

SUBCOMMITTEES No. 1 and 3

Education and Health & Human Services

Chair, Senator Marty Block

Senator John M.W. Moorlach
Senator Benjamin Allen



Chair, Senator Holly J. Mitchell

Senator Jeff Stone, Pharm.D.
Senator William W. Monning

April 16, 2015
9:30 a.m. or Upon Adjournment of Session
Room 4203, State Capitol

AGENDA

Consultant: Samantha Lui

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Public Comment

PLEASE NOTE. Only those items contained in this agenda will be discussed at this hearing. Please see the Senate Daily File for dates and times of subsequent hearings. Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

OVERVIEW OF CALIFORNIA'S CHILD CARE AND EARLY LEARNING SYSTEM

The period from birth through age five is a critical time for a child to develop physical, emotional, social, and cognitive skills.¹ Early childhood interventions have demonstrated consistent positive effects for a child's long-term health and well-being, including better health outcomes, higher cognitive skills, higher school attainment, and lower rates of delinquency and crime.² Some academic literature finds that investing in quality early childhood education can produce future budget saving. For example, James Heckman, a University of Chicago Nobel Laureate economist, found that quality preschool investments generate seven to ten cents per year on every dollar invested.³ To provide context for the subcommittees' consideration of the Governor's budget regarding, and oversight of, child care and early childhood education issues, the following sections will: (1) present the impact of poverty on child development; (2) discuss infrastructural factors that impact the delivery of California's child care and early learning programs; and (3) consider possible proposals of investment.

Eligibility and access. Programs in the early care and education system, generally, have two objectives: to support parental work participation and to support child development. To be eligible for subsidized child care, families' incomes must be below 70 percent of the state median income (\$42,000 for a family of three); parents must be working or participating in an education or training program; and children must be under the age of 13. California has, traditionally, guaranteed subsidized child care through a variety of programs, including child care for families currently participating in the California Work Opportunity and Responsibility to Kids (CalWORKs) program. The state subsidizes child care for several years, with Stage 1 care provided for families seeking employment; Stage 2 for families who have been deemed "stable" by a county or are transitioning off of cash assistance; and Stage 3, for families who have been off cash assistance for at least two years.

Summary of California's Child Care and Development Programs

| Program | Description | 2014 Budget Act Slots | Proposed Slots for 2015-16 | Percent Change |
|---|---|-----------------------------|----------------------------------|-------------------|
| CalWORKs (based on estimated caseload) | | | | |
| Stage 1 | Provides cash aid and services to eligible families. Begins when a participant enters the CalWORKs program. | 38,363 | 40,847 | 6% |
| Stage 2 | When the county deems a family "stable." Participation in Stage 1 and/or Stage 2 is limited to two years after an adult transitions off cash aid. | 51,956 | 46,968 | -10% |
| Stage 3 | When a family expends time limit in Stage 2, and as long as family remains otherwise eligible. | 34,563 | 35,908 | 4% |
| | Subtotals for CalWORKs child care | 124,882 | 123,723 | -1% |

¹ U.S. Department of Health and Human Services (2003, June). *Strengthening Head Start: What the evidence shows* <http://aspe.hhs.gov/hsp/StrengthenHeadStart03/index.htm>

² A. Reynolds, J. Temple, S. Ou, D. Robertson, J. Mersky, J. Topitzes, and M. Niles (2007) *Effects of a School-Based, Early Childhood Intervention on Adult Health and Well-being: A 19-year follow-up of low-income families*. ArchPediatrics Adolescent Med/Vol. 161 (No. 8), pp.730-739.

³ J. Heckman (2011). "The Economic of Inequality: The value of early childhood education." *American Educator*, pp.31-47.

| Non-CalWORKs (based on proposed number of slots to be funded) | | | | |
|--|--|----------------|----------------|-----------|
| General Child Care | State and federally funded care for low-income working families not affiliated with CalWORKs program. Serves children from birth to 12 years old. | 51,287 | 53,323 | 4% |
| Alternative Payment | State and federally funded care for low-income working families not affiliated with CalWORKs program. Helps families arrange and make payment for services directly to child care provider, as selected by family. | 26,554 | 27,146 | 2% |
| Migrant Child Care | Serves children of agricultural workers while parents work. | 2,505 | 2,609 | 4% |
| Severely Handicapped Program | Provides supervision, therapy, and parental counseling for eligible children and young adults until 21 years old. | 145 | 146 | 1% |
| State Preschool | Part-day and full-day care for 3 and 4-year old children from low-income families. | 148,588 | 153,177 | 3% |
| Total | | 353,961 | 360,124 | 2% |

How are programs funded? 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 85th percentile of the RMR survey conducted in 2009, minus 10.11 percent. 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 76 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. As the state cut the number of child care slots, APs issued fewer vouchers, which generated less funding for programs.
- 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 2007, the standard reimbursement rate (SRR) was \$34.38 per child per day of enrollment, and increased to \$36.67 following a five percent increase in last year’s budget. Over the past few years, some small and medium-sized

providers have been absorbed by larger providers that have greater economies of scale. This is one indication that the SRR may not be sufficient for them to operate.

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

Funding. 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 CSPP and the General Child Care Programs were consolidated; all funding for the part-day/part-year CSPP is now budgeted under the State Preschool program, which is funded from within the Proposition 98 guarantee. The remaining funding in the General Child Care program supports the wrap-around care required for working parents.

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. Four percent of the federal block grant must be spent on improving the quality of child care.

Other early learning and child care programs and funding support. Programs, such as Head Start and California First 5, and other funding sources, such as the Race to the Top grant, local school districts, and community college districts, also support child development and early education programs.

Head Start. Head Start is a national program, administered by the U.S. Department of Health and Human Services Administration on Children, Youth, and Families, that serves preschool-age children and their families around the state. Many Head Start programs also provide Early Head Start, which serves infants, toddlers, pregnant women, and their families who have incomes below the federal poverty level. Programs may be based in:

- Centers or schools that children attend for part-day or full-day services;
- Family child care homes; and/or,
- Children's own homes, where a staff person visits once a week to provide services to the child and family. Children and families who receive home-based services gather periodically with other enrolled families for a group learning experience facilitated by Head Start staff.

According to CDE, in 2012, over 111,000 children were served by Head Start with a program budget of over \$965 million. California's Head Start programs are administered through a system of 74 grantees and 88 delegate agencies. A majority of these agencies also have contracts with the CDE to administer general child care and/or State Preschool programs. CDE indicates that it has over 1,316 contracts, through approximately 718 public and private agencies, providing services to approximately 400,000 children.

California First 5 and County First 5 Commissions. In 1998, voters approved Proposition 10, the California Children and Families First Act, which created the California Children and Families Program, also known as First 5. There are 58 county First 5 commissions, as well as the State California and Families Commission (State Commission), which provide and direct early development programs for children through age five. A cigarette tax (50 cent per pack) is the primary funding mechanism, of which about 80 percent is allocated to the county commissions and 20 percent is allocated to the State Commission. According to the Legislative Analyst's Office, the tax generates approximately \$400 million annually. In fiscal year 2013-14, the state and commission invested more than \$195 million to improve access and quality for early learning, including professional development for teachers and classroom support, like family specialists. First 5 can also provide developmental screenings.

After School Education and Safety Program. In 2002, California voters approved Proposition 49, which expanded and renamed the "Before and After School Learning and Safe Neighborhood Partnerships Program" to the "After School Education and Safety (ASES) Program." The ASES Program funds after school education and enrichment programs, created in partnerships between schools and community resources for students in kindergarten through ninth grade. After school programs must have (1) an educational and literacy element, such as tutoring and/or homework assistance, and (2) an educational enrichment element, such as music, performing arts, or community-service learning. ASES grantees must operate programs a minimum of 15 hours a week, and at least until 6:00 p.m. every regular school day during the regular school year. Currently, the ASES program is funded at \$550 million.

Race to the Top -- Early Learning Challenge (RTT-ELC).⁴ In 2012, California was one of nine states awarded a Race to the Top -- Early Learning Challenge grant, which aims to improve the quality of early learning programs and to close the achievement gap for children from birth to age five. California's grant totals \$52.6 million over four years (January 2012 to December 2015). State agencies, including the State Board of Education, DSS, Department of Public Health, Department of Developmental Services, and First 5 California, work with a voluntary network of 17 Regional Leadership Consortia (Consortia)⁵ to operate or develop a local Quality Rating and Improvement System (QRIS). The grant is also making one-time investments in state capacity, such as teacher/provider training and professional development, kindergarten readiness, home visitation, and developmental screenings. Around 74 percent of California's grant is spent in 16 counties⁶ to support a voluntary network of early learning programs. CDE estimates that nearly 1.9 million children, or 70 percent of children under five, can benefit from this grant.

Local School Districts. Local school districts also make considerable investments in early childhood education. Many elementary schools have preschool programs and child care programs on-site, such as Head Start, First 5 funded programs, or State Preschool. However, some programs are funded directly by school districts using other funds, including local property taxes and parent fees. School districts

⁴ For more information on California's Race to the Top -- Early Learning Challenge Grant, please see the May 2013 Report to the Governor, the Legislature, and the Legislative Analyst's Office at <http://www.cde.ca.gov/sp/cd/rt/documents/rttelc2012legrpt.pdf>

⁵ The Consortia includes the counties of Alameda, Contra Costa, El Dorado, Fresno, Los Angeles, Merced, Orange, Sacramento, San Diego, San Francisco, San Joaquin, Santa Barbara, Santa Clara, Santa Cruz, Ventura, and Yolo.

⁶ The Consortia includes 17 members in the counties of Alameda, Contra Costa, El Dorado, Fresno, Los Angeles, Merced, Orange, Sacramento, San Diego, San Francisco, San Joaquin, Santa Barbara, Santa Clara, Santa Cruz, Ventura, and Yolo.

have the flexibility to use their funding streams on early childhood education. There are various funding mechanisms include:

- Title I federal funding, which is dedicated to improving the academic achievement of the disadvantaged;
- Federal special education funding; and,
- California School Age Families Education (CalSAFE) that provided money specifically for child care and other supports for parenting students. This program was added to categorical flexibility in 2008-09, and the funds allocated to districts are no longer restricted to the CalSAFE program.

Community College Districts. There is also a small amount of funding allocated to the Community College districts to support subsidized child care for students. The budget includes funding for the following programs:

- CalWORKs \$9.2 million for subsidized child care for children of CalWORKs recipients.
- Cooperative Agencies Resources for Education (CARE) - Administered by the state Chancellor's Office, CARE uses Proposition 98 funds to operate 113 CARE programs. For fiscal year 2013-14, the program was allocated \$9.3 million to provide eligible students with supplemental support services designed to assist low-income single parents to succeed in college.⁷
- Child Care Tax Bailout - This program was first established in 1978 to mitigate the effect of Proposition 13 on 25 community colleges that had previously dedicated local taxes to child care and development centers. This program was included in the categorical flex item with funding of \$3.4 million in the 2009-10 budget, but there has been no change to this program since that time.

RECENT TRENDS

Some families, despite similar characteristics, are provided different funding and educational opportunities. The Legislature may wish to examine how child care services and early education programs are currently administered and delivered, so as to maximize available funding, deliver quality services, and meet the diverse needs of California's families. This section will review reductions made during the Great Recession and examine current issues and trends, pertaining to the following: (1) access to child care and early learning programs; (2) reimbursement rates; and (3) quality measures.

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. The following chart by the Legislative Analyst's Office outlines the funding, slot, and caseload reductions made to child care and preschool programs.

⁷ The Chancellor's Office temporarily suspended the Board of Governors-approved CARE allocations' funding formula, so each CARE program is awarded the same allocation received in the past four years. For more information about CARE's final allocations, please see <http://extranet.cccco.edu/Divisions/StudentServices/CARE/Allocations.aspx>

| Recent Funding and Slot/Caseload Reductions to Child Care and Preschool Programs | |
|--|---------------------------|
| <i>(Dollars in Millions)</i> | |
| Year Change | Reductions |
| 2009-10 | |
| Exemptions for Stage 1 families | \$69 |
| Eliminate Latchkey after school program | 27 |
| Technical/caseload adjustments | -14 ^a |
| Total Funding Reduction | \$82 |
| Total Slot/Caseload Reduction | 10,400 |
| 2010-11 | |
| Cap Title 5 provider reserves at 5 percent | \$83 |
| Reduce CalWORKs Stage 3 (Governor's veto) | 70 ^b |
| Reduce license-exempt rates from 90 percent to 80 percent of licensed rates | 31 |
| Reduce administrative payments from 19 percent to 17.5 percent of total contract amounts | 17 |
| Reduce some quality improvement activities | 6 |
| Technical/caseload adjustments | 83 |
| Total Funding Reduction | \$290 |
| Total Slot/Caseload Reduction | 35,200^c |
| 2011-12 | |
| Across-the-board cut of 11 percent ^d | \$177 |
| Reduce license-exempt rates from 80 percent to 60 percent of licensed rates | 68 |
| Lower income eligibility from 75 percent to 70 percent of state median income | 28 |
| Reduce or eliminate some quality improvement activities | 16 |
| Eliminate Centralized Eligibility List | 8 |
| Additional across-the-board cut of 4 percent ^d (midyear trigger cut) | 23 |
| Technical/caseload adjustments | 107 |
| Total Funding Reduction | \$427 |
| Total Slot/Caseload Reduction | 37,100 |
| 2012-13 | |
| Across-the-board cut of 9 percent ^{d,e} | \$130 |
| Institute family fees for part-day preschool | 3 |
| Technical/caseload adjustments | 52 |
| Total Funding Reduction | \$185 |
| Total Slot/Caseload Reduction | 27,300 |
| Total Funding Reduction | \$984 |
| Total Slot/Caseload Reduction | 110,000 |
| ^a Reflects net increase in funding, not reduction. ^b Governor originally vetoed \$256 million in CalWORKs Stage 3 funding. Legislature restored \$186 million. ^c Reductions primarily due to CalWORKs Stage 3 families not returning to the program after the veto. ^d Except for CalWORKs Stage 1 and Stage 2. ^e Alternate Payment Program was reduced by 18 percent. | |

How did the Recession impact child care and early learning access? According to data from CDE, the aggregate number of children served by program type has fluctuated annually. The table below provides more specific numbers of children by program type.

Aggregate Number of Children Served by Program Type (2008-09 to 2013-14)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Child Care | 145,353 | 71,004 | 68,386 | 60,317 | 55,563 | 54,461 |
| CalWORKs Stage 2 | 115,242 | 107,505 | 109,495 | 110,033 | 104,890 | 91,967 |
| CalWORKs Stage 3 | 81,035 | 76,247 | 67,128 | 40,391 | 42,332 | 44,929 |
| Alternative Payment | 54,678 | 58,226 | 56,937 | 51,000 | 39,768 | 39,727 |
| California State Preschool Program* | N/A | 201,630 | 213,931 | 200,426 | 181,052 | 180,295 |
| General Migrant Care | 4,906 | 4,393 | 4,845 | 4,474 | 4,069 | 3,935 |
| Severely Handicapped | 178 | 229 | 235 | 245 | 235 | 193 |

* Part-day and Full-day Preschool Programs, and Pre-K Literacy Part-day and Full-day Programs were incorporated into CSPP, pursuant to AB 2759 (Jones), Chapter 308, Statutes of 2007.

Source: CD-801A Monthly Child Care Report. Data summarized represent unduplicated count of children by program type who received subsidized child care and developmental services any time during fiscal year. A child may be counted more than once if he or she receives services within multiple program types during the year.

Increasing demand for subsidized child care remains constant. Families often contact contractors directly to request being placed on waiting lists. In the past, the statewide centralized eligibility list (CEL) consolidated waiting lists for subsidized child care programs. Functionally, the CEL organized and prioritized enrollment of eligible and needy children; it also demonstrated the need for subsidized child care and funding by county and statewide. Due to the budget deficit, Senate Bill 87 (Budget and Fiscal Review Committee), Chapter 33, Statutes of 2011, eliminated funding for CEL. At the time of its elimination, around 240,000 children were waiting for a subsidized child care slot. Since then, some counties have maintained their own CEL with existing local funds. According to data from January 2014, from fifteen Northern California counties, around 24,278 children were on the wait list. As of February 2015, 25,126 income eligible children in the Alternative Payment program (not including center-based care) were on waiting lists in North Los Angeles and San Bernardino counties. Extrapolating from the Los Angeles and San Bernardino county figures, which typically represents ten percent of the state's child care population, a rough estimate would be that more than 251,000 children are currently on waiting lists.

According to the Department of Social Services, between February 2013 and June 2014, California lost 2,305 licensed facilities. A number of factors may contribute to a facility closing, including the increased cost of care per child (especially for infants and toddlers), inability for certain a provider to absorb the impact of, or provide for, minimum wage increases, and stagnant reimbursement rates.

The Department of Education has initiated several initiatives to outreach to families whose first language is not English; for families with children with disabilities; and for infant-toddler care.

Language availabilities. CDE provides key documents in multiple languages. Confidential Application for Child Development Services, Emergency Identification and Information, Notification and Certification, and Statement of Incapacity are available in Chinese (simplified), Chinese (traditional), Hmong, Korean, Pilipino (Tagalog), Spanish and Vietnamese. The Resource and Referral agencies, under contract with the CDE, are required to make every effort to reach all parents within their defined geographic area, including, but not limited to toll-free telephone lines, office space convenient to parents, and referrals with staff proficient in the languages which are spoken in the community.

For families with children with disabilities. CDE is the lead fiscal agency for the Race to the Top-Early Learning Challenge (RTT-ELC) grant, which seeks to improve the quality of early learning programs and close the achievement gap for children who are low-income, English learners, and children with disabilities or developmental delays. California is taking a unique approach that builds upon the state's local and statewide successes. For more information about RTT-ELC, please see page 6 of the agenda.

The Office of Head Start and the Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services funds the Center on the Social and Emotional Foundations for Early Learning (CSEFEL) to provide training and technical assistance to California; and to expand opportunities for inclusion of children with disabilities and other

exceptional needs in child care settings. CSEFEL facilitates a collaborative effort to expand opportunities for children with disabilities and support integration. Resources are available to providers to include children with special needs into child care settings and participating CSEFEL sites. Coordination with the Map to Inclusive Child Care Project (Map Project) began in state fiscal year 1998–99. Stakeholders in the Map Project include representatives from early childhood programs, Head Start, CDE’s Special Education Division, key state agencies such as the California Departments of Developmental Services, Social Services, and Mental Health, and professional organizations providing support services for children with disabilities and their families.

For infant and toddler care. Other resources include the Inclusion and Behavior Consultation Network, which provides consultation, on-site training, and technical assistance to programs serving children with disabilities and special needs, including challenging behaviors through direct support to care providers. The Program for Infant Toddler Care (PITC), Inclusion of Infants and Toddlers with Disabilities provides training of trainers institutes for college instructors and PITC graduates. Local capacity to serve infants and toddlers with disabilities is increased by training provided by 100 to 130 PITC-certified trainers and interventionists.

Rates. The state reimburses child care providers using two rate structures—the regional market rate (RMR) and the standard reimbursement rate (SRR)—depending on the child care program. Families also pay fees for services based on their income.

- Regional Market Rate. For child care, CDE conducts its RMR survey every two years, but state law does not require that California adopt the rate. Over the past few years, providers increasingly have been charging the maximum of what the state will pay for vouchers. In some counties, this is more pronounced than in others. If child care providers charge too high a price, families may be unwilling or unable to pay. In communities with large numbers of low-income families who do not receive subsidies, the families’ ability to pay may be more limited than what the providers could otherwise charge if all families had subsidies. However, if most families were subsidized, the provider could charge closer to the RMR cap without affecting the families’ ability to pay.
- Standard Reimbursement Rate. Since 2007, the standard reimbursement rate (SRR) was \$34.38 per child per day of enrollment, and increased to \$36.67 following a five percent increase in last year’s budget. Over the past few years, some small and medium-sized providers have been absorbed by larger providers that have greater economies of scale. This is one indication that the SRR may not be sufficient for them to operate.

Quality.⁸ The state funds a number of activities to improving quality in child care and early learning settings. For example, four percent of the Child Care and Development Block Grant (CCDBG) must be spent on improving the quality of child care. The Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the CCDBG Act and the Social Security Act. Examples of uses for quality funds include technical assistance and training, Resource & Referral services, and grants and loans to providers for start-up costs. In 2012-13, the state budgeted \$72 million

⁸ Every three years, California must prepare and submit to the federal government a plan detailing how its CCDF funds are allocated and expended. <http://www.cde.ca.gov/sp/cd/re/stateplan.asp>

for 27 distinct projects, including professional development, stipends for providers, and activities related to health and safety. Another example includes the establishment of the Quality Rating Improvement System for state preschool, which will be further discussed on pg. 15 of the agenda. Additionally, Assembly Bill 212 (Aroner), Chapter 547, Statutes of 2000, provides \$15 million annually to Local Child Care and Development Planning Councils (LPCs)

The subcommittees invited the following panelists to provide their perspective on the value of investing in early childhood education and the possible challenges in the field.

Panelists:

Lourdes Alarcon, Parent Voices
Doris Russell, SEIU Local 99
Cristina Alvarado, Child Care Alliance of LA

5180 Department of Social Services**6100 Department of Education****1. Governor's Budget and TBL #300: Education Trailer Bill Master**

Panelists: Jessica Holmes, Department of Finance
 Brandon Nunes, Department of Finance
 Carolyn Chu, Legislative Analyst's Office

Budget Issue. The Governor's budget provides \$2.5 billion total funds (\$899 million federal funds; \$657 million Proposition 98 General Fund; and \$941 million non-Proposition 98 General Fund) for child care and early education programs. The budget reflects an overall increase in child care funding of \$101 million, attributed to changes in the cost of care in the CalWORKs programs, increases to the Regional Market Rate (RMR), and the inclusion of statutory growth and a cost-of-living adjustment (COLA) for specified programs. The table below provides the allocation amounts by program.

| Program | Governor's Budget (dollars in millions) |
|------------------------------|--|
| CalWORKs Child Care | |
| Stage 1 | \$362 |
| Stage 2 | \$349 |
| Stage 3 | \$264 |
| Subtotal | \$974 |
| Non-CalWORKs Programs | |
| General Child Care | \$574 |
| Alternative Payment | \$190 |
| Other | \$30 |
| State Preschool | \$657 |
| Totals | \$2,497 |

In addition, the budget includes the following:

- Full-year funding for 4,000 full-day State Preschool slots. The budget includes \$16 million in ongoing Proposition 98 to support a full year of additional full-day State Preschool slots⁹ and \$9.2 million in Proposition 98 to provide COLA for some child care programs. Also, the budget maintains ongoing \$50 million quality grants for State Preschool, which are allocated on a competitive basis to local education agencies.
- Full-year Regional Market Rate increase. The 2014 Budget Act provided \$19.1 million to increase the RMR for the Alternative Payment Program and all three CalWORKs stages, starting

⁹ SB 852 (Budget and Fiscal Review Committee), Chapter 25, Statutes of 2014; SB 858 (Budget and Fiscal Review Committee), Chapter 32, Statutes of 2014; and SB 876 (Budget and Fiscal Review), Chapter 687, Statutes of 2014, enacted several restoration and reinvestment augmentations for State Preschool, General Child Care, and Alternative Payment slots.

January 1, 2015. The new RMR sets the maximum reimbursement rate at the 85th percentile of the 2009 regional market survey reduced by 10.11 percent. The budget annualizes the increase in reimbursement rates and provides \$27.7 million.

- Growth and statutory COLA for the Alternative Payment, General Child Care, State Preschool, Migrant, and Handicapped Programs. The Governor's budget includes an increase of \$9.2 million Proposition 98 General Fund and \$12.3 non-Proposition 98 General Fund to resume the COLA, which was suspended for programs from 2008-09 through 2014-15. The Governor's budget provides a 0.57 percent growth adjustment and a 1.58 percent COLA. For the Alternative Payment Program, the COLA increase is applied to the program's appropriation, but its use is unspecified (traditionally this increase has supported additional slots). Programs using the Standard Reimbursement Rate (General Child Care, State Preschool, Handicapped and some Migrant programs), are increased by the COLA.
- Adjustments for CalWORKs Stage 2 and Stage 3. The budget includes an overall year-to-year decrease of \$11.6 million for Stage 2 due to a decrease in caseload (4,988 fewer slots). Stage 3 funding increases \$38.6 million year-to-year due to increases in the average cost of care (independent from the RMR increase) and a slightly higher caseload (1,345 additional slots).
- \$50 million for quality grants. The Governor's proposal maintains the ongoing \$50 million quality grants for State Preschool, which are allocated on a competitive basis to local education agencies.
- Federal Child Care and Development Funds. The budget includes a decrease of \$14.9 million federal funds to reflect a reduction in carryover funds.

The budget includes trailer bill language, which contains the following provisions:

- Establishes income eligibility limits for subsidized child care to be 70 percent of the state median income in use for the 2007-08 year, adjusted for family size.
- Uncodified language that requires the Department of Education to convene two working groups (one for contractors that provide state preschool and other subsidized child care/Title 5 providers; and another for CalWORKs Stage 2, Stage 3, and alternative payment programs) to review the administrative requirements of the two types of programs. The working groups would identify ways to reduce program administration workload, identify efficiencies in program implementation, and provide its recommendations to the Legislature, Department of Finance, and CDE, no later than April 1, 2016.

Staff Comments and Recommendation. **Hold open.** Staff recommends keeping the proposed budget and trailer bill language open for further discussion and review.

Question

1. To DOF: Please present the Governor's budget and proposed trailer bill language.

2. Oversight: Implementation of Budget Act of 2014

Panelists: Monique Ramos, Director of Government Affairs, California Department of Education
Debra McMannis, Director of Early Education and Support Division, CDE
Jessica Holmes, Department of Finance

Budget Issue. Last year's budget and trailer bills¹⁰ enacted an early care and education package, which includes quality enhancements, restoration and expansion of preschool access, increased reimbursement rates, and increased slots; including:

- Increase Regional Market Rate (RMR) and the Standard Reimbursement Rate (SRR). The regional market rate is the maximum rate the state will pay to reimburse child care providers accepting vouchers. The Budget Act of 2014 allocated \$19.1 million to increase the RMR to the 85th percentile of the 2009 survey, reduced by 10.11 percent. Language also increased the SRR by five percent, effective July 1, 2014.
- California State Preschool Program. The Budget Act of 2014 established 4,000 additional full-day State Preschool slots for part of the year. In addition, the 2014 Budget repealed CSPP family fees.
- One-Time Professional Development. \$15 million of the funding provided in SB 852 must be allocated to the Department of Education to fund professional development stipends for teachers, to be administered by local planning councils. Further, SB 852 established priorities for the use of those funds, including first priority for transitional kindergarten (TK) teachers and second priority for teachers in the California state preschool program. Language also provided a one-time allocation of \$35 million for facility and improvement and professional development.
- Ongoing Quality Improvement Grants. The 2014 Budget also provided an ongoing \$50 million to Quality Rating and Improvement System (QRIS) block grants to support State Preschool.

Background. According to the Department of Education, all available funding has been awarded. Anecdotally, contractors have notified the Early Education and Support Division within the department of possible challenges for expending the award amounts, such as an inability to rapidly and fully enroll enough children, a shortage of facilities, and challenges obtaining additional licenses in time to begin expending contracts.

The following charts detail the slots requests, by county, and amount of slots available.

¹⁰ SB 852 (Budget and Fiscal Review Committee), Chapter 25, Statutes of 2014; SB 858 (Budget and Fiscal Review Committee), Chapter 32, Statutes of 2014; SB 876 (Budget and Fiscal Review), Chapter 687, Statutes of 2014.

| FY 2014-15 CCTR Restoration | | | | | |
|--|-------------------------------|---------------------------------|------------------|-----------------------------------|-----------------------------------|
| Slots Requested | | | | | Slots Funded |
| County Name | Infant Slots (0-17 months) | Toddler Slots (18-36 months) | School Age Slots | Other Eligible Slots ¹ | Infant/Toddler Slots ² |
| Alameda | 35 | 90 | 15 | 0 | 125 |
| Colusa | 3 | 3 | 0 | 0 | 6 |
| Contra Costa | 0 | 108 | 0 | 0 | 48 |
| Del Norte | 8 | 2 | 0 | 0 | 10 |
| Fresno | 34 | 99 | 44 | 0 | 133 |
| Humboldt | 1 | 20 | 0 | 0 | 5 |
| Imperial | 7 | 8 | 0 | 0 | 15 |
| Kern | 0 | 13 | 0 | 0 | 13 |
| Los Angeles | 168 | 411 | 68 | 32 | 351 |
| Mono | 0 | 0 | 6 | 0 | 0 |
| Monterey | 9 | 7 | 7 | 0 | 10 |
| Nevada | 10 | 8 | 15 | 0 | 18 |
| Orange | 12 | 24 | 22 | 0 | 36 |
| Riverside | 42 | 60 | 12 | 0 | 102 |
| Sacramento | 15 | 58 | 60 | 60 | 73 |
| San Bernardino | 0 | 15 | 0 | 0 | 0 |
| San Diego | 2 | 38 | 0 | 0 | 25 |
| San Francisco | 10 | 114 | 0 | 0 | 108 |
| San Joaquin | 5 | 5 | 0 | 0 | 10 |
| San Luis Obispo | 8 | 0 | 28 | 28 | 8 |
| San Mateo | 10 | 12 | 13 | 13 | 22 |
| Santa Barbara | 4 | 4 | 0 | 0 | 8 |
| Santa Clara | 65 | 81 | 373 | 116 | 63 |
| Santa Cruz | 25 | 44 | 20 | 16 | 69 |
| Solano | 0 | 0 | 10 | 0 | 0 |
| Stanislaus | 11 | 32 | 8 | 3 | 43 |
| Tulare | 10 | 9 | 0 | 0 | 19 |
| Yolo | 6 | 20 | 0 | 16 | 26 |
| Total | 500 | 1,270 | 701 | 284 | 1,346 |
| ¹ Includes 3 and 4 year olds being served in FCCHEN. Priority given Infant/Toddler slot requests, funded in Start Date priority. | | | | | |

State Preschool Restoration Slots Requested. All requested slots were funded.

| County Name | Full-day/Full-year Slot Totals | Part-day/Part-year Slot Totals |
|--------------------|---------------------------------------|---------------------------------------|
| Alameda | 460 | 87 |
| Butte | 54 | 0 |
| Colusa | 24 | 0 |
| Contra Costa | 75 | 12 |
| Del Norte | 0 | 40 |
| El Dorado | 29 | 0 |
| Fresno | 1023 | 365 |
| Humboldt | 8 | 20 |
| Imperial | 40 | 10 |
| Kern | 40 | 10 |
| Lake | 12 | 48 |
| Los Angeles | 1578 | 346 |
| Madera | 8 | 16 |
| Marin | 36 | 24 |
| Merced | 34 | 24 |
| Monterey | 43 | 22 |
| Orange | 103 | 948 |
| Plumas | 0 | 36 |
| Riverside | 340 | 212 |
| Sacramento | 312 | 309 |
| San Benito | 0 | 136 |
| San Bernardino | 43 | 72 |
| San Diego | 333 | 268 |
| San Francisco | 443 | 0 |
| San Joaquin | 50 | 163 |
| San Mateo | 130 | 112 |
| Santa Barbara | 57 | 24 |
| Santa Clara | 693 | 221 |
| Santa Cruz | 0 | 88 |
| Shasta | 48 | 8 |
| Siskiyou | 0 | 1 |
| Solano | 10 | 0 |
| Sonoma | 21 | 48 |
| Stanislaus | 0 | 16 |
| Sutter | 0 | 24 |
| Tehama | 0 | 48 |
| Tulare | 32 | 48 |
| Tuolumne | 0 | 10 |
| Ventura | 12 | 248 |
| Yolo | 94 | 20 |
| Yuba | 0 | 28 |
| Total | 6,185 | 4,112 |

| State Preschool Expansion | | | |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| County Name | Full-Day Total Per County | Part-Day Total Per County | Total Combined Per County |
| Alameda | 141 | 0 | 141 |
| Butte | 24 | 16 | 40 |
| Colusa | 0 | 24 | 24 |
| Contra Costa | 76 | 0 | 76 |
| Del Norte | 0 | 0 | 0 |
| Fresno | 286 | 0 | 286 |
| Imperial | 0 | 120 | 120 |
| Kern | 20 | 24 | 44 |
| Lassen | 0 | 27 | 27 |
| Los Angeles | 2,027 | 1,064 | 3,091 |
| Madera | 0 | 19 | 19 |
| Marin | 24 | 63 | 87 |
| Merced | 48 | 40 | 88 |
| Mono | 0 | 42 | 42 |
| Monterey | 42 | 0 | 42 |
| Napa | 64 | 0 | 64 |
| Orange | 472 | 1,046 | 1,518 |
| Placer | 120 | 0 | 120 |
| Plumas | 16 | 0 | 16 |
| Riverside | 462 | 176 | 638 |
| Sacramento | 522 | 80 | 602 |
| San Bernardino | 162 | 96 | 258 |
| San Diego | 762 | 106 | 868 |
| San Francisco | 46 | 0 | 46 |
| San Joaquin | 460 | 96 | 556 |
| Santa Barbara | 26 | 48 | 74 |
| Santa Clara | 213 | 68 | 281 |
| Santa Cruz | 20 | 96 | 116 |
| Solano | 48 | 0 | 48 |
| Sonoma | 48 | 0 | 48 |
| Stanislaus | 0 | 32 | 32 |
| Sutter | 98 | 24 | 122 |
| Tehama | 0 | 47 | 47 |
| Tulare | 0 | 145 | 145 |
| Ventura | 84 | 160 | 244 |
| Total | 6,311 | 3,659 | 9,970 |

According to data as of April 2, 2015, the following counties did not receive a rate increase under the 2009 RMR Survey with the 10.11 percent deficit factor.

**Counties That Did Not Receive a Rate Increase Under
2009 RMR Survey with 10.11 Percent Deficit Factor, Hold Harmless**

The list below includes the counties that have been held harmless for one or more age groups. This analysis only looks at the Monthly Full Time, Weekly Part Time and Hourly rate categories. It does not include an analysis of the Daily, Weekly Full Time or Monthly Part Time rate categories.

| Monthly Full Time Child Care Centers | Monthly Full Time Family Child Care Homes | Weekly Part Time Child Care Centers | Weekly Part Time Family Child Care Homes |
|---|--|--|---|
| ALAMEDA | ALAMEDA | AMADOR | ALAMEDA |
| CONTRA COSTA | AMADOR | COLUSA | AMADOR |
| EL DORADO | BUTTE | DEL NORTE | CALAVERAS |
| FRESNO | CALAVERAS | GLENN | CONTRA COSTA |
| HUMBOLDT | COLUSA | IMPERIAL | LOS ANGELES |
| KERN | CONTRA COSTA | INYO | MENDOCINO |
| MONO | EL DORADO | LASSEN | MONO |
| NAPA | FRESNO | MADERA | NAPA |
| NEVADA | GLENN | MARIPOSA | NEVADA |
| ORANGE | HUMBOLDT | MENDOCINO | ORANGE |
| PLACER | INYO | MERCED | PLACER |
| RIVERSIDE | KERN | MODOC | SACRAMENTO |
| SACRAMENTO | KINGS | PLUMAS | SAN BENITO |
| SAN BENITO | LAKE | SHASTA | SAN BERNARDINO |
| SOLANO | LASSEN | SIERRA | SAN LUIS OBISPO |
| SONOMA | LOS ANGELES | SISKIYOU | SANTA BARBARA |
| VENTURA | MADERA | STANISLAUS | SONOMA |
| | MARIN | SUTTER | VENTURA |
| 17 COUNTIES | MARIPOSA | TEHAMA | |
| | MENDOCINO | TRINITY | 18 COUNTIES |
| | MERCED | TULARE | |
| | MODOC | TUOLUMNE | |
| | MONTEREY | YUBA | |
| | NAPA | | |
| | ORANGE | 23 COUNTIES | |
| | PLACER | | |
| | PLUMAS | | |
| | RIVERSIDE | | |
| | SACRAMENTO | | |
| | SAN BERNARDINO | | |
| | SAN DIEGO | | |
| | SAN FRANCISCO | | |
| | SAN JOAQUIN | | |
| | SAN LUIS OBISPO | | |
| | SAN MATEO | | |
| | SANTA BARBARA | | |
| | SANTA CLARA | | |
| | SANTA CRUZ | | |
| | SHASTA | | |
| | SIERRA | | |
| | SISKIYOU | | |
| | SOLANO | | |
| | SONOMA | | |
| | STANISLAUS | | |
| | TRINITY | | |
| | TULARE | | |
| | TUOLUMNE | | |
| | VENTURA | | |
| | YOLO | | |
| | YUBA | | |
| | 50 COUNTIES | | |

Staff Comment and Recommendation. The item is included for discussion, and no action is needed at this time.

Questions

1. To CDE: Please present how last year's budget actions have been implemented, including expansion and restoration of slots and the rate increases.

3. Oversight: CalWORKs Child Care and Alternative Payment Program

Panelists: Todd Bland, Deputy Director of the Welfare to Work Division, Department of Social Services
 Kim Johnson, Branch Chief of the Child Care and Refugee Program, DSS
 Legislative Analyst's Office

Background. To ensure an adequate supply of child care resources to recipients and those transitioning off welfare-to-work, AB 1542 (Ducheny), Chapter 270, Statutes of 1997, eliminated seven former welfare-related childcare programs and consolidated them into the three-stage CalWORKs child care programs. 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 One is administered by the county welfare departments; Stages 2 and 3 are administered by Alternative Payment Program (APP) agencies under contract with the California Department of Education (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 One after six months or when their situation is "stable," and when there is a slot available in Stage Two or Three.
- 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 Two 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 – even though Stage 3 is not technically an entitlement or caseload-driven program. There has been considerable turmoil in the Stage 3 program since Governor Schwarzenegger first vetoed all of its funding in 2010. In 2011, the program was effectively capped and the California Department of Education (CDE) was required to provide instructions to the field on how to dis-enroll families.

During the March 10 and March 26 hearings, the Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services considered several issues related to California's existing welfare-to-work plan, including the Department of Social Services' (DSS) implementation of early engagement strategies and how DSS has re-engaged families. The subcommittee conducted oversight to determine whether the utilization of supportive services, like child care, has increased, in light of significant CalWORKs program changes, such as the end of the young-child exemption and differentiation between welfare-to-work participation rules that apply before expiration of a 24-month time limit.

Issues to consider.

- Uptake rate. Historically, the uptake rate for CalWORKs child care and alternative payment programs appears low. Yet, as more work-eligible individuals participate in re-engagement¹¹ and

¹¹ Re-engagement refers to the process by which DSS re-engaged parents in approximately 15,000 families whose young-child exemptions ended over the last two years.

re-enter the workforce, and more individuals participate in variable work schedules and non-traditional hours, there should be a corresponding increase in child care. However, there has not been a significant impact driving utilization for any of CalWORKs child care stages. Instead, there has been decrease in Stage 1 and 2 slots from 2012-13 to 2013-14, with only slight upticks in Stages 1 and 3 in the last two years.

Advocates find that parents, who receive CalWORKs assistance, may not be adequately assessed for child care needs, or are not told of its availability. Providers in the field also note that many families, who are currently receiving CalWORKs assistance, are on local child care alternative payment waiting lists, suggesting the inadequacy of the needs assessment or inappropriate referral for child care.

- Transfers and sanctions. Another challenge regarding CalWORKs is an apparent misunderstanding about whether families, who have a sanctioned adult in the assistance unit, are eligible for child care. According to legal services, some sanctioned families are still being denied care or transfer. Many alternative payment agencies report that high numbers of families are self-referring into Stage 2, instead of from county referrals. Also, for families who had the young-child exemption under the CalWORKs program, they may not have been told of the availability of child care assistance when re-engaged. In legal services, many clients generally report difficulty being referred to Stage 2 services when they stabilize.
- License-exempt reimbursement ceilings. Some advocates note that the level of payment for license-exempt care has impacted the availability of providers. The Legislature may wish to review whether these reimbursement ceilings, which may function as wages to a provider, is a level comparable to other types of care or work provided in another setting.
- Reviewing “stability” for CalWORKs. Before a family moves from CalWORKs Child Care Stage 1 to Stage 2, a county must determine the family to be in “stable” condition. However, there is no statewide definition of what constitutes “stable.” Because funding for these programs rely heavily on caseload projections and estimates, unpredictable shifts from Stage 1 to Stage 2 could undermine the ability for resources to be allocated accordingly. The Legislature may wish to examine how various counties define “stable” for purposes of determining eligibility for transfer from Stage 1 to Stage 2 of CalWORKs Child Care.
- Characteristics study. The Department of Social Services and California Department of Education are conducting a Subsidized Child Care and Development Characteristics Study, which will generate data from the state’s subsidized child care programs regarding the characteristics of service providers and children and the families receiving these services. The data collected will inform decision-makers on how to improve child care services for families in need. Approximately \$2 million of existing funds from the CDSS’ research budget will fund the study over the next two years. The CDSS and the CDE meet monthly with the Technical Advisory Group (TAG). It is unclear when the complete product will be released.

Staff Recommendation. This item is informational and included for discussion. No action is required at this time.

Questions

1. To DSS: Please provide an update on actions needed to meet child care needs of the re-engaged CalWORKs population. What is currently being done to meet the child care needs of those who are re-engaged, but are no longer eligible for the current young child exemption?
2. To DSS: What actions are being taken to ensure that supportive services include the assessment and provision of child care?

4. Federal Child Care and Development Block Grant (CCDBG)

Panelists. Monique Ramos, Director of Government Affairs, CDE
Debra McMannis, Director of Early Education and Support Division, CDE
Carolyn Chu, Legislative Analyst's Office
Jessica Holmes, Department of Finance

Background. The Child Care and Development Block Grant (CCDBG) is the primary source of federal funding used in California to support subsidized child care programs, direct service, and alternative payment contract types, including CalWORKs Stage 3 and General Child Care. On November 19, 2014, the President reauthorized the CCDBG, which includes new requirements, such as annualizing licensing inspections; providing health and safety inspections for non-family license-exempt providers, allowing extended income eligibility; providing funding for child care quality activities; and, restructuring professional development for child care providers and staff. Some of the provisions of the reauthorized Block Grant include annual monitoring inspections of both licensed and license-exempt providers, implementing 12-month eligibility for children in subsidized child care, increasing the Regional Market Rate to the reimbursement ceilings identified in the most recent Market Rate Study, increasing opportunities for professional development, adding topics to health and safety trainings, and creating a disaster preparedness plan. Most, but not all of the provisions became effective when the reauthorization was signed.

Although the state may have several years to implement these changes, some policies and practices must be in place by March 2016. The Office of Child Care (OCC) is formally extending the submission of the 2016-18 CCDF State Plan until March 1, 2016 – an extension from the original due date of June 30, 2015. Pursuant to the reauthorization of CCDBG, the state must also document its level of compliance, and plans for compliance, with new federal requirements. There is question whether the federal block grant funds will be sufficient to meet new requirements and to maintain current service levels.

State Plan. Each state must complete a triennial CCDF State Plan which describes the extent to which requirements are met, or the process through which states plan to meet the requirements. Traditionally, the State Plan is due to the Federal Government by June 30 every other year. Given the unique circumstances of this reauthorization year, the federal government has granted all states a nine-month extension to March 1, 2016. A first draft of the 2016-18 State Plan will be posted on the California Department of Education's (CDE) Web site in late 2015 when the preprint or template form becomes available from the Office of Child Care. In order to gather stakeholder and public input on the 2016-18 CCDF State Plan, a public hearing was held on January 9, 2015. A stakeholder input process was initiated in February 2015 to obtain feedback from the field of child care providers, contractors and advocates as to how they would like the implementation to take shape, and what structures exist to support implementation in an efficient and cost-effective manner. Topical input sessions related to the major areas of implantation (annual licensing inspections, professional development, etc.) were hosted at the California Department of Education to solicit information and feedback.

Examples of policy changes. Numerous policy changes included in the reauthorization pose significant potential policy shifts and budgetary action, including:

- **Regional Market Rate (RMR) Survey.** All states must conduct a statistically valid and reliable survey of the market rates for child care services every two years that reflects variations in the

cost of child care services by geographic area, type of provider, and age of child. States must demonstrate how they will set payment rates for child care services in accordance with the results of the market rate survey. Assembly Trailer Bill 1476 (Chapter 663 of the Statutes of 2014), beginning January 1, 2015, requires the California Department of Education to implement ceilings at the 85th percentile of the 2009 Regional Market Rate Survey, reduced by 10.11 percent. If a calculated ceiling is less than the ceiling provided before January 1, 2015, then the ceiling from the 2005 Regional Market Survey will be used. The licensed-exempt child care provider ceilings will be 60 percent of the Family Child Care Home ceilings. Guidance from the Office of Child Care (OCC), dated March 25, 2015, suggests that states must use the most current market rate survey to set rates.

- Annual Monitoring Inspections. In California, the Department of Social Services Community Care Licensing (DSS CCL) issues licenses for child care facilities. Many providers in California supported by CCDF are license-exempt, such as relatives of a child/children, or an arrangement providing care for children of only one family in addition to the operator's own children.

The CCDBG reauthorization requires that licensed providers and facilities paid for with CCDF funds must receive at least one pre-licensure inspection for compliance with health, safety, and fire standards, as well as annual unannounced inspections of each child care provider and facility in the state for compliance with all child care licensing standards. License-exempt providers and facilities must have at least one annual inspection (Section 658E(c)(2)(K)(i)). Currently, DSS CCL must visit a facility at least once every five years – a frequency that does not meet the new federal requirement. Additionally, according to CDE, there is not a state agency charged with monitoring license-exempt providers.

- 12-Month Eligibility. The reauthorization of CCDBG includes a new provision, Protection for Working Parents, in which a minimum period of 12-month eligibility will be available for each child that receives assistance. States must also establish a process for initial determination and redetermination of eligibility to take into account irregular fluctuations in earnings; not unduly disrupt parents' employment in order to comply with state requirements for redetermination; and develop policies and procedures to allow for continued assistance for children of parents who are working or attending a job training or education program and whose family income exceeds the state's income limit to initially qualify for assistance if the family income does not exceed 85 percent of the State median income.

Existing state law¹² allows for 12-month eligibility for child care services. Section 18102 of the Title 5 Regulations requires contractors to inform families of the family's responsibility to notify the contractor within five calendar days of any changes in family income, family size, or the need for services. There is some question as to whether California's current eligibility provisions will meet the new federal requirement. Federal guidance provides:

Under the law, states may not terminate CCDF assistance during the 12-month period if a family has an increase in income that exceeds the State's income eligibility threshold, but not the federal threshold of 85 percent of SMI.

¹² California Education Code Section 8263(b)(1)(C)

In addition, the state may not terminate assistance prior to the end of the 12 month period if a family experiences a temporary job loss or temporary change in participation in a training or education activity. In addition to temporary job loss, other examples of temporary changes include, but are not limited to: absence from employment due to extended medical leave or changes in seasonal work schedule, or if a parent enrolled in training or educational program is temporarily not attending class between semesters.

Staff Comment and Recommendation. In light of significant federal changes, the Legislature may wish to consider how families' access to child care and early education may be impacted, and how the state will respond in next year's State Plan. The item is included for discussion purposes, and no action is needed at this time.

Questions

1. To CDE: Please provide a background on the Child Care and Development Block Grant, including recent changes and revised timelines.
2. To CDE: Is it the department's interpretation that the state must update quality measures in advance of the state plan being in effect by next June 2016?

5. Oversight: State Preschool

Panelists. Monique Ramos, Director of Government Affairs, CDE
Debra McMannis, Director of Early Education and Support Division, CDE

Background. AB 2759 (Jones), Chapter 308, Statutes of 2008, consolidated funding for State Preschool, Pre-kindergarten and Family Literacy, and General Child Care center-based programs to create the California State Preschool Program (CSPP). CSPP provides both child care and early education, and serves eligible three- and four-year old children, with priority given to four-year olds who meet one of the following criteria:

- The family is on aid,
- The family is income eligible (family income may not exceed 70 percent of the state median income, as adjusted for family size),
- The family 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.

CSPP may also serve families that have incomes up to 15 percent above the eligibility threshold. Parents do not have to be working to enroll their child in part-day preschool. State Preschool can be offered at a child care center, family child care network home, school district, or county office of education. Around 324 local education agencies (LEAs) serve approximately two-thirds of all children enrolled in State Preschool.

According to 2014 data from CDE, families participate in CSPP for different reasons, such as vocational or college training or employment.

| Reasons for Extended Care | | | |
|--|----------|----------|---------|
| REASON FOR CHILD CARE | Care | | |
| | Full Day | Part Day | Total |
| CPS | 402 | 83 | 485 |
| Incapacity of Parent | 666 | 6 | 672 |
| Employment | 31,525 | 174 | 31,699 |
| Vocational or College Training/Education | 2,859 | 30 | 2,889 |
| Both Employment and Training/Education | 2,070 | 24 | 2,094 |
| Seeking Employment | 1,622 | 25 | 1,647 |
| Homeless or Seeking Housing | 82 | 14 | 96 |
| None (Child Attends State Preschool) | 0 | 92,608 | 92,608 |
| Total | 39,226 | 92,964 | 132,190 |

Around 51 percent (67,515 families) of all 132,190 families in CSPP have identified a primary language other than English. Specifically, 17,593 families of 39,226 families (44.9 percent) in full-day CSPP, and

40,398 families of 92,964 families (43.5 percent) in part-day CSPP, identified Spanish as their primary language. Vietnamese (1,650 families), Armenian (1,598 families), and Cantonese (1,467 families) were the next highest languages indicated.

Administration. CSPP, which is administered by Local Educational Agencies (LEAs), colleges, community-action agencies, and private nonprofits, provides both part-day and full-day services with developmentally appropriate curriculum. The Department of Education (CDE) administers CSPP through direct state contracts with local providers. Often, program slots are bundled with other programs to allow for extended or full-day care.

Funding. According to CDE, state preschool programs with no child care costs are around \$21.22 per child per day, approximately \$3,820 per pupil for a 180-day program. For full-day state preschool programs with child care, the average cost is \$34.48 per child per day, or \$8,595 per pupil for 250 days. AB 2759 (Jones), Chapter 308, Statutes of 2008, authorizes contractors to blend state part-day preschool funds and General Child Care programs to provide three- and four-year-olds with State Preschool and wrap-around child care needed to help support working parents.

Capacity. According to CDE, the amounts requested for expansion funding exceeded the allocation, and finds it reasonable to expect that much of the field of contractors and providers are prepared to accommodate additional funding. The department is waiting until it receives more contractor fiscal reports from the third quarter, due April 20, to determine whether part-day funds, restoration, and expansion funding will be fully expended in the current year.

Preschool Expansion Grant. California submitted an application in October 2014 to the United States Department of Education for \$140 million (approximately \$35 million per year for four years) to support development of high-quality, inclusive state preschool programs. In December 2014, California was notified that their application was not accepted. If awarded, the funding would have supported California to provide over 3,700 new and improved preschool spaces for children.

Staff Comment and Recommendation. This item is informational, and no action is required.

Questions

1. To CDE: Please provide an overview of the CSPP program and information about the department's efforts to secure the federal Preschool Expansion Grant.

6. Early Head Start Partnership Grant

Panelists. Monique Ramos, Director of Government Affairs, California Department of Education
Debra McMannis, Director of Early Education and Support Division, CDE

Background. California's Early Head Start-Child Care Partnership (EHS-CCP) grant funds Early Education and Support Division to provide intensive on-site training and technical assistance and grant oversight/monitoring to ensure high-quality early learning development outcomes for infants and toddlers. Specifically, the grant:

- Expands the number of high-quality slots for 260 at-risk infants and toddlers in 11 rural northern California counties.¹³
- Provides financial support to implement the comprehensive services required to reach goals outlined in California's Early Learning Plan.
- Includes Partnering Agencies that did not participate in the Race to the Top-Early Learning Challenge grant (RTT-ELC).
- Bridges the current resource gap needed to reach the high level of quality as defined in the RTT-ELC Quality Rating and Improvement System, California's locally implemented Early Childhood Rating Matrix.

Through the Early Head Start Partnership Grant, services are available for low-income children birth to 36 months in center-based settings, and children up to 48 months in family child care settings

Staff Comment and Recommendation. This item is informational, and no action is required.

Questions

1. Please provide an overview of the grant.

¹³ Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Mendocino, Plumas, Sutter, Trinity, and Yuba counties.

7. Proposals for Investment

The subcommittees received the following budget requests for consideration.

7A. Legislative Women's Caucus

Panelist: Senator Hannah Beth Jackson, District 19

Budget request. The Legislative Women's Caucus requests \$600 million (\$300 million for slots and \$300 million for rates) to improve access and quality of child care and early learning.

7B. Quality Early Education Funding

Panelist: Erin Gabel, Deputy Director, External & Government Affairs, First 5 California

Budget request. Advance Project, Bay Area Council, Children Now, Early Edge California, First 5 Association of California, First 5 California, First 5 LA, and Los Angeles Area Chamber of Commerce request the following:

- Expand to include 10,500 preschool slots, starting June 2015, and enact budget bill language with legislative intent to fund the remaining 10,500 slots.
- Expand to include 10,500 infant and toddler slots.
- Increase the Standard Reimbursement Rate; increase the infant multiplier from 1.7 to 2.3, and increase the toddler multiplier from 1.4 to 1.8.
- Increase and extend the QRIS block grant to infant and toddler providers.
- Create an Early Care and Education professional development community college workgroup to support colleges in strengthening the quality and alignment of their Child Care and Development programs.
- Fund California Child Care and Development Block Grant compliance activities through General Fund, not as part of the Child Care and Development Fund quality dollars.

7C. San Francisco Child Care Pilot Project

Panelist: Graham Dobson, Administrative Analyst, Office of Early Care and Education, City and County of San Francisco

Budget request. Repeal sunset of San Francisco Child Care Pilot.

7D. Trailer Bill: License-Exempt Care Rates

Panelist: California Child Care Alliance of Los Angeles

Budget request.

- Adopt trailer bill language to require CDE and DSS to ensure that the part-time hourly rate for license exempt care and all other rates for license exempt care align with the statutory requirements.
- Increase the percentage from 60 percent of the Licensed Family Child Care rate.

7E. Proposition 98 Funds for Technology Grants for Child Care and Development Contractors

Panelist: California Child Care Alliance of Los Angeles

Budget request. \$20 million Proposition 98 to fund one-time information systems and technology updates for all Early Education and Support Division contractors.

7F. Trailer Bill: Increase Alternative Payment Contract Administration Rates

Panelist: Northern Directors Group

Budget request. Increase the alternative payment agencies' contract administration rate with the following trailer bill language:

Education Code 8223. The reimbursement for alternative payment programs shall include the cost of child care paid to child care providers plus an amount not to exceed 19.5 percent of the total contract amount for administration and direct support services. Up to 10 percent may be used for administration and up to 15 percent for direct support services ~~the administrative and support services costs of the alternative payment program. The total cost for administration and support services shall not exceed an amount equal to 17.5 percent of the total contract amount.~~ The administrative costs shall not exceed the costs allowable for administration under federal requirements.

7G. State Median Income

Panelist: Parent Voices

Budget request. Update the state median income based on the most recent data.

7H. Trailer Bill: Child Care Law Center

Panelist: Anna Levine, California Child Care Law Center

Budget request. Amend Senate Bill 69, 6100-194-0001, Provision 8:

Notwithstanding any other provision of law, the funds in Schedule (6) are reserved exclusively for ~~continuing~~ child care for the following: (a) former CalWORKs families who ~~are working,~~ have left cash aid, and ~~have exhausted their two-year eligibility for transitional services in either Stage 1 or Stage 2 pursuant to subdivision (c) of Section 8351 or Section 8353 of the Education Code, respectively, but~~ still meet eligibility requirements for receipt of subsidized child care services, and (b) families who received lump-sum diversion payments or diversion services under Section 11266.5 of the Welfare and Institutions Code and ~~have spent two years in Stage 2 off of cash aid, but still~~ meet eligibility requirements for receipt of subsidized child care services.

Staff Comment and Recommendation. Hold open all above proposals for further review and consideration.