

March 13, 2007

Child Care and Development: Major Issues

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Budget and Fiscal Review Committee
Subcommittee No. 1 on Education





Child Care and Development Programs



Governor's Proposal:

- The Governor proposes a baseline budget for child care and development programs.

<i>2007-08 All Funds (Dollars in Millions)</i>				
Program ^a	2006-07	Proposed 2007-08	Change	
			Amount	Percent
Child Care				
CalWORKs ^b :				
Stage 1 ^{c, d}	\$418	\$510	\$92	22.0%
Stage 2 ^{d, e}	539	462	-77	-14.3
Stage 3	390	393	3	0.8
Subtotals	(\$1,347)	(\$1,365)	(\$18)	(1.3%)
Non-CalWORKs ^b :				
General child care	\$698	\$762	\$64	9.2%
Other child care programs	327	344	17	5.2
Subtotals	(\$1,025)	(\$1,106)	(\$81)	(7.9%)
Child Development				
State preschool	\$392	\$418	\$26	6.6%
After school programs	710	676	-34	-4.8
Subtotals	(\$1,102)	(\$1,094)	(\$8)	(-0.7%)
Growth and COLA	\$108	\$76	-\$32	-30% ^f
Support Programs	\$91	\$102	\$11	12.1%
Totals—All Programs	\$3,673	\$3,743	\$70	1.9%
<p>^a Except where noted otherwise, all programs are administered by the California Department of Education.</p> <p>^b California Work Opportunity and Responsibility to Kids.</p> <p>^c Administered by California Department of Social Services.</p> <p>^d Does not include reserve funding.</p> <p>^e Includes \$15 million for centers run by California Community Colleges.</p> <p>^f The bulk of the decline is due to the difference in the cost-of-living adjustment (COLA) rates (5.92 percent in 2006-07 and 4.04 percent in 2007-08).</p>				

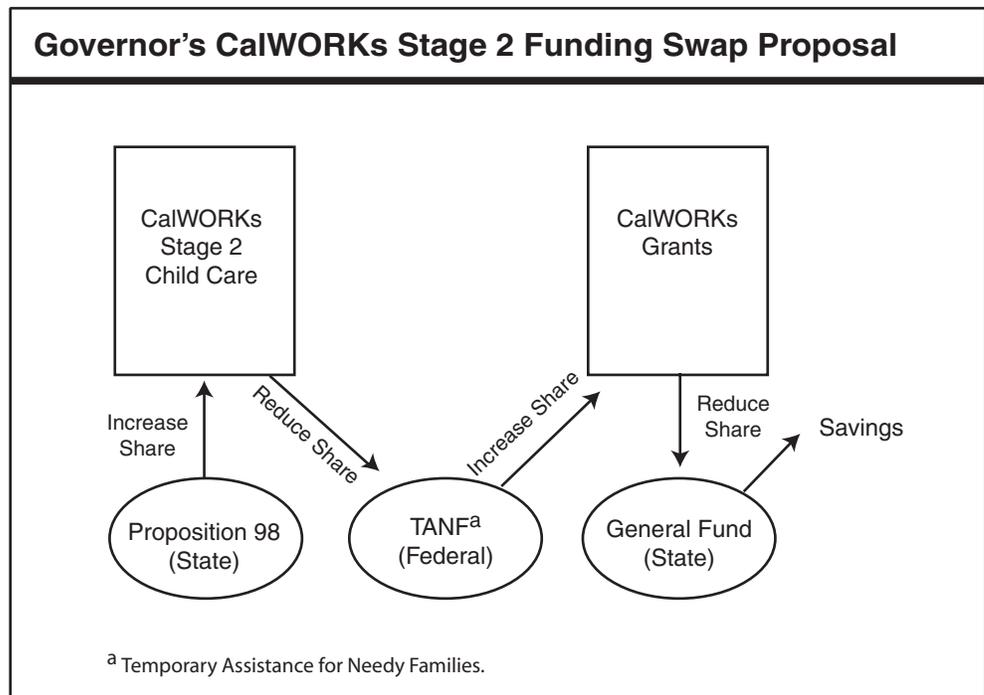


Stage 2 Child Care Funding



Governor's Proposal:

- Increase Proposition 98 share of CalWORKs Stage 2 child care and free up a like amount of General Fund monies.





Stage 2 Child Care Funding

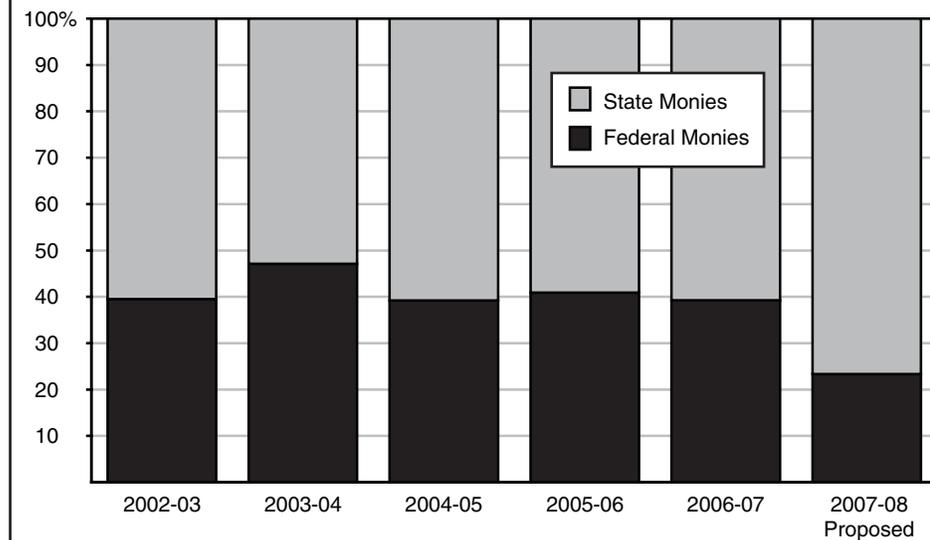
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LAO Recommendation:

- No legal or policy concerns with changing state/federal shares of cost.
- Stage 2 Child Care has been funded with a combination of Proposition 98 and federal monies since its inception in 1997-98.
- Overall child care and development funding percentages would not be dramatically affected.

Child Development Services Are Historically Supported By Both State and Federal Funds



- Under current budget outlook, recommend a package of solutions that results in more General Fund savings but does not include the Stage 2 shift.



Child Development and the LAO Suggested Proposition 98 Roadmap



LAO Recommendation:

- Given the sizeable increases in Proposition 98 monies projected over the next several years, we recommend using 2007-08 to develop a long-term roadmap.
- In our suggested roadmap, we highlight the achievement gap that persists between special education, English learner, and low-income students and other K-12 students.
- As one component of a larger plan to address these gaps, we recommend investing approximately \$2 billion to:
 - Offer state preschool to all low-income three- and four-year olds.
 - Develop parent education programs for low-income families with children ages 0-2.



Child Development Facilities

Facilities Renovation and Repair (FRR) Program



Governor's Proposal:

- The Governor proposes to spend up to \$5 million from the Child Care Facilities Revolving Fund (CCFRF) for the FRR program.



LAO Recommendation:

- Recommend adopting the Governor's proposal.
 - ***CCFRF Has More Than Enough Funds to Meet Expected Demand.*** The California Department of Education (CDE) estimates that CCFRF has sufficient monies available in 2007-08 to award all anticipated loans, support the FRR program, and still end the year with over \$25 million.
 - ***FRR Has High Demand.*** Requests for funding were three times greater than available monies the last time applications for FRR grants were accepted (2005).

Major Repair and Renovation (MRR) Program



Background:

- The CCFRF's MRR program was authorized in 2001 but is not yet operational.



LAO Recommendation:

- Recommend Legislature direct CDE to report at spring hearings on the status of the MRR program and provide suggestions for expediting implementation.



Child Development Quality



California Is Concerned About Quality but Efforts Are Not Coordinated

- State and nonstate agencies apply different standards.
- No way to measure quality.
- Little information about program quality available to parents.
- No incentives for providers to improve quality and no rewards for those that operate high-quality programs.
- No way to evaluate effectiveness of the nearly \$100 million California spends annually on quality improvement programs.



LAO Recommendation:

- Recommend convening a working group of relevant stakeholders and directing it to create a quality plan by March 1, 2008.
- Key Elements of a quality plan include:
 - A definition of program quality.
 - A method for measuring and rating quality.
 - A way to disseminate information on quality and ratings.
 - Incentives for providers to improve quality.
 - A means by which to evaluate the use of quality improvement monies.
 - A realistic, phased-in implementation approach.



Wrap Around Child Care



Governor's Proposal:

- The Governor proposes \$5 million in new ongoing monies for wrap around child care for children attending the Pre-Kindergarten Family Literacy (PKFL) preschool programs.



LAO Recommendation:

- Recommend approving the \$5 million because wrap around child care has been shown to promote preschool attendance.
- Recommend removing language restricting monies only to PKFL preschool programs. Instead recommend designating monies for the larger standard wrap around child care program.
 - PKFL providers still would be eligible.
 - Administrative burden would be reduced.
 - Would ensure monies are used efficiently and expeditiously.