CHILDREN LEARNING, PARENTS EARNING, COMMUNITIES GROWING

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The Honorable Gavin Newsom
Governor, State of California
Sacramento, CA 95814

The Honorable Toni Atkins
President pro Tempore
California State Senate
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker
California State Assembly
Sacramento, CA 95814

The Honorable Nancy Skinner
Chair, Budget Committee
California State Senate
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Budget Committee
California State Assembly
Sacramento, CA 95814

RE: CAPPA Input on Governor Newsom's 2021-22 May Revision

Dear Governor Newsom and Budget Leaders of the California State Legislature:

The California Alternative Payment Program Association (CAPPA) is a 44-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 promotes parental choice and supports the whole family with access to child care, food programs, housing, and other supports to lift families up from poverty to self-sufficiency. Our programs have evolved from child care as parental work support into multidimensional programs that support both the working and living needs of families, while ensuring a stable continuity of care for babies, toddlers and children. Impacting two generations, the ultimate goal of our programs is to break the current cycle of poverty for families and children while supporting our earliest of learners in achieving long-term educational outcomes and economic stability.

Prior to release of the May Revision, we were optimistic that with the state's $75 billion surplus and in recognition of the family child care providers and centers that stayed open during COVID to support other essential identified workers needing to report to work, they would finely receive the recognition so richly deserved. However, they were shut out of any meaningful investments desperately needed to move them from continuing to be reimbursed impoverished rates. Adding insult to injury were funding decisions to move child care dollars earmarked from the General Fund (GF) for child care into Proposition 98 thus providing more than the 98 guarantee and increasing their funding by 34 percent[1].

The release of the May Revision did include 100,000 new child care slots. However, it put no monies into increasing child care reimbursements that remain one of the lowest funded field's in the state, between $3.20 - $9.50 per hour. California's center and family child care industry are delivered mainly on the backs of Black and Brown women. Based on the governor's failure to address the rates in a meaningful way, he is guaranteeing that those who choose to work in the child care field will continue to be impoverished.

[1] Here are the highlights of the 2020-21 May state budget revision | EdSource

The Governor's May Revision fails to address the economic inequities that peril the early care and learning workforce, and assures that the economic devastation on family child care and center-based providers will continue for years to come. Amid the state's economic health, the state's fiscal priorities fail working parents by not increasing access to a dynamic child care system that truly meets the needs of those working in a 24-hour/seven days per week economy. According to new Census data, the pandemic resulted in more missed work due to child care problems than ever before[2]. And this burden was shouldered almost exclusively by women.

In review of the May Revision, and considering input from community-based organizations, family child care providers and centers, the parents they support, and those in desperate need of services, we will provide targeted input in specific areas. Our input will focus on the following areas: increasing family child care provider and center rates; increasing the number of allocated child care slots; securing funding for community agencies to prepare and train case managers for enrollments;

- **Increase family child care provider and center rates**

Prior to the pandemic, California's family child care homes and centers supported close to one million children[3]. Even then, the need far surpassed the existing capacity. In 2019, licensed child care was available for only 24.5 percent of children with working parents throughout California[4]. Furthermore, 60 percent of people in California live in a child care desert,[5] which is any census tract with more than 50 children under age 5 that contains either no child care providers or so few options that there are more than three times as many children as licensed child care slots. In the identified child care deserts, 64 to 67 percent are in areas predominantly made up of Black and Brown populations. Seventy-two of people in a child care desert are in the lowest-income neighborhoods.

According to the Department of Social Services (DSS), since the pandemic, an estimated 5,500 family child care homes and 9,200 child care centers have closed in California[6].

As of January 22, 2021, the average annual pay for a child care provider in the United States is $22,476[7] a year. "California ranks number 14 out of 50 states nationwide for Child Care Provider salaries." On average a child care provider in California makes $22,342 per year or (1%) less than the national average annual salary of $22,476.

To help round out the income information, in California, family child care providers and centers that accept subsidized families are reimbursed via a Regional Market Rate (RMR) survey. Although there is already a completed 2018 RMR survey[8] with a 2020 RMR Survey[9] not far from completion, the current reimbursement rates for providers is based on the 2016 RMR survey[10], which draws from 2015 data.

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[2] COVID-19: Workplace absences surge in 2020 due to illness, fears (usatoday.com)
[3] California child care system collapsing under COVID-19, Berkeley report says | Berkeley News
[4] Data collected by the California Child Care Resource & Referral Network and provided to the Lucile Packard Foundation for Children's Health, *Kidsdata.org* (2019), http://www.kidsdata.org .
[5] Do you live in a child care desert? (childcaredeserts.org)
[6] Data reported by the Cal. Dep't of Social Services as of Jan. 12, 2021. 5,494 family child care providers have closed from Jan 2020 to Jan 2021; 9,212 child care centers have closed from Mar. 1, 2020 to Dec. 31, 2020. The numbers include family child care homes and centers that temporarily closed and permanently closed. Some family child care homes and child care centers have closed multiple times throughout the year.
[7] Child Care Provider Annual Salary ($22,476 Avg | Jan 2021) - ZipRecruiter
[8] Regional Market Rate Survey - Child Development (CA Dept of Education)
[9] RFP: 2020 Market Rate Survey of California Child Care Providers (CA Dept of Education)
[10] Reimbursement Ceilings for Subsidized Child Care - Child Development (CA Dept of Education)

To give an example of the current reimbursement rates paid for infant full-time care, rates can range from roughly $3.20 per hour to roughly $9.50 per hour depending on licensure status.

Another factor that must be considered as a part of the rate conversation is the continual increase in California's minimum wage. Currently, providers are reimbursed based on 2015 data. In 2015, California's minimum wage was $9.00 per hour[11]. In January 2021, California's minimum wage was increased to $14.00 per hour. The increase in the minimum wage is contributing to the exodus of family child care providers and centers, who are increasingly closing their doors to work at fast food restaurants and other entry level jobs.

The data points above illustrate a landscape of a child care system in crisis and, based on what is excluded from the May Revision, will all but guarantee its total collapse at a time the system needs to grow to meet the unmet need.

During this pandemic, it is family child care providers that have kept their doors open supporting essential workers and families with their distance learning outcomes resulting from school closures. It is these workers that have put their own health and safety in peril to support essential workers and the economy. There has been no meaningful recognition or funding provided to the providers that have stayed open, incurred unplanned higher cleaning costs, and often closed down due to a COVID positive result only to do everything necessary to reopen.

The unfunded and unrecognized demands on this diminishing workforce is closing off access. The family child care providers and centers closing will not only impact subsidized families, but will also impact private pay families. Ultimately, without access to child care, California's economy is set to crash.

CAPPA's recommendation is to adopt the most current Regional Market Rate (RMR) Survey for all providers as 85% of the State Median Income (SMI). Additionally, we strongly support release of the $2.3 billion in Child Care and Development funds[12] to provide all providers with a stabilization grant.

- **Increase May Revise of 100,000 slots to 200,000 as proposed by the Senate and Legislative Women's Caucus**

In preparation for our justification, it must be made clear that an increase of any magnitude in slots must absolutely be accompanied with an increase in the family child care provider and center rates referenced above.

In 2016, the California Budget and Policy Center (CBPC)[13] reported that over 1.2 million income eligible children in need of child care did not receive services[14]. In 2017-18, that number surged to 2.032 million with1.804 million income eligible with no access and roughly 230,000 with partial access[15]. Prior to the pandemic, it was rumored that the current number was approaching 2.3 million. From March 2020 to now, the projected need is now much higher considering school closures and the number of families that have lost their jobs, but are ready to re-enter the workforce as the economy recovers.

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[11] https://www.dir.ca.gov/iwc/MinimumWageHistory.htm

[12] U.S. Dep't of Health & Human Services., Information Memorandum ARP Act Child Care Stabilization Funds, CCDF-ACF-IM-2021-02, May 10, 2021, https://www.acf.hhs.gov/sites/default/files/documents/occ/CCDF-ACF-IM-2021-02.pdf; see also Child Care Law Center, Child Care Funding in the American Rescue Plan Act of 2021 Memorandum and Child Care Funding in the American Rescue Plan of 2021 Chart, Mar. 2021,https://www.childcarelaw.org/federal-child-care-funding.

[13] https://calbudgetcenter.org/about/vision-history/

[14] https://calbudgetcenter.org/resources/1-2-million-california-children-eligible-subsidized-child-care-not-receive-services-state-programs-2015/

[15] https://calbudgetcenter.org/wp-content/uploads/2019/02/Kristin-Schumacher_ChildCare-Webinar_02.25.2019.pdf

The May Revision proposes to add 100,000 subsidized child care slots split between vouchers and centers. However, without a meaningful increase in provider rates, we believe that families will be relegated to access only to license-exempt providers. We come to this conclusion based on the fact that family child care homes and centers are not going to accept a voucher to support a family that breaks down to hourly amounts of $3.20 to $9.50 per hour on average[16]

Also in regards to added slots, the May Revision proposed to increase funding from Proposition 64 for child care to fund an additional ongoing number of 6,500. Although grateful for this investment we have concerns if the slots will be realized. The 2020-21 budget proposed $47 million from Proposition 64 for 5,600 child care slots. To this date, those slots have not been put out for agencies to begin enrolling children.

CAPPA's recommendation is to fund at a minimum 200,000 child care voucher slots for California's lowest incomed moms and dads to access immediately, with a projected ongoing increase in the coming years. Additionally, confirm the past transfer of Proposition 64 dollars and establish a timeline moving forward,

- **Fund community based alternative payment agencies to support the enrollment of new slots**

The May Revision, the Senate, Assembly and Legislative Women's Caucus all propose to at least double the number of slots, roughly 76,000, in the AP voucher program. During the pandemic, nearly all agencies had to access and are still using their lines of credit just to keep up with the number of unfunded changes required of them during COVID. The AP programs are solely funded based on monies that go out the door in provider payments. They receive 17.5 percent of every dollar that goes out the door in a provider payment. However, all of the work leading up to actually making a provider payment is unfunded. The 17.5 percent pays for family case managers, enrollment specialists and other direct family supports as well as administrative costs such as rent, workers' compensation, etc.

During the enrollment of families, based on the experience of the agencies, roughly a third of the families do not complete the eligibility determination process. Therefore, all of the work put into the initial steps go unfunded. And even when a family completes the enrollment process, it can take another 30-60 days for a family to secure a provider.

During the pandemic, agencies also had to move to virtual work spaces to ensure seamless support of families. Again, many agencies are still paying back on lines of credit that had to be accessed in order to continue operating.

CAPPA's recommendation is to provide immediate one-time grants to agencies to secure office space, hire and train staff, secure needed infrastructure and technology. Additionally, just as all are struggling, our agencies are further constrained by prohibiting hiring and retention bonuses[17]. Going into this time of expansion, it is critical that knowledgeable staff be retained if at all possible.

The proposed May Revision will widen inequalities and further harm California's lowest income working moms and dads by essentially eliminating their ability to access high-quality child care settings. Without an increase in family child care and center rates, our poorest families will be further disconnected from California rich early care delivery system. Without a meaningful rate increase, the collapse of California's early care infrastructure is a certainly.

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[16] [Reimbursement Ceilings for Subsidized Child Care - Child Development (CA Dept of Education)]
[17] [View Document - California Code of Regulations (westlaw.com)]

Finally, throughout Governor Newsom's tenure and as reflected in this and past budgets is his commitment to combat homelessness. Providing our lowest income families with access to child care and early learning that also supports a working mom's need to work is critical to combatting homelessness. For many of our very lowest income families, the ability to access and secure stable child care is the difference between having a roof over the head of their children or living on the streets.

Thank you for your attention to the above.

Denyne Micheletti Colburn, CEO

CC: The Honorable Gavin Newsom, Governor
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ASM Budget Committee Members
Members, Legislative Women's Caucus
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