



CHILD CARE LAW CENTER

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Child Care Law Center Response to The Governor's May Budget Revision May 14, 2005

- **Support Review of Community Care Licensing and Rescinding of Proposed Cuts**
- **Reject Implementation of Pick 5 Regulations and Support Alternative Method of Verifying Rates for Providers Serving Subsidized Children**
- **Reject Reduction in Reimbursement Rates for License-Exempt Providers**
- **Reject Effective Elimination of CalWORKs Stage 3**
- **Reject Shift of 11- and 12-Year-Olds to After-School Care**
- **Reject Replacement of State Median Income with Federal Poverty Level for Measuring Income Eligibility**
- **Reject Reduction in Reimbursement Rates for Licensed Child Care Providers**
- **Reject CalWORKs Grant Cuts**

Parents from across California made a compelling argument for increased investment in the care and education of our children at budget hearings this year. This did not change the direction of the Governor's budget in any significant area regarding child care. Parents and their child care providers are struggling to provide for the education, well being and nurturance of children. This budget fails to support the needs of California's working families. It relies on cuts to children and our most vulnerable Californians while refusing to ask those with the greatest wealth to make a contribution to the state's well being. The following are our responses and recommendations.

1. Support Review of Community Care Licensing and Rescinding of Proposed Cuts

We are pleased that the Governor's May Budget Revision recognizes the essential role played by Community Care Licensing. The Governor has rescinded his proposal to do away with the trigger provision requiring Community Care Licensing to conduct additional site visits to child care providers if an increase in citations exceeds 10%. Once a model, California has fallen so that it has become one of the states with the highest licensing caseloads.¹ California also has one of the lowest frequencies of child care facility inspections nationally.² In combination, this serves to endanger all children in out-of-home care. CCLC welcomes the invitation of the Governor to review the state's investment in Community Care Licensing and licensing policies in the coming year.

2. Reject Implementation of Pick 5 Regulations and Support Alternative Method of Verifying Rates for Providers Serving Subsidized Children

The early child care and development community, CDE and the Legislature have placed great importance on providing parental choice for families receiving subsidies and integrating the subsidized care system with the larger child care system. The rates paid for child care by the subsidized system are based on the fees licensed providers charge to non-subsidized (private pay) families. Verification of those rates should not be administratively burdensome for providers nor

intrude into the privacy of private pay families. The current system requires licensed providers to serve a mix of subsidized and private pay families. While many licensed providers who care for private pay families also serve subsidized children, at times, some are able to care only for children with subsidies as no neighborhood families can afford the cost of licensed care. We need to determine a fair mechanism to verify rates for all licensed providers including those who serve only subsidized children at certain times. It is not good public policy to try to extract savings from licensed child care providers in our poorest communities.

The Governor does not reverse the January call for immediate implementation of the Pick 5 Regulations. Together with others in the child care community, we are concerned about various aspects of these regulations. A very problematic aspect of the suspended regulations is that they impose an unreasonable and unnecessary administrative burden regarding documentation of rates on licensed 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 private pay families. CCLC strongly supports addressing these issues in the statutory process and developing a more equitable and practical approach that avoids the administrative and privacy problems of the suspended regulations.

3. Reject Reduction in Reimbursement Rates for License-Exempt Providers

CCLC has long advocated thoughtful consideration of the complex and controversial issues implicit in state subsidy of license-exempt providers who now earn 90 percent of the Family Child Care ceiling. While it is not clear how many parents who have access to real alternatives choose license-exempt care, many families, both CalWORKs and non-CalWORKs, choose license-exempt care for a variety of reasons:

- Families entering welfare to work programs are frequently under pressure to quickly find a caregiver. They often turn to family, friends, and neighbors to provide immediate care for their children, particularly for infants and toddlers.
- Low-wage workers who work nights, weekends or rotating shifts find that formal care is not available to meet their schedules. For example, in Sacramento county, one Alternative Payment program found nearly 75 percent of the hours paid for license-exempt providers was for odd-hour care, while only 30 percent of the hours paid to licensed caregivers was for odd-hour care.
- In many rural areas and inner-city neighborhoods, there are few licensed child care facilities close to home for poor families and the time and expense involved in transporting children to child care is a significant problem.
- Families of children with disabilities often find that license-exempt care is the best arrangement for the child and the family.
- Culturally and linguistically diverse families who are seeking providers who speak their language and understand their culture often rely on extended family networks for care of young children.

The drastic cut in rates proposed by the Governor (from 90% of the family child care ceiling to 55% or 60%) undermines parents' right to choose the type of care best-suited to their family's needs and will harm the most vulnerable families. The Governor asserts that license-exempt care by neighbors and family members "does not require a large state subsidy to be induced" as the justification for the rate reduction. While it is true that license-exempt caregivers are often motivated by their relationship to the family, often they too must find a way to earn a living wage.

The best estimate available to us indicates that the average license-exempt provider receiving subsidy payments cares for two children. This means that the current rate for those providers is near minimum wage for one of our most important jobs - the care of children. The table below illustrates possible impacts on license-exempt provider's rates, even if they receive the higher rate after obtaining training to bring them from 55% to 60% of the Family Child Care ceiling.³

	Current Hourly Rate for One Infant	Proposed Hourly Rate for One Infant*	Current Hourly Rate for One School-Age	Proposed Hourly Rate for One School-Age*	Current Hourly Rate for One Infant and One School Age	Proposed Hourly Rate for One Infant and One School Age*	State Minimum Wage
Alameda	4.50	3.00	3.88	2.59	8.38	5.59	6.75
Contra Costa	5.63	3.75	3.38	2.25	9.00	6.00	6.75
Humboldt	3.04	2.03	2.89	1.93	5.93	3.95	6.75
Los Angeles	4.02	2.68	3.80	2.53	7.82	5.21	6.75
San Diego	4.16	2.78	3.38	2.25	7.54	5.03	6.75
San Luis Obispo	2.93	1.95	2.81	1.88	5.74	3.83	6.75
Santa Clara	5.63	3.75	3.60	2.40	9.23	6.15	6.75
Santa Cruz	4.50	3.00	3.66	2.44	8.16	5.44	6.75

*60% of family child care provider ceiling

While we agree there should be incentives for health and safety training for these providers, this proposal needs more consideration. Even though the May Revise extends the period to 180 days in which providers can obtain training in order to get the higher rate, the current training infrastructure simply could not meet the demand within this time frame. We also believe there should be discussion as to how scarce training resources should be used.

4. Reject Effective Elimination of CalWORKs Stage 3

We are committed to increased access to child care for *all* low-income working families, but this goal will not be achieved by reducing CalWORKs families' eligibility for child care. The Governor's proposal achieves no savings in the budget year and changes CalWORKs child care policy significantly, applying time limits only to families who enter the subsidized child care system through CalWORKs.

California's welfare reform legislation is designed so that families who comply with the welfare program rules, seek and find employment, and leave cash aid continue to receive assistance for the cost of child care for their children so long as they are working and remain otherwise eligible. Like non-CalWORKs families who receive child care subsidies, CalWORKs families who successfully transition off cash aid continue to be eligible for child care assistance until their income reaches 75 percent of State Median Income (SMI). Families pay gradually increasing fees until their income is sufficient to move them out of the system entirely. California can be very proud that we have kept this promise to families as they have kept their promise to move toward self-sufficiency⁴. Current state policy recognizes that loss of child care subsidies for these low-income former CalWORKs recipients could force them back onto cash assistance; or it could force them to leave their young children alone, in the care of siblings, or in child care of such low quality that it is actually harmful to children⁵.

The Governor proposes to make CalWORKs child care time limited; current CalWORKs families would have a maximum of three years of guaranteed child care eligibility after leaving cash aid and could then transition to the general alternative payment program.⁶ Most families who transition off CalWORKs cash assistance have very low incomes and few prospects of earning more.⁷ Stage 3 family income data was presented last year by the California Resource and Referral Network with data contributed by CAPP and the LA Alliance.

County	Alameda	LA	Sacramento	San Diego	Santa Clara	Santa Cruz
Average Stage 3 Family Income	\$22,390	\$29,983	\$25,417	\$22,613	\$20,586	\$24,799
County Median Income⁸	\$65,857	\$46,452	\$50,717	\$53,438	\$81,717	\$61,491
Current Eligibility Ceiling	\$35,100	\$35,100	\$35,100	\$35,100	\$35,100	\$35,100

Note: the eligibility ceiling is for a family of three; the average family income was based on an average of two children per family.

Families who successfully transition off cash aid should continue to be eligible for child care assistance until their income reaches 75 percent of the state median. They should be subject to the same child care assistance rules as other families in the subsidized system, none of whom are subject to time limits. It is highly unlikely that child care slots in the general child care program will become available for former CalWORKs families, so for many the time limits will mean the complete loss of subsidized care.

5. Reject Shift of 11- and 12-Year-Olds to After-School Care

The proposed Trailer Bill language significantly changes the agreements the Legislature adopted after much discussion last year. The language treats after-school programs as the preferred placement for 11- and 12-year-olds, and shifts the burden to parents to confirm that such a program is not appropriate. After School

Education and Safety and 21st Century Community Learning Centers are only in a limited number of schools and not accessible to every family. Programs are in very high demand and tend to have long waiting lists.⁹

In addition, the Trailer Bill lists some, but not nearly all, of the possible reasons that an after-school program may be inappropriate. Most significantly, if a child is moved to an after-school program that turns out to be inappropriate, the family loses its child care subsidy with no guarantee of reinstatement, only a promise of “priority” on the waiting list.

6. Reject Replacement of State Median Income with Federal Poverty Level for Measuring Income Eligibility

Under the budget proposal, beginning in 2005-6 the Federal Poverty Level (FPL) would be used to determine annual adjustments to income eligibility. Since the FPL has historically risen more slowly than the SMI (the current eligibility measure), this proposal would deny eligibility for more families as time goes on. We also question the wisdom of adopting a measure of poverty that most experts agree is out-of-date and inaccurate. Last year, the Legislature recognized the FPL’s inadequacy and passed a resolution supporting a more accurate methodology based on actual family needs, such as a “self-sufficiency standard” that considers regional living costs.

California should retain State Median Income as the eligibility standard. Further, Trailer Bill language should require that the State Department of Education update the SMI each year rather than the current system which relies on the Department of Finance to update the SMI. The failure to update the SMI since 2000 has artificially reduced the number of families eligible to receive child care subsidies.

7. Reject Reduction in Reimbursement Rates for Licensed Child Care Providers

The current proposal yields no budget year savings and thus should be considered though the policy process rather than primarily as a fiscal matter. No further cuts in reimbursement rates should be imposed on child care providers who care for children in the subsidized system. Rather, we should design a rate system that will reward quality, maintain parental choice, and support providers, including license-exempt providers who improve program quality, without reducing reimbursement rates for current providers. The actual cost of improving quality should be determined and then funded.

8. Reject CalWORKs Grant Cuts

The Governor’s proposed budget would cut funds from programs that assist about half a million of California’s poorest families, reducing their ability to pay for basic necessities. CalWORKs grants to families with children would be cut by 6.5 percent, reducing the grant for a family of three by \$47 to \$676 a month and the budget would repeal the statutory cost of living adjustment. These cuts combine to place additional pressure on low-income families. Testimony by welfare advocates has indicated these cuts may also undermine the state’s ability to meet increased federal work requirements that are likely to be passed by Congress.

¹ U.S. Department of Health and Human Services; Administration on Children, Youth, and Families; available at <http://nccic.org/pubs/caseload.html>.

² *Child Care and Development Fund: Report of State Plans FY 2004-2005*; U.S. Department of Health and Human Services; Administration on Children, Youth, and Families; Child Care Bureau October 2004 page 228.

³ Calculated using the 2002 RMR Ceilings, the hourly rate was determined by dividing the full time daily ceiling rate by eight hours.

⁴ The program's power in helping to support working families who have left cash assistance is demonstrated by the number of children served by the CalWORKs child care program. In state FY2003-04, the monthly average for children served was 81,045 in CalWORKs Stage 2 and 45,674 in CalWORKs Stage 3.

⁵ Most families who transition off CalWORKs cash assistance have very low incomes and limited prospects for rapidly increasing their incomes. Statistics prepared by the Department of Social Services (DSS) indicate that third quarter 1999 earnings of former CalWORKs recipients averaged only \$1222 per month; 50 percent of SMI for a family of three is \$1950 per month, and more than three-quarters of families receiving child care subsidies have incomes under that level.

⁶ Governor's Budget Summary 2005-06, pages 15-16.

⁷ Third quarter 1999 earnings of former CalWORKs recipients averaged only \$1222 per month. 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.

⁸ 2003 Child Care Portfolio form census data.

⁹ California School Age Consortium Policy Bulletin February 2004.