Assembly Bill 2125
EARLY CARE AND EDUCATION: WORKFORCE DEVELOPMENT
VERSION DATED 4.10.2014
Assemblyman Sebastian Ridley-Thomas 54th District

SUMMARY

Assembly Bill 2125 would establish a single statewide reimbursement system for the system of child care and development services for children within California combining the current Standard Reimbursement Rate (SRR) for contracted centers and the Regional Market Rate (RMR) for voucher and CalWORKs programs. The measure also requires the reimbursement rate to reflect the most recent RMR survey in each region.

BACKGROUND

Brain development and neuroscience research have demonstrated that the experiences of a child’s early years have a large influence on later social emotional, educational, and economic outcomes. Eighty percent of a child’s brain development occurs by age 3 and 90% occurs by age 5, but unfortunately our current funding priorities for education do not reflect that fact. Children who attend quality Early Care and Education programs (ECE) are more likely to read proficiently at grade 3, which is a crucial marker for a child’s chances for graduating high school and attending college.

In 2013, the California State Assembly overwhelmingly resolved to support Assembly Concurrent Resolution 45 and its stated efforts to restore funding for ECE along with funding and implementing the Quality Rating and Improvement System.

A stable, well-qualified, and well compensated early care and education workforce is necessary for the existence of high-quality early care and education programs. These programs constitute a critical foundation for improving our nation’s educational system and providing the early experiences that equip children to succeed socially, emotionally, educationally, and economically later in life. The strong connection between quality ECE programs and the state’s economic growth highlight the need for a sound public investment strategy to secure California’s economic future. ECE also enables working parents to effectively function in the workforce, improving worker productivity, decreasing absenteeism, and reducing worker turnover.

Currently, the average pay of a preschool teacher ($34,240 annually) is nearly one-half that of a Kindergarten teacher’s salary ($63,940.) The California child care worker median wage ($11.97/hour) is at the same level of food processing workers ($11.34/hour), and the California preschool teacher median wage ($15.77/hour) is barely more than a first-line food preparation supervisor ($14.03/hour).* The current staffing model leads to high ECE teacher turnover rates of 22%, which is twice that of California public school K-12 teachers, providing little incentive for the ECE workforce to engage in additional workforce development and education.iii A stable, well-trained and educated workforce requires skilled employees with the low rates of turnover that other, appropriately compensated, professions provide.

Working families rely on quality, trusted child care options to take care of their families. Unfortunately, recent budget cutbacks over the past 6 years have devastated the availability of quality ECE for families.

Subsidized child care programs in California have been reduced by over 100,000 child care slots since 2008-2009, affecting every region of the state. From 2008 to 2011, the 54th assembly district alone lost over 1,400 child care seats due to budget cuts. The losses were disproportionate, as those losses were nearly 17% of the losses in Los Angeles County, even though the 54th Assembly district only has 5% of LA County’s residents.iv Stanislaus County lost more than 34% of its licensed child care capacity, while counties as diverse as Fresno, Sacramento, Alameda and, Imperial County each lost between 5% and 10% of licensed spaces.

Along with the cutbacks in access, quality requirements have increased, while per-child reimbursement rates for programs have been frozen for the better part of a decade. The maximum standard reimbursement rate for center based programs, like State Preschool, has been
$34.48 per child day of enrollment since 2007. While the cost-of-living continued to go up, ECE educators have been expected to increase their skills without an increase in pay. The current child care reimbursement system has been built over time as these programs evolved in California. The structure splits the system into two distinct reimbursement structures, the Standard Reimbursement Rate (SRR) for Title 5 Contracted Center Based Programs and the Regional Market Rate (RMR) for Alternative Payment and CalWORKs child care programs. These split structures have caused many challenges in the overall child care and early learning delivery system and made it difficult to implement comprehensive rate reform, increases and tiered reimbursement structures. The SRR, which receives increases through a cost of living (COLA) process, has remained stagnant since 2007 despite COLA increases having been applied to the K-12 system. The RMR is based on a market rate survey required by Federal regulations and is conducted every two years through the Department of Education. The RMR rates remain at the 2005 level.

The objectives of AB 2125 are to:

- Raise the compensation of the ECE workforce along the entire birth through age 5 continuum.
- Reduce the pay gap between the 0-3 ECE workforce including family child care providers and the K-12 system that could result in a talent drain to those programs.

Strengthen and improve the capacity of ECE providers to offer services and increase access and affordability for working families.

AB 2125 is the next step toward building a better reimbursement system for child care and early learning programs throughout California. AB 2125 would accomplish this by merging the two existing rate structures into a single reimbursement system that maintains both child care options and reflects the actual current cost of care in each region/county with a base at the 85th percentile level.

EXISTING LAW

- Existing law establishes a system of child care and development services for children from infancy to 13 years of age and provides certain requirements for the payment by the state for these child care and development services. Existing law requires the Superintendent of Public Instruction to implement a plan that establishes reasonable standards and assigned reimbursement rates, as provided, and requires the standard reimbursement rate to be $3,523 per unit of average daily enrollment for a 250-day year, increased by the cost-of-living adjustment granted by the Legislature.

- Existing law requires the plan to require agencies having an assigned reimbursement rate above the current year standard reimbursement rate to reduce costs on an incremental basis to achieve the standard rate and requires the plan to provide for adjusting reimbursements on a case-by-case basis, as provided.

- Existing law applies various adjustment factors to specified programs for which reimbursement rates are at or below the standard reimbursement rate, as provided.

- Existing law authorizes programs above the standard reimbursement rate to be considered on a case-by-case basis for rate adjustments due to documented increases in insurance costs.

- Existing law requires the cost of child care services provided to CalWORKs recipients and participants on voucher-based programs to be governed by regional market rates.

- Existing law requires regional market rate ceilings to be established at the 85th percentile of the 2005 regional market rate survey for that region.
**THIS BILL**

- This bill would establish a single system of reimbursement/funding for all child care subsidy programs.

- The bill would delete references to the standard reimbursement rate and instead would require the reimbursement rate to reflect the most recent Regional Market Rate survey in each region.

- This bill would delete the requirement that the adjustment factors apply to specified programs for which reimbursement rates are at or below the standard reimbursement rate.

- This bill would delete the provision that authorizes programs above the standard reimbursement rate to be considered on a case-by-case basis for rate adjustments due to documented increases in insurance costs.

- This bill would eliminate the need for specific infant/toddler rate factors for centers that contract with CDE.

- This bill would establish the market rate ceiling at the 85th percentile of the current regional market rate survey for that region for determining the cost of child care services provided to participants on voucher-based child care subsidy programs and to CalWORKs recipients.

This bill would establish a funding level for centers that contract directly with the California Department of Education (CDE) higher than the 85th percentile of the current regional market rate survey by region.

**SUPPORT**

California Child Development Administrators Association (Co-Sponsor)
California Child Care Resource & Referral Network (Co-Sponsor)
Northern Director’s Group
Child Care Alliance of Los Angeles (Co-Sponsor)
Greater Sacramento Urban League
California Association of Urban League Executives

---


