



County of Los Angeles Policy Roundtable for Child Care



Executive Summary

January 11, 2012

Governor's FY 2012-13 Proposed Budget Child Care and Development Services and Related Programs

Overview

The Governor's State Budget proposal for 2012-13 released on January 5, 2012 would reduce funding for and restructure the administration of child care and development services.

Major Funding Reductions Proposed for 2012-13: Total proposed funding for child care and development programs, excluding after school programs, for 2012-13 is \$1.5 billion, consisting of \$585.3 million in non-Proposition 98 General Fund, \$310.2 million in Proposition 98 General Fund, and \$557.9 million in federal funds. The funding reflects a reduction of \$446.9 million from non-Proposition 98 child care and development programs (e.g. all child development programs, except part-day State Preschool) and a reduction of \$69.9 million for part-day State Preschool. Funding for families receiving cash aid through CalWORKs and enrolled in Stage 1 Child Care totals \$442 million General Fund/TANF and is contained within the Department Social Services budget. According to the *Governor's Budget Summary 2012-13*, the reduction will result in the elimination of 62,000 child care slots statewide in 2012-13.¹

Child Care and Development Reductions

The Governor's proposed reductions to child care and development are:

- **Federal Work Requirements:** A decrease of \$293.6 million in non-Proposition 98 General Fund by requiring families to meet federal welfare-to-work requirements. This change will eliminate services to families who do not work a required minimum number of hours. Families enrolled in part-day State Preschool are exempt as the program is not intended to meet the needs of full-time working parents. As a result, 46,300 slots statewide will be eliminated. (See the next section, CalWORKs and CalWORKs Child Care for a description of the Governor's proposal to align eligibility and criteria for low-income working family child care services with federal TANF rules for work participation requirements.)
- **Income Eligibility Ceilings Reduced:** A decrease of \$43.9 million in non-Proposition 98 General Fund and \$24.1 million in Proposition 98 General Fund by reducing the income eligibility ceilings from 70 percent of the State Median Income (SMI) to 200 percent of the federal poverty level (FPL).² With this reduction, 15,700 child care slots statewide would be eliminated.
- **COLA Eliminated:** A decrease of \$29.9 million in non-Proposition 98 General Fund and \$11.7 million in Proposition 98 General Funds by eliminating the statutory cost-of-living adjustment (COLA) for capped non-CalWORKs child care programs.

- **RMR Reimbursement Ceiling Reduced:** A decrease of \$11.8 million in non-Proposition 98 General Fund by reducing the reimbursement ceilings for voucher-based programs from the 85th percentile of the private pay market based on the 2005 Regional Market Rate (RMR) survey data to the 50th percentile based on the 2009 survey. Rates for license-exempt providers will remain comparable to current levels; license-exempt providers will be required to meet certain health and safety standards as a condition of receiving reimbursement.
- **SRR Reduced:** A decrease of \$67.8 million in non-Proposition 98 General Fund and \$34.1 million in Proposition 98 General Fund by reducing the Standard Reimbursement Rate (SRR) for California Department of Education/Child Development Division (CDE/CDD)-contracted centers by 10 percent.³

Administrative Restructuring of Child Care and Development Services

The Governor proposes to significantly restructure the administration of child care and development services as follows:

- In the budget year, the CDE will continue to administer services payment contracts with Alternative Payment (AP) Programs and CDE/CDD-contracted centers.

Beginning in 2013-14:

- Eligibility and payment functions will shift from the AP Programs and CDE/CDD-contracted centers to the counties, though counties may contract with these agencies to perform the payment function. All eligible families, including families currently enrolled in CDE/CDD-contracted centers, will receive a voucher for payment to a provider of their choosing. Responsibility for administration of services for approximately 142,000 children statewide will shift from the CDE/CDD to the counties. The CDE/CDD will continue to administer the part-day State Preschool program.
- Families meeting federal work requirements will receive a work bonus issued by the county welfare departments to better support working families.
- The Administration is proposing legislation effective 2013-14 to require counties and AP Programs to identify and collect overpayments. The legislation will impose sanctions on agencies that do not reduce the incidence of overpayments and to providers and families who commit intentional program violations. Savings would be reinvested into child care slots.

CalWORKs and CalWORKs Child Care

The proposed budget makes workload adjustments for child care programs as follows:

- **Stage 2 Child Care:** Reduces the budget by \$26.3 million in non-Proposition 98 General Fund to reflect a decline in the number of eligible Stage 2 beneficiaries. An estimated 9,000 children diverted to Stage 2 from Stage 3 as a result of the 2010-11 veto will re-enter Stage 3. Total base workload cost for Stage 2 is \$416.2 million.

- **Stage 3 Child Care:** Increases budget by \$4.5 million in non-Proposition 98 General Fund reflecting a relatively flat caseload. The transfer of 9,000 children from Stage 2 is expected to be offset by the number of children who will be dis-enrolled due to the contract reduction included in the 2011 Budget Act. Total base workload cost is \$148.1 million.

The Governor proposes “redesigning and refocusing” the CalWORKs program to prioritize resources to families most likely to become employed and to manage the program with the state’s available resources by creating two sub-programs:

- **CalWORKs Basic Program:** Designed to serve families moving toward self-sufficiency by providing up to 24 months of welfare-to-work services, including child care. Clients that fail to meet the welfare-to-work requirements will result in a sanction equal to the adult portion of the grant; clients that fail to meet the federal work requirements after 24 months, or cases in sanctions for more than three months, will be dis-enrolled from CalWORKs.
- **CalWORKs Plus:** Would serve clients working sufficient hours in unsubsidized employment to meet federal work participation requirements, generally 30 hours per week (20 hours per week for families with children under six years old). Effective April 2013, clients meeting the federal work participation requirements will be rewarded with a higher grant level by allowing them to retain more of their earned income through a higher income disregard. Families would have full access to supportive services and child care. Benefits will continue up to 48 months as long as clients continue to meet work participation requirements through unsubsidized employment. After 48 months, the adult will no longer be aided, however the higher income disregard will remain available as long as employment continues.

To facilitate the transition, all currently aided eligible adults will be eligible for up to six months of welfare-to-work services and child care following the October 2012 implementation of the CalWORKs Basic Program.

In addition, the Administration proposes aligning eligibility and need criteria for low-income working family child care services with federal TANF rules for work participation requirements. Over time, the three-stage child care system for current and former CalWORKs recipients and programs serving low-income working parents will be replaced with a work-based child care system administered by county welfare departments. Beginning July 1, 2013, working families receiving child care but not participating in the CalWORKs program will receive a \$50 per month supplemental work bonus as part of the Administration’s effort to increase support for working families.

Related Programs

The Governor has proposed reductions to additional programs closely related to child care and development programs as a means to balance the budget as follows:

- **Transitional Kindergarten:** A decrease of \$223.7 million Proposition 98 General Fund to reflect the elimination of the requirement that schools provide transitional kindergarten instruction beginning in the 2012-13 academic year.

- **Child Nutrition Program Subsidy to Private Entities:** A decrease of \$10.4 million non-Proposition 98 General Fund in 2012-13 to reflect the elimination of supplemental reimbursement for free and reduced-price breakfast and lunch serve at private schools and private child care centers.

¹ Brown, Jr., E.G. *Governor's Budget Summary 2012-13*. State of California, January 10, 2012.

² According to the Budget Summary, 200 percent of FPL is equivalent to 61 percent of the SMI for a family size of three, reflecting a reduction in the income ceiling from \$42,216 to \$37,060.

³ Currently, the maximum reimbursement rate is \$34.38 per day (adjusted for certain factors such as age of child and disability) for general child care programs (non-Proposition 98) and \$21.22 per day for State Preschool.