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**GOVERNOR'S MAY REVISION FOR 2008-09 BUDGET:  
CHILD CARE AND DEVELOPMENT SERVICES**

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Governor Schwarzenegger's May Budget Revise addresses the persistent state budget deficit and slow rate of economic growth. In January, the Governor projected a budget deficit of \$14.5 billion. In the May Revise, he estimates that if unaddressed the deficit will grow to \$24.3 billion based on revenue projections, revised caseload estimates, and higher costs. The Governor's approach to the budget crises is to propose a combination of spending reductions and revenue solutions and the creation of a \$2 billion reserve without raising taxes. Unfortunately, the Governor's proposed budget solutions will be shouldered by those who can least afford it – seniors, the disabled, children, youth and their families, and poor adults.

The May Revise continues and expands upon the cuts proposed in January to child care and development services available to children from birth through 12 years old of low-income families and those at risk of abuse and neglect. Child care and development services allow families to seek and maintain employment while supporting the growth and development of their children in preparation for school and life. This policy brief provides a snapshot of the Governor's proposed cuts to child care and development services. (See Table A: Summary of Potential Proposed Budget Cuts for Los Angeles County.)

**Proposed Budget Cuts to Child Care and Development Programs in Los Angeles County**

- The Governor maintains his January proposals for eliminating the cost of living adjustment (COLA) and growth, which would have been at 4.94% and .69% respectively, and for 6.4% across-the-board cuts to child care and development programs, including State Preschool, General Child Care, Latchkey, Alternative Payment, Resource and Referral, Child Care Initiatives, Centralized Eligibility Lists, and Local Planning Councils. Of note, the teacher retention and education stipend program (in Los Angeles County, the Investing in Early Educators Program) is proposed to receive a 25.9% cut.
- Freezes the state median income (SMI) and Standard Reimbursement Rate (SRR) at the 2007-08 level.
- Reduces by 1% the amount of funding that Alternative Payment Programs may spend on administrative and support services costs. The reduction results in a rate of 19% of the total contract amount for these costs.
- The Governor's May Budget Revise proposes trailer bill language to address the Regional Market Rate (RMR) as follows:
  - Re-benching the reimbursement rate limits from the 85<sup>th</sup> to the 75<sup>th</sup> percentile of private pay rates for voucher-based programs based on the new RMR survey;
  - Delaying implementation of the RMR from October 1, 2008 to January 1, 2009; and
  - Conducting the RMR survey every two years rather than annually.
- Eliminates the allocation to the Child Care Facilities Revolving Fund.

- Reduces funding to the California School Age Families Education (Cal-SAFE) Programs for pregnant and parenting teens by 10.9%.
- Proposes cuts of 10.89% to the After School Education and Safety (ASES) Program to be addressed by a ballot measure to amend Proposition 49.
- Reduces funding to Community Care Licensing for unannounced visits to licensed facilities, including child care centers and family child care homes, from 30% to 14% annually.
- Fully funds CalWORKs Child Care Stages 1 through 3 at projected caseload levels.

### **Other Items of Interest**

- The Governor's proposal includes budget bill language requiring applicants to the Centralized Eligibility List to "certify under penalty of perjury that they meet the eligibility and need requirements for subsidized child care..."
- In the May Revise, the Governor proposes revising the family fee schedule and adjusting the family fee schedule for families newly eligible to receive or will continue to receive services under the new income eligibility limits. Currently, families begin paying fees at 40% of the SMI. The May Revise proposes that the income level at which family fees begin to be imposed should be reduced each time the family income eligibility levels are updated, so that families will be required to pay fees at lower and lower income levels.

### **Proposals to Improve Contracting Processes**

The Budget Subcommittees are also addressing contracting issues that have resulted in unspent appropriations and unearned contracts for child care and development services for eligible families. The California Department of Education has been directed to explore options to overcome contracting barriers and allow for more efficient disbursement and transfer of available funds. To date, the Assembly Subcommittee 1 on Health and Human Services and Subcommittee No. 2 on Education Finance have "adopted placeholder trailer bill language to address the contracting issues and ease the administrative barriers."

Table A

**Summary of Potential Proposed 2008-09 Budget Cuts for Los Angeles County  
California Department of Education Child Care and Development Programs**

Program	2007-08		2008-09					
	Allocation	Estimated Number of Children Served	Estimated Allocation w/ COLA &/or Growth	Estimated Allocation w/ Reduction <sup>1</sup>	Estimated Number of Children Served	Potential Loss of Funds	Potential Loss of Spaces	Cuts (in percentages)
<b>California Department of Education/Child Development Division</b>								
State Preschool	\$115,419,533	28,359	\$121,917,653	\$109,725,887	26,960	\$12,191,765	1,399	(6.4%)
General Child Care/ Family Child Care Home Education Network	\$272,079,825	29,728	\$259,079,825	\$259,448,175	28,261	\$27,949,744	1,467	(6.4%)
Latchkey	\$12,774,300	4,746	\$13,493,493	\$12,144,144	4,512	\$1,349,349	234	(6.4%)
Alternative Payment (AP)	\$77,904,162	5,774	\$82,290,166	\$74,061,150	Not available	\$8,299,017	Not available	(6.4%)
Resource & Referral	\$4,750,523		\$4,985,199	\$4,486,679		\$498,520		(6.4%)
Child Care Initiatives	\$441,880			\$413,560		\$28,320		(6.4%)
Investing in Early Educator Stipend Program	\$4,250,000			\$3,149,250		\$1,105,000		(25.9%)
Los Angeles Centralized Eligibility List	\$500,000			\$468,000		\$32,000		(6.4%)
Local Planning Councils	\$364,000		\$381,981	\$343,783		\$38,198		(6.4%)
<b>California Department of Education/Learning Supports</b>								
California School Age Families Education (Cal-SAFE) Child Care	County data not currently available							(10.9%)
After-School Education and Safety (ASES) Program	\$152,228,978	112,762		\$135,651,242	100,482	\$16,577, 736	12,280	(10.89%)

<sup>1</sup> The estimated CDE/CDD allocation was calculated by adding in the COLA (4.94%) and/or Growth (.69%) as appropriate depending on program type to the current year allocation, then applying a 10% cut, which works out to an approximate 6.4% cut in funds from current year allocations.

