

Excerpts from 2018-19 State Budget

Child care:

- Clarification for distribution of additional CAPP funds - The federal fund slots (11,307) begin July 1, 2018. The General Fund slots (2,100) begin September 1, 2018, to reflect available funding in 2018-19. (Alternative Payment Program Expansion-Increases of \$15.8 million non-Proposition 98 General Fund and \$204.6 million federal Child Care and Development Fund for a total of 13,407 new voucher slots, of which 11,307 are available until June 30, 2020.)
- \$48.373 million General Fund and \$59.216 million Proposition 98 General Fund for the final augmentations associated with the multi-year funding agreement adopted as part of the 2016 Budget Act.
- \$39.668 million General Fund for increases to the Standard Reimbursement Rate adjustment factors for infants, toddlers, children with exceptional needs, and severely disabled children.
- \$15.833 million General Fund and \$204.590 million Federal Fund for a total of 13,407 new voucher slots.
- \$167.242 million Proposition 98 General Fund for the Inclusive Early Education Expansion Program.
- The Budget includes both a 2.71% COLA for all (aside from CalWORKs) and another SRR increase of 2.795%, for a total increase to the SRR of approximately 5.6%.

Child Care and State Preschool

The state funds nine child care and early education programs as well as dozens of other programs that support child care quality and access, including family resource and referral agencies and local child care planning councils. These programs are administered by the Department of Education and the Department of Social Services. Families can access child care and early education subsidies through providers that contract directly with the Department of Education, local educational agencies, or through vouchers from county welfare departments or alternative payment program agencies.

During the economic downturn, state child care and early education programs experienced significant cuts, with reductions of almost \$1 billion in funding. However, since 2013, the state has increased funding by \$700 million non-Proposition 98 General Fund and \$600 million Proposition 98 General Fund. These investments have improved services by:

- Increasing Provider Reimbursement Rates-The state updated child care provider reimbursement rates to pay child care providers that accept vouchers rates that reflect the current cost of care. Prior to these rate increases (which began in 2014), providers received reimbursement rates that were based on the cost of care in 2005. The state also increased the rates of providers that contract directly with the Department of Education by more than 26 percent.
- Expanding Access for Families-From 2013 to 2018, the state added more than 58,000 subsidized child care and early education slots. The state also increased income eligibility ceilings for families receiving child care subsidies, both for initial and continuing eligibility determinations.

For families with inconsistent incomes or work schedules, the state reduced the frequency of eligibility redeterminations from several times a year to annually. Finally, the state increased State Preschool income eligibility ceilings for children with disabilities to improve inclusivity in that program.

- Reducing Costs for Families-In 2014, the state eliminated fees for families participating in part-day State Preschool. In addition, by increasing income eligibility ceilings for families (described above), the state also increased the number of families exempt from paying fees in all state child care programs.
- Improving the Quality of Care-To increase the quality of subsidized child care, in 2014-15 and 2015-16 the state provided: (1) \$50 million ongoing Proposition 98 General Fund for local block grants for State Preschool quality improvement; (2) \$24.2 million one-time non-Proposition 98 General Fund for local block grants for quality improvement in infant and toddler care; (3) \$10 million one-time Proposition 98 General Fund to provide loans for State Preschool facility expansion; and (4) \$25 million one-time Proposition 98 General Fund for State Preschool and transitional kindergarten teacher training. From 2011-12 to 2015-16, the state also invested \$75 million one-time federal Race to the Top-Early Learning Challenge funds into the creation of a state/local quality rating and improvement system for child care providers. Further, to verify that transitional kindergarten teachers are appropriately trained to provide instruction for four-year-olds, in 2014-15 the state increased the educational requirements for transitional kindergarten teachers to include 24 units of early childhood education. Finally, in 2018-19 the state increased the frequency of inspections for licensed child care providers from once every three years to annual.
- Streamlining Program Requirements-To improve the experience of participating providers and families, the state: (1) authorized the use of electronic applications for child care subsidies, making it less burdensome for eligible families to access care and more efficient for providers to process applications; (2) eliminated duplicative licensing requirements for State Preschool providers utilizing facilities that meet transitional kindergarten facility standards; and (3) simplified eligibility determinations for providers accepting both state and federal subsidies and serving homeless children by aligning the eligibility requirements for these subsidies.

Included in these investments are augmentations in the Budget that increase provider reimbursement rates and expand access for families. Specifically, the Budget makes the final augmentations associated with the multi-year funding agreement adopted as part of the 2016 Budget by increasing the reimbursement rate for providers that contract directly with the Department of Education by approximately 2.8 percent, and making permanent a temporary hold harmless provision to the 2016 Regional Market Reimbursement Rate Survey for providers accepting vouchers. Additionally, the Budget increases the reimbursement rate adjustment factors for child care providers serving infants, toddlers, children with exceptional needs, and severely disabled children. The Budget also provides the final of three scheduled 2,959 full-day slot increases to the State Preschool program, totaling 8,877 slots over three years, and increases the number of available child care vouchers by 13,407. Overall, the Budget includes approximately \$1 billion in new child care investments for 2018-19 and 2019-20.

Finally, the Budget creates the Inclusive Early Education Expansion Program, providing \$167.2 million one-time Proposition 98 General Fund through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income

areas and in areas with relatively low access to care. Grant recipients will commit that all children benefiting from grant funds, especially those with disabilities, have access to appropriate settings that support their educational and developmental growth.

Significant Adjustments:

- Alternative Payment Program Expansion-Increases of \$15.8 million non-Proposition 98 General Fund and \$204.6 million federal Child Care and Development Fund for a total of 13,407 new voucher slots, of which 11,307 are available until June 30, 2020.
- Provider Reimbursement Rate Increases-Increases of \$31.6 million Proposition 98 General Fund and \$16.1 million non-Proposition 98 General Fund to increase the Standard Reimbursement Rate by approximately 2.8 percent, in addition to cost-of-living adjustments. The Budget also provides \$34.2 million non-Proposition 98 General Fund beginning in 2019-20 to make permanent the existing limited-term Regional Market Reimbursement Rate hold harmless provision. Finally, the Budget includes \$39.7 million non-Proposition 98 General Fund to increase the reimbursement rate adjustment factors for child care providers serving infants, toddlers, and children with exceptional needs, beginning January 1, 2019.
- Child Care Quality Investments-An increase of \$26.4 million federal Child Care and Development Fund in both 2018-19 and 2019-20 to increase inspections of licensed child care providers from once every three years to annual. Additionally, \$20 million in available one-time federal Child Care and Development Fund carryover is allocated to the County Pilot for Inclusive Early Care, the Child Care Initiative Project, and licensed child care teacher professional development.
- Full-Year Implementation of 2017 Budget Investments-Increases of \$32.3 million non-Proposition 98 General Fund and \$28.4 million Proposition 98 General Fund to reflect full-year costs of new policies implemented part-way through the 2017-18 fiscal year. These costs are associated with an update of the Regional Market Reimbursement Rate to the 75th percentile of the 2016 regional market rate survey (beginning January 1, 2018), and an increase of 2,959 slots for full-day State Preschool (beginning April 1, 2018).
- CalWORKs Stage 2 and Stage 3 Child Care-A net increase of \$109.2 million non-Proposition 98 General Fund in 2018-19 to reflect increases in the number of CalWORKs child care cases. Total costs for Stages 2 and 3 are \$559.9 million and \$398.6 million, respectively.
- Federal Child Care and Development and TANF Funds-A decrease of federal TANF from \$120.1 million in 2017-18 to \$70.6 million in 2018-19. Total TANF and federal Child Care and Development Fund is \$938 million.

Community Care Licensing

Beginning with the 2014 Budget, additional resources have been provided for the Community Care Licensing program to improve program quality, strengthen enforcement, and increase the frequency of licensed community facility inspections. The additional funding, which totals approximately \$27 million (\$21 million General Fund) and 240 positions in the Budget, provides the necessary resources for DSS to perform inspections of child care facilities every three years; children's residential care facilities every two years; and adult and senior care facilities every year. The Budget also includes \$26.2 million from the federal Child Care and Development block grant in both 2018-19 and 2019-20 to ultimately achieve annual inspections for child care facilities.

Home Visiting Initiative

The Budget includes \$26.7 million for a voluntary CalWORKs Home Visiting pilot program, which will provide pregnant women and families with a child under the age of two with home visitation services for up to 24 months, with priority given to first-time pregnant women and parents. The goal of the home visiting pilot is to help young families reach self-sufficiency by improving family engagement practices, supporting healthy development of young children living in poverty, and preparing parents for employment. The pilot will leverage existing, evidence-based program models currently being implemented across the state. A total of \$131.6 million in one-time federal Temporary Assistance for Needy Families block grant funds is being reserved for the pilot's total costs through calendar year 2021.

Other Poverty-Focused Efforts

California has an extensive safety net for the state's neediest residents who live in poverty. Since 2012, the General Fund has newly committed more than \$20 billion annually in poverty-focused programs (see Figure INT-07). In addition to full implementation of the K-12 Local Control Funding Formula-which heavily emphasizes services to the state's neediest students-the Budget increases funding for programs designed to counteract poverty, focusing new efforts in CalWORKs and child care. In total, the Budget funds:

- The rising state minimum wage, which increased to \$11 per hour in 2018 and is scheduled to eventually rise to \$15 per hour.
- The expansion of health care coverage under the federal Affordable Care Act, which provides millions of Californians with coverage, and expansion of full medical coverage to about 200,000 undocumented children.
- The restoration of various health benefits to low-income Californians that were eliminated during the recession, including adult dental services.
- The continuance of the state's Earned Income Tax Credit, which was created in 2015, and enhanced and expanded in 2017 and 2018.
- The increase in CalWORKs grants and the repeal of the maximum family grant rule, which denied aid to children who were born while their parents were receiving aid.
- The elimination of the SSI/SSP "cash out" policy expanding federal funding for food assistance to approximately 370,000 households, while holding harmless households potentially affected by the change.
- The increases in child care and early education provider rates and the number of children served, totaling \$1.3 billion.