



CWDA

May 21, 2008

To: Honorable Denise Ducheny, Chair
Senate Budget and Fiscal Review Committee

Honorable Members
Senate Budget and Fiscal Review Committee

From: Frank J. Mecca, Executive Director

**RE: Child Care Reimbursement Rates – OPPOSE
[Item 6110]**

The County Welfare Directors Association of California (CWDA) opposes the Administration's proposed changes regarding child care rates. The proposals would reduce the Regional Market Rate (RMR) level from the 85th percentile to the 75th percentile based on the new 2007 market survey beginning January 1, 2009, change the survey frequency from annual to bi-annual, and delete existing statute that requires the survey to be based upon county aggregates. In addition, the Administration's proposal would impose fees for families whose income is less than 40 percent of the state median income, thus creating a hardship on very low-income, working families.

Regional Market Rate changes

The Administration has indicated the proposed change in the RMR to the 75th percentile would result in a savings of \$48 million in Stages One, Two and Three, \$19.4 million of which is in Stage One which serves CalWORKs families. There is an unknown but likely much greater impact in the General Child care programs, which are administered by the California Department of Education (CDE) for all low-income families. The RMR is designed to ensure that low-income families have equal access to licensed and license-exempt child care as other, non-subsidy families. We oppose this proposed reduction in the RMR from the 85th percentile to the 75th percentile as it will effectively reduce child care access for low-income families. Many providers, particularly centers and licensed child care homes, will find it untenable to accept lower reimbursements for their services. As a result, low-income families will be faced with a difficult choice—either pay the difference, which most cannot afford, or more likely, find other, often lower-quality child care. To the extent that fewer child care providers are able to accept the this lower reimbursement rate, families may be forced to travel longer distances to find a provider of their choice.

The result of this policy change would place greater hardship on low-income families struggling to make ends meet. Families would incur potential changes in child care providers and higher costs for transportation. To the extent CalWORKs families lose their child care provider and cannot participate in work activities, this threatens our state's ability to meet work participation requirements in the CalWORKs program. Failure to meet these work participation requirements will result in federal fiscal sanctions to the state. In addition, this policy change will result in negative outcomes for children when children are moved to lower quality child care settings.

Proposed deletion of statute regarding the RMR and county aggregate data

The Administration also proposes to delete current statute that requires the CDE to implement the regional market rate schedules based on county aggregate data. We oppose this deletion as the language was added based on findings from a 2005 survey, which used a methodology that grouped zip codes of similar characteristics. The result created disparate market rate ceilings within counties and much lower reimbursements for child care facilities in the lowest income neighborhoods. In most counties, the methodology would have required agencies to manage multiple, different rate ceilings, and many child care providers would have seen significant cuts in their reimbursement rates. This would have forced child care providers out of the subsidy system and resulted in a loss of child care options to families in need of services. Given the significant potential impact to families, we request that the existing statute be retained.

Family fee schedule

The Administration's proposal also would revise the family fee schedule based on updated state median income (SMI) data for the 2007-08 fiscal year, and would prohibit CDE from implementing a fee schedule that reduces or eliminates family fees for any specific income level based on family size. This action would take effect as soon as practicably possible and the Administration asserts is necessary to "mitigate the loss of fee revenues and to maximize the number of available child care slots."

When the fee schedule is updated, this would normally move families who are currently at the 40 percent SMI to a lower SMI (e.g., 38 percent), and thus not incur family fees. However, the Administration proposes to impose family fees "at the same dollar income levels as specified in the 2006-07 family fee schedule," thus imposing a fee on families who are below the 40 percent SMI and who never previously paid such fees. When the current fee schedule was implemented, the Administration agreed – on a one-time basis only – to reduce the starting point at which families would be assessed fees. This starting point for assessing fees, which equaled 44 percent of the state median income (SMI) at that time, was dropped to families earning 40 percent of the SMI under the existing fee schedule.

The Administration's proposal will effectively result in families below the 40 percent SMI incurring family fees in the child care program. We believe imposing family fees for the lowest income families is counter-intuitive and will hurt families. Thus, we request trailer bill language to codify the prior agreement and the Legislative intent to exempt families below 40 percent of the SMI from paying family fees.

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Thank you for your consideration of these concerns.

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