
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No: AB 1106 **Hearing Date:** June 21, 2017
Author: Weber
Version: April 3, 2017
Urgency: No **Fiscal:** Yes
Consultant: Lynn Lorber

Subject: Child care and development services: alternative payment programs: military families

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 excludes the basic housing allowance provided to active duty military personnel from counting as income for purposes of determining eligibility for child care and development programs, and provides that alternative payment programs have at least 36 months to expend funds allocated to that program in any fiscal year.

BACKGROUND

Existing law:

- 1) Establishes the income eligibility limit for child care and development services at 70 percent of the State median income that was in use for the 2007-08 fiscal year, adjusted for family size. (Education Code § 8263.1) Currently, the income eligibility for a family of four is an annual income of \$46,896.
- 2) Requires families, in order to be eligible for federal and state subsidized child development services, to meet at least one requirement in each of the following areas:
 - a) Be a family that is either:
 - i) A current aid recipient;
 - ii) Income eligible;
 - iii) Homeless; or
 - iv) One whose children are recipients of protective services, or identified as being, or at risk of being, abused, neglected, or exploited.
 - b) Be a family that needs the child care services because:

- i) The child is identified by specified entities as either: a recipient of protective services; being, or at risk of being, neglected, abused, or exploited; or being homeless.
 - ii) The parents are either: engaged in vocational training leading directly to a recognized trade, paraprofession or profession; employed or seeking employment; seeking permanent housing or family stability; or incapacitated. (EC § 8263)
- 3) Establishes priority for federal and state subsidized child development services as follows:
 - a) First priority for children who are recipients of child protective services or who are at risk of being neglected or abused.
 - b) Second priority equally for eligible families who are income eligible with the requirement that families with the lowest gross monthly income in relation to family size are admitted first. (EC § 8263)
- 4) Provides, pursuant to federal law, that a member of a uniformed service is entitled to a basic allowance for housing if he or she is also entitled to basic pay. (United States Code, Title 37, § 403)
- 5) Authorizes a child care contractor located on or in close proximity to a military base or base housing, with prior written approval from the Superintendent of Public Instruction or his or her designee, to exclude the amount of the basic allowance for housing for purposes of determining eligibility and income ranking. (California Code of Regulations, Title 5, § 18134)
- 6) Defines "alternative payment program" (APP) as a local government agency or nonprofit organization that has contracted with the California Department of Education to provide alternative payments and to provide support services to parents and providers related to child care and development services. (EC § 8208)
- 7) Authorizes the use of child care and development funds for APPs in order to maximize parental choice, and authorizes APPs to include:
 - a) A subsidy that flows the family from one provider to another within a given APP.
 - b) Choices, whenever possible, among hours of service including before and after school, evening, weekends, and split shifts.
 - c) Child care and development services according to parental choice including use of family day care homes, general center based programs, and other state-funded programs. (EC § 8220 et seq.)

ANALYSIS

This bill:

- 1) Prohibits, for purposes of determining eligibility for child care and development programs, the income of a person who is on state or federal active duty, active duty for special work, or Active Guard and Reserve duty in the military from including the amount of the basic allowance for housing provided to that person if the allowance is equal to the lowest rate of the allowance for the military housing area in which the person resides.
- 2) Provides that this bill does not affect priority for federal and state subsidized child development services.
- 3) Requires an alternative payment program (APP) to have no less than 36 months to expend funds allocated to that program in any fiscal year.
- 4) Requires the Superintendent of Public Instruction to develop a process that provides APPs no less than 36 months to expend funds.
- 5) Prohibits the 36 month timeline from applying to contracts relating to the administration of child care for participants in Stages 2 or 3 of CalWORKs.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, “Based on data provided by the California Alternative Payment Program Association, families that apply for a child care subsidy must complete a process to determine income eligibility. Parents take anywhere from 30-90 days to complete this process. Based on the data, parents that begin the income eligibility process from April onwards are challenged to complete the process by the end of the fiscal/contract year. If a parent does not complete the process by June 30, the allocated monies to the agency earmarked to serve working families that do not go through CalWORKs must be returned even though there is need.”
- 2) ***Alternative Payment Programs.*** APPs do not provide direct child development services or programs; APP helps families arrange child care in an array of arrangements, such as in-home care, family child care, and center-based care. The California Department of Education (CDE) contracts with APPs to make payments (vouchers) for those services directly to the child care provider selected by the family. As of 2015-16, 76 APPs contracted with the CDE: 50 community-based organizations, 14 county offices of education, and 12 other local government entities (such as county welfare departments or school districts). These programs receive state and federal funds to provide a variety of supports and payment services that enable eligible low-income families to access subsidized child care using vouchers.

APP providers receive some funding based on projections of how many families will be eligible for subsidized child care through the voucher program, and the remaining funds are issued in increments throughout the contract year. Funds that were appropriated but not expended within the fiscal year revert back to CDE, and eventually back to the state General Fund. The funds remain encumbered (with CDE) while it conducts “audits” of contracts with APPs, and can take up to 36 months to close out contracts (according to the CDE, 36

months is the exception rather than the rule). This bill allows alternative payment program (APP) to expend funds over at least a 36 month period rather than within a 12 month period, thereby allowing more funds to remain with APPs and likely increasing the number of families served who begin but do not complete enrollment within one fiscal year.

According to the California APP Association, the following displays funds that were allocated and those that were “unearned” and reverted to the state:

		State Appropriation		Unexpended
2012-13		216,586,000		3,968,823
2013-14		174,031,000		6,765,649
2014-15		181,101,000		4,557,145

- 3) **Military housing allowance.** Uniformed military service members are provided basic pay, determined by their grade (or rank) and years of service. In addition, the federal government provides a basic allowance for housing (BAH), provided to service members that don’t live in government-provided housing. The amount of the BAH is adjusted based on pay grade and whether a service member has dependents. This allowance is also adjusted based on the local median rental rates across different geographic locations.

Existing state regulations authorize a child care contractor located on or in close proximity to a military base or base housing, with prior written approval from the Superintendent of Public Instruction or his or her designee, to exclude the amount of the basic allowance for housing for purposes of determining eligibility and income ranking. This bill prohibits the housing allowance from being considered as income for purposes of determining eligibility for child care and development programs.

This bill excludes from child care eligibility calculations the amount of a service member’s BAH that is equal to the lowest rate of the allowance for the military housing area in which the individual resides, meaning that it will exclude the entire allowance for beginning-rank service members, while excluding only a portion of the rate for higher ranking service members.

- 4) **Fiscal impact.** According to the Assembly Appropriations Committee, this bill would impose:
 - a) Minor costs to the California Department of Education to develop a contracting process that provides APP programs no less than 36 months to expend allocated funds.
 - b) Unknown cost pressure, potentially in the low millions of dollars to future state budgets to the extent that money is spent for its allocated purpose rather than returned to the General Fund.

- c) Estimated costs to the California Department of Education (CDE) to implement the military housing exclusion of \$60,000 to amend regulations and train staff on new requirements.
 - d) Unknown, potentially significant, costs and/or cost pressures to the state to fund additional childcare services to the extent additional families become eligible by meeting the income eligibility requirement from disregarding the military housing allowance. Increased eligibility would result in General Fund cost increases in the CalWORKs child care program and increased cost pressures from longer waitlists in the appropriation-capped programs. (Staff notes that this bill prohibits the 36 month timeline from applying to contracts relating to the administration of child care for participants in Stages 2 or 3 of CalWORKs.)
- 5) **Related legislation.** AB 273 (Aguiar-Curry) expands eligibility for federal and state subsidized child development services to families who need child care because the parents are engaged in an educational program for English learners or to attain a high school diploma or general educational development certificate. AB 273 is scheduled to be heard by this Committee on June 21.
- 6) **Prior legislation.** AB 1679 (Weber, 2016) excluded the basic allowance for housing from income considerations for purposes of determining eligibility for state preschool. AB 1679 was held in the Senate Appropriations Committee.
- AB 427 (Weber, 2015) excluded the basic allowance for housing from counting as income for purposes of determining eligibility for child care and development programs. AB 427 was held in the Senate Appropriations Committee.
- AB 170 (Saldaña, 2007) excluded the basic allowance for housing from income considerations for purposes of determining eligibility for state preschool. AB 170 was held in the Assembly Appropriations Committee.

SUPPORT

California Alternative Payment Program Association (sponsor)
 American G.I. Forum of California
 American Legion, Department of California
 AMVETS, Department of California
 California Association of County Veterans Service Officers
 California Child Care Resource and Referral Network
 California School Boards Association
 California State PTA
 First 5 Association
 First 5 California
 Military Officers Association of America, California Council of Chapters
 Vietnam Veterans of America, California State Council
 Western Center on Law and Poverty

OPPOSITION

None received

-- END --