



Governor's Preschool Expansion



Proposal

- \$50 million in ongoing Proposition 98 funds for preschool expansion.
 - Three-year phase in of an annual appropriation of \$145 million.
- Targeted to any four year-olds living within the attendance areas of Decile 1 through 3 schools.
- Includes program designed to promote family literacy.
- \$50 million one-time current-year funds for the Child Care Facilities Revolving Fund (CCFRF).



LAO Concerns

- The geographic targeting of the funds does not ensure they reach the neediest children, nor does it take into account the location of existing preschool centers.
- Problems with the structure of the current State Preschool program and CCFRF may hinder the use of these new preschool funds.
 - Large portions of annual growth appropriations for the current State Preschool program are not used because of contracting issues and low reimbursement rates.
 - Child Care Facilities Revolving Fund is used only for purchase of portables currently.



Problems with State Preschool Reimbursement System

Gap Between Market-Based Reimbursement Rates And Standard Reimbursement Rate^a			
<i>(Dollars Per Month for Full-Time Care)</i>			
County	Market-Based Reimbursement Rate Ceilings	Standard Reimbursement Rate	Reimbursement Gap
San Mateo	\$1,002	\$658	\$344
Santa Clara	1,002	658	344
San Francisco	974	658	316
Alameda	859	658	201
Orange	832	658	174
Contra Costa	830	658	172
Ventura	755	658	97
San Diego	755	658	97
Los Angeles	744	658	86
Sacramento	686	658	28
Riverside	684	658	26
San Joaquin	680	658	22
San Bernardino	676	658	18
Kern	674	658	16
Fresno	661	658	2

^a Fifteen largest counties shown.

- State Preschool and other “Title 5” child care providers contracting directly with the CDE are held to higher standards for quality than voucher or “Title 22” providers.
- Two different methods for calculating reimbursement rates for these two groups of providers:
 - State Preschool and other “Title 5” providers are reimbursed with the Standard Reimbursement Rate (SRR), \$658 per full month of enrollment (proposed 2006-07 rate).
 - Rate ceilings for voucher or “Title 22” providers are determined by the Regional Market Rate (RMR) survey of public and private child care providers.
- In high-cost counties, providers with lower standards are reimbursed at *higher* rates than Title 5 providers.
- In the 15 largest counties, the Title 22 center rate ceiling exceeds the Title 5 provider rate between \$2 and \$344 per child per month (0.3 percent to 52 percent higher).



LAO Alternative



Invest May Revision Preschool expansion and CCFRF moneys in fixing the base State Preschool and CCFRF programs.

- Target preschool expansion to needy children by:
 - Prioritizing funding for areas with long Centralized Eligibility Lists, because these are the areas of the state with the greatest identified need.
 - Requiring prospective families to meet current preschool eligibility requirements including family income.
- Adjust the SRR upwards in targeted high cost counties where the SRR is lower than the Title 22 rate ceiling.
- Change current practice to allow for more flexible use of the CCFRF—including major renovations to existing facilities.