

SUBCOMMITTEE NO. 1

Agenda

Senator Richard D. Roth, Chair
Senator Connie M. Leyva
Senator Mike Morrell



Thursday, April 25, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA

| <u>Item</u> | <u>Department</u> | <u>Page</u> |
|--------------------|--|--------------------|
| 6100 | Department of Education | |
| Issue 1 | Child Care and Early Education – Background and Caseload Changes | 2 |
| Issue 2 | State Preschool Expansion | 8 |
| Issue 3 | Early Childhood Education One-Time Investments | 12 |
| Issue 4 | Women’s Caucus Proposal | 15 |
| Issue 5 | Full-Day Kindergarten Facilities | 16 |
| Issue 6 | Kindergarten Child Savings Accounts | 20 |
| Issue 7 | Special Education | 22 |
| | Public Comment | |

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6100 DEPARTMENT OF EDUCATION

Issue 1: Child Care and Early Education – Background and Caseload Changes**Panel:**

- Sara Cortez, Legislative Analyst's Office
- Sarah Burtner, Department of Finance
- Khieem Jackson, Department of Education
- Sarah Neville-Morgan, Department of Education

Background:

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

Child Care. California provides child care subsidies to some low-income families, including families participating in CalWORKs. Families who have participated in CalWORKs are statutorily guaranteed child care during “Stage One” (when a family first enters CalWORKs) and “Stage Two” (once a county deems a family “stable”, defined differently by county). In the past, the state has funded “Stage Three” (two years after a family stops receiving cash aid) entirely while it is not a statutorily guaranteed entitlement program. Families remain in Stage Three until their income surpasses a specified threshold or their child ages out of the program. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation; and (3) children must be under the age of 13.

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

Transitional Kindergarten. SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the “Kindergarten Readiness Act” and established the transitional kindergarten program, beginning in 2012-13, for children who turn five between September 1 and December 1. Each elementary or unified school district must offer developmentally-appropriate transitional kindergarten and kindergarten for all eligible children, regardless of family income. Transitional kindergarten is funded through an LEA’s Local Control Funding Formula allocation. LEAs may enroll children in transitional

kindergarten that do not meet the age criteria if they will turn five by the end of the school year, however, these students will not generate state funding until they turn five.

State Child Care and Preschool Programs

| Program | Description |
|--|--|
| CalWORKs Child Care | |
| Stage 1 | Child care becomes available when a participant enters the CalWORKs program. |
| Stage 2 | Families transition to Stage 2 child care when the county welfare department deems them stable. |
| Stage 3 | Families transition to Stage 3 child care two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years old) or they exceed the income-eligibility cap. |
| Non-CalWORKs Child Care | |
| General Child Care | Program for other low-income, working families. |
| Alternative Payment | Another program for low-income, working families. |
| Migrant Child Care | Program for migrant children from low-income, working families. |
| Care for Children with Severe Disabilities | Program for children with severe disabilities living in the Bay Area. |
| Preschool | |
| State Preschool | Part-day, part-year program for low-income families. Full-day, full-year program for low-income, working families. |
| Transitional Kindergarten | Part-year program for children who turn five between September 2 and December 2. May run part day or full day. |

Source: Legislative Analyst's Office

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

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. The RMR is currently set to the 75th percentile of the 2016 RMR survey. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program — referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage One, and county welfare departments locally administer the program. The California Department of

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

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located. The rate is increased by a statutory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. The current standard reimbursement rate (SRR) is \$45.44 per child per day of enrollment for General Child Care and \$45.73 for State Preschool.

For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate.

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

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. In 2012, funding for state preschool and the General Child Care Programs were consolidated; all funding for the part-day/part-year state preschool is now budgeted under the state preschool program, which is funded from within the Proposition 98 guarantee. For LEA-run preschool, wrap-around care to provide a full day of care for working parents is provided with Proposition 98 funding, while non-LEA state preschool providers receive General Fund through the General Child Care program to support wrap-around care. The Governor’s January proposal would change this as discussed in a later item. In contrast, transitional kindergarten, is funded with Proposition 98 funds through the Local Control Funding Formula (LCFF) based on Average Daily Attendance (ADA). A local district receives the same per ADA funding for a transitional kindergarten student as for a kindergarten student.

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

From 2009-2013, overall funding for child care and preschool programs decreased by \$984 million; and approximately 110,000 slots, across all programs, were eliminated. During this time, the state also froze provider rates, cut license-exempt provider payments, and lowered income eligibility for families. Since 2013, the state has invested over \$1.5 billion into child care and early education. These increases are a combination of increased provider rates, increased child care and state preschool slots

and access, and investments in the quality of programs. The summary of subsidized slots provided in the system is displayed below.

Child Care and Preschool Subsidized Slots

| | 2017-18 Revised | 2018-19 Revised | 2019-20 Proposed | Change from 2018-19 | |
|--|--------------------|--------------------|---------------------|------------------------|---------|
| | | | | Amount | Percent |
| CalWORKs Child Care | | | | | |
| Stage 1 | 38,322 | 34,228 | 32,162 | -2,066 | -6.0% |
| Stage 2 ^a | 52,913 | 58,674 | 60,785 | 2,111 | 3.6% |
| Stage 3 | 33,516 | 44,320 | 52,428 | 8,108 | 18.3% |
| Subtotals | (124,751) | (137,222) | (145,375) | (8,153) | (5.9%) |
| Non-CalWORKs Programs | | | | | |
| Alternative Payment Program | 29,804 | 44,785 | 45,055 | 270 | 0.6% |
| General Child Care ^b | 28,563 | 28,427 | 28,144 | -283 | -1.0% |
| Migrant Child Care | 3,046 | 3,037 | 3,012 | -25 | -0.8% |
| Care for Children with Severe Disabilities | 106 | 103 | 102 | -1 | -1.0% |
| Subtotals | (61,519) | (76,352) | (76,313) | (-39) | (-0.1%) |
| Preschool Programs | | | | | |
| State Preschool—part day | 101,101 | 102,501 | 101,630 | -871 | -0.8% |
| State Preschool—full day | 64,528 | 66,609 | 78,208 | 11,599 | 17.4% |
| Transitional Kindergarten | 90,615 | 90,318 | 90,211 | -107 | -0.1% |
| Subtotals | (256,244) | (259,429) | (270,049) | (10,621) | (4.1%) |
| Totals | 442,514 | 473,002 | 491,737 | 18,735 | 4.0% |

Note: Slot numbers reflect DSS estimates for CalWORKs Stage 1; DOF estimates for CalWORKs Stage 2 and 3, General Child Care, Migrant Child Care, and Care for Children with Severe Disabilities; and LAO estimates for all other programs. For Transitional Kindergarten, reflects preliminary estimates, as enrollment data are not yet publicly available for any year of the period. Table does not include slots funded through emergency bridge program for foster children.

^a Does not include certain community college child care slots (1,300 to 1,800 slots annually).

^b State Preschool wraparound slots for non-LEAs (funded by General Child Care) are shown in State Preschool—full day.

DSS = Department of Social Services. DOF = Department of Finance. LEAs = local education agencies.

Governor's Budget Proposal

The Governor's budget increases funding for child care and preschool programs, including transitional kindergarten, by \$665 million for a total of \$5.3 billion in state and federal funds. This reflects an increase of 14.2 percent from 2018-19. Base workload changes are described below, while major policy proposals are discussed in more detail later in the report.

Non-CalWORKs Child Care – The proposed budget includes \$79 million for a 3.46 percent cost-of-living adjustment (COLA) for non-CalWORKs child care and State Preschool programs and decreases slots by \$20 million to reflect a decrease in the birth to age four population.

CalWORKs Child Care – The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net increase of \$103 million, reflecting a \$16 million decrease in Stage One, a \$36 million increase in Stage Two, and a \$83 million increase in Stage Three.

Transitional Kindergarten. – The proposed budget also includes an increase of \$24 million (for a total of \$890 million) Proposition 98 General Fund for transitional kindergarten, reflecting ADA growth and a COLA. This adjustment is included in total LCFF funding for the 2019-20 fiscal year.

Other Adjustments – The proposed budget also makes several other technical adjustments to annualize the costs of actions taken in prior years including \$40 million to annualize funding for the January 1, 2019 increase to adjustment factors for infants, toddlers, children with exceptional needs, and children with severe disabilities and \$3 million to annualize the 2,100 Alternative Payment slots for LEAs that began September 1, 2018.

Finally, the proposed budget includes \$27 million in Proposition 98 General Fund to annualize the 2,959 full-day State Preschool Slots for LEAs included in last year's budget that commence in April 1, 2019.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office reviewed the Governor's caseload related proposals in their recent publication; *The 2019-20 Budget: Early Education Analysis*. In regards to the proposed changes the LAO notes that the state made changes in 2017-18 that are impacting caseload for Stages Two and Three. Specifically the state made changes to income eligibility criteria and a key family reporting requirement.

- **Income Eligibility.** Under the new policy, families are eligible to enroll in subsidized child care if their income is below 70 percent of the 2016 SMI—\$54,027 for a family of three. Families can continue receiving benefits as long as their income is below 85 percent of SMI (\$65,604 for a family of three). Previously, to be income eligible (for both entering and exiting the program), parents were required to earn below 70 percent of the 2007 SMI (\$42,216 for a family of three).
- **Family Reporting Requirement.** Families now must report information necessary for determining eligibility only once a year unless changes in income make them ineligible. Previously, families were required to report any change in income or work hours within five days.

As a result the combined cost of CalWORKs Stages Two and Three has grown from \$714 million in 2016-17 to more than \$1 billion in 2018-19—an increase of 45 percent across the period. The increase is primarily due to higher caseload related to the above changes, but the cost per child also has increased as a result of the state updating to the 2016 RMR survey. The LAO also notes that in addition to the funding requested in the Governor's Budget, current year funding fell short of caseload projections and \$80 million was provided in a mid-year augmentation to cover 2018-19 costs.

The LAO recommends the following:

- Given the substantial year-over-year caseload growth in recent years, the Legislature may want to budget more funding in the event caseload grows more quickly than the administration assumes (3 percent per year was included in the Governor's Budget). Budgeting initially at a higher level would minimize the chance the state has to use reserves to cover higher costs down the road. It also would prevent the state from having to dis-enroll children midyear if additional funding is unavailable.
- The Legislative may wish to consider increasing provider rates to align with the most recent regional market rate survey released this spring. Based upon the state's recent experience with survey-based rate increases, updating survey rates in 2019-20 likely would cost in the tens of millions. This increase is not built into the Governor's Budget.

Staff Comments:

Staff notes that while caseload for CalWORKs Stages Two and Three continues to increase, caseload in Stage One has decreased. While this generally is aligned with the decrease in the CalWORKs program participation overall, families in Stage One are not currently provided with stable, ongoing care and therefore may choose other care options. A related budget proposal, heard in Subcommittee #3 on April 11, proposes to stabilize families by establishing continuous, stable Stage One child care by authorizing care for 12 months or until transfer to Stage Two, whichever occurs first and to improve systems and notifications to ensure that families do not experience a disruption in services during the transition from Stage One to Stage Two.

Staff also notes that inequities continue to exist for some providers, limiting the pool of providers willing to provide flexible care. For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate. This low rate means that license – exempt providers may be unwilling or unable to offer part day or flexible hours even if there is demand from families in their local area.

Finally staff notes that in the 2018-19 budget, adjustment rates were increased for infants, toddlers, children with exceptional needs, and children with severe disabilities. The adjustment factor for children with exceptional needs applies to all child care programs except for part day preschool, although part-day preschool serves a significant number of children. Extending this rate increase to part-day preschool would cost roughly \$5.5 million, according to the LAO, and would support providers serving this vulnerable population.

Suggested Questions:

- Does CDE agree with the Administration's projections for CalWORKs Stages two and three growth?
- What would the impact be of updating to the most recent RMR survey?

Staff Recommendation: Hold Open.

Issue 2: State Preschool Expansion**Panel:**

- Sarah Burtner, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Khieem Jackson, Department of Education
- Sarah Neville-Morgan, Department of Education

Background:

State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

The part day State Preschool program provides at least 3 hours per day of developmentally appropriate activities for 175 days per year. The full-day program provides between 6.5 and 10.5 hours of care for 250 days per year. State Preschool is currently funded by a combination of Proposition 98 and non-Proposition 98 state General Fund. All funding for the part-day/part-year state preschool is budgeted under the State Preschool program, which is funded from within the Proposition 98 guarantee. For LEA-run preschool, wrap-around care to provide a full-day of care for working parents is provided with Proposition 98 funding, while non-LEA state preschool providers receive General Fund through the General Child Care program to support wrap-around care. LEAs provide two-thirds of State Preschool slots and non-LEAs provide about one-third of State Preschool slots and are more likely to operate full-day programs.

Since 2014-15, the budget has included an increase in state preschool slots in each budget agreement, reaching a total of almost 170,000 slots in 2018-19 (approximately 103,000 part day and 67,000 full day). In recent years, new slots have been prioritized for full-day preschool slots for LEAs, reflecting the availability of Proposition 98 funding. However, according to the CDE, there has not been sufficient demand among LEAs for full-day, full-year slots. After first offering these slots to LEAs for full day care, CDE has had to repurpose funds to part-day slots when not enough applications for full-day slots were received. CDE reports that anecdotally, contractors note that LEAs may not offer full-day programs based on low reimbursement rates and the ability to earn more for children served in transitional kindergarten settings, which has fewer program requirements.

The chart that follows displays the number of slots the Legislature added in the budget over the past two years for the State Preschool Program at LEAs and non-LEAs by full-day and part-day, the number of slots requested by agencies in each category, and the number of slots awarded in each category based on available funds. In some years CDE has had additional funds from relinquished contracts or identified other available funds and were able to award additional slots. In many cases non-LEAs have requested significantly more full day slots than were available.

Preschool Expansion - Legislative Intent, Provider Demand, and Slot Allocation

| | | 2017-18 | | | 2018-19 | | |
|-----------------|---------|------------------------------------|---------------------------------------|--|------------------------------------|---------------------------------------|--|
| | | Intended Slots Based on Budget Act | Number of Slots Requested by Agencies | Awarded Slots Based on Available Funds | Intended Slots Based on Budget Act | Number of Slots Requested by Agencies | Awarded Slots Based on Available Funds |
| Full-Day | LEA | 2,959 | 1,043 | 275 | 2,959 | 1,341 | Not yet awarded |
| | Non-LEA | - | 2,554 | 741 | - | 2,648 | Not yet awarded |
| Part-Day | LEA | - | 1,801 | 1,309 | - | 2,865 | Not yet awarded |
| | Non-LEA | - | 2,354 | 1,833 | - | 2,431 | Not yet awarded |

Source: Department of Education

Governor's Budget Proposal

The Governor's budget includes \$125 million non-Proposition 98 General Fund for 10,000 additional full-day State Preschool slots for non-LEA providers in 2019-20. The Administration also proposes to increase slots in 2020-21 and 2021-22, bringing the total to 30,000 additional slots by the end of the three-year period and serving all low-income four year olds.

The Governor's budget also shifts \$297 million for non-LEA provider State Preschool programs from Proposition 98 to non-Proposition 98 General Fund. The Administration notes that non-LEA providers already receive funding for the wraparound portion of full-day State Preschool through non-Proposition 98 General Fund, and this proposal would unify the funding source for the program for non-LEA providers.

Finally, the Governor's budget would also eliminate the requirement that families must be working or in school for their children to be eligible for full-day State Preschool.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office reviewed the Governor's State Preschool expansion proposal in their recent publication; *The 2019-20 Budget: Early Education Analysis*. In regards to the proposal, the LAO notes that the purpose of the State Preschool program is two-fold, focused on increasing kindergarten readiness among children from low-income families and, especially with the full-day option, also helping low-income, working families with their child care costs. The LAO notes that the expansion of slots, particularly full-day slots for non-LEAs, will support additional access for to low-income working families as non-LEAs are generally more likely to provide this type of program. The LAO also has some concerns about the proposal to eliminate the work requirement for full day program eligibility, noting that this requirement directly supports the goals of the program. The LAO

notes that removing the work requirement may result in providers converting more slots from part day to full day, which would either decrease total slots or create a need for an additional investment from the state to retain the same number of slots.

The LAO also finds that structurally the field may not be able to absorb new slots as quickly as the timeline proposed by the Governor, given the magnitude of the increase and CDE staff workload needed to distribute slots. Finally, the LAO anticipates that the awarding of new slots may take up to six months resulting in the first round of slots not being available until January 1, 2020. The LAO also finds the ability of providers to find and develop facilities to support the expansion may impact the roll-out of a proposal. However, in regards to the Proposition 98 funding shift, the LAO notes that there are benefits to simplifying the funding structure of this program.

The LAO makes the following recommendations:

- Add 2,500 new non-LEA slots beginning January 1, 2020; roughly a 10 percent increase from the full-day slots non-LEAs currently provide. This would allow CDE to ramp up for the administrative work required for the expansion and allow providers lead time to expand their programs. Future expansions could be informed by the number of 2019-20 slots taken up.
- Maintain the requirement that parents be working or in school. Removing the work requirement would result in some children from families where one parent stays at home receiving priority for full-day programs over other children from families with child care needs. Additionally, prioritize new slots to non-LEAs that agree to operate at least 10 hours per day. These changes would ensure that new slots meet the needs of parent(s) working full-time.
- Provide \$4 million in ongoing funding to assist providers with facility expansion. For 2019-20, we recommend having CDE distribute the funding among Local Planning Councils (LPCs) based on the county's population of low-income children under five. In the future, the state could use data from CDE's forthcoming needs assessment to distribute funding based on each county's unserved preschool population. LPCs would be required to have a facility specialist to work with local governments to address local zoning ordinances and other local issues serving as barriers to using facilities for child care and preschool.
- Support the change to provide non-LEAs slots from one fund source. This change allows more flexibility for non-LEA providers to use slots in a way that best meet families' needs and also simplifies contracting for the state and providers.
- Consider consolidating state funding for all existing preschool programs into one program. The state could build off the structure of the existing State Preschool program, which assures all participating children receive at least three hours of developmentally appropriate activities and also provides wrap care for working families. To improve the convenience for families and increase the likelihood that all low-income children can participate, the state could also require providers to offer programs year-round, operate at least 10 hours per day, and have flexible start times for part-day programs.

Suggested Questions:

- Does the field have the capacity to take up 30,000 slots over the next three years?

- Does CDE consider availability of slots and need for care in different areas of the state when awarding slots?
- What type of outreach does CDE do to solicit applications for new slots?
- The Governor is also proposing one-time investments in training and facilities in these fields, how does the timing of those investments align with the roll-out of new slots?

Staff Recommendation: Hold Open.

Issue 3: Early Childhood Education One-Time Investments

Panel:

- Sarah Burtner, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Khieem Jackson, Department of Education
- Sarah Neville-Morgan, Department of Education

Background:

Facilities. Child Care and Preschool may be offered in a variety of different settings from center-based care, programs provided on an LEA campus, or care provided in a private home. There are both licensed and license-exempt options and all types help to meet the diverse needs of families. Licensed child care and preschool facilities must meet specific safety standards. Community Care Licensing, a division of Social Services, inspects facilities before providers can begin serving children. All licensed facilities are inspected on a three year cycle.

To secure facilities, providers may either own or rent facilities and in some cases may have subsidized rent (usually through a school district or another public entity). Funding for the upgrade or expansion of facilities has been limited, bond funding has not been available for these types of facilities in the past. However, the state has provided both grants and loans to providers in the past. The current program, the Child Care Facilities Revolving Fund (CCFRF) provides interest-free loans to child care providers to be repaid over an up to ten-year period. Loans are available for the purchase of new facilities or the upgrading of additional facilities. While the fund balance can fluctuate as a result of loans being paid back at any one time, according to the CDE, the CCFRF currently has an available fund balance of \$26.8 million and has not funded any new applications under the CCFRF in the past few years. In reaching out to providers, the CDE identified the following factors that contribute to a lack of applicants: the SRR is too low such that contractors cannot afford to pay back a loan; land is unavailable, even on LEA campuses; and the Maximum Funding Allowance (MFA) is too low (\$210,000). In 2016–17, the CDE increased the MFA from \$210,000 to \$420,000.

Workforce. Early education staff are required to meet certain educational requirements. A child care or preschool teacher in a program that contracts with the state must hold a Child Development Teacher Permit. The permit is issued by the Commission on Teacher Credentialing and requires 24 units of early childhood education coursework and 16 units of general education coursework. Child care or preschool teachers in other licensed centers in California are required to have a Child Development Associate Credential or a minimum of 12 units of early education coursework. This credential is issued by a national nonprofit organization focused on educating and training child care workers. Other child care workers, such as aids and directors have different education and experience requirements.

In 2018-19, California provided \$50 million for workforce training, including programs for coaching and stipends for workers to increase their education.

Planning. While California's focus in the area of early care and education has primarily been on making incremental progress toward building back the system from funding cuts in the last recession,

efforts have been ongoing to provide the research needed to support improvements in the field. These efforts by the state and research groups have covered areas such as reimbursement rate structures, access to child care, supporting young children with special needs, child care workforce issues, and alignment with kindergarten

In addition, the state was recently awarded a Preschool Development Grant totaling \$10.6 million in federal funds. With the funds, CDE is examining current levels of access to child care and preschool programs throughout the state. CDE also intends to develop a strategic plan that will identify the steps the state could take to improve programs for children from birth through age five. The strategic plan will address topics including access, workforce, and facilities and will be developed in coordination with practitioners and representatives of state agencies. All associated activities are expected to be completed by December 2019.

Governor's Budget Proposal:

The Governor proposes to provide \$500 million in one-time General Fund to support and strengthen the state's early care and education system as follows:

Facilities. The Governor proposes to provide \$245 million to expand facilities for subsidized child care. The Superintendent of Public Instruction would distribute funds in equal amounts per year for five years through grants to non-LEA child care and preschool providers. Funds may be used for the construction of new or renovation of existing child care and preschool facilities. Priority would be given to applicants with a demonstrated need for facilities, those serving low-income communities and those who plan to serve children that qualify for subsidies.

Workforce. The Governor proposes to provide \$245 million to increase the educational attainment of the child care workforce. The Superintendent of Public Instruction would distribute funds in equal amounts per year for five years through a competitive grant process administered through local partnerships in all 58 counties. The funding would be allocated based on the demonstrated need, cost-of-living, and number of children under age 13 that qualify for subsidized care in each county. The grants could be used for educational expenses, including tuition, supplies, transportation, child care, substitute teacher pay and other related expenses as determined by the Superintendent.

Planning. The Governor proposes to provide \$10 million for the State Board of Education to contract with a research organization for the development of a blueprint for the state's early care and education system. This plan would include recommendations for improving the system, including providing universal preschool or early education for all three and four years olds in the state, revenues, funding, reimbursement rates, systems alignment, quality standards, and system efficiencies for families and providers among other things. The work is intended to build upon existing reports and research studies.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office reviewed the Governor's one-time investments proposal in their recent publication; *The 2019-20 Budget: Early Education Analysis*. The LAO notes that the focus on workforce and facilities is justified given that these are some of the most commonly cited challenges for providers. However the LAO also notes that the state has collected very little data on either of these topics. The state does not have information on what the educational attainment is of the current workforce, or what facilities are being used across the state, what areas of the state are in most need of this support, and what the most cost-effective investments would be. The state also has relatively little

information on what the needs are of families for early care and education. These needs may vary across the state and expanded preschool offerings may be more in demand in some areas than others. Finally, the LAO also notes the numerous studies have already been completed or are underway in the child care and early education space and cautions against duplicating work already done.

The LAO also makes the following specific recommendations:

- Use 2019-20 as a year to collect information needed to make targeted investments in early care and education. The LAO also notes that one-time funds could be set aside to draw down based on the information gathered.
- In place of a \$10 million blueprint, provide \$2 million (\$1 million each) to answer specific questions about the need for facilities and access to child care. For facilities these questions could focus on the types of facilities providers use, the need for facilities maintenance, how providers currently cover the upkeep of their facilities and the challenges for each type of facilities arrangement. For addressing access, the research could focus on determining the needs of families across the state, including need for different hours or types of care and what factors go into families' decisions around selecting care, including those eligible for, but not receiving subsidized care.
- These reports should be aligned with providing input for the 2021-22 budget cycle.

Suggested Questions:

- What information do we currently have on child care and preschool facilities across the state?
- How do local communities take into account the need for child care in their local planning processes?
- Child care providers vary from family-run homes to large centers. How will these funds be made available for providers with different needs and ability to engage in a grant process?
- Children with exceptional needs benefit from facilities that can accommodate an inclusive classroom and teachers with additional training, how will the funding ensure that the needs of all children are taken into consideration?
- The proposed trailer bill language for the preschool and child care blueprint lists a broad range of topics that will be collected and analyzed. What are the top priorities for the Governor? Does the LAO or CDE have recommendations on what data is still missing to better inform steps to improve the early care and education system going forward?

Staff Recommendation:

Hold Open.

Issue 4: Women's Caucus Proposal**Panel:**

- Senator Leyva

Proposal:

The Legislative Women's Caucus continues to support a commitment to expanding access for subsidized child care and supports additional investments in access to care and workforce development. Specifically, the Women's Caucus supports:

- The streamlining of CalWORKs Stage One child care eligibility rules to ensure that children have stable care and families do not experience a break in services due to a transition between the three stages of CalWORKs child care.
- The creation of guidelines for Early Care and Education (ECE) professional development to strengthen, recruit, and retain the ECE workforce.
- The establishment of a single regionalized state reimbursement rate system. This system would replace the current bifurcated system of reimbursement rates for early learning services which makes it difficult to fund and deliver high-quality ECE programs that meet the developmental needs of all children.

Staff Recommendation:

Hold Open.

Issue 5: Full - Day Kindergarten Facilities

Panel:

- Keith Nezaam, Department of Finance
- Amy Li, Legislative Analyst's Office
- Barbara Kampmeier, Office of Public School Construction
- Bruce Fuller, Ph.D., Professor, Education and Public Policy, University of California, Berkeley

Background:

The state requires all elementary and unified districts to offer kindergarten to all five year olds. Additionally, those students that turn five between September 2nd and December 2nd qualify for transitional kindergarten (qualifying for two years of kindergarten). Currently, about 530,000 students participate in kindergarten in California.

School districts are provided the flexibility to determine the length of their kindergarten programs. Part-day programs are three to four hours long, while full-day programs operate more than four hours. Part-day programs often offer a morning and afternoon session using the same classroom and two teachers. School districts receive the same funding rate (\$8,235 per student in 2018-19) for operating a part-day or full-day kindergarten program. In 2017-18, 71 percent of districts ran only full-day kindergarten programs, 19 percent ran part-day programs and 10 percent ran a combination of full-day and part-day programs. The number of full-day programs has increased significantly since 2007-08.

Full Day Kindergarten Facilities Grant Program. The 2018-19 budget provided \$100 million in one-time non-Proposition 98 General Fund for the Full-Day Kindergarten Facilities Grant Program in order to help districts address barriers to providing full-day kindergarten programs. The Office of Public School Construction (OPSC), with approval by the State Allocation Board, was charged with allocating the grants to school districts that lack the facilities to provide full-day kindergarten. School districts could apply based on a school site that does not have enough classroom space to provide full-day kindergarten or an existing full-day kindergarten that does not meet CDE regulations. Priority for the grants is provided to districts with financial hardship or districts that have a high population of low-income students. The grants require a local match of 50 percent of the cost of new construction and 40 percent of the cost of renovation, except for those districts that meet the financial hardship requirements. Similar to other funds received under the School Facilities Program, savings from this program may be used for other local facilities needs.

The OPSC is awarding grants in two rounds of applications. The first round of applications were due in January and will allocate \$37.5 million for 12 projects. In the first round of applications, 72 districts requested a total of \$262 million with an additional request of \$62 million for financial hardship for a total of \$324 million for the state share of 261 projects. The majority of projects (76 percent) were for new construction. All of the projects selected for the first round are for financial hardship districts and 9 of the 12 districts previously offered full-day kindergarten. Funding will likely be awarded in May or June. The second round of applications will allocate \$60 million in grants and will be reviewed and awarded later this year.

Research:

Recently, the Berkeley Early Childhood Think Tank put together a research brief examining the current state of kindergarten and transitional kindergarten. The brief examined full-day offerings and found that in 2017-18, 73 percent of elementary schools (excluding charter schools) already offered full-day kindergarten. The research went further and using the share of children eligible for free-or reduced price lunch as a measurement, found that full-day kindergarten is operated more in schools serving more low-income students. Charter elementary schools generally provide full-day kindergarten, and following the trend observed in other elementary schools, also provide full-day kindergarten at a greater rate (almost universally) for schools serving the lowest income communities.

The research also examined transitional kindergarten and found that about 50 percent of elementary schools offered full-day transitional kindergarten in 2017-18 and another 25 percent offered part day. Similar trends occur as in kindergarten in regards to more full-day transitional kindergarten offerings in elementary schools serving low-income students.

The research notes that these numbers and differences across communities with different levels of resources may or may not reflect variation in demand due to parent preference or the ability of the school district to offer enough full-day classrooms to meet demands. In addition, the availability of funds via additional LCFF, Title I, or other funds targeted to low-income communities may have served to fund preferences for full-day kindergarten and transitional kindergarten.

The brief further notes that the balance of research shows that that full-day kindergarten yields stronger outcomes than part-day kindergarten for children's cognitive, pre-literacy, and math outcomes, similar to outcomes for students in full-day quality preschool programs. These gains are consistently greater for low-income children and children with disabilities.

Governor's Proposal:

The Governor's proposed budget includes \$750 million in one-time non-Proposition 98 General Fund for eligible LEAs to retrofit or expand existing facilities to allow for an expansion of full-day kindergarten programs through the Full-Day Kindergarten Facilities Grant Program.

The proposal also makes some changes to the current program. Specifically, savings from projects awarded as a result of this new funding would be available for professional development or instructional materials to build capacity for the implementation of a full-day kindergarten program or for other high priority local facility needs. In addition, applicants must now provide anticipated and three preceding years of enrollment data to verify need for new construction.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office reviewed the Governor's one-time investments proposal in their recent publication; *The 2019-20 Budget: Early Education Analysis*. The LAO notes the purpose of the current and proposed additional funding for the Full-Day Kindergarten Facilities Grant Program is broader than the stated goal of increasing the capacity of full-day kindergarten programs in the state. The current and new program both allow for funding to upgrade current full-day kindergarten classrooms without expanding the number of students served. The LAO notes data from the current program reflects that most districts applying for funds do already operate full-day programs. In addition, school districts reflect a variety of reasons for part-day programs. Beyond facilities, districts

cite teacher and parent preference and staffing costs as barriers. The LAO also notes that the number of school districts providing full-day kindergarten has been rising over the past several years without a dedicated funding source. Funding is available under the current school facilities program for districts with increasing enrollment or with older buildings.

The LAO makes the following specific recommendations:

- Do not expand the Full-Day Kindergarten Facilities Grant Program at this time. Instead utilize the \$750 million in one-time funding for other budget priorities. The current program is not notably increasing the number of children served in full-day programs and many school districts have moved to full-day offerings without targeted facility funding.
- If the Legislature remains interested in expanding Full-Day Kindergarten, it should reconsider the issue for the 2020-21 budget cycle. At that time the state will have awarded all the grants for the initial \$100 million invested in the program and will have more information about the demand for new facilities among districts running part-day programs. Funding in the future could be more tailored to specific program needs and the LAO recommends the funds are provided only to districts operating part-day programs with facilities-related barriers to moving to full-day programs that cannot be resolved through the existing School Facilities Program.
- If the Legislature would like to create a stronger incentive for school districts to run full-day programs, a consideration should be reducing the rates for providing part-day programs. Currently school districts are provided the same amount of LCFF funding per student for part-day and full-day programs. The part-day rate, for example, could be reduced by the difference in hours between the average part-day and full-day program (about 35 percent). Assuming the 2019-20 LCFF funding rates in the Governor's budget, this would equate to about \$5,500 in base funding per student in a part-day program compared to \$8,500 per student in a full-day program. A lower rate for less hours is generally consistent with how other statewide programs are funded. If the Legislature desires to implement a rate reduction for part-day programs, the LAO recommends doing it over a three-year period, beginning in 2020-21. This would allow districts time to consider and plan for any additional full-day programs and the state to adjust for any savings or costs that may result.

Subcommittee Questions:

- How does participation in the Full-Day Kindergarten Facilities Grant Program impact a school district's participation in the School Facilities Grant Program?
- Is the Administration open to considering limiting the program to those schools that are not currently operating full-day programs?
- The Governor also has a proposal for early care and education facilities. How did the Governor balance the need for additional facilities in that area compared with the need for full-day kindergarten when allocating one-time funding in the budget?

Staff Recommendation: Hold Open.

Issue 6: Kindergarten Child Savings Accounts

Panel:

- Bijan Mehryar, Department of Finance
- Luis Bourgeois, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Davis O'Brien, Student Aid Commission

Background:

Child Savings Accounts are accounts designated for a specific child to build assets over time through contributions from governments, society, family, friends, or the child. The accounts are generally opened with an initial contribution, or seed money, from a sponsoring organization such as a government agency, nonprofit, or philanthropic foundation. Eligible uses of the accounts are for tuition (normally for post-secondary education such as college, vocational, or technical schools), room and board, books, supplies and equipment, and mandatory fees. Research indicates that even small college savings plans increase the likelihood of a student attending college.

Numerous California cities and local foundations have in recent years launched programs to enroll children and their families into savings accounts or 529 college savings accounts and provide some initial seed funding for these accounts.

Every Kid Counts Act. The Budget Act of 2017 established the Every Kid Counts (EKC) Act and established the EKC College Savings Program. Amendments to the EKC Act in 2018 placed this program under the authority of the Student Aid Commission (Assembly Bill 108 [Committee on Budget], Chapter 7, Statutes of 2018, Section 27). The intent of the EKC College Savings Program was to support and evaluate programs operated at the local level that provide incentives for low-income families to begin saving for their children's college education. The EKC Act allocated \$2,910,000 in one-time General Fund for EKC College Savings Program grant awards that support "local governments and other entities that sponsor one or more comprehensive citywide or regional children's savings account programs." The EKC Act specified how an entity may qualify for the grant, the minimum amount of the grant (\$100,000) and permissible activities for the use of the funds by the grantees.

To distribute the grants, the Commission developed a Request for Application process. Local entities were eligible if they met the following criteria:

- Have a college savings program in operation or development that primarily targets pupils in kindergarten and grades 1 to 6, inclusive, on or before December 31, 2018.
- Have moneys, in addition to this state funding, to support its college savings program.
- Agree to enter into an evaluation consortium that allows for independent research and evaluation of activities and outcomes associated with its college savings program.

The Commission received a total of nine applications for the EKC grants by the deadline of February 21, 2019. All applications were deemed by program staff to meet the statutory requirements. Under the EKC Act, the Commission was required to distribute grants to qualifying entities based on the number of applications, the total amount of funding available, and the number of students that each participating entity intended to serve, and the percentage of low income families residing in the community served by each participating entity.

The following qualifying entities were approved for funding by the Commission at its March hearing:

- City of West Sacramento (\$148,576)
- San Francisco Kindergarten to College (\$926,892)
- Santa Cruz Community Ventures (\$100,000)
- Corazon Healdsburg (\$110,779)
- El Monte Promise Foundation (\$448,044)
- United Way California Capitol Region (\$286,172)
- The Oakland Promise Kindergarten to College (K2C) Program (\$405,038)
- Glendale Unified School District (\$197,915)
- Los Angeles Housing and Community Investment Department (\$286,583)

Governor's Proposal:

The Governor's proposed budget includes \$50 million in one-time non-Proposition 98 General Fund to create the Kindergarten Child Savings Account program to support pilot projects and partnerships with First 5 California, local First 5 Commissions, local governments, and philanthropy to create models for working towards providing Child Savings Accounts for incoming kindergartners.

Subcommittee Questions:

- How was the current proposal informed by the Every Kids Count Act and what differs in the Governor's proposal or policy goal?

Staff Recommendation:

Hold Open.

Issue 7: Special Education**Panel:**

- Michelle Valdivia, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Khieem Jackson, Department of Education
- Heather Carlson, Department of Education

Background:

“Special education” describes the specialized supports and services that schools provide for students with disabilities under the provisions of the federal Individuals with Disabilities Education Act (IDEA). Federal special education laws originally enacted in 1975 and reauthorized as IDEA in 2004, require states to provide early intervention services for infants and toddlers and schools to provide “specially designed instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability.” The law requires the provision of these special supports and services to students with exceptional needs from age 0 to age 22, or until they graduate from high school with a diploma.

Children with disabilities who are younger than age 5 and are not yet in school settings receive supports and services in different ways. For infants and toddlers (ages 0-3 years old), an individualized family service plan is created and services are generally provided by regional centers which served approximately 33,500 children served in 2015-16. These centers are non-profit agencies overseen by the Department of Developmental Services. However, a small percentage of infants and toddlers with special needs are served by school districts. A small number of school districts that had historically served these children were grandfathered into the current system and currently serve approximately 5,000 children. In addition, schools serve a small number of infants and toddlers (approximately 1,000) who have only a hearing, visual, or orthopedic (HVO) impairment. The state's federal IDEA plan required HVO-related services to be provided by the schools if an HVO impairment is the child's only disability. Once a child reaches age 3, the responsibility for serving children with disabilities is transferred to the school district of residence and regional centers are required to work with school districts during this transition.¹ Through regional centers and school districts, the state also operates a child-find system to identify children for evaluation for early intervention and special education eligibility.

To determine a child's eligibility for special education, schools must conduct a formal evaluation process within a prescribed timeline. If it is determined that a child is an eligible student with disabilities, a team including special education staff, school staff, parents, and other appropriate personnel meet to develop an individualized education program (IEP) to define the additional special education supports and services the school will provide. Each student's IEP differs based on his or her unique needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help students with disabilities access the general curriculum. Other commonly provided

¹ Legislative Analyst's Office, *Evaluating California's System for Serving Infants and Toddlers with Special Needs*, January 4, 2018.

services include speech and language, physical and occupational therapy, behavioral support, and psychological services. Federal law also dictates that students must receive a Free Appropriate Public Education in the Least Restrictive Environment. This means that to the greatest extent possible students with disabilities are to receive their education in the general education environment with peers without disabilities. California is currently 48th in the nation in terms of students with disabilities spending at least 80 percent or more of their day in general education.

In 2017-18, 774,665 children, ages 0-22 received special education under the provisions of IDEA in California. This represents approximately 11 percent of the total state student population. Specific learning disabilities is the most common disability category for which students are identified, followed by the disability category of speech and language impairments. In recent years, the disability category of autism moved in to the position of third highest category. This is after a decade of increased incidence – now comprising nearly 14 percent of the students with disabilities student population. Different types of disabilities are more prevalent at different ages. For example, speech impairments are most common in earlier grades, while learning disorders are generally identified later in a child's educational career. Schools integrate services and supports into the regular school day for transitional kindergarten through grade 12 students. For children ages 3-5 years old not yet attending school or who are served in an early care setting, preschool, or at home, the school district of residence provides services that may occur at the child's education or care setting, or at a facility designated by the school district. These services are in addition to the early education and child care services children may be receiving if they are enrolled in one of the state or federally-funded programs or in some other early education or care setting.

Special Education Enrollment by Age and Disability²

| Age | 0 | 1 | 2 | 3 | 4 | Totals |
|--------------------------------------|-----|-----|-------|--------|--------|---------------|
| Intellectual Disability | 61 | 107 | 157 | 854 | 1,033 | 2,212 |
| Hard of Hearing | 406 | 643 | 627 | 384 | 353 | 2,413 |
| Deaf | 42 | 78 | 109 | 99 | 142 | 470 |
| Speech or Language Impairment | 14 | 205 | 887 | 12,706 | 18,119 | 31,931 |
| Visual Impairment | 22 | 94 | 85 | 92 | 85 | 378 |
| Emotional Disturbance | 0 | 0 | * | * | 16 | 16 |
| Orthopedic Impairment | 55 | 160 | 149 | 392 | 400 | 1,156 |
| Other Health Impairment | 311 | 761 | 1,045 | 930 | 1,131 | 4,178 |
| Specific Learning Disability | 0 | * | * | 21 | 57 | 78 |
| Deaf- Blindness | * | * | * | * | * | 0 |
| Multiple Disability | 37 | 92 | 108 | 245 | 308 | 790 |
| Autism | 0 | * | 71 | 5,642 | 7,022 | 12,735 |
| Traumatic Brain Injury | 0 | 0 | * | 17 | 29 | 46 |

Special Education Local Plan Areas (SELPA) and Fund Distribution. State and Federal special education funding is distributed regionally through 127 Special Education Local Plan Areas (SELPAs) to school districts and charter schools in the state. Most SELPAs are collaborative consortia of nearby districts and charter schools, although some large districts have formed their own single district SELPAs, while three SELPAs consist of only charter schools.

California relies primarily on a “census-based” funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students’ disability

² December 2017, California Department of Education (* denotes less than 11 children in this category). This chart includes children served by LEAs, and does not include regional center data.

status. This funding model, often referred to as the AB 602 (Davis and Poochigian), Chapter 854, Statutes of 1997, formula after the implementing legislation, implicitly assumes that students with disabilities—and associated special education costs—are relatively equally distributed among the general student population and across the state. The amount of per-pupil funding each SELPA receives varies based on historical factors. After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for students with disabilities. The ADA used to calculate the AB 602 formula is based on enrollment in grades Kindergarten through grade 12 (including transitional kindergarten). Although SELPAs are serving 3-5 year olds, they do not receive any additional funding under the AB 602 formula for these children. Federal funds are available for regional center services and a small amount (about \$150 million) is available for preschool services.

State and federal special education categorical funding totals over \$4 billion annually. California's model for serving special education services reflects that school districts first use their general purpose, Local Control Funding Formula (LCFF) funds to meet the needs of all students, including those with disabilities, and then use a combination of state and federal special education funding and other local general purpose funds to cover the costs of additional services students with disabilities may need. While it is difficult to measure the amount of additional resources school districts provide from other areas of their budget for special education, according to a recent report by the Public Policy Institute of California, state and federal funding cover approximately 40 percent of cost of special education, with school districts covering the remaining costs from other fund sources.³ In recent years, the costs of special education have risen due to schools identifying higher numbers of students with disabilities, and similar to general education, due to rising salary and benefit costs for teachers of special education students.

Governor's Proposal:

The Governor's Budget includes \$577 million in Proposition 98 General Fund (\$390 million ongoing and \$187 one-time) for special education-related services for LEAs. Funds would be distributed according to a formula to LEAs serving more than the statewide average share of students with disabilities and having a population of low-income, foster youth, and English language learner students that exceeds 55 percent. Eligible LEAs would then get funded for each special education student above the statewide average. About 425 LEAs would receive funding under this proposal.

The funds are intended to provide preventative services to prevent the need for additional services in future years, and other strategies to improve outcomes for students with disabilities. One-time funding would be used for one-time purposes related to these goals such as professional development or equipment.

Legislative Analyst's Office Analysis:

The LAO reviewed the Governor's special educational proposals in their recent publication, *The 2019-20 Budget: Proposition 98 Analysis*. The LAO notes that the Governor's proposal creates a new categorical program and that districts may have difficulty integrating this new funding into their current special education programs. In addition, some of the Governor's stated concerns such as the poor performance of students with disabilities on the state's School Dashboard system were addressed in the 2018-19 budget with the creation of SELPA leads to provide additional support for schools and

³ Public Policy Institute of California, Special Education Finance in California

the funding of Multi-Tiered Systems of Support (MTSS) programs to provide additional support for students. The LAO also notes concerns with the proposed allocation formula. Because the formula is based on the number of student receiving special education, those LEAs that reduce these numbers through early intervention or other strategies would receive less funding for those services. In addition, the amount per student is about \$8,000 ongoing and this significant amount of funding may create incentives toward identification of students with disabilities that are not intended. Finally, given that costs for special education have been increasing faster than funding, it is likely that most LEAs would use the additional funds to cover existing special education costs rather than start new programs.

The LAO makes the following recommendations:

- Reject the Governor’s proposal and consider what the Legislature’s special education priorities are for the additional funds.
- Consider providing AB 602 rate equalization. Equalizing to the 90th percentile of existing rates would cost approximately \$333 million. Equalization to any percentile could be phased in over time.
- Consider providing some funding for preschool special education. There are different approaches to doing this, and the Legislature may wish to consider the following when developing a program in this area:
 - Avoid creating incentives to over or under identify three and four years olds for special education.
 - Currently three and four year olds are identified at about half the rate of school-aged children.
 - Consider the share of cost between federal funds, state categorical funds, and local general purpose funds. Covering all preschool special education is estimated to cost about \$700 million.
 - Avoid adding unnecessary complexity.

Staff Comments

Staff notes that there are concerns with both the distribution of funding under the Governor’s proposal and with the proposed use of funds. However, the Legislature and the Governor have similar goals in providing additional support for LEAs providing special education services to support better outcomes for students with disabilities. There are multiple proposals for special education in both the Senate and Assembly, including:

- Providing grants to school districts of residence for providing IEP services for three and four year olds served in mainstream early education settings and expanding transitional kindergarten for four year olds with IEPs.
- Equalizing special education funding received under the AB 602 formula across SELPAs to the 95th percentile.

- Providing AB 602 funding for school districts serving three and four year olds.
- Creating a high-cost service allowance for students with severe disabilities.

Staff also notes that while ongoing funding is needed to support LEAs in providing special education, there are also a variety of uses for one-time funds that would help to strengthen the system. A teacher shortage is particularly acute in the area of special education across the state. Despite efforts over the past few years to recruit new teachers and retain current teachers, additional supports for the special education teacher workforce are still needed. In addition, students receiving special education services may be integrated into a mainstream classroom, often providing benefits for both the student and the classroom peer group. Currently general education teachers do not receive significant amounts of training on special education services. Professional development for general education teachers, special education teachers, and para-educators focusing on best practices for serving special education students in inclusive environments is also needed to support the integration of all students.

Subcommittee Questions:

- What are the goals of the Administration's special education proposal and how does the funding allocation meet those goals?
- Does the LAO or CDE have any recommendations for the use of one-time funds in special education?
- How is the MTSS program currently supporting LEAs in providing services for students with disabilities?
- Are there promising practices for preschool-aged students with disabilities that should be considered in a new program?

Staff Recommendation: Hold Open