



CHILD CARE LAW CENTER

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Response to Governor's 2006-07 May Revise: California Must Invest in Quality Care and Education for Children and Working Families May 15, 2006

Governor Schwarzenegger released his revised 2006-07 budget on May 12, 2006, promising to fully fund education and pay off debt. While we welcome the increased investment in education and selected other programs, the revised budget still falls short of meeting the needs of vulnerable children by failing to include significant investment in the early care and education programs that provide essential supports for working families. This response is based on information publicly available in the May Revise and the Education Finance letter as of Friday May 12.

I. Response to specific May Budget Revision Proposals

- Increased investment of \$50 million in State Preschool Program is misdirected.

We share the Governor's goal of increasing family literacy and access to early care and education, including preschool, in our lowest income neighborhoods. However, we do not believe that further expansion of the existing part-day part-year state preschool program focused on four year olds is the best investment for families and children in low-income communities since current funds devoted to state preschool are not fully utilized and are returned at a significant rate. While there are many high quality state preschool programs, with the limited resources available for low-income families we believe the \$50 million in budget year and \$145 million in subsequent years the Governor has earmarked for state preschool can be more prudently spentⁱ.

- The greatest need for expansion of high quality programs is for those serving infants and toddlers. Sixty four per cent of licensed slots are in centers, but only 6% of center slots are available to children under age two.ⁱⁱ
- Many working families cannot take advantage of a part-day part-year preschool program. More than eighty per cent of families with children birth to age five who contact child care resource and referral agencies indicate they need full time care.ⁱⁱⁱ Across California, part-day preschool programs that don't offer a full-day option are often under-enrolled.

- Increased investment earmarked for facilities should not be limited to preschool facilities, and instead should be used to increase the Standard Reimbursement Rate.

We recognize that many communities need to renovate or build facilities in order to increase the availability of early care and education services, including making facilities accessible to children with disabilities. However, the Governor's proposal limits the use of such funds to preschool facilities. We believe this approach greatly constrains communities' flexibility to build facilities for children of all ages who need child care, especially infants and toddlers. If voters approve Proposition 82 this June, communities will have a new revenue source for universal preschool and,

if needed, to renovate and build preschool facilities. While we commend investment in facilities, the highest priority for limited funds this budget year consistently cited by the early care and education community is to raise the Standard Reimbursement Rate in order to maintain our current supply of quality child care centers.

II. Response to Budget Proposals retained from the proposed January Budget

○ 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, the Governor allocated \$6.7 million for a licensing reform initiative. 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 that funding for this initiative is sustained in future years.

○ 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. In addition, the budget fails to restore federal funds for SSI payments to seniors, the blind, and the disabled. The Governor should restore the 2005-06 CalWORKs COLA,^{iv} and restore the 2003 CalWORKs COLA per the 2004 court order.^v

The Governor's May Revise continues to reduce 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 and other services. The Budget also cuts the counties' single allocation for 2006-07 by \$40 million.

The Governor attributes some of this reduction to unused child care funds since work participation rates actually declined. Although the counties are required to fund child care for all families in the CalWORKs program who need such services, the counties may well have to cut other types of services to these same families. And since the demand for CalWORKs child care is not predictable, counties may need additional funds for child care as the year progresses.

The single allocation can be used flexibly by counties; over the years, counties have allocated the funds to a variety of uses. In a year when we need to strengthen supportive services to CalWORKs families to help increase work participation rates, this cut will have a serious impact. Reductions in resources for counties serving low income families are always troubling since many families struggle to find work and child care, and need a variety of supportive services to move out of poverty. The Governor should fully fund the County single allocation at the originally budgeted level for this year and for the budget year in addition to setting reserves and special funds.

○ 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. Very little detail is provided in the budget and none in the May Revise about how this substantial increase in funding for after school programs will be implemented. The only public information is that 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. Advocates have raised concerns about the ability of local school districts to maximize the use of current funding for after school programs, and question whether full funding of after school is the best use of dollars in this fiscal 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 of after school funding.

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.

III. The Child Care Law Center calls for \$300 million in direct investment in early care and education in the budget year in addition to the proposed COLA and growth.

Quality early care and education is essential to the health, well-being and future of California's children. It is critical that our investments in child care for these families help build a coherent and comprehensive system of early care and education and before and after school programs. We must design a system that achieves equity and provides true opportunity for all children and their families. California's budget is a reflection of our priorities and aspirations, and in a time of surplus revenues, the needs of our youngest members of society must be addressed.

- Invest in quality full-day care for children birth to five now on the waiting list. More than 200,000 eligible children remain on waiting lists for child care services. We propose funds to make incremental progress in increasing access to child care for eligible families using contracted centers and the voucher system.
- Defrost the State Median Income used to determine eligibility for subsidized child care, and maintain family fees at current levels as a percentage of income. Families striving for self sufficiency will continue to lose access to subsidies unless the 2000 SMI used to determine eligibility is updated. It is critical that family fee rates as a percentage of income remain at current the levels.
- Raise the Standard Reimbursement Rate (SRR): If California does not make new investments this year in the subsidized child care infrastructure, many more of our highest quality centers will likely be forced to close. We propose to make investments toward incremental progress plus all contracted center growth funds for the budget year should be invested in increasing the SRR rather than put into growth.

- Implement the new “county roll-up” Regional Market Rates: Immediately implement the RMR at the “county roll-up” rates. The zip code methodology used to establish new proposed rates resulted in disproportionate impacts on low income and communities of color. In addition adopt the proposed TBL to establish a method for setting rates for providers in low-income communities who serve only subsidized children.

- Invest in family and child centered policies that will increase CalWORKs families’ ability to participate in work and approved activities and move to self-sufficiency.
 - Provide enhanced services to CalWORKs recipients needing child care, including on site child care for CalWORKs orientation, and improved services to parents of children with disabilities.
 - Remove child care barriers to initial work participation while protecting children. Maintain the “good cause” exception, and do not implement unnecessary barriers to payment of license exempt providers; alterations to current regulations should be made only through statutory change.
 - Explore ways to remove child care barriers that result in sanctions, and allow families to cure sanctions and earn back benefits when they engage.
 - Personal contacts and home visits must be carefully designed to be supportive rather than punitive.
 - Retain and expand appropriate exemptions.
 - New proposals should support families and children and not erect barriers
 - Allow exempt families to volunteer rather than require them to participate in work activities.
 - Require families who are between activities to engage in bridge activities only if their child care needs can be met.
 - Consider providing appropriate, limited transitional supports for families that have successfully entered the workforce and no longer receive cash aid.

Conclusion

CCLC is pleased to see that the 2006-07 Budget Revision reinvests in our state’s licensing system. But there is little in the Budget to support low income working families needing assistance to meet the high cost of care in the state. The only new investment is in a state preschool program that does not meet the full-day child care needs of many working families. Many of the pressing issues around adequate reimbursement rates and frozen income eligibility remain unanswered. We look forward to working with the Legislature, Administration, stakeholders and families to craft a budget that makes the critical investments needed to create a system that provides safe, healthy and developmentally appropriate child care for children and provides support for California’s working families.

ⁱ Governor’s Budget *May Revision 2006-07* page 37

ⁱⁱ California Resource and Referral Network *2005 California Child Care Portfolio* December 2005

ⁱⁱⁱ Ibid

^{iv} California Budget Project *Governor Releases 2006-07 May Revision* May 12,2006 page 5

^v Ibid page 5