



April 17, 2009

Michael Genest  
Director  
Department of Finance  
915 L Street  
Sacramento, CA 95814

**RE: Increase the Standard Reimbursement Rate (SRR) and Adjustment for the Regional Cost of Care Using a Portion of the State Allocation of American Recovery and Reinvestment Act (ARRA) Funds from the Child Care and Development Block Grant (CCDBG)**

Dear Mr. Genest:

I am writing to urge your consideration of local needs as they relate to disbursement of the ARRA funds associated with to the CCDBG allocation for the state's child care and development subsidy system. Specifically, our request is to increase the Standard Reimbursement Rate (SRR) and adjust for the regional cost of care to better ensure the effective use of existing investments and future expenditures in child care and development services.

The current SRR has become grossly inadequate in covering the cost of providing high quality early learning and child care services for our State's youngest and most vulnerable children. The single SRR for child development services used across a large and economically diverse state is a substantial obstacle for high-cost counties, such as San Francisco, to effectively deliver such services. In San Francisco, as in twenty-one other counties, the SRR is far below the Regional Market Rate (RMR). Furthermore, the current RMR is well below the actual market rate. For example, here at our City Hall child care center the infant rate is \$1900 a month, while the RMR infant center reimbursement ceiling is at \$1330 a month, and that rate has been stagnant since 2005.

Everyday San Francisco's Title 5 child care and development contractors struggle to cover basic operating costs with the statewide SRR, and as a result each day of service translates to a financial loss. This situation has resulted in many of our non-profits struggling to stay viable. Within that last couple of months, two of San Francisco's Title 5 contractors have announced that they will be closing their program as of June 30, 2009 due to operating deficits that have grown to over \$150,000 annually, which they can no longer afford to absorb or offset via fundraising. Together these two programs serve over 100 low-income children and their families.

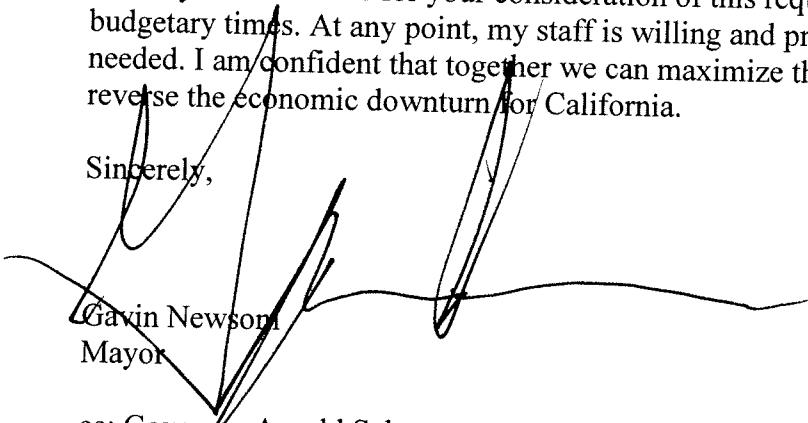
Studies have shown that raising the reimbursement rates can lead to higher quality and even more children being served. I am strongly urging your consideration of an increase in the SRR for San Francisco and other high cost counties. This request comes with the understanding that doing so may appear to result in a cost pressure to the state in out years. Therefore, the recommendation is to offer Title 5 contractors a separate or amended contract to their existing contract for the SRR increase that will terminate when the ARRA funds expire. It is my strong belief that the Obama Administration is committed to early care in education (ECE) as evident by their inclusion of a significant increase in CCDBG and Head Start/Early Head Start funding in the ARRA -recognizing ECE as the first pillar of education and a real economic driver. Further, the Administration has already expressed its ongoing commitment with the inclusion of ECE investments in its next year Budget proposal. Therefore there is a strong likelihood that the Administration will continue its investment in future Omnibus bills. As a reassurance to the state budget process, the state could use the separate contract or amendment for the

SRR increase, thereby conveying the federal stimulus link and mitigating the expectations of the state in the event the increase is not added to the federal budget in out years.

At the local level we are committed to effectively using the ARRA funds to keep people working or getting them back to work and as quickly as possible. For parents, the provision of child care is a necessity for their participation in the workforce. Title 5 contractors are a major component of San Francisco's child care delivery system, affording many of our lowest income families the opportunity to attend school and/or work, which contributes significantly to our city's economy and vitality.

Thank you in advance for your consideration of this request amidst these challenging budgetary times. At any point, my staff is willing and prepared to assist your office as needed. I am confident that together we can maximize the benefits of the ARRA to help reverse the economic downturn for California.

Sincerely,



Gavin Newsom  
Mayor

cc: Governor Arnold Schwarzenegger  
Jack O'Connell, State Superintendent of Instruction  
Camille Maben, Director - Child Development Division  
Assemblymember Fiona Ma  
Assemblymember Tom Ammiano  
Senator Mark Leno  
Senator Leland Yee