

Overview of Early Education Issues

PRESENTED TO:

Budget Conference Committee
Hon. Holly J. Mitchell, Chair



LEGISLATIVE ANALYST'S OFFICE



Comparing Early Education Spending

MAY 2019

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<i>2019-20 (In Millions)</i>				
	Governor	Senate	Assembly	Difference^a
Ongoing Increases	\$370	\$673	\$719	-\$46
Difference from Governor	—	303	349	—
One-Time Increases	\$1,100	\$645	\$725	-\$80
Difference from Governor	—	-455	-375	—
Total Spending	\$6,140	\$5,988	\$6,114	-\$126
Difference from Governor	—	-152	-26	—
Spending by Fund Source				
Non-Proposition 98 General Fund	\$2,969	\$2,714	\$2,920	-\$206
Proposition 98 General Fund	1,852	1,955	1,875	80
Federal CCDF	931	931	931	—
Federal TANF	294	294	294	—
Proposition 64 Special Fund	80	80	80	—
Federal SSA Title IV-E	13	13	13	—

^a Compares Senate to Assembly.
 CCDF = Child Care and Development Fund; TANF = Temporary Assistance for Needy Families; and SSA = Social Security Act.



Background on Child Care Programs

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- ***Eligibility for Most Child Care Programs Is Linked to Income and Work.*** Most child care programs serve children under age 13 from low-income, working families. In 2019-20, the income threshold is set at 85 percent of the state median income (currently \$65,604 for a family of three).
- ***California Has a Complex Child Care System.*** The two largest child care programs are the General Child Care program and the Alternative Payment (AP) programs.
 - General Child Care slots are set each year as part of the annual budget process. Slots are prioritized based upon family income.
 - Within AP programs, families in California Work Opportunity and Responsibility to Kids (CalWORKs) are guaranteed child care slots whereas other low-income families compete for a limited number of slots, with priority based upon income.
 - CalWORKs child care consists of stages of care (Stages 1, 2, and 3).



Background on Child Care Programs

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■ ***Key Aspects of the AP Programs:***

- The state contracts with AP agencies (at the regional or county level) to administer the program.
- Families receive a voucher they can redeem in any setting that meets their child care needs.
- Licensed providers must meet certain health and safety standards. License-exempt providers are required to complete a criminal background check.
- Providers are reimbursed based on the regional market rate survey, conducted biennially. On average, it costs \$9,900 to serve one child.
- The AP program can expand relatively quickly if awarded additional funds.

■ ***Key Aspects of the General Child Care Program:***

- The state awards contracts directly to providers.
- Families must go to a licensed setting with a slot available.
- In addition to meeting health and safety standards, providers must meet certain developmental standards.
- Providers are reimbursed based on a standard rate set annually by the state. On average, it costs \$16,200 to serve one child.
- It takes at least six months for the state to award new contracts to providers.



Background on Other Early Education Programs

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■ ***Key Aspects of State Preschool:***

- State Preschool serves income-eligible three- and four-year olds. Programs may operate part day (at least 3 hours) or full day (at least 6.5 hours, up to 10.5 hours). All families that meet the income requirements are eligible for the part-day option. Families that meet the income requirements and either work or go to school are eligible for the full-day option.

■ ***Key Aspects of Kindergarten:***

- Kindergarten serves all five-year olds, regardless of family income or work status. Districts determine the length of their kindergarten programs. Part-day programs operate between three hours (the state required minimum) to four hours per day, whereas full-day programs typically operate five to six hours per day. As of 2017-18, 71 percent of school districts ran only full-day kindergarten programs, 19 percent ran only part-day programs, and 10 percent ran a mix of full-day and part-day programs.

■ ***Key Aspects of After School Education and Safety (ASES) Program:***

- ASES provides before and after school programs to school-aged children. Proposition 49 (2002) requires the state to provide at least \$550 million for these programs. Since it was created, the state has increased ASES funding once. In 2017-18 the state provided a \$50 million increase—bringing total funding to \$600 million annually. The current ASES funding rate is \$8.19 per student per day.

- **All Plans Add AP Slots.** In 2019-20, the Governor provides \$183 million, the Senate \$276 million, and the Assembly \$268 million for this purpose.
 - All plans include \$102 million to fund 11,307 AP slots initiated in 2018-19 on an ongoing basis.
 - The Governor includes \$80 million for 8,158 additional AP slots starting July 2019.
 - The Senate includes \$93 million for 9,461 additional AP slots starting July 2019 and \$81 million for 12,250 additional AP slots starting November 2019. (Costs for these latter slots grow to \$121 million in 2020-21.)
 - The Assembly includes \$166 million for 16,831 additional AP slots starting July 2019.
- **Both Houses Add General Child Care Slots.**
 - The Senate includes \$7 million for 1,800 additional General Child Care slots starting April 2020. (Costs grow to \$29 million in 2020-21.)
 - The Assembly includes \$100 million for 6,172 additional General Child Care slots starting July 2019.
- **All Plans Add State Preschool Slots.** All plans include \$31 million for 10,000 additional State Preschool slots starting April 2020. (Costs grow to \$126 million in 2020-21.)



Child Care and Preschool Reimbursement Rates

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- **ASES Program.** The Senate provides \$100 million, whereas the Assembly provides \$80 million to increase the ASES funding rate.
- **Voucher Programs.** The Senate includes \$85 million to increase reimbursement rates for certain license-exempt providers.
- **Direct Contract Programs.** The Assembly provides \$45 million for the first augmentation of a multiyear plan to move all child care providers into one reimbursement rate system. Specifically, the Assembly moves direct contract providers into the regional market rate reimbursement system, which results in rate increases for these providers. The Assembly earmarks \$88 million in 2020-21 to annualize the cost of these initial rate increases (but does not specify augmentations beyond that point).
- **State Preschool.** The Senate provides \$6 million to provide a special needs adjustment factor for part-day State Preschool.



Other Major Early Education Augmentations

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■ **Other Major Ongoing Augmentations:**

- All plans make program changes to CalWORKs Stage 1 child care. The Governor and Assembly include \$41 million in 2019-20, growing to \$54 million in 2020-21, to make two changes: (1) require CalWORKs Stage 1 families to be served a minimum of 12 months prior to transferring to Stage 2, and (2) allow Stage 1 families to remain eligible for care throughout the year. The Senate provides \$66 million in 2019-20, growing to \$79 million in 2020-21, to authorize all Stage 1 families to receive *full-time* care for 12 months or until the family is transferred to Stage 2, whichever comes first.
- The Assembly provides \$47 million to augment the foster bridge program, an additional \$2 million for state operations, and \$2 million to create an early childhood policy council.

■ **Major One-Time Funding:**

- The Governor provides \$600 million for facility grants, limiting funding to districts converting part-day kindergarten programs to full-day programs. The Senate provides \$150 million and further restricts eligibility to low-income districts. The Assembly provides \$200 million and expands eligibility to districts converting either part-day kindergarten or *preschool* programs to full-day programs.
- Both houses provide \$490 million for workforce and infrastructure grant programs, but they differ in the specific uses of grant funding and various other programmatic aspects.
- Both houses provide \$5 million to fund studies that would address gaps in current research.
- The Assembly provides \$30 million for data improvements.



Early Education: Detailed Budget Comparison

MAY 2019

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<i>2019-20 (In Millions)</i>				
	Governor	Senate	Assembly	Difference^a
Slots				
Adds General Child Care slots ^b	—	\$7	\$100	-\$93
Adds Alternative Payment slots ^b	\$183 ^c	276 ^c	268	8
Creates emergency child care program	13	—	—	—
Adds 10,000 full-day State Preschool slots at non-LEAs ^d	31	31	31	—
Annualizes cost of slots added in 2018-19	30	30	30	—
Subtotals	(\$257)	(\$345)	(\$430)	(-\$85)
Reimbursement Rates				
Increases rates for some license-exempt providers	—	\$85	—	\$85
Increases rate for ASES program	—	100	\$80 ^c	20
Increases rate for direct contract child care providers	—	—	45	-45
Provides special needs adjustment factor for part-day State Preschool	—	6	—	6
Annualizes cost of rate increases started in 2018-19	\$50	50	50	—
Subtotals	(\$50)	(\$241)	(\$176)	(\$65)
^a Compares Senate to Assembly. ^b Some of the difference is due to later proposed start dates. ^c Includes \$80 million in Proposition 64 funding. ^d Slots initiated April 1, 2020. Associated full-year cost in 2020-21 is \$126 million. LEA = local education agency and ASES = After School Education and Safety.				



Early Education: Detailed Budget Comparison

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<i>2019-20 (In Millions)</i>				
	Governor	Senate	Assembly	Difference^a
Other				
Funds one-time full-day facility grants	\$600	\$150	\$200	-\$50
Augments foster bridge program	—	—	47	-47
Funds one-time data infrastructure improvements	—	—	30	-30
Makes changes to CalWORKs Stage 1	41	66	41	25
Creates ongoing early childhood policy council	—	—	2	-2
Adds staff in CDE's Early Learning and Care Division	2	2	4	-2
Funds one-time studies	10	5	5	—
Funds one-time workforce development initiative	245	245	245	—
Funds one-time infrastructure initiative	245	245	245	—
Augments quality improvement programs	2	2	2	—
Makes various other adjustments ^b	18	18	18	—
Subtotals	<u>(\$1,162)</u>	<u>(\$732)</u>	<u>(\$839)</u>	<u>(-\$106)</u>
Totals	\$1,470	\$1,318	\$1,444	-\$126

^a Compares Senate to Assembly.
^b Includes caseload increases, cost-of-living adjustments, and various conforming changes.
 CDE = California Department of Education.