

Child Care and Development (CCD): Overview of Conference Issues

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Budget Conference Committee
Hon. Nancy Skinner, Chair



Overview of CCD Programs

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- ☑ **Eligibility.** Subsidized child care generally is designed for low-income, working families. To qualify, families' incomes must be below 70 percent of state median income (\$42,000 for a family of three, based on data from 2007, which is still being used).
- ☑ **Access.** All families currently participating in California Work Opportunity and Responsibility to Kids (CalWORKs) activities are guaranteed access to subsidized child care services if they are working and income-eligible. Only a portion of non-CalWORKs families receive subsidized child care and waiting lists are common across the state.
- ☑ **Programs.** The state provides subsidized care through a variety of programs (including CalWORKs child care, General Child Care, Alternative Payment Program, and State Preschool). The state also supports activities to improve child care quality (such as professional development for providers).
- ☑ **Rates and Fees.** The state reimburses child care providers using two rate structures—the regional market rate (RMR) and the standard reimbursement rate (SRR)—depending on the child care program. Families also pay fees for services based on their income.
- ☑ **Funding.** Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. The State Preschool program is funded by state Proposition 98 General Fund.

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- Both Houses Increased Funding for Child Care and Preschool Programs.** Senate provided \$713 million more and Assembly provided \$440 million more than the administration. (Senate also shifts child care and preschool programs—with the exception of CalWORKs Stage 1—into Proposition 98 and rebench minimum guarantee accordingly.)
- Both Houses Increased Rates.** Senate provided \$117 million and Assembly provided \$140 million to increase child care provider reimbursement rates. Senate increased the SRR by 7.5 percent and updated the RMR to the 85th percentile of the 2010 survey. Assembly increased both the SRR and RMR by 10 percent.
- Both Houses Added Slots.** Senate provided \$496 million (51,500 slots) and Assembly provided \$252 million (47,000 slots) for additional slots at the higher reimbursement rate in the General Child Care, Alternative Payment, and State Preschool programs.
- Both Houses Provided Additional Funding for Quality Activities.** Senate provided \$100 million for quality activities and Assembly provided \$22.5 million for child care provider training.

K-12 Agenda, Page 8 Two Houses' CCD Augmentations

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Summary of Child Care Packages				
<i>(In Millions)</i>				
Issue Area	Senate	Assembly	Difference	Comments
RMR ^a	\$43	\$40	\$3	Senate updated RMR to 85 th percentile of 2010 survey. Assembly increased RMR by 10 percent.
SRR ^b	74	100	-26	Senate increased the SRR by 7.5 percent. Assembly increased SRR by 10 percent.
Slots	496	252	244	Senate provided 51,500 additional slots. Assembly provided 47,000 additional slots. (Senate provided more full-day slots.)
Eligibility	No Proposal	Adopted		Assembly updated income-eligibility threshold to use most recent data and increased income eligibility for State Preschool by 25 percent.
Fees	No Proposal	15	-15	Assembly eliminated part-day State Preschool fees and backfilled with state Proposition 98 General Fund.
Quality Activities	100	23	77	Senate did not specify particular one-time quality projects. Assembly dedicated funds for increasing provider training.
Meal Reimbursement	No Proposal	10	-10	Assembly provided \$0.16 per meal state reimbursement for child care providers (reinstates funding cut in 2012-13).
Totals	\$713	\$440	\$273	
Proposition 98 General Fund	\$700 ^c	\$205	\$495	
Non-Proposition 98 General Fund	13 ^d	235	-222	

^a The RMR is the county-specific reimbursement rate provided for CalWORKs child care and the Alternative Payment Program.
^b The SRR is the reimbursement rate provided for General Child Care and State Preschool.
^c With the exception of CalWORKs Stage 1, the Senate rebenched child care and preschool programs under Proposition 98.
^d Represents increase to RMR for CalWORKs Stage 1 child care.
RMR = regional market rate and SRR = standard reimbursement rate.

LAO Recommendations for Setting 2014-15 CCD Spending Priorities

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- Consider First Increasing Reimbursement Rates and Improving Rate Structure.** Current reimbursement rates are based on outdated information. The Legislature could update rates based on more recent child care market data. Higher rates would help ensure families have access to more providers. In addition, the current rate structure is overly complex. The Legislature could create a simpler, more rational rate structure in conjunction with updating the rates.
- Next Assess Demand for Additional Slots.** Until 2011-12, the state provided \$8 million annually to maintain county-level data on waiting lists for child care programs. Reinstating this service could help guide the Legislature in making future program augmentations.
- Increase Slots With Remaining Funds.** If additional funds are available, the Legislature could provide additional slots in the General Child Care, Alternative Payment, and State Preschool programs. While county-level waiting lists are not currently available, thousands of families are on waiting lists for individual subsidized child care programs across the state.