortia that satisfies the QRIS requirements based on the number of CSPP slots within the county or region. The receiving local consortia will allocate the funds to agencies holding CSPP contracts or local education agencies for activities that support and improve quality and assess quality and access. Priority for allocating the block grant funds is to go directly to supporting classrooms of the CSPP sites that have achieved the highest common local tier of quality. FCCHENs that provide CSPP services are eligible for an allocation of block grant funds from the local consortium.¹⁶

- Makes one-time funds in the amount of \$25 million available for professional development and stipends for teacher education for transitional kindergarten and state preschool teachers. Transitional kindergarten teachers are to receive priority for the education stipends. The funds may be encumbered until June 30, 2015.¹⁷

In March of 2014, AB 212 Staff Retention Plan contractors (in Los Angeles County, the Investing in Early Educator's – Stipend Program) were informed that contracts for 2014-15 would be reduced by 4.4 percent in counties with CARES Plus or Race to the Top-Early Learning Challenge (RTT-ELC). Counties with both CARES Plus and RTT/ELC would receive an 8.8% cut. The reduction is due to the lack of one-time or carryover funds to supplement the loss of \$750,000 to AB 212 contracts. Clarification from the CDE/EESD regarding the impact of this budget item to the AB 212 contracts is pending.

Additional Child Care and Development Items

- Repeals family fees for part-day state preschool by backfilling with \$15 million Proposition 98 General Fund.^{18,19}
- Authorizes the CDE to develop a process requiring every contracting agency to re-compete for continued funding no less than every five years.²⁰
- Requires the Commission on Teacher Credentialing (CTC) to review and update, if appropriate, the requirements for the issuance and renewal for permits required of child care and development staff, including program supervisors by July 1, 2016. This item will sunset on January 1, 2017.²¹
- Allows a CSPP contracting agency to retain in a reserve fund an additional 10 percent of the sum of the maximum reimbursable amounts of all of its preschool contracts for purposes of professional development of its instructional staff.²²

Transitional Kindergarten²³

- Expresses legislative intent that transitional kindergarten (TK) curriculum be aligned to the California Preschool Learning Foundations developed by the CDE.
- Requires, teachers assigned, after July 1, 2015, to a TK classroom hold at least one credential by the CTC and by August 1, 2020 have one of the following:
 - At least 24 units in early childhood education or childhood development or both
 - As determined by the local educational agency employing the teacher, professional experience in a classroom setting with preschool age children that is comparable to 24 units of early childhood education or child development
 - A child development permit issued by the CTC

Regulatory Compliance

- Expresses legislative intent to comprehensively increase the penalties for facilities licensed by the California Department of Social Services (CDSS) in subsequent legislation, with particular emphasis on penalties for violations that result in serious injury or death.²⁴
- Expresses legislative intent that increased staffing and funding resources for the CDSS appropriated in the budget be used to enhance the division's structure and improve operations. In addition, the intent is that over time inspections of licensed facilities will increase resulting in annual inspection for some or all facility types. Requires the CDSS to update the legislature on the status of the structural and quality enhancement improvements during the 2015-16 budget subcommittee hearings.²⁵

AB 1454 (Calderon) would phase-in over three years the frequency of inspections of licensed facilities, inclusive of child care centers and family child care homes, beginning July 1, 2015. As of this writing, the bill is in the Senate Committee on Appropriations Suspense File.

- Increases licensure and renewal fees for community care facilities, inclusive of child care and development centers and family child care homes, by ten percent.²⁶

Early Start

- Allocates \$7.9 million to reinstate Early Start, effective January 2015, to provide early intervention services to infants and toddlers with developmental delays or with established risk conditions.^{27,28}

Table 1. Comparison between the Budget Act of 2013 and the Budget Act of 2014			
Programs	Budget Act of 2013	Budget Act of 2014	Variance
Proposition 98 General Fund			
State Preschool ^{29,30}	\$506,965,000	\$579,450,000	\$72,485,000
Quality Rating and Improvement Grants		50,000,000	50,000,000
Child Development, Preschool Quality		25,000,000	25,000,000
Proposition 98 Sub-total	\$506,965,000	\$654,450,000	\$147,485,000
Non-Proposition 98 General Fund			
General Child Development	\$476,938,000	\$543,867,000	\$66,929,000
Migrant Child Care	26,742,000	27,513,000	771,000
Alternative Payment (AP) Program	178,501,000	182,296,000	3,795,000
CalWORKs Stage 2 (AP)	357,797,000	354,548,000	(3,249,000)
CalWORKs Stage 3 (AP)	183,000,000	219,825,000	36,825,000
Resource and Referral Programs	18,687,000	18,687,000	
Handicap Allowance	1,457,000	1,535,000	78,000
CA Child Care Initiative	225,000	225,000	
Quality Improvement	48,063,000	46,476,000	(1,587,000)
Local Planning Councils	3,319,000	3,319,000	
Accounts Payable	4,000,000	4,000,000	
Non-Proposition 98 Sub-total	\$1,298,729,000	\$1,402,291,000	\$103,562,000
Child Care Facilities Revolving Fund	\$5,000,000	\$15,000,000	\$10,000,000
Cost of Living Adjustment (COLA)	\$0		
Growth			
Proposition 98 and non-Proposition 98 Sub-total	\$1,810,694,000	\$2,061,741,000	\$261,047,000
Department of Social Services			
CalWORKs Stage 1	\$408,579,000	\$332,800,000	
Learning Supports			
After School and Education Safety Program	\$547,025,000	\$546,902,000	
21 st Century Community Learning Centers	\$126,155,000	\$158,324,000 ³¹	
Cal-SAFE Child Care	Among categorical programs eliminated due to education finance reform.		
Pregnant Minor Program			
Learning Supports Totals	\$673,180,000		
California Community Colleges^{32, 33}			
Cal-WORKs Child Care – Community Colleges	\$9,188,000	\$9,188,000	
Campus Child Care Tax Bailout ³⁴	\$3,350,000	\$3,350,000	
Other Programs			
State Advisory Council on Early Childhood Development	\$162,000 ³⁵		
Race to the Top-Early Learning Challenge Fund ³⁶	\$11,339,000	\$22,799,000	\$11,460,000

For More Information on 2014-15 Budget Bills: Impact on Children and Families

A number of organizations have developed overviews and analyses of the Budget Act of 2014 as it impacts health and human services for children and families.

California Budget Project	www.cbp.org
California Child Care Resource and Referral Network	www.rnetwork.org
Child Care Law Center	www.childcarelaw.org
Child Development Policy Institute	www.cdpi.net
Early Edge California	www.earlyedgecalifornia.org
Legislative Analyst's Office	www.lao.ca.gov
ZERO TO THREE – Western Office	www.zerotothree.org/about-us/western-office.html

Questions or comments relating to this policy brief may be referred to Michele Sartell, Los Angeles County Office of Child Care within the Service Integration Branch of the Chief Executive Office, by e-mail at msartell@ceo.lacounty.gov or by telephone at (213) 974-5187.

Endnotes:

¹ Brown, Jr. E.G. *California State Budget 2014-15*. State of California, June 20, 2014.

² Ibid.

³ SB 852, Chapter 25: Budget Act of 2014, Approved: June 20, 2014; 6110-196-0001.

⁴ SB 858, Chapter 32: Education finance: education omnibus trailer bill, Approved: June 20, 2014. See SEC 3. Section 8236(a)(2).

⁵ Brown, Jr. E.G. *California State Budget 2014-15*. State of California, June 20, 2014.

⁶ SB 858, Chapter 32: Education finance: education omnibus trailer bill, Approved: June 20, 2014. See SEC 4. Section 8236(c)(1)(A and B).

⁷ Webinar: Early Learning and the 2014 Budget hosted by the California Department of Education, Early Edge California, and First 5 California. Available for streaming at <http://vimeo.com/99289747>.

⁸ Brown, Jr. E.G. *California State Budget 2014-15*. State of California, June 20, 2014.

⁹ SB 852, Chapter 25: Budget Act of 2014, Approved: June 20, 2014; 6110-194-0001 (1.1). See also Provision 14.

¹⁰ Brown, Jr. E.G. *California State Budget 2014-15*. State of California, June 20, 2014.

¹¹ SB 852, Chapter 25: Budget Act of 2014, Approved: June 20, 2014; 6110-196-0001, Provision 4 and 6110-194-0001, Provision 6.

¹² Brown, Jr. E.G. *California State Budget 2014-15*. State of California, June 20, 2014.

¹³ SB 852, Chapter 25: Budget Act of 2014, Approved: June 20, 2014; 6110-194-0001, Provision 7(b).

¹⁴ SB 852, Chapter 25: Budget Act of 2014, Approved: June 20, 2014; 6110-196-0001 (1.1). See also Provision 6.

¹⁵ SB 858, Chapter 32: Education finance: education omnibus trailer bill, Approved: June 20, 2014. See SEC 2. Item 8203.1.

¹⁶ Ibid.

¹⁷ SB 852, Chapter 25: Budget Act of 2014, Approved: June 20, 2014; 6110-196-0001 (1.2). See also Provision 7.

¹⁸ Brown, Jr. E.G. *California State Budget 2014-15*. State of California, June 20, 2014.

¹⁹ SB 858, Chapter 32: Education finance: education omnibus trailer bill, Approved: June 20, 2014. See SEC 9. Section 8273.1(e).

²⁰ SB 858, Chapter 32: Education finance: education omnibus trailer bill, Approved: June 20, 2014. See SEC 6. Section 8261(a)(7).

²¹ Ibid. See SEC 13. Section 8363.1 for the amendment to the Education Code.

²² Ibid. See SEC.15. Section 8450 for the amendment to the Education Code. Under current law, may retain a reserve fund balance equal to five percent of the sum of the maximum reimbursable amounts of all contracts or \$2,000, whichever is greater.

²³ Ibid. See SEC. 33. Section 48000(f-g) for amendment to the Education Code.

²⁴ SB 855, Chapter 29: Human Services. Approved: June 20, 2014. See item (8) on page 4.

²⁵ Ibid. See item (9) on page 5.

²⁶ SB 858, Chapter 32: Education finance: education omnibus trailer bill, Approved: June 20, 2014. See SEC. 28. Section 1596.803(a).

²⁷ Brown, Jr. E.G. California State Budget 2014-15. State of California, June 20, 2014.

²⁸ SB 856, Chapter 30: Developmental Services. Approved: June 20, 2014. See SEC 2. Section 95014 and SEC 3. Section 95014.

²⁹ As in previous years, \$5 million of the allocation is available for the family literacy supplemental grant provided to the CSPPs.

³⁰ The State Preschool budget for 2014-15 reflects the additional funding to increase slots, the raise to the Standard Reimbursement Rate, and the backfill to cover the repeal of fees for part-day state preschool.

³¹ Of the funding allocation to the 21st CLCs, \$36,629,000 is provided in one-time carryover funds to support the existing program.

³² AB 110, Chapter 20: Budget Act of 2013, Approved: June 27, 2013; 6870-101-0001(23).

³³ SB 852, Chapter 25: Budget Act of 2014, Approved: June 20, 2014: 6870-101-0001(23); see also Provisions 12(g) and 25.

³⁴ Funds are restricted to community college child care and development programs.

³⁵ AB 1464, Chapter 21: 2012-13 Budget, Approved: June 27, 2012; 6110-199-0890.

³⁶ AB 110, Chapter 20: Budget Act of 2013, Approved: June 27, 2013; Item 6110-200-0890. This item is supported with American Recovery and Reinvestment Act (ARRA) funds.