



CHILD CARE LAW CENTER™

Analysis of Child Care Provisions in the Enacted California State Budget for Fiscal Year (FY) 2014-2015

June 27, 2014

On June 15, 2014, the California Legislature passed Senate Bill (SB) 852, the Budget Act of 2014, and Governor Brown signed it on June 20, 2014. SB 852 adds more than \$250 million to California's child care programs. Between 2008 and 2013, California eliminated nearly \$1 billion in overall child care funding and services for 110,000 children. Reinvestment is cause for celebration. SB 852 and related trailer bills direct the vast majority of 13,000 slots and millions of dollars for quality improvements toward 3- and 4-year-old children. They do little to meet the needs of the disproportionate number of infants and toddlers waiting for subsidized child care. The budget legislation also heavily weights reinvestment toward subsidized child care through state-contracted child care facilities rather than through voucher-based programs. Many poor families are unable to use state-contracted child care facilities because low-wage work disproportionately involves variable or non-traditional work hours that the contracted facilities find difficult to accommodate. These families rely on child care vouchers to secure a wider array of family child care home and license-exempt child care. Earlier proposals by the Assembly Committee on the Budget and the Senate Budget and Fiscal Review Committee offered more extensive and broad-based reinvestment, including upwards of \$400 million and 40,000 slots. These earlier proposals offer a blueprint for the further restoration necessary to ensure that California's most vulnerable families can obtain safe, nurturing care that meets their needs.

The FY 2014-2015 Budget Approves \$256 million in Added State Funding for Child Care:

- Increases funding for CalWORKs Stage 3 to reflect higher caseloads and cost of care.
- \$70 million to serve 11,500 children ages 3 and 4 in full-day, full-year California State Preschool Program (CSPP); 4,000 of the slots become effective June 15, 2015.
- \$17 million to serve 1,500 children ages 0-12 in all other child care programs:
 - 500 in the Alternative Payment Program (APP), and
 - 1,000 in General Child Care.
- \$15 million to repeal the fee collected from families for part-day CSPP.
- \$68 million to increase child care provider payment rates for all programs (0-12):
 - \$49 million to increase the Standard Reimbursement Rate (SRR) for state-contracted child care (CSPP and General Child Care) effective July 1, 2014, and
 - \$19 million to increase the Regional Market Rate (RMR) for voucher-based APP and CalWORKs child care effective January 1, 2015.
- \$85 million in preschool facilities, professional development, and Quality Rating Improvement System grants for programs serving 3- and 4-year-olds.
- Heightens standards for teacher training in transitional kindergarten (TK) program.
- Broadens eligibility for early intervention services, and as a result for higher "exceptional needs" child care payment rates, for children with disabilities.
- \$7.5 million to increase quality and staffing of the Community Care Licensing Program and a ten percent increase in facility licensing and renewal fees.

Budget Appropriations For CalWORKs Child Care

The three stages of CalWORKs child care appear to receive sufficient funding in the FY 2014-2015 budget. SB 852 provides increased funding for Stage 3 child care to reflect changes in caseload estimates, and higher average costs of care.¹ Families receiving CalWORKs child care may be able to choose from a marginally wider range of providers as a result of modest increases to provider reimbursement rates (described below). A Public Safety trailer bill, AB 1468, makes parents with drug felony convictions eligible for CalWORKs benefits beginning April 1, 2015, so long as they are not in violation of probation or parole or a fleeing felon. The repeal of this 18-year-old prohibition will allow many previously ineligible families to receive CalWORKs child care.

Budget Appropriations To Support “Fair Start” Proposal To Expand Preschool

The most dramatic change in the budget is a major expansion of the California State Preschool Program (CSPP) for 3- and 4-year-old children from low-income families, together with an expansion of full-day child care for eligible children who attend the program. The education finance omnibus trailer bill, AB 1463, states a goal to serve all low-income four-year-olds in the CSPP or TK, and to provide all eligible children in those programs with full-day, full-year services. Of the 13,000 child care slots that the budget legislation restores, 11,500 are in the CSPP. 4,000 of these slots become effective June 15, 2015. The budget legislation also eliminates the family fee for part-day CSPP, although it leaves it in place for all other state subsidized child care and early education programs.

Quality Improvement Funding and Quality Enhancement Provisions For Preschool

The budget adds substantial funding for preschool quality improvements, facility expansion, and professional development. It provides an ongoing \$50 million for quality improvement grants, and a one-time allocation of \$25 million for CSPP and TK teacher training.

Facility Improvement and Expansion Funds

The budget creates a \$10 million revolving loan fund for preschool facilities. Beginning in June 15, 2015, the Superintendent of Public Instruction (SPI) will award expansion funds to applicants, which can include family child care home education networks, toward the goal of achieving access to full-day, full-year preschool for all income-eligible four-year-olds with working parents. Local educational agencies may apply for funds to purchase, renovate, or repair preschool facilities.

Teacher Training Provisions

The budget legislation requires the Commission on Teacher Credentialing (CTC) to update its Early Childhood Education (ECE) permits by July 1, 2016. It requires lead teachers placed in TK

¹ In the FY2013-2014 revised budget, CalWORKs Stage 3 Child Care received \$183 plus a \$12.1 million mid-year augmentation for a total of \$195.1 million. SB 852 allocates \$219.8 million for Stage 3.

classrooms after July 1, 2015 to have a minimum of 24 ECE credits, a CTC ECE permit, or comparable professional experience in a classroom setting with preschool age children, in addition to credential by August 1, 2020. It allows CSPP contractors to reserve more of their funding (fifteen percent) for professional development, and provides for AB 212 stipends, an incentive program designed to encourage teachers working in state-funded child development programs to pursue professional development and education and to remain in the field of early childhood education.

Quality Rating Improvement Systems (QRIS)

The budget legislation allocates and requires the SPI to administer an early learning QRIS block grant to increase the number of low-income children in high-quality preschool programs.

Reinvestment in Number of Children Served and Child Care Provider Payment Rates For Infants, Toddlers, and School-Age Children

Of the 13,000 slots that the budget legislation restores, 1,500 will serve children in programs other than CSPP: 1,000 through General Child Care contracted facility slots, and 500 through APP vouchers.

Modest Improvement in Long-Frozen Payment Rates for Subsidized Child Care Providers

The budget offers a modest improvement in rates paid to subsidized child care providers, following years of stagnation. State law has frozen the Standard Reimbursement Rate (SRR) for General Child Care programs at 2007 levels, and the Regional Market Rate (RMR) paid to providers through vouchers in the AP and CalWORKs child care programs at levels based on 2005 data. The FY 2014-2015 budget allocates \$29 million to increase the SRR by five percent in this budget year, and adds an annual cost of living adjustment. It allocates \$19 million to increase the RMR. AB 1463 increases the RMR by specifying use of 2009 survey data coupled with a blanket thirteen percent reduction, starting in January 1, 2015, and specifying continued use of the 2005 rate ceiling in counties where the use of 2009 data and a thirteen percent reduction would render the RMR lower than it was before January 1, 2015. Application of this formula results in voucher payment rates that increase modestly or not at all, depending on the county.

Increased Early Intervention Services and Payment Rates for Children with Disabilities

Infants and toddlers are the primary beneficiaries of the FY 2014-2015 budget's restoration of broader eligibility criteria for California's Early Start program. In 2009, as a result of state budget shortfalls, California's Legislature tightened the eligibility criteria for Early Start. This eliminated funding for services for several groups of "at-risk" infants and toddlers, including those with very premature births, prenatal drug exposure, or a parent with a developmental disability; it also eliminated funding for toddlers whose delays were not significant enough to meet new, more stringent criteria, which required delays greater than 50 percent in one domain, or 33 percent in two or more domains. In 2013, the Assembly took action to restore eligibility for services to infants and toddlers who have a 33 percent delay in one domain, but "at-risk"

infants remained outside the scope of services. This year's budget broadens eligibility for Early Start services back to the criteria that existed prior to the 2009 budget cuts, at the cost of \$12 million. Children eligible for Early Start services meet the definition of "children with exceptional needs" eligible for enhanced subsidy rates. For children with exceptional needs, the provider's usual payment rate is multiplied by 1.2. Therefore, through its return to the 2009 eligibility criteria for California's Early Start Program, the budget also increases reimbursement rates for an expanded number of infants and toddlers with disabilities.

Increased Funding for Licensing and Increased Fees for Child Care Providers

The budget legislation allocates \$7.5 million and 71.5 positions to improve the structure and operation of the Department of Social Services' Community Care Licensing Division, which includes the Child Care Licensing Program, and to increase the frequency of inspections of licensed facilities including child care facilities. The initial licensing application and renewal fees paid by child care centers and family child care homes will increase by 10 percent. Earlier in the budget process, the Legislature and Administration proposed to increase, very substantially, the civil penalties for child care licensing violations, particularly those resulting in serious injury or death to children in care. Instead, SB 855, the Human Services Omnibus Trailer Bill for the 2014-15 budget, adds Section 1548.1 to the Health and Safety Code, which finds and declares that the current civil penalty structure for licensed facilities is "insufficient to ensure the health and safety of those in care" and states an intent "to comprehensively increase these penalties for all facilities in subsequent legislation, with particular emphasis on penalties for violations that result in serious injury or death."

No Reinvestment in Nutrition Funding

California has cut nutrition-specific funding for early childhood programs by eighty-five percent in the past three years. As a result, child care providers have difficulty offering healthy meals to children in their care, and many child care providers enrolled in the USDA Child and Adult Care Food Program (CACFP) have cut back or eliminated this service to families. During this year's state budget process, the Child Care Law Center advocated for California to reimburse all child care programs enrolled in CACFP roughly a quarter (\$0.2229) for each free and reduced-price breakfast and lunch served, the amount reimbursed for meals served in K-12 education. Unfortunately, the Legislature did not adopt the Assembly's budget proposal to allocate \$10.1 million for this purpose, and the final California budget does not include any investments in early childhood nutrition.

New Funding for Paid Family Leave Outreach

Through a budget legislation proposal supported by the Child Care Law Center, the Employment Development Department (EDD) will begin a three-year outreach and education effort to boost awareness and usage of Paid Family Leave. Paid Family Leave benefits are short-term benefits available to Californians who pay into State Disability Insurance. Individuals may receive the benefits to take off work to bond with a newborn, adopted or foster child, or care for a seriously ill or disabled family member. The budget legislation permits the EDD to spend \$1 million to develop an outreach plan, a process that includes stakeholders, a timeline, implementation plan

and appropriate strategies for specific demographics. The legislation calls for total expenditures of \$2.5 million in FY2015-2016 and \$3 million in FY2016-2017.

The Child Care Law Center believes all children have the right to safe, educational, and nurturing child care while their parents work to support their families. For more information:
www.childcarelaw.org