



**GOVERNOR SIGNS BUDGET BILLS:
IMPACT ON CHILD CARE AND DEVELOPMENT SERVICES**

Overview

On February 20, 2009, Governor Schwarzenegger approved 34 bills most of which are intended to tackle the State's looming budget deficit, which is expected to grow to \$41.6 by the end of the 2009-10 fiscal year if it is not addressed. As promised, the budget plans are a mix of solutions including major spending cuts, revenue increases and cash management strategies. Spending cuts to education and health and human services make up his largest category of solutions.¹

This policy brief provides a very brief and preliminary summary of budget items impacting child care and development services.

Fiscal Impact of Budget Bills for 2008-09 and 2009-10 - Child Care and Development Services

The Education Omnibus Trailer Bill (SBX3 4, Chapter 12) amends various sections of the Budget Act of 2008 and includes appropriation reductions to child care and development services. As passed, the Proposition 98 2008-09 appropriation for child care and development services is reduced by \$97.3 million. Since approximately one-third of the state allocation reaches child care and development programs located in Los Angeles County; the likely result is an impending cut of approximately \$32.4 million to direct services for children ages birth through 12 and their families. Across the board, all program types would be impacted, including part- and full day, infants and toddlers, preschools, and before and after school; program operators will face tough choices to remain solvent while maintaining high quality services for low-income children and their families. (See Table A on page 3 for budget details relating to child care and development services.)

The 2009-10 Budget Bill (SBX3 1, Chapter 1) gives small increases to child care and development services and appropriates growth adjustments to be applied to State Preschool, General Child Care, Migrant Child Care, Alternative Payment, School Age (Extended/Latchkey), and Handicap Allowance. The CalWORKs Stages 2 and 3 Child Care are allotted more significant bumps based on estimated caseloads. (See Table A.)

No 2008-09 Budget Bill adjustments are assigned to Learning Support programs, however the 2009-10 Budget Bill results in a reduction of \$40.5 million mostly to before and after school programs that provide academic enrichment opportunities and supportive services to disadvantaged kindergarten through 12th grade students. Already woefully under funded, child care and development services for parenting teens is scheduled for a \$39,750 cut. (See Table A.)

Regional Market Rate (RMR): Current and Pending Changes

The Education Omnibus Trailer Bill (SB 4, Chapter 12) for 2008-09 sets reimbursing child care costs through the Alternative Payment (AP) and voucher programs at the 85th percentile of the rates charge by providers offering the same type of child care for the same age children in that region based on the 2005 Regional Market Rate (RMR) survey. This budget bill further delays implementation of the new RMRs based on the 2007 survey slated to go into effect on March 1, 2009. The 2009-10 Budget Bill (SB 1, Chapter 1) states that funds appropriated through the AP and voucher programs be used to reimburse

¹ The California Budget Project has prepared a "quick and dirty" summary of key provisions of the final budget agreement and the Governor's line-item vetoes.' The document, entitled *Governor Signs Budget Plan* (February 25, 2009), is available for download at http://www.cbp.org/documents/090220_Gov_Signs_Budget.pdf.

child care costs up to the 75th percentile of the rates charged by providers offering the same type of care for the same age child in that region based on the 2007 RMR survey data. Bill language states that “it is the intent of the Legislature to consider new rate limits based on the 2007 regional market rate survey data for the 2009-10 fiscal year.” The Committee on Budget & Fiscal Review’s *Quick Summary 2009-10 Budget and Budget Package Actions* (February 14, 2009) states that reducing the reimbursement rates will be discussed during the spring budget hearings. Further study is required to learn the impact of these proposals.

Changes to Family Fee Schedule

The 2009-10 Budget Bill (SB 1, Chapter 1) requires the Department of Social Services (DSS), in consultation with the California Department of Education (CDE), to adjust the family fee schedule for child care providers to reflect a state median income of \$66,166 annually for a family of four. The fee schedule shall retain a flat fee per family and begin at income levels at which families currently begin paying fees. The revised fee schedule increases the lowest fees by \$2 per day and continues to increase fees on a sliding scale up to a maximum of 10% of income at the lower point of the income eligibility spectrum when compared to the current schedule. DSS shall submit the revised family fee schedule to the Department of Finance (DOF) within 15 days of enactment of the 2009 Budget Act. DOF has 30 days to approve or revise the fee schedule and notify CDE of the approved schedule to be implemented for the 2009-10 fiscal year without delay.

The Committee on Budget & Fiscal Review’s *Quick Summary 2009-10 Budget and Budget Package Actions* (February 14, 2009) lists increasing the family fee amounts and income levels at which families begin paying fees as a fiscal policy decision slated for discussion during the spring budget hearings.

Proposed Redirection of Proposition 10 Funds²

Assembly Bill 17 (Chapter 11) approved by the Governor and subject to voter approval revises certain provision of the California Children and Families Act of 1998. The revisions are as follows:

- Redirects balance of up to \$340,000,000 but not less than \$275,000,000 in funds that are unencumbered or unexpended by July 1, 2009 to support state health and human services programs for children up to five years old.
- State health and human services programs include, but are not limited to, early intervention and prevention services for infants and toddlers with developmental disabilities, child welfare services, adoption assistance, foster care, kinship guardianship assistance payments (Kin-GAP), and direct health services.
- Eliminates the Mass Media Communications Account in the trust account and reallocates the percentage payable to that account to the Unallocated Account.
- Ensures base level of funding of at least \$400,000 to each county commission.
- Prior to distribution of funds, requires an annual transfer of \$268,000,000 to the Proposition 10 Health and Human Services Fund created by the bill for five years beginning in fiscal year 2009-10 to support health and human services programs as described previously.
- Requires appointment of the county auditor to the local commission in an ex-officio capacity.

² SBX3 19, approved by the Governor on February 20, 2009, calls for a statewide special election for May 19, 2009 with six measures to go before voters. The proposals to redirect Proposition 10 and Proposition 63 funds are among the six measures that will appear on the ballot..

Mental Health Services Act (MHSA): Proposition 63 Proposed Amendments

Senate Bill 10 (Chapter 15) approved by the Governor on February 20, 2009 and subject to voter approval permits redirecting MHSA funds to support the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program (in California, known as the Child Health and Disability Prevention (CHDP) Program). Beginning July 1, 2009, redirects \$226,700,000 in MHSA funds to support the EPSDT Program administered by the State Department of Mental Health for the 2009-10 fiscal year. For the 2010-09 fiscal year, \$226, 700,000 shall be redirected to support the EPSDT Program; however the amount may be adjusted to fund caseloads up to \$234,000,000.

Table A. Fiscal Impact of Budget Bills for 2008-09 and 2009-10 - Child Care and Development Services

Program	2008-09¹	2008-09 Amended Amounts²	2008-09 Reductions	2009-10³
<i>Child Development Division</i>				
State Preschool ⁴	\$441,854,000	\$426,327,000	-\$15,527,000	\$429,376,000
General Child Development	\$804,649,000	\$773,796,000	-\$30,853,000	\$779,669,000
Migrant Child Care	\$40,570,000	\$35,966,000	-\$4,604,000	\$36,246,000
Alternative Payment	\$257,037,000	\$257,037,000 ⁵	0	\$258,811,000 ⁶
CalWORKs Stage 2 (AP)	\$369,960,000	\$342,960,000	-\$27,000,000	\$427,868,000
CalWORKs Stage 3 (AP)	\$245,204,000	\$230,204,000	-\$15,000,000	\$389,429,000
Resource and Referral Programs	\$19,438,000	\$19,438,000	0	\$19,438,000
School Age (Extended/Latchkey)	\$35,890,000	\$31,553,000	-\$4,337,000	\$31,801,000
Handicap Allowance	\$1,997,000	\$1,997,000	0	\$2,011,000
California Child Care Initiative	\$250,000	\$250,000	0	\$250,000
Quality Improvement ⁷	\$67,572,000	\$67,572,000	0	\$63,304,000
Centralized Eligibility List	\$7,900,000	\$7,900,000	0	\$7,900,000
Local Planning Councils	\$6,637,000	\$6,637,000	0	\$6,637,000
<i>Subtotal</i>	<i>\$2,298,958,000</i>	<i>\$2,201,637,000</i>	<i>-\$97,321,000</i>	<i>\$2,452,740,000</i>
Cost of Living Adjustment (COLA) ⁸	0	0	0	0
Growth ⁹	\$10,917,000	\$10,917,000		\$18,916,000
Child Care Facilities Revolving Fund	\$5,000,000	\$5,000,000	0	\$5,000,000
<i>Child Care and Development Services Total</i>	<i>\$2,314,875,000</i>	<i>\$2,217,554,000</i>	<i>-\$97,321,000</i>	<i>\$2,476,656,000</i>
<i>Learning Supports</i>				
Afterschool Education and Safety	\$546,941,000			\$546,898,000
21 st Century Community Learning	\$169,721,000			\$129,371,000
Cal-SAFE Child Care	\$24,857,700			\$24,783,000
Pregnant Minor Programs ¹⁰	\$13,369,750			\$13,330,000
<i>Learning Supports Total</i>	<i>\$754,889,450</i>			<i>\$714,382,000</i>
Child Care and Development and Learning Supports Grand Total	\$3,069,764,450			\$3,191,038,000

¹ Current year budget prior to any proposed reductions.

² As reflected in AB / SB 4: Education Finance, which amends Budget Act of 2008.

³ As reflected in AB / SB 1: 2009-10 Budget.

⁴ Of the amount for State Preschool, \$50,000,000 is available for the Prekindergarten and Family Literacy Program. Of that amount, \$5,000,000 is available for the provision of wraparound care for children enrolled in state preschool programs.

⁵ Funds appropriated for the cost of child care services through the AP or voucher programs shall be used only to reimburse child care costs up to the 85th percentile of the rates charged by providers offering the same type of care for the same age child in that region based on the 2005 Regional Market Rate (RMR) Survey data. It is the intent of the Legislature to consider new rate limits based on the 2007 RMR Survey data for the 2009-10 fiscal year.

⁶ Funds appropriated for the cost of child care services through the AP or voucher programs shall be used only to reimburse child care costs up to the 75th percentile of the rates charged by providers offering the same type of care for the same age child in that region based on the 2007 Regional Market Rate (RMR) Survey data effective July 1, 2009.

⁷ Funds reserved for improving the quality and availability of child care as follows:

Table B. Quality Improvement Detail			
Program	2008-09*	2009-10	Difference
Schoolage Care and Resource and Referral	\$2,014,056	\$1,964,262	-\$49,794
Infant and Toddler Earmark	\$11,359,176	\$11,062,664	-\$296,512
Trustline Registration Workload	\$200,000		(2008-09 only)
Quality expenditures to be defined**	\$7,037,000	\$2,969,000	-\$4,068,000
CalWORKs Careers in Child Development	\$4,000,000	\$4,000,000	0
DSS contract for licensing inspections	\$2,700,000	\$2,700,000	0
Trustline Registration Workload	\$1,000,000	\$1,000,000	0
Health and Safety Training	\$500,000	\$500,000	0
Child Development Training Consort	\$320,000	\$320,000	0
Health Hotline	\$300,000	\$300,000	0
Facilities Technical Assistance Program	\$300,000	\$300,000	0
Recruitment and Retention Program	\$15,000,000	\$15,000,000	0

* No budget adjustments have been proposed to the Quality Improvement line items for 2008-09.

** One-time federal funding available for 2009-10. First priority goes to fully funding the Trustline Workload as determined by the Department of Social Services (DSS) in conjunction with the California Department of Education (CDE). Remaining funds to be used for child care and development quality expenditures as identified by the CDE, with approval of the Department of Finance.

⁸ No Cost of Living Adjustment provided. The maximum standard reimbursement rate is not to exceed \$34.38 per day for general child care programs and \$21.22 per day for state preschool programs. Migrant child care and Cal-SAFE child care programs are to adhere to the maximum standard reimbursement rate.

⁹ Growth adjustments to be applied to State Preschool, General Child Development Programs, Migrant Day Care, Alternative Payment Program, School Age, and Handicap Allowance. Growth adjustments for 2008-09 was set at .69%; 1.23% in growth adjustments is proposed for 2009-10.

¹⁰ Funds are available for child care as well as academic and supportive services.