



County of Los Angeles Policy Roundtable for Child Care



Policy Brief

July 12, 2011

2011-12 STATE BUDGET CHILD CARE AND DEVELOPMENT SERVICES

Overview

On June 30, 2011, Governor Jerry Brown signed the Budget Act of 2011¹ and 13 implementation bills, including bills addressing health,² human services,³ and education.⁴ The final budget package closes the remaining \$9.6 billion budget deficit while assuming \$4 billion in revenues above previous forecasts. The budget package contains a set of “trigger reductions” if revenues are lower than anticipated, which would result in further cuts to K-12, higher education, and child care and development services, among others if the Department of Finance determines that revenues are lower than expected.

The remainder of this policy brief summarizes the budget decisions most directly impacting the provision of child care and development services for 2011-12.

Budget Decisions Impacting Child Care and Development Services

The Governor’s final spending plan for 2011-12 contains significant modifications to budget decisions approved in March 2011⁵ pertaining to child care and development services.⁶ Most notably, the final budget package included a reduction to the Proposition 98 obligation by removing most child care and development funding from the calculation; part-day state preschool and the After School Education and Safety (ASES) Program remain under the Proposition 98 guarantee.⁷ This shift is addressed more fully in a separate section of the brief.

The final budget package for child care and development services:

- Imposes an 11 percent instead of 15 percent across-the-board cut to the maximum reimbursable amounts of contracts for the State Preschool Program, General Child Care Program, Migrant Care, the Alternative Payment (AP) Program, CalWORKs Stage 3 Child Care, and the Allowance for Handicapped Program effective July 1, 2011.⁸

The California Department of Education may consider the contractor’s performance or whether the contractor serves children in underserved areas when determining the contract reductions. However, the aggregate reduction to each program type must reach 11 percent.

- Reduces the income eligibility cap for subsidized child care and development services from 75 percent to 70 percent of the State Median Income (SMI), adjusted for family size effective July 1, 2011.⁹
- Reduces reimbursement to license exempt providers from 80 percent to 60 percent of the family child care rate effective July 1, 2011.¹⁰
- Rescinds the 10 percent family fee increase that was scheduled to take effect on July 1, 2011. Rather, adjusts the family fee schedule that has been in effect since fiscal year 2007-08 to reflect revised income eligibility limits for fiscal year 2011-12. The adjusted fee schedule is to be submitted to the Department of Finance for referral and implemented by July 1, 2011.

The revised family fee schedule shall begin at income levels at which families currently begin paying fees and are to reflect an increase that does not exceed ten percent of the family's monthly income.¹¹

- Retains the maximum standard reimbursement rate (SRR) at current levels, which are set at \$34.38 per day for general child care programs and \$21.22 per day for part-day state preschool programs.¹²
- Sets priorities for dis-enrolling families from subsidized child care and development programs consistent with priorities for services as follows:¹³
 1. Families with income that exceeds 70 percent of the SMI, adjusted for family size, except for children receiving child protective services or who are at risk of abuse or neglect.
 2. Families with the highest income below 70 percent of the SMI, adjusted for family size.
 3. Families with the same income and have been enrolled in child care services the longest.
 4. Families with the same income and have a child with exceptional needs.
 5. Families whose children are receiving child protective services or are risk of abuse or neglect, regardless of family income.
- Establishes the intent of the legislature to fully fund CalWORKs Stage 3 Child Care.¹⁴
- Restores subsidized child care and development services for 11 and 12 year old children during traditional hours; maintains the preferred placement of 11 and 12 year old children eligible for subsidized services in before and after school programs.¹⁵

As previously mentioned, if anticipated revenues are not realized, further reductions will be “triggered”, including a cut of up to \$23 million to child care and development programs inclusive of State Preschool.¹⁶

Table 1 compares the 2011-12 state budget for child care and development services with the current budget year. Table 2 reflects the budget details for allocating reserved funding for quality improvements.

Table 1. Comparison between Budget Act of 2010 and 2011-12 Budget									
Program	Budget Act of 2010				2011-2012 Budget ¹				
	State/CCDF ²	ARRA ³	Other Adjustments	Total	State/CCDF ⁴	ARRA	Total	Change	Percent Change
Child Development Division									
State Preschool ⁵	\$379,518,000			\$379,518,000	\$373,695,000		\$373,695,000	(\$5,823,000)	(2%)
General Child Development ⁶	\$758,374,000	\$17,347,000		\$775,721,000	\$685,923,000		\$685,923,000	(\$89,798,000)	(12%)
Migrant Child Care	\$30,579,000			\$30,579,000	\$29,085,000		\$29,085,000	(\$1,494,000)	(5%)
Alternative Payment (AP) Program	\$251,770,000	\$18,830,000		\$270,600,000	\$216,586,000		\$216,586,000	(\$54,014,000)	(20%)
CalWORKs Stage 2 (AP)	\$193,650,000	\$36,272,000	\$201,020,000 ⁷	\$430,942,000	\$442,456,000		\$442,456,000	\$11,514,000	3%
CalWORKs Stage 3 (AP)	\$365,918,000	\$18,905,000	(\$256,000,000) ⁸	\$128,823,000	\$145,955,000		\$145,955,000	\$17,132,000	13%
Resource and Referral Programs	\$18,688,000			\$18,688,000	\$18,688,000		\$18,688,000		
Extended Day/Latchkey									
Handicap Allowance	\$1,940,000			\$1,940,000	\$1,620,000		\$1,620,000	(\$320,000)	(16%)
CA Child Care Initiative	\$250,000			\$250,000	\$225,000		\$225,000	(\$25,000)	(10%)
Quality Improvement ⁹	\$47,115,000	\$18,783,000		\$65,898,000	\$49,654,000		\$49,654,000	(\$16,244,000)	(25%)
Centralized Eligibility List	\$7,900,000			\$7,900,000				(\$7,900,000)	(100%)
Local Planning Councils	\$3,319,000			\$3,319,000	\$3,319,000		\$3,319,000		
Accounts Payable	\$4,000,000			\$4,000,000	\$4,000,000		\$4,000,000		
Child Development Division Totals	\$2,063,021,000	\$110,137,000	(\$54,980,000)	\$2,118,178,000	\$1,967,206,000		\$1,967,206,000	(\$146,972,000)	
Child Care Facilities Revolving Fund	\$5,000,000			\$5,000,000	\$5,000,000		\$5,000,000		
Cost of Living Adjustment (COLA)	0			0	0		0		
Growth	0			0	0		0		
Learning Supports									
After School Education and Safety Program	\$547,081,000			\$547,081,000	\$547,003,000		\$547,003,000		
21 st Century Community Learning Centers	\$174,034,000			\$174,034,000	\$150,926,000		\$157,605,000	(\$16,429,000)	(9%)
Cal-SAFE Child Care	\$24,778,000			\$24,778,000	\$24,778,000		\$24,778,000		
Pregnant Minor Program	\$13,327,000			\$13,327,000	\$13,327,000		\$13,327,000		
Learning Supports Totals	\$759,220,000			\$759,220,000	\$736,034,000		\$736,034,000	(\$16,429,000)	
GRAND TOTAL	\$2,822,241,000	\$110,137,000	-\$54,980,000	\$2,877,398,000	\$2,703,240,000		\$2,703,240,000	(\$163,401,000)	

ARRA Funding expires with 2010-11 Budget

¹ Budget reflects reductions specified in SB 87 (Chapter 33, Approved June 30, 2011), including reduction to the income eligibility cap from 75 to 70 percent of the State Median Income, and 11 percent across-the-board cut. Line items for State Preschool, General Child Development, Migrant Care, AP, and Handicap Allowance also reflect a .67 percent decline in the birth to four year old population.

² SB 870, Chapter 712: 2010-11 Budget, Approved: October 8, 2010; Item 6110-196-0001.

³ SB 870, Chapter 712: 2010-11 Budget, Approved: October 8, 2010; Item 6110-198-0890.

⁴ SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011; Items 6110-194-0001 and 6110-196-0001.

⁵ The totals for State Preschool reflect the part-day programs only; full-day is included in the General Child care budget item. Of the State Preschool total, \$50 million is available for the Prekindergarten and Family Literacy (PKFL) Program, of which \$5 million is for wrap around care to children enrolled in State Preschool.

⁶ Of note, the General Child Development line item encompasses the budget for full-day State Preschool.

⁷ SB 870, Chapter 712: 2010-11 Budget, Approved: October 8, 2010; Item 6110-494.

⁸ SB 870, Chapter 712: 2010-11 Budget, Approved: October 8, 2010; Governor's line item veto eliminating CalWORKs Stage 3.

⁹ Of the total for Quality Improvement, \$10,750,000 is allocated to Child Care Recruitment and Retention Programs (AB 212). The allocation for 2011-12 is 9 percent less than 2010-11.

Removing Child Care and Development from the Proposition 98 Obligation

The final budget package removes funding for child care and development services, except State Preschool, from the Proposition 98 guarantee as follows:

“(7) Under existing law (Proposition 98), the California Constitution requires the state to comply with a minimum funding obligation each fiscal year with respect to the support of school districts and community college districts. Existing statutory law specifies that state funding for the Child Care and Development Services Act is included within the calculation of state apportionments that apply toward this constitutional funding obligation.

“This bill would, commencing July 1, 2011, specify that funds appropriated for the Child Care and Development Services Act do not apply toward the constitutional minimum funding obligation for school districts and community college districts, with the exception of state funding for the part-day California state preschool programs and the After School Education and Safety Program.

“The bill would make related changes in the calculation of the minimum funding obligation required by Proposition 98.”¹⁷

For background, voters passed Proposition 98 in 1988 for the purpose of guaranteeing a minimum level of funding for public education from kindergarten through 12th grade. According to *A History of Major Legislation Affecting Child Care and Preschool Funding*,¹⁸ there was some question regarding whether state-subsidized child care and development programs were included in the Proposition 98 guarantee and, if so, whether it applied only to programs operated by school districts. In summary, a lengthy court case (CTA v. Huff) was resolved in 1992, allowing non-school district as well as school district programs to be included in the Proposition 98 base funding for education.¹⁹

Removing child care and development services, exclusive of part-day State Preschool, from the Proposition 98 guarantee is a major policy change, raising a number of questions and concerns as follows:

- California State Preschool Programs (CSPPs)-Full-day and child development centers serving infants and toddlers meet the needs of working families while providing the same level of quality early care and education services as part-day State Preschool - promoting children’s optimal development to ensure their readiness for school and lifelong success, effectively engaging parents as partners in their child’s healthy growth and development, and connecting families to community resources as needed.
- What will be the impact on funding for child care and development services in the future? Will the child care and development system outside of Proposition 98 be more vulnerable to cuts?
- As economic times improve, will COLAs (cost of living adjustments) and growth adjustments be applied to child care and development programs across the board or only to State Preschool? What is the risk of increasing disparities between State Preschool and the rest of the child care and development system?
- What will be the impact to programs offering both part-day State Preschool and full day programs? Will administrative functions become more complicated rather than streamlined as was the goal under AB 2759 (Chapter 308), which established the California State Preschool Programs (CSPPs), Full- and Part-Day?

- Is this policy change providing the context for realigning child care and development services (or part of it) to the local level and loosening its ties to state education?

Early Learning Advisory Council Activities

The budget package retains the use of federal funds under the American Recovery and Reinvestment Act (ARRA) to support the State Advisory Council on Early Childhood Education and Care (ELAC). According to bill language, ELAC is funded for three years at \$3.5 million, of which \$117,000 would be transferred to the CDE to support ELAC activities.^{20, 21}

For More Information on 2010-11 Budget Bills: Impact on Children and Families

A number of organizations have developed overviews and analyses of the 2011-12 Budget as it impacts health and human services for children and families, including child care and development as follows:

California Budget Project

www.cbp.org

Child Development Policy Institute

www.cdpi.net

Legislative Analyst's Office

www.lao.ca.gov

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 SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011.

² AB 102, Chapter 29: Health, Approved: June 28, 2011.

³ AB 106, Chapter 32: Human Services, Approved: June 28, 2011.

⁴ AB 114, Chapter 43: Education Finance, Approved: June 30, 2011

⁵ Governor Brown approved SB 70, the Education Trailer Bill, on March 24, 2011.

⁶ The main budget bill, SB 87 (Chapter 33), and education trailer bill language, AB 114 (Chapter 43), modify the reductions to child care and development services that were contained in SB 70 approved in March of 2011.

⁷ SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011, Items 6110-194-0001 and 6110-196-0001 and AB 114, Chapter 43, Approved: June 30, 2011, Sec. 8. Section 8263.2(a).

⁸ SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011; Item 6110-194-0001, Provision 19 and 6110-196-0001, Provision 19.

⁹ SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011; Item 6110-194-0001, Provision 9(a) and 6110-196-0001, Provision 9(a).

¹⁰ SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011; Item 6110-194-0001, Provision 2(c).

¹¹ SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011; Item 6110-194-0001, Provision 9(b) and 6110-196-0001, Provision 9(b).

¹² SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011; Item 6110-194-0001, Provision 10 and 6110-196-0001, Provision 10.

¹³ SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011; Item 6110-194-0001, Provision 20 and 6110-196-0001, Provision 20.

¹⁴ AB 114, Chapter 43: Education Finance, Approved: June 30, 2011; Sec.10, Section 8447(b)(5).

¹⁵ AB 114, Chapter 43: Education Finance, Approved: June 30, 2011.

¹⁶ AB 121, Chapter 41: Budget Act of 2011, Approved: June 30, 2011; Section 1. Sec3.94(b)(5).

¹⁷ Ibid.

¹⁸ On the Capitol Doorstep, February 2006.

¹⁹ Ibid.

²⁰ SB 87, Chapter 33: 2011-12 Budget, Approved: June 30, 2011; Item 6110-199-0890.

²¹ Tim Fitzharris notes in the June 29, 2011 edition of *Capitol Plus* (Volume 2, Number 20) that the “Governor has not yet acted on his proposal to eliminate ELAC by Executive Order.”