CHILD CARE LAW CENTER

221 PINE STREET | 3RD FLOOR | SAN FRANCISCO, CA 94104 | V 415.394.7144 | F 415.394.7140
WWW.CHILDCARELAW.ORG | INFO@CHILDCARELAW.ORG

CCLC Initial Response to the 2008-09 Governor's Budget
January 15, 2008

Early care and education contributes to the well-being and equality of opportunity for California's children. However, many low-income children do not have the opportunity to benefit from quality child care, and enter kindergarten lacking the necessary language skills that wealthier children already have acquired.[i] We must recognize that cuts to early care and education affect the lives of real children, and the future of California.

Our analysis focuses on early care and education programs, however the budget must be taken as a whole. The State has fiscal options not reflected in the Governor's proposed budget. The Child Care Law Center (CCLC) agrees with the LAO that revenue solutions, such as reinstatement of the Vehicle License Fee, should be expanded.[ii] We also agree that across-the-board cuts are not the most equitable method for making budget decisions.[iii] Parents who cannot afford child care, food, housing and medical care for their children will do everything in their power to protect their children's health and future opportunities. The State must commit the funds necessary to assist families in providing the basics for all of California's children.

As Speaker Nunez said, California's budget must reflect our values. We call on those in the Administration and Legislature who oppose revenue increases and structural solutions to meet with the children who will be denied child care, health care and other basic services and explain why investment in their future, and the future of the State, is a lower priority than maintaining minimal registration fees for luxury cars. CCLC will review the Governor's proposal for a ballot initiative that would make substantial changes to the budget process. At a minimum, the requirements for budgets and revenue increases to be passed by a 2/3 vote of the Legislature must be changed.

1. **<u>Special Session</u>**

Proposition 58 gives the Governor authority to declare a fiscal emergency and call the Legislature into special session when revenue and or expenses change in a negative way. The Governor declared a fiscal emergency on January 10, 2008. The Legislature must send the Governor at least one bill to address the emergency within 45 days or else it will be prohibited from acting on other matters.

California is now in the unprecedented situation of dealing with the Governor's proposals for current year savings as well as responding to his 2008-09 budget proposals. The majority of cuts to child care appear to be in the 2008-09 budget. However serious changes to the CalWORKS program are being considered for immediate action, with the Administration proposing cuts of $74 million in the current year. The Governor is also proposing reductions to Proposition 98 education funding that are estimated to provide $400 million in savings this year. CCLC is troubled by cuts to Proposition 98 as well as proposed payment delays to important service providers such as the Regional Centers serving individuals with disabilities, and the impact those delays will have on services to children. It is essential that cuts and program changes undertaken in the special session do not harm families and undermine efforts to maintain and improve the early care and education system.

2. Access to Child Care for Low Income Working Families

The Governor's 2008-09 Budget proposes a cut of $198.9 million to child care programs, stating that this will reduce existing child care slots by approximately 8,000. California is a phenomenally wealthy state, yet 44 percent of our young children live in low income families and more than a fifth live below the federal poverty level.[iv] Child care is an increasingly expensive, yet essential, support to low-income families. Single mothers who receive help paying for child care are 40 percent more likely to remain employed after two years than those who receive no help.[v] Former welfare recipients with young children are 82 percent more likely to be employed after two years if they receive help with child care expenses.[vi] These statistics demonstrate the repercussions to families and to the state's economy that are likely to result from significant reductions in child development subsidies.

The chart below showing the Governor's proposed cuts to child care was prepared using the information available from the Department of Finance as of January 14.

.

Program	Funding 07-08	Proposed Funding 08-09	Max enrollment 07-08	Proposed Max. Enrollment 08-09	% Funding deduction	Decline in Maximum enrollment
State Preschool	441.854	413.402	117,624	109,963	6.4	7661
General Child care	804.649	752.835	86,974	81,374	7.2	5600
Alternative Payment	112.258	95.707	38,301	35,835	14.7	2466
Stage 2	332.804	332.804	73,864	72,070	0	1794
Stage 3	11.148	11.148	58,842	60,076	0	(+1234)
Migrant	35.159	32.547			7.4	
Resource and Referral	19.438	18.186	n/a	n/a	6.4	
Extended Day (Latchkey)	35.890	33.579			6.4	
COLA adjustment	7.5	0	n/a	n/a	7.5	
Growth	15.32	0	n/a	n/a	15.32	

Funding is from the General Fund in millions. Many of these programs have other sources of funding, most notably federal Child Care & Development Fund dollars, however the other funds do not replace the cuts to General Fund monies.

Beyond the loss of 8,000 current child care slots that would result from these cuts, the Department of Finance's figures show a projected loss of an additional 9,156 child development slots overall, for a total of 17,156. This does not include after school programs, which are also slated to receive substantial cuts to funding and enrollment. While the Budget Summary claims that normal attrition rates in these programs should "reduce the likelihood of a currently enrolled child losing their slot," there is no indication of what the attrition rates are by program. With these cuts, children who are not yet enrolled will lose access to a high quality early care and education experience while their parents will lose an important work support. California already has Waiting Lists of 234,000 children statewide who are eligible for child care subsidies. The State should be investing each year to reduce the number of children on these lists, not adding to them, even in a difficult budget year.

The Governor's Budget also proposes to freeze the child care eligibility cap. Families striving for self sufficiency lose access to subsidies unless the state median income (SMI) used to determine eligibility is updated on an annual basis. As parents eloquently testified when this cut was proposed in earlier years, families who lose their eligibility could be forced to return to cash aid or leave their children in unsafe situations. Lowered income eligibility also makes it more difficult for state-contracted centers in high cost areas such as Alameda County to enroll sufficient numbers of eligible families to maintain their programs.

The Budget proposes no Cost of Living Allowance (COLA) or growth funding for child development programs. California has two different methods of reimbursement for child care providers. The Standard Reimbursement Rate (SRR) is used to reimburse centers that contract directly with the California Department of Education, Child Development Division including State Preschool programs. These programs typically operate under Title 5 licensing regulations. California's Title 5 state-contracted centers are models for the entire nation. The recent Rand Report discussed the challenges facing Title 5 programs serving preschool aged children where the SRR has dropped well below the market rate in 22 of California's 58 counties which contain close to 80 percent of the preschool-age population."[vii]

The Regional Market Rate (RMR) reimburses providers who receive subsidies on behalf of families eligible for child care vouchers through the Alternative Payment program or through Stage 1 child care through the County Department of Social Services. These programs operate under Title 22 licensing regulations or are license-exempt. The RMR is scheduled to be changed based on the most recent market rate survey. If the RMR does not receive its scheduled increase, family child care providers will have little incentive to care for subsidized children and those serving low income neighborhoods will have trouble surviving leaving families with even fewer options for child care.

With such clear research documenting the importance of early education and its positive effect on narrowing the "achievement gap," we should be investing in expanding access to proven high quality programs. Instead, the cuts to subsidized care, the low eligibility ceilings and stagnant reimbursement rates will mean that many fewer children will receive quality care; those children currently enrolled may lose the continuity of care so essential to their development while their parents will lose one of the essential work supports they need to become self-sufficient.

3. **<u>Community Care Licensing</u>**

The Governor's Budget proposes to cut unannounced visits made by Community Care Licensing to child care facilities by over 50%, threatening to undermine the basic health and safety protections for children in child care and preschool settings. The proposed budget would reduce unannounced random visits from 30% of all centers and family child care homes currently to 14%. Requiring a visit once every seven years marks a distressing retreat in program safety for children in care and places California again at the bottom of the nation in monitoring. While the statutory requirement to visit each facility at least once every five years remains in effect it is not clear whether the budget allocates enough resources to meet this obligation. In addition, the wild fluctuation in the frequency of random visits (from 10% in 2003 to 20% in 2006 to 30% in 2007 to the proposed 14% in this year's budget) raises concerns that some facilities may slip through the cracks and go even longer without a visit. A solid, consistent and frequent monitoring program is essential to the safety of our children and the cornerstone to efforts to improve program quality.

4. Cutting the Safety Net for Poor Children

The Governor's proposal to allow the statutory 4.75% CalWORKs program COLA to go into effect (increasing the maximum benefit from $723 to $754 per month) is the sole positive note in a set of punitive proposals that undermine the core purpose of the CalWORKs program; that is, to act as a safety net for poor children. The Governor's proposed changes will have a profoundly negative effect on a significant number of low income children and families. Currently, the CalWORKs program penalizes adults who fail to comply with work requirements while protecting children from a life of abject poverty by continuing to provide child-only benefits.

The Governor's CalWORKs proposals abandon those children whose parents have been unable or unwilling to work at the level necessary to be counted in the federal Work Participation Rate (WPR). The Governor's proposal to implement "full family sanctions" will completely cut off all assistance to children and their parents if the parent fails to comply with program requirements after a year. Similarly, children in families that have used their 60-month lifetime limit will be cut off aid unless their parent works a sufficient number of hours to be counted in the WPR.

In both of these scenarios, there is at least a possibility that children can receive assistance if parents work at the required level. That is not true for children receiving "child-only" benefits because their parents are categorically ineligible for benefits. These adults have no way to "cure" the penalty imposed on their families. So after these low income children receive 60 months of benefits, they will simply be cut off assistance with no possibility of receiving any additional support from the state. The Department of Social Services estimates that nearly 75,000 California children will lose <u>all</u> CalWORKs benefits, including their connection to state-supported health care benefits. It seems likely that many of these children will suffer extreme poverty and deprivation. The savings the state anticipates from cutting current supports to families will be spent many times over on foster care, corrections and services to combat the effects of growing up in deep poverty.

The Governor also proposes to cut $100 million from both the child welfare program which serves neglected and abused children and those at-risk, and the in-home supportive services program which enables low income seniors and people with disabilities to lead more independent lives. The Governor intends to eliminate the COLA for the Supplemental Security Income/State Supplementary Payment program which provides for basic living expenses for food, clothing and shelter for the state's needy, blind, aged and people with disabilities. Again, in a deteriorating economy, all of these cuts will affect the most vulnerable Californians who have no resources other than these minimal supports provided by the state. We believe that in the final budget the legislature and the Governor will not turn their backs on those Californians in greatest need nor on the state's children who have had the misfortune to be born into poor families.

5. Special Education Cuts

The $357.6 million dollar cut in special education does not reduce federally mandated services for children. This does, however, further shift the burden for payment to the local school districts. At a time when research confirms the key role of early identification of disabilities and appropriate interventions, California should be investing additional funds beyond the legal mandates particularly in the early years to provide optimum supports for children with disabilities that can lead to long term positive impacts.

6. Facilities

We know there is great need for facility investment and welcome discussion of the most effective means to invest including the use of bond funds. The Governor proposes no new funds for investment in the Child Care Facilities Revolving Fund; in fact, the Budget proposes to remove $17.7 million from the Fund. There have been barriers which resulted in limited use of the Fund. These can be addressed through the development of regulations and program changes designed to meet the pressing facilities needs of early education providers. The fund should enable programs to cover major repairs, and include a wide range of options since installing a portable is not effective for many programs. The loan limits are low and there is no effective outreach or technical assistance available to child care programs in order to facilitate use of the funds. We believe the Legislature should review this program and instruct the department to work with stakeholders to develop regulations while continuing the investment.

7. Conclusion

Over the next several months, the Child Care Law Center will be working with other advocates, the Legislature, state agencies and the Governor's office to develop comprehensive proposals to invest in our children. CCLC's starting point will be our 2008 Work Group Report in which we outline a vision for change based on shared priorities and values. Rather than starting with numbers and shortfalls we start with a vision of building an integrated birth to five early care and education system that is responsive to the needs of children and working families, that ensures preschool efforts are integrated with and strengthen the existing early care and education system and simultaneously invests in building quality choices for our youngest children.

The highest priorities established by the CCLC Work Group for 2008 include maintaining current funding levels and access to subsidized child care for children and families; ensuring that Community Care Licensing is adequately funded and staffed to monitor current and future early childhood education licensed programs, and supporting a balanced solution to the California budget crisis including raising revenue and eliminating the tax cuts of the last decade.

CCLC and other advocates will use the 2009 CCDF State Plan process to identify barriers for families, best practices, statewide goals, resources needed and ways to maximize use of current funds. We will participate in other proactive planning efforts to close the achievement gap and meet the needs of our youngest children for early care and education.

---

[i] Betty Hart and Todd R. Risley, *Meaningful Differences in the Everyday Experience of Young American Children* (1995).
[ii] Legislative Analysts Office *2008-09 Overview of the Governor's Budget* January 14, 2008 page 19
[iii] Ibid. page 3
[iv] National Center on Children in Poverty, California State Profile www.nccp.org accessed 12/29/06, for 2006 the poverty line is $20,000 a year for a family of four.
[v] Heather Boushey, *Staying employed after welfare*, Economic Policy Institute, June 2002.
[vi] National Women's Law Center, A Second Chance, January 25, 2005.
[vii] Lynn A. Karoly, Elaine Reardon, Michelle Cho *Early Care and Education in the Golden State* 2007 page 20