AGENDA

JOINT HEARING

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER TONY THURMOND, CHAIR

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

ASSEMBLYMEMBER KEVIN MCCARTY, CHAIR

TUESDAY, APRIL 14, 2015
9 A.M. - STATE CAPITOL ROOM 444

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES
6110 CALIFORNIA DEPARTMENT OF EDUCATION

ISSUE 1: OVERVIEW

The Subcommittee will receive and overview regarding the importance of early childhood education.

PANEL

- Delaine Easton
- Carolyn Chu, Legislative Analyst's Office
- Monique Ramos, California Department of Education
- Kim Johnson, Department of Social Services

BACKGROUND

Child Care and Preschool Budget

(Dollars in Millions)

	2013-14 Actual	*2014-15 Budget Act*	2015-16 Proposed	Change From 2014-15	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	$337	$330[a]	$362	$32	10%
Stage 2[b]	367	355	349	-6	-2
Stage 3	202	220	264	44	20
Subtotals	($906)	($904)	($974)	($69)	(8%)
Non-CalWORKs Programs					
State Preschool	$507	$664	$657	-$8	-1%
General Child Care	464	544	574	31	6
Alternative Payment	177	182	190	7	4
Other child care	28	29	30	1	2
Subtotals	($1,176)	($1,420)	($1,450)	($31)	(2%)
Support Programs	$74	$73	$73	—	—
Totals	**$2,157**	**$2,397**	**$2,497**	**$101**	**4%**
Funding					
Non-Proposition 98 General Fund	$763	$809	$941	$133	16%
Proposition 98 General Fund	507	664	657	-8	-1
Federal CCDF	556	570	555	-15	-3
Federal TANF	330	353	344	-10	-3

[a] Reflects Department of Social Services' revised Stage 1 estimates for cost of care and caseload.
[b] Does not include $9.2 million provided to community colleges for Stage 2 child care.
CCDF = Child Care and Development Fund and TANF = Temporary Assistance for Needy Families.
Posted January 2015.

STAFF COMMENTS

This issue provides an overview of California's early education and child development system. Both publicly-subsidized programs and the private market were hit hard by the recession and on the whole have not recovered. This agenda attempts to highlight major challenges faced by the system in several panels, to facilitated discussion regarding possible reinvestment in the program.

Staff Recommendation: Informational Item—No Action Necessary

ISSUE 2: EARLY EDUCATION AND CHILD DEVELOPMENT ENROLLMENT

The Subcommittee will discuss the decline in availability of State funded early education and child care programs and options for reinvestment.

PANEL

- Erin Gabel, First Five California
- Paul Miller, Kidango
- June Lynn Hall, Parent Voices
- Rowena Quinto, California Resources and Referral Network
- Monique Ramos, California Department of Education

BACKGROUND

Only 47 percent of 3 and 4 year olds in California are in any type of School Setting.

There are 1,049,272 children in California aged 3 and 4 years old. According to the American Community Survey, 554,304 children aged 3 and 4 years old are not in any type of school setting—preschool, head start, day care, nursery school, or family child care home.

For the children that are in such a setting, the government provides almost 60 percent of the slots through the State Preschool, federal Head Start, the General Child Care program, and through the State's voucher programs.

Most Early Education Programs Declined From Peak Levels of 2008

During the great recession, the State reduced funding for early education and child development by one-third and lost 110,000 slots, roughly one quarter of the total. That total reduction has recovered, in part by an increase in Preschool program slots.

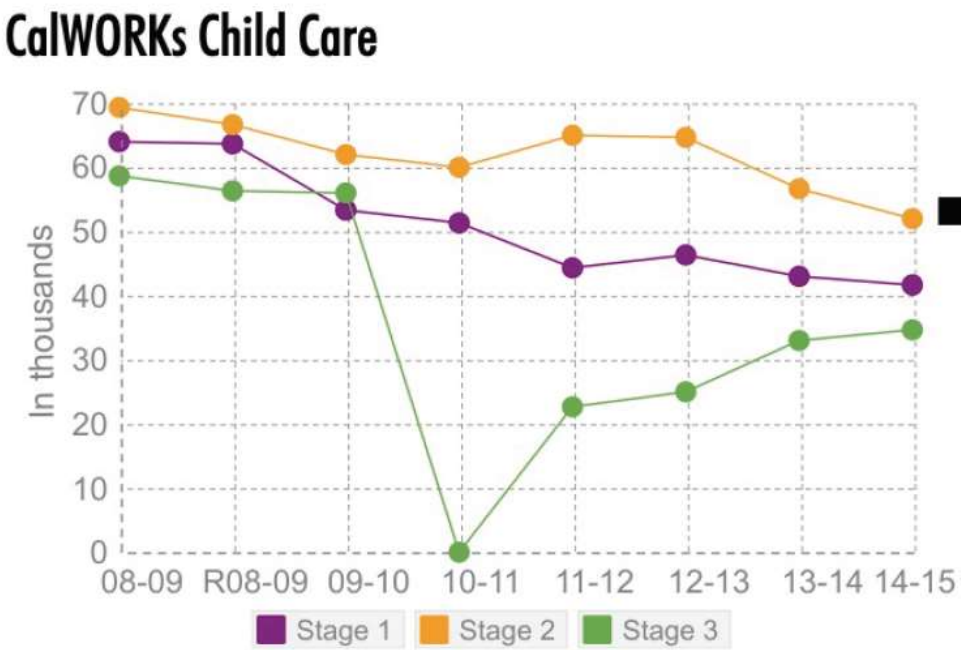
The chart below details the difference between the total program caseloads.

Child Care Slots	2008-09	Proposed 2015-16	Difference	Change
CalWORKs Stage 1	61,373	40,847	(20,526)	-33.4%
CalWORKs Stage 2	63,597	46,968	(16,629)	-26.1%
CalWORKs Stage 3	56,479	35,908	(20,571)	-36.4%
General Child Care	84,274	53,323	(30,951)	-36.7%
Alternative Payment /Other	50,421	29,808	(20,613)	-40.9%
Preschool	114,264	153,177	38,913	34.1%
Total	430,408	360,031	(70,377)	-16.4%

One of the largest changes reflected in the chart above is due to a change in the way that part-day General Child Care provided for 3 and 4 year olds was categorized as Preschool in 2012-13. This resulted in a shift of 31,000 slots from General Child Care into Preschool.

CalWORKs Related Child Care

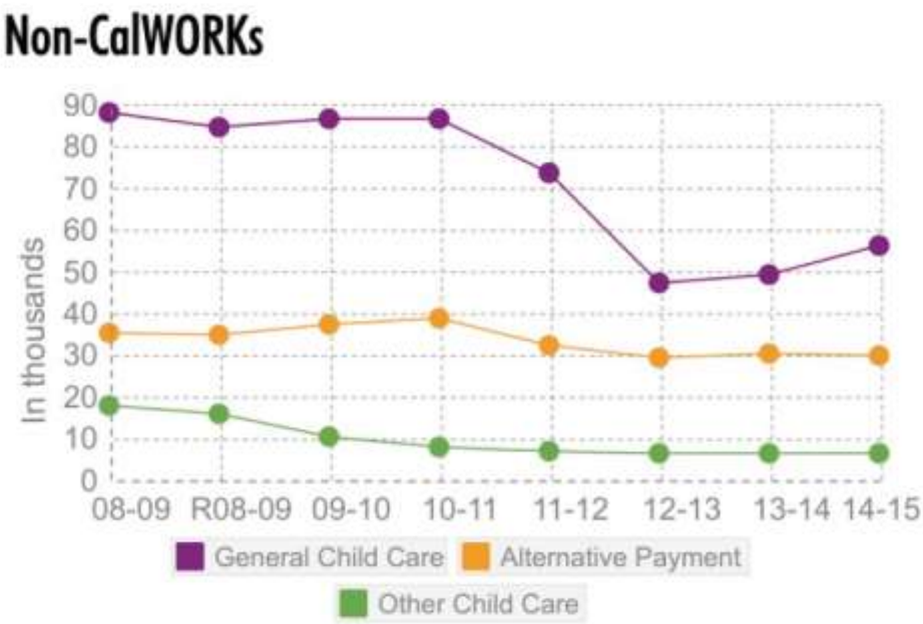
CalWORKs related child care lost the most capacity, with 57,726 fewer slots proposed for this year than in 2008-09. A large number of these slots were lost due to veto of all funds for CalWORKs Stage 3 funding in 2010 by Governor Schwarzenegger. When this program was restored soon after by actions taken by the Assembly and Governor Brown, the program was reestablished with 33,000 fewer slots than before the veto. In addition, policy changes made to CalWORKs have also reduced the eligibility for Stage 1 Child Care, these have translated into a lower caseload for all three stages of the program since 2008-09. The chart below, provided by the California Child Care Resource and Referral Network, illustrates the change in enrollment in these programs:



General Child Care and Alternative Payment

Subsidized child development programs outside of CalWORKs (General Child Care and the Alternative Payment Programs) have declined by a combined 51,564 since 2008-09. These programs saw small amounts of growth in slots over the last three years, with 4,471 slots added to both of them since 2012. The 2014-15 included 1,500 additional slots for these programs. The proposed budget includes Growth and COLA adjustment to these programs, resulting in 2,064 additional slots in 2015-16 contained in the proposed budget. Again, part of the decline in General Child Care reflects the change in the account of slots, which are now reflected in Preschool.

The chart below, provided by the California Child Care Resource and Referral Network, illustrates the change in enrollment in these programs:



Preschool
Preschool programs in the Governor's budget funded for 153,177 slots in 2015-16, 38,913 more slots than in 2008-09. The growth in slots reflects recent investments in the program, during the recession preschool was cut to a low point in 2011-12 of 97,741 slots. The 2014-15 budget included 7,500 additional slots for preschool, plus an additional 4,000 slots that would be effective on June 15, 2015. According to the Department of Education, when the 4,000 part day slots were offered to contractors and school districts, the Department received requests for over 32,301 slots.

Actual enrollment is lower than projected slots because of lack of rate increases.

For most of the programs outside of preschool, the term "slot" which is used to describe the capacity of State programs does not reflect the actual number of children served. A "slot" reflects a measurement of average cost of care, but since the costs for care vary by age, it is not the same as the actual program utilization.

For voucher programs, slots average different age groups, the use of licensed-exempt care, and the how the local child care rates compare to the maximum reimbursement rate. While the maximum reimbursement rate has only seen a small increase in recent years, the rates charged by providers have continued to increase, resulting in a higher average cost per participant.

In Sacramento, the average costs of care has increased by over 5 percent since July of 2013, which in not reflected in the calculation of slots. This means that actual enrollment is likely lower than the slot count for this program by at least five percent.

Total Licensed Facilities Continue to Decline

California's overall licensed child development capacity for both subsidized and private pay families has declined dramatically since the recession started. Providers continue to close and exit the field. It is likely that the decline in the State investment in child development played a large role in this decline.

As mentioned earlier, for children aged 3-4 years old, public investment directly represents approximately 60 percent of the overall capacity. However, for older children and infant-toddlers, the State's programs are not as dominant as a share of the overall market. State programs likely account for somewhere between 10 - 20 percent of all licensed child care purchased in California.

Child care and early education is a capital and labor-intensive business that needs to achieve a certain level of enrollment to cover costs. It is also very expensive for families, often rivaling high education costs, but for younger families that typically have less disposable income. As a result, many child development and early education facilities have been unable to generate sufficient revenue to maintain operations. Therefore, when subsidized slots were reduced, many facilities could not meet their costs with only their private pay families.

Overall, the supply of licensed child care has grown in the 1990's and 2000's and dropped during the Great Recession. The table below, provided by the California Child Care Resource and Referral Network, illustrates this trend.

California Licensed Child Care Capacity: Center-based and Family Child Care Home 1996-2014

	1996	1998	2000	2002	2004	2006	2008	2010	2012	2014*
Total Licensed Capacity	766,095	818,467	886,871	958,670	1,002,400	1,063,193	1,083,352	1,077,906	1,052,329	1,062,460
Center-Infant	21,542	24,567	27,715	31,660	35,973	37,510	40,083	40,454	44,375	43,635
Center-Preschool	393,162	405,977	406,278	423,342	450,529	497,702	499,510	519,521	530,233	584,439
Center-School-Age	117,144	128,318	142,936	158,383	152,941	156,812	160,991	150,667	142,002	128,773
Family Child Care Home Capacity	234,247	259,605	309,942	345,285	362,957	371,169	382,768	367,264	335,719	305,613

*2014 estimate from DSS, Community Care Licensing April 2014.

STAFF COMMENTS

According to the Legislative Analyst's Office, 54,046 of General Child Care slots are used to "wrap" with preschool to create a full-day preschool program. In addition, 29,899 Head Start slots are wrapped by preschool and/or General Child Care contracts.

Although the Administration projects a 2.1 percent increase in CalWORKs Stage 1 Child Care for next year, it is possible the CalWORKs-related caseload will drop as provisions that limit eligibility for services to 24 months become effective next month. CalWORKs families will only be eligible to continue receiving child care after 24 months on aid if they family meets federal work requirements or can qualify for a very limited waiver. Because the State did not fund early intervention services to prevent families from being sanctioned, it is likely that large number of families will lose eligibility as these provisions begin to take effect. Staff anticipates, in future years, large reductions to the CalWORKs related child care caseload.

Options for reinvestment in early education at current reimbursement rates:

- Add 1,000 Alternative Payment Slots: $7 million
- Add 1,000 General Child Care Slots: $10.8 million
- Add 1,000 Preschool program Slots (Part Day): $4 million Proposition 98 General Fund
- Add 1,000 Full Day Wrap Preschool Slots: $9.2 million ($5.2 million General Fund and $4 million Proposition 98)

Note that if any other changes were made to rates or eligibility, these estimates would be impacted by these other changes.

Staff Recommendation: Hold Open

ISSUE 3: EARLY EDUCATION AND CHILD DEVELOPMENT RATES

The Subcommittee will discuss the impact of stagnant reimbursement rates for State funded early education and child care programs and options for restoration.

PANEL

- Michael Olenick, Child Care Resource Center
- Robin Layton, Educational Enrichment Systems
- Regina Tucker, Family Child Care Provider and SEIU Local 99
- Giannina Perez, Children Now

BACKGROUND

Rates for both early education and child development programs have been relatively stagnant for the last decade.

SRR

General Child Care and Preschool programs are both reimbursed by a Standard Reimbursement Rate (SRR) which is set statewide. Last year's budget package included a five percent increase to the SRR, the first such increase since 2007. The Standard Reimbursement Rate is $36.10 per day per child for a full day. However, this represents $4.69 per day less than if the rate of $34.38 first offered in 2007-08 were adjusted by inflation.

The SRR includes "adjustment factors" that allow providers to receive additional compensation if a child meets certain qualifications. SRR of $36.10 is multiplied by the appropriate adjustment factor. So for example, an infant would receive $61.34 per day. All of the adjustment factors are listed below:

Children Meeting Specified Criteria	Adjustment Factor
Infants (birth up to 18 months)	1.7
Toddlers (18 months up to 36 months)	1.4
Family Child Care Homes infants and toddlers (birth up to 36 months)	1.4
Exceptional Needs	1.2
Limited or Non-English Proficient	1.1
Children At Risk of Abuse or Neglect	1.1
Severely Handicapped	1.5

Regional Market Rates

The Regional Market Rate is a mechanism that is designed to price vouchers so that they can be used to purchase care at 85 percent of the child development facilities in any given market. The vouchers are worth what the provider charges private pay children, with the RMR setting the ceiling for the value of the voucher. The rates are derived from a survey and are set by county. There are separate rates for infants/toddlers, preschool, and school aged children as well as part and full day care.

Due to funding shortfalls, the State has used old surveys to leave rates unchanged. The 2014-15 budget included $19 million to increase the RMR, which allowed the State to move to the 2009 survey. However, the additional funding was short $94.1 million from funding care at the RMR survey levels, so a "deficit factor" was included to adjust down the rates. As a result, most providers saw very small changes to rates. The State has also released a 2012 and a 2014 Survey, both of these surveys project market rates than the current levels.

Because the RMR is based upon the market, the rate ceiling for the vouchers often exceed the SRR rates, especially in high cost area. Because SRR facilities have stricter requirements, there have been calls to equalize these rates. However, the RMR sets the maximum reimbursement rate for a single slot, while the SRR is the actual reimbursement rate for a contract classroom of bundled slots, so they may not be comparable.

Licensed Exempt

Families that have Alternative Payment Vouchers provided by CalWORKs child care or the AP program have the option to utilized licensed-exempt care, which allows almost anyone who can pass a background check to provide care and be reimbursed by the State. Licensed-exempt care is heavily utilized for night/weekend care, and for care in areas of the State that lack any licensed capacity, because it is the most flexible type of care. Statutorily, these provides are supposed to be paid 60 percent of the RMR ceiling for their care. In practice, for care provided hourly the Department of Education sets rates based upon historic practice and appropriated in the budget. Thus, rates for licensed-exempt providers continue to remain at amazingly low levels. For example in Los Angeles, the current part-time hourly rate for licensed exempt care for a school-aged child is $2.02 per hour. Other than prison inmates, these providers may be the lowest paid workers in California.

Preschool and Child Care Workers Wages

Most of the staff at child care and preschool programs are categorized by the US Department of Labor into two categories: Child Care Workers and Preschool Teachers. Any worker overseeing pre-school aged children could be designated a "Preschool Teacher" for the purposes of this data, so it does not reflect distinctions in educational and credentialing levels between the two occupations. However, the data helps illustrate how low rates have impacted the overall wages and conditions for these occupations in California.

Child Care Workers

In 2013, California had 55,600 child care workers, the third most after New York and Texas. In terms of compensation, California has the fourth highest mean wage for these employees at $11.86 per hour. The chart below details the five highest paid states for this occupation.

State	Employment	Employment per thousand jobs	Hourly mean wage	Annual mean wage
District of Columbia	1,290	1.93	$16.04	$33,360
Massachusetts	11,970	3.67	$12.47	$25,950
New York	58,770	6.81	$11.94	$24,830
California	55,600	3.78	$11.86	$24,680
Vermont	1,270	4.26	$11.56	$24,050

A significant number of workers in this occupation in California were paid at levels at or below the level of the January 2016 minimum wage of $10 per hour. According to the May 2013 data from the Bureau of Labor Statistics, at least 10 percent of child care workers in California were paid less than $8.62 an hour, which was prior to the minimum wage increasing to $9 per hour on February 24, 2015. The same data shows that over 25 percent of the workers in this occupation were paid less than $9.35 in the same period. The median wage was $11.06 per hour, so somewhere between 25 percent and 50 percent of all workers in this occupation will be impacted by the minimum wage increase.

Preschool Teachers

California has more preschool teachers than any other state, with 48,540 preschool teachers. Preschool teachers in California make less than their counterparts in other large states. California's mean wage of $16.49 is not within the top five, which include the following:

State	Employment	Employment per thousand jobs	Hourly mean wage	Annual mean wage
New York	27,930	3.23	$20.99	$43,650
New Jersey	12,890	3.37	$17.77	$36,970

Kentucky	2,460	1.38	$17.67	$36,750
Alaska	740	2.28	$17.30	$35,980
Connecticut	6,230	3.81	$16.60	$34,520

However, the difference in compensation is most apparent when looking at compensation across metropolitan areas. For example, according to recent cost comparisons, the cost of living in San Francisco is roughly equivalent to New York City in terms of rent, food costs, and living expenses. However, Preschool Teachers, on average, make 37 percent more in wages in New York City ($24.19 per hour) than in San Francisco ($17.60 per hour). In terms of wages, California does not have a metropolitan area on the top ten in terms of preschool teacher pay rates, with cities in Texas, Ohio, Georgia, and Kentucky paying more for this occupation.

Metropolitan area	Employment	Employment per thousand jobs	Hourly mean wage	Annual mean wage
New York-White Plains-Wayne, NY-NJ Metropolitan Division	18,880	3.60	$24.19	$50,320
Lebanon, PA	Not reported	Not reported	$22.80	$47,430
Mansfield, OH	Not reported	Not reported	$22.74	$47,310
Killeen-Temple-Fort Hood, TX	410	3.13	$22.48	$46,750
Vineland-Millville-Bridgeton, NJ	250	4.37	$21.73	$45,200
Longview, TX	80	0.79	$21.58	$44,900
Owensboro, KY	40	0.85	$21.52	$44,760
Rome, GA	110	3.30	$20.75	$43,160
Corpus Christi, TX	230	1.23	$20.40	$42,430
El Paso, TX	460	1.65	$20.15	$41,910

It is possible this difference in wages is due to the way different jurisdictions categorize employees for the survey. However, these differences should also be reflected across California.

STAFF COMMENTS

The Assembly could consider the following reinvestments in rates:

- Increase the adjustment factors for Infants (from 1.7 to 2) and Toddlers (from 1.4 to 1.5): $25 million
- Increase the SRR by an additional 5 percent: $58.7 million ($28.7 million General Fund and $30.3 million Proposition 98)
- Eliminate the RMR Deficit Factor: $94.1 million
- Update RMR to 2012 Survey Levels: $217 million
- Update RMR to 2014 Survey Levels: $371 million

Staff Recommendation: Hold Open

ISSUE 4: QUALITY IN EARLY EDUCATION AND CHILD CARE PROGRAMS

The Subcommittee will consider options to increase quality for early education and child development programs.

PANEL

- Monique Ramos, California Department of Education
- Deborah Kong, Early Edge
- Erin Gabel, First Five California
- Linda Asato, California Resource and Referral Network
- Donita Stromgren, Northern Director's Group

BACKGROUND

Several efforts have been undertaken to improve quality in all facets of early education. These include:

Quality Rating Improvement System: California received a federal Race-to-the-Top Early Learning grant from the federal government in 2011. Approximately 77 percent of California's RTT-ELC grant funding will be spent at the local level to support a voluntary network of 17 Regional Leadership Consortia, each led by an established organization that is already operating or developing a quality rating and improvement system (QRIS). As part of this grant, the Consortia will bring together organizations in their region with the same goal of improving the quality of early learning and will expand their current areas of impact by inviting other programs to join their QRIS or reaching out to mentor other communities. With the infusion of RTT-ELC Supplemental funding in 2013, the Consortia will begin to mentor 14 additional counties. Nearly 1.8 million children or 65 percent of children under five in California are potentially impacted by this grant.

The 2014-15 budget dedicates $50 million ongoing Proposition 98 General Fund for local Quality Rating and Improvement Systems designed to improve the quality of State Preschool. To date, local QRIS activities - which evaluate the quality of child care and preschool programs based on teacher qualifications, curriculum, and other metrics - have been supported by local and federal resources. The new state-supported QRIS grants build upon these existing efforts by funding additional professional development and stipends. Local consortia can apply for the new QRIS grants and locally determine how to distribute the funding to preschool providers within their area. Last year's budget provides an additional $25 million one–time Proposition 98 General Fund for professional development and stipends for transitional kindergarten and State Preschool teachers.

AB 212: AB 212 provided $15 million per year for child development staff retention activities conducted by the 55 Local Child Care and Development Planning Councils (LPCs) throughout California. The purpose of this program is to improve the retention of qualified child development employees that work directly with children in state-subsidized, Title 5, child development programs. This funding is allocated to LPCs based on the percentage of state-subsidized, center-based child care funds in the county. Alpine, Mariposa, and Sierra County do not have any state-subsidized center based programs located in their area and, therefore, do not qualify to receive funding for the purposes of this legislation. The remaining 55 counties received a funding allocation based on the previous fiscal year amount of state-subsidized, center-based contracts in their county.

In accordance with the enabling legislation (Chapter 547, Statutes of 2000), the California Department of Education (CDE) developed guidelines for administering the program, and these guidelines were approved as required by the Department of Finance and the Office of the Secretary of Education. The guidelines describe what items must be addressed in the local child care staff retention plans. The guidelines allow counties local flexibility to address their local needs; however, the outcomes are standardized.

First Five Investments First Five California's investments from tobacco tax revenues have focused on improving early learning quality across the state, including professional development for teachers, (CARES Plus), coaching and a focus on teacher effectiveness and the quality of interactions (CLASS), and additional classroom support (early learning, mental health, and family specialists). First 5 counties also invest in a range of early learning quality activities including professional development and training, strengthening and engaging families, developmental screening, and supporting the work of local providers. In FY 2013-14, the state and 58 county commissions invested over $195 million to improve access and quality for early learning systems. Unquantified additional local resources, including Resource and Referral agencies, Alternative Payment Program agencies, child care providers, County Offices of Education, Local Education Agencies, Community Colleges and higher education partners, Local Planning Councils, and others, also invest non-earmarked funds and in-kind efforts to improve quality in early learning settings.

California First Five Commission has proposed the following investments in quality this year:

1) Add ongoing funds for infant and toddler care providers/teachers’ participation in the local QRIS block grants ($25 million General Fund);
2) Expand ongoing professional learning opportunities for all providers, including through the Community Colleges lab schools, programs, and courses ($100 million Proposition 98 General Fund); and
3) Align current and increased federal Child Care Development Block Grant investments with new federal requirements and a state vision for quality systems state-wide, including QRIS.

STAFF COMMENTS

The Assembly could consider the following investments in quality:

- Expand QRIS funding: $50 million
- Increase funding for AB 212: $15 million
- Match California First Five: $25 million
- Fund Child Care Training at Community Colleges: $50 million Proposition 98

In addition to these options, there has been interest by several advocates to develop a provider training for family child care providers and center staff through either the Community Colleges or County Offices of Education. Such training could be a use of either one-time or ongoing Proposition 98 funds.

Staff Recommendation: Hold Open

ISSUE 5: EARLY EDUCATION AND CHILD DEVELOPMENT ELIGIBILITY ISSUES

The Subcommittee will consider options to increase eligibility for early education and child development programs.

PANEL

- Margarita Zelaya, Parent Voices
- Efuru Lynch, Parent Voices

BACKGROUND

All of the State's child development programs are means tested for families, which means that families must be low income to qualify for the care for their children. However, once families begin to receive care, the State Median Income (SMI) is used to decide whether a family is still eligible for subsidized child care. The 2011-12 Budget reduced maximum SMI a family could earn to qualify for care from 75 percent to 70 percent. The SMI has not been adjusted since 2007; budget language has frozen the SMI each year since then. Freezing the SMI prevents some families from being able to offer care and also forces families off care if their income reaches these thresholds. Currently a family of three loses eligibility for child care if they earn more than $42,216 annually; a family of four must earn under $46,896 annually to qualify.

According to the California Budget Project, updating the current 70 percent SMI level to 2013 levels would to allow families to earn up to $49.235 annually for a family of three and $54,708 for a family of four. According to the same calculation to 100 percent of the 2013 SMI would result a threshold of $70,332 for a family of three and $78,156 for a family of four.

This low level of income has resulted in parents refusing promotions to maintain their eligibility for care. In preschool, it has been a barrier to finding families that can qualify for the program, and many classes have unfilled seats as a result.

In addition, the federal government's recently reauthorized Child Development Block Grant may compel the State to adopt 12-month eligibility duration. Currently, families in California are required to report any change in work schedule or income within 5 days. Conforming to the federal government direction for 12-month eligibility would eliminate most of this reportings. The federal guidance is consistent with extension to the duration of eligibility in CalFresh, MediCal, and CalWORKs, where the costs of reporting appeared to outweigh the benefits of potentially shortening the duration of services.

STAFF COMMENTS

The Assembly could consider the following reinvestments in eligibility:

- Increase the maximum income for eligibility from 70 percent of SMI to 100 percent of SMI: Approximately $28 million
- Institute 12-month eligibility: Approximately $39 million

Staff Recommendation: Hold Open

ISSUE 6: EARLY EDUCATION AND CHILD DEVELOPMENT ADMINISTRATION ISSUES

The Subcommittee will discuss challenges faced by agencies that administer child development vouchers.

PANEL

- Jessica Holmes, Department of Finance
- Denyne Micheletti, California Alternative Payment Program Association
- Donna Sneeringer, Child Care Alliance of Los Angeles
- Paula James, Contra Costa Child Care Council
- Angie Garling, Alameda County Early Care and Education Coordinator

BACKGROUND

Department of Finance Trailer Bill Proposal:

The Governor's Budget includes two trailer bill provisions creating stakeholder groups to discuss child care. The first stakeholder group would meet to consider recommendations to streamline data and reporting requirements. The second stakeholder group would identify redundancies and efficiencies to reduce workload associated with program administration. Both stakeholder groups would be convened by the California Department of Education.

Alternative Payment Program Administration Rates:

Alternative Payment Programs administer vouchers and case manage the families in CalWORKs Stages 2 and 3 as well as the Alternative Payment Program. These administrative agencies both process the payments for the vouchers, insure compliance from providers, and assist families in finding the right child care for their children. Alternative Payment Programs can charge up to 17.5 percent of the total contract for these services. This rate was reduced from 19 percent in the 2010-11 budget as a cost saving tool.

Alternative Payment Programs have shrunk, consolidated, and even ceased operating as the costs of operations have climbed while the number of vouchers has shrunk, resulting in lower contract amounts. Without intervention, it is possible that pockets of the State may not have a contractor that can administer the vouchers in the near future.

Resource and Referral:

Child Care Resource and Referral (R&R) agencies are located in every county in California. Over the last four decades, R&R services have evolved from a grassroots effort to help parents find child care, to a well-developed system that supports parents, providers, and local communities in finding, planning for, and providing affordable, quality child care. The state, through the California Department of Education has supported these efforts since 1976.

State funding for Resource and Referral programs were held at the same level for years, and were then reduced during the Great Recession. However, the demands for service has increased due to a growing population, dramatic changes in technology and increased needs to communicate with families in multiple languages and in increased requests to support children and families with special needs.

In addition to increased service demand, Resource and Referral programs are now required by the federal Child Care and Development Block Grant (CCDBG) program to engagement statewide in Emergency Preparedness and consumer education and provider recruitment efforts. CCBDG also increases requirement for transparency in our consumer education system and recommends building on the existing Resource and Referral infrastructure where families already know to go to as a hub of support for child care and family information.

Local Planning Councils:

The primary mission of the Local Child Care and Development Planning Councils (LPCs) is to plan for child care and development services based on the needs of families in the local community. LPCs are intended to serve as a forum to address the child care needs of all families in the community for all types of child care, both subsidized and non-subsidized.

LPCs responsibilities include but are not limited to the following:

- Conduct an assessment of child care needs in the county no less than once every five years.
- Prepare local comprehensive countywide child care plans designed to mobilize public and private resources to address identified needs.
- Identify local funding priority areas for child care services for new state and federal funds.
- Conduct local forums to encourage public input in the development of local priorities.
- Foster local partnerships with subsidized and non-subsidized providers, local and state children and families commissions, county welfare departments, human service agencies, regional centers, job training programs, employers, parent organizations, early start family resource centers, family empowerment centers on disability, local child care resource and referral programs, and other interested parties.
- Coordinate part-day programs, including state preschool and Head Start, with other child care and development services to provide full-day child care.
- Design a system to consolidate local child care waiting lists. (Note: Nine LPCs participated in a pilot project regarding the development of a centralized eligibility list in 2001 to 2003.)

- Collaborate with local First Five Commission and other entities to carry out child care staff retention initiatives

In the 2011-12 budget, funding for Local Planning Councils was cut in half from $6.6 million to $3.3 million as part of a reshuffling of federal quality funds.

Child Nutrition:

In 2012, the Governor vetoed out of the budget bill $10.1 million from the child nutrition supplemental program, which provided a small state subsidy to child care providers who participated in the federal Child and Adult Care Food Program. The state had provided about 16 cents per meal to providers who participated in the federal program, which provides federal funding to encourage nutritional meals. The state continues to provide this supplemental funding for K-12 schools, but child care providers no longer receive the funding, which has strained child providers' ability to provide healthy meals.

STAFF COMMENTS

The Assembly could consider the following reinvestments in eligibility:

- Increase Alternative Payment Administration Rates to from 17.5 to 20 percent: $36 million
- Increase support for Resource and Referral Program to meet demand and comply with new federal requirements: $5 million
- Restore Local Planning Councils Funding: $4 million
- Restore Child Nutrition : $10 million General Fund

Staff Recommendation: Hold Open

ISSUE 7: PUBLIC COMMENT

The Committee will receive public comment on all issues relating to Early Education and Child Development at this time.