

# SUBCOMMITTEES No. 1 and 3

## Education and Health & Human Services

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Chair, Senator Marty Block

Senator Mark Wyland  
Senator Carol Liu



Chair, Senator Ellen Corbett

Senator Mimi Walters  
Senator Bill Monning

### Joint Hearing

April 10, 2014

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

### AGENDA

Consultant: Samantha Lui

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**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.

## California's Child Care and Development System

### Context Setting

#### BACKGROUND

The period from birth through age five is a critical time for a child to develop physical, emotional, social, and cognitive skills.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup> To provide context for the subcommittees' consideration of the Governor's budget proposal on child care and early childhood education and of the Department of Social Services' Parent-Child Engagement Pilot Project, the following sections will: (1) present the impact of poverty on child development; (2) discuss the importance of early childhood education and development programs; and, (3) provide an overview of California's child care and early education programs.

**Impact of Poverty on Child Development.** Both cognition and character can determine future social and economic status. On average, children from poor families score below peers from higher-income families in early vocabulary and literacy development, in early math, and in the social skills needed to get along in classrooms.<sup>4,5</sup> For example, children from low-income families hear around 13 million words by age 4, compared to middle-class families, where children hear about 26 million words by age 4. In upper-income families, children hear 46 million words. Vocabulary development and exposure is a critical tool in the formation, gathering, and analysis of information. Also, character traits, like perseverance, motivation, self-esteem, self-control, and conscientiousness, are proven to be as powerful a predictor of the same health and behavioral outcomes.<sup>6</sup> However, children from low-income families, or in chronically stressed environments, may be exposed to factors that challenge social skill development. Specifically, chronic distress affects brain development, reduces attention control, boosts impulsivity, and impairs working memory.<sup>7</sup> Further, poverty can effect classroom engagement. Children

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<sup>1</sup> 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>

<sup>2</sup> 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.

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

<sup>4</sup> V. Lee, and D. Burkham (2002). *Inequality at the starting gate: Social background differences in achievement as children begin school*. Washington, DC: Economic Policy Institute.

<sup>5</sup> C. Lamy. (2013, May). How Preschool Fights Poverty. *Faces of Poverty*, pp. 32-36.

<sup>6</sup> J. Heckman (2011). "The Economic of Inequality: The value of early childhood education." *American Educator*, pp.31-47.

<sup>7</sup> E. Jensen (2013, May). How Poverty Affects Classroom Engagement. *Faces of Poverty*, 70(8).

who grow up in poor families are likely to be exposed to food with lower nutritional value, which can affect gray matter mass in children's brains.<sup>8</sup>

In 2013, Stanford University researcher, Sean Reardon, found that the "income achievement gap" or "school readiness gap" -- defined as the gap between how students from low- and high-income families fare in standardized test scores, grades, high school completion rates, and college enrollment and completion dates -- is already large when children enter kindergarten. This finding suggests that the primary cause of the gap is not unequal school quality but other factors that occur from birth to kindergarten-age. Further, his research finds that the gap does not grow significantly as children progress through school, but could actually narrow based on a child's involvement with school.

**Value of Early Childhood Education and Development.** High-quality child care experiences can mitigate the negative effects of poverty on children's academic achievement. For example, low-income children, including linguistically isolated children, participating in center-based care may experience greater gains in school readiness skills than those in home-based settings or parent-only care.<sup>9</sup> Also, children who had greater numbers of experiences in high-quality childcare from six- to 54- months tended to show higher levels of reading and math achievement (averaged) across the elementary-school years. However, some quality experiences remain limited to socio-economic factors. High-income families now spend nearly seven times as much on children's development as low-income families.<sup>10</sup>

Family engagement in a child's early education also contributes to the child's school readiness and later academic success.<sup>11</sup> Unlike past models that focused on parent involvement (i.e., fundraising activities, attending school events or activities, volunteering in the classroom), a strong family-program partnership is culturally sensitive, recognizing that all family members -- grandparents, aunts, uncles, siblings -- contribute in significant ways to a child's education and development. Other positive family-program connections have been linked to greater academic motivation, grade promotion, and socio-emotional skills.<sup>12,13</sup>

The National Association for the Education of Young Children conducted an academic literature review, which identified the value and impact of home visits:

Home visits provide opportunities for teachers and families to connect in an informal setting, [and] to expand the teacher's knowledge of students' home life and cultural backgrounds.<sup>14,15</sup> Home visits have

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<sup>8</sup> *Id.*

<sup>9</sup> J. Cannon, A. Jackowitz, and L. Karoly (2012, May). *Preschool and School Readiness: Experiences of children with non-English speaking parents*. Public Policy Institute of California.

<sup>10</sup> S. Kornrich, and F. Furstenberg (2013). Investing in children: Changes in parental spending on children, 1972 to 2007. *Demography*, 50(1), 1-23.

<sup>11</sup> L. Halgunseth, A. Peterson, D. Stark, and S. Moodie (2009). *Family Engagement, Diverse Families, and Early Childhood Education Programs: An Integrated Review of the Literature*. National Association for the Education of Young Children and Pre-K Now.

<sup>12</sup> S.L. Christenson (2000). Families and schools: Rights, responsibilities, resources, and relationships. In R.C. Pianta & M.J. Cox (Eds.), *The Transition to kindergarten* (pp. 143-77). Baltimore, MD: Paul H. Brookes Publishing Co.

<sup>13</sup> P. Mantzicopoulos (2003). Flunking kindergarten after Head Start: An inquiry into the contribution of contextual and individual variables. *Journal of Educational Psychology*, 95(2), 268-278.

<sup>14</sup> G.B. Ginsberg (2007). Lessons at the kitchen table. *Educational Leadership*, 64(6) 56-61.

been associated with higher scores for children in math, reading, and classroom adaptation.<sup>16</sup> Children who receive home-visits are also found to have greater engagement in literacy activities and are more likely to choose and participate in group activities.<sup>17</sup> Furthermore, kindergarten through second grade teachers who participated in home visits reported that home visits led to improved communication with parents, enhanced understanding of the child, and a greater insight on how the home environment influences school performance.<sup>18</sup>

## OVERVIEW OF CALIFORNIA’S CHILD CARE AND DEVELOPMENT SYSTEM

Programs in the early care and education system have two objectives: to support parental work participation and to support child development. This section will provide an overview of California’s child care and early childhood education programs.

**Eligibility and access.** Subsidized child care is generally designed for low-income, working families. 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 that are 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” or are transitioning off of cash assistance; and Stage 3, for families who have been off cash assistance for at least two years. Families that formerly participated in CalWORKs are typically guaranteed subsidized child care services, as long as they continue to meet specified income requirements. However, only a portion of non-CalWORKs families receive subsidized child care, and waiting lists are common.

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<sup>15</sup> C.D. Delgado-Gaitan (2004). *Involving Latino families in schools: Raising Student Achievement through home-school partnerships*. Thousand Oaks, CA: Corwin Press.

<sup>16</sup> C. Kagitcibas, D. Sunar, and S. Beckman (2001). Long-term effects of early intervention: Turkish low-income mothers and children. *Applied Developmental Psychology*, 22, 333-361.

<sup>17</sup> E. Logan and A. Feiler (2006). Forging links between parents and schools: a new role for Teaching Assistants? *Support for Learning*, 21(3), 115-120.

<sup>18</sup> J.A. Meyer and M.B. Mann (2006). Teachers’ perceptions of the benefits of home visits for early elementary children. *Early Childhood Education Journal*, 34(1), 93-97.

**Table 1: Summary of California's Child Care and Development Program**

<b>Program</b>	<b>Description</b>	<b>Proposed Slots 2014-15</b>
<b>CalWORKs</b>		
Stage 1	Provides cash aid and services to eligible families. Begins when a participant enters the CalWORKs program.	42,719
Stage 2 <sup>19</sup>	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.	55,943
Stage 3	When a family expends time limit in Stage 2, and as long as family remains otherwise eligible.	30,830
<b>Non-CalWORKs</b>		
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.	48,431
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.	29,803
Migrant Child Care	Serves children of agricultural workers while parents work.	2,595
Severely Handicapped Program	Provides supervision, therapy, and parental counseling for eligible children and young adults until 21 years old. <sup>20</sup>	145
State Preschool	Part-day and full-day care for 3 and 4-year old children from low-income families.	136,755

According to data from CDE, the aggregate number of children served by program type has fluctuated by year. From 2008-2009 to 2012-13, the total unduplicated number of children served across programs has decreased from 503,670 to 396,711. The General Child Care Program saw the largest decrease -- from 2008-08 to 2012-13, 89,790 less children were served. For more specifics of number of children by program type, please see Table 2 below.

<sup>19</sup> Average cost per case for CalWORKs Stage 2 is \$542; average cost per case for Stage 3 is \$502.

<sup>20</sup> Recipients must have an individualized education plan (IEP) or individualized family service plan (IFSP) issued through special education programs.

**Table 2: Aggregate Number of Children Served by Program Type (2008-09 to 2012-13)**

	2008-09	2009-10	2010-11	2011-12	2012-13
General Child Care	145,353	71,004	68,386	60,3175	55,563
CalWORKs Stage 2	115,242	107,505	109,495	110,033	104,890
CalWORKs Stage 3	81,035	76,247	67,128	40,391	42,332
Alternative Payment	54,678	58,226	56,937	51,000	39,768
California State Preschool Program*	N/A	201,630	213,931	200,426	181,052
General Migrant Care	4,906	4,393	4,845	4,474	4,069
Severely Handicapped	178	229	235	245	235

\* 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.

**Administration and funding.** The Department of Social Services (DSS) administers CalWORKs Stage 1, while the California Department of Education (CDE) administers all other programs. The programs are also funded by a combination of both state and federal funds.

In 2013-14, around \$947 million was allocated for CalWORKs Child Care, \$678 million for non-CalWORKs Child Care, and \$507 million for State Preschool. These programs were funded with non-Proposition 98 General Fund (\$776 million), Proposition 98 (\$507 million), and federal funds (\$924 million).

According to the LAO, since 2008, the state's overall child care and development funding has decreased by \$985 million, or 31 percent. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. Additionally, 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, which is used to help families with incomes below 85 percent of the state median income level. Four percent of the federal block grant must be spent on improving the quality of child care.

**Payments to providers.** The state pays for child care services based on how services are delivered -- by voucher or by direct contract.

- **Vouchers.** First, care provided through CalWORKs Stage 1, Stage 2, and Stage 3 child care, and the Alternative Payment Program, is reimbursed through vouchers. Reimbursement rates vary by county, and are based on a Regional Market Rate (RMR). Currently, the RMR is set to the 85<sup>th</sup> percentile of the 2005 RMR survey. The RMR represents the maximum the state will pay for care. 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. 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. The maximum monthly RMR for full-day care of a four-year-old ranges from \$643 (Sutter County) to \$1,100 (Marin County).

Typically, a “Title 22” program serves families who receive vouchers. Title 22 regulations require that a licensed provider meet basic health and safety standards, as monitored by the Department of Social Services’ (DSS) Community Care Licensing Division. 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.

- **Contracts.** Second, care provided through General Child Care, Migrant and Handicapped child care, and State Preschool is reimbursed through contracts with CDE. These programs, known as “Title 5” centers 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. Providers are reimbursed based upon the number of children they serve, and reimbursements are based on a Standard Reimbursement Rate (SRR). All Title 5 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) has been \$34.38 per child, per day of enrollment. The monthly SRR for full-day care for a four-year-old is \$716. Over the past few years, small and medium-sized providers have increasingly gone out of business and have been absorbed by larger providers that have greater economies of scale. This is one indication that the SRR may not be sufficient for small and medium-sized providers to operate.

**Settings and standards.** State subsidized child care is provided in centers, family child care homes (FCCHs), or through license-exempt providers. Each child care program must meet specified requirements pertaining to staffing ratio, staff qualifications, and monitoring, according to Title 5 or Title 22 regulations.

**Table 3: Child Care Settings and Standards, by Program**

<b>Standards for Child Care Providers</b>				
<i>Preschool-Age Children<sup>a</sup></i>				
	<b>License-Exempt Providers</b>	<b>Title 22 FCCHs</b>	<b>Title 22 Centers</b>	<b>Title 5 Centers<sup>b</sup></b>
<b>Staff Qualifications</b>	None.	15 hours of health and safety training.	Child Development Associate Credential or 12 units in ECE/CD. <sup>c</sup>	Child Development Teacher Permit (24 units of ECE/CD plus 16 general education units). <sup>d</sup>
<b>Staffing Ratios</b>	None.	1:6 adult-child ratio.	1:12 teacher-child ratio or 1 teacher and 1 aide per 15 children.	1:24 teacher-child and 1:8 adult-child ratio.
<b>Health and Safety Standards</b>	Criminal background check. Self-certification of certain health and safety standards.	Staff and volunteers are finger printed. Subject to health and safety standards.	Same as Title 22 FCCHs.	Same as Title 22 FCCHs.
<b>Content Standards</b>	None.	None.	None.	Requires developmentally appropriate activities.
<b>Monitoring</b>	None.	Unannounced visits by CCL every five years or more frequently under special circumstances.	Same as Title 22 FCCHs.	Same as Title 22 FCCHs, but also onsite reviews by CDE every three years (or as resources allow) and annual outcome reports.
<b>Applicable Programs</b>	CalWORKs, AP Program	CalWORKs, AP Program	CalWORKs, AP Program	General Child Care, Migrant Child Care, State Preschool

<sup>a</sup> Standards for children of other ages similar to those displayed here.  
<sup>b</sup> Same standards apply to Title 5 family child care network homes.  
<sup>c</sup> The Child Development Associate Credential is issued by the National Credentialing Program of the Council for Professional Recognition.  
<sup>d</sup> The Child Development Teacher Permit is issued by California's Commission on Teacher Credentialing.  
 FCCHs = family child care homes; ECE/CD = Early Childhood Education/Child Development; CCL = Community Care Licensing; CDE = California Department of Education; and AP = Alternative Payment.

Table 3: Legislative Analyst’s Office (2014, April). “Restructuring California’s Child Care and Development System.” <http://www.lao.ca.gov/reports/2014/education/child-care/restructuring-child-care-system-040414.pdf>

**Impact of the Recession.** Between 2008-09 and 2012-13, child care and preschool programs experienced significant reductions. Specifically, overall funding for programs decreased by around \$984 million (31 percent), and about one-quarter of all slots were eliminated (110,000 across all programs). In addition, the following policies impacted child care and preschool programs:

- Maintaining the RMR and SRR at 2005 and 2007 levels, respectively.
- Lowering income eligibility thresholds from 75 percent to 70 percent of the state median income.
- Reducing payments to administrative agencies from 19 percent to 17.5 percent of total contract amounts.
- Reducing or eliminating several of the state’s quality improvement projects.
- Implementing parent fees for part-day State Preschool.
- Reducing nutrition funding for some private child care centers and homes.

**Other 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, which aims to serve preschool-age children and their families in Head Start programs around the state. Head Start programs offer a variety of service models, depending on the needs of the local community. 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.

According to the 2011 First 5 California Annual Report<sup>21</sup>, the State Commission has invested in the following:

- Power of Preschool - \$15.2 million to fund Power of Preschool demonstration projects in certain counties. Power of Preschool provides free, voluntary, high-quality, part-day preschool to assist three- and four-year old children in becoming effective learners with a focus on developing preschool in underserved and high-priority communities.
- School Readiness - \$51.7 million to counties for the School Readiness Program that strives to improve the ability of families, schools, and communities to prepare children to enter school ready to learn. Services are provided to focus on family functioning, child development, child

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<sup>21</sup> [http://www.cfcf.ca.gov/pdf/annual\\_report\\_pdfs/Annual\\_Report\\_11-12.pdf](http://www.cfcf.ca.gov/pdf/annual_report_pdfs/Annual_Report_11-12.pdf)

health, and systems of care with a specific target to children and their families in schools with an Academic Performance Index score in the lowest three deciles.

- Low-Income Investment Fund Constructing Connections - \$600,000 to support Constructing Connections that coordinates and delivers technical assistance, training, knowledge, and facility financing information to support child care facilities development through local lead agencies. The State Commission indicates that it leveraged more than \$86 million in resources to create and renovate child care facilities and spaces.

**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).**<sup>22</sup> 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)<sup>23</sup> 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 counties<sup>24</sup> 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 have also made 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 tax and parent fees. School

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<sup>22</sup> For more information on California’ 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>

<sup>23</sup> 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.

<sup>24</sup> 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.

districts have flexibility to use their funding streams on early childhood education. There are various funding mechanisms that can also be used to support early childhood education, such as:

- 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.<sup>25</sup>
- 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.

## ISSUES TO CONSIDER

The Legislature may wish to consider the following issues when considering the child care and early childhood education proposals.

**Statewide “stability” standard for CalWORKs Stages.** 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 choose to define “stable” for purposes of determining eligibility to be transferred from Stage 1 to Stage 2 of CalWORKs Child Care.

**Regional Market Rate and Standard Reimbursement Rate.** For child care, CDE conducts its RMR survey every two years, but state law does not require that California adopt the rate. The RMR is currently at the 85<sup>th</sup> percentile of the 2005 survey. 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

<sup>25</sup> 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>

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. Similarly, the state has held the Standard Reimbursement Rate at the 2007 level. The Legislature may wish to discuss whether updating the RMR, based on a more recent survey, and the SRR, is appropriate and helpful for families determining where to access care.

**Updating quality measures.**<sup>26</sup> 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 for 27 distinct projects, including professional development, stipends for providers, and activities related to health and safety. The Legislature may wish to examine more closely how those quality measure funds are being used and identify if there are better ways to allocate the quality funding measures.

**Child Care and Development Block Grant.** On March 13, 2014, the U.S. Senate voted to approve (96-2) a reauthorization for the federal child care program, the Child Care and Development Block Grant (CCDBG).<sup>27</sup> The original law was designed to primarily provide low-income parents a way to re-enter the work force, and was last authorized in 1996. The bill's provisions, among others, would:

- Require that states phase in higher levels of quality set-aside dollars until they reach 10 percent of funds in 2018 and every year thereafter.
- Increase, from two to three years, the period that a state child care and development plan must cover.
  - Revise plan requirements to include compliance with child abuse reporting requirements and protection for working parents; and, prescribes early learning and developmental guidelines.
- Require that states conduct background checks for all providers, and annual unannounced health, safety, and fire inspections.
- Make ineligible a licensed, regulated, or registered child care provider if he or she (1) refuses to consent to a criminal background check, (2) knowingly falsifies information on a background check, (3) is registered on a state sex offender or National Sex Offender registry, or (4) has been convicted of one or more specified felonies.
- Limit child to provider ratio in programs, as identified by the age group of children served;
- Require that state early learning guidelines be aligned with state K-3 standards; and,
- Prioritize access to early childhood education in high-poverty and high-unemployment areas.

The bill is currently in the House of Representatives.

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<sup>26</sup> Every two 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>

<sup>27</sup> S. 1086 -- 113<sup>th</sup> Congress (Mikulski, 2013). For full text of the bill, please see: <http://www.gpo.gov/fdsys/pkg/BILLS-113s1086is/pdf/BILLS-113s1086is.pdf>

**Demographics of young, low-income children.** According to 2011 data from the National Center for Children in Poverty at the Columbia University, Mailman School of Public Health, nearly 1.4 million young children in California live in low-income families, defined as income below 200 percent of the federal poverty level (FPL).<sup>28</sup> In 2011, the FPL for a family of four with two children was \$22,350. Nearly 44 percent of young children in low-income families in California have at least one parent employed full-time, year-round. Around 47 percent of those young children in low-income families live with a single parent, and 86 percent of young children have parents who do not have a high-school degree.

**Reviewing current Transitional Kindergarten (TK) system.** The current TK framework may deserve additional review and discussion. First, the current TK program provides an additional year of public school, regardless of need, to children born between September and December. However, it is unclear why this subset of children, simply based on birth date, should receive the benefit. Second, current law allows parents of children, who are born after the cutoff, to request a waiver to have their children begin kindergarten early. In addition, districts have much flexibility in providing waivers, creating classrooms, and modifying kindergarten curriculum for TK. The Legislature may be interested in issuing a statewide standard or learning foundation to ensure that quality education is provided to all children, regardless of geographic location. Lastly, there are a number of legislative proposals that affect early childhood education and development awaiting consideration.

**Coordination in patchwork system.** Some families, despite similar characteristics, are provided different funding and educational opportunities. The Legislature may want to examine how current child care services and early education programs are administered and delivered, so that these efforts and programs can best maximize the use of available funding, deliver quality services, and meet the needs of California's families.

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<sup>28</sup> National Center for Children in Poverty (2013, May) .“California: Demographics of Young, Low-Income Children.” [http://www.nccp.org/profiles/state\\_profile.php?state=CA&id=8](http://www.nccp.org/profiles/state_profile.php?state=CA&id=8)

## 5180 Department of Social Services

### 1. Parent-Child Engagement Pilot Project

**Budget Issue.** The budget proposes a three-year, six-county pilot project to serve 2,000 low-income families, and to connect 3,200 preschool-age children between the ages of two and five with licensed child care. Pilot counties would be selected through an application process. A selected pilot county will identify participant cohorts of CalWORKs children and families through an initial assessment and screening. Under the pilot, child care will be provided in a stable environment, and parents must work with their child for an average of ten hours per week for at least six months. Child care providers will work directly with parents through mentoring. The proposal assumes the first cohort of families to enroll in March 2015 and the second cohort in 2016.

The budget projects a \$9.9 million General Fund (GF) cost in 2014-15, and a total of \$115.4 million GF over three years.

Full-time child care will be provided throughout the entire project, if the parent completes the parental involvement component. However, the Administration assumes that ten percent of participants will not meet the parental component requirements within three months. If the parent does not complete the component, but does continue to participate in welfare-to-work (WTW) activities, the child will receive part-time care for the duration of the project. Based on the weighted statewide average of monthly preschool age in a child care center at the 85<sup>th</sup> percentile of the 2005 RMR survey, full-time and part-time care cost per case is \$873.40 and \$732.31, respectively. Monthly cost per case for parental involvement is \$335.

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

1. Expresses the Legislature's intent in authorizing a three-year pilot project, in up to six counties, to demonstrate improved outcomes for CalWORKs hardest-to-serve families, including sanctioned families and their preschool aged children;
2. Sets forth information that a county must include in its proposal, prior to being selected as a project site, such as:
  - a. How the county plans to attain the project goals.
  - b. The basis of its project plan (e.g., Child-Parent evidence-based model, or an alternate model).
3. Requires participating counties to prepare and submit progress reports, annual reports, and a final report, on a schedule determined by DSS;
4. Requires counties to measure the program's success based on the following outcomes:
  - a. Regular child care attendance;
  - b. Continuity of parental involvement for at least the first six months of a family's participation;
  - c. Reduce barriers to achieving self-sufficiency, including improved parental employment history, as determined by caseworker review; and,
  - d. Improved school readiness of participating children, as assessed using a standardized tool to measure cognitive, emotional, and social skill development.

5. Authorizes the Department of Social Services (DSS) to terminate any, or all, of the pilot projects after six months of operation, if DSS receives information that the project is not cost-effective or adversely impacts recipients.
6. Authorizes DSS to waive specific statutory requirements, regulations, and standards, by formal order of the director, for the purpose and duration of the project.
7. Authorizes a participating county to dis-enroll children from the project who have unsatisfactory child care attendance, after project representatives have actively attempted on multiple occasions to engage the family, to allow the child care slot to be utilized by a new participant.
8. Authorizes the department to implement and administer the pilot project through all-county letters or a similar mechanism.

**Panelists:** Will Lightbourne, Director, Department of Social Services  
 Todd Bland, Deputy Director of WTW Division, Department of Social Services  
 Ryan Woolsey, Legislative Analyst's Office  
 Department of Finance

**Background on CalWORKs.** The CalWORKs program provides temporary cash assistance and welfare-to-work services to low-income families with children. Over the last several years, the program has sustained very significant reductions, including a decrease from 60 to 48 months in the amount of time adults can receive assistance in a lifetime, and additional restrictions that will result in some adults losing all assistance after 24 months. The Governor proposes an overall 2014-15 budget of \$5.5 billion in federal, state, and local funds for the program and estimates a caseload of 529,000 families (a decrease of four percent).

As a condition of reviving aid, families receiving CalWORKs must be employed or participate in welfare-to-work (WTW) activities. Adults that fail to comply with the work requirement without good cause are "sanctioned," meaning the adult portion is removed from the calculation of the family's grant (resulting in decreased assistance, usually around \$125). Many CalWORKs recipients face barriers to employment, such as low-educational attainment, low English proficiency, responsible of caring for children or parents with disabilities, lack of child care, substance abuse, prior criminal convictions, and others. The CalWORKs program seeks to provide services to address those barriers, including English as a Second Language services, subsidized child care, and mental health and substance abuse treatment.

In 2013, the Legislature enacted AB 74 (Budget Committee), Chapter 21, Statutes of 2013, which created three "early engagement" strategies to assist CalWORKs recipients in addressing barriers to employment. The strategies include:

- Subsidized employment for CalWORKs recipients.
- Family stabilization services, such as intensive case management and specialized services, to adults and children in CalWORKs families that face certain immediate, destabilizing needs.
- Statewide WTW appraisal tool for new WTW participants. The Online CalWORKs Appraisal Tool (OCAT) is expected to be available to all counties by July 2014.

**Background on the Parent-Child Model.**<sup>29</sup> The Chicago Child-Parent Center (CPC) program provides school-based educational enrichment and comprehensive family services from preschool to third grade, or ages three to nine years old. The intervention served around 1,500 children born in 1979 or 1980. Beginning in preschool, the program emphasizes acquisition of basic skills in language arts and math. Major elements of the intervention include low child-to-staff ratios in preschool (17:2), kindergarten (25:2), and primary grades (25:2). Parents are expected to participate up to half a day per week through a variety of activities. Preschool is three hours a day, five days a week, and also usually includes a six-week summer program.

Researchers conducted a follow-up analysis on 1,539 low-income participants who enrolled in a CPC program in 20 sites or kindergarten intervention of a group at aged 24 – around 19 years after the initial intervention. The academic literature analyzing the effects of the Chicago Longitudinal Study for the CPC program finds that CPC preschool participants, compared to the comparison group, had higher rates of school completion and attendance in four-year colleges; are more likely to have health insurance coverage; lower rates of felony arrests, convictions, incarceration, depressive symptoms, and out of home placements; and, higher rates of full-time employment.

**Justification.** According to the Administration, studies have shown that parental involvement at school has a significant impact on long-term school achievement, yet there remains a lack of access to high-quality child care for CalWORKs families, primarily, sanctioned families, and their preschool aged children.

The Administration states that the goals of the Parent-Child Engagement Pilot Project's goals are to:

1. Connect vulnerable children with stable, high-quality child care;
2. Engage parents with their children in the child care setting;
3. Enhance parenting and life skills; and,
4. Provide an educational preparatory platform for achieving eventual self-sufficiency.

Parents must work in their child's classroom, an average of ten hour per week, for at least six months. In doing so, parents will learn parenting techniques, how to nurture positive relationships with their children, understand their role in their child's learning, and learn about available community resources.

**LAO Comments.** The LAO makes the following comments and recommendations:

- Reject Governor's proposal. On balance, the LAO recommends rejecting the proposal, due to several issues:
  - Duplicative services. Certain aspects of the proposal pilot would duplicate services already available in the CalWORKs program, particularly given recent significant statutory changes that are still partially under implementation. As part of the CalWORKs program, families that are employed or participating in WTW activities are already guaranteed access to subsidized child care. This pilot would not provide anything

<sup>29</sup> 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.

substantially different in addressing adult work-readiness and employment outcomes than what is currently available.

- A pilot for proven outcomes? The state currently funds child care programs with an educational focus for similar low-income children, so a new pilot may not be necessary to demonstrate the impact of these programs on child outcomes. However, CalWORKs families historically have had a difficult time accessing these programs because of the way the state structures services.
- Unknown impact of parental involvement on employment outcomes. Lastly, there is little evidence to suggest that parental involvement activities would directly improve employment outcomes. The pilot's cost (\$115 million over three years) may not justify the value of testing the impact of parental involvement activities.
- Explore ways to address inconsistencies in child care standards. The LAO recommends the Legislature explore alternative ways to provide CalWORKs families access to educationally-focused childcare programs.

**Staff Comments and Recommendation. Hold open.** It is recommended to keep this item open for further discussion and review.

### **Questions for DSS**

1. Please briefly summarize the proposal, including the implementation process, parental engagement component, and expected outcomes.
2. What are some of the barriers current CalWORKs families face when selecting a child care program? How does this pilot project address those barriers?
3. According to the Administration, the projected cost per case for parental case management is \$361.43, compared to family stabilization/barrier removal (\$143.93). What components of the pilot project's parental case management are different from the intensive case management, otherwise offered under family stabilization?
4. Has the department identified potential counties and project sites to participate in the pilot?
5. According to the Administration, an additional \$335/per month, per case will pay for "additional, qualified staff in centers" that will provide services for parents. What additional training will center staff receive prior to enrolling parents and their children? Will the newly-hired staff positions focus specifically on engaging the parents, or also provide services to their children?
6. In addition to TrustLine and tuberculosis testing, what other screenings must a parent fulfill before entering a child care center? Will a parent be denied from participating in the pilot if he or she has an arrest or conviction record?

7. Proposed trailer bill language states that a county must use a standardized tool to measure a participating child's cognitive, emotional, and social skill development. Is this a standardized tool that is currently in use? If not, please describe the development of this tool.
8. Proposed trailer bill language authorizes a county participating in a pilot to dis-enroll a child. Please explain the due process afforded to a family to prevent a child from dis-enrollment.
9. If the department terminates any of the projects, will another county be able to apply for the pilot and take its place? What happens to the participating families and children in the pilot county?
10. When does the department intend to release the pilot's comprehensive final report?
11. What is the current stakeholder process? Has the department received any feedback?

## 6110 Department of Education

### 1. Overview of Governor's Proposal

**Budget Issue.** The budget proposes few substantive changes for child care and preschool funding. Overall funding across all programs decreases by \$3 million (less than one percent change since last year). The budget includes the following proposals:

- **Increases CalWORKs Stage 2 and Stage 3 funding to reflect increased cost-of-care.** The budget proposes an increase in \$6.3 million and \$2.8 million non-Proposition 98 General Fund for CalWORKs Stage 2 and Stage 3 recipients, respectively.
- **Reflects decreases in federal funds.** The budget reflects a net decrease of \$9.1 million federal funds to reflect a reduction of \$3.2 million carryover funds, and a decrease of \$5.9 million to the base grant.

Tables 4 and 5 (below) provide information on proposed funding and slots for CCD programs, including State Preschool.

**Table 4: Legislative Analyst's Office, Budget Summary**

*(Dollars in Millions)*

	2012-13 Actual	2013-14 Revised	2014-15 Proposed	Change From 2013-14	
				Amount	Percent
<b>Expenditures</b>					
CalWORKs Child Care					
Stage 1	\$289	\$406	\$385	-\$22	-5%
Stage 2	419	358	364	6	2
Stage 3	162	183	186	3	2
Subtotals	<b>(\$870)</b>	<b>(\$947)</b>	<b>(\$935)</b>	<b>(\$12)</b>	<b>(-1%)</b>
Non-CalWORKs Child Care					
General Child Care	\$465	\$473 <sup>a</sup>	\$479 <sup>b</sup>	\$6	1%
Alternative Payment	174	177 <sup>a</sup>	179 <sup>b</sup>	2	1
Other child care <sup>c</sup>	28	28 <sup>a</sup>	28 <sup>b</sup>	—	1
Subtotals	<b>(\$666)</b>	<b>(\$678)</b>	<b>(\$687)</b>	<b>(\$9)</b>	<b>(1%)</b>
Support Programs	\$76	\$74	\$73	-\$2	-2%
<b>Totals</b>	<b>\$1,612</b>	<b>\$1,699</b>	<b>\$1,694</b>	<b>-\$5</b>	<b>—</b>
<b>Funding</b>					
State Non-Proposition 98					
General Fund	\$779	\$776	\$783	\$8	1%
Other state funds	14	—	—	—	—
Federal CCDF	549	541 <sup>a</sup>	556 <sup>b</sup>	15	3
Federal TANF	372	383	355	-28	-7
<b>State Preschool (Proposition 98)</b>	<b>\$481</b>	<b>\$507</b>	<b>\$509</b>	<b>\$2</b>	<b>—</b>
<sup>a</sup> Differs from administration's estimate due to reflecting the federal sequestration cut and the associated General Fund backfill. <sup>b</sup> Does not include potential federal sequestration reduction, as estimates are still pending. <sup>c</sup> Includes Migrant Child Care program and Handicapped Child Care program. CCDF = Child Care and Development Fund and TANF = Temporary Assistance for Needy Families. Posted January 2014.					

Table 4: Child Care Budget Summary. Legislative Analyst's Office: EdBudget Tables, 2014  
<http://www.lao.ca.gov/sections/education/ed-budget/Child-Care-Budget-Summary.pdf>

**Table 5: Child Care and Preschool Subsidized Slots**

<b>Summary of Child Care and Preschool Subsidized Slots<sup>a</sup></b>					
	2012-13	2013-14	2014-15	Change From 2013-14	
	Actual	Revised	Proposed	Amount	Percent
CalWORKs Stage 1	34,849	45,532	42,719	-2,813	-6%
CalWORKs Stage 2	63,379	56,593	55,943	-650	-1
CalWORKs Stage 3	25,448	32,784	30,830	-1,954	-6
General Child Care	46,036	48,968	48,431	-537	-1
Alternative Payment	24,854	30,132	29,803	-329	-1
Migrant	2,491	2,534	2,595	61	2
Handicapped	143	144	145	1	1
<b>Total Child Care</b>	<b>197,200</b>	<b>216,687</b>	<b>210,466</b>	<b>-6,221</b>	<b>-3%</b>
<b>State Preschool</b>	<b>129,511</b>	<b>136,182</b>	<b>136,755</b>	<b>573</b>	<b>—<sup>b</sup></b>

<sup>a</sup> Reflects average monthly slots. For 2012-13, reflects actual caseloads. For 2013-14 and 2014-15, reflects administration's caseload estimates for all programs other than Migrant and Handicapped. Caseloads for these two programs reflect LAO estimates, as administration's estimates historically have been higher than actuals.

<sup>b</sup> Less than 1 percent.  
Posted January 2014.

Table 5: Child Care and Preschool Subsidized Slots. Legislative Analyst's Office: EdBudget Tables, 2014  
<http://www.lao.ca.gov/sections/education/ed-budget/Summary-of-Child-Care-and-Preschool-Subsidized-Slots.pdf>

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

**Background.** The child care and early childhood education programs funded by the State are generally capped programs. This means that funding is not provided for every qualifying family or child, but instead funding is provided for a fixed amount of slots or vouchers. The exception is the CalWORKs child care program (Stages 1 and 2), which are entitlement programs in statute. Stage 2 child care is approximately \$542 per case, while Stage 3 child care is around \$502 per case.

In general, Stage 1 child care is provided to families on cash assistance until they are "stabilized". After families are stabilized, they are transferred to Stage 2, where they are entitled to child care while on aid and for two additional years after they leave aid. Stage 3 has been for those families that have exhausted their Stage 2 entitlement.

Historically, caseload projections have generally been funded for Stages 1, 2, and 3 in their entirety – even though, technically speaking, Stage 3 is not an entitlement or caseload-driven program. There has been considerable turmoil in the Stage 3 program since Governor Schwarzenegger first vetoed all of the funding for Stage 3 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. In 2012-13, the State Assembly has provided \$13.5 million from their administrative budget to ensure all eligible families are covered in the Stage 3 program.

In 2012, funding for the State Preschool program and the General Child Care Programs were consolidated so that all funding for the part-day/part-year state preschool program 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.

Also in 2012, the Governor proposed a significant consolidation and realignment of the vast majority of the child care programs to the counties. This reorganization was not approved.

**LAO Comment and Recommendation.** The LAO makes the following comments and recommendations:

- **Governor Likely Overestimates CalWORKs Stage 2 Caseload.** The LAO estimates that the Stage 2 caseload will be around 3,000 cases lower than the Governor's estimates for two reasons:
  - First, existing Stage 2 caseload are almost 2,000 cases below the administration's caseload estimate for the budget year.
  - Second, data suggests that a large number of families will reach the end of Stage 2 eligibility, and will transition to Stage 3 in the budget year.
- **Governor Likely Underestimates Per-Child Costs for CalWORKs Stages 2 and 3.** The LAO notes that the budget's per-child cost estimates for Stages 2 and 3 programs are too low. Specifically, 2013-14 per-child costs are averaging about four percent higher in Stage 2, and about two percent higher in Stage 3, compared to the Governor's estimates for 2014-15. The LAO expects these current-year increases in per-child costs will likely continue into 2014-15.
- **Budget Currently Looks Short but Better Estimates Available in late April.** Data from the first three-quarters of 2013-14 are released and will be available in late April. More data will enable the Legislature to develop more accurate caseload and cost estimates for child care programs.

**Staff Comment and Recommendation. Hold open.** It is recommended to keep the item open for further discussion.

### **Questions**

1. To DOF: Please briefly summarize the Governor's proposal.
2. To LAO: Why might the per-child cost for CalWORKs Stages 2 and 3 be higher than expected? Has there been a trend in individuals selecting licensed care or license-exempt care?

## 2. Transitional Kindergarten (TK) - Overview

**Panelists:** Department of Education  
Carolyn Chu, Legislative Analyst's Office  
Department of Finance

**Background.** SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the "Kindergarten Readiness Act," which changed the required birthday for admission to kindergarten and first grade, and established a TK program, beginning in 2012-13, for children who turn five between September 1 and December 1. The program calls for a modified kindergarten curriculum that is age and developmentally appropriate. While state law requires school for six-year-olds, TK, like kindergarten, is not compulsory for a child.

Each elementary or unified school district must offer TK and kindergarten for all eligible children. TK programs must also have 36,000 minutes per year, or 180 minutes per school day, of instructional teaching. According to CDE, there is no state-mandated curriculum for TK, so Local Educational Agencies (LEAs) must modify current kindergarten curriculum to make it appropriate. Also, LEAs may determine the standards, or learning foundations, for TK.<sup>30</sup> Similar to kindergarten, the maximum teacher-to-student ratio will be 1:24 upon full implementation of the Local Control Funding Formula, and teachers must be credentialed.

**Funding.** TK is entirely funded through Average Daily Attendance (ADA), so a local district receives the same ADA funding rate as kindergarten students. During the Local Control Funding Formula<sup>31</sup> phase-in, it is not yet possible to determine the statewide rate for TK; however, based on the current level of funding, CDE estimates average cost per child in TK to range from \$5,118 per pupil to \$7,676, depending on whether a pupil receives a supplemental grant amount.

**Enrollment and Program Information.** All districts report TK information via the California Longitudinal Pupil Achievement Data System (CALPADS), which is a data system that includes information on student demographics, staff assignments, and course data for state and federal reporting. CALPADS was created to meet federal requirements in the No Child Left Behind Act of 2001, and provides LEAs with data and reports on student achievement over time. The 2013-14 school year is the first year in which CALPADS will collect TK program data that will provide solid enrollment information. That data will

### **WHO IS ELIGIBLE FOR TK?**

A child is eligible if he or she has her fifth birthday between:

- ❖ For the 2013-14 school year, October 2 and December 2.
- ❖ For the 2014-15 school year and each school year thereafter, September 2 and December 2.

<sup>30</sup> CDE suggests that in implementing TK locally, districts may consult [California's Preschool Learning Foundations](#), [California Preschool Curriculum Frameworks](#), [California Academic Content Standards](#), and the [Common Core State Standards for English Language Art and Mathematics](#).

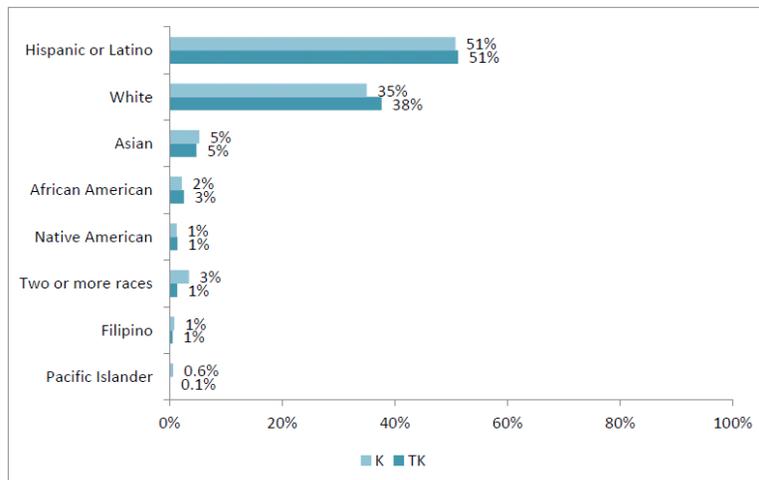
<sup>31</sup> For more information on LCFF, please see the Senate Budget and Fiscal Review Committee's Overview on Education: [http://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/overview/Overview2014\\_15BudgetBillSB851.pdf](http://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/overview/Overview2014_15BudgetBillSB851.pdf) Nothing about LCFF requires specified funding for specified programs. Districts can identify money as supplemental/concentration funds, or for another use.

be submitted by school districts in late May and reported by the department in mid-summer, following data quality review.

American Institute for Research (AIR) Survey. AIR is conducting the Study of California’s Transitional Kindergarten Program, which will investigate the planning for and implementation of TK in the 2012-13 school year. The study includes a survey of California school districts and an analysis of the survey responses.<sup>32</sup> The full study will be released in late April, but preliminary findings include the following:

- 89 percent of districts reported providing TK in 2012–13, and an additional seven percent reported they had no students enroll. The remaining four percent of districts cited a variety of reasons for not implementing TK, including having too few students to warrant establishing a program and a lack of resources or uncertainty about funding for the program.
- 58 percent of districts reported offering full-day TK, and 41 percent reported offering half-day TK.
- The vast majority of TK teachers had early education teaching experience, with 87 percent reporting they had taught kindergarten, and 29 percent reporting prior experience as preschool teachers.
- The demographic characteristics of students enrolled in TK largely mirrored the characteristics of kindergarten students enrolled in the same district. Characteristics examined included gender, ethnicity, eligibility for free or reduced price lunch, and English learner status.

**Figure 1: Comparisons of TK and Kindergarten Enrollment by Race/Ethnicity, 2012-13 School Year**



*Note:* Differences are not statistically significant unless noted.  
*Sources:* In-depth district survey (n = 75), California Department of Education

Figure 1: American Institutes of Research (2014, April). “Comparisons of TK and Kindergarten Enrollment by Race/Ethnicity, 2012-13 School Year.”

<sup>32</sup> Funding for the study was provided by the Heising-Simons Foundation and The David and Lucile Packard Foundation. AIR surveyed administrators in all California districts with kindergarten enrollment (n=868). Surveys were administered electronically. The research team conducted intensive follow-up to obtain responses from a random subsample of non-respondents. These responses were used to create survey weights that correct for non-response bias, providing a weighted analysis that is intended to be representative of the state. The survey had a final response rate of 72 percent (n=629).

Related Legislation: During this legislative session, there are policy bills, introduced in both houses, which address issues, such as enhanced funding for infant and toddler education and care; removal of State Preschool Program family fees; TK revision and expansion; dual eligibility for four-year olds in TK and the State Preschool Program; mandatory kindergarten; and, full-day kindergarten.

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

**Questions**

1. To CDE: What are some of the biggest challenges faced by school districts as they implement the existing TK program?
2. To CDE or LAO: Should TK have its own learning standards, distinct from kindergarten? Is 1:24 an appropriate teacher-to-child ratio for four-year olds?
3. To CDE or LAO: What does research tell us about the most effective Pre-K programs?

### 3. California State Preschool Program - Overview

**Panelists.** Department of Education  
Legislative Analyst's Office  
Department of Finance

**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 LEAs serve approximately two-thirds of all children enrolled in State Preschool.

**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. Family fees, or the cost a family must pay for child care if their income is above a certain level, are based on a sliding scale. In general, a family pays a family fee if their income is above 50 percent of the state median income (more information about the family fee to follow). Additionally, 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.

**Evaluation.** Contractors must develop and implement an annual evaluation process, which includes a parent survey assessment, an agency self-evaluation, and an analysis of categorical program monitoring/contract monitoring review (CPM/CMR) findings.

Characteristics of CSPP families. For part-day CSPP, there were 66,532 families that were 40 percent or less than the state median income (SMI); 24,894 families were between the 40 percent to 70 percent of SMI; and, 1,538 families were 70 percent or above the SMI. For full-day CSPP, 26,005 families were 40 percent or less than the SMI; 13,145 were between 40 percent to 70 percent of SMI; and 76 families were 70 percent or above the SMI. The table below compares the SMI ranges of families served in CSPP, full-day and part-day care, in October 2010 and October 2013.

<b>California State Preschool (CSPP)</b>						
	<b>Oct. 2010</b>			<b>Oct. 2013</b>		
<b>SMI % Range</b>	<b>Full Day</b>	<b>Part Day</b>	<b>Total</b>	<b>Full Day</b>	<b>Part Day</b>	<b>Total</b>
0-5%	1,399	4,011	5,410	1,194	3,852	5,046
6-10%	1,733	5,856	7,589	1,378	7,105	8,483
11-15%	3,611	10,670	14,281	2,626	9,662	12,288
16-20%	3,617	8,129	11,746	2,563	7,688	10,251
21-25%	5,161	9,952	15,113	3,773	9,695	13,468
26-30%	6,351	10,199	16,550	4,828	10,060	14,888
31-35%	6,012	9,408	15,420	4,982	9,749	14,731
36-40%	5,544	7,640	13,184	4,673	8,730	13,403
41-45%	3,973	6,707	10,680	3,368	6,431	9,799
46-50%	3,347	5,792	9,139	3,012	5,284	8,296
51-55%	2,615	5,256	7,871	2,368	4,371	6,739
56-60%	1,858	4,656	6,514	1,914	3,658	5,572
61-65%	1,359	4,015	5,374	1,399	2,897	4,296
66-70%	1,058	3,438	4,496	1,075	2,249	3,324
Over 70%	669	5,407	6,076	73	1,533	1,606
<b>Total</b>	<b>48,307</b>	<b>101,136</b>	<b>149,443</b>	<b>39,226</b>	<b>92,964</b>	<b>132,190</b>

**Source:** CD-801 Monthly Child Care Report, October 2010 and October 2013 (archived data).

Note: Data represent a "point-in-time" and do not reflect annual aggregate figures.

Missing/Unknown family monthly income and family size are excluded.

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

<b>Reasons for Extended Care</b>			
<b>REASON FOR CHILD CARE</b>	<b>Care</b>		
	<b>Full Day</b>	<b>Part Day</b>	<b>Total</b>
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
<b>Total</b>	<b>39,226</b>	<b>92,964</b>	<b>132,190</b>

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.

Lastly, of the 132,190 families in CSPP, 39,403 families (29.8 percent) are a family of four. 11,644 of 39,226 families (29.7 percent) in full-day care were a family of three.

<b>CSPP Family Size</b>			
<b>Family Size</b>	<b>Care</b>		
	<b>Full Day</b>	<b>Part Day</b>	<b>Total</b>
1	461	747	1,208
2	9,930	10,801	20,731
3	11,644	20,616	32,260
4	9,756	29,647	39,403
5	5,121	19,832	24,953
6	1,725	8,031	9,756
7	438	2,286	2,724
8	120	722	842
9	21	200	221
10	8	56	64
11	1	10	11
12	1	16	17
<b>Total</b>	<b>39,226</b>	<b>92,964</b>	<b>132,190</b>

**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.

**3. California State Preschool Program - Family Fees**

**Panelists.** Department of Education  
Legislative Analyst's Office  
Department of Finance

**Background.** Effective July 1, 2012, SB 1016 (Budget and Fiscal Review Committee), Chapter 38, Statutes of 2012, required agencies to assess family fees for families receiving part-day CSPP services, who were previously exempt from family fees, according to the most current family fee schedule (see Table 6 on next page).

For families certified for part-day CSPP services, the family fee will be assessed at the time of certification and remain effective for the remainder of the program year, as long as the child remains enrolled and receives part-day CSPP services. A family may request a reduction to their family fee when there are changes to family income, size, or other specified factors listed in state law that would support a reduction to the family fee.<sup>33</sup> Families whose eligibility is based on a child(ren) receiving child protective services, or are at risk of being abused, neglected, or exploited, will not be assessed a family fee when the referral from a legal, medical, or social service agency indicates that the fee should be waived. Additionally, families receiving CalWORKs cash aid are exempt from paying family fees.

Family fees are based on a sliding scale for income and family size. For example, a family of three with an adjusted monthly income of \$2,100 is assessed a part-time daily fee of \$1.25; a family of four with adjusted monthly income of \$2,400 is assessed a part-time daily fee of \$1.50. Only 11 percent of the families with children in preschool had high enough incomes to be impacted when the program was initiated. However, in the first six months of the program's implementation, about five percent of the total enrollment withdrew from preschool and an addition 2,757 children did not enroll in the program after their parents were informed of the fee.

According to CDE, in fiscal year 2013-14, through the second quarter, the state received around \$5.4 million in family fees for part-day CSPP and \$6.5 million for full-day CSPP.

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<sup>33</sup> California Code of Regulation, Title 5 (5 CCR), Section 18109

**Table 6: Current Family Fee Schedule**

Family Fee Schedule												
Part-time Daily Fee	Full-time Daily Fee	Family Size 1 or 2	Family Size 3	Family Size 4	Family Size 5	Family Size 6	Family Size 7	Family Size 8	Family Size 9	Family Size 10	Family Size 11	Family Size 12
\$ 1.00	\$ 2.00	1,820	1,950	2,167	2,513	2,860	2,925	2,990	3,055	3,120	3,185	3,250
\$ 1.25	\$ 2.50	1,893	2,028	2,253	2,614	2,974	3,042	3,109	3,177	3,245	3,312	3,380
\$ 1.50	\$ 3.00	1,965	2,106	2,340	2,714	3,089	3,159	3,229	3,299	3,369	3,440	3,510
\$ 1.75	\$ 3.50	2,038	2,184	2,426	2,815	3,203	3,276	3,349	3,421	3,494	3,567	3,640
\$ 2.00	\$ 4.00	2,111	2,262	2,513	2,915	3,317	3,393	3,468	3,544	3,619	3,694	3,770
\$ 2.25	\$ 4.50	2,184	2,340	2,600	3,016	3,432	3,510	3,588	3,666	3,744	3,822	3,900
\$ 2.65	\$ 5.30	2,257	2,418	2,686	3,116	3,546	3,627	3,707	3,788	3,869	3,949	4,030
\$ 3.05	\$ 6.10	2,329	2,496	2,773	3,217	3,661	3,744	3,827	3,910	3,993	4,076	4,160
\$ 3.45	\$ 6.90	2,402	2,574	2,860	3,317	3,775	3,861	3,946	4,032	4,118	4,204	4,290
\$ 3.85	\$ 7.70	2,475	2,652	2,946	3,418	3,889	3,978	4,066	4,154	4,243	4,331	4,420
\$ 4.25	\$ 8.50	2,548	2,730	3,033	3,518	4,004	4,095	4,186	4,277	4,368	4,459	4,550
\$ 4.65	\$ 9.30	2,621	2,808	3,120	3,619	4,118	4,212	4,305	4,399	4,492	4,586	4,680
\$ 5.05	\$ 10.10	2,693	2,886	3,206	3,719	4,232	4,329	4,425	4,521	4,617	4,713	4,810
\$ 5.45	\$ 10.90	2,766	2,964	3,293	3,820	4,347	4,446	4,544	4,643	4,742	4,841	4,940
\$ 5.85	\$ 11.70	2,839	3,042	3,380	3,920	4,461	4,563	4,664	4,765	4,867	4,968	5,070
\$ 6.25	\$ 12.50	2,912	3,120	3,466	4,021	4,576	4,680	4,784	4,888	4,992	5,096	5,200
\$ 6.65	\$ 13.30	2,985	3,198	3,553	4,122	4,690	4,797	4,903	5,010	5,116	5,223	5,330
\$ 7.05	\$ 14.10	3,057	3,276	3,640	4,222	4,804	4,914	5,023	5,132	5,241	5,350	5,460
\$ 7.45	\$ 14.90	3,130	3,354	3,726	4,323	4,919	5,031	5,142	5,254	5,366	5,478	5,590
\$ 7.60	\$ 15.20	3,203	3,374	3,749	4,348	4,948	5,061	5,173	5,286	5,398	5,510	5,623
\$ 7.75	\$ 15.50	3,283	3,393	3,770	4,373	4,976	5,089	5,202	5,315	5,428	5,541	5,655
\$ 7.90	\$ 15.80		3,413	3,792	4,399	5,006	5,120	5,233	5,347	5,461	5,575	5,688
\$ 8.05	\$ 16.10		3,432	3,813	4,423	5,033	5,148	5,262	5,376	5,491	5,605	5,720
\$ 8.23	\$ 16.45		3,518	3,835	4,448	5,062	5,177	5,292	5,407	5,522	5,637	5,752
\$ 8.43	\$ 16.85			3,856	4,473	5,090	5,206	5,322	5,437	5,553	5,669	5,785
\$ 8.63	\$ 17.25			3,880	4,500	5,121	5,237	5,354	5,470	5,586	5,703	5,819
\$ 8.88	\$ 17.75			3,908	4,534	5,159	5,276	5,394	5,511	5,628	5,745	5,863
<b>Monthly Income Ceilings</b>		<b>3,283</b>	<b>3,518</b>	<b>3,908</b>	<b>4,534</b>	<b>5,159</b>	<b>5,276</b>	<b>5,394</b>	<b>5,511</b>	<b>5,628</b>	<b>5,745</b>	<b>5,863</b>

Table 6: California Department of Education. "Management Bulletin 11-26: Early Education and Support Division." <http://www.cde.ca.gov/sp/cd/ci/documents/famfeeschedule1112v002.pdf>

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

**Questions**

1. To LAO: Please provide a brief history of the CSPP family fee. Have enrollment figures in CSPP declined due to the family fee? After the family fee was put in place, has there been a change in the income-distribution of families who participate in CSPP?
2. To CDE: Please provide a summary of the feedback received from centers regarding the collection and notice practices.
3. To CDE: Please provide an update on the proposed family fee structure.

## 5. LAO - Restructuring Proposal<sup>34</sup>

**Budget Issue.** The LAO recommends the Legislature consider restructuring California’s child care and development system, according to a specified five-year roadmap. The timeline, as summarized below, assumes no additional resources are provided for the restructured system.

- **Year 1.** The Legislature updates the reimbursement rates based on current data, and determines time limit for services. Direct CDE to modify standards for programs serving children birth through age four and to develop regulations for regional monitoring of developmental standards.
- **Year 2.** The Legislature adopts new standards for programs serving children, birth through age four. Wait until year four to require all providers meet the new standards. Consolidate CalWORKs Stage 1 and Stage 2, and shift all CalWORKs childcare to DSS. Determine how to align reimbursement rates with new standards.
- **Year 3.** Begin converting reimbursements for former Title 5 private providers from direct contracts to vouchers.
- **Year 4:** The Legislature requires all providers serving children birth through age four to meet standards. Adjust reimbursement rates to reflect new standards.
- **Year 5:** Finalize conversion of former Title 5 providers from contracts to vouchers. Families can now access subsidized child care through vouchers, with the exception of LEA preschool programs.

**Panelists.** Carolyn Chu, Legislative Analyst’s Office

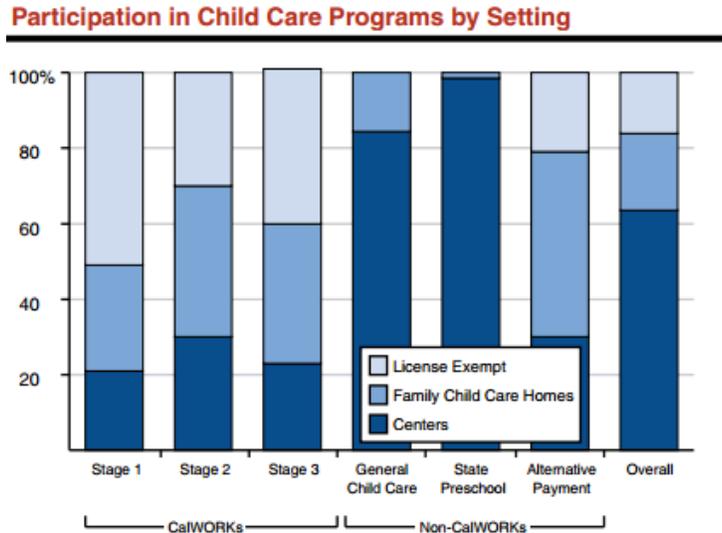
**Background.** California’s child care and development system is a complex patchwork of providers and policies. To qualify for subsidized child care, families, generally, meet three criteria: (1) parents must demonstrate “need” for care (parents either working or participating in an education or training 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.

CalWORKs families are statutorily guaranteed subsidized care during Stage 1 (when a family first enters CalWORKs) and Stage 2 (when a county deems the family “stable”). Stage 3 is not treated as an entitlement, but historically, the Legislature has funded all eligible families. Non-CalWORKs families with the lowest income are prioritized over families with relatively higher incomes. Once a CalWORKs or non-CalWORKs family accesses a subsidy, the family may continue receiving the subsidy as long as it continues to meet the program’s eligibility criteria.

**Slots and participation, by program and setting.** In 2012-13 data, non-CalWORKs programs comprised 62 percent of all slots, whereas CalWORKs child care comprised 38 percent of all slots.<sup>35</sup> State

<sup>34</sup> For the entire LAO report, “Restructuring California’s Child Care and Development System,” please see <http://www.lao.ca.gov/reports/2014/education/child-care/restructuring-child-care-system-040414.aspx>

Preschool makes up the largest program, with 40 percent of all slots. In 2012-13, 25 percent of children served in the state’s subsidized child care system were infants and toddlers (birth to age three); 34 percent were preschool-aged children, and 41 percent were school-aged children. Also, reliance on particular child care settings differs across programs. For example, 64 percent of children are served in centers, and 20 percent of children are served in family child care homes (FCCHs) (see figure above).



Reimbursement rate structures vary. Title 5

providers are paid a Standard Reimbursement Rate (SRR) that is set in the Education Code and the annual budget act. The SRR is higher for Title 5 centers than for Title 5 FCCHs. The SRR is adjusted for characteristics of the child served, such as age, having a disability, or being limited English proficient. In contrast, providers that meet Title 22 standards are reimbursed according to the Regional Market Rates (RMR), which varies based on the county in which the child is served. Like the SRR, the RMR is adjusted based on the age of the child and if the child has a disability. The SRR and the statewide average RMR for full-day care of a preschool-aged child is \$716 per month and \$714 per month, respectively. The state held the RMR and SRR at 2005 and 2007 levels, respectively.

The state reimburses license-exempt providers at a percentage of the county’s maximum RMR or their actual costs, whichever is lower. Currently, the reimbursement rate for license-exempt providers is set at 60 percent of each county’s maximum RMR.

Further, actual reimbursements vary based on what the provider charges. If a family selects a provider that charges above the RMR of a county, the family must pay the difference, known as a co-pay. The state requires that providers charge subsidized families and non-subsidized families the same price.

Family fees. Families not receiving CalWORKs cash assistance must also pay fees for child care. Fees are based on family size, income, and whether the family receives part-day or full-day care (six hours or more of care). All fees are collected to offset the state GF cost of the programs. In 2012-13, the state collected around \$54 million in fees across all child care programs.

Administration and oversight. The Department of Social Services (DSS) administers the CalWORKs program and Stage 1 child care. CDE administers the funding for families in CalWORKs Stages 2 and 3. CDE also administers all other non-CalWORKs child care programs.

DSS’ Community Care Licensing Division processes applications for child care licensees, inspects applicants, and must visit a licensed facility at least once every five years. CCL monitors Title 5

<sup>35</sup> In 2012-13, CalWorks Stage 2 comprises 20 percent of all slots.

providers for health and safety standards, while CDE monitors Title 5 for developmental standards. License-exempt providers are not actively monitored by a state agency.

**State-by-state context.** All 50 states have subsidized child care for low-income families. 22 states, including California, guarantee child care subsidies for welfare-to-work families. 19 states, including California, guarantee subsidized child care to families transitioning off cash assistance. 21 states, including California, have stricter health and safety licensing standards for child care providers. California also exceeds federal regulations by requiring providers to have training in child development.

California differs from other states in how it provides child care and the duration of benefit. First, in contrast with the majority of states that use vouchers as a primary means of providing subsidized child care, California uses both vouchers and direct contracts. Second, unlike other states that limit eligibility to subsidized child care to those participating in Temporary Assistance to Needy Families (time limits associated with TANF programs also act as time limits for child care), California guarantees child care for former recipients as long as they meet work requirements, income requirements, and have a child(ren) younger than 13 years old.

**LAO Comments and Recommendations.** California's child care system exhibits two main strengths: (1) families have a choice in selecting among an array of providers, and (2) there are some programs with developmentally appropriate care. However, according to the LAO, no subsidized program exhibits both of these strengths concurrently. This section will detail some of the child care and development system's design flaws and the consequences of those flaws, as well as identify recommendations to restructure the system.

**Assessment.** Critical design flaws treat similar families differently. Specifically, the LAO finds:

- **Similar families have different levels of access.** The prioritization of families, in or formerly in, CalWORKs over otherwise similar non-CalWORKs families results in different access to services. As a result, if a family formerly on CalWORKs remains eligible for child care, the family can receive up to 13 years of child care, whereas a similar low-income family may not receive the same level of benefits.
- **Similar families have differing amounts of choice in selecting care.** Families receiving a contract slot can result in match issues, because the slot may not meet the parent's needs due to location of the center, or the slot does not fit the hours of care a family requires. This issue is prevalent for State Preschool Programs, since a majority of the programs only offer part-day care.
- **Similar families are provided different standards of care.** Families receiving vouchers are guaranteed providers that meet Title 22 health and safety standards, while families that have contract slots can receive care that meets health, safety, and developmental standards under Title 5.
- **State has higher reimbursement rate for lower standard of care.** The RMR is used to pay Title 22 providers, which are subject to health and safety standards, whereas the SRR is used to pay Title 5 providers, which are subject to health, safety, and developmental standards. In 19 counties, the RMR is higher than the SRR for preschool-age children, based only monthly reimbursements.

- Resources not always used the most strategically. The existing system does not target resources to low-income children to promote school readiness. Also, the state pays a higher rate – nearly 50 percent more – for non-need based TK than need-based preschool.
- Service levels vary across the state. The number of working parents with low-income children eligible for subsidized child care is unknown. However, data is available on low-income children by county, compared with total number of subsidized slots by county. The highest share of children served through subsidized child care is in Modoc County (with 30 percent of low-income children served). Kern County serves the lowest proportion of low-income children. Almost all counties, however, serve a relatively small proportion of children, with 54 counties serving less than 20 percent of low-income children.

Recommendation. The LAO finds that families have different levels of access to programs that offer different choices among providers that meet different standards of care, and are reimbursed at different rate levels. In response, the LAO recommends the following:

- Continue to prioritize families new to CalWORKs, which would help families overcome a barrier to employment.
- Set a six to eight year time limit for child care subsidies. The time limit would apply to both CalWORKs and non-CalWORKs families. Providing child care for six to eight years still represents at least a \$40,000 investment per child. Capping the number of years a family could receive care would allow the state to serve more low-income families. Further, after six to eight years of child care, many families' children would be school age, and could then access before- and after-school care.
- Continue to contract with LEAs for State Preschool. Without direct contracts, LEAs could be less likely to provide preschool programs. Collocating CSPP with LEAs could help children transition into kindergarten and could utilize LEAs' resources, like counselors and nurses.
- Provide similar levels of service of access across the state. The Legislature could serve the same share of families in each county (e.g., serve 10 percent of all eligible families in each county). Alternatively, the Legislature could serve families based on statewide median income (e.g., all families under 50 percent of SMI).
- Require programs serving four-year-olds to focus on school readiness. Not all four-year-olds in subsidized child care have access to programs required to provide educational components. The Legislature may wish to direct CDE to develop standards that are similar to existing Title 5, but modified to reduce some programmatic restrictions, like flexibility in teacher ratios or classroom configuration.
- Apply development standards to part of the day. The Legislature may wish to consider requiring programs that serve children birth through age four to meet new developmental standards for three hours per day, consistent with the state's current approach for CSPP, TK, and kindergarten. For the other portion, providers could meet only Title 22 health and safety standards.

- Do not require educational component for child care programs serving school-age children. School age children already receive several hours of instruction from certified teachers. The Legislature may wish to consider repealing the Title 5 requirement to free up additional resources to support developmentally appropriate activities for children birth through aged four.

- Reimburse vouchers based on high-, medium-, and low-cost areas. The LAO recommends the Legislature provide all eligible families similar levels of choice by providing subsidies primarily through vouchers, which would eliminate the “match” issue some families currently experience. Further, the LAO recommends reimbursing vouchers based on a three-tiered system – high cost area, medium cost area, and low-cost area. Urban and coastal counties tend to be high-cost; lowest-cost counties tend to be located in the rural northern part of the state and in the Central Valley. San Bernardino and Sacramento are examples of medium cost counties. The figure (right) shows what rate would be under the proposed, simplified rate structure, assuming current funding levels.

<b>A New, Greatly Simplified Rate Structure</b>	
	<b>2014-15 Rate<sup>a</sup></b>
<b>High-Cost Counties</b>	
Infants	\$1,342
Preschool	902
School-age	601
<b>Medium-Cost Counties</b>	
Infants	\$1,077
Preschool	719
School-age	479
<b>Low-Cost Counties</b>	
Infants	\$836
Preschool	594
School-age	396

<sup>a</sup> Reflects reimbursement per month for full-time child care.

- Provide higher subsidy for programs with higher cognitive and development standards. For LEAs, the LAO recommends that the Legislature continue to use a standard reimbursement rate, as LEAs receive a standard rate for nearly all other K-12 services.
- As a starting point, set reimbursements at 70<sup>th</sup> percentile of most recent survey. Setting the initial reimbursement rates at the 70<sup>th</sup> percentile of the 2012 RMR survey would serve the same number of children without additional cost. The state would still need to ensure that the reimbursement rate is adequate enough that low-income families can access child care providers that meet required standards without undue burden.
- Merge CalWORKs Stage 1 and Stage 2 into one program. Shift all CalWORKs administration to DSS, as DSS already administers other aspects of the CalWORKs program.
- Merge CalWORKs Stage 3 and non-CalWORKs child care programs. CDE would administer the merged programs. Stage 3 families, which have been off CalWORKs cash aid for more than two years, and non-CalWORKs families would be treated in the same manner, if the Legislature were to make changes to the non-CalWORKs child care program.
- Direct CDE to conduct inspections based on risk reviews from regional monitoring agencies. Resources currently used to oversee Title 5 providers could be redirected for risk reviews and inspections.
- Re-establish Centralized Eligibility Lists. Restarting the CELs would cost between \$5 million and \$10 million annually.

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

**Questions**

1. What are some of the strengths and weaknesses of the state's current child care and development system? Please present the LAO's report and recommendations for restructuring.
2. The report states that levels of service to low-income children vary across counties. What are possible explanations for this experience?
3. Please explain briefly the tiered reimbursement rate structure.