CHILDREN LEARNING, PARENTS EARNING 1540 River Park Drive, Suite 209, Sacramento, CA 95815 Phone: (916) 567-6797 FAX: (916) 567-6790

May 17, 2013

To: The Honorable Holly Mitchell
Chair, Assembly Budget Subcommittee No. 1
State Capitol, Room 2163
Sacramento, California 95814

From: Denyne M. Micheletti, Executive Director

Re: Governor's May Revision Proposals & Attached Priorities

On behalf of the public and private community based agencies that comprise the California Alternative Payment Program Association (CAPPA) and the tens of thousands of working families and children we support, I am writing to you today to express areas of support, options for consideration, as well as strong opposition to parts of the Governor's proposed May Revise. At the back of this document will be a bulleted summary list of CAPPA priorities.

In review of the Revise from a broad perspective, there appears to be a lack of understanding of the total devastation suffered by working poor families and children since 2008. Since 2008, over 110,000 child care slots have been eliminated, and $1.2 billion plus has been cut from our early care and education programs. It appears that there is no recognition of the fact that one out of every four children in California lives in poverty. To these 2.2 million children living in poverty, the Revise will have thousands more added due to the devastating cuts being proposed to the California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 3 safety net.

The May Revise literally will throw thousands of infants, toddlers and preschoolers out of early care and education child care slots. Below is a brief overview and areas of concerns specifically related to the CalWORKs Stage 3 cuts:

1. Due to California's recent deficit and cost pressures, CalWORKs Stage 3 child care was shifted from a caseload driven program to a capped program in 2010. That shift to a capped enrollment has forced eligible families to be disenrolled. The disenrollment of families from child care programs designed to support the needs of families working have resulted in a cycle that is keeping families in poverty.
2. From a numbers perspective, for FY 2013/14 Stage 2 caseload is funded to support 64,627 children. Stage 3 is capped to serve 24,998[1] children. Although the amounts are different in reimbursement dependent on the age of the child and need of the family, in broad terms and from a number perspective it can be presumed that for every child (and family) that transitioned from Stage 2 to Stage 3, two children (families) were disenrolled from Stage 3 regardless of whether the family had realized self-sufficiency.
3. Overall, Governor proposes a cut to Stage 3 of $5.1. (FY 2012/13 $148,425 versus May Revise $143,074)
4. May Revise does not value the two plus years of investments made in working families that have transitioned through CalWORKs Stage 1 & 2, and are now poised for success and self-sufficiency via transition from Stage 3.

CAPPA Supports: Fund Stage 3 based on caseload to $207,000.

Added to the complexity of the cuts being proposed by the Governor to Stage 3, is the proposal to realign CalWORKs child care to counties. This proposal alone is problematic for a number of reasons. As CAPPA has examined this issue, at a bare minimum the following outcomes will be the result:

1. Currently, CalWORKs Stages 1 & 2 child care are caseload driven programs. Based on historical caseloads and projecting outward, it is difficult to forecast future trends or costs. Further, based on low reimbursement rates for early care and education providers that serve working poor families, and based on the fact that Stages 2 & 3 child

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[1] DOF California Child Care May 2013/14 Revise Numbers

care contract funding is based on the monies that "go out the door" in terms of provider payments, lack of funding is nearly guaranteed to cover the new county responsibilities/mandates. As Stages 1 & 2 are entitlement programs, the requirement of counties to fund new responsibilities will create fiscal pressures and lack of adequate funding to comply with State and Federal mandates.

2. As proposed, there is no guarantee that CalWORKs Stage 3 child care will be protected under the realignment proposal. CalWORKs Stage 3 child care is not a protected entitlement program. Thus due to fiscal pressures that are nearly guaranteed to be experienced by counties due to the Governor's proposal, Stage 3 and the families and children served could be harmed.

3. As proposed in the May Revise, Stage 3 child care is budgeted at ***<u>$64 million less</u>*** than is the identified caseload. According to CDE data, the caseload for Stage 3 is projected at $207 million. The Governor has proposed $157.5 million, with an additional cut from Sequestration to be another $14.4 bringing the Stage 3 funding down to $143 million.

4. Currently, 34 of California's 58 counties contract out with community based alternative payment program to run the CalWORKs Stage 1 child care program. The 34 counties serve over 90% of the child care need.

CAPPA Opposes: Realignment of CalWORKs child care.

The proposals that the Governor has regarding reductions to reflect caseload in CalWORKs Stage 2, the cuts to Stage 3 that will require agencies to issue thousands of Notices of Actions (NOAs) and disenrollment of families, and the existing mandates passed from the federal government to CDE to implement, will push our public and private community based agencies into further crisis.

Currently, agencies are funded based on a total of 17.5 cents on each one dollar that is "put out the door" in provider payments. These 17.5 cents breaks down to roughly 11.5 cents for direct family support and 6 cents for indirect fixed costs such as rent, workers' compensation, etc. Since 2010, when Stage 3 was defunded, then partially restored moving forward, alternative payment programs have been forced to comply with over ***<u>73 CDE issued Management Bulletins</u>***, These bureaucratic requirements were all unfunded mandates due to the fact that monies were not put out the door. Overnight agencies experienced family caseloads surges from 1:50 families to 1:250 and higher.

To bring some level of stability to these community based contractors, there must be a guarantee of funding when they open the door each July 1. Therefore, CAPPA would like to propose the following language be included in the budget process that would stabilize community based contractors that are complying with mandates and that reflects the work that must be completed.

CAPPA Supports:

Amend Education Code 8223:

8223. The reimbursement for alternative payment programs shall include the cost of child care paid to child care providers plus the administrative and support services costs of the alternative payment program. The total cost for administration and support services shall ~~not exceed an amount equal to 17.5~~ <u>be 20</u> percent of the total <u>initial maximum reimbursable amount (MRA) or if adjusted, the higher</u> contract amount. The administrative costs shall not exceed the costs allowable for administration under federal requirements.

Without question, CAPPA supports the Governor on his commitment to pay down debt. We support the need for a prudent emergency reserve. However, our agencies continue to see each and every day California's poorest families and children denied access to early care and educational programs, children hungrier and undernourished, and parents lacking support to connect them to employment and long term stability.

CAPPA supports adoption of a more gradual repayment of debt timeline. California leads the nation in the level of poverty many are forced to reside. Our children need support now if we are to maximize their long term academic achievements. Due to the dire needs being experienced now, reinvesting monies back into child care, back into CalWORKs, and back into working families will again restore California's economic health.

Further, CAPPA recognizes that the loss of federal Child Care Development Funds (CCDF) due to sequestration will result in infants, toddlers and preschoolers immediately disenrolled from child care slots. We request that again, action be taken to adopt either a more gradual repayment of debt timeline or other such option so that our Stage 3 and working poor families are not left shouldering the cut.

CAPPA Option: More gradual repayment of debt or smaller reserve limit. Greater investment in early care/education and working families.

Due to the enactment last year that California's poorest of poor families must pay a family fee for State Preschool, overnight our early care and delivery infrastructure saw large numbers of families forced to pull their children from preschool and high quality centers. Reports were being heard from throughout California that child care centers that served both subsidized and private pay families were closing their doors. And what we intuitively knew was that based on this required family fee, some of our most fragile families and earliest learners were eliminated access to our highest quality programs.

CAPPA Supports: Accept the recommendation from the Assembly Budget Subcommittee 2 on Education Finance to adopt placeholder Trailer Bill language to repeal the family fee for State Preschool and direct staff to include funding to backfill the loss of fee revenue to preschool as part of the Assembly's final Proposition 98 package.

California's early care and education providers and contractors deserve to be valued and ought to expect cost-of-living adjustments. In other parts of the education continuum, teachers and educators are afforded this option. We simply believe that the teachers of infants, toddlers and preschoolers deserve to be viewed in the same way.

CAPPA Supports: Repeal the following language that was included in the 2012-13 budget trailer bill and allow for determination as part of the annual budget negotiation, *"Notwithstanding any other law, child care and development programs shall not receive a cost-of-living adjustment in the 2012–13, 2013–14, and 2014–15 fiscal years. "*

In closing, CAPPA believes that budgets ought to reflect our priorities as a state. Budgets are a statement of values and not about numbers.

If you have any questions, please contact me at (916)567-6797. Thank you.

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CAPPA May Revise Priorities

CAPPA Supports:

- Fund Stage 3 based on caseload to $207,000.

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CAPPA Opposes:

- Realignment of CalWORKs child care.

CAPPA Options:

- More gradual repayment of debt or smaller reserve limit. Greater investment in early care/education and working families.