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, 2023

The Honorable Gavin Newsom, Governor
State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

The Honorable Toni Atkins, President pro Tempore
California State Senate
1021 O Street, Suite 8518
Sacramento, CA 95814

The Honorable Nancy Skinner, Chair
Senate Budget Committee
1021 O Street, Suite 8630
Sacramento, CA 95814

The Honorable Anthony Rendon, Speaker
California State Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

The Honorable Phil Ting, Chair
Assembly Budget Committee
1021 O Street, Suite 8230
Sacramento, CA 95814

RE: CAPPA Input on Governor Newsom's 2023-24 May Revision

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

The California Alternative Payment Program Association (CAPPA) is a 46-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.

As the May Revise (MR) signaled, there most definitely is a softening of the economy. In review of the May Revise, we appreciate that the governor has considered the harm that would be felt if the subsidized family fee waiver were allowed to expire on June 30th and has therefore provided a three-month extension. We further appreciate that there were no proposed cuts being made to the historical investments made in increasing the number of new subsidized child care slots to 200,000 but has pushed back the final 20,000 additional slots to 2024-25. We also are appreciative of the estimated 8.22 percent statutory cost-of-living adjustments (COLA) for child care and development programs and the Child and Adult Care Food Program.

Unfortunately, we are gravely concerned that the May Revise did not propose any increase to child care provider rates. California's subsidized child care and development system is literally on life support. Year after year, we have seen family child care rates and centers fail to realize a meaningful increase to reimbursement rates that may actually come close to reimbursing the real cost for providing child care. In 2021-22, the state increased rates for voucher-based providers to the 75th percentile of the 2018 market survey. The average annual pay for a child care provider in the United States is $22,476[i] 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.

Currently, California's subsidized licensed exempt providers are reimbursed at roughly $5.00 per hour while licensed child care providers are reimbursed at roughly $13.43 per hour. Clearly these rates do not come close to cover the real costs of providing care to infants, toddlers and children up to age 12. Coupled with these concerning rates is the fact that at an alarming rate, California continues to see the mass exodus of family child care provider and center closures.

CAPPA strongly urges that both the Senate Budget Plan to provide over $1 billion to increase child care rates[ii] and the Assembly Care COLA[iii] plan to increase child care funding by 25.44 percent be considered as the framework needed to move to a better resourced workforce. Even with these needed starting points, California's early child care and development workforce needs a multiyear plan and strategy to entice individuals into choosing child care as their vocation.

Aside from the increase in provider rates, the following community-based needs too must be addressed if providers are to keep their doors open and families are able to secure access to open slots:

1) Fund community-based alternative payment agencies to support the needs of families

ISSUE: Increase the funding of community-based programs to support fragile families with access to child care and needed wraparound support services so that parents can be supported with their employment and stability.

Since 1978, community-based programs have delivered direct support and one-on-one conversations with families struggling on the brink of poverty. 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.

There are 69 Alternative Payment Programs (APP) that administer California's subsidized child care programs across all 58 counties. Of the 58 counties, 37 contract out the California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 1 childcare to a local Alternative Payment Program (APP). The focus of these programs is to support working families and those on CalWORKs with access to a variety of early care and educational settings, including high-quality Title 5 centers, Family Child Care Home Education Networks (FCCHENs) and family child care providers, and other small business child care and early learning providers.

During the pandemic, these community programs were deemed as critical and essential and had to stay open supporting the enrollment of essential workers, distributing PPE equipment, making child care payments so that family child care providers and centers could keep their doors open, and being a safe place for vulnerable families to access. However, since the pandemic to now, these agencies have not received sufficient funding to have done all of the required work.
For instance, prior to the pandemic, agencies supported a total of 57,930 voucher child care slots statewide. Today, agencies now support 161,332. By fiscal year 2024-25, the state's promise is to fund a total of 200,000 slots that the agencies will support. However, to date sufficient funding has not been provided for agencies to ramp up and adequately meet the number of slots that has nearly tripled their capacity. There was no one-time capacity funding to expand their delivery of services to families. Further, due to the pandemic agencies were forced to invest in technology that allowed staff to be accessible to families without coming into an office.

In regards to the enrollment of families to secure a child care voucher, more than 60 percent of the families that begin the eligibility process do not complete the process.[iv] However, based on the antiquated language used to reimburse agencies, all of the work done to support the families with the enrollment goes unfunded because funding for agencies is solely based on the Maximum Reimbursable Amount (MRA) dollars allocated for provider payments only and not for any upfront work.

Community-based partners receive a flat rate percentage of funding based on the total Maximum Reimbursable Amount (MRA) projected for each agency in provider payments. Because these agencies have their funding tied to the reimbursements to child care providers, their reimbursement too is based on an outdated 2018 Regional Market Rate structure, 2017 data, that does not adequately cover the cost of care.

It is important to understand the interplay of the RMR structure to funding of the APPs. When there is ample supply of licensed child care reimbursed at roughly $13.43 per hour, then families can access a higher level of care reimbursed at a higher level. Unfortunately, California has lost and continues to lose a large percentage of the licensed capacity of child care providers, thus families are more heavily relying on Family, Friend & Neighbor (FFN) providers. The FFN providers are the lowest reimbursed level of care and are providers that can take care of one family in addition to their own. The FFN providers make on average in California $5.50 per hour. Therefore, agencies are having to support more families with access to a lower reimbursed level of care.

For agencies where there is not ample licensed capacity, if the average rate for a licensed child care worker is $13.43 per hour, then an agency would have to support 2.5 families reimbursed at $5.50 per hour with access to an FFN for every licensed provider accessed. There must be consideration of a different funding model that captures the cost community programs working fairly and equitably with all families and disconnects their work from the type of care secured by the family.

As of 2020, the community-based alternative payment programs too have been mandated to carry out actions from the collective bargaining agreements between the Administration and the Child Care Provider Union (CCPU). The cost to agencies just to support the monthly dues collection is over $8.7 million yearly. Based on the antiquated funding structure, the $8.7 million comes directly out of the funds allocated to support and enroll families. And to be very clear, the community-based programs strongly support the work of the CCPU unions. However, because of how the programs are funded, agencies must take monies from serving families to carry out the requirements from the collective bargaining actions. To date, agencies have incurred hundreds of thousands in unfunded mandates in data collection requests and setting up monthly calculated dues collections that have been taken out of the funding to enroll child care slots. There must be an adequate and stable funding stream to support the current mandates as well as those currently in discussion of provider dues collection, health care, retirement and more.

RECOMMENDATION: Increase a set percentage from 17.5 percent to 22 percent of an agency's total yearly contract amount to adequately support the enrollment, re-enrollment and caseworker needs of families. Additionally, allow that any COLA provided to child care be allowed by community agencies to help cover the increase in business costs such as workers' compensation, healthcare, utilities and more. Currently the COLA can only be used to purchase more child care slots.

2) Recognize a single voucher type for all income eligible families

ISSUE: In 2009-2010, in order to save money, Governor Schwarzenegger enacted a budget that drastically reduced subsidized child care slots and created a bifurcated child care voucher that unfairly pitted poor families against each other. This was done by creating one voucher for working families with a stable job that would have a static reimbursement paid to any child care provider who accepted. Any family child care provider or center that accepted this type of voucher would know how much they would be reimbursed for care.

However, the second type of subsidized child care voucher, which was created to save money, provided no set guarantee of reimbursement to providers and created separate rules for families that had unstable or fluctuating work hours. This voucher type would only guarantee reimbursement if the parent worked. While the goal of this action was to allow the state to save money, as a consequence, those families with child care vouchers that provided no guarantees of funding to family child care providers or centers that accepted them essentially lost the access to higher quality care. This action banked on these families only being able access licensed-exempt providers or the lowest cost of care. This cost saving measure by the state further exacerbated inequity in access to child care for disproportionally black and brown low-income families who predominately work in industries with variable work schedules such as retail, hospitality, and agriculture.

During the COVID-19 pandemic, Governor Newsom issued Executive Order N-45-20, enacted in SB 820 (2020), to stabilize child care providers and centers by requiring state agencies to reimburse all family child care providers and centers based on the maximum certified hours of need of an eligible family, rather than actual hours of care provided. The rationale for this action was that family child care providers and centers as business owners have ongoing operational costs and staff salaries to pay regardless of the attendance of a child. It also was recognized that if a child does not show up, the child care slot cannot be readily filled and the provider is left with a financial shortfall. This rationale holds true whether in or outside of a pandemic.

The above Executive Order coupled with federal relief and guidance from the U.S. Department of Health and Human Services were instrumental in reducing the exodus of providers, supporting more child care assistance vouchers for income eligible and essential worker families, and ensuring all families had equitable and fair access to all child care settings until June 30, 2021. To further support the family child care provider and center workforce with stability, and continuing to allow all families' equitable access to all child care settings, the language to continue fair and equitable access to all child care was incorporated into AB 131 but is set to expire June 30, 2023.

It is critical that action be taken in the budget to permanently recognize a single voucher type for all income eligible families. A single voucher will eliminate the discrimination that working families with variable hours face by higher quality settings where guaranteed reimbursement must be secured.

It is important to underscore, that if this policy is allowed to expire on June 30, 2023, then it will absolutely result in families dis-enrolled from their stable child care. Family child care providers and centers simply cannot absorb the financial risk of holding slots for children without knowing if a full payment will occur. Currently, eligible families who will be dis-enrolled from child care will then become the priority for enrollment making other income eligible families on waiting lists forced to wait longer.

RECOMMENDATION: Revert back to a single subsidized child care voucher wherein all income eligible families receive the same fair and equitable access to all child care providers with a guarantee that a set amount will be paid.

Although the Governor's May Revision provides a solid starting point for conversation, it simply fails to provide meaningful funding to allow the California child care workforce to keep their doors open serving our working families. We look forward to working with you to make substantive changes that more fully meet the needs of working families, our child care workforce, and the community partners.

Thank you for your attention to the above.

Denyne C Colburn

Denyne Micheletti Colburn, CEO
CAPPA

cc: Senate Budget & Fiscal Review Committee Members
Assembly Budget Committee Members
Legislative Women's Caucus Members
Nichole Murillo, Office of the Governor
Christopher Woods, Office of President pro Tempore Toni Atkins
Elisa Wynne, Senate Budget Committee
Elizabeth Schmidt, Senate Budget Committee
Mareva Brown, Office of President pro Tempore Toni Atkins
Honorable Anthony J. Portantino, Chair of the Senate Appropriations Committee
Rebecca Wachsberg, Office of Majority Leader Mike McGuire
Craig Wilson, Office of Minority Leader Brian Jones

Megan De Sousa, Senate Republican Office
Joe Parra, Senate Republican Office
Jason Sisney, Office of Assembly Speaker Anthony Rendon
Christian Griffith, Assembly Budget Committee
Erin Gabel, Assembly Budget Committee
Kelsy Castillo, Office of Assembly Speaker Anthony Rendon
Matthew Hamlett, Office of Majority Leader Reyes
Honorable Chris Holden, Chair of the Assembly Appropriations Committee
Sulema Landa, Legislative Women's Caucus
Curtis Grima, Office of Minority Leader James Gallagher
Steve McCarthy, Assembly Republican Office
Sarah Haynes, Assembly Republican Office
Joe Stephenshaw, Department of Finance
Erika Li, Department of Finance
Kim Johnson, California Department of Social Services
Lupe Jaime-Mileham, EdD, California Department of Social Services

---

[i] Child Care Provider Annual Salary (January 2021)
[ii] Senate Protect Our Progress: Detailed Budget Plan
[iii] Assembly Care COLA: Child Care Funding Budget Plan
[iv] Funding Mechanism for Enrollment