FACT SHEET

Impact of 2011-12 State Budget Bills for Child Care and Development Services in Los Angeles County: Education Trailer Bill SB 70 (Chapter 7), SB 69 (Pending Approval) and May Revise

Introduction

Governor Brown, faced with a projected budget gap of $25.4 billion on June 30, 2012 ($8.2 billion current year and $17.2 billion budget year), proposed $12 billion in spending reductions to programs and $12 billion in revenues. In addition, the Governor declared a fiscal emergency, which imposed an expedited process for the Legislature to consider the Governor's proposals and arrive at agreements on bill language to send to the Governor for his approval. To date, the Governor has signed 13 budget trailer bills, including Senate Bill (SB) 70 (Chapter 7, approved March 24, 2011), which implements most of the proposed reductions to child care and development services.

The main budget bill, SB 69 approved by both the Assembly and the Senate, has not been sent to the Governor due to lack of agreement on the Governor's proposals to extend temporary tax rates and eliminate the local redevelopment agencies. SB 69 contains a provision that would reduce the Standard Reimbursement Rate (SRR) paid to California Department of Education/Child Development Division (CDE/CDD)-contracted child development centers and Family Child Care Home Education Networks.

Budget Bills Impacting Child Care and Services

Approved Education Trailer Bill - SB 70: Child Care and Development Services

On March 24, 2011, Governor Brown approved SB 70 (Chapter 7), which is the trailer bill for education. This bill contains a number of reductions to child care and development services as follows:

- Eliminates subsidized child care and development services for most 11 and 12 year old children.[1]
- 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.[2]
- Reduces reimbursement to license exempt providers from 80 percent to 60 percent of the family child care rate effective July 1, 2011.
- 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 and increase the fees that families must pay. The revised fee schedule reflects increases that do not exceed ten percent of the family's monthly income.
- Imposes 15 percent across-the-board cut to all CDE/CDD child care and development programs, including State Preschool and CalWORKs Stage 3.

Proposed Budget Bill – SB 69: Reducing the SRR

The main budget bill, SB 69 - approved by the Legislature but not yet sent to the Governor - contains an additional yet significant cut to subsidized child care and development services:

[1] Exceptions include children up to 21 years old with exceptional needs, 11 and 12 year old children under the supervision of Child Protective Services or at risk for abuse, neglect or exploitation, 11 and 12 year old children needing services during non-traditional hours, and 11 and 12 year old children who are homeless.

[2] Currently, a family of three with a monthly income of up to $3,769 is eligible for subsidized child development services. As of July 1, 2011, a family of three may earn no more than $3,518 to meet the income eligibility criteria.

- Ten percent reduction to the Standard Reimbursement Rate (SRR) paid to CDE/CDD-contracted child development centers and Family Child Care Home Education Networks, including State Preschool.

Implications of Budget Cuts to Child Care and Development Programs in Los Angeles County

The approved cuts in SB 70 ultimately will result in fewer low-income families having access to subsidized child care and development services:

- Most working families with 11 and 12 year old children will need to make alternative arrangements for before and after school services; families will receive priority for services in After School Education and Safety (ASES) Programs and 21st Century Community Learning Centers as space is available.

- Families with incomes between 70 and 75 percent of SMI will no longer be eligible to participate in CDE/CDD-subsidized programs; families above the new income threshold and with children currently enrolled in a subsidy program are beginning to receive a notice of action stating that their last day of service is June 30, 2011.

- The 15 percent across-the-board cut further limits the availability of child care and development services for low-income families. In Los Angeles County, it is estimated that in the aggregate contracts for child development centers, inclusive of California State Preschool Programs (CSPP), and Family Child Care Home Education Networks, will be reduced by $63.7 million,[3] resulting in approximately 9,000[4] fewer children receiving child development services.

[3] The estimate is conservative at best as it does not reflect the savings scored from eliminating services to 11 and 12 year old children and reducing the SMI.

[4] Currently, approximately 61,500 children are enrolled in child development programs in Los Angeles County. With the across-the-board reduction, an estimated 52,200 spaces would remain.

…Add the Potential Impact of a Reduction in the SRR!

As proposed in SB 69, the reduction in the SRR creates a more significant layer of cuts to child care and development programs threatening their very survival, particularly those serving infants and toddlers. Over and above the 15 percent across-the-board cut, the SRR paid to center-based programs and Family Child Care Home Education Networks means less financial resources per child while requiring programs to provide services that meet higher standards, including lower teacher/staff to child ratios and smaller group sizes, higher teacher qualifications, and enhanced learning environments.

In Los Angeles County, the cut to the SRR would mean a further reduction estimated at $36 million to serve approximately 52,200 children from birth to 10 years old.

If SB 69 is approved as currently written, the consequences to CDE/CDD-contracted child care and development programs are likely severe, potentially leading to:

- Significant loss of spaces available to serve infants and toddlers.

- Closures of classrooms, and, in some cases, entire programs.

- Reduced wages and/or staff layoffs.

- Compromise in levels of quality and ability to meet Title 5 (Education Code) standards.

May Revise

On May 16, 2011, Governor Brown released the May Revise, which updates his proposals for the 2011-12 State Budget based on revised revenue and spending projections. Since taking office in January, the Governor has reduced the state's budget gap to $9.6 billion by adopting significant spending cuts, including to health and human services as well as child care and development.

As summarized previously, the Governor approved major reductions in government

spending for child care and development services. In addition to the approved reductions, the Governor's May Revise proposes further reducing funding for child care and development and eliminating the Early Learning Advisory Council as follows:

Decreasing Child Care and Development Services Based on Revised Caseload Estimates

The Governor proposes a decrease of $97.2 million to 1) reflect revised caseload estimates for CalWORKs Stage 2 and Stage 3 primarily due to the implementation of the Stage 3 reduction including in the 2010 Budget Act; 2) reflect a revised estimate in the downward growth of children from birth to five years old; 3) adjust the savings generated by child care reductions adopted by the Legislature in March based on caseload estimates; and 4) take into account an increase in federal funds.

Elimination of the Early Learning Advisory Council (ELAC)

The Governor's intent to reduce government inefficiencies includes the elimination of 32 boards, commissions, task forces and offices. Among those entities proposed for elimination is the Early Learning Advisory Council (ELAC).

For background, the California State Advisory Council on Early Childhood Education and Care (ELAC) was established through executive order in November of 2009 to make California eligible for $10.8 million in federal funds. The 18 member ELAC builds upon the work of the California Early Learning Quality Improvement System (CAEL QIS) Advisory Committee in helping define the future policy direction of early learning in California. Specifically, ELAC would develop a comprehensive statewide plan for an integrated early learning system and pilot a statewide quality rating and improvement system.

The May Revise notes that the proposed elimination of the advisory council will result in the loss of the remaining federal funds, however its work represents a new initiative that the state cannot presently afford. The elimination of ELAC represents a $3.6 million decrease in federal funds for 2011-12.

Nearly two weeks following the release of the May Revise, U.S. Secretary of Education Arne Duncan and U.S. Secretary of Health and Human Services Kathleen Sebelius announced that $500 million would be made available for the new Race to the Top Early Learning Challenge initiative. The funding, part of the fiscal year 2011 appropriations bill, will become available to states through a competitive grant process. "States applying for challenge grants will be encouraged to increase access to quality early learning programs for low income and disadvantaged children, design integrated and transparent systems that align their early care and education programs, bolster training and support for the early learning workforce, create robust evaluation systems to document and share effective practices and successful programs, and help parents make informed decisions about care for their children."

On a Final Note…

The Governor's May Revise did not alter the additional reduction of the SRR included in the main budget bill, SB 69. Both the Senate and Assembly Budget Subcommittees have met and considered the Governor's overall proposed reductions to child care and development services, including the additional reductions proposed in the May Revise and the cut to the SRR in SB 69 (pending) as well as the package of reductions approved in SB 70.

As of this date, it is expected that the main budget bill - SB 69 - will be revised and then voted on by the legislature again sometime on or before June 15th along with several new budget trailer bills.

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