



Date: May 29, 2019

To: The Honorable Holly Mitchell
Chair, Budget Conference Committee

Honorable Members
Budget Conference Committee

From: Frank J. Mecca, Executive Director

**RE: CALWORKS STAGE ONE CHILD CARE 12-MONTH
CONTINUOUS ELIGIBILITY – SUPPORT AND REFINE
BUDGET ESTIMATE PRIOR TO ADOPTION**

The County Welfare Directors Association of California (CWDA) supports the expansion of access to CalWORKs Stage One Childcare by establishing a 12-month minimum eligibility period for Stage One as has been proposed by the Administration in the May Revision and adopted in some form by both the Senate and Assembly. However, we believe the amount of funding currently provided for 2019-20 is insufficient. While the Senate version of the budget adds \$25 million, the Senate’s proposal also adds additional elements beyond those proposed by the Administration. Until the Legislature determines which version of the proposal to adopt, we believe we need to have a discussion about the appropriate costs of the various elements.

CalWORKs recipients are eligible for subsidized childcare services, which are provided in three stages as a recipient’s employment situation stabilizes and the recipient transitions off aid. Stage One Childcare is administered by the California Department of Social Services and county welfare departments and Stages Two and Three are administered by the California Department of Education. Under current law, CalWORKs families in Stage One Childcare transfer to Stage Two when the county determines the recipient’s work or approved work activity to be stable. There is no statutory definition of stability; each county has its own definition. In addition, Stage One Childcare is currently authorized in conjunction with a recipient’s participation in specific welfare-to-work activities and the family’s need. As the activities or the family’s need changes, Stage One Childcare must be reauthorized.

The Governor’s May Revision proposed to provide Stage One Childcare to CalWORKs recipients participating in welfare-to-work activities for a minimum of 12 months before the family can be transitioned to Stage Two and provided \$40.7 million for this expansion in

2019-20 (\$54.2 million ongoing). The Assembly adopted the May Revision proposal. In addition to the May Revision proposal, the Senate added \$25 million in ongoing funding to also provide full-time childcare for the 12-month Stage One eligibility period, include additional program activities and times for which childcare shall be available to CalWORKs families, and establish a data sharing system between county welfare departments and childcare contractors to ensure that childcare is not disrupted during transfer between Stage One and Stage Two.

CWDA supports the additional stability and flexibility for CalWORKs families in Stage One Childcare that would be provided by the proposals adopted by either house. However, the costs of these proposals are currently underestimated. The purpose of providing 12 months of eligibility for Stage One Childcare is to increase access to childcare, both for CalWORKs families currently receiving childcare services and to those who currently do not. **Yet the Administration did not assume any childcare caseload increase resulting from their proposed policy change when they calculated the costs. Nor did the Administration's cost estimate assume that families would utilize more hours of childcare resulting from the proposed policy change,** even though the new policy is designed to minimize the need for reauthorizations of Stage One childcare by authorizing CalWORKs families up front to receive more hours of childcare. It is impossible to know precisely the ultimate behavioral effects of these Stage One Childcare changes prior to implementation, but we believe the cost estimate can and should be refined and is likely higher than what is currently assumed.

The additional elements adopted by the Senate add further costs. The requirement that full-time childcare be provided and the addition of program activities for which childcare must be provided will lead to a greater caseload and utilization impact than the Administration's proposal. The data sharing requirement also has one-time automation costs. The additional \$25 million included in the Senate version will cover at least some of these costs to be sure, and we assume that a portion of the \$25 million is intended to fund the initial automation. But it will likely not also cover the funding shortfall of the underlying Stage One Childcare expansion to 12 months minimum eligibility.

Therefore, CWDA requests that regardless of which version of expanded Stage One Childcare is adopted, there needs to be a discussion about the appropriate level of funding to be included in the 2019-20 budget. This is an expanded entitlement to Stage One Childcare that will need to be provided, whether the services are fully funded or not. However, if adequate funding is not provided up front, then counties will be forced to cut back on CalWORKs welfare-to-work services or eligibility activities, or a combination of both, to ensure that mandated services can be delivered.

Thank you for your consideration.

cc: Jason Sisney, Office of the Assembly Speaker
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