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## SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair  
2015 - 2016 Regular

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**Bill No:** AB 2368  
**Author:** Gordon  
**Version:** April 5, 2016  
**Urgency:** No  
**Consultant:** Olgalilia Ramirez  
**Hearing Date:** June 15, 2016  
**Fiscal:** Yes

**Subject:** Child care and development services: individualized county child care subsidy plan: County of Santa Clara

**NOTE:** This bill has been referred to the Committees on Education and Human Services. A "do pass" motion should include referral to the Committee on Human Services.

### SUMMARY

This bill authorizes the County of Santa Clara to establish a 5-year pilot program for purposes of developing and implementing an individualized county child care subsidy plan that meets the particular needs of families in the county.

### BACKGROUND

Existing law:

- 1) Establishes the Child Care and Developmental Services Act to provide child care and development services as part of a coordinated, comprehensive, and cost-effective system serving children from birth to 13 years old and their parents including a full range of supervision, health, and support services through full- and part-time programs. (Education Code § 8200, et seq.)
- 2) States legislative intent that all families have access to child care and development services, regardless of demographic background or special needs, that families are provided the opportunity to attain financial stability through employment, while maximizing growth and development of their children, and enhancing their parenting skills through participation in child care and development programs, among other things. (EC § 8202)
- 3) Establishes several programs providing subsidized child care and development services that service low-income families who are working, seeking work, in training, or providing community service. These programs are administered by the California Department of Education (CDE) and require the Superintendent of Public Instruction (SPI) to adopt rules and regulations on eligibility, enrollment, family fees, provider rates, and priority services. (EC § 8235 and 8263)
- 4) Authorizes a pilot project in, Alameda (since 2015), San Mateo County (since 2004) and San Francisco City and County (since 2006) that allows the counties

to develop and implement an individualized county child care subsidy plan in recognition of the high-cost of living in those counties.  
(EC § 8335, § 8340 and § 8347)

## ANALYSIS

This bill:

- 1) Authorizes the County of Santa Clara to establish a 5-year pilot program for purposes of developing and implementing an individualized county child care subsidy plan that meets the particular needs of families in the county, as specified, to include the following:
  - a) An assessment to identify the county's goal for its subsidized child care system, as specified.
  - b) A local policy to eliminate state-imposed regulatory barriers that constrain the county from meeting its desired outcomes for subsidized child care, as specified.
  - c) Recognition that funding sources utilized by direct child care service contractors in the county are eligible to be included in the county's plan.
  - d) Measurable outcomes to evaluate the success of the plan in achieving county and state child care goals.
- 2) States that the plan, and requirements regarding it, shall not be construed to permit the county to change the regional market rate survey results for the county.
- 3) Requires the plan to be submitted to the specified local planning council, and upon approval the county board of supervisors shall do all of the following:
  - a) Hold at least one public hearing before voting on the plan.
  - b) Submit an approved plan to Early Education and Support Division (EESD) for review provided that board votes in its favor.
- 4) Requires the California Department of Education's (CDE) Early Education and Support Division (EESD) to review and either approve or disapprove any modification of the plan within 30 days of receiving it. Specifies that the EESD may only disapprove those portions of the plan that are not in conformance with the provisions of this bill or that are in conflict with federal law.
- 5) Requires the county, by the end of the first fiscal year of operation under the approved child care subsidy plan, to demonstrate an increase in the aggregate days a child is enrolled in child care as compared to the enrollment in the final quarter of the 2015-16 Fiscal Year.

- 6) Requires the county to prepare and submit a report summarizing the success of the county's plan, as specified, to the Legislature, the Department of Social Services (DSS), and the California Department of Education (CDE) each year.
- 7) Requires a participating contractor to receive any increases or decrease in funding that the contractor would have received had the contractor not participated in the plan.
- 8) Makes various legislative findings and declarations related to the unique circumstances in the County of Santa Clara that condition a special law including the high-cost of living.
- 9) Sunsets the provisions of this bill on January 1, 2022.

### STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, families seeking quality child care are adversely affected by the high cost of living in Santa Clara County. The author notes that families who earn just enough to meet housing costs are deemed ineligible for subsidized child care, at the same time agencies receiving insufficient state reimbursement rates are unable to cover programing and operational costs. As a result, child care subsidy funds allocated to the county are not fully expended thereby reducing access to quality child care. This bill seeks to maximize state allocated funding and efficiently use child care subsidy funds to meet local conditions.
- 2) **Provider Reimbursement Rates.** California has established two methodologies for determining the reimbursement rates for child care and development services:

The Regional Market Rate (RMR) is determined by the RMR survey and varies depending on the geographical location of the provider. In Santa Clara, for example, the full-time daily RMR for a preschool-aged child in a child care center is \$69.77. The RMR is based on a survey of licensed centers and family child care homes measuring child care rates of similar socio-economic conditions. Rate ceilings are established for each county according to estimates of the 85th percentile of rates for the various types of child care settings. The county rate ceilings are differentiated by the age of the child (infant, preschool, school age), full-day or part-day care, and frequency of care (days per week). Families may choose a child care provider that charges a rate above the RMR, but the provider would only be reimbursed at the RMR. Current law requires the RMR survey to be updated every two years. The Budget Act of 2014 based the RMR on the 2009 survey, thereby providing a lower rate than if based on the most recent survey.

Standard Reimbursement Rate (SRR). Child care and development providers that contract directly with the California Department of Education (CDE) must meet Title 5 requirements in addition to those of Title 22 (have units in Early Childhood Education, provide an educational component to child care). Title 5 providers are reimbursed using the SRR, which is a specific rate established in

statute. The SRR is \$38.29 per child per day for full-day care, or a maximum of \$9,572 per year based on 250 days of operation.

- 3) **Why Santa Clara County?** Santa Clara County serves approximately 12,600 children in state subsidized child care programs. According to Santa Clara's County's local Early Education Planning council, approximately \$9.3 million under the Title 5 state subsidized child care contracts has been returned to the state. Roughly translating to 1,100 children who could have been served by the county.

The cost of living in Santa Clara is reported to be well above the state median. In 2014, for a family of four in Santa Clara County it is estimated that a family have a self-sufficiency hourly wage of \$22.61 and \$95,508 annually. The median household annual income for the county is \$91,142 as compared to state median of about \$61,933 per year. To be eligible for subsidized child care and services the state requires a family's adjusted monthly income to be at or below 70% of the state median income about \$42,000 per year for a family of three. This bill does not change the total amount of fund allocated to the count for subsidized child care. This bill seeks to provide Santa Clara County limited local flexibility to assess and address local conditions of working families in the county through a child care subsidy pilot plan.

- 4) **Other pilot programs.** Current law has authorized three other Bay Area pilot projects in recognition of the high-cost of living in those counties. As many have noted, given that there are other high-cost counties in the state dealing with similar subsidized child care needs the state may want to a more comprehensive approach to addressing these issues.
- 5) **Prior legislation.** AB 833 (Bonta, Chapter 563, Statutes of 2015), similar to this bill, authorized Alameda County to develop and implement, as a pilot project, an individualized county child care subsidy plan. This Committee heard and approved AB 833, by a vote of 9-0.

AB 260 (Gordon, Chapter 731, Statutes of 2013) extended the sunset dates of the San Francisco and San Mateo County individualized county child care subsidy plans to 2016 and 2018, respectively. This Committee heard and approved AB 260, by a vote of 9-0.

The sunset date of the San Francisco plan has been extended three times as follows: AB 86 (Committee on Budget, Chapter 48, Statutes of 2013), SB 1016 (Committee on Budget and Fiscal Review, Chapter 38, Statutes of 2012), AB 1610 (Committee on Budget, Chapter 724, Statutes of 2010).

## SUPPORT

Bay Area Council  
 California Association for the Education of Young Children  
 California Child Care Coordinators Association  
 California Head Start Association  
 Campbell Union School District

Child Development Incorporated  
Community Child Care Council of Santa Clara County, Inc.  
Congregation Beth Am  
Early Edge California  
Educare California at Silicon Valley  
First 5 San Mateo County  
First 5 Santa Clara County  
Gilroy Unified School District State Preschool  
Go Kids, Inc.  
Kindango  
Leagues of Women Voters of Santa Clara County  
Local Early Education Planning Council of Santa Clara County  
Mountain View Wishman  
San Francisco Child Care Planning and Advisory Council  
San Francisco SRR Initiative  
San Mateo County Office of Education  
Santa Clara County Board of Supervisors  
Santa Clara County Office of Education  
SJB Child Development Centers

**OPPOSITION**

None received.

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