



STATUS UPDATE: CALIFORNIA STATE BUDGET 2010-11 PROPOSALS Impact on Child Care and Development Services

Governor's Budget Proposals – An Overview

There is no end in sight as California legislators struggle to craft a budget that will reduce the looming deficit while protecting programs and services that contribute to and maintain the healthy growth of our communities.¹ To set the stage for reducing the deficit, in January Governor Schwarzenegger proposed a 2010-11 budget that was notable for major spending reductions in health and human services with the threat of program eliminations if certain federal funds were not forthcoming. While he expressed commitment to preserve education, child care and development services were not immune to his proposal for reductions. The Governor held to his promise for further cuts and proposed program eliminations, which reached child care and development services, when he released his May Revise.

Governor's Budget Proposals – Child Care and Development Services

Very briefly, the Governor's 2010-11 budget proposals for child care and development as a mechanism for achieving savings are as follows:

- Eliminate all state funding for child care and development with the exception of state preschool. (May Revise)
- Reduce the eligibility ceiling from 75 percent to 60 percent of the State Median Income (SMI) for non-CalWORKs subsidized child care as well as CalWORKs Stage 3 Child Care. (May Revise)
- Eliminate the CalWORKs program contained in the Department of Social Services budget, which would effectively eliminate all CalWORKs Child Care. (May Revise)
- Impose a cost of living adjustment (COLA) of -.38 percent to child care and development programs. (January)
- Reduce the Regional Market Rate (RMR) from the 85th percentile to 75th percentile based on 2005 RMR survey²; also, reduce the reimbursement rate limits for licensed-exempt providers from 90 percent of ceilings for licensed family child care providers to 70 percent. (January)
- Reduce significantly funding for CalWORKs Stage 3 Child Care. (January)

¹ California legislators missed the constitutional deadline to pass the 2010-11 budget, which was scheduled to go into effect as of July 1, 2010. Currently, California is operating without a budget and rumors suggest that budget negotiations could continue into and through September.

² The provider reimbursement rate ceiling is determined by a RMR survey conducted every two years. The survey reflects the amount charged by a sample of private child care providers in each county. The most recent survey was completed in 2009.

The Legislature Weighs In

In reaction to the Governor's proposals, budget hearings and the Legislative leadership have scrambled to offer alternative proposals that would appease both sides of the aisle to preserve programs at minimum levels while achieving savings without identifying or increasing revenue streams. Early in the hearing process with respect to child care and development, the Legislative Analyst's Office (LAO) suggested reducing funding for quality improvement activities to the minimum federal requirement of four percent. More significant proposals have been offered by the Legislative leadership. On May 25, 2010, Speaker of the Assembly John Pérez released the *California Jobs Budget*, followed nearly a month later with State Senate President Pro Tem Darrell Steinberg announcement of a plan to restructure certain state functions to local governments. Now on the table is the skeleton of a merging of those two proposals entitled *Shared Democratic Principles for Finalizing Budget: Improving Government and Protecting Jobs*. As a precursor to the restructuring proposal, the LAO prepared a list of realignment options for shifting certain program responsibilities from the state to local governments. Among the program shifts listed, the LAO added CalWORKs and non-CalWORKs child care except for State Preschool. It should be noted that the LAO recognizes the complications due to the current structure of child development services within the Proposition 98 funding requirements.

Realignment, in addition to the proposed cuts, raises serious questions and concerns among the child development community. The Joint Committee on Legislation, on behalf of the Policy Roundtable for Child Care and the Child Care Planning Committee, is closely monitoring the budget negotiations and working with local stakeholders to determine responses to the emerging proposals.

Contact Information

Questions regarding this policy brief may be referred to Michele Sartell, Program Specialist with the Office of Child Care, by e-mail at msartell@ceo.lacounty.gov or by telephone at (213) 974-5187.