



CAPPA Analysis California State Budget for FY 2020-2021

With little fanfare, on June 29, 2020 Governor Newsom signed the 2020 Budget Act – a \$202.1 billion dollar spending plan. The budget bill vehicles of particular interest to our field are [Senate Bill 74 \(SB 74\)](#)¹, known as the **Budget Bill**, [Senate Bill 98 \(SB 98\)](#),² known as the **Education Omnibus Budget Trailer Bill**, and [Assembly Bill 79 \(AB 79\)](#)³ known as the **Human Services Omnibus Bill**.

In January 2020, Governor Newsom released a \$153 billion spending plan. At that time the projected budget included total reserves of \$20.5 billion, with an allocation of a surplus of \$6 billion split between one-time spending and ongoing spending. Meaningful investments in working families, children and breaking the cycle of poverty were clearly on the legislature and governor’s agendas. However, just two and half months later, California along with the rest of the nation was in the midst of an economic crisis caused by the COVID-19 pandemic.

By the time that the 2020-21 May Revision was released, the Governor was now proposing across-the-board reductions to close a \$54.3 billion-dollar shortfall. In January 2020, California’s unemployment was 3.9 percent⁴. However, by the end of May the unemployment rate surged to an average of 16.3 percent with Los Angeles County reporting 20.9 percent.⁵

Overview of Child Care and Early Learning Funding

Before going into the outcomes in the 2020-21 Budget Act, here is background about some cuts proposed in the May Revision. This reference is important to fully understand the outcomes to child care, preschool and related programs. The California Work Opportunity and Responsibility to Kids (CalWORKs) and other relevant issue outcomes will be presented further down.

In May, Governor Newsom had proposed cutting all Standard Reimbursement Rates (SRRs) and Regional Market Rates (RMRs) to high quality Title 5 centers, Family Child Care Home Education Networks (FCCHENs) and to small business family child care providers by 10 percent. To give a real-world example of the rates proposed for the cut, let’s look at Los Angeles County provider reimbursement rates. Current Family, Friend or Neighbor (FFN) or licensed-exempt rates broken down hourly for school age is \$2.63 and for an infant \$3.55. For licensed family child care providers, 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 rate is \$11.06, while for an infant it is \$16.28.

¹ http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200SB74

² http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB98

³ http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB79

⁴ <https://edd.ca.gov/newsroom/unemployment-april-2020.htm#:~:text=California%E2%80%99s%20unemployment%20rate%20holds%20at%20record%20low%203.9%25,is%20at%20an%20all-time%20record%20of%20119%20months.>

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[https://www.labormarketinfo.edd.ca.gov/file/lfmonth/la\\$pds.pdf#:~:text=The%20California%20seasonally%20adjusted%20unemployment%20rate%20was%2016.3,April%202020%2C%20and%203.6%20percent%20a%20year%20ago.](https://www.labormarketinfo.edd.ca.gov/file/lfmonth/la$pds.pdf#:~:text=The%20California%20seasonally%20adjusted%20unemployment%20rate%20was%2016.3,April%202020%2C%20and%203.6%20percent%20a%20year%20ago.)

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 would have dropped to \$2.37 an hour and for an infant \$3.01. For licensed child care for school age of \$9.85 an hour would have dropped to \$8.86 and for an infant \$11.34 per hour dropped to \$10.21. Finally, for licensed center care for school age of \$11.06 per hour would have dropped to \$9.96 and for an infant \$16.28 would have dropped to \$14.66.

The above is presented to show that prior to the proposed 10 percent cut, existing reimbursement rates had already resulted in an exodus of subsidized center-based and family child care providers. Prior to the COVID-19 crisis, over 2.2⁶ million income eligible children had no access to child care. During this crisis, that number has surged compounded by the school-aged children whose schools and after-school programs have not yet determined if or when they will reopen.

Also proposed in the May Revision (MR) was a move of all child care aside from California State Preschool Programs (CSPP) to the California Department of Social Services (CDSS). Finally, MR proposed sweeping \$363 million one-time General Fund (GF) and \$45 million one-time federal Child Care & Development Block Grant (CCDBG) monies for child care workforce and Infrastructure.

Enacted 2020-21 Budget Act Child Care Outcomes

First and foremost, the 10 percent proposed cut to center and child care provider rates was rejected. The rejection of this cut continues to have California's subsidized providers reimbursed at 2016 RMR ceilings.

Other outcomes:

1. Funds \$125 million to be distributed via the following
 - ✚ \$62.5 to reimburse providers based on certified need or maximum authorized hours of care
 - ✚ \$62.5 to Alternative Payment Programs (APPs) to reimburse providers with a one-time stipend
2. Funds \$73 million to extend 90 days of childcare for essential workers (can go longer if agency has funding)
3. Funds \$47 million to fund an additional 5,600 child care voucher slots
4. Provides a *Hold Harmless* to all state-subsidized childcare providers for attendance if open in 2020-21
5. Provides Hold Harmless to direct-contract childcare providers for child attendance if open in 2020-21, and if closed due to public health closure order, and directs the department to fund contracts at 100% attendance or 100% reimbursable costs. Closed providers are required to provide distance learning services.
6. Shifting of child care programs to CDSS on July 1, 2021. Aside from the California State Preschool Programs (CSPP)⁷ included in SB 98, Part 1.7 the following programs will be moved:
 - ✚ Alternative payment programs
 - ✚ Migrant alternative payment programs
 - ✚ CalWORKs Stage 2 childcare
 - ✚ CalWORKs Stage 3 childcare
 - ✚ General childcare and development
 - ✚ Migrant childcare and development programs
 - ✚ Childcare and development services for children with severe disabilities
 - ✚ The Child and Adult Care Food
 - ✚ Childcare and development facilities capital outlay
 - ✚ Responsibility as the lead agency for administration of the Child Care and Development Fund
 - ✚ Responsibility as the lead agency for the Child Care and Development Fund State Plan Early Learning and Care Infrastructure Grant Program
 - ✚ The Early Learning and Care Workforce Development Grants Program

⁶ <https://calbudgetcenter.org/resources/the-high-cost-of-child-care-underscores-the-need-for-supporting-families-with-children-of-all-ages/>

⁷ http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC§ionNum=8239.

- ✚ The California Head Start State Collaboration Office funded by collaboration grants
- ✚ The Early Head Start-Child Care Partnerships Grant from the United States Department of Health and Human Services
- ✚ Resource and referral
- ✚ Local childcare and development planning
- ✚ The California Child Care Initiative
- ✚ Other childcare quality improvement projects.
- ✚ Any memoranda of understanding and partnerships related to the programs, services, and systems listed in this subdivision
- ✚ The Child Development Management Information System and other related data systems as they pertain to the programs, services, and systems listed in this subdivision.

7. Provides \$9.3 million in one-time federal funds to develop and implement an early learning and care data system
8. Adopts a “Child Care Trigger” for anticipated \$300 million in new federal CCDBG aid, to fund additional child care access, re-opening grants for centers and family child care homes, and provider stipends based on market costs to include:
 - ✚ \$100 million for vouchers to extend child care services for prioritized families
 - ✚ \$50 million for California State Preschool to increase capacity
 - ✚ \$25 million to assist licensed childcare providers with costs associated with reopening due to COVID-19
 - ✚ Stipends for licensed family childcare homes
 - ✚ Alternative payment programs the ability to provider up to \$5,000 per licensed family childcare home and up to \$15,000 per licensed center-based childcare programs to support reopening

Enacted 2020-2021 Budget Act Human Services & Other Outcomes

The Budget includes \$179.6 billion (\$44.8 billion General Fund and \$134.8 billion other funds) for all health and human services programs.

The Budget utilizes \$450 million of the Safety Net Reserve in 2020-21 to prevent reductions that otherwise would occur in California Work Opportunity and Responsibility to Kids (CalWORKs) and Medi-Cal services and benefits⁸.

The Budget includes \$37.1 billion (\$11.6 billion General Fund) in 2020-21 for the CDSS. Significant adjustments:

- ✚ CalWORKs Time Clocks— The final budget agreement includes trailer bill language (TBL) to eliminate the 24-month Welfare-to-Work clock and increase the 48-month time-on-aid clock back to a single 60-month CalWORKs time limit, with access to barrier removal services in the Welfare-to-Work program for the client’s entire 60 months on aid. This change is proposed to take effect May 1, 2022 or when the Statewide Automated Welfare System (SAWS) can perform the necessary automation⁹.
- ✚ CalWORKs Single Allocation—\$2.4 billion General Fund/TANF for counties’ CalWORKs Single Allocation which funds employment services, county administration, Stage One child care, and Cal-Learn.
- ✚ CalWORKs Expanded Subsidized Employment—The Budget maintains \$134.1 million General Fund/TANF for CalWORKs Expanded Subsidized Employment.

⁸ <http://www.ebudget.ca.gov/FullBudgetSummary.pdf>

⁹ https://www.cwda.org/sites/main/files/file-attachments/budget_update_4_legislature_and_governor_reach_final_budget_agreement.pdf?1592951289

- ✚ CalWORKs Outcomes and Accountability Review (Cal-OAR)—Statutory changes making components of Cal-OAR optional for counties in 2020-21, resulting in a one-time reduction of \$21 million General Fund/TANF.
- ✚ CalWORKs Home Visiting Program—The Budget agreement includes the elimination of \$30 million in additional funding for the Home Visiting Program in 2020-21, as proposed in the May Revision. The result is that funding for the program will remain the same in 2020-21 as it is in the current year. The \$30 million is additional funding that was originally included in the January Budget but was reversed in the May Revision as a result of the pandemic.
- ✚ Emergency Assistance for Pending Resource Families—\$13.4 million one-time General Fund in 2020-21 to provide caregivers with up to four months of emergency assistance payments pending resource family approval and up to twelve months for cases that meet good cause criteria. Beginning in 2021-22 and annually thereafter, the state will fund up to three months of emergency assistance payments for caregivers pending approval, as local child welfare agencies and probation departments are anticipated to complete the resource family approval process on a timelier basis.
- ✚ Transition of Child Care Programs—\$2.3 million General Fund in 2020-21 to transition existing early learning and child care programs from the Department of Education to the Department of Social Services, effective July 1, 2021. This transition will promote a high-quality, affordable, and unified early childhood system; and maximize the integration of early learning and care programs with other social safety net programs that support children and families.
- ✚ CalWORKs Stage 1 childcare will continue to remain in the County Single Allocation for 2020-21.
- ✚ The Budget agreement extends the California Earned Income Tax Credit and Young Child tax credit to Individual Taxpayer Identification Number (ITIN) filers with at least one child six years of age or younger.

Thoughts for Moving Forward

Getting out of this economic spiral will not be a one-year or two-year fix. Due to the COVID-19 crisis, businesses have been forced to shut down, reopen and face nearly daily uncertainty.

For the working families and children in this state, the uncertainty is palpable. Schools are uncertain if they will be reopening in the Fall. Parents are desperate for child care for their children so that when jobs open back up they are able to work. The above is amplified by vast socio-economic and racial inequities throughout the state and within individual counties. Low-income working families in grocery stores, construction, retail, etc. cannot afford not to work. These families that work in jobs open 24 hours/seven days per week don't have the resources to pay for private child care and certainly are not equipped to support remote learning.

For our child care and early learning delivery system, a recent study noted that over “60% of all centers in the state would not survive past the end of June without intervention of some sort. Overall, the study found that child and day care centers will be in a free fall by the summer without federal or state child care aid relief.”¹⁰

Bottom line, in this budget year, although family child care and center-based provider rates were not cut, funding is simply inadequate to shore up those centers and providers that have kept their doors open or would like to reopen. Meaningful investments in child care is absolutely needed for when the economy is able to fully open up again.

Without child care, the economy will not be able to reopen. California's economic spiral will continue long after COVID-19 is remedied if parents cannot go back to work.

¹⁰ <https://californiaglobe.com/section-2/over-60-of-child-care-centers-facing-closure-in-california-due-to-lockdown/>