



# State and Federal Funding and Budget Update



**To the  
Alameda  
County Child  
Care Planning  
Council**

**March 18,  
2011**

# Presentation Overview

Highlights of the

1. Conference Committee Agreement
2. Federal Funding, Budget & Policy





# The Good News

- ❖ Stage 3 child care funding is still restored!
- ❖ Planning Council isn't targeted for further reductions, we're still at 50% of last year's contract.
- ❖ Potential cuts to the Alternative Payment administrative rate were taken off the table.
- ❖ Programs weren't cut by 34% as proposed by the Governor, and generally were cut less



# Highlights of the Governor's Budget Proposal: CalWorks

- ❖ Limit families to 48 months cash assistance from 60 months for adults, effective June 1, 2011 (\$13 million 2010-2011, \$150 million 2011-2012)
- ❖ Cut CalWORKs grants by 8 percent, effective June 1 (\$300 million savings). Maximum monthly grant for family of three in a high cost county would drop from \$694 to \$638.
- ❖ More cuts: \$45 million CalLearn (which serves teen parents); \$5 million substance and mental health services



# Governor's Budget ECE Highlights: Hundreds of millions in reductions

Cut Description	State Savings	Alameda County Impact
Reduce state subsidized programs by 15% for all programs except Stage 1 & 2	\$267 million (Proposition 98) savings	Potential \$17 million cut to serve fewer children
Cut 11 and 12 year olds during traditional hours. Keep disabled, at risk or abuse or homeless.	\$38.5 million in Proposition 98 savings	370 total 11-12 year olds with state subsidies; an unknown number would receive exemptions
Lower eligibility to 70% SMI from 75% for all programs	\$30 million	Family of 3: \$3769 to \$3518 monthly



# Governor's Budget ECE: Hundreds of millions in reductions

Cut Description	State Savings	Alameda County Impact
Reduce Standard Reimbursement Rate used by state subsidized centers by up to 10%	\$109 million (may also be \$120 million)	SRR is reduced from \$34.32 to \$30.94/child/day (Compare to \$35.00 or \$40.00/per day for doggie day care)
Family Fee Increase: Approves a 10% across the board increase	\$12 million	Information not available at this time; anecdotal feedback on huge time and effort to collect family fees
Quality funds reduction	\$16 million	LPC stays at 50%, AB212 cut 9%, almost all other quality programs cut 9% to 14%; some programs have no funding.



# Possible Scenarios for Title V Centers

Agency A has a \$1 million contract to serve 118 children. They receive \$34.38 per child per day. If this is a preschool program, they might have 5 classrooms of 23 children each, with one teacher and one aide in each classroom.

- 1) The first cut is a 15% across the board reduction, assuming it happens for every contract. Their contract is now \$850,000 to serve 100 children.
- 2) The second cut is from the (up to) 10% reduction in the SRR, so now they have \$765,000 to still serve 100 children. They now receive \$30.94 per child per day.



# Possible Scenarios for Title V Centers

- ❖ Center Scenario 1: Since the ratio is 1:12 and the typical class size is 24, they still choose to have 5 classrooms, but with 20 children each and keep the same staff with 76.5% of their funding.
- ❖ Center Scenario 2: They would lay off staff in one classroom and serve only 96 children, or 24 children in four classrooms, therefore underearning their contract by 4 students.

# Family Impact

- ❖ Family A is a mother with a preschooler and an infant.
- ❖ The maximum income level used to be \$47,925/year (75% of SMI, which is \$63,900), but now it is \$44,730 per year (70% of SMI).
- ❖ If she earns more than this she no longer receives a subsidy and must pay the full market rate for her children's care, which would be more than \$20,000 (average reimbursement from outdated RMR), almost half of her income. It is generally recommended that no family pay more than 10% of their income towards child care.
- ❖ If she worked full time earning \$20.00 per hour her gross annual income would be \$41,600. She was offered a promotion and a 10% raise but she will turn it down because she will become ineligible for child care and would have to pay market rate or more than

# Family Impact

- ❖ Family B is a mother with an 11 year old and twin preschoolers. The maximum income level used to be \$53,250/year (75% of SMI), but now it is \$49,700 per year (70% of SMI).
- ❖ She currently pays no fee because although she works full time at \$15.00/hour, she earns \$31,200 annually which is below 50% of SMI.

# Family Impact

- ❖ Her school-aged child is 11 and no longer qualifies for care because he needs it during regular hours.
- ❖ They live in a district that does not have an ASES program so they must pay market rate for his after school care or she must adjust her work hours, or he stays home alone.
- ❖ She has chosen her mother to care for her preschoolers. As a license exempt provider, she was receiving \$1293 per month to care for them but with a 20% cut she will now receive \$970 per month.

# Other ECE Related Changes

- Eliminates Centralized Eligibility List (\$7.9 million)
- Licensing: no changes
- Realignment of child care starting in 2012?



# Other ECE Related “Changes”

- ❖ On March 3 the Budget Conference Committee agreed to sweep \$1 billion from First 5 commissions through a 2/3 vote of the Legislature, rather than through a ballot initiative. The \$1 billion is a one-time shift that includes \$950 million from county commissions and \$50 million from the state commission.
- ❖ Fifty percent of each county commission's fund balance as of June 30, 2010, is included in this redirection.
- ❖ The smallest counties (receiving less than \$600,000 in annual Proposition 10 revenue) are excluded from the requirement.
- ❖ County commissions will be required to shift these reserves to the State by June 30, 2012.
- ❖ The redirected funds will be used for Medi-Cal services for children under 5.



# Federal Policy: Good News (Potentially) for NEXT YEAR

- ❖ President Obama proposed \$1.3 billion increase in child care, or a 26% increase over last year's funding.
- ❖ The total request is \$6.3 billion.
- ❖ This would serve another 220,000 nationally.
- ❖ It includes \$866 million increase in Head Start to get us back to the ARRA level as well as \$350 million for an Early Learning Challenge Fund.



# Federal Budget Update: The Not So Good News THIS YEAR

- ❖ House Bill HR1: does not include previous 2 years of increases provided by ARRA funding for child care and Head Start, AND
- ❖ Proposes to cut Head Start by an additional 15%
- ❖ This would result in a \$215.3 million decrease in Head Start for California
- ❖ This would result in a \$220.3 million decrease in CDBG for California
- ❖ The bill was already passed by the House



# Federal Budget Update: The Not So Good News THIS YEAR

- ❖ Senate Budget Bill: does not include full “restoration” of previous 2 years of increases provided by ARRA funding for child care and Head Start, BUT did include:
- ❖ A \$340 increase to Head Start and \$310 increase to child care
- ❖ The Senate rejected both their own bill and the House’s bill.
- ❖ A continuing resolution was passed to continue government operations and budget negotiations until April 8<sup>th</sup>.





# Federal ARRA Funding Impact on California

	Early Head Start	Head Start	CCDBG	Total
Number of children served	5,729	1,605	27,000	34,334
Funds	\$215.3 million		\$220.3 million	\$435.6 million

# Questions?



## Sources:

Budget  
Conference  
Committee  
Report

CA Budget  
Project

National  
Women's Law  
Center

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