

JOINT HEARING SUBCOMMITTEES No. 1 and 3

Subcommittee No. 1

Senator Anthony Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Subcommittee No. 3

Senator Richard Pan, Chair
Senator William Monning
Senator Jeff Stone



Thursday, April 6, 2017
9 a.m. - State Capitol - Room 4203

Consultant: Elisa Wynne

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6100 DEPARTMENT OF EDUCATION**5180 DEPARTMENT OF SOCIAL SERVICES****Issue 1: Child Care and Early Education Overview (Information Only)****Panel:**

- Virginia Early, Legislative Analyst's Office

Background:

Generally, programs in the early care and education system, have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

Child Care. California provides child care subsidies to some low-income families, including families participating in CalWORKs. Families who have participated in CalWORKs are statutorily guaranteed child care during “Stage 1” (when a family first enters CalWORKs) and “Stage 2” (once a county deems a family “stable”, defined differently by county). In the past, the Legislature has, in the past, funded “Stage 3” (two years after a family stops receiving cash aid) entirely. Families remain in Stage 3 until their income surpasses a specified threshold or their child ages out of the program. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 70 percent of the state median income (SMI), as calculated in 2007-08 (for a family of three, the SMI cap is \$42,216); and (3) children must be under the age of 13.

California State Preschool Program. State preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). CSPP serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 70 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

Transitional Kindergarten. SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the “Kindergarten Readiness Act” and established the transitional kindergarten program, beginning in 2012-13, for children who turn five between September 1 and December 1. Each elementary or unified school district must offer developmentally-appropriate transitional kindergarten and kindergarten for all eligible children, regardless of family income. Transitional kindergarten is funded through an LEA’s Local Control Funding Formula allocation. LEAs may enroll children in transitional kindergarten that do not meet the age criteria if they will turn five by the end of the school year, however, these students will not generate state funding until they turn five.

Overview of State's Child Care and Preschool Programs		
<i>(2015-16)</i>		
Program	Description	Estimated Number of Slots
CalWORKs Child Care		
Stage 1	Begins when a participant enters the CalWORKs program.	44,154
Stage 2	Families transition to Stage 2 when the county welfare department deems them stable.	50,971
Stage 3	Families transition to Stage 3 two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years of age) or they exceed the income eligibility cap.	35,845
Subtotal		130,970
Non-CalWORKs Child Care		
General Child Care	Program generally for low-income, working families that are not current or former CalWORKs recipients.	28,738
Alternative Payment	Another program generally for low-income, working families that are not current or former CalWORKs recipients.	32,852
Migrant Child Care	Program for migrant children.	3,060
Care for Children With Severe Disabilities	Program for children with severe disabilities. Program limited to the San Francisco Bay Area.	105
Subtotal		64,755
Preschool		
State Preschool-part day	Part-day, part-year preschool program for low-income families.	98,956
State Preschool-full day	Full-day, full-year preschool program for low-income, working families.	58,504
Transitional Kindergarten	Part-day, part-year preschool program for all four-year olds with birthdays between September 2 and December 2.	83,000
Subtotal		240,460
Total		436,185

Source: Legislative Analyst's Office

Funding. California provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. The RMR is currently set to the 75th percentile of the 2014 RMR survey. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program — referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage 1, and county welfare departments locally administer the program. The California Department of

Education (CDE) funds the remaining voucher programs, which are administered locally by Alternative Payment (AP) agencies statewide. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the “administrative rate,” which provides them with 17.5 percent of total contract amounts.

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located. Since January 1, 2017, the standard reimbursement rate (SRR) is \$42.12 per child per day of enrollment.

For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes.

Child care and most state preschool programs are funded through General Fund allocations. In contrast, transitional kindergarten, is funded with Proposition 98 funds through the Local Control Funding Formula based on Average Daily Attendance (ADA). A local district receives the same per ADA funding for a transitional kindergarten student as for a kindergarten student.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of slots or vouchers, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages 1 and 2), which are entitlement programs in statute.

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. In 2012, funding for state preschool and the General Child Care Programs were consolidated; all funding for the part-day/part-year state preschool is now budgeted under the state preschool program, which is funded from within the Proposition 98 guarantee. For LEA-run preschool, wrap-around care to provide a full day of care for working parents is Proposition 98 funding, while non-LEA state preschool providers receive funding from the General Child Care program to support wrap-around care.

California also receives funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act and from federal TANF funds.

From 2009-2013, overall funding for child care and preschool programs decreased by \$984 million; and approximately 110,000 slots, across all programs, were eliminated. During this time, the state also froze provider rates, cut license-exempt provider payments, and lowered income eligibility for families. Since the recession, the state has invested a total of \$786 million (\$388 million in Proposition 98 General Fund and \$448 million in non-Proposition 98 General Fund) back into the child care and early education system, including \$289 million in 2014-15, \$283 million in 2015-16, and \$239 million in 2016-17 (once annualized), bringing 2016-17 funding for child care and preschool to \$3.7 billion (federal and state funding).

Issue 2: Governor's Budget Funding Proposals

Panel:

- Virginia Early, Legislative Analyst's Office
- Brianna Bruns, Department of Finance
- Debra Brown, Department of Education

Background:

The 2016 Budget Act included the first year of a multi-year increase in early childhood education programs, including increased provider reimbursement rates and additional slots for the California State Preschool Program. The agreement includes a total investment of an ongoing \$527 million by 2019-20. In addition, \$53 million in one-time funding was included to hold-harmless for two years (2016-17 and 2017-18), providers whose payments would otherwise be negatively impacted by the use of an updated 2014 RMR survey in the calculation of rates. These increases were generally designed to keep pace with increases to the state's minimum wage.

Specifically for 2016-17, the budget agreement included:

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- An increase of the Standard Reimbursement Rate (SRR), paid to center-based care and preschools by 10 percent beginning January 1, 2017.
- An increase to the regional market rate (RMR) for voucher-based child care to the 75th percentile of the 2014 survey for that region, or at the RMR for that region as it existed on December 31, 2016, whichever is greater, beginning January 1, 2017. Tie the RMR to the 75th percentile of the 2014 survey for that region beginning July 1, 2018.
- An increase to licensed exempt rates from 65 percent to 70 percent of the Family Child Care Home rate beginning January 1, 2017.
- Legislative intent language to reimburse child care providers at the 85th percentile of the most recent RMR survey and update the RMR ceilings with each new survey, based on available funding. Also expresses legislative intent to further increase the RMR ceilings through the 2018-19 fiscal year to reflect increased costs to providers resulting from the increases in the state minimum wage.
- Expanded preschool by 8,877 full-day preschool slots over three years (2,959 added each year).

2016-17 Implementation Issues

- **SRR Increase.** The CDE, when implementing the SRR increase of 10 percent for 2016-17 effective January 1, 2017, was administratively unable to increase the SRR for their contracts mid-year. As a result, the CDE, after consultation with stakeholders, instead increased the SRR by five percent across the full 2016-17 fiscal year.

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- **Preschool Slots.** The 2016 Budget Act included 2,959 new full-day preschool slots for LEAs. LEAs have applied for 519 full-day preschool slots and the CDE made the funds available for part-day slots and received an additional 793 slot applications. Currently the CDE is preparing to issue an additional request for proposals to fill any remaining slots. Statute does not allow the CDE to release these slots to non-LEAs.
 - **Alternative Payment Program (APP) Costs.** The 2016 Budget Act included an increase to the RMR used for calculating payments for the APP; this comes on top of increases in prior years as the state builds back from cuts to child care programs taken during the recession. As a result of multiple years of increases, the APP agencies were unable to accurately project the numbers of families they are able to serve. Towards the end of 2016, CDE identified that many APP agencies were over-enrolling families. To address this issue, the CDE requested and received approval for a budget revision to transfer \$15.9 million from savings in other child care programs to cover this unanticipated expense in the APP. CDE has requested that AP providers suspend enrolling additional families if they are over their contract and is working with AP providers and DOF on refining projections.

A related implementation issue is that while rates were updated based on more recent economic data, income eligibility requirements for families remain frozen. Families lose their eligibility for subsidized child care when they reach 70 percent of SMI (as calculated in 2007-08). According to the California Budget and Policy Center, based on the January 1, 2017 minimum wage, a family of three with both parents working for minimum wage would no longer qualify for subsidized care. This freeze impacts the ability of providers to quickly fill available slots and may destabilize families who lose care if their wages increase.

Governor's Budget Proposal:

The Governor's proposed child care and early education budget includes a total of \$3.8 billion for child care and preschool funding in 2017-18. This is a slight increase (two percent or \$76 million) from the revised 2016-17 funding level and includes funding for Transitional Kindergarten. This proposed budget includes annualizing the 2016-17 increases (includes the SRR at five percent, rather than the ten percent agreed to for 2016-17).

The Governor also proposes to suspend planned increases for rates and slots for 2017-18 and push the full implementation of the multi-year plan to 2020-21. The Governor also does not provide a COLA for child care programs. The Governor notes this pause in the implementation of the budget agreement reflects revised estimates of General Fund revenue. DOF estimates this proposal saves \$121 million in General Fund and \$105 million Proposition 98 dollars.

Proposed Child Care and Early Education Budget (Dollars in Millions)

	2015-16 Revised	2016-17 Revised ^a	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	\$334	\$418	\$386	-\$32	-8%
Stage 2 ^b	419	445	505	60	13
Stage 3	257	287	303	15	5
Subtotals	(\$1,010)	(\$1,150)	(\$1,193)	(\$43)	(4%)
Non-CalWORKs Child Care					
General Child Care ^c	\$305	\$321	\$319	-\$1	__ ^d
Alternative Payment Program	251	267	279	12	4%
Migrant Child Care	29	31	31	__ ^d	__ ^d
Care for Children With Severe Disabilities	2	2	2	__ ^d	__ ^d
Infant and Toddler QRIS Grant (one-time)	24	—	—	—	—
Subtotals	(\$611)	(\$620)	(\$630)	(\$10)	(2%)
Preschool Programs^e					
State Preschool—part day ^f	\$425	\$447	445	-\$2	__ ^d
State Preschool—full day	555	627	648	21	3%
Transitional Kindergarten ^g	665	704	714	10	1
Preschool QRIS Grant	50	50	50	—	—
Subtotals	(\$1,695)	(\$1,828)	(\$1,857)	(\$29)	(2%)
Support Programs	\$76	\$89	\$82	-\$7	-8%
Totals	\$3,392	\$3,688	\$3,763	\$76	2%
Funding					
Proposition 98 General Fund	\$1,550	\$1,679	\$1,709	\$30	2%
Non-Proposition 98 General Fund	885	984	1,002	18	2
Federal CCDF	573	639	606	-32	-5
Federal TANF	385	385	446	61	16
^a Reflects Department of Social Services' revised Stage 1 estimates. Reflects budget act appropriation for all other programs. ^b Does not include \$9.2 million provided to community colleges for certain child care services. ^c General Child Care funding for State Preschool wraparound care shown in State Preschool—full day. ^d Less than \$500,000 or 0.5 percent. ^e Some CalWORKs and non-CalWORKs child care providers also use their funding to offer preschool. ^f Includes \$1.6 million each year used for a family literacy program at certain State Preschool programs. ^g Reflects preliminary LAO estimates. Transitional Kindergarten enrollment data not yet available for any year of the period. QRIS = Quality Rating and Improvement System; CCDF=Child Care and Development Fund; TANF=Temporary Assistance for Needy Families; CDE = California Department of Education; and DOF = Department of Finance. Posted January 2017.					

Source: Legislative Analyst's Office

LAO Analysis:

The LAO does not have a recommendation on the funding pause proposed by the Governor. However, the LAO does recommend that the Legislature consider making additional CSPP slots provided in future years available for all providers, both LEA and non-LEA. The LAO estimates that at least one in five income-eligible four-year olds in California is not receiving subsidized preschool through a state or federal program, signaling that there is likely still additional need in the state for preschool slots. The LAO also notes that since LEAs also offer transitional kindergarten and are reimbursed at higher rates than for preschool, they may be incentivized to serve eligible four-year olds in transitional kindergarten rather than preschool.

Suggested Questions:

- Does the Administration anticipate restoring funds for the planned 2017-18 increases if more funding is available in the May Revision?
- Is CDE anticipating LEAs will apply for the remaining CSPP slots as part of the latest outreach efforts? What are LEAs citing as reasons not to apply?
- How are CDE and DOF working to refine APP agency estimates? Does the CDE anticipate any additional over-enrollment issues this fiscal year?

Staff Recommendation. Hold Open.

Issue 3: Early Education Flexibility Proposals**Panel I:**

- Virginia Early, Legislative Analyst's Office
- Brianna Bruns, Department of Finance
- Debra Brown, CDE

Panel II:

- Stephanie Ceminsky, Director of Early Childhood Education, San Diego Unified School District
- Larry Drury, Executive Director Go Kids, Inc.

*Panel II will address Issues 2 and 3.

Background:

The state currently runs two programs for similarly aged children, state preschool and transitional kindergarten. These programs operate with different funding, eligibility, and requirements as shown on the chart on the next page.

The state preschool program and transitional kindergarten also have different health and safety standards. State preschool programs must be licensed and follow the Community Care Licensing (CCL) health and safety standards under the DSS, known as Title 22 regulations. Some of these licensing requirements include that classrooms are clean and sanitary, children are constantly supervised, teachers are vaccinated and trained in first aid and medication, and cleaning supplies are stored out of reach. The CCL division visit sites every three years to monitor compliance. Any complaints of violation are filed with the CCL, and the CCL must visit the facility within 10 days. State preschool programs are also required to complete an environmental rating scale every three years, known as the Early Childhood Environment Rating Scale (ECERS), and are required to achieve a minimum score of "good" in each area.

Transitional kindergarten programs are not required to meet the same CCL health and safety standards, but are instead required to meet the same facility requirements as other K-12 buildings, and have some similar health and safety requirements outlined in the California Education Code. Transitional kindergarten classrooms are not inspected by DSS and any complaints of violation are subject to the K-12 Uniform Complaint Procedure (UCP) process.

State preschool programs run by LEAs are required to meet both the state preschool and K-12 requirements. LEAs argue that having to meet two separate (but similar) sets of requirements is duplicative and over burdensome. Some LEAs have cited this as a reason for not applying for State Preschool slots.

Figure 8
Comparing California’s Two Major Preschool Programs

	State Preschool	Transitional Kindergarten
Eligibility criteria	Four-year olds from families with incomes at or below 70 percent of state median income as calculated in 2007. ^a Children in full-day program must have parents working or in school.	Four-year olds with birthdays between September 2 and December 2. ^b
Providers	Local education agencies and subsidized centers.	Local education agencies.
Program length	At least 3 hours per day, 175 days per year for part-day program. At least 6.5 hours per day, 250 days per year for full-day program.	At least 3 hours per day, 180 days per year.
Teacher qualifications	Child Development Teacher Permit (24 units of ECE/CD plus 16 general education units). ^c	Bachelor’s degree, Multiple Subject Teaching Credential, and a Child Development Teacher Permit or at least 24 units of ECE/CD or comparable experience. ^{c,d}
Staffing ratios	1:24 teacher-to-child ratio and 1:8 adult-to-child ratio.	1:33 teacher-to-child ratio.
Annual funding per child^e	\$4,386 (part-day) and \$10,114 (full-day).	Average of \$8,810.

^a Programs may serve three-year olds from income-eligible families if all eligible and interested four-year olds have been served first.
^b Schools may serve younger four-year olds with birthdays before the end of the school year but those children do not generate state funding until they turn five.
^c Referenced permit and credential are issued by California’s Commission on Teacher Credentialing.
^d The requirements shown apply to teachers hired after July 1, 2015.
^e Funding rates are 2016-17 estimates.
 ECE/CD = Early Childhood Education/Child Development.

Source: Legislative Analyst’s Office

Governor’s Proposal:

The Governor proposes a series of changes for child care and early education through trailer bill language to streamline and increase flexibility within the programs. The proposals include the following:

Homeless Youth Definition. Align the state definition of homelessness with the definition used for the federal McKinney-Vento Homeless Assistance Act. The federal definition is more expansive than the current state definition and classifies children as homeless if they are temporarily staying with others due to the loss of housing.

Electronic Applications. Allow providers to accept electronic applications and signatures from families applying to subsidized child care or state preschool programs.

State Preschool Program Serving Special Needs Children. Allow state preschool programs to serve children with special needs that do not meet the income eligibility thresholds, as long as all eligible children are served first.

State Preschool Program Licensing. Exempt state preschool programs from community care licensing requirements (Title 22) if they operate in K-12 buildings that meet k-12 building standards. Programs would still be subject to Title 5 requirements.

State Preschool Program Staffing. Exempt state preschool providers with a four or higher rating on the Quality Rating Improvement System from state preschool staffing ratio requirements (would still need to meet licensing requirements of 1:12). For state preschool programs with low or no rating, allow classrooms taught by a teacher with a multiple subject teaching credential to operate with an adult child ratio of 1:12 (currently 1:8).

Transitional Kindergarten Instructional Minutes. Allow school districts to run transitional kindergarten and kindergarten programs on the same site for different lengths of time. Currently, because transitional kindergarten is considered the first year of a two-year program, school districts operating both classes on the same site must provide the same amount of instructional minutes or request a waiver from the state board of education.

LAO Analysis:

The LAO has no concerns with the proposals to align the state definition for homeless youth with the federal definition and allow the use of electronic applications and signatures.

The LAO notes that given that there are still significant numbers of unserved, income-eligible, preschool-aged children, the Legislature should reject the Governor's proposal to expand state preschool enrollment to include higher-income special needs children. The LAO notes that LEAs are already responsible for ensuring all four-year olds with special needs receive the services designated in their individualized education plan. While well intended, the LAO notes that the proposal could displace low-income children who do not have access to preschool and could simply shift special needs children already receiving services into this program.

The LAO recommends that the Legislature reject the preschool alignment proposals and pursue a more holistic reform of the state's system to serve four-year old, instead of serving them through two different systems with different requirements. In pursuing this reform, the Legislature would need to determine eligibility criteria, program standards, and funding levels. The LAO notes that although the Administration intends to better align state preschool programs and transitional kindergarten, the proposals instead add greater complexity to the system. For example, the LAO notes that the licensing flexibility requirements would create differences among state preschool provided at LEAs and non-LEAs and other changes to licensing and teacher ratios create differences between state preschool programs, but do not align completely with transitional kindergarten. In addition, the LAO notes that the staffing ratio proposal would allow a credentialed teacher to teach state preschool without early education training and it is unclear why this teacher would be better prepared to serve more children with less adult support than a teacher with early education training.

Absent a more holistic reform of preschool and transitional kindergarten, the LAO recommends adopting the transitional kindergarten instructional minutes proposal. The LAO does note that

transitional kindergarten and kindergarten receive the same amount of funding regardless of instructional minutes.

Staff Comments:

The Administration's proposals for electronic applications and homeless definition alignment are common sense changes that will benefit families and providers. In addition, as LEAs already have the ability to seek waivers for differing instructional minutes between transitional kindergarten and kindergarten, allowing this in statute is consistent with current practice. The other proposals for alignment and flexibility offer more complex changes to current practices. The LAO makes sensible recommendations for the state to step back and take a larger view of the state's current programs. Absent the ability to do this in the budget year, there are some issues the Legislature may want to carefully consider. For the proposal to serve special needs students, the Legislature may want to ensure that the language is clear, and underlying processes are in place, to ensure that all income eligible children are first served in preschool programs before additional children are made eligible. For the licensing alignment proposals, the Legislature may want to consider the differences between current preschool program licensing and that proposed under the Governor's plan. While the two are similar, there may be some health and safety requirements, particularly in respect to accountability that the Legislature may want to consider retaining in some form. Finally, the Legislature may wish to consider whether the proposal to amend staffing ratios for state preschool provides for sufficient qualified staffing to serve young children.

Suggested Questions:

- What differences has CDE, DOF, and LAO identified between community care licensing (Title 22) and Title 5 standards?
- What are the biggest challenges for LEAs and other providers when providing state preschool? Do the Governor's proposals address these concerns?
- What do LEAs and other providers feel are best practices for staffing ratios for preschool-age children?
- How will preschool providers ensure that all eligible low income children are served before including higher income special needs children in their programs under the Governor's proposal?

Staff Recommendation: Hold Open.

Issue 4: Quality Improvement Expenditure Plan**Panel:**

- Virginia Early, Legislative Analyst's Office
- Debra Brown, Department of Education
- Brianna Bruns, Department of Finance

Background:

California is required to spend a certain percentage of federal and state matching funds on quality improvement activities. In 2016-17, the state was required to spend 10 percent of the total federal and state matching funds, or approximately \$78 million, on quality activities. Of this, three percent (out of the 10 percent set-aside) is required to be expended on programs for infants and toddlers.) The required set-aside for quality activities is set to increase over the next few years, reaching 12 percent by 2020-21. Allowable expenditures include activities such as training for child care and preschool providers, developing materials for providers, enforcing licensing requirements and providing support for parents about child care options. The state currently provides funding for about 30 different quality improvement programs, covering both state-level activities and county-level activities, each with their own set of requirements. The budget provides CDE with some discretion on how these funds are allocated.

Quality Rating Improvement System. In 2012-13, California received a \$75 million federal grant to develop and fund a Quality Rating Improvement System (QRIS). Some of these funds were used to develop a matrix for rating child care and preschool providers based on indicators, including staff qualifications, ratios and environment. The remaining funding went to local QRIS consortia to rate programs and provide additional support services to improve program quality. These services vary by consortium, but could include stipends for teachers to take early education classes, coaching or grants to improve classroom environment.

The state provides \$50 million in ongoing Proposition 98 funding for QRIS for State Preschool. In 2015-16, the state provided \$24 million in one-time General Fund for QRIS for infants and toddlers (to be used over three years). Additionally, First 5 California has made QRIS a priority in recent years and dedicated \$25 million in 2016-17 for QRIS for all types of programs. Because much of the funding has been dedicated to QRIS for State Preschool, the majority of programs participating in QRIS are preschool programs. This funding for QRIS is not counted towards meeting the federal quality improvement expenditure requirement.

Quality Improvement Expenditure Plan Revisions. The 2016 Budget Act required the CDE to revise the State's quality improvement expenditure plan and submit the plan to the Legislature by February 1, 2017. In developing their plan, the budget bill language directed CDE to retain funding for resource and referral agencies, local planning councils and licensing enforcement. The language also directed CDE to prioritize other funding for QRIS. The CDE plans to submit a revised expenditure plan to the federal government after the enactment of the 2017-18 budget.

The CDE submitted its revised quality improvement plan to the Legislature last month. The plan reduces funding for nine programs in order to provide approximately \$5.1 million for an

Infant/Toddler QRIS Block Grant. The figure below outlines the specific changes proposed by the CDE.

Comparing Existing and Proposed Quality Improvement Expenditure Plans				
<i>(In Thousands)</i>				
Category	Activities	2016-17^a Revised	2017-18 Proposed	Change
Parent resources	Resource and Referral Agencies	\$22,280	\$22,280	—
	1-800-KIDS-793 Phone Line for Parents	91	91	—
	Subtotals	(\$22,371)	(\$22,371)	(—)
Training and technical assistance	Program for Infant and Toddler Care	\$6,846	\$6,453	-\$393
	California Preschool Instructional Network	4,000	4,000	—
	Child Care Initiative Project	3,057	3,027	-30
	Health and safety training grants and regional trainers	2,655	2,655	—
	Inclusion and Behavior Consultation Network	920	920	—
	Family Child Care at Its Best Project	767	767	—
	Map to Inclusive Child Care and CSEFEL	750	750	—
	Desired Results field training	667	667	—
	Developmental Screening Network	176	176	—
	California Strengthening Families Trainer Coordination	40	40	—
Subtotals	(\$19,877)	(\$19,455)	(-\$423)	
Financial aid	AB 212 Child Care Retention Program	\$10,750	\$8,063	-\$2,688
	Subsidized TrustLine Applicant Reimbursement	461	461	—
	Stipend for permit	435	435	—
	Child Development Teacher and Supervisor Grant Program	318	226	-92
	Subtotals	(\$11,964)	(\$9,184)	(-\$2,780)
Enforcement	Licensing enforcement for child care programs	\$8,000	\$8,000	—
Support to community colleges	Child Development Training Consortium	\$3,273	\$2,892	-\$381
	California Early Childhood Mentor Program	2,966	2,921	-45
	Subtotals	(\$6,239)	(\$5,813)	(-\$426)
Early learning resources	Desired Results system for children and families	\$1,025	\$1,025	—
	Development of early learning resources	959	500	-\$459
	Faculty Initiative Project	455	400	-55
	California Early Childhood Online	290	290	—
	Development of infant/toddler resources	180	180	—
Subtotals	(\$2,909)	(\$2,395)	(-\$514)	
Local planning	Local Planning Councils	\$3,353	\$3,353	—
Quality Rating and Improvement System (QRIS)	QRIS certification grants	\$2,000	\$1,000	-\$1,000
	Migrant QRIS Block Grant	800	800	—
	Infant/Toddler QRIS Block Grant	—	5,143	5,143
	Subtotals	(\$2,800)	(\$6,943)	(\$4,143)
Program evaluations	Evaluation of quality improvement activities	\$570	\$570	—
Totals		\$78,084	\$78,084	—

^a Does not include \$6 million in one-time funding provided for quality improvement activities in 2016-17.
CSEFEL = California Social Emotional Foundations of Early Learning.

Source: Legislative Analyst's Office

LAO Analysis:

In reviewing the Quality Improvement Expenditure Plan, the LAO notes that the many of the activities are essential for serving families, for example programs that help families find care, collect data on child care providers, and identify areas of need. However, the LAO also notes that at the county level, there are a variety of programs and funds sources that may overlap and could limit the ability of a county to prioritize funding for the highest local needs. In addition, the LAO notes that the state has little data on whether programs are effective or measures of outcomes related to improvement of quality. Finally, more programs and funding are accessible to providers who contract directly with CDE and already meet higher standards.

The LAO has the following recommendations related to CDE's revised quality plan:

- Retain funding for resource and referral agencies, local planning councils, licensing enforcement, and evaluation of quality improvement activities to ensure basic programs to support families in accessing care and measuring need are funded (\$34 million total).
- Consolidate \$21 million in funding from seven programs operated by county-level support entities into a single county block grant. Allow county-level support entities to serve all types of providers. Require county-level support entities to identify a lead agency and develop a plan for spending block grant funds. Require lead agency to report annually on how funds are spent.
- Retain funding for remaining programs (nearly \$23 million), but use planned evaluation funding to hire an independent evaluator to assess them over the next several years, starting with the largest programs in 2017-18. Revisit funding levels in the future based on the results of the evaluations.

Staff Comments:

The quality plan developed by the CDE has a significant number of targeted programs with low dollar amounts. While the state may wish to move to a more consolidated system of providing quality funding for priority activity areas, the state may wish to move carefully to avoid dismantling programs that are successfully fulfilling a need for providers in a specific area of the state. The Legislature may wish to ask the LAO and CDE to work together to recommend how funds already set-aside for evaluation could be used to look at program effectiveness. In addition, in the process for determining program effectiveness, the Legislature may also wish to ensure that local stakeholders are included in determining program effectiveness and key measurable outcomes.

Suggested Questions:

- How will funding for the Infant/Toddler QRIS Block Grant be used? Will additional funding be needed in future years?
- Are there additional programs CDE is considering for future consolidation or elimination?

- What information does the CDE currently receive through the program evaluation funding?

Staff Recommendation: Hold Open.

Issue 5: CalWORKs Participation Update

Panel:

- Kim Johnson, Branch Chief, Child Care and Refugee Program, Department of Social Services

Background:

CalWORKs child care seeks to help a family transition smoothly from the immediate, short-term child care needed as the parent starts work or work activities, to stable, long-term child care. CalWORKs Stage 1 is administered by the county welfare departments; Stages 2 and 3 are administered by Alternative Payment Program (APP) agencies under contract with CDE. The three stages of CalWORKs child care are defined as follows:

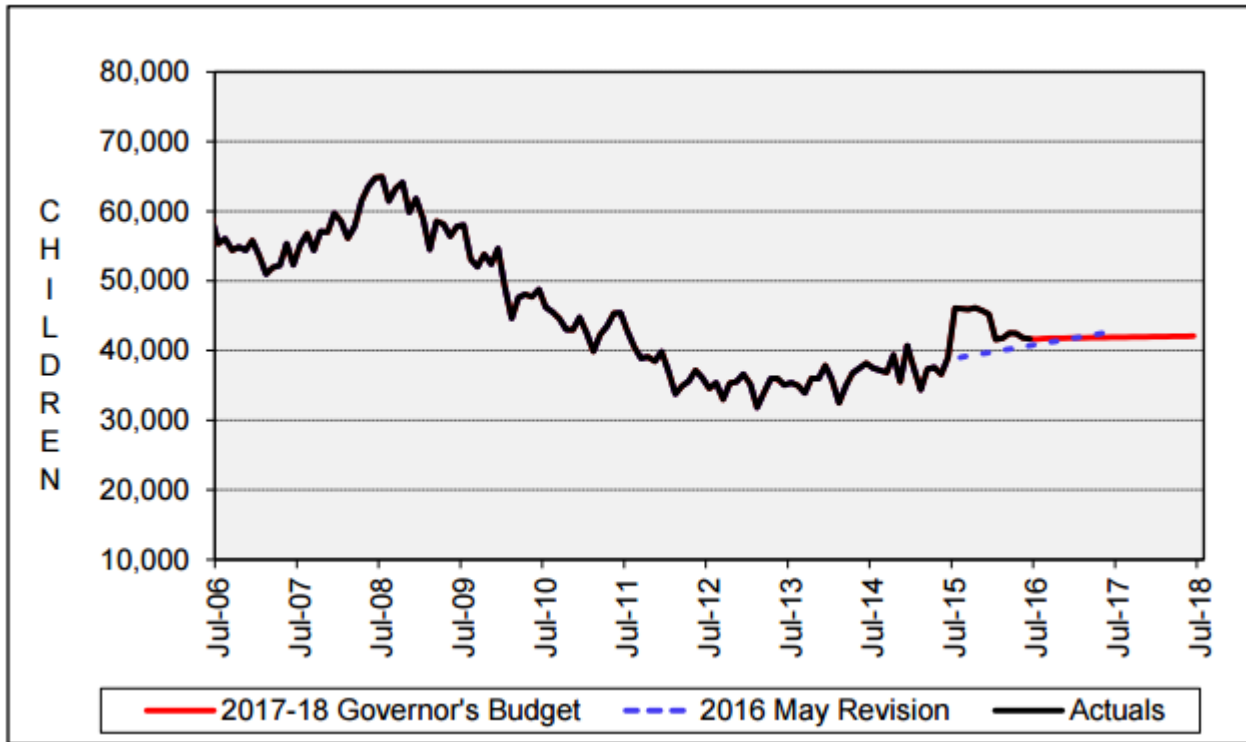
- Stage 1 begins with a family's entry into the CalWORKs program. Clients leave Stage 1 after six months or when their situation is “stable,” and when there is a slot available in Stage 2 or 3.
- Stage 2 begins after six months or after a recipient's work or work activity has stabilized, or when the family is transitioning off of aid. Clients may continue to receive child care in Stage 2 up to two years after they are no longer eligible for aid.
- Stage 3 begins when a funded space is available and when the client has acquired the 24 months of child care after transitioning off of aid (for former CalWORKs recipients).

Historically, caseload projections have generally been funded for Stages 1, 2, and 3 in their entirety – although Stage 3 is not technically an entitlement or caseload-driven program.

CalWORKs Stage 1 Participation

In past years, the Legislature has expressed concern about low utilization rates for CalWORKs child care, particularly Stage 1. Child care in Stage 1 is provided both to families working and those who are participating in Welfare-to-Work (WTW) activities. Participation in these programs decreased significantly during the recession as program policies shifted, and since this time enrollment has slowly increased, but is not back to pre-recession levels. In the first half of 2015-16, the utilization rate for Stage 1 and 2 child care of families with children participating in Welfare-to-Work activities is approximately 34 percent, compared to 30 percent in 2014-15 (this is not adjusted for families in which one parent is in WTW activities and the other parent is available to provide care for children.) For context, the County Welfare Director Association completed a survey, published in June 2016, that looked at the number of families eligible for Stage 1 and 2 child care. Based on responses, they estimate the utilization rate in CalWORKs Stage 1 and 2 and all other CDE-subsidized child care is approximately 45 percent. This survey also indicates that about 29 percent of children are in some other informal care arrangement. The most common reason families choose not to utilize Stage 1 and 2 child care, according to the survey, are a preference to do things on their own, followed by concerns over burdensome paperwork and low reimbursement rates.

CalWORKs Stage 1 Trend*



Source: Department of Social Services

*Note: The spike in 2015 reflects a shift in data collection rather than an actual increase in caseload.

In response to ongoing concerns, DSS has been working to increase understanding of CalWORKS Stage 1 caseload and the processes of counties as they qualify families for Stage 1 child care and transition eligible families to Stage 2 child care. DSS has recently updated their data system as of July 1, 2015, to collect information on the actual number of children receiving care, whereas the prior system collected payment information quarterly, with limited the ability of the department to track care provided accurately across the year.

DSS is also analyzing data in greater depth and in CalWORKs Stage 1 84 percent of children are older than age two, meaning they are eligible for a variety of other state and federal child care and education programs. DSS staff also embarked on series of site visits to 14 counties to observe processes and practices in providing CalWORKs child care. Over the past year, DSS has participated in a working group with CDE and child care stakeholders to examine some of the potential issues with families accessing child care. This work informed a DSS All County Notice that will be released in the coming days addressing best practices around access, enrollment, funding, and transferring of care.

Suggested Questions:

- What information did DSS gather from site visits with counties?
- What data is DSS collecting that will allow for a more complete assessment of participation in Stage 1 CalWORKs?

Staff Recommendation: Information Only.

Issue 6: Related Proposals**6A. California Legislative Women's Caucus**

Panelist: Senator Connie M. Leyva, District 20, Vice Chair, California Legislative Women's Caucus

Budget request. The Senator will present the California Legislative Women's Caucus child care and early education funding priorities.

6B. Twelve Month Eligibility and State Median Income

Panelist: Anna Levine, Senior Staff Attorney, Child Care Law Center

Budget request. The Child Care Law Center supports expanding eligibility for families in the child care and early education system to align with the recently adopted changes to the state's minimum wage by (1) adopting a 12-month eligibility period; and (2) updating the state median income (SMI) eligibility guidelines to the most recent SMI and exit ceilings to 85 percent of the SMI.

6C. Child Care Eligibility for Children in Foster Care

Panelist: Cathy Senderling-McDonald, California Welfare Directors Association

Budget request. The County Welfare Directors Association of California requests a change to statute to specify that a foster care grant is not considered as income, nor counted for purposes of family fees, when determining eligibility for child care subsidies. Current CDE regulations require that children both have a need and an income determination. Once this occurs, children are placed onto a waiting list for child care subsidies based on their relative need. The concern under this current process is that for children in foster care, a foster care grant (which only covers basic board and care costs) may place them with higher income than other children, therefore delaying, if not denying, their access to subsidies.