



May 21, 2020

The Honorable Richard Roth
Chair, Senate Budget Sub 1 Education
California State Senate
Sacramento, CA 95814

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

Chairman Roth:

The California Alternative Payment Program Association (CAPP) 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 CAPP 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 understand the recent history of child care and the rates that are proposed to be reduced.

In the last ten years, child care providers had only one rate increase in 2016. The rates being proposed for reduction have been kept down and do not reflect the more current Regional Market Rate (RMR) surveys released in 2018 and another completed but not yet released for 2020. Further, in terms of the number of voucher slots, since 2009-2010 there have only been added an additional 20,744 slots. In 2009-10, the allocated slots were 37,186. In the 2019-20 budget was an allocated 57,930. These numbers must be viewed in context that prior to the COVID-19 emergency, there was an unmet need of over 2 million¹ children eligible for subsidized care in California in 2017, just 1 in 9 children were enrolled in a program that could accommodate families for more than a couple hours per day and throughout the entire year (228,100). With the addition of the hundreds of thousands of essential workers eligible and encouraged to access child care, the allocated funding and slots simply is not enough.

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

¹ <https://calbudgetcenter.org/resources/targeted-funding-for-early-care-and-education-could-provide-a-path-out-of-poverty-for-more-california-children/>

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-45-20² and in CDE Management Bulletin 20-04³, 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.

² <https://www.gov.ca.gov/wp-content/uploads/2020/04/4.4.20-EO-N-45-20.pdf>

³ <https://cappa.memberclicks.net/assets/CDE/2020/ELCD%20Management%20Bulletin%202020-04.pdf>

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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.

The last issue needing to be addressed is the \$50 million allocated during the COVID-19 emergency to support access of essential workers to child care. According to both the Administration and the California Department of Education these dollars are slated to expire on June 30, 2020. However, it is CAPP's contention that due to the fact that these dollars were allocated to Alternative Payment Programs (APPs) as part of their CAPP contracts administered by the Department of Education and that these specific CAPP contracts via [Education Code 8220.1 \(d\)\(1\)](#) are allowed to be expended over a 24 month time frame, that these funds should too be allowed to stay with the programs to enroll essential worker families. Both the Administration and CDE have indicated that this will take either a new executive order to be released to address this funding deadline or that it needs to be addressed by the legislature.

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 Micheletti Colburn, CEO

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