California Alternative Payment Program Association (CAPPA)
1451 River Park Drive, Suite 185
Sacramento, CA 95815
Phone: (916) 567-6797
www.cappaonline.com

CHILDREN LEARNING, PARENTS EARNING, COMMUNITIES GROWING

May 16, 2020

The Honorable Kevin McCarty
Chair, Assembly Budget Sub 2 Education Finance
California State Assembly
Sacramento, CA 95814

RE: 2020 CAPPA Input on Governor Newsom's 2020-21 May Revision

Chairman McCarty:

The California Alternative Payment Program Association (CAPPA) is a 43-year network of community-based public and private nonprofit agencies that provide child care and other supports to income eligible families in each of California's 58 counties. The CAPPA network supports parental choice and access for children from birth on to childcare, food programs, housing resources and a host of other services to lift families up from poverty to self-sufficiency. The ultimate goal of our programs is to break the current cycle of poverty for families and children while supporting our earliest of learners to attain longer term educational outcomes and economic stability.

The May 14 release of the 2020-21 May Revision and the specific proposals to cut rates for California's struggling family child care providers and centers was met with fear by providers and struggling working families. Upon release of the May Revision, agencies throughout the state were hearing from child care providers that the proposed cuts will all but guarantee that their businesses would be shuttered and their careers extinguished.

Why were the proposals to cut rates received so poorly? To fully understand this, you must comprehend the rates that are proposed to be reduced.

For California's subsidized child care system, there are two separate reimbursement structures based on whether the child care provider or center accepts individual *vouchers* for care from a parent or whether a center based provider has a contract with the state to fund a classroom. For family child care providers and centers that accept individual vouchers for child care, they are reimbursed via a Regional Market Rate (RMR) structure determined via a biennial survey overseen by the California Department of Education (CDE). For those center-based direct service contracts based on classrooms and not for individual slots, they are reimbursed based on a set Standard Reimbursement Rate (SRR).

For family child care providers and centers that accept a RMR voucher from a family for care their rates are dependent on their classification of the provider type. Depending on the status of the provider, either Family, Friend or Neighbor (FFN) licensed-exempt care, licensed family child care or licensed center based care, rates are set via the RMR survey.

To give an example of the RMR existing rates, the rates referenced below are for Los Angeles. Current FFN rates broken down hourly for school age is $2.63 and for an infant $3.55. For licensed family child care providers child care can be broken down on an hourly reimbursement for school age is $9.85 and for infants is $11.34. Finally, for licensed center child care, an hourly school age RMR is $11.06 while for an infant it is $16.28.

If you take the existing rates above, and minus the 10 percent cut proposed in the 2020-21 May Revision, FFN care for school age will drop to $2.37 an hour and for an infant $3.01; $9.85 drops to $8.86 and $11.34 drops to $10.21; and finally $9.96 and $14.66.

For those direct service SRR contacts, the current set full-day rate is $48.28. The part-day rate is $29.90. The 10 percent reduction to these rates will be to $43.45 and $26.91 respectively.

To highlight the devastation of the 10 percent reductions noted above to the RMR and SRR reimbursement rates, remember that California's 2020 minimum wage is $12.00 per hour. Although the child care providers and centers are mainly small businesses, it is important to have for a point of reference the minimum wage to compare how far behind California's existing child care providers fall behind in terms of a revenue stream that could be thought of as sustainable and livable. Actually, California's existing reimbursement rate levels contribute to an industry where the child care providers and early education teachers too qualify for low-income subsidies.

In regards to the proposal to cut RMR and SRR rates by 10 percent, the data above clearly indicates that this is a harmful proposal that will absolutely put many child care providers and centers out of business. And what we know, is that once these businesses close, they will not reopen.

The next item that must be addressed that was not in the May Revision but was appropriately addressed by Governor Newsom in Executive Order (EO) N-45-20[1] and in CDE Management Bulletin 20-04[2], was to reimburse a child care provider for a space allocated for a child. Put simply, providers were reimbursed based on the RMR for either full or part-time and not based on actual attendance. This EO allowed providers to more accurately plan and budget for the months that child care is provided.

CAPPA respectfully asks that this part of the EO to eliminate variable work schedules and to reimburse child care providers based on a full or part-time schedule be made permanent. This change not only brings parity to subsidized providers based on how the private pay market reimburses, but it also creates more access for subsidized parents to providers willing to serve a child.

Another issue not in the May Revision but that goes into effect on July 1, 2020 that must be addressed is elimination of the 14-day notice that must be given to a provider before a change can be made for a subsidized family. An example if this is allowed to go into effect is if a family loses their job or their salary falls and the family needs a rate adjustment to lower their family fees, that family must wait for 14-days. Or if the family needs more hours for child care than the existing provider cannot accommodate, again the family must either wait for 14 days to begin care with a new provider or must front the full cost for the new provider.

[1] https://www.gov.ca.gov/wp-content/uploads/2020/04/4.4.20-EO-N-45-20.pdf
[2] https://cappa.memberclicks.net/assets/CDE/2020/ELCD%20Management%20Bulletin%2020-04.pdf

California's child care and early learning providers and centers simply cannot accommodate any cut. Without any cuts, the COVID-19 crisis has already resulted in massive closures of child care businesses. With the proposed cuts, there simply will not be the child care infrastructure available to support existing subsidized families as well as the essential worker families needing care while they are on the front lines fighting this pandemic.

Thank you for your attention to the above.

Denyne C Colburn

Denyne Micheletti Colburn, CEO

CC: The Honorable Gavin Newsom, Governor
ASM Budget Committee Members
Keely Bosler, Department of Finance
Erin Gabel, Assembly Budget Committee
Steve McCarthy, ASM Republican Office
Rochelle Schmidt, Legislative Women's Caucus
Sulema Landa, Legislative Women's Caucus
Jessica Holmes, Department of Finance
Sarah Burtner, Department of Finance
Lisa Miercynski, Department of Finance
Gail Gronert, Office of Assembly Speaker Anthony Rendon
Kris Perry, Office of the Governor
Giannina Perez, Office of the Governor
Sarah Neville Morgan, California Department of Education