AB 60 (Santiago & Gonzalez)
The Child Care Protections for Working Families Act

Bill Summary

AB 60 establishes 12-month child care assistance and a graduated phase out that allows for tapered assistance to families whose income has increased at the time of re-determination, but still does not exceed the federal income limit of 85% of State Median Income (SMI).

Existing Law

Title V of the California Code of Regulations requires families to report, within 5 days, any changes in family income, family size, or activities requiring child care. A parent who is a student must report any request for a change in class schedule within 5 days, and progress reports within 10 days. Families authorized for a "variable schedule" due to unpredictable days and hours of employment must also, every 4 months, submit pay stubs, written statements from their employers, or other records of their time for the prior 4 months. Child care may be terminated for failure to report, or for purported lack of eligibility based on new information.

Current law states that families may not receive child care assistance for more than 12-months without redetermination of eligibility, but offers no protection from repeated reporting or termination prior to 12 months.[1]

Existing law allows families in state child care programs to earn no more than 70% of a derived SMI based on income data from a decade ago.[2]

Background

The federal Child Care Development Block Grant Act of 2014 requires states immediately to implement a number of policies to promote stable child care assistance. California is not in compliance with the stable child care provisions of the federal law.

In California, burdensome reporting rules cause eligible families to churn between child care programs and long waiting lists for the programs. Churning disrupts children's school readiness and development; makes it impossible for child care providers to balance ledgers or plan for quality investments; and burdens employers and education providers to sign off on endless paperwork.

While a low-income working family that never underwent even small changes in income or activities might experience 12-months of uninterrupted child care assistance, extensive reporting requirements mean that, effectively, few families have this guarantee.

California does not have a statewide policy of graduated phase out. County pilots in cities such as San Francisco and San Mateo allow families to remain eligible up to 80% of SMI. Phase-out allows for moderate wage growth, such as through minimum wage increases, without the sudden withdrawal of support that can undermine a family's pathway to financial stability.

There is broad consensus among child care administrators, advocates, and parents that the

[1] Cal. Educ. Code § 8263 (a)(state has general authority to adopt rules and regulations on eligibility, enrollment); Cal. Code Regs. tit. 5, § 18103(a)(3)("[F]amilies shall be recertified at least once each contract period and at intervals not to exceed twelve (12) months.").

[2] Cal. Educ. Code §§ 8263.1(a)-(c)(setting income limits based on SMI in use for the 2007-08 fiscal year, which was based on data collected in 2005).

state's current reporting rules are harmful, and that establishing more stability within the child care system will create better outcomes for children.

Need for AB 60

AB 60 will bring the state into compliance with the federally required 12-months of child care assistance by relaxing the unrealistic reporting timelines that harm families the most.

Specifically, this bill protects families eligible for child care by:

- Updating the SMI income threshold for entering families to 70% of the current SMI;
- Updating income threshold at which families exit to 85% of the current SMI;
- Guaranteeing eligibility for child care for 12 months upon receiving a child care subsidy; and
- Eliminating required interim reporting during the 12 month-eligibility period unless:
    - family income exceeds 85% SMI; or
    - initial certification is under seeking employment, in which case the family must report at 6 months.

Support

For More Information

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AB 60 – Child Care Protections for Working Parents (Santiago & Gonzalez)

All children deserve to stay in the child care they love for as long as their family needs it

Problem

Excessive reporting requirements cause eligible parents to lose their child care

- The vast majority of eligible parents lose their child care due to unreasonable, burdensome reporting requirements. These same parents are placed back on long child care waiting lists ("churned"), where they languish with over 200,000 families also waiting for an opening.

Low-wage earners can't qualify for child care

- For the tenth straight year, the state has continued to use outdated income eligibility guidelines. A family of three where both parents earn the new minimum wage of $10.50/hour – $3,640 monthly pre-tax income – no longer qualify for subsidized child care. "This could cause their child care expenses to jump by hundreds of dollars per month, even though their monthly pre-tax income would have risen by less than $200."[1]

Employers can't maintain a dependable workforce

- Employees can't come to work or have to quit their jobs without reliable, affordable child care. Employers and educational institutions are burdened by signing off on endless child care paperwork.

Child care contractors are forced into *monitoring* roles instead of support roles

- Contractors administering child care subsidies and child care centers are consumed with piles of paperwork due to onerous reporting requirements. They are forced to shuffle families in and out their doors, place eligible families off and on waiting lists, and are limited in providing quality support and resources.

Children's development is disrupted

- Churning in and out of child care disrupts children's school readiness. Maintaining consistent and continuous relationships with adults is vital to children's healthy growth and development.

Reduces quality and amount of available child care

- Child care providers can't plan their finances when families with child care assistance can be cut at any time. This makes it difficult for them to stay in business and plan for quality investments.

[1] California Budget and Policy Center, A Rising Minimum Wage Reinforces the Case for Boosting Investment in CA's Child Care and Development System, (April 2016).

Solution

12-Month Continuous Eligibility

- Parents have the care they need, so they can stay working
- Employers have a dependable workforce and can stay in business
- Children can learn and develop in a stable, healthy environment
- Child care providers can improve their programs and keep serving families

Update the State Median Income (SMI) Eligibility Standards

- Updating the SMI to match most recent census bureau data is crucial, especially in light of new minimum wage increases. The current 70% of SMI is based on income data from 2005 and has been frozen through the Budget process since the 2007-08 fiscal year. Using *real* current census data to determine 70% of SMI will allow working families just over the 2005 eligibility threshold to receive child care, and not be forced to turn down promotions or jobs to keep the child care they depend on.
- If the SMI was updated to use most recent Census Bureau data, a family of 4 could earn up to an additional $934/month or $11,208/year and still remain eligible.

2005 SMI for 2007-08 for a family of 4
SMI=$67,000
85%=$56,950/12=$4,745.83/month
70% =$46,900/12=$3,908/month

2015 SMI for 2017-18 for a family of 4
SMI= $83,012
85% = $70,560/12=$5,880/month
70% =$58,108.4=$4,842/month

Graduated Phase-Out

- A graduated phase-out of assistance to 85% of SMI keeps parents from "falling off the cliff" of assistance, and gives them additional time and income to pursue economic and family stability, while increasing the parent contribution to the cost of care.

Action

- **Vote Aye on AB 60 when you have the opportunity in committee or on the floor.**
- **Support a budget that includes funding to update income eligibility guidelines and implements a minimum of 12-month continuous eligibility.**
- **Support legislation that extends eligibility to *all* families in CDE-funded child care programs.**

http://www.latimes.com/business/la-fi-minimum-wage-childcare-20170106-story.html

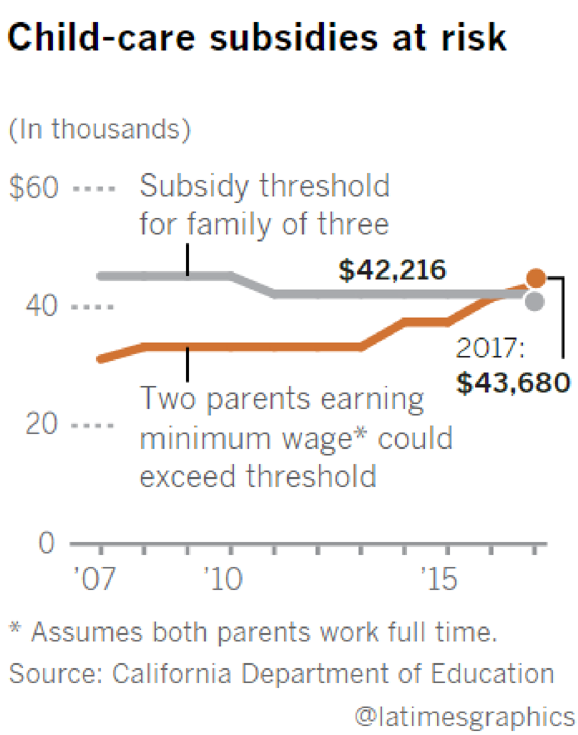
For some workers, pay raise comes with loss of cheap child care

May Martinez is losing access to subsidies provided by the state to cover child care, because her husband got a raise. Mel Melcon / Los Angeles Times

By Natalie Kitroeff

January 6, 2017, 7:00 AM

When the minimum wage in California rose to $10.50 an hour Jan. 1, more than a million people got a raise. But for an untold number of families across the state, that pay bump could price them out of child care.



This year, for the first time, two parents working full time at minimum-wage jobs, with one child, will be considered too well off to qualify for state subsidies for day care and preschool. It's been 10 years since the state set the threshold for who is poor enough to get the benefit, which is pegged to 2005 income levels.

"It's an unintended consequence that was never part of the plan," says Rich Winefield, the former executive director of Bananas, a day-care and preschool referral agency in Oakland. "It's unbelievable that we have policy that creates this."

That's just one of the likely ripple effects a rising wage will have for California businesses, their employees and their customers. Most of the minimum-wage debate nationwide has focused on rising worker incomes and possible job loss as employers adjust to higher costs. But votes to gradually increase the minimum wage to $12 or $15 in several states could also affect parents' access to child-care benefits.

In one sense, increasing the minimum wage is unambiguously good: It gives the poorest workers in the country a raise after decades of stagnant pay. And a rising wage floor will also lead employers to bump up wages for experienced employees who earn slightly more than the minimum to preserve the hierarchy.

The economy is a complex machine, though, and what seems like a straightforward tool to make people richer can force them to make wrenching choices.

California gives the poorest parents in the state a discount on their day-care and preschool expenses, which came to hundreds of dollars a month for parents of 403,561 kids last school year.

But the state has not raised the income limit to qualify for child-care subsidies since 2007, when it determined that to get the discount, a family of three had to make $42,216 or less, which was 70% of the state's median income in 2005. The income limit rises for larger families.

Two people making the current minimum wage in the state and working 40 hours a week earn $43,680.

May Martinez chases after her daughters Olivia Munoz and Arabella Munoz as they play a game of hide and seek. Martinez is losing access to subsidies provided by the state to cover child care because her husband got a raise. (Mel Melcon / Los Angeles Times)

For years, parents have been turning down promotions and raises at work so that they can keep their benefit, say advocates and child-care professionals.

Until October, May Martinez and her husband were taking in less than the income limit on his salary as a security guard at CBS Studios. Martinez, 27, is studying toward a bachelor's degree and got a subsidy from the state to put her 4-year-old and 2-year-old in day care in Santa Clarita while she was in class.

Then Martinez's husband got a promotion, and a $4-an-hour raise. She was thrilled — until she told her kids' day-care center the news.

The Center for Early Childhood Education, at the College of the Canyons in Santa Clarita, notified Martinez that the raise would put the couple over the income threshold that the state set for child-care subsidies.

Instead of paying $167 each month to the center for half-day care, Martinez would be charged the market rate of $2,400.

After paying for rent, utilities and food, the new day-care costs would outweigh the new income from Martinez's husband's promotion. "By a longshot, we would be in the hole," Martinez said.

At first, Martinez's husband tried to turn down the pay bump, begging his supervisors to give him the promotion without the raise. No dice. The couple had serious conversations about turning down the new job altogether, but neither wanted to risk angering his bosses.

Martinez eventually decided that this year, she will move to a part-time schedule at La Verne College, and take night and online courses, so that she can take care of her children during the day.

"It is an injustice," Martinez said, adding that now she has no idea when she'll be able to finish her degree and start working. "It's going to be delayed completely."

Six hundred miles away, in Humboldt, Alicia Combs is in a similar panic.

Combs was homeless six years ago, bouncing around on friends' couches, but started to remake her life after she had her first son in 2010. She got a job as an office assistant in Eureka, eventually had another son, and put both in day care thanks to a state subsidy.

Then, in September, the single mom was given an automatic raise of less than a dollar. That put her wage at $21.21 an hour, which meant she would earn about $160 more than the monthly income limit for her family of three.

She pays around $360 to send both kids to day care with the help of the benefit. Now, she will have to pay close to $1,000 a month, which she says she can't afford.

"I worked really hard to get where I am at, and if I lose the child-care subsidy I am not sure what I'll do," Comb said.

As the minimum wage heads to $15, more and more parents stand to be in a similar squeeze, since they can't turn down the mandated raise.

"Many legislators, probably including the governor, did not realize the impact the minimum wage would have on the cost of providing child care," said Kim Kruckel, the executive director of the Child Care Law Center, a legal advocacy nonprofit in San Francisco.

In August, the state Senate Appropriations Committee held back a bill that would have updated the criteria for child-care subsidies to use the current state median income because of concerns that it would be too expensive. The Department of Finance estimated that raising the threshold would lead to costs "in the low tens of millions."

H.D. Palmer, a spokesman for the Department of Finance, noted in an email that "since 2013, California has invested $742 million in subsidized child care and early learning programs." He said that despite the minimum-wage increase, the majority of families receiving subsides would stay in the program in 2017.

The state will spend $3 billion on child care and preschool programs this fiscal year, which nearly brings funding levels back to where they were before the recession.

In December, Assembly members Miguel Santiago (D-Los Angeles) and Lorena Gonzalez (D-San Diego) introduced a new bill that would increase the subsidy income limit.

Child-care advocates say their best hope for updating the threshold is through the debates over next year's budget, which will begin after Gov. Jerry Brown proposes his version of the budget next week.

Parent representatives and child-care providers plan to lobby the budget committees of the Assembly and the Senate in coming months to demand that Brown increase the limit in the final iteration of the budget, which will pass in June.

Brown himself could propose raising the limit, but advocates aren't holding their breath.

"He has not up to this point shown a tremendous interest in improving funding or quality for child care," said Winefield, the former child-care executive.

Child-care providers, meanwhile, have their own concerns over rising wages.

Lisa Wilkin, who runs 10 child-care centers across Los Angeles, says she's run out of places to cut costs. The executive director of the Child Care Consortium reluctantly cut two administrative positions last year and is set to release five more teacher assistants this year to adjust to rising pay.

But there's only so much whittling she can do; California mandates that child-care centers employ one adult for every four infants they take in.

"If you have one less person working a shift at a restaurant maybe the service is slower, but if you have one less person in child care you are breaking the law," Wilkin said. She used to cover 100% of employees' health, dental and life insurance, but this year she is considering asking them to chip in.

"It is a low-wage industry. I desperately want to pay my teachers more money," Wilkin said. But she said she can't charge much more than she already does, because the state limits the amount that centers get to look after the children of low-income parents.

This year, centers will get a standard rate of $875 a month for full-time preschool for each child with a subsidy. Some of that cost is paid by the state, and some is paid by parents, depending on their income.

In reality, the cost to child-care providers for offering a month of full day preschool ranges from $800 to $1,500, depending on the area.

The minimum wage bumped up pay for entry level workers at Wilkin's centers, but she hasn't been able to boost more experienced teachers' salaries by much.

If child-care providers have to keep cutting benefits and compressing their pay scale, they may find it hard to keep workers, said Kristin Schumacher, an analyst at the nonprofit California Budget & Policy Center.

"Why would you care for children all day when you can make more working for Costco?" Schumacher said.