
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No: SB 441 **Hearing Date:** March 29, 2017
Author: Cannella
Version: March 21, 2017
Urgency: No **Fiscal:** Yes
Consultant: Olgalilia Ramírez

Subject: Alternative payment programs: reimbursement

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 increases the administrative and support services allowance for the specified Alternative Payment Programs from 17.5 percent of the total contract amount to 22 percent.

BACKGROUND

Existing law:

- 1) Establishes a system of child care and development services for children up to 13 years of age and provides certain requirements for the payment by the state for these child care and development services and establishes reimbursement rates. (Education Code § 8200 et. seq)
- 2) Authorizes local government agencies or non-profit organizations to contract with the California Department of Education (CDE) to operate Alternative Payment Programs and provide alternative payments and support services to parents and child development providers. Alternative Payment Programs help parents arrange child care services and makes payments directly to the provider, which may be in-home care, family child care or center-based care, and either licensed or license-exempt. (Education Code § 8220)
- 3) Requires reimbursement for alternative payment programs to include the cost of child care paid to child care providers, plus administrative and support services cost and limits the total cost for administrative and support services to 17.5 percent of the total contract amount. (EC § 8223)

ANALYSIS

This bill:

- 1) Increases the administrative and support services allowance for Alternative Payment Programs that operate an individual contract amount of less than \$3 million from 17.5 percent of the total contract amount, to 22 percent.

- 2) Makes a technical and conforming change.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author the existing funding model is no longer adequate for Alternative Payment agencies in rural counties that support less densely populated areas. There are core requirements that agencies must have in place that must be funded such as auditing requirements, staffing, workers compensation and more. The author asserts that the diminished funding realized by smaller agencies is resulting in instability in keeping doors open to serving the working poor in rural communities.

This bill seeks to increase base funding used for administrative and support service costs for smaller Alternative Payment Programs that serve families in rural counties. The bill would also increase the base funding for several Alternative Payment Programs located in non-rural counties.

- 2) ***Alternative Payment Programs.*** Alternative Payment (AP) agencies (referred to in some places in statute as alternative payment programs (APP)), are funded with state and federal funds, and offer a variety of child care options for parents, such as license-exempt care, family childcare, and center-based care. AP agencies administer CalWORKs Stage 2, Stage 3, and the California Alternative Payment program (i.e. eligible working poor). AP agencies help families arrange child care services and make “voucher-style” payments for those services directly to the child care provider selected by the family. AP agencies also collect fees from certain families, ensure families and providers are complying with state rules and regulations and create and maintained detailed records about each family and provider. Voucher programs by allowing families to choose a provider increase parental choice and accommodate the individual needs of the family. Operational costs for AP agencies’ are reimbursed through the “administrative and support rate,” which provides them with 17.5 percent of total contract amounts.
- 3) ***Existing funding model.*** According to the 2017-18 Budget: Analysis of Child Care and Preschool Proposals by the Legislative Analyst’s Office (LAO), the California Department of Education (CDE) determines the amount of each AP agency receives for provider payments. Notably, AP agencies operational funding is linked to a share of provider payments and funding fluctuates as the state changes provider reimbursement rates that varying by region. After determining each AP agency’s allocation for provider payments, CDE provides additional funding to cover operational costs, equal to 21.21 percent of provider payments. This funding together with the provider payments comprises the total contract amount, or “Maximum Reimbursable Amount” (MRA). The LAO analysis noted an AP agency, for example, that receives \$1 million for provider payments also receives \$212,100 for operational expenses for a total MRA of \$1,212,100. An AP agency operational funding is equivalent to 17.5 percent of the MRA. This bill proposes to increase an AP agency operational funding from 17.5 percent of the MRA to 22 percent.

The LAO analysis also made several recommendations for a new AP funding model that would base operational funding on the number of children served. Those recommendations are not included within the provisions of this bill.

- 4) **Net effect.** In 2015-16, there were a total of 76 Alternative Payment (AP) agencies and it appears that 56 AP agencies (74 percent) meet the three million dollar cap and would receive an increase under the provisions of this bill. These programs would receive an average increase of \$111,200. The other 20 agencies would not receive an increase.

The chart below provided by the Legislative Analyst Office, shows the number of AP agencies in each county that would receive an increase, and the number that would not receive such an increase. Although some agencies in rural counties would receive an increase, some agencies in rural counties would not receive an increase. The rural agencies not receiving an increase tend to be county offices of education operating as an AP agency. Based on the chart this bill would also give increases to AP agencies in counties that are not rural including several AP agencies in Alameda and Los Angeles Counties.

Staff notes that the chart is based on the contracts for 2015-16, voucher programs received rate increases in 2016-17, and there may be some AP agencies this chart depicts as benefiting from the increase that would not be eligible for it because of recent augmentations.

AP Agencies By County Receiving an Increase Under SB 441

County	Number of AP agencies that would not receive increase	Number of AP agencies that would receive increase	Total AP agencies	Percent of AP Agencies Receiving Increase
Alameda	0	6	6	100%
Butte	0	1	1	100%
Calaveras	0	1	1	100%
Colusa	0	1	1	100%
Contra Costa	1	1	2	50%
Del Norte	0	1	1	100%
Fresno	1	1	2	50%
Glenn	0	1	1	100%
Humboldt	0	1	1	100%
Imperial	0	1	1	100%
Inyo	0	2	2	100%
Kern	1	0	1	0%
Kings	0	1	1	100%
Lassen	0	1	1	100%
Los Angeles	8	4	12	33%
Madera	0	1	1	100%
Marin	0	2	2	100%
Mendocino	0	1	1	100%
Merced	0	1	1	100%
Modoc	0	1	1	100%
Napa	0	1	1	100%
Nevada	0	1	1	100%
Orange	0	1	1	100%
Placer	0	1	1	100%
Plumas	0	1	1	100%
Riverside	1	1	2	50%
Sacramento	1	0	1	0%
San Diego	2	0	2	0%
San Francisco	1	1	2	50%
San Joaquin	1	0	1	0%
San Luis Obispo	0	1	1	100%
San Mateo	0	2	2	100%
Santa Barbara	0	2	2	100%
Santa Clara	1	4	5	80%
Santa Cruz	0	1	1	100%
Shasta	0	1	1	100%
Siskiyou	0	1	1	100%
Solano	0	1	1	100%
Sonoma	0	3	3	100%
Stanislaus	1	1	2	50%
Trinity	0	1	1	100%
Tulare	1	0	1	0%
Tuolumne	0	1	1	100%
Ventura	0	1	1	100%
Total	20	56	76	74%

SUPPORT

Community Resources for Children
Go Kids, Inc.
International Institute of Los Angeles
Siskiyou Child Care Council, Inc.
Valley Oak Children Services

OPPOSITION

None received.

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