CHILDREN LEARNING, PARENTS EARNING, COMMUNITIES GROWING

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

April 19, 2024

The Honorable Caroline Menjivar, Chair; SEN Budget & Fiscal Review Sub 3
State Capitol
Sacramento, CA 95814

RE: Budget priorities to consider for 2024-25 regarding unspent dollars, child care, preschool and foster care

Dear Chair Menjivar,

On behalf of Thriving Families CA (TFC), previously known as CAPPA, a 45-year network of community-based nonprofits and county offices of education that support our very lowest income and most at-risk families with access to child care and other basic supports in each of California's 58 counties, we would like for you to consider the issues identified below when developing the 2024-25 state budget.

We will delineate the items with more information following:

1. Stop the reversion of over $700 million child care and foster care bridge ($450 million COVID-19 federal relief funds and $250 million other funds) in unspent federal funds and plan for the most impactful use of the newly allocated $76 million in federal dollars.
2. Treat public and private preschool providers fairly and equitably.
3. Require transparency in the alternative rate methodology process.
4. Invest in "*No Wrong Door.*"

1. ● Stop the reversion of over $700 million child care and foster care bridge ($450 million COVID-19 federal relief funds and $250 million other funds) in unspent federal funds.

● Plan for the use of $76 million in new federal funding.[i]

Currently, California is facing the loss of over $700 million in federal funding due to lack of planning and implementing a plan of use. Of the roughly $700 million, $600 million was received during the pandemic and is set to expire on September 30, 2024. If part of the 2024-25 budget process is the development of a clear use of the monies AND a release of the monies out-the-door by September 30, 2024, California can keep the dollars. Below are ideas for use:

a. **$487 million (3-months) to pay voucher-based family child care up front** – In California's subsidized child care system, family child care providers that accept a voucher from a family to provide care are reimbursed up to 21-days following the time that the actual care was provided. Said another way, family child care providers have "front loaded" the cost of providing child care without any expectation that the cost to provide the child care in the month of service would be covered. We would never expect someone renting an apartment to not pay before occupancy began, yet that is analogous to what we have imposed on family child care businesses.

   Assembly Member Bonta has introduced AB 2476 to correct this unfair policy. Federally, a new rule[ii] set to go into effect on April 30, 2024 too requires the states to implement this new policy.

b. **$254 million to continue monthly per-child cost of care plus rates for providers**[iii] - As part of the 2023-25 collective bargaining agreement with the Child Care Providers United – CA (CCPU) is the provision of a monthly per-child cost of care plus rate for providers that has resulted in roughly a 28 percent increase to the 2018 Regional Market Rates[iv] that they are bound to. The supplemental amount was desperately needed by a workforce whose state reimbursement rates fall woefully short of covering the true cost of providing child care. If the care plus rate is allowed to expire on June 30, 2025, it will have a devastating impact on child care providers who will be forced to revert back to reimbursement ceilings of roughly $6.50 to $13.00 per hour.

c. **$62.2 million to continue reimbursing child care providers based on enrollment and not attendance**[v] - Also a part of the agreement referenced above was a set reimbursement to a child care provider for a child care slot being reimbursed with a voucher from a subsidized family. This policy has incentivized more providers accepting vouchers for care due to the fact that when reimbursement is received it is a stable amount.

d. **$50 million to support alternative payment programs to ramp up and support the state in drawing down federal Title IV-E funds to partially cover the foster care Bridge program** - Currently, California's foster care Bridge program is not operating in a strategic manner to best support children and resource families. Based on this structure, California is ineligible to draw down $21 million in federal monies.[vi] As proposed in the 2023-24 and 2024-25 budget, California is unable to put forward the needed state funds to pull down between $10 - $20 million in FY 2024-25 as well as projected loss moving forward.

   Community-based Alternative Payment (AP) programs were moved from the California Department of Education (CDE) to the California Department of Social Services (CDSS) along with other programs that lift up the needs of fragile families and children on July 1, 2021.[vii] Governor Newsom's reasoning for the shift of these programs to CDSS was expressed to build up the state's capacity to better supporting the needs of whole family and whole child. However, there has been little progress made to realize these intended outcomes.

   In regards to the Bridge program, the AP and Resource and Referral (R&R) programs are best positioned to take on the Bridge program. The community AP programs already meet directly with families and get resource families connected to services to ease the challenges that come along with taking on a foster child(ren). Further, because the Bridge program is a limited term program or voucher, the AP program is the most appropriate entity to get the child enrolled onto the Bridge voucher and simultaneously enrolled onto the California Alternative Payment Program (CAPP) subsidized voucher program. By supporting this coordinated operation, resource families are best supported with a seamless and coordinated delivery of subsidized child care. From a state budgetary standpoint, this better coordinated strategic delivery of the Bridge program will greatly enhance and position California to once again draw down their federal IV-E funds.

2. Treat public and private preschool providers fairly and equitably.

The expansion of Transitional Kindergarten (TK) and preschool, coupled with the devastation from the pandemic, led to California losing over 8,500 licensed child care sites.[viii] The expansion of TK also created a raid on private child care businesses' staff wherein school districts were able to entice them away with offers of better pay and benefits. From a business perspective, the child care model is a failure. Child care businesses can be solvent when they are able to provide care to more children. This cannot be realized by caring for only infant and toddlers but becomes sustainable when also supporting three-and-four-year old children. Via the expansion of TK and preschool, the families of the older three- and four-years children were enticed away with offers of free care if delivered within the public-school structure.

As of Apr 11, 2024, the average hourly pay for a Private Preschool Teacher in California is $15.41 an hour[ix] or roughly $32,400 per year. Contrast that with the median salary of a school-based preschool teacher at roughly $20.64 per hour, plus they are eligible for benefits.

In reflection of this issue, immediate action and consideration should be taken that lifts up both the public and private sectors evenly and fairly. To date, the expansion of the public model has directly led to the closure of capacity in the private market.

In reflection of the pay noted above, recommendations for 2024-25 budget actions are:

a. Extend the governor's proposed 8.13 percent COLA to all that operate a preschool program regardless of whether they are reimbursed based on the Regional Market Rate (RMR) or Standard Reimbursement Rate (SRR).

3. ***Require transparency in the alternative rate methodology process.***

From the vantage point of the TFC membership, the development and conversation surrounding the development of the alternative rate methodology has been less than transparent.

Although the timeline and process have been referenced, there is no absolute that an alternative methodology will actually be realized and implemented. For perspective, although federal law requires the states to develop a market rate to "…certify that the payment rates for the provision of child care services under this part are sufficient to ensure equal access, for eligible families in the area served by the Lead Agency, to child care services comparable to those provided to families not eligible to receive CCDF assistance or child care assistance under any other Federal, State, or tribal programs"[x] there is nothing in statute that requires the state to actually implement. In California, we held down the reimbursement rates for over a decade to 2006 levels. The state had more current Regional Market Rate (RMR) surveys, but there is no mandate that a current survey be used.

Therefore, we respectfully ask that the following be considered:

a. See 1a and b from above. Develop a plan to keep $316.2 million from the federal monies poised to be returned as a safety plan to continue reimbursing child care providers at the 2018 RMR plus the additional cost rate plus as well as reimbursement based on enrollment and not attendance.

b. Consideration of the timeline needed by counties, county offices of education, and community contractors of at least nine-months for development of software, implementation and training.

c. A more transparent process wherein the public have access to actual information of the methodology and background on how this was determined to be the best option. As referenced and posted by CDSS in their CCDF State plan Preprint FY 2025-27[xi] there is a lot of information on intent. However, agencies that have been implementing rates for over 40 years, they are a resource to provide input to strengthen the methodology being considered. An example here is from roughly 2004 wherein a new contractor and methodology was implemented by CDE. Once completed, it was rolled out. However, it was rolled out based on zip codes. This created scenarios where providers separated by a street were reimbursed up to 70 cents per hour differently. Further, the highest reimbursement was in Russian River where no child care capacity existed. Had experienced contractors been availed to review the information before released, a lot of time and grief would've been saved.

4. Invest in "No Wrong Door"

It has long been discussed that to best support the needs of low-income and at-risk families and children dealing with a multitude of poverty related stressors, the programs that lift up and support them should be coordinated.

On July 1, 2021, many early care and education programs were transferred from CDE to CDSS[xii] to begin laying the foundation needed to support *No Wrong Door*. The rationale for transferring many of the programs including the AP programs was to move towards strengthening a "whole-family, human-centered approach to caring for children and supporting families who have been disproportionally and inequitably impacted by social determinants of health, by using a multi-generational approach with the goal of disrupting poverty and supporting optimal child development, through coordination with programs across the California Health and Human Services Agency, as well as continued connection to education systems."

However, the evolution of this being fulfilled has fallen short. Not only has it not been realized, because CDSS has not taken the time to truly understand the capacity of the programs that they received, gaps have been created for families. Valuable resources are being expended to create new data systems and structures when some of what is needed is already in place. Examples:

a. California Statewide Automates Welfare System (CalSAWS)[xiii] – This program was created without input from the community-based AP programs that administer CalWORKs Stages 2 & 3 in every county and have a contract in 38 counties to administer the CalWORKs Stage 1 for a County Welfare Department (CWD). Prior to CalSAWS, when a family transferred from CalWORKs Stage 1 to 2, the Stage 2 contractor could have access to see a screen and verify that a family had satisfied all nine data elements needed for a transfer. However, with CalSAWS, the ability to see a screen no longer exists. This has created issues for families and agencies that must secure a hard copy of the data elements before a transfer can successfully be completed.

b. Family First Prevention Services (FFPS)[xiv] - $222 million was allocated to counties to better coordinate family strengthening pathways. The focus of this effort was to support "…a coordinated continuum of services amongst child and family serving systems." However, APs who support families accessing child care, housing, food, transportation, home visiting, mental health and more were left out as a partner. Within the last six months, this has been corrected. However, not before the super majority of the 58 county reports are nearly completed. Of concern here, the division within CDSS tasked with the oversight did not even know that the AP infrastructure existed.

During these times where California is facing a massive shortfall, it is concerning that hundreds of millions of federal dollars are positioned to be returned. Resource families will not be supported with adequate connections to child care via the Bridge Program as those dollars too are being returned. California's private child care businesses continue to be poorly resourced all the while school-based systems serving the same aged children continue to receive adequate funding. And finally, the realization of evolving to a whole-family support structure continues to be pushed aside in lieu of creating redundant structures.

Thank you for your attention to the above.

Denyne C Colburn

Denyne Micheletti Colburn, CEO

CC: The Honorable Gavin Newsom, Governor
Members, SEN Budget & Fiscal Review Sub. 3
Sulema Landa, Legislative Women's Caucus
Margaret Hanlon-Gradie, Legislative Women's Caucus
Joe Stephenshaw, Department of Finance
Richard Figueroa, Office of the Governor
Nichole Murillo, Office of the Governor
Elisa Wynne, Senate Budget & Fiscal Review Committee
Elizabeth Schmitt, SEN Budget & Fiscal Review Committee
Kirk Feely, Senate Republican Caucus
Megan DeSousa, Senate Republican Caucus
Sarah Haynes, Assembly Republican Caucus
Mareva Brown, Office of Senate President pro Tempore
Kim Johnson, California Department of Social Services
Jennifer Troia, California Department of Social Services
Lupe Jaime-Mileham, EdD, California Department of Social Services

---

[i] CCDBG FY2024 State-by-State Appropriations Distribution Estimates and Increases | CLASP
[ii] Federal Register :: Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF)
[iii] 2023.2025 Legislative Costing Summary.pdf (ca.gov)
[iv] Reimbursement Ceilings for Subsidized Child Care - Child Development (California Dept of Social Services)
[v] 2023.2025 Legislative Costing Summary.pdf (ca.gov)
[vi] The 2024-25 Budget: Child Care
[vii] Child Care and Development Transition
[viii] California child care centers closing is bad for everyone - CalMatters
[ix] Private Preschool Teacher Salary in California (Hourly) (ziprecruiter.com)
[x] eCFR :: 45 CFR Part 98 -- Child Care and Development Fund
[xi] 2025-2027_CCDF_State_Plan.blank.docx (live.com)
[xii] July 2022 Quarterly Child Care Transition Report
[xiii] Statewide Automated Welfare System (ca.gov)
[xiv] Family First Prevention Services (FFPS) Program (ca.gov)