

RECOMMENDED PURSUIT OF POSITION – GOVERNOR’S 2023-24 BUDGET PROPOSAL: EARLY CARE AND EDUCATION

Introduction

The Policy Roundtable for Child Care and Development, in consultation with the Child Care Planning Committee, recommends that the Board of Supervisors adopt the proposed pursuit of position to increase investments in the early care and education system in two areas:

- 1) Continue Child Care Family Fee Waivers for all State Subsidized Early Learning and Care Programs through June 30, 2024
- 2) Increase Current Reimbursement Rates for State Subsidized Early Care and Education Programs by 25%

This document provides a brief analysis of each proposed budget item and justification. It concludes with the recommended pursuit of position and consistency with existing County legislative policies.

1) Continue Child Care Family Fee Waivers for all State Subsidized Early Childhood Services through June 30, 2024

Summary Analysis of Proposed Budget Item

Early care and education programs provided a critical service to children and families throughout the COVID-19 pandemic by remaining open and/or re-opening to support working families, many of whom earn a low income and rely on subsidized child care services. During the pandemic the state took temporary actions by waiving family fees for state subsidized child care programs. These actions played an essential role in preventing the child care system from collapsing and helping working families earning a low income access to child care services. These investments continue to be just as critical amid the current economic downturn and increased inflation levels. According to the Economic Policy Institute, “California is ranked third out of 50 states and the District of Columbia for most expensive infant care.”¹ Families continue to struggle to afford basic needs, particularly in communities of color which were impacted the most by the pandemic. The family fee waivers for state subsidized child care are due to sunset June 30, 2023, and many families in California will begin receiving a monthly bill of up to \$595 starting July 2023. In response to the Governor’s budget, the ECE Coalition released its 2023-24 Budget letter, signed by more than 30 organizations, requesting family fees to be eliminated. Assembly Majority Leader Eloise Gómez Reyes and Senator Monique Limón introduced legislation, AB 596 and SB 380 respectively, to “make child care more accessible to all families by suspending the family fee waiver until a sliding scale for family fees can be established to make it possible for low-income families to access affordable child care.”² Continuing the family fee waivers for an additional 12 months will also provide families needed time to financially recover and progress from the impacts of the pandemic.

¹ Economic Policy Institute. *Child Care Costs in the United States*. <https://www.epi.org/child-care-costs-in-the-united-states/#/CA>

² Assembly Majority Leader Eloise Gomez Reyes. *Assembly Majority Leader Reyes and Senator Limón Introduce Child Care Reform Legislation*. February 2023. <https://a50.asmdc.org/press-releases/20230209-assembly-majority-leader-reyes-and-senator-senator-limon-introduce-child>

Justification

Prior to the COVID-19 pandemic families shouldered high child costs and this has been exacerbated by the pandemic, an economic downturn, and increased inflation levels. It will take time for programs and families to fully recover from the impact of the pandemic. Waiving family fees will reduce the hardships imposed on families during the pandemic by relieving them of making difficult choices about paying for food, rent, or child care. It is recommended that LA County support the ECE Coalition's request for extending the family fee waivers.

2) Increase Current Reimbursement Rates for State Subsidized Early Care and Education Programs by 25%

Summary Analysis of Proposed Budget Item

Current child care reimbursement rates do not cover the full cost of operating early care and education programs serving income eligible families. The ECE Coalition is also requesting to increase the reimbursement rate by 25% to cover the full cost of care. Low reimbursement rates directly impact the wages earned by the early care and education workforce largely comprised of Black and Latinx women, falling far short of providing compensation based on education and experience. Consequently, state-contracted agencies are finding it harder to recruit and retain qualified staff and family child care home providers are leaving the field for more lucrative professions to support their families.

The Budget Act of 2021 transitioned agencies holding direct service contracts with the state for center-based early care and education services from reimbursement based on the Standard Reimbursement Rate (SRR) to the Regional Market Rate (RMR) ceiling used to reimburse providers (centers, family child care homes, and family/friend/neighbor) accepting subsidy vouchers from income eligible families. The reimbursement rate for centers and family child care homes is currently at the 75th percentile of 2018 RMR survey and continues to be outdated and significantly lags behind the rate of inflation. As a comparison, since 2016-2017 California's minimum wage has increased by more than 50% and the RMR for LA County child care programs has only increased by 21%. Based on the P-5 Fiscal Strategies 2022 report the RMR reflects what families in a community can afford and not the true cost of care, thus creating "an inequitable system that perpetuates inequality between higher-income and lower-income communities... exacerbates lower-quality settings and lower wages across child care, disproportionately affecting low-income communities, minority groups, and communities of color."³ The Assembly Majority Leader Reyes' and Senator Limón's legislation, AB 596 and SB 380 respectively, also intends to update the current reimbursement rate methodology to ensure child care providers are paid equitably for their work. California's early care and education workforce composition is: 98% women; 71% of family child care providers and 66% of center based providers are people of color; and approximately 50% of family care and center based providers earn a wage low enough to qualify state and/or federal subsidy such as Medicaid, WIC, and SNAP.⁴

Justification

Prior to the pandemic and currently low reimbursement rates have complicated efforts to fund and deliver high-quality early care and education programs that promote children's optimal development while addressing the health, safety, and overall well-being of the children served. Insufficient funding limits programs' ability to increase compensation and offer benefits such as health insurance and retirement, adequately resource programs, and incentivize quality

³ Capito, Jeanna; Fallin Kenyon, Katie; and Workman, Simon. "Understanding the True Cost of Child Care in California: Building a Cost Model to Inform Policy Change," 2022, page 1.

⁴ Center for the Study of Child Care Employment, CA ECE Workforce Study

improvement efforts, ultimately limiting access and forcing many child care providers out of business. Furthermore, basing reimbursement on outdated market rates fails to consider the actual cost of care.

In Los Angeles County, some centers and family child homes closed early in the pandemic while many remained open to serve essential workers and provide ongoing services to families earning a low income. Centers and family child care homes continue to endure the challenges of meeting their operating costs to rebuild their programs to reach enrollment targets and fill vacant positions. For many programs, the low reimbursement rates result in low wages, making it difficult to recruit and retain staff and fully enroll children of income eligible families. Family child care home providers, an essential part of the early care and education system, report struggling to meet their costs and often sacrifice their salary to cover operating expenses including paying their assistants. It is recommended that LA County support the ECE Coalition's request to increase the reimbursement rate.

Recommended Pursuit of Position – Support

The Roundtable, with input from the Planning Committee, recommends a position of support for greater investments in the early care and education system as follows:

- 1) Continue Child Care Family Fee Waivers for all State Subsidized Early Childhood Services through June 30, 2024;
- 2) Increase Current Reimbursement Rates for State Subsidized Early Care and Education Programs by 25%

County Legislative Policy

These positions are consistent with County policies as follows:

1.3 Child Development and Early Care and Education

5. Support efforts to adequately fund high quality early care and education services for all children from low- and moderate-income families.
6. Support the streamlining of California Department of Education and Social Services administrative processes to expand access for low-income families, ensure continuity of care, and promote flexible use of early care and education funding to meet the needs of families.
8. Support efforts to ensure that vulnerable children and their families have access to consistent, uninterrupted subsidized early care and education services.

Supporting Materials

The recommended pursuits of position also are consistent with local and statewide entities including the following:

- P-5 Fiscal Strategies. Capito, Jeanna; Fallin Kenyon, Katie; and Workman, Simon. *Understanding the True Cost of Child Care in California: Building a cost model to inform policy change*. August 2022
https://www.prenatal5fiscal.org/files/ugd/8fd549_831af20bfb4142b59fda11194bb908fd.pdf
- Child Care Reimbursement Rates: Assembly Bill No. 596, Introduced by Assembly Member Reyes (principal coauthor: Senator Limón)

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB596

- Child Care Reimbursement Rates: Senate Bill No. 380, Introduced by Senator Limón (principal coauthor: Assembly Member Reyes)
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB380
- Assembly Majority Leader Eloise Gomez Reyes. *Assembly Majority Leader Reyes and Senator Limón Introduce Child Care Reform Legislation*. February 2023
<https://a50.asmdc.org/press-releases/20230209-assembly-majority-leader-reyes-and-senator-senator-limon-introduce-child>
- ECE Coalition Budget Letter. *The Early Care and Education’s 2022-23 Budget Priority Ask*. February 22, 2023
- Child Care Resource Center. *Child Care Providers’ Rates are Still Not Keeping Pace with Inflation*.
https://www.ece4all.com/files/ugd/e7347e_f1709421aca74cb4be1010bea39dc109.pdf

Additional sources:

- Bipartisan Policy Center. *The Limitations of Using Market Rates for Setting Child Care Subsidy Rates*. May 2020
<https://bipartisanpolicy.org/report/the-limitations-of-using-market-rates-for-setting-child-care-subsidy-rates/>
- Cal Matters. Aguilera, Elizabeth. *I’m Already Stressed Out’: Families to Face Bigger Bills for Subsidized Care as California Ends Waivers*. October 2022
<https://calmatters.org/children-and-youth/2022/10/subsidized-child-care/>
- California Budget & Policy Center. Saucedo, Erik. *California’s Subsidized Child Care Providers Urgently Need a Pay Raise*. February 2023
<https://calbudgetcenter.org/resources/californias-subsidized-child-care-providers-urgently-need-a-pay-raise/>
- Market Watch. Albrecht, Leslie. *Child-care costs are outpacing inflation – the average cost of daycare for infants now exceeds in-state college tuition fees*. February 2022
<https://www.marketwatch.com/story/child-care-costs-are-outpacing-inflation-the-average-cost-of-daycare-for-infants-now-exceeds-in-state-college-tuition-fees-11644867995>
- California Legislative Women’s Caucus. *Women’s Caucus Releases Statement on Governor Newsom’s Proposed Budget*. January 2023
<https://womenscaucus.legislature.ca.gov/news/2023-01-10-women%E2%80%99s-caucus-releases-statement-governor-newsom%E2%80%99s-proposed-budget>
- Economic Policy Institute. *Child Care Costs in the United States*.
<https://www.epi.org/child-care-costs-in-the-united-states/#/CA>