



CHILD
CARE
LAW
CENTER

221 PINE STREET, 3RD FLOOR ♦ SAN FRANCISCO ♦ CALIFORNIA 94104
TELEPHONE: 415.394.7144 ♦ FAX: 415.394.7140 ♦ E-MAIL: nstrohl@childcarelaw.org

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The Governor's 2005-06 Budget is not a balanced approach to the state's priorities and responsibilities. Services that support the development of young children and their low-income and working families, such as child care, are deeply cut, while no new revenues are raised. The Governor, for the second time, seeks to make troubling systemic reforms through the budget, and includes unacceptable cuts to the quality and availability of child care. The long-term effects of these proposals are especially disturbing since they will erode our state's early care and child development system which is essential to our state's economic future.

Summary of CCLC Positions

- A. Oppose Administration's refusal to consider increases in revenue.** Over \$17 billion can be raised through commonsense reforms that modernize our tax system and close loopholes.
- B. Oppose proposed reduction in Community Care Licensing funding.** Licensing is the foundation of quality – without the basic standards, training and monitoring that licensing imposes, other efforts at improving quality will be ineffective.
- C. Oppose draconian reduction of reimbursement rates for license-exempt providers.** This reduces an important child care option in low-income communities, greatly burdens working parents in their efforts to find appropriate child care and increases inadequate, low-quality care.
- D. Oppose unrealistic plan for quality improvement and tiered reimbursement for licensed providers.** Without funding for providers to meet the new requirements, this proposal effectively freezes rates and would be unattainable for many providers in lower income communities.
- E. Oppose inequitable payment rates and convoluted rate calculations for providers who serve only subsidized children.** This will increase inequality in low-income communities and greatly increases administrative workload. Better solutions are available.

- F. Oppose establishing time limits for families who formerly received welfare and effectively eliminating CalWORKS Stage 3 child care.** The state must honor its commitment to parents moving from welfare to work. Cuts will push many vulnerable families back to cash aid.
- G. Support centralized waiting lists, but will conduct further analysis of the proposed “first come, first served” approach.**
- H. Oppose the proposal to align family income eligibility levels with the federal poverty level rather than the State Median Income.** Over time more low-income families will lose eligibility for child care programs. The State Legislature and experts agree that the Federal Poverty Level is a poor indicator of true need.
- I. Oppose final elimination of CDPAC.** California desperately needs comprehensive planning for early care, and CDPAC is a respected, neutral entity appropriate for the task.
- J. Oppose related cuts to children and families.** Cutting benefit levels and COLAs will harm families and leave them unable to meet basic needs.

The Governor's 2005-06 Budget seeks to balance the budget by shredding the safety net for children and families in need of cash assistance, seniors and other vulnerable Californians and by cutting critical services such as transportation and public education. To suggest there is no other option, as the Governor has, is at best disingenuous. Given California's wealth and the vision and skill of its people, California can develop a balanced approach to the budget shortfall while protecting children who are our future and the most vulnerable in our state.

In the face of an over \$8 billion shortfall, the Child Care Law Center is extremely concerned that the Governor's Budget does nothing to restore revenue by ending tax cuts benefiting the wealthy, closing tax loopholes or seeking new sources of revenue from those most able to pay. The question our elected leaders should be asking is not simply what revenues are available but rather what our collective priorities are and then identify the revenue needed to meet those priorities. In times like these, when our government's minimal commitment to working families stretch existing public funds, the only way to ensure sufficient funding is to increase the state and federal governments' revenues.

Far from creating opportunities for every child, the Governor's Budget cannot even ensure minimal availability and basic child safety for every family needing child care. In fact, our entire fragile infrastructure is under-funded. The Governor's proposal does nothing to address this structural problem, and instead characterizes cost-saving measures that decrease quality and accessibility as 'reforms.' These 'reforms,' which should be properly identified as cuts, were rejected in the past, and they should be rejected again.

We are disturbed that for the second year the Governor is attempting serious reform of the early care and education system through the budget process. Real reform requires that we not take such a short-sighted approach to the well-being and development of our youth. While California has many strong programs from which we can build, the system has grown and evolved without long-term comprehensive planning. Changes to strengthen the system should be based on a comprehensive, inclusive planning process. Such a process should look at all aspects of early care and education from the viewpoints of children and families, and determine the true cost of care, not just fiscal constraints. If the Governor was truly committed to quality and access he would support efforts to develop a comprehensive plan. Instead, he vetoed the two bills that would have led to coordinated plans for children birth to three and preschool age children.

The proposals in the budget, coupled with a lack of comprehensive planning, will impact children and working families far beyond this budget year. Many of the child care proposals will have long term impacts if enacted. For example, the proposal to impose time limits on families' in welfare-to-work programs saves no money this year but significantly changes policies that have assured that children are in nurturing, safe early care and education while their parents moving to self sufficiency have stable child care arrangements. Another example is the proposal to cut rates to licensed providers who serve only subsidized children; this is projected to have short-term savings but undoubtedly would result in the loss of licensed child care providers in our poorest communities in the longer run. Finally, the continued reliance on borrowing, and the proposed spending caps and reductions in guaranteed spending levels for education and our most vulnerable, will have impacts far into the future. All these proposals must be thoroughly analyzed and debated so that we are clear about implementing new policies that leave

California's children paying our debts and California's policymakers with their hands tied by draconian budget controls.

We look forward to working with parents, childcare providers, our partners in the advocacy community, community organizations, and members of the Legislature to develop an alternative approach. Far from being special interests, children and their families should be among our government's highest priorities. It will take the efforts of all those concerned to ensure that this year's budget reflects this priority.

The following is the Child Care Law Center's (CCLC) initial response to Governor Schwarzenegger's January budget proposal, based on information available as of January 12, 2004. As more information becomes available and we have the opportunity to examine the budget proposals in greater depth, we will release additional analysis. For an overview of the entire budget, we direct you to the California Budget Project website, www.cbp.org.

While CCLC takes full responsibility for this response, our comments to specific proposals include both CCLC's initial response and, in many instances these response are informed by the positions taken by the October 2004 Child Care Work Group, co-sponsored by the Children's Roundtable Child Care Subcommittee, the California Resource and Referral Network, the Child Care Law Center, the California Child Development Coalition and the California Child Development Corps. The Child Care Work Group met to prepare consensus positions in anticipation of 2005 budget and policy proposals. Over 70 parents, child care providers, advocates, and legislative and agency staff participated, and built on discussions from a series of Work Group meetings in previous years. The full report of the October 2004 meeting is available at www.childcarelaw.org.

A. Increasing Quality and Equity in Access

We would welcome a collaborative effort to facilitate equitable family access to care and a system that acknowledges and promotes quality.¹ We do not believe that this budget reflects such an effort. High quality child care means having sufficient well-trained, culturally-sensitive teachers and caregivers; safe, healthy, age appropriate surroundings; stable relationships with peers and family; and culturally and developmentally appropriate learning opportunities for all children, including those with disabilities and other special needs. We cannot achieve quality and increased equity of access absent a comprehensive planning effort and additional investment.

B. Reduction in Community Care Licensing Funding

Although licensing is not mentioned in the Budget Summary, California's core investment in child care is support for a system of licensing and regulation designed to protect the health and safety of children in out-of-home care. This is the foundational investment for all children in early care and education programs. We are extremely concerned that the Governor's Budget section on Health and Human Services contains an unexplained reduction of \$572,000 to eliminate the statutory requirement to increase the community care licensing workload.²

The Legislature should immediately request further information regarding this cut. Based on information available at this time, it is our understanding that the Community Care Licensing Division's (CCLD) statistics confirm there has been a significantly increased number of citations for facilities that have not had the benefit of a regular visit by CCLD staff. When the original cuts were made to Licensing, resulting in implementation of a reduced visitation schedule, CCLD was required to keep data as to whether citations for violations increased. The data confirms that decreased visit led to an increased number of citations. The law was originally written so that just such an increase in citations would lead to an automatic increase in funding for Licensing to conduct additional visits. This is an example where an automatic trigger increase, based on statistical evidence, is sound policy. We must ensure the basic health and safety of children in out-of-home care by paying for a sufficient number of regulators to inspect child care facilities on a regular basis.

Rather than approving this new proposed reduction in funding for Licensing, the Legislature should review the previous cuts to the licensing system now being implemented that are now placing the health and safety of children at risk. Funds should be provided to return to the licensing system's earlier visitation schedule: once a year for centers and once every three years for family child care, while developing funding for annual visits to all licensed providers. Funds should also be provided to reinstate full staffing of the child care advocate program at its previous capacity, and increase availability of linguistically and culturally accessible information for parents and child care providers.

C. Reduction of Reimbursement Rates for License-Exempt Providers

The Child Care Law Center has a long commitment to addressing the complex and controversial issues implicit in state subsidy of license-exempt care. We have initiated discussion and developed consensus on certain points in our annual Child Care Policy Workgroup process, testified before the Assembly Human Services Committee, participated in hearings called by the Legislative Women's Caucus and presented to the Working Family Summit in 2004 and 2005. We strongly favor a thoughtful examination of both the role of license-exempt care in the subsidized child care system, and the implementation of practices to help support and improve the quality of license-exempt care.

Unfortunately, the Governor's proposal is antithetical to this approach. The primary proposal to increase child care "quality" is a draconian reduction in reimbursement rates to license-exempt child care providers. License-exempt providers will be cut to 55 percent of the Family Child Care ceiling if they have no training after 90 days and to 60 percent of the child care ceiling if they have health and safety training, seek early childhood education, training or obtain a license. It is not feasible that the current training infrastructure could provide training to California's diverse license-exempt providers within 90 days.

This proposal has four critical problems. First, it undermines that guarantee that parents will be able to choose the type of care that is best-suited to their and their children's needs; second, it will have a significant negative impact on the most vulnerable families; third, it is inequitable and may reduce the involvement of the most appropriate license-exempt caregivers; fourth, it

provides no funds to support caregivers in obtaining the education and training that will enable them to receive the slightly higher payment rate.

Parental Choice

Many types of child care in California must be licensed, but some types are exempt from licensure requirements. For example, child care for a relative, or for one family (other than the provider's own children) are exempt from licensure. Federal law requires that families using voucher-based child care subsidy programs (including CalWORKs child care) have a right to parental choice of the type of child care provider they believe is best for their children, including center-based care, family child care, and license-exempt child care.

Impact on Vulnerable Families

This proposal will have a significant negative impact on those families most likely to choose license-exempt care. Accessibility is a major issue; it is not clear how many parents who have access to real alternatives choose license-exempt care. But there are many families who choose license-exempt care for a variety of reasons: families with infants or children with special needs; families living in geographically isolated areas, whether rural or urban, where there are few if any licensed care providers; families working odd hours or rotating shifts; culturally and linguistically diverse families who are unfamiliar with the formal care system and rely on extended family networks for care of young children; and families new to CalWORKs assistance. Every family views child care differently, including the priority they place on access to culturally and linguistically appropriate child care, and the type of child care that will best prepare their children for school.

Inequity and Impact on License-Exempt Care

Although the Governor's stated purpose is to improve the quality of care, his policy of significantly reducing rates for license-exempt providers is inequitable and contradictory, and undermines the possibility of a widespread improvement in quality. In his budget, the Governor states the Administration's belief that license-exempt child care provided by neighbors and family members "does not require a large state subsidy to be induced" and so recommends a significant reduction in the rates paid to such providers. While it is true that license-exempt caregivers who are relatives and friends are often motivated to provide care because of their relationship to the family, frequently they too must find a way to earn a living wage. It is inequitable to rely on license-exempt caregivers to provide the level of quality care that parents need and want, and at the same time cut the reimbursement for that care.

Though the most appropriate and highest quality caregiver selected by many families may be the grandmother who cares for young family members, the reality is that these caregivers often forego other work opportunities or reduce their hours of out-of-home work in order to be able to supply child care within their families. They are able to do so only if they receive adequate reimbursement. If the emphasis is on quality, as it should be, these are the caregivers who are most motivated to obtain additional training to enhance their ability to care for children. If they are not able to afford to provide care,

then the license-exempt workforce may become a setting for those adults who have no other work options, rather than those relatives and friends who are most closely connected to the child and the child's family. This trend may be exacerbated if there is an increase in the federal work requirements for CalWORKs families, as seems likely, without increased funding for child care.

D. Unrealistic Proposals to Compensate and Improve the Quality of Licensed Child Care Providers

We support efforts to improve quality and look forward to developing alternate proposals in the coming months. Advocates and the Legislature should design a rate system that will reward quality, maintain parental choice, and provide support for providers to improve the quality of their programs without lowering the reimbursement rates for current providers. A critical component will be to ensure that the infrastructure to provide trainings and support to these providers is in place. We do not believe the Governor's proposal deals with the real challenges of improving quality and are concerned with several aspects of the current proposals.

The Proposal Appears to Cut Rates to Licensed Providers in Future Years

The Governor's Budget Summary does not outline the system to be implemented in 2007 and we hope this means they are open to a comprehensive inclusive process to determine how such a system should work. However the only information available would indicate otherwise. The only information currently available on the tiered plan in future years is a proposal developed by the Financial Control Branch of the Department of Social Services.³ The DSS proposal envisions that licensed family child care providers who are at the highest quality level would receive a rate up to the 85th percentile of the RMR. Others depending on their ratings would receive a maximum 75 percent or 85 percent of the 85th percentile, depending on the level of their ratings.

Rate structures for licensed center reimbursed through the RMR would be similar. The effect of this proposed reduction on center-based programs that spend a high proportion of funds on employee salaries must also be analyzed as it could lead to even greater difficulty in hiring and retention of staff. Many centers in underserved areas have closed their doors, and this proposal could force even more to do so.

We are also concerned that the quality proposals will freeze rates to licensed providers until July 2007. There is no mention of a new Regional Market Rate (RMR) survey and adjustment of rates. The subsidy rates paid to providers is determined by a formula based on the amount that different types of providers charge private pay clients in each region of the state. The RMR Survey collects information on current rates charged by California's child care centers and family child care homes, and the state uses these data to calculate the maximum reimbursement ceilings for participants in a variety of voucher-based state and federally subsidized child care programs. The California Department of Finance (DOF) has ultimate authority to approve any rates established through the RMR Survey. In the 2003-4 budget year, the RMR ceiling for licensed child care was reduced to 85 percent of the RMR.

Insufficient Investment and Lack of Planning

This proposal contains no funds to increase training opportunities, provide alternative child care while these caregivers are in training programs, or expand linguistically and culturally appropriate training. It is also not clear that the financial incentive will cover the cost of improving quality. We also find it a grave inequity to require child care providers to achieve high standards with no support. The family child care homes and high quality centers in our lowest income neighborhoods can not reach higher quality standards such as accreditation which often requires classes, staff training programs, facility improvements and other expenses without financial support. The only funds in the Governor's budget are for evaluators.

We also must build an infrastructure, with community college and university capacity to support providers and evaluate programs. Legislators should carefully consider the workforce recommendations developed by the statewide Blue Ribbon Committee on Workforce Development sponsored by First 5 California. This committee will be making numerous proposals to ensure the professional preparation of a well-trained, culturally and linguistically diverse workforce for California's early care and education system, including higher education infrastructure development.

We are also concerned that there is no process to determine quality standards. Los Angeles and San Francisco counties have both done extensive work on setting such standards. The lessons of both processes is that comprehensive planning must precede the development of standards, and providers in our lowest income communities can only improve their quality if they receive support and training to do so.

We are concerned that the Governor's proposal will reduce the participation in the subsidy system of our highest quality family child care homes and child care centers; in many cases these are already on the brink of financial failure with the current reimbursement rate of only 85 percent of the Regional Market Rate.

E. Equitable Provider Rates for Those Serving Only Subsidized Children

The Legislature, CDE and the child care community have articulated strong public policy interests in providing parental choice for families receiving subsidies, and in having the subsidized care system fully integrated with the larger child care system. That public policy interest has led to a system in which many providers who care for private pay families also serve subsidized children. However some providers, particularly those in areas of concentrated poverty, provide care only for families with subsidies as there are no families in their neighborhoods able to pay the regional market rate for child care. It is critical that the children in these neighborhoods receive appropriate care, and that the licensed child care providers who offer needed early care and education services be compensated equitably.

The Legislature is most interested in developing a thoughtful solution to these complex issues through the statutory process. In order to provide an opportunity for review, the Legislature explicitly reserved the right to address these issues in the coming year by stating, in the Trailer Bill, "It is the intent of the Legislature to address the issue of child care in and out of market rate

differentiation in the statutory process.” To make certain that it had the opportunity for reviewing and addressing the issue, the Legislature explicitly required suspension of the implementation of regulations which would have imposed a particularly onerous approach to establishing rates for providers serving subsidized children. The Legislature should take full advantage of its stated intent to address these issues in the statutory process and develop an approach that is more equitable, and which avoids the privacy problems of the suspended regulations. We are committed to working with the Legislature and other stakeholders on this issue.

If the Governor’s proposal to implement the current regulations is enacted, we are particularly concerned about the impact on infant care, as documented in the Assembly Budget Committee Hearing Agenda of April 14, 2004. Center-based care for infants is in short supply, and it is inconceivable that centers in the poorest communities could continue to serve our youngest children if, in fact, the reimbursement rate decreased as much as 31 percent in Alameda county and 26 percent in Los Angeles County.⁴

We are also concerned about the regulations themselves. The most problematic aspect of the suspended regulations is that they impose an unreasonable and unnecessary administrative burden regarding documentation of rates on providers who serve subsidized families, and on the County Welfare Departments and Alternative Payment Programs that contract with CDE to administer child care payments. In addition, these regulations establish a documentation scheme that is likely to result in significant intrusions into the privacy of unsubsidized families in violation of the Information Practices Act of 1977 (IPA). The IPA governs the collection and disclosure of personal information by state government. The IPA is broadly construed in favor of protecting privacy rights. It is our assessment that the suspended regulations do not provide adequate protection for unsubsidized parents under the IPA. We look forward to working with the Legislature to develop a more equitable solution.

F. Oppose Time Limits for Families who are Struggling to Achieve Self-Sufficiency and the Effective Elimination of CalWORKS Stage 3

The Governor attempts to frame the issue of equity in child care as a lack of fairness in fully funding subsidized child care for families with a connection to CalWORKS but not for other working poor families. But the Governor’s approach views the need for child care assistance with tunnel vision. There are numerous other forms of inequity in the extent to which quality child care is unavailable for all children. For example:

- Children with disabilities have extraordinarily limited access to care.
- Families whose first language is not English face great difficulty in interacting with the child care system and obtaining appropriate care.
- Child care for infants and toddlers is in even shorter supply than child care for preschoolers.
- Parents who work the non-standard hours required of many in the low-wage labor market have much greater difficulty finding child care than do those who work conventional hours.

- The geographical distribution of the child care supply is extremely uneven, with rural families having much more difficulty finding care than families in urban and suburban areas.

The issue of equity in access to quality child care has ramifications beyond the early years. A child's earliest experiences determine whether the child enters kindergarten ready to succeed in learning during the following twelve years. Research shows, for example, that "young children are biologically primed for language development."¹ Nonetheless, many low-income children enter kindergarten lacking the necessary language skills that wealthier children already have.² Inequity in access to quality early childhood education is felt far into the future.

To cast the inequity "problem" as welfare families versus non-welfare families implies that the former group is monopolizing child care assistance at the expense of the latter. In fact, information available from the California Department of Finance undermines this "displacement" theory: as federal funding for child care for welfare families has increased dramatically, welfare reform has brought new funds for non-welfare families as well. However federal and state funds are far from sufficient to meet the needs of low income working families not connected with welfare. The most fundamental equity issue, however, is the fact that nearly all children from families with sufficient economic resources have access to high quality care, while only a fraction of low- and moderate-income children have access to any licensed care at all, much less high quality care.

We are committed to increased equity, but we will not achieve equity by reducing CalWORKS families' eligibility for child care.

G. Effective Elimination of CalWORKS Stage 3: Establishing Time Limits for Families Who Formerly Received Welfare

This proposal achieves no savings in the budget year and makes significant policy changes in our CalWORKS child care program. Under this proposal, time limits apply only to families who enter the subsidized child care system through CalWORKS. While a family receives CalWORKS cash assistance and the adult is working or participating in a welfare-to-work activity and meets other program requirements, the family has a right to receive CalWORKS child care in either Stage 1 or Stage 2 as long as they are otherwise eligible.⁵ Once an adult transitions off CalWORKS cash assistance, he or she has a right to receive subsidized child care for an additional 24 months, so long as the family remains financially eligible.⁶ Thereafter, families may be transitioned to Stage 3 if a funded slot is available.⁷ There is no entitlement to continued child care assistance in Stage 3 but the Legislature's intent is clear: "former recipients who have left aid for employment ... continue to receive child care services after they no longer receive aid as long as they require those services and meet the eligibility requirement."⁸

¹ The California Master Plan for Education (date?) at 20, citing Universal Preschool Task Force, *Ready To Learn: Quality Preschools for California in the 21st Century*, Calif. Dep't of Education (1998).

² By first grade, children in low-income families have vocabularies consisting of 5,000 words, while children from more affluent families enter school with vocabularies of 20,000 words. Betty Hart and Todd R. Risley, *Meaningful Differences in the Everyday Experience of Young American Children* (1995).

The Governor makes the following proposals:⁹

- CalWORKS child care will be time limited and CalWORKS families will be allowed to transition into an expanded general (non-CalWORKS) alternative payment programs.
- Families in Stage 3 will be transferred to general AP with their funding
- Families who are off cash aid but still in Stage 1 or 2 will be allowed to stay in these programs for up to two years of cash aid and will join waiting lists. They will have two additional years of eligibility for Stage 3.
- Families currently on cash aid (and presumably those receiving cash aid in the future) will have a maximum of three years of additional child care eligibility after leaving cash aid.

The intent of the Stage 3 child care program was to bring families into the general child care system as rapidly as possible. Families already are able to join waiting lists and many have. What these families lack is any realistic hope of obtaining a child care subsidy by joining the 280,000 families already waiting for help from the severely under-funded general child care program.¹⁰

Most families who transition off CalWORKs cash assistance have very low incomes and few prospects of increasing their incomes. Statistics prepared by the Research and Development Division of the Department of Social Services (DSS) indicate that third quarter 1999 earnings of former CalWORKs recipients averaged only \$1222 per month.¹¹ 50 percent of SMI for a family of three is \$1950 per month,¹² and more than three-quarters of families receiving child care subsidies have incomes under that level.¹³

In previous years, powerful testimony from parents during the budget process highlighted the human cost of eliminating child care benefits to parents who no longer receive cash aid but still meet the income eligibility requirements for child care. This proposal to eliminate Stage 3 would result in a fundamental change in California's welfare-to-work system. When California passed welfare reform legislation in 1997, it expressly intended a family who complied with the new laws, sought and found employment, and left cash aid would receive assistance for the cost of child care, paying gradually increasing fees until the family's income was sufficient to enable it to leave the system entirely.

Families who successfully transition off cash aid should continue to be eligible for child care assistance until their income reaches at least 75 percent of SMI. Loss of child care could force them back onto cash assistance or to leave their children alone, in the care of siblings, or in child care of such low quality as to be harmful.

Families transitioning off welfare should be subject to the same rules governing their child care as other families in the subsidized system. No other child care program is currently subject to time limits. It is highly unlikely that places will become available for these families, so for many the time limit on CalWORKs child care will mean loss of all subsidized care.

No Real Expansion of the Alternative Payment Program

This proposal shifts current AP Stage 3 family to become AP general child care families. While this does expand the AP general child care program, it is only a program definition shift and in itself provides no additional funds for the 280,000 children on the waiting list

Waiting List Reform

We agree that their needs to be a more systematic approach to the eligibility lists of each county and the state to have a real sense of unmet child care need. Pending review of the details we could support establishment of centralized eligibility lists. We are not certain that this funding is adequate to accomplish the objective.

We find it unconscionable that any family below 50 percent of SMI would not receive a child care subsidy. As we have stated elsewhere and in legislation we sponsored in 2003, we believe that incremental investment should be made to fully fund the subsidy system. We will review the proposal to have the waiting list change to a “first come, first served” system when we receive the details of the Governor’s plan.

H. Rebench Child Care Eligibility

Under the budget proposal, beginning in 2005-6, annual adjustments for changes in income eligibility would be based on the Federal Poverty Level. There is not enough information to know if families currently receiving assistance will retain their eligibility. We would oppose any change that results in currently assisted families losing eligibility. In addition, since the Federal Poverty Level has historically risen more slowly than the State Median Income (the current eligibility measure), this proposal is a way of denying eligibility for families that would in the future become eligible under the current measure. We also question the wisdom of adopting a measure which most experts agree is out-of-date and an inaccurate measure of poverty. Last year, the Legislature recognized the inadequacy of the Federal Poverty Level and indicated its support of a more accurate methodology based on families’ needs, such as the “self-sufficiency standard” that takes into account regional living costs. This year, the Legislature should follow through with its intent to have a more accurate standard used, and reject the proposed re-benchmarking.

I. Oppose Final Elimination of CDPAC.

California desperately needs comprehensive planning for early care, and CDPAC is a respected, neutral entity appropriate for the task. The savings are minuscule. CDPAC played an important communication and coordination function prior to losing its funding in 2003. This is a time when these activities are critically important; CDPAC could make important contributions to comprehensive planning and development of child care policies.

J. Other Proposed Cuts That Would Affect Children and Vulnerable Californians

Budget Year Funding Level

The budget proposal offers insufficient detail to determine the accuracy of caseload and other estimates. We will evaluate whether the funding levels are adequate as more information becomes available.

CalWORKs

The Governor's proposed budget would cut \$1 billion from programs that assist about half a million of California's poorest families, reducing their ability to pay for basic necessities such as food and housing and making it even more difficult for children's basic needs to be met.

The Governor proposes to cut CalWORKs grants to families with children by 6.5 percent, reducing the grant for a family of three by \$47 to \$676 a month and proposes to repeal the statutory cost of living adjustment. The Governor also undermines the incentive for CalWORKs recipients to work by reducing the money working families can keep from work by an average of about \$100 a month to save the state \$111 million. These cuts place additional pressure on families receiving subsidized child care, and could force some out of the CalWORKs program, thus terminating their child care subsidy entirely.

Education

The Governor, in apparent disregard of his commitment last year with the education community, proposes \$2.3 billion in cuts to the state's underfunded education system. California's schools have suffered \$9.8 billion in cuts in the last four years; per student spending is among the lowest in the nation and student performance continues to lag. CCLC is concerned that this year's additional deep cuts will disproportionately affect the vulnerable families in low-income communities facing a wide range of cuts in supportive services and public benefits. Many of the children that will be affected by the cuts in child care will be the children that attend the schools that are facing drastic cutbacks now; these schools cannot bear to absorb any more cuts.

¹ Governors Budget Summary 2005-06 page 14

² Governor's Budget 2005-05 page 157

³ Tiered REimburmnet Savings, DSS Admistratrive Branch November 2004 Subvention page 129-130

⁴ Agenda Assembly Budget Subcommittee 1- Health and Human. April 14, 2004 page 9

⁵ Calif. Welfare & Institutions Code §§ 11323.2(a)(1), 11325.2(a)(1), 11322.9(f). Eligibility for CalWORKs child care Stage 1 is governed by Calif. Educ. Code § 8351(a) and MPP §§ 47-101 *et seq.* Eligibility for CalWORKs child care Stage 2 is governed by Calif. Educ. Code § 8343(a) and 5 C.C.R. §§ 18400 *et seq.*

⁶ Calif. Educ. Code § 8351, MPP § 47-230.1 (Stage 1), Calif. Educ. Code §8353, 5 C.C.R. §18400(f) (definition of "former recipient"), 18406(a)(3)(B), 18408(b), (Stage 2).

⁷ Calif. Educ. Code § 8354, 5 C.C.R. § 18404(p), 18421.

⁸ Calif. Educ. Code § 8350(a).

⁹ Governor's Budget Summary 2005-06, pages 15-16.

¹⁰ Calif. Budget Project, *supra* note 3.

¹¹ Calif. Dep't of Social Services, Research and Development Division, Characteristics and Employment of Current and Former CalWORKs Recipients, (updated, December 1, 2000), available at www.dss.cahwnet.gov/research/res/PDF/Presentation%206-2000.pdf. See also Calif. Budget Project, Welfare Reform Update: What Do We Know About Former CalWORKs Recipients?, at 4 (July 2001), indicating that the median household income ranged from \$8.80 to \$9.26 per hour in different counties, whereas a living wage for a family of three is \$18 per hour.

¹² See, e.g., Calif. Dep't of Education, Child Development Division, Management Bulletin 00-14, September 1, 2000, which provides State Median Income figures.

¹³ Child Care Fiscal Policy Analysis (Governor's Administrative Review), at 6 (May 22, 2001).