

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/01/2016
POSITION: Oppose
SPONSOR: Parent Voices, Child Care Law Center

BILL NUMBER: AB 2150
AUTHOR: Santiago, Miguel

BILL SUMMARY: Subsidized Child Care and Development Eligibility

For state-subsidized child care and development programs, this bill establishes that a family determined to be eligible for a child care subsidy continues to be eligible for that subsidy for 12 months, regardless of change in need or income, unless income exceeds 85 percent of the current state median income.

FISCAL SUMMARY

The Department of Finance estimates the ongoing cost of 12 months of eligibility as up to \$29.9 million General Fund for the CalWORKs Stages 2 and 3 child care programs, which are funded as entitlements, and \$30.8 million General Fund and \$7.6 million Proposition 98 General Fund in cost pressures for all other non-entitlement child care programs.

In addition, Finance estimates that increasing income eligibility limits will result in out-year General Fund costs in the low tens of millions in CalWORKs Stages 2 and 3, with cost pressures in capped child care programs in the low tens of millions General Fund and the low millions Proposition 98 General Fund.

It is unlikely that the bill will result in any costs in CalWORKs Stage 1 child care as Stage 1 has different eligibility guidelines for participating families than other child care programs.

According to the Department, this bill results in General Fund administrative costs to update regulations of \$101,000 in 2017-18 and \$46,000 in 2018-19. Finance believes these costs are minor and absorbable.

COMMENTS

Finance is opposed to this bill for the following reasons:

- The bill increases the number of families eligible for subsidized child care while many families eligible under existing income limits do not have access to child care subsidies. Finance estimates that 15 percent of children that are currently eligible for state and federally subsidized child care have access to care. Increasing eligibility will reduce the percentage served and leave more families on wait lists.

Analyst/Principal (0363) C.Ferguson Date Program Budget Manager Jeff Bell Date
Department Deputy Director Date
Governor's Office: By: Date: Position Approved Position Disapproved
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COMMENTS (continued)

- The bill creates ongoing General Fund costs in the tens of millions, with additional cost pressures in the tens of millions General Fund and low tens of millions Proposition 98 General Fund, to expand child care and development program eligibility. Between fiscal years 2013-14 and 2016-17, the state has invested \$432 million Proposition 98 General Fund and \$472 million General Fund to increase child care and preschool access, reimbursement rates, and program quality. Increasing General Fund costs beyond these amounts is inconsistent with the Administration's efforts to maintain a balanced budget and to better align expenditures with available revenues.

Current law establishes income eligibility for subsidized child care programs at 70 percent of the 2007 state median income, adjusted by family size. This bill updates the initial income eligibility of a family to 70 percent of the most recent state median income and allows for a family to remain income-eligible up to 85 percent of the most recent state income. The Department annually publishes an eligibility schedule for use by contracted child care agencies that administer both direct contract centers and voucher-based care for eligible families. Eligibility requirements apply to CalWORKs Stage 2 and Stage 3 and capped programs administered through vouchers or direct contract centers.

Title 5 of the California Code of Regulations requires that families receiving child care subsidies report changes in income, family status, and need for care within five days of the change occurring. Title 5 also requires that state child care providers re-certify a family's eligibility and need for care within 30 days of the reported change. Migrant families, children under county care of child protective services, and children who are abused, neglected, exploited, or at risk are exempted from these requirements. This bill specifies that a child, upon enrollment in a state or federally funded child care program, is guaranteed eligibility for the remainder of a program year. This will allow families receiving services who subsequently have an increase in income above state or federal child care income limits, or who no longer demonstrate need for child care services, to continue to receive services through the end of the program year.

Additionally, existing law also allows families that become unemployed while receiving child care subsidies 60 days to maintain child care services while they look for work. This bill extends this grace period to six months.

Increased eligibility results in increased General Fund costs in the CalWORKs child care entitlement programs and longer wait lists and increased cost pressures in the capped programs. Increasing eligibility for the capped programs will not result in additional children being served; these programs are already extremely impacted under existing eligibility criteria. Finance estimates that 15 percent of children that are currently eligible for state and federally subsidized child care have access to care (when subsidized after school programs are included, this number increases to 30 percent). Increasing eligibility will reduce the percentage served and leave more families on wait lists.

Under existing law, eligible families can access state subsidized child care services through vouchers from counties and alternative payment program providers or from providers that contract directly with the state (e.g. child care centers, preschools, or family child care homes). Voucher-based care is administered under Title 22 of the California Code of Regulations, and is offered through centers, family child care homes, or licensed-exempt providers (e.g., relatives or neighbors). Direct-contracted care is administered under Title 5, is offered in child care centers and family child care homes, and is required to include an educational component and meet additional teacher education and staff-to-child ratio requirements. The CalWORKs Stage 2 and 3 child care programs are voucher-based and an entitlement for qualified applicants, whereas the General Child Care and other direct-contracted child care programs are funded as capped appropriations.

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2016-2017 FC	2017-2018 FC	2018-2019	
6100/Dep of Educ	SO	No		----- No/Minor Fiscal Impact -----			0001
6100/Dep of Educ	LA	Yes		----- See Fiscal Summary -----			0001
6100/Dep of Educ	LA	No		----- See Fiscal Summary -----			0001