

CHILD CARE REALIGNMENT IMPACT REPORT

2003-2004 Governor's Budget

Proposed Child Care and Development Realignment

The proposed 2003-2004 Realignment of Child Care and Development (Early Care and Education) Programs in the State of California will dramatically alter the future of subsidized child care and development. Realignment will transfer the administration of all child care and development programs, with the exception of State Preschool and the After School Education and Safety programs, to the counties. It is part of the Governor's \$8 billion realignment proposal, which covers a variety of state programs, including Medi-Cal, in-home supportive services, child welfare, foster care, and food stamps. Child care and development realignment will have negative consequences for the 281,000 families and 443,000 children receiving state-subsidized child care and development, now operated by approximately 850 CDE-contracted agencies.

Compromises Quality Child Care and Development

1. 153,000 children in center based programs may lose care on July 1, 2003.
2. Jeopardizes minimum standards for child development centers, particularly those regulated under the CDE's Title 5 regulations, which are currently in place to provide uniform standards and to ensure high quality child care and development for low income children and families.
3. Eliminates statewide infrastructure that supports high quality child care and development programs.
 - Programs that will be affected include statewide preparation of qualified teachers, infant-toddler programs, and resource and referral services.
 - Requires counties to develop new, separate administrative structures without the advantages of an existing statewide structure. This is inconsistent with the stated goal of reducing bureaucracy and administrative costs.

Threatens School Readiness

4. Decentralization undermines school readiness efforts and linkages between early education and California's educational system (K-12).
5. Contradicts recommendation of the Education Master Plan, which recognizes the value of infant-toddler and full day, full year preschool programs and the continuum with K- 12 education. Local educational agencies, not county administrative offices or social services departments, have experience with education programs.

Impact on Families

6. Assigns implementation responsibility to counties. Child care and development funds could be directed to other children and adult entitlements.
7. Creates different rules in every county due to county flexibility. Fifty-eight systems must be developed. Fragments existing services and quality structures for families and programs. Families that move will not have a statewide infrastructure with standards/eligibility requirements or assistance to transition from county to county.
8. Creates difficulties in complying with federal law, which requires States to spend at least 4 percent of their child care and development discretionary funding on quality activities. Makes it very difficult for small and rural counties with limited resources to develop activities that meet federal quality and matching fund requirements. Families will find that providers in these counties will not have the same support as providers in other counties.
9. May jeopardize State Preschool programs that are combined with other funding streams to meet families' employment and training needs.

Jeopardizes Federal Funding

10. May result in a significant loss of federal child care and development block grant funds if current federal requirements such as designating a single state agency, establishing an accountability system for local expenditures of funds, reporting mandatory data, and obligating current federal fiscal year funds aren't addressed and resolved in a timely manner.
11. May result in Federal Fund sanctions of up to 4 percent of federal discretionary funds (up to \$10 million at risk, annually). Realignment proposal does not address or provide funding for federal reporting requirements that must be met for CCDF-funded programs and for programs identified as state match and maintenance of effort (currently General Child Care and Development programs). Federal government requires monthly reporting on individual families, not just aggregate reporting.

Increases Administrative Costs

12. Diminishes or eliminates the State's role in oversight, standard setting, accountability, data collection, and fiscal management.
13. Increases administrative costs for child care and development by requiring 58 new county administrative structures, funded out of county child care and development budgets. CDE currently administers these programs at 0.6 percent of program costs.

Puts Child Care and Development Funding at Risk

14. Proposed funding sources – sales tax, increased tax rates for high end income brackets, cigarette tax – may not yield reliable funding levels.
15. No firewalls are proposed to protect child care and development from increasing demands from other realigned programs; the proposal gives counties discretion to spend funding on *any* realigned program.

Undermines Accountability

16. Eliminates central data collection, and doesn't address accountability mechanisms. One of the issues identified by the LAO with prior social service realignment efforts (that this proposal is modeled after) is lack of data and accountability.
17. No basis for assumption that delegating to counties will reduce fraud associated with AP programs.
 - CDE has already instituted increased monitoring of child care providers by both AP agencies and CDE staff to identify/reduce fraud or abuse.
 - Different rules in different counties may actually present more opportunities for fraud.

Resources

18. The negative consequences of realignment will have a disproportionate impact in already underserved areas and on minority children and families.
19. Eliminates program stability and may encourage annual competition between child care and social services/health programs at the local level for scarce resources.

Difficult Transition

20. Allows NO time for counties to establish an infrastructure (including hiring staff) to decide how they plan to run child care and development programs, determine if they want to continue what exists in their counties, and establish contracts for that purpose by 7/1/03.
21. For all contracts subject to realignment, CDE will need to provide notification of non-renewal by April 1, 2003. CDE currently contracts with approximately 850 agencies.
22. Forces decisions to dismantle programs to be made in March 2003. If no funding is available after July 1, 2003, agencies will have to take steps, in the next 2 months, to close down programs in order to avoid unfunded liabilities for staff and facilities. Agencies must notify recipients in advance that they may lose their child care.
23. Results in the loss of existing subsidized centers, since counties won't have the ability to make decisions and contract with centers before the centers have to make decisions about closure. Without staffing, CDE would not be able to handle this function on an interim basis.