

Summary of Governor's 2017-2018 Early Learning Budget Proposal January 2017

Despite a highly lauded agreement last year to incrementally invest an additional \$527 million in California's early childhood education system by 2019-2020, the Administration's budget proposal essentially freezes funding for 2017-2018 due to slower than expected revenue growth and federal uncertainty. It pauses scheduled increases to provider payment rates and delays the addition of nearly 3,000 new preschool spaces that were planned for 2018. Overall these proposals would cost \$226.8 million, including \$121.4 million from the General Fund and \$105.4 million from Proposition 98. While it includes several policies to help create a more streamlined and efficient early learning system, the budget proposal does not make long called for adjustments to the outdated eligibility requirements used to determine a family's ability to receive child care assistance.

Further Details

- Does not address the urgently growing need to increase the length of time families remain eligible for child care assistance to 12-months, align income eligibility ceilings to the most recent state median income or increase income exit ceilings to ensure families do not lose care as minimum wages rise.*
 - AB 60 (Santiago and Gonzales) has been introduced and proposes the above changes.
- Includes the full-year costs of the provider reimbursement rate increases implemented in 2016-2017, but delays additional rate increases intended (though not formalized in statute) to help providers keep pace with the rising state minimum wage.*
 - Intended, though not formalized in statute, rate increases are on "pause" for one year and what was meant to be three-year implementation plan will be extended by a year.
 - Regional Market Rate (RMR) maintained at the 75th percentile of the 2014 regional market rate survey.
 - The 2016-2017 budget included intent language to increase the ceiling up to the 85th percentile of the survey by 2018-2019.
 - Extends the "hold harmless" clause through June 30, 2018
 - Standard Reimbursement Rate (SRR) maintained at the 5% increase received by providers as of July 2016.
 - The 2016-2017 budget included a 10% increase, however it could not be fully implemented due to technical issues. This proposal does not complete the agreed-upon 10% increase.
- Makes no additional investments to expand child care or preschool programs, despite agreement in last year's budget to grow State Preschool annually through 2019-2020 and the severe shortage of infant and toddler care for eligible low-income families.*
 - Pauses next installment of 2,959 State Preschool full-day slots that would have been available to local education agencies in April 2018.
 - Commitment in 2016-2017 budget was 8,877 new spaces by 2019-2020.
 - Overall State Preschool funding is higher due to annualized costs of first round of 2,959 slots secured in the 2016-2017 budget.
 - Increases CalWORKs Stage 1, 2 and 3 by \$43 million overall to fund changes in child care rates and caseload. Caseload increases are expected in Stage 1 and 2.
 - Non-CalWORKs child care programs received no additional funding to increase services.

4. *Despite rising costs of providing quality child care, does not include a Cost of Living Adjustment for General Child Care, Migrant, Alternative Payment or Care for Children with Severe Disabilities programs.*
5. *Includes policy proposals intended to create administrative efficiencies, increase service to children with exceptional needs and facilitate alignment of preschool and transitional kindergarten, though details have not been made available for review yet.*
- No additional funding designated to support implementation of new policy changes.
 - Three proposals for efficiencies are based off of recommendations made by state contractors during the AB 104 workgroup process, including:
 - Authorizing use of electronic applications for child care subsidies
 - Allowing children with exceptional needs whose families exceed income eligibility access to part-day preschool if other eligible children have been served
 - Aligning the state's definition of homelessness with the federal McKinney-Vento Act for purposes of eligibility.
 - Three proposals addressing preschool and transitional kindergarten implementation include:
 - Eliminating licensing requirements for state preschool programs utilizing facilities that meet transitional kindergarten standards
 - Allowing state preschool programs flexibility in meeting minimum adult-to-student ratios and education requirements
 - Simplifying the process that school districts use to align program minutes for state preschool and transitional kindergarten.
6. *No proposals included to extend the Infant and Toddler QRIS block grant, implement annual licensing inspections or further build out the consumer education database and workforce registry.*
- The total budget for quality improvement initiatives funded through the Child Care Development Fund (CCDF) will be reduced by \$5.7 million since one-time carryover funds are no longer available.
 - Federal quality improvement budget now totals roughly \$79.8 million.
 - The CSPP QRIS block grant remains intact at \$50 million in Proposition 98.