



2008-09 Special Session Budget & 2009-10 Budget (17 mos) Preliminary (2-19-09)

Child Care and Child Care Related Issues

Governor's Original 2009-10 Proposals	Details	Budget approved by Legislature on 2-19-09 On to Governor who may add more cuts
I. Child Care		
a. NO COLA for child development programs	COLA is currently estimated at 5.02%. Consistent with all other Prop. 98 programs- no COLA included (savings \$79.5 million)	NO COLA for child development programs or K-12
b. Growth funding (no R&R and no LPC)	1.23% statutory growth- increase of \$18.9 million	1.23% statutory growth- increase of \$18.9 million
c. State Median Income eligibility level /family fee	No specific mention of change to the SMI, but increases fees by \$2/day at the low end of the scale and increase fees on a sliding scale up to 10% of income (earlier than current schedule) Flat family fee remains (decrease \$14.4 million)	Increases fees by \$2/day at the low end of the scale and increase fees on a sliding scale up to 10% of income (earlier than current schedule) Flat family fee remains (decrease \$14.4 million) This may be changed through upcoming budget hearing process.
d. Regional Market Rate (RMR)	Effective July 1, 2009 reduce RMR from 85 th percentile to 75 th percentile of 2007 RMR survey (decrease \$38.7 million)	Delays implementation of the RMR until July 1, 2009 saving \$15 million. Budget states it will be implemented at 75 th p, but may be discussed more in upcoming hearings.
e. Stage 2 & Stage 3	2008-09- Decrease of \$42 million to reflect expected savings in Stage 2 & 3 child care based on November estimates 2009-10- \$287.5 million increase to fully fund Stage 2 & 3	Appears to fully fund Stage 2 & Stage 3 in both years
f. General Child Care & Preschool	Permanent decrease of \$55 million in anticipated savings for child care programs of annual unexpended funds	One-time decrease of \$97 million in anticipated savings from child development programs from anticipated unexpended funds. (This includes the \$15 million saved from delayed RMR implementation)
g. One-time funds	Reappropriation of \$108 million of anticipated	Redirects this \$108 million to cover anticipated

	savings in prior-year child care programs	shortfall of funding in current Stage 2
h. CDE (PARIS) system	\$736,000 to CDE of federal funds towards the Child Care Provider Accounting and Reporting System	Appears to be included in budget
II. Licensing (CCL)	Comments	
a. Technical Assistance fund/license fee increase	Increase of \$3.5 million for CCL for investigation of Registered Sex Offenders and investigation of serious crime arrests of licensees. Licensing fees would be increased as needed to offset the General Fund impact	Appears to be included in budget
III. First 5 California & Local Commission	Comments	Directs the use of Prop. 10 funds to provide direct health care services, human services, including services for at-risk families who are involved in the child welfare system, and direct early education services, including preschool and child care
a. State Commission	Eliminates the State Commission and redirects all state funds (This includes state matching funds to the local commissions) Must be approved by voters	Redirects \$340 million in one-time state reserves and about 50%* of the funding for the next 5 years beginning in 2009-10. Funds to be appropriated by Legislature for health & human services programs for 0 – 5 as part of annual budget process. (Subject to voter approval on May 19, 2009) Eliminates the state commissions mass media communications account and its 6% allocation for expenditures for communications related to the purposes of Prop. 10
b. County Commission	Redirects 50% of local funds to support children's programs administered by the DSS. (Indicates no impact to local fund reserves) Must be approved by voters.	Redirects about 50%* of local county First 5 funds for the next 5 years beginning in 2009-10 also subject to voter approval on May 19, 2009. Funds to be appropriated by Legislature for health & human services programs for 0 –5 as part of annual budget process. Requires base level funding of at least \$400,00 for every commission.
IV. CalWORK's	Comments	
a. Suspend CalWORK's	Decrease of \$79.1 million in 2009-10	Suspends CalWORK's COLA in 2009-10 and 2010-11

COLA		(decrease of \$103 million in 2010-11)
b. CalWORK's Grant Reduction		Reduces grant amount by 4% effective July 1, 2009 if Federal stimulus is not received by April 1. (Family of 3 reduced from \$723 - \$694)
c. County incentive program- Pay for Performance	Decrease of \$40 million in CalWORK's by suspending the Pay for Performance county incentive program	Decrease of \$40 million in CalWORK's by suspending the Pay for Performance county incentive program
d. Modification of Safety Net Program	Decrease of \$123.5 million: <ul style="list-style-type: none"> • Modify awards to families not fully participating in federal work requirements • Impose 60-month time limit on certain child-only cases • Implementation of a six-month self sufficiency review for families not participating in work requirements • Reduce monthly assistance payment by 10% 	Rejects Governor's January budget proposal

Timing and Triggers from Tax Provisions

	Begins	Sunset If Ballot Fails	If Ballot Passes
1-cent Sales Tax Increase	April 1, 2009	June 30, 2011	June 30, 2012
5 percent Personal Income Tax Surtax (2.5 percent if Federal stimulus received)	Tax Year 2009	Tax Year 2010	Tax Year 2012
Personal Income Tax Dependent Credit Reduction	Tax Year 2009	Tax Year 2010	Tax Year 2012
Vehicle License Fee Increase from 0.65 percent to 1 percent	May 19, 2009	June 30, 2011	June 30, 2013
Vehicle License Fee 0.15 percent increase	May 19, 2009	June 30, 2011	June 30, 2013
.25 percent increase in Personal Income Tax	Not clear- assume 2009 Tax Year	Not clear	Not clear

Constitutional Provisions and Ballot Propositions

The budget package includes eight provisions that will require voter approval to be enacted. These provisions will appear on the ballot on May 19, 2009. These provisions are:

Spending Cap. ACA 1 / SCA 1 places a Constitutional provision on the ballot to cap spending by limiting the amount of revenue that can be appropriated for General Fund purposes. The provision requires that each year the Department of Finance forecast a revenue amount for the fiscal year that is derived from the last ten years of revenue growth amounts. Any revenue that exceeds this forecasted amount must be deposited in a new fund, the Budget Stabilization Fund, with the exception of revenue that is required for Proposition 98 purposes that exceed revenue growth.

The Budget Stabilization Fund can be used when State revenues are insufficient to cover prior year expenditures, adjusted for inflation and population. The funding in the Budget Stabilization Fund can also be used in cases of a declared emergency. Revenue accumulates in the fund until it equals 12.5 percent of General Fund revenue, at which point excess funding can be used for one-time expenditures. Up to \$5 billion of the amount deposited in this fund would be dedicated to retiring Deficit Recover Bonds over time.

In addition ACA 1 / SCA 1 requires that annually 1.5 percent of State General Fund revenue be deposited each year in the Budget Stabilization Fund and as of October 2011, 1.5 percent of revenue be deposited in the Supplemental Education Payment Account, which pays for the Proposition 98 obligations outlined in ACA 2 / SCA 2.

Spending Cap Summary:

Limits spending to rolling 10-year trend in revenues, amounts above the 10-year trend would go into the “rainy day fund.”

Allows adjustment of the spending limit to accommodate new tax increases.

Money can be removed from the “rainy day fund” when revenues fell below a “current-service” level budget.

Reduces the annual deposit from 3% to 1.5% (other 1.5 dedicated to education).

1.5% annual deposit ceases when fund is equal to 12.5% of revenues.

Revenues above the trend line after the “rainy day fund” is full can be used for various one-time spending purposes, which can help balance the annual budget.

Addresses the Prop. 98 maintenance factor issue, ensuring that base funding to the schools is restored by \$9.3 billion over time (separate ballot measure).

Proposition 98 Maintenance Factor Clarification - ACA 2 / SCA 2 places a Constitutional provision on the ballot that would require the State to increase annual school funding by \$9.3 billion in future years in lieu of any maintenance factors that could be required by

Proposition 98. This additional funding would build up over several years, beginning in FY 2011-12. Funding for this provision would come from the Supplemental Education Payment Account specified in ACA 1 / SCA 1.

Funding provided by this provision would be allocated to school districts in the same manner as the revenue limit per unit of average daily attendance. \$200 million would be appropriated in the FY 2011-12 for Equalization funding.

Proposition 63 – Mental Health Services Act (MHSA). Subject to approval by the voters at a statewide election, utilizes MHSA funds in the amount of \$226.7 million in 2009-10 and up to \$234 million in 2010-11, if caseload adjustments require this marginal increase, to support the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program as administered by the State Department of Mental Health. Additional statutory changes are made in the Health Omnibus Trailer bill to improve the use and effectiveness of MHSA funds, consistent with the recommendations of recent audit reports.

Proposition 10 – California Children and Families Act of 1998. Subject to approval by the voters at a statewide election, expands use of Prop. 10 funds for health and human services through state programs for children up to five years of age. Transfers Prop. 10 reserve funds of \$340 million on a one-time basis for these state program purposes, and additionally transfers \$268 million annually for five fiscal years starting with 2009-10 to be appropriated by the Legislature as part of the annual budget process. Further directs the use of Prop. 10 funds to provide direct health care services, human services, including services for at-risk families who are involved in the child welfare system, and direct early education services, including preschool and child care.

Lottery -Makes changes to clarify education appropriations, clarify the lottery director's authority relative to state employees, and require that lottery audits be posted on the Internet. These changes would be placed before the voters, along with various sections of Chapter 764, Statutes of 2008 (AB 1654), the lottery modernization trailer bill for the Budget Act of 2008.

Legislative pay increases- A ban on legislative pay increases during deficit years.

Open primary- Creation of an open primary for congressional and state races effective 2012 and beyond to be placed on the ballot in June 2010. This would allow registered Republican and Democratic voters to vote for either Republican or Democratic candidates. Top two candidates (from either party) would face off in general election.

***Re: 5 year Prop. 10 funding. The actual trailer bill (SBX3 9) indicates that \$268 million annually for 5 years will be redirected currently this is about 50% of available funding, but if revenues fall, this amount will be more than 50%.**