



CHILD CARE LAW CENTER

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CCLC Response to the 2006-07 Governor's Budget: Governor Fails to Invest in Children and Families January 11, 2006

Governor Schwarzenegger released his proposed 2006-07 budget on January 10, 2006, projecting \$91.5 billion in General Fund revenues and expenditures totaling \$97.9 billion. The highly-touted investment in infrastructure fails to include significant investment in a critical aspect of our future, children, their families, and early care and education.

While the Governor's budget has no dramatic cuts in subsidized child care eligibility or quality, provides a statutory cost-of-living adjustment, and includes an essential increase in funding for Community Care Licensing, the Budget nevertheless fails to deal with the pressing needs of working families for access to high quality child care programs. The lack of new funding means that some of our highest quality centers will likely be forced to close, families striving for self sufficiency will lose access to subsidies, the enormous deficit in available care for infants and toddlers will continue, and more than 200,000 eligible children will remain on waiting lists. The Governor's budget also fails to address the fiscal aspects of critical unresolved issues, including implementation of the new Regional Market Rate (RMR) and an increase in the Standard Reimbursement Rate (SRR).

Our state must develop a comprehensive plan for moving towards high quality child care and after school services for all our children. The critical investment California needs to make over the next decade is in our early care and education system, not our prison system. We call on the Governor to engage in an inclusive public dialogue to develop this comprehensive plan and to make new investments.

Over the next several months, the Child Care Law Center will be working with other advocates, the Legislature and the Governor's office to develop comprehensive proposals to invest in our children. CCLC's starting point will be our 2006 Work Group Report which is being released with this budget response. In that report we outline a shared vision and priorities for change developed over the past three years with the participation of hundreds of parents, child care providers, advocates and agency and Legislative staff members.

Key Highlights of the Governor's Budget

1. Initial steps to restore Community Care Licensing Division.

We are all committed to ensuring the basic health and safety of children. In response to concerns raised by child care advocates and the Legislature last year and a recent hearing held by the Assembly Budget Committee, the Governor allocated \$6.7 million for a licensing reform initiative that would:

- increase the number of random licensing visits from 10 to 20 percent annually (\$5.2m);

- eliminate the existing backlog in visits;
- establish a training program for licensing analysts; and
- implement a series of administrative proposals to improve the operation and efficiency of licensing while increasing client protections.

The Law Center plans to work closely with Community Care Licensing, the Legislature and the Governor's office to monitor implementation of this initiative to improve the effectiveness of Licensing. There must be thorough discussion of administrative proposals and development of comprehensive plans. It is essential to ensure this initiative is sustained in future years.

2. Lack of support for CalWORKs and other working families in need of child care assistance.

The budget includes a 5.18% cost of living adjustment (totaling \$70.2 million) and a child development growth adjustment of 1.12% (\$13.8 million). However, in this year of significant state investment, CCLC is disappointed that the Governor fails to:

- Allocate any new funds to SDE general child care programs to serve the over 200,000 working families who need help in paying for child care.
- Increase the standard reimbursement rate for Title 5 center-based care, even though we are losing some of our highest quality programs due to the stagnant SRR.
- Mention any revisions or implementation of Regional Market Rates that determine the reimbursement for providers caring for subsidized children. The current revised rates are on hold.
- Update the five year old State Median Income (SMI) level used to determine eligibility for families.

We believe the budget should have proposed new investments in the SMI and the SRR. We have been informed by the Department of Finance that the Administration plans to establish an interagency work group to revise the SMI in a cost-neutral manner, with possible revisions to the family fee schedule and examination of a number of other issues including the SRR. CCLC has concerns about how this process will work and the fact that many stakeholders will not be included as participants in the initial work group.

We do not accept the premise that any changes to the SMI or SRR must be cost-neutral. Certainly any increase in family fees is not cost-neutral for a low income family, and losing eligibility for subsidies due to an outdated SMI is not cost-neutral for families. Revising the family fee schedule is a critical policy review that should be done in the context of developing a comprehensive plan for child care. Low income families should not be burdened with excessive fees as the primary funding mechanism for the new investments needed in child care.

3. Lack of support for the most vulnerable Californians.

The Governor continues to disinvest in programs serving the lowest income and most vulnerable Californians. Despite the new revenues, the Governor's budget fails to restore the 2005-06 cost-of-living allowance for CalWORKs families and eliminates the COLA for 2006-07. Similarly, the budget extends the period of reduced SSI payments for seniors, the blind, and the disabled.

The Governor's Budget reduces current year CalWORKs funding to counties by \$114 million. The money was allocated to implement recent work participation changes which were expected to result in an increased need for child care; the Governor claims these funds will go unused since work participation rates actually declined. The Budget also cuts the county allocation for 2006-07 by \$40 million.

Some of this reduction is attributed to unused child care funds, which has led people to fear that child care is being cut. However, this is not a cut to child care because CalWORKs Stage 1 child care is guaranteed to all qualified families. The counties are required to fund child care for all the families in CalWORKs programs they administer, so no CalWORKs Stage 1 family will face a cut or reduction in child care. Since the demand for CalWORKs child care is not predictable, counties may need additional funds for child care as the year progresses.

This cut will have serious impact on families and children in the CalWORKs system regardless of the need for additional child care. Reductions in resources for counties serving low income families are always troubling, since many families still struggle to find work and child care, and need a variety of supportive services to move out of poverty. The single allocation can be used flexibly by counties; over the years, counties have allocated the funds to a variety of uses. According to the County Welfare Directors Association, this is an unprecedented current year reduction and threatens significant disruptions to local welfare-to-work programs. Counties may find themselves without the resources they were counting on to support working families over the course of their current budget year.

4. Lack of information on impact of impending TANF reauthorization.

The Budget scarcely mentions the impending reauthorization of TANF and the significant changes this would make to CalWORKs and CalWORKs child care. While we do not know what action will be taken at the federal level, the potential impact of any changes should be recognized. Current federal proposals would require the state to double the number of families meeting federal work participation requirements, but provide very little funding for work supports like child care. Such a drastic change in California's welfare-to-work program will have a major impact on child care demand. The Budget sets aside only \$11.5 million in additional funding for child care for CalWORKs families.

5. Inadequate information about implementing Proposition 49 after school programs.

The Governor provided \$428 million (over the current funding level of \$128 million) for the state After School Education and Safety (ASES) program. While the Governor's Office, the California Department of Education, the Office of the Secretary for Education, and the Department of

Finance have established a temporary Proposition 49 Steering Committee to develop a statewide master plan to ensure that these funds are distributed in a timely and effective manner, very little detail is provided in the budget about how this substantial increase in funding for after school programs will be implemented. Only nine staff positions have been allocated for program implementation, raising concerns that the state may not have the capacity to respond to applications in a timely manner. Concerns have also been raised about the ability of local school districts to maximize current spending in the federal 21st century after school program and whether full funding of after school is the best use of dollars in this fiscal year. Both the Legislative Analyst and Legislative leadership have raised questions about the appropriateness of implementing Prop 49 funding this year, and we agree there are problems with moving forward on implementation of the program this year.

CCLC has concerns that under-resourced school districts in low income communities will be unable to take full advantage of the program since it requires districts to provide matching funding. It is also not clear if community-based programs will be able to fully participate in the expansion.

While the Americans with Disabilities Act guarantees the rights of children with disabilities to participate in this program, genuine access can only be achieved if there is careful planning and use of resources to ensure that all programs are truly inclusive for children with disabilities and special health care needs. This will require funding formulas that reward inclusion, benchmarks at the state and local level, and technical assistance to local districts as they plan for inclusive programs.

6. Conclusion

CCLC is pleased to see that the 2006-07 Budget does not propose budget savings through child care policy proposals and that the Governor has reinvested in our state's licensing system, both priorities of child care advocates and the Legislature in previous years. But there is little in the Budget to support low income and other working families needing assistance to meet the high cost of care in the state. Many of the pressing issues around adequate reimbursement rates remain unanswered. We look forward to working with the Administration, the Legislature, stakeholders and families to develop proposals for the investments needed to create a system that provides safe, healthy and developmentally appropriate child care for all working families.