



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

County Counsel

DATE: July 12, 2004

BOARD MEETING DATE: July 27, 2004

TO: Honorable Board of Supervisors

FROM: Mark Church, President, Board of Supervisors *mc*
John Mehl, County Superintendent of Schools *JM*

SUBJECT: Approval of the (AB 1326) Individualized Child Care Subsidy Plan for San Mateo County

Recommendation

Approve the (AB 1326) Individualized Child Care Subsidy Plan for San Mateo County as required by State law.

Background

The Local Child Care Planning Council and the County of San Mateo co-sponsored AB 1326, authored by Assemblyman Joe Simitian and signed by then Governor Davis in October, 2003.

The bill came about after child care providers and other community stakeholders identified specific areas in the child care service delivery system that required modification to accommodate local needs. The policies and procedures governing the delivery of state funded child care subsidies are set by state code and regulations and applied uniformly throughout the State – essentially, one size fits all. This uniformity does not provide for any differentiation between counties for cost of living considerations. Costs for child care, housing and other essential services families require to be self-sufficient are much higher here than in other counties. Costs for providing the services to families in contracted centers are also considerably higher in San Mateo County than elsewhere in the State.

The bill authorizes a five-year pilot giving San Mateo County limited authority to

create a child care subsidy policy that reflects County needs and circumstances. The pilot allows San Mateo County to establish its own rules for child care subsidy in the following specific areas: income eligibility, family fees, provider reimbursement rates and ways to maximize use of contracted funds. The bill does not provide any additional funding other than the existing annual child care subsidy allocations received from the State. It does, however, allow for the use of contractor-relinquished under-earned funds to be redistributed among County contractors who are participating in the pilot rather than reverting to the State.

San Mateo County child care contractors with direct contracts with CDE may “opt-in” as participants in this pilot by requesting the CDE amend their contracts in accordance with the County Child Care Subsidy Plan. At this time virtually all contracted programs have indicated the desire to participate.

Discussion

The pilot legislation requires a needs assessment, the development of a local child care plan, and measurable outcomes for evaluation. Annual reports to the legislature on the pilot are required. San Mateo County child care contractors who are funded directly by the State may “opt-in” to participate in the pilot but are not required to do so. Those contractors that do participate will have their contracts amended by CDE to reflect the specific program changes implemented by the approved Plan. Contractors that do not participate will maintain their existing contracts with CDE without modification.

The plan increases the current statewide income eligibility exit threshold of 75% State Median Income (SMI) to the federal ceiling of 85% SMI so that families receiving subsidized child care in the County will not lose their child care subsidies as they strive for self-sufficiency. For a family of four, the income cutoff will move from \$3,250 to \$4,516 per month, allowing families to achieve 67% of the 2000 County Median Income – up from 45%. Lowest income families remain the priority for entrance into child care subsidy programs in conformance with current regulation.

The plan also creates an extended family fee schedule, beginning at the current exit level of 75% SMI and increasing up to the new 85% SMI ceiling. The fees are designed to gradually transition families from the maximum fees under state rules to the typical full cost of care in San Mateo County.

The plan also increases the Title 5 child care center reimbursement rate. Child care providers are currently reimbursed by the State (CDE) at a standard reimbursement rate (SRR) of approximately \$28 per full-day child in attendance. Many providers find it very difficult financially to operate their programs with this inadequate reimbursement rate and many have to supplement this amount by fundraising to meet the true costs of providing quality child care services to families. As a consequence, some providers have not been able to fully enroll to their contracted

capacity and “under-earn” their contracts with CDE. The Plan will allow these programs to utilize and redistribute unearned funds from existing contracts in addition to additional family fees to incrementally increase the reimbursement rate by approximately 5-8%. The increased reimbursement rate, though still not reflective of the true cost of care, will help “pilot-participating” providers become more able to fully earn their contracts. In order to ensure that fewer children are not served as a result of implementing this pilot, AB1326 requires a countywide aggregate increase of 2% more child days of enrollment at the end of the first year of operations under the approved plan.

The bill requires evaluation of the child care plan and the pilot. With input that has been provided by the Senate Office of Research, the Legislative Analyst’s Office, the California Department of Social Services, and Department of Education, the plan includes five outcome measures based upon the goals of the pilot. Data on these measures will be collected on an ongoing basis and reported annually to the legislature as required.

The bill requires approval by the Local Child Care Planning Council (approved June 28, 2004) and a public hearing on the plan prior to approval by the County Board of Supervisors. Once approved by the County Board of Supervisors, the plan must be submitted to the California Department of Education, Child Development Division which must either approve or disapprove the plan within 30 days. The Child Development Division may only disapprove those portions of the plan that are not in conformance with AB1326 or that are in conflict with federal law.

Vision Alignment

AB 1326 and the Child Care Plan it creates keeps the commitment of: Ensuring basic health and safety for all, and goal number six: Children grow up healthy and safe in supportive homes and neighborhoods. The Approval by the Board of the Child Care Plan contributes to this commitment and goal by providing a safe and nurturing child care environment.

Fiscal Impact

None