



Office of the Mayor

EMERGENCY ACTION ITEM

Supplemental Agenda

July 15, 2003

Date: July 11, 2003
To: Members of the City Council
From: Mayor Tom Bates
Subject: Emergency Financial Assistance to Child Care Providers

RECOMMENDATION:

That the Council adopt a Resolution authorizing the City Manager to provide emergency financial assistance including loans or advancement of City funding to child care providers with State contracts for subsidized care until the State budget crisis is resolved.

BACKGROUND:

On June 25, 2003, State Controller Steve Westly advised the Legislature that he could not pay certain State employees and contractors without a new Budget. He outlined the steps he would take to manage the State's cash during July if no action occurs. He said that he would pay prior year obligations, constitutional authorizations, federal mandates, and continuous legislative appropriations. Westly stated that he would not make payments to vendors for services provided during the new fiscal year. **Child development programs were specifically mentioned as a program that would not be reimbursed.**

The State is approaching the absolute deadline to pass a budget before July 15th to avert serious harm to quality programs that support our children and families. Berkeley is home to six (6) subsidized child care centers and two (2) Alternative Payment Programs serving a total of 288 subsidized children between the ages birth to 12 years old. In the case that the Legislature does not pass the Budget, **as early as August 1st there will be no child care subsidy payments.** The implications are:

- 288 Berkeley children from low-income families may lose their child care and early education programs.

- The families of these children may not be able retain employment due to a lack of child care.
- Child care programs may be forced to layoff and risk permanently losing qualified staff due lack of funds.
- School-age children who are in full-time care during the summer months may become latchkey kids.

This item will authorize the City Manager to provide emergency financial assistance including loans or advancement of City funding to child care providers with State contracts for subsidized care until the State Budget crisis is resolved.

FINANCIAL IMPLICATIONS: Financial assistance will be structured to have a minimal impact on the City. To the extent that short-term bridge loans are negotiated, the City will lose interest income. It is anticipated that this will not have significant impact on City resources.

ATTACHMENTS: BAHIA Announcement (July 10, 2003); *San Jose Mercury News* Article (July 11, 2003).

CONTACT: Mayor Tom Bates, 981-7100



THE BAY AREA HISPANO INSTITUTE
FOR ADVANCEMENT, INC.

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To: BAHIA, Inc. Families **Date:** July 10, 2003
From: Beatriz Leyva-Cutler **cc:** Subsidized Children's Files
Re: Fifteen-Day Notice and BAHIA, Inc. Staff

It is with much regret and heavy heart that I inform parents of BAHIA, Inc. that child development services for subsidized families will be terminated July 31. This is an official fifteen-day notice to all families receiving subsidized childcare. The only families who will continue to receive services beyond July 31, 2003 are those who have contracted with BAHIA, Inc. for non-subsidized (full cost) child care services.

This advisory is being issued because BAHIA has not received funding from the State Department of Education. We are awaiting notification on requests we have made for an increase in our line of credit (up to \$100,000), an emergency \$50,000 loan, and an application to refinance Centro VIDA, which would provide \$100,000 in reserve funds. All requests are in the final stages of approval but we do not have access to these funds at the time of this memo. At this time we have just enough funds to cover payroll and operation expenses up to July 31, 2003.

On behalf of the BAHIA Board of Directors and myself, we greatly regret having to take this action. Never in our 28 years of service have we communicated such a drastic and dramatic action to families. Please remember that every effort is being made to keep Centro VIDA and Bahia open. Upon notification and receipt of funding, this notice will be withdrawn and we will call back all currently enrolled families to return to BAHIA.

If you have any questions, concerns, or comments, I am available at VIDA at 525-1463, Bahia at 524-7300, home at 528-0264, or on my cell phone at 847-0784.

**There will be an EMERGENCY MEETING tomorrow,
Friday, July 11 at 6:00 p.m. at Bahia School Age Program.**

Posted on Fri, Jul. 11, 2003

Day care centers may close

BUDGET VICTIMS: STATE WON'T OFFER FUNDS UNTIL STALEMATE ENDS:

By Julie Sevreus Lyons
Mercury News

Kelli Wong can't picture it: Her Menlo Park child care center without children. No one stacking building blocks. No finger-painting. And she wonders where they would go; their parents work full time.

But cash-strapped day care centers statewide are considering closing -- and quickly -- if the state doesn't pay the \$550 million it promised to deliver by next Tuesday. As politicians wrangle about the long overdue state budget and consider which services to cut, child care centers are feeling the pinch.

The state is continuing to pay lottery vendors, civil servants and substance abuse treatment centers, but has quietly warned day care agencies that they *won't* be receiving their subsidies until a new budget has been approved.

The state subsidies cover the care of an estimated 584,000 low-income children statewide, and most centers receive some of this state funding. About one-fifth of the licensed centers in the Bay Area are *completely dependent on the state subsidies*.

The Legislature's indecision could mean that people like Erika Valdez, an administrative assistant from Livermore, will have to quit their jobs so they can care for their children. Valdez, a single mother of three, works full time but brings home only about \$2,000 per month, she said. Child care for her kids would cost her at least that much if the state weren't subsidizing the expense.

Without this funding, "I'll have to go on welfare," Valdez said. "I can't afford day care."

Wong, director of the Haven Child Development Center in Menlo Park, has heard the same story from the 22 families her site serves. Many are already homeless. And she is scared for them.

Child care has given their children structure, a safe place to prepare for school and socialize with other children. But Wong doesn't just wonder what will happen to the children if they are no longer able to attend day care. She wants to know how Californians have let this happen.

"Everybody knows our state does not have a signed budget, but I don't think much attention has been drawn to the effect it has on child care," she said. "People need to hear about this."

For many non-profit or low-profit day care centers, holding out weeks or months longer for a new budget will be outright impossible to do.

"We're out of money. There is simply no funding to keep the doors open," said David Johnson, a board member of Community Action of Napa Valley, which operates the Los Niños Child Development & Family Program. The agency has had to alert 84 families in Napa County that they probably will shut down July 18, forcing working parents to find child care alternatives.

On Thursday, dozens of worried parents and their children gathered at the Kidango child care center in

Livermore to protest the budget delay. Holding signs that said ``Tax us, don't ax us," they pleaded for any solutions that would keep their children in day care.

``It's a state of emergency," said Patricia Siegel, executive director of the California Child Care Resource & Referral Network in San Francisco.

``We could have yellow ribbon" stretching across the state's child care centers, Siegel said, ``and it would be appropriate."

Bay Area centers are not yet in the position of those in Stanislaus County, which had to suspend its subsidized child care program on July 1. About 1,600 children there have been displaced. The county did not want to make the move but simply had to, said Hal DeArmond, director of the Child/Family Services Division of the county's education office.

``It costs us about \$830,000 a month to provide child care, and not being reimbursed for it would bankrupt our county office of education over just a little course of time," DeArmond said.

Child care centers throughout the Bay Area are worrying they will be next, and have been scrambling to get bank loans -- at the state's urging -- to tide them over until a new budget is passed.

But many, like Wong, said Thursday they don't anticipate staying open past mid-August if they don't receive some financial assistance. Even day care providers that are not dependent on state subsidies for their entire income are facing problems.

``If something isn't done, we'll lose providers and we won't get them back," said Jan Stokley, executive director of the Child Care Coordinating Council of San Mateo County. ``There is a sense of frustration and sense that maybe the people in Sacramento don't understand what they're doing."

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