

Proposition 82 Overview

LEGISLATIVE ANALYST'S OFFICE

Presented To:
Senate Education Committee,
Senate Revenue and Taxation Committee,
Assembly Education Committee,
and Assembly Revenue and Taxation Committee





Current Preschool in California

- ☑ Around 62 percent of all 4-year olds in the state attend center-based care prior to kindergarten.
 - Center-based programs vary with regard to focus, structure, cost, and teacher backgrounds.

- ☑ Around one-third of the state's 4-year olds attend a state or federal program. These programs primarily serve children who come from low-income families.
 - State Preschool (\$210 million annual state funding).
 - State General Child Care (\$150 million annual state funding).
 - Federal Head Start (\$500 million annual federal funding).

- ☑ A variety of providers—both not-for-profit and for-profit—serve the other one-third of California 4-year olds attending center-based programs.



Who Does the Program Cover?

- Provides access to voluntary, free preschool for all 4-year olds born after June 6, 2006.
- In case of funding emergency, the Legislature could institute a one-year requirement that parents pay to help cover program costs.
- We estimate around 70 percent of the state's 4-year olds would eventually enroll in the new state program. Around 10 percent would likely enroll in private programs. This would increase overall statewide 4-year old participation in center-based care to around 80 percent.



What Are the Key Components of the Program?

- Curriculum Standards:** Requires instruction based on preschool curriculum standards which are aligned to K-3 academic content standards.
- Staffing Ratios:** Implements staffing ratios of one teacher and one instructional aide for every 20 children.
- Access:** Requires (1) preschools to be located close to students' homes, (2) parental choice among programs, and (3) access for children with special needs.
- Operational Hours:** Requires that programs operate at least three hours a day, 180 days a year.



How Would Teachers Be Affected?

- Increases qualification requirements.

Preschool Teachers/Aides Educational Requirements	
Current	Proposition 82
<p>Teachers—State Preschools:</p> <ul style="list-style-type: none"> • 40 units (about 1¼ years of college^a) • 24 units in ECE^b <p>Teachers—Licensed Preschools^c:</p> <ul style="list-style-type: none"> • 12 units in ECE (about ½ year of college) 	<p>Teachers:</p> <ul style="list-style-type: none"> • College degree • ECE credential • These requirements would typically require five years of college
<p>Aides:</p> <ul style="list-style-type: none"> • None 	<p>Aides:</p> <ul style="list-style-type: none"> • 48 units (about 1½ years of college^a) • 24 units of ECE (less than one year of college^a)
<p>^a Assumes units are semester based.</p> <p>^b Early childhood education.</p> <p>^c Preschools that have been licensed by the state as having met minimum health and safety requirements. These include many private preschools.</p>	

- Imposes teacher compensation requirements.
 - Teachers and aides in the new preschool program must be compensated “similarly” to teachers and aides in the local K-12 school system.



Who Would Administer the Program?

- The Superintendent of Public Instruction (SPI) would have primary responsibility for *overseeing* the program.
 - The SPI would also determine the per-pupil funding rate and amount distributed to counties for facility needs.

- County Offices of Education would have primary responsibility for *implementing* the program at the local level, including:
 - Developing plans for how the program will be implemented in the county.
 - Determining county-level per-pupil allocation formulas.
 - Selecting program providers.
 - Choosing whether to offer preschool services in areas with low-performing schools immediately, or whether to wait until 2010.



How Would the New Preschool Program Be Funded?

- Currently, individuals with taxable incomes of over about \$41,000 and married couples with taxable incomes of over about \$83,000 pay a marginal personal income tax rate of 9.3 percent.
- Proposition 82 establishes an *additional* personal income tax of 1.7 percent on taxable incomes over:
 - Individuals: \$400,000.
 - Heads-of-household: \$544,457.
 - Married couples: \$800,000.
- These earners currently represent less than 1 percent (or about 100,000) of total personal income taxpayers in the state. They pay about one-third of the state's annual personal income tax revenues.
- The new tax would take effect January 1, 2007.
- Taxpayers earning more than \$1 million would also continue to pay an additional 1 percent tax to support Proposition 63 mental health services.



How Would the Funds Be Used?

- Program Operations:** Majority of funding would be used to support the day-to-day operations of pre-schools. State and local administration costs would be limited to 6 percent of annual program expenditures.
- Facilities:** Up to \$2 billion for construction, lease, purchase, or renovation.
- Teacher Training:** Up to \$700 million to help prepare teachers and aides to meet higher qualification requirements:
 - Up to \$200 million for student financial aid (scholarships or forgivable loans).
 - Up to \$500 million for the state's public colleges and universities to develop and offer coursework.
- Operating Reserve:** Requires that funds be set aside in reserve. After ten years, reserve must contain sufficient funds to operate the program for one year.



Implementation Dates

Proposition 82 has various starting dates and time frames specified for different activities.

Timeline for Implementation of Proposition 82	
Finance	
2007	New tax on high-income earners begins to generate revenue for new preschool program (roughly \$2 billion annually).
2007-17	Funding provided for facilities to house preschool program (up to \$2 billion in total over life of program).
2016	State operating reserve must contain enough funds to operate the program for one year.
Program Requirements	
2007-10	Counties can choose to offer preschool services to 4-year olds, prioritizing children who live near low-performing elementary schools.
2010	All 4-year olds in the state must have equal access to free, voluntary preschool services.
Teacher Training	
2007-17	Grants provided to public universities and colleges to train teachers and aides (up to \$500 million).
2007-17	Grants provided to individuals taking college courses required for teachers and aides (up to \$200 million).
2014	Teachers must have a college degree. Aides must have a year and a half of college, and have taken several early childhood education courses.
2016	Teachers must hold an early learning teaching credential or the equivalent.



Fiscal Effect: State Revenues

- We estimate the new tax would raise approximately:
 - \$500 million in 2006-07 (a partial year effect).
 - \$2.1 billion in 2007-08 (first full year).
 - \$2.6 billion in 2010-11 (first year program is open to all 4-year olds).

- These revenue estimates assume some behavioral responses from taxpayers, such as changing the way some business-related income is claimed.
 - These responses would also result in annual reductions to the General Fund (around \$100 million) and Proposition 63 mental health programs (in the tens of millions).

- The above estimates *do not* take into account larger taxpayer responses.
 - To the extent these occur, revenues for the new preschool program, General Fund, and mental health programs could be reduced more significantly.

- All revenues from the new tax would have to be used for the new preschool program.



Fiscal Effect: Preschool Program Spending

- We estimate there would be around \$2 billion a year to run the program in 2010-11 (after setting aside funds for facilities, teacher training, and the operating reserve).

- This would provide around \$6,000 per student in 2010-11.
 - Compared to around \$4,000 per student under the existing state preschool program.
 - Could be augmented by an additional \$750 to \$2,000 per student depending on future funding for existing state and federal programs.
 - This would make California's one of the highest funded state preschool programs in the country.
 - Actual per-student funding would depend upon participation rates.



Other Potential Spending Impacts

- Proposition 82 could affect districts' special education costs.
 - Federal law requires school districts to serve the educational needs of 4-year olds.
 - If greater numbers of 4-year olds are identified as requiring special education services, districts would face increased costs.
 - The new program could cover some of these district costs.
 - Some research suggests that greater participation in preschool could lead to reductions in special education costs in the long-term.

- Some research suggests that greater participation in preschool could lead to potential state and local savings resulting from reductions in:
 - The number of children retained in a grade.
 - The number of child abuse or neglect reports.
 - The number of juvenile court filings.