



**GOVERNOR'S PROPOSED BUDGET FOR 2009-10:
IMPACT ON CHILD CARE AND DEVELOPMENT SERVICES**

Overview – Tackling the Deficit

On December 31, 2008, Governor Schwarzenegger released his Proposed Budget for 2009-10. The Proposed Budget projects a deficit of \$14.8 billion, which is expected to grow to \$41.6 by the end of the fiscal year if it is not addressed. As such, the Governor has proposed a mix of solutions including major spending cuts, revenue increases and cash management strategies. Spending cuts to education and health and human services make up his largest category of solutions.

Proposed revenue solutions are:

- 1.5-cent sales tax increase and sales tax expanded to selected services.
- 9.9% oil severance tax
- 5 cents a drink on alcoholic beverages
- Reduction in the dependent tax credit from \$309 to \$99 per dependent
- \$12 increase in annual vehicle registration fees
- \$3 increase in driver's license fees

Major Changes – Redirected Funds

Among the Governor's proposals are redirecting funds from two voter approved initiatives that are likely to impact services directed to young children and their families:

First 5 CA and Local First 5 Commissions: The Governor has proposed to eliminate the California Children and Families Commission and redirect all state funds and 50% of local funds to support children's programs administered by the Department of Social Services. This redirection of funds is expected to alleviate the burden in General Fund obligations by \$275 million. (Visit the Office of Child Care Web site at www.childcare.lacounty.org to learn about efforts underway to preserve First 5 funding; go to Public Policy, then scroll down to the section on State Policy.)

Mental Health Services Act (MHSA): In addition, the Governor proposes to fund Mental Health Managed Care with Proposition 63 (MHSA) funds, thus reducing the General Fund obligation by \$226.7 million in 2009-10. Notable is the provision in Proposition 63 that prohibits the use of funding to supplant existing mental health services.

Both proposals require voter approval.

Child Care and Development Proposals

Current Year Adjustments (2008-09)

The Governor has proposed the following mid-year adjustments:

- Reduction of \$42 million to reflect expected savings in CalWORKs Stage 2 Child Care (\$27 million) and CalWORKs Stage 3 Child Care (\$15 million) caseload driven programs*

*Based on revised estimates in November 2008.

- Permanent reduction of \$55 million for General Child Care and Preschool programs based on prior year savings

- Reappropriation of an additional \$108 million of anticipated savings in prior year child care programs to address shortfalls in the one-time sources used to partially fund CalWORKs Stage 2 and Stage 3 in current year

Budget Year Proposals (2009-10)

- Increase of \$736,000 from federal funds for the next phase of implementation of the Child Care Providers Accounting and Reporting Information System (PARIS)
- Increase of \$18.9 million for a 1.23% growth based on the age 4 and under population change to be applied to State Preschool, General Child Care Development Programs, Migrant child care, Alternative Payment Program, School Age, and Handicap Allowance
- No cost of living adjustment (COLA) for a cost avoidance of \$79.5 million (calculated at 5.02%)
- Revise the family fee schedule by retaining a flat fee per family and increasing the fees by \$2 per day at the low end, then increase the fees thereafter on a sliding scale up to 10% of family income
- Reduce Regional Market Rate (RMR) from 85th percentile to the 75th percentile of the 2007 RMR survey effective July 1, 2009
- Reappropriation of an additional \$108 million of anticipated savings in prior year child care programs to address shortfalls in the one-time sources used to partially fund CalWORKs Stage 2 and Stage 3 in current year

Community Care Licensing

The Governor proposes an increase of \$3.5 million for the Technical Assistance Fund for investigations of registered sex offenders and investigations of serious crime arrests of licensees. Licensing fees would be increased as needed to offset the impact on the General Fund.

CalWORKs and CalWORKS Stage 1 Child Care

CalWORKs: The Governor has proposed significant cuts in safety net programs that serve our most vulnerable residents, including poor children and families, single adults, immigrants, individuals with disabilities, and the elderly. While the cuts to health and social service programs overall is concerning, this section briefly summarizes a few of the Governor's proposals that are likely to have devastating impacts on young children and their families. In part, the Governor proposes the following reductions to CalWORKs:

- Reduce monthly assistance payments by 10%
- Suspend the COLA to be implemented as of July 2009
- Modify the Safety Net Program as follows:
 - Reward working families participating in federal work requirements
 - Impose a 60-month time limit on assistance for child-only cases when the parent or caregiver is an undocumented immigrant, a convicted drug felon or a fleeing felon
 - Implement a 60-month self-sufficiency review requirement to engage families not participating in work requirements; safety net benefits would be eliminated if the adult does not meet the work participation requirements

CalWORKs Stage 1 Child Care: The Governor's budget assumes that utilization rates for CalWORKs Stage 1 Child Care will remain at current levels.