

## SPECIAL SESSION AGENDA

### Welcome and Introductions

- |      |  |                         |
|------|--|-------------------------|
| 2:30 | 1. Comments from the Chair                     | Jackie Majors,<br>Chair |
| 2:35 | 2. Roll Call of Members, Alternates and Guests | Erica Weiss,<br>OAECE   |

### Public Policy

- |      |   |  |
|------|---|--|
| 2:40 | 3. Revisions to Governor's FY 2020-22 Budget Proposals for Early Care and Education | Michele Sartell.<br>OAECE              |
|      | ▪ Analysis and Recommended Pursuits of Position                                     | <b>Action Item</b>                     |
|      | 4. Roll Call of Members/Alternates  | Erica Weiss,<br>OAECE                  |
| 2:55 | 5. Public Comment   | Jackie Majors,<br>Chair                |
| 3:00 | 6. Call to Adjourn  | Karla Pleitéz<br>Howell,<br>Vice Chair |

### Next Meeting:

Wednesday, June 10, 2020, 10:00 a.m. to 11:30 a.m.

### Vision

Children are healthy, thriving, and have equitable opportunities to achieve optimal development and succeed in life.

### Mission

Lead, build, and strengthen an affordable and high-quality early care and education system for the children and families in Los Angeles County.

This page intentionally blank.

## BUDGET ANALYSIS AND RECOMMENDED PURSUIT OF POSITION

**Governor's Revised Proposal for Fiscal Year (FY) 2020-21 Budget:** The Governor's revisions to his proposed budget (May Revise) for Fiscal Year (FY) 2020-21 retracts new investments in the early care and education system that would have improved access to subsidized services for families with children from birth through 12 years old, funded grants for professional development of the workforce and facility development, and created a child care data system. Furthermore, the budget proposes reductions in existing programs and services unless the federal government provides additional funding to states and local governments to maintain essential services and support pathways to recovery. Among the proposed cuts are reductions in the reimbursement rates for direct contract and voucher-based programs and cost-of-living adjustments. In addition, the Governor modifies his proposal to shift most early care and education programs out of the California Department of Education into a new department under the California Health and Human Services Agency into the California Department of Social Services.

**Corresponding Bills:**

Not Available

**Office for the Advancement of  
Early Care and Education  
Analyst:**

Michele P. Sartell  
(213) 639-6239 | Direct  
(323) 594-1244 | Mobile

**Summary of Governor's Budget Proposal:**

**Reductions in the California State Preschool Program and General Child Care for Low-Income Families**

The Governor proposes allocating the \$53.3 million federal Child Care and Development Block Grant funds for federal fiscal year 2020 to increase access for approximately 5,600 children in the Alternative Payment Program. On the other hand, while the Governor remains committed to achieving universal preschool for all children, the May Revise proposes a pause on additional investments given the current fiscal climate. More significantly, the budget proposes reductions to the subsidized early care and education programs serving infants and toddlers, preschoolers and school age children administered by the California Department of Education (CDE) that may be reversed if the federal government provides enough funds to restore the cuts.

The breakdown of the proposed reductions totaling \$407.6 million are as follows:

- Reduces the standard reimbursement rate (SRR) for CDE-contracted center-based programs serving infants and toddlers and school age children through 12 years old and California State Preschool Program (CSPP) serving three and four year old children by 10 percent and the Regional Market Rate for the voucher-based programs serving children birth through 12 years old of low-income families (\$94.6 million Proposition 98 General Fund and \$291.1 million General Fund).
- Eliminates 10,000 slots in CSPP scheduled to begin April 1, 2020 and 10,000 additional slots scheduled to begin April 1, 2021 (\$159.4 million General Fund).
- Suspends the cost-of-living adjustment (COLA) of 2.31 percent (\$20.5 million Proposition 98 General Fund and \$36.9 million General Fund).

- Eliminates the one percent add-on to the full-day CSPP reimbursement rate (\$3.3 million Proposition 98 General Fund and \$3 million General Fund).
- Proposes statutory changes to eliminate the Early Learning and Care Workforce Development and Infrastructure Grant funds from the 2019 Budget Act (\$363 million one-time General Fund).
- Withdraws the \$75 million in Proposition 98 General Funds proposed in the January budget for the Inclusive Education Expansion Program.
- Eliminates the \$10 million one-time General Fund from the 2019 Budget Act for child care data systems.
- Reduces by \$4.4 million one-time General Fund resources available for the Early Childhood Policy Council, leaving \$2.2 million available for both 2020-21 and 2021-22.

### **CARES Act Funding for Child Care**

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748; Approved by President, March 27, 2020) appropriated \$3.5 billion for the Child Care and Development Block Grant to allow child care programs to maintain critical operations, including meeting emergency staffing needs and ensuring first responders and health care workers can access child care while they respond to the pandemic. California received its allocation of \$350.3 million in late April.

The Governor proposes using the federal funds as follows:

- Make statutory changes to offset General Fund costs associated with the COVID-19 impact on child care programs inclusive of \$50 million for child care services to at-risk and essential worker populations, \$50 million for cleaning and sanitation supplies, and \$44.3 million for continued payments and assistance to providers and families due to decreased enrollment.
- Allocate \$125 million for one-time stipends for state-subsidized early learning and care providers that remained open or intend to re-open during the COVID-19 pandemic.
- Increase access to care for at-risk children and children of essential workers (\$73 million).
- Offset the General Fund costs for extending family fee waivers of which \$2 million is available for CalWORKs Stage 1 Child Care until June 30, 2020 (\$8 million).

### **Shift of Early Learning and Care Programs to Department of Social Services**

The Governor's Budget proposal released in January included \$6.8 million General Fund in 2020-21 and \$10.4 million ongoing General Fund to transition the existing early learning and child care programs, except the California State Preschool Program (CSPP), from the California Department of Education (CDE) and the California Department of Social Services (CDSS) to a newly established Department of Early Childhood Development under the California Health and Human Services Agency (CHHS). The Governor's May Revise modifies the original proposal by transferring the child care and development programs, except CSPP, from the CDE to the CDSS to align all child care programs within a single department in state government and ease the administration of collective bargaining commencing later this year (\$2 million General Fund in 2020-21 to support the transition).

## **Analysis:**

Early care and education services nurture children's healthy growth and development while supporting working families. The COVID-19 crisis has raised up early care and education as an indispensable part of the critical essential infrastructure workforce necessary for supporting health care, front-line and other essential workers and, going forward, foundational to the state's economic recovery. The May Revise proposals for early care and education will decimate the availability of subsidized early care and education services for children of low-income families, an already fragile, struggling field due to reimbursement rates that fail to meet their true operational costs. The consequences of COVID-19 that now require smaller group sizes and higher staff to child ratios as well as the implementation of more intensive cleaning of classrooms poses an additional threat to the survival of programs if the state does not fully leverage the federal funds to supplement the state investment and reimbursement rates are cut.

This analysis focuses on the two significant areas of concern for the field: the proposed cuts to reimbursement rates and the use of CARES funding to reimburse the state for emergency expenditures. In addition, it briefly addresses the Governor's proposal to shift early care and education programs currently administered by the California Department of Education to the California Department of Social Services, however without offering a recommended position.

### *Impact of Proposed Cuts to the Reimbursement Rate System*

Currently, California has a complicated, dual system for reimbursing subsidized early care and education services for low-income families: the Standard Reimbursement Rate (SRR), which is paid directly to CDE-contracted agencies operating centers and sponsoring Family Child Care Home Education Networks to serve children of income-eligible families; and the Regional Market Rate (RMR), which is used to pay license centers and family child care homes as well as license-exempt providers (commonly referred to as family, friend or neighbor) accepting subsidy vouchers from families received through the Alternative Payment Program or one of the three stages of the CalWORKs Child Care programs.

The SRR is paid at a flat, daily rate to agencies that must meet higher and more costly quality standards as defined by Title 5 in addition to the Title 22 standards for basic health and safety regardless of the economic cost drivers within the respective county. In contrast, the RMR reimburses child care providers based on geographic economic cost factors determined through a RMR survey conducted every two years that considers the private market for child care and preschool services. Licensed providers, centers and family child care homes reimbursed with the vouchers are required to meet Title 22 standards for basic health and safety, while license-exempt providers serving families with the vouchers are held to less stringent standards, mostly related to criminal background checks depending on the provider's relationship to the family. In some areas of the state, reimbursement under the RMR may exceed reimbursement under the SRR, creating a discrepancy in payment to programs that must meet a higher level of quality under the Title 5 standards as stipulated in the California Education Code.

Accordingly, the SRR for direct service contracts would be reduced from the current full-day rate per child of \$48.28 and part-day rate of \$29.90 to \$43.45 and \$26.91 respectively. The existing rates for the RMR per child in Los Angeles County are \$3.55 per hour for family, friend and neighbor (FFN), \$11.34 for a licensed family child care home and \$16.28 for a licensed centers for an infant. The 10 percent cut would result in \$3.10 an hour for an infant served by a FFN, \$10.21 for a family child care provider, and \$14.66 for a center-based program. As of 2018, an

estimated 109,940 children from birth to five years old of income eligible families were able to access subsidized early care and education services in Los Angeles County. An additional 205,277 children birth to five-years-old of income eligible families did not have access to care. The CDE contracts with 147 agencies representing 853 sites in Los Angeles County, including school districts and faith-based and private, non-profit organizations to serve low-income families directly in center-based programs, or with vouchers by centers, family child homes, or family, friend or neighbor care.

Notably, family child care homes are the backbone of California's early care and education system and because of their smaller facility size, are better positioned to serve smaller groups of children in accordance with COVID-19 public health guidance. In fact, 60 percent of family child care programs remained open at the onset of the pandemic, compared to 30 percent of centers. In many places across the state, family child care homes are the only option for families to find affordable programs, care for infants and toddlers, and services during nontraditional hours. In Los Angeles County, 93 percent of income eligible babies and toddlers lack access to a publicly funded early care and education program.<sup>1</sup> Yet, family child care homes bear the burden of historic underinvestment in compensation, lack of supports including professional development, no increase in pay relative to educational attainment or experience, and inequitable access to health care and wellness benefits. These gaps in adequate supports have made it difficult for many family child care homes to stay open; 2019 was the tenth consecutive year California experienced a decline in its family child care home supply. Since 2008, California has lost 30 percent of California's family child care homes.<sup>2</sup>

Avoiding rate reductions would mitigate the challenges centers and family child care homes, mostly staffed by women of color, are facing with remaining operational. The bigger risk is the loss of programs to the children and families currently served as well as those on waiting lists if reimbursement rates are cut. The triggers to avoid cuts dependent on another influx of federal funds are unknown. Unfortunately, the Senate and the federal administration have expressed their opposition for the HEROES (Health and Economic Recovery Omnibus Emergency Solutions) Act (H.R. 6800) passed on May 15<sup>th</sup> by the House, the fifth emergency relief bill that would invest an additional \$7 billion into the federal Child Care and Development Block Grant.

#### *Use of CARES Funding to Reimburse the State for Emergency Expenditures*

On April 10<sup>th</sup>, Governor Newsom announced the release of \$100 million to support child care services for essential workers and vulnerable populations. Of the funding, \$50 million was allocated to the CDE to pay for up to 20,000 limited-term additional state-subsidized slots for child care. Of the \$50 million, \$10.665 million was awarded to Alternative Payment Program agencies in Los Angeles County to serve children of essential workers. The other \$50 million was allocated through the CDE to local child care resource and referral (R&R) agencies to ensure child care centers, and family provider homes are safe and clean for the children and families they are serving. The eight R&Rs serving Los Angeles County awarded the funds to centers and family child care homes serving essential workers to purchase gloves, face coverings, cleaning supplies, and other items needed for cleaning and sanitizing their environments and keeping children and their staff safe.

---

<sup>1</sup> Advancement Project. *Building California's Future: Tackling the Facilities Challenge for Our Youngest Learners*. See <https://www.advancementprojectca.org/ece-facilities>.

<sup>2</sup> California Child Care Resource & Referral Network. *2019 California Child Care Portfolio Summary*. [https://rrnetwork.org/assets/general-files/Summary\\_rev3.pdf](https://rrnetwork.org/assets/general-files/Summary_rev3.pdf).

In late April, the U.S. Department of Health and Human Services, Administration for Children and Families allocated \$350.3 million of the supplemental Child Care and Development Block Grant (CCDBG) funds appropriated in the CARES Act to California to prevent, prepare for, and respond to the COVID-19. Allowable uses of the funds through September 2021 include: continuing payments and assistance to early care and education programs in cases of decreased enrollment or closures related to COVID-19, and to ensure they are able to remain open or reopen; paying staff salaries and wages of child care providers; providing child care assistance to health care sector employees, emergency responders, sanitation workers, and other workers deemed essential during the response to COVID-19 regardless of income eligibility requirements; funding to child care providers for the purposes of cleaning and sanitation, and other activities necessary to maintain or resume program operation; and meeting allowable obligations incurred prior to enactment of the CARES Act.

The Governor proposes using \$144 million of the federal CCDBG funds to pay back the state for its allocation of funding for family fee waivers, meeting the early care and education needs of the essential workforce and at-risk populations, and cleaning and sanitation supplies. The supplemental CCDBG funds in totality are necessary to further meet the needs of essential workers and the programs that serve them during this crisis. Early care and education programs are facing escalating economic challenges in response to public health directives for smaller group sizes of children to implement physical distancing standards and more intense cleaning and sanitizing efforts to ensure the health and safety of the children and their staff. Many programs were already facing challenges with keeping their doors open prior to the COVID-19 crisis. Administrators of CDE-contracted agencies report that limits to group sizes of children will impact their ability to fully earn their contracts even as operational costs go up associated with higher staff to child ratios, individualized materials to support physical distancing, disposable meal service supplies, and implementation of intensive and ongoing cleaning to maintain the health and safety of the classroom environments. Fully leveraging the federal funds to supplement the state investment is vital to ensuring that centers and family child care homes may re-open and remain open during and survive the crisis.

#### *Proposal to Shift Early Care and Education Programs to the Department of Social Services*

In January, the Governor proposed transitioning all early care and education subsidy programs, except the CSPP, from the CDE to a new Department of Early Childhood Development under the California Health and Human Services Agency (CHHSA), which currently oversees the work of the Master Plan on Early Learning and Care and Early Childhood Policy Council. The proposal also included a shift of CalWORKs Stage 1 Child Care and the Emergency Child Care Bridge Program for Foster Children into this new department. The purpose of the new department was to improve alignment among the early care and education programs and coordinate the integration of services to more comprehensively meet the needs of children and their families. As a cost saving measure and to achieve the goal of aligning programs, the Governor's May Revise proposes shifting the early care and education programs currently under the CDE, except CSPP, into the California Department of Social Services (CDSS).

For background, the CDE administers state subsidized early care and education programs meeting the needs of children birth through 12 years old of eligible families with incomes up to 85 percent of State Median Income (SMI). The CDE contracts with local agencies to provide services directly in centers and/or family child care homes or with vouchers that allow families to choose among licensed centers, family child care homes or license-exempt providers (e.g. family, friend

or neighbor). The CDSS administers CalWORKs Stage 1 Child Care and the Emergency Child Care Bridge Program for Children in Foster Care (Bridge Fund) with funding going to the local county welfare departments to issue vouchers to license or license-exempt child care providers respectively meeting the needs of families participating in welfare-to-work activities and, on a temporary basis, to meet the immediate needs of children placed in foster care.<sup>3</sup>

As of 2019-20, the CHHSA received one-time funds to develop the Master Plan for Early Learning and Care (Master Plan) that includes studying and preparing recommendations in five areas: – finance, facility, access, quality and universal preschool. The Master Plan is due to the Governor, legislative policy and budget committees, State Board of Education, Superintendent of Public Instruction, Director of the State Department of Social Services, and the Director of Finance by October 1, 2020. In addition, CHHSA convenes the Early Childhood Policy Council (ECPC) comprised of researchers, parents and providers to prepare recommendations to the Governor, Legislature and Superintendent of Instruction on early care and education issues.

The proposal to shift early care and education programs from the CDE to the CDSS to promote alignment without a clear plan seems premature, particularly during a time of economic crisis, with the potential to further bifurcate an already complicated system of services. Moreover, the work underway on the development of the Master Plan informed in part by the Assembly Blue Ribbon Commission on Early Childhood Education's report released in April 2019 and stakeholder input as well as the work of the Early Childhood Policy Council should contribute to decisions about best strategies for aligning the overall system of early care and education.

No recommended position is offered on this item, however it is an important issue to track as the legislature considers this proposal.

**Recommended Position for Board Approval:**

The Policy Roundtable for Child Care and Development (Roundtable) recommends that the Board of Supervisors adopt the following pursuits of positions:

- Oppose the Governor's proposed cuts to the Standard Reimbursement Rate and Regional Market Rate used to reimburse subsidized early care and education services.
- Oppose the Governor's proposal to sweep of the federal CCDBG supplemental funds to backfill the General Fund costs associated with COVID-19.
- Advocate for using CARES Act funding and redirecting the child care workforce and Infrastructure grant funds, data system funding and reduction to the Early Learning Planning Council to: backfill the proposed rate reductions: continue family fee waivers; hold harmless all early care and education programs ensuring that they continue to receive reimbursement for their full contract amount and keep staff engaged in serving children and their families based on FY 2019-20 contract amounts through FY 2020-21; assist with COVID-19 group sizes and staffing ratios; allocate funding to programs so that they may re-open and stay open,

---

<sup>3</sup> In Los Angeles County, the Department of Public Social Services contracts with 11 agencies to administer the CalWORKs Stage 1 Child Care and Bridge Fund programs. These local agencies also administer contracts with the California Department of Education for the Alternative Payment Program and CalWORKs Stages 1 and 2 Child Care programs.



and provide professional development related to trauma and other COVID-19 related supports.

These positions are consistent with County policies as follows:

1.3 Child Care and Development

1. Support efforts to enhance the quality of early care and education that set high quality standards for all services and program types and address the needs of all children, including those with disabilities and other special needs and their families.
3. Support efforts to develop and sustain a well-educated and highly skilled professional workforce prepared to serve the culturally and linguistically diverse child and family populations of Los Angeles County.
5. Support efforts to adequately fund high quality early care and education services for all children from low- and moderate-income families.
8. Support efforts to ensure that vulnerable children and their families have access to consistent, uninterrupted subsidized early care and education services.

Completed by: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

Pending Approvals