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March 23, 2017

The Honorable Holly Mitchell, Chair
Senate Budget & Fiscal Review Committee
State Capitol, Rm 5080
Sacramento, CA 95814

The Honorable Anthony Portantino
Senate Budget Subcommittee No. 1 on Education
State Capitol, Rm 3086
Sacramento, CA 95814

The Honorable Richard Pan, Chair
Senate Budget Subcommittee No. 3 on Human Services
State Capitol, Rm 4070
Sacramento, CA 95814

Re: Budget Request to Fund Improved Child Care Family Eligibility Policies

Dear Senators Mitchell, Portantino, and Pan:

Parent Voices, the Child Care Law Center, and First 5 California respectfully request that the Senate Budget Committee and Subcommittees on Education and Human Services place this funding request on your agenda for the hearing on the child care budget and prioritize a budget allocation of \$30 million to update our state's subsidized child care eligibility policies and improve the state Child Care Development Programs administered by the California Department of Education (CDE).

Specifically, we recommend prioritizing a funding request and trailer bill language to:

- Update statewide child care income guidelines – frozen since 2007 – by taking into account the increased state minimum wage and cost of living in California;
- Establish continuous, affordable child care and streamline reporting requirements, minimizing disruptions in care;
- Allow parents to increase their earnings up to 85% of State Median Income (SMI), so they do not abruptly lose their affordable child care, preschool, or after-school care when their income exceeds 70% of SMI.

These provisions allow parents earning the minimum wage to keep their affordable child care so they can continue to work and their children can stay in their child care, preschool, or after-

school programs. It also allows children to stay in child care for as long as needed, streamlining the reporting rules that currently burden families, employers, child care providers, and administrators.

Our budget request implements key recommendations of the AB 104 Stakeholder Group on program efficiencies and program access.¹ It also implements the top two recommendations of the Governor-appointed California State Advisory Council on Early Learning and Care to address impacts of the minimum wage increases on the early learning and care system.² Parents earning only 50 cents more per hour are losing their affordable child care and cannot pay the hundreds to thousands of dollars in full child care expenses. In raising the state minimum wage, California wisely invested in a more prosperous future for everyone. However, we will squander that investment if parents lose their affordable child care. Because the new minimum wage applies statewide, we need a statewide solution. There is broad consensus among parents, child care administrators, and advocates that the policies recommended here are needed so parents can continue to work and children can thrive.

Last year, AB 2150 (Santiago, Gonzalez & Weber), which contained all the provisions in this budget request, had an Assembly Appropriations cost range estimate of \$1 million to \$5 million, with some additional administrative costs. In contrast, the Department of Finance (DOF) stamped AB 2150 with an annual cost *ceiling* of \$30 million, identified as a worst-case cost scenario. Without consistent statewide data about why families leave the CDE child care programs (i.e., parents move, no longer need child care), the DOF cost ceiling assumed no family would *ever* leave child care, preschool or afterschool programs for any reason unless they became financially ineligible. The DOF cost ceiling did not take into account the increase in family fees that the state would receive, or that the policies would enable counties to better maximize the use of their allocated child care dollars. Each year, *every* county in California returns **unused** child care dollars, in part due to outdated income eligibility requirements and the administrative “churn” experienced by families whose child care services are terminated when they fail to meet the frequent reporting rules. For example, in 2014 – 2015, counties returned \$131 million of appropriated, unspent child care dollars to the state general fund.

Both the Assembly Appropriations cost estimate and DOF cost ceiling are based on enrollment projections for the CalWORKs Stage 2 and Stage 3 child care programs, which are case driven programs. While we do not agree with the DOF’s unrealistic price tag, we believe \$30 million is a reasonable price to pay to keep parents working and children in their child care, preschool, and after-school programs statewide. The benefits of these policy changes, which would create a pathway for families to achieve economic security, far exceed this budget request.

¹ The AB 104 Stakeholder Group was required by the 2015 – 16 Budget Act trailer bill. The AB 104 Stakeholder Group, comprised of State Agency Designees, Direct Service Program Providers, Alternative Payment Program Providers, and child care advocates was tasked with providing recommendations for streamlining data and reporting requirements for child care and early learning providers that contract with the CDE. See <http://www.cde.ca.gov/sp/cd/ce/documents/finalab104recommends.xls>, <http://www.cde.ca.gov/sp/cd/ce/documents/ab104updatejuly2016.pdf>.

² The Governor’s State Advisory Council for Early Learning and Care (CSAC), Minimum Wage Task Force Report, *Bringing Child Care Policy in Line with the New Minimum Wage, Successfully Implementing Minimum Wage Laws for Child Care Providers and Families*, at 3, available at <http://www.cde.ca.gov/sp/cd/ce/documents/minwagebrochure.pdf>. (2017).

Thank you for your consideration of this request to have child care eligibility placed on the budget hearing agenda and for funding.³

Sincerely,



Mary Ignatius
Parent Voices



Laurie Furstenfeld & Patti Prunhuber
Child Care Law Center



Camille Maben
First 5 California

cc: Senate President Pro Tempore Kevin DeLéon
Senate Budget Subcommittee No. 1 Members
Senate Budget Subcommittee No. 3 Members
Assemblymember Miguel Santiago
Assemblymember Lorena Gonzalez Fletcher
Kimberly Rodriguez, Policy Consultant, Office of the Senate President Pro Tempore
Jennifer Troia, Policy Consultant, Office of the Senate President Pro Tempore
Elisa Wynne, Consultant, Senate Budget Committee

³ We would be pleased to provide you with the precise trailer bill language to be included to implement these policies.