

APRIL 25, 2019

# Child Care and Preschool: Overview of Programs and Budget Proposals

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PRESENTED TO:

Senate Budget and Fiscal Review Subcommittee No. 1  
On Education  
Hon. Richard D. Roth, Chair



LEGISLATIVE ANALYST'S OFFICE

# California Subsidizes Many Child Care and Preschool Programs

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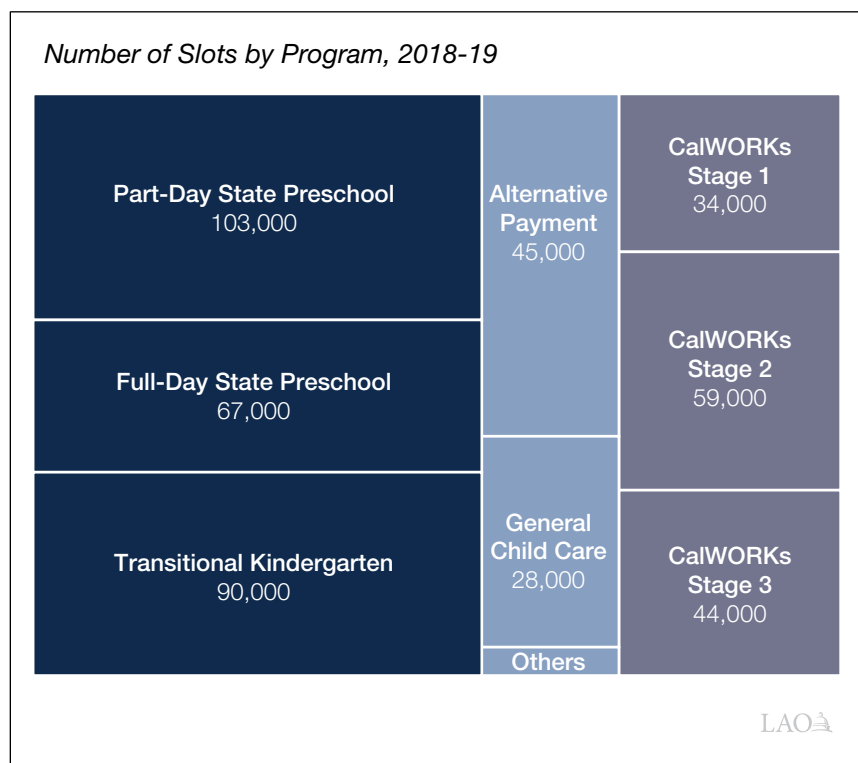
<b>Program</b>	<b>Key Eligibility Requirements</b>
CalWORKs Child Care	<ul style="list-style-type: none"><li>• Family is low income.</li><li>• Parent(s) work or are in school.</li><li>• Child is under age 13.</li><li>• Slots are available for all eligible children.</li></ul>
Alternative Payment and General Child Care	<ul style="list-style-type: none"><li>• Family is low income.</li><li>• Parent(s) work or are in school.</li><li>• Child is under age 13.</li><li>• Slots are limited based on annual budget appropriation.</li></ul>
State Preschool	<ul style="list-style-type: none"><li>• Family is low income.</li><li>• Child is age 3 or 4.</li><li>• If parent(s) work or are in school, child is eligible for full-day program.</li><li>• Slots are limited based on annual budget appropriation.</li></ul>
Transitional Kindergarten	<ul style="list-style-type: none"><li>• Child is age 4 with a birthday between September 2 and December 2.</li><li>• Slots are available for all eligible children.</li><li>• Program has no income or work requirement.</li></ul>

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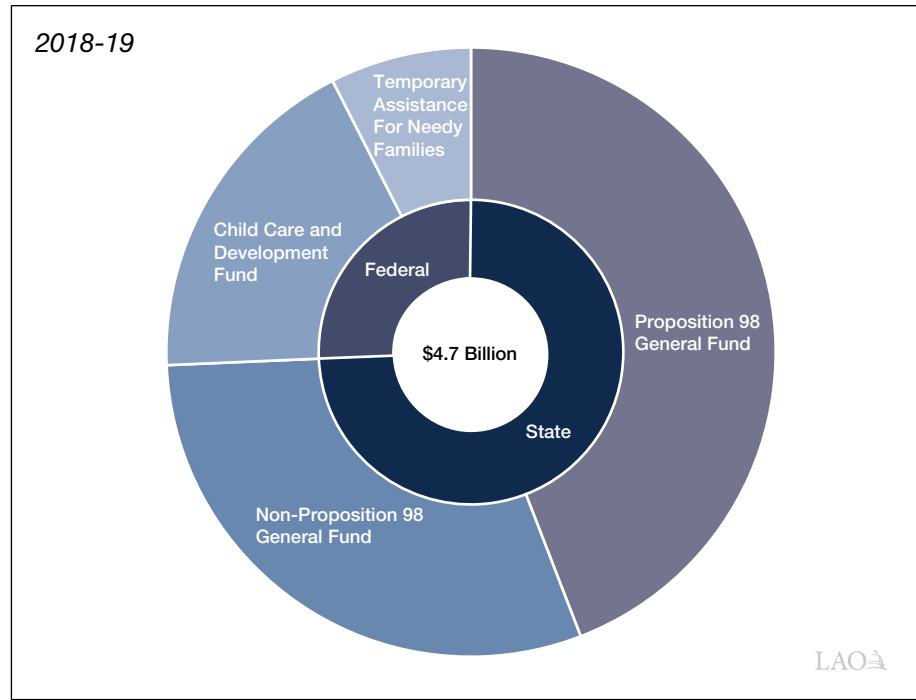
# California Serves About 470,000 Children Through These Programs

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# The State Provides \$4.7 Billion to Child Care and Preschool Through a Mix of Funds

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# State Funds Programs in Different Ways

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## CalWORKs Child Care and Alternative Payment

### Vouchers

- State gives a family a voucher.
- Families may send their children to voucher-based centers or family child care homes or have family or friends provide care.
- State relies on regional agencies to verify attendance and pay providers.

## General Child Care and State Preschool

### Direct Contract

- State contracts with a provider to serve a set number of children.
- Families may send their children to direct-contract based centers or family child care homes.
- State reimburses provider for filled slots.

## Transitional Kindergarten

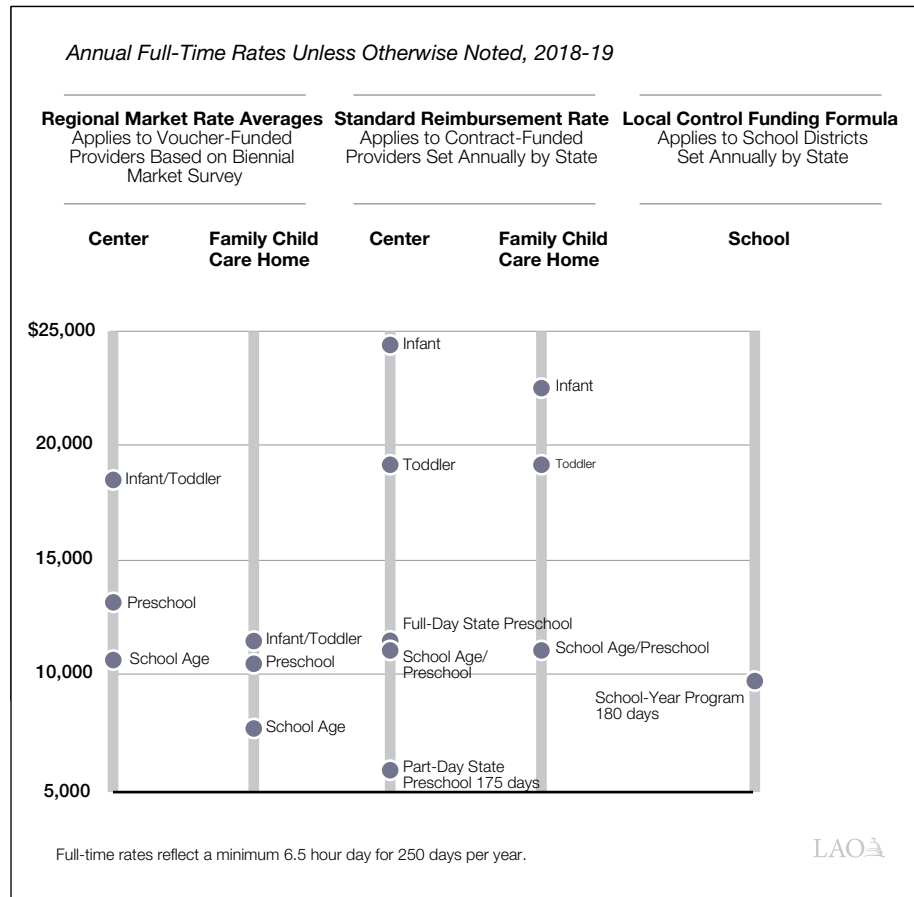
### Local Control Funding Formula

- Families may send their children to a nearby public school.
- School district reports attendance.
- State funds the school district for each enrolled child.

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# Per-Child Subsidies Vary by Program, Setting, and Age



# State Preschool: Background

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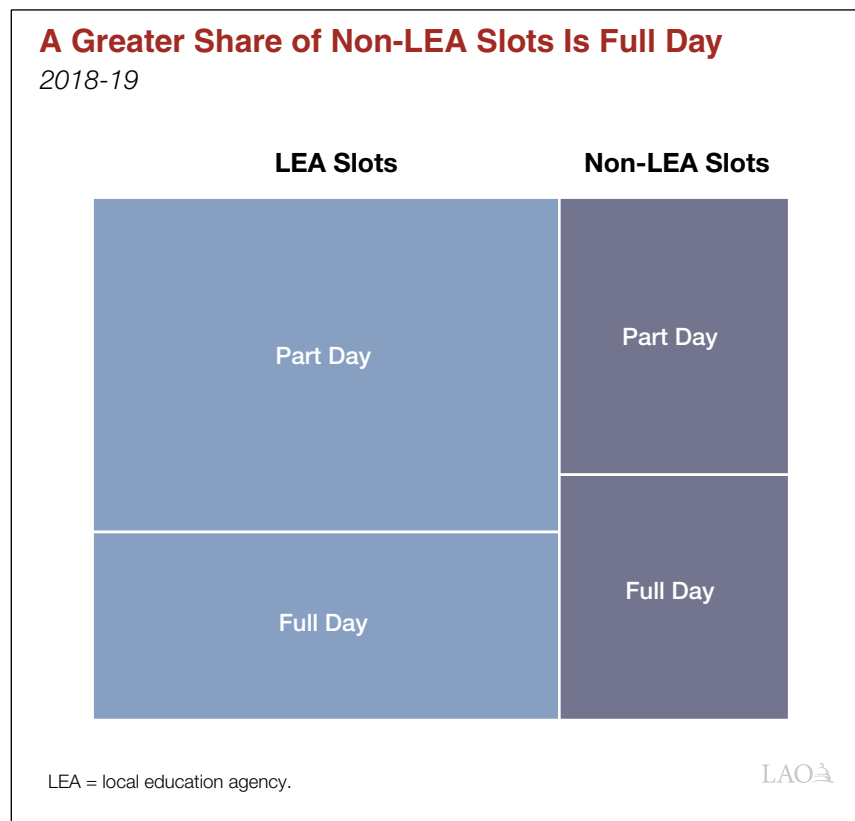
## Full-Day State Preschool Has Two Key Objectives

- Promote kindergarten readiness among children from low-income families.
- Help low-income, working families with their child care costs.

## State Preschool Serves 170,000 Children

- We estimate State Preschool in 2018-19 is serving 123,000 four-year olds and 47,000 three-year olds.

## State Preschool Is Offered by Several Types of Providers

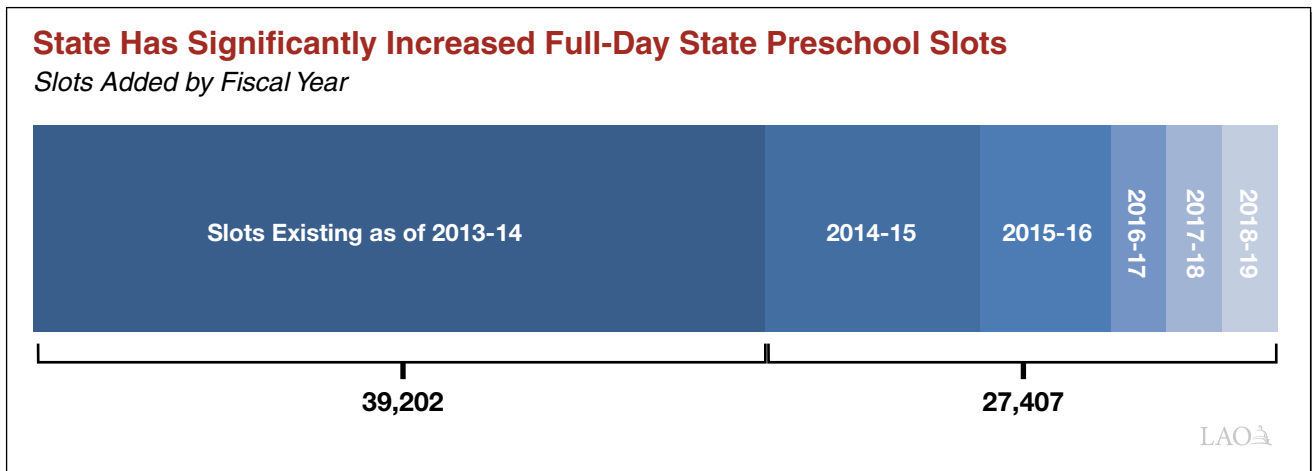


# State Preschool: Background

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**State Has Added More Than 27,000 Full-Day Slots Over the Past Five Years—an Increase of 70 Percent**





# State Preschool: Governor's Proposal

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## **Funds More Full-Day Slots for Non-Local Education Agencies (LEAs)**

- Provides \$125 million ongoing non-Proposition 98 General Fund to add 10,000 full-day State Preschool slots for non-LEAs.
- Plans to fund a total of 30,000 additional slots by 2021-22, with the intent to serve all low-income four-year olds at that time.

## **Expands Eligibility for Full-Day Slots**

- Eliminates the requirement that families must be working or in school for their children to be eligible for full-day State Preschool.

## **Shifts All Funding for Non-LEAs to Non-Proposition 98 Side of the Budget**

- Funds non-LEA providers entirely with non-Proposition 98 General Fund, while LEA providers would be funded with Proposition 98 General Fund.



# State Preschool: Assessment

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## Expanding State Preschool for Non-LEAs Is More Likely to Address Working Family Needs

- Non-LEAs tend to operate longer programs hours (10 hours or more per day, compared to 6.5 hours typically for a full-day LEA program).

## State and Providers Might Not Be Able to Expand as Quickly as Proposed

- To award new slots to providers, the California Department of Education (CDE) must provide technical assistance and review applications from hundreds of providers. An expansion of this magnitude would create a much higher volume of workload than previous, less ambitious expansions.
- Although non-LEAs filled all available slots when slots were last earmarked for them (in 2015-16), they received a much smaller number of additional slots (1,200) that year.

## Facilities Are a Key Component of Expanding

- To serve additional children, providers typically need to acquire and pay for additional facilities.
- Accessing additional facilities can entail challenges such as needing to work with city government regarding zoning requirements or make renovations and repairs to existing structures used for different purposes.
- Prior to opening, new child care facilities must be inspected and approved by Community Care Licensing.



# State Preschool: Assessment

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## **Work Requirement Is Reasonable Way to Prioritize Full-Day Care**

- Retaining the work requirement is the most cost-effective way of helping the state meet the dual objectives of promoting kindergarten readiness among all low-income children while helping low-income, working families meet their child care needs.

## **Removing the Work Requirement Could Substantially Increase the Cost of the Program**

- A full-day slot is more than double the cost of a part-day slot. Were half of part-day slots to convert to full-day slots, the cost of serving the same number of children would be \$360 million higher than the Governor's proposed 2019-20 funding level.
- Absent providing additional funding to cover the cost of slots converted from part day to full day, the Governor's proposal could have the unintended effect of serving fewer children.



# State Preschool: Recommendations

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## **Fund Fewer New Slots in 2019-20, Start Them Midyear**

- Given logistical challenges, we suggest adding a more modest number of slots (2,500) in 2019-20. In future years, the Legislature could decide how many new slots to approve based on the take-up in 2019-20.
- Starting slots midyear gives CDE time to review and approve applications, while giving providers time to find facilities, get their facilities licensed, hire additional staff, and enroll children.

## **Provide Ongoing Funding to Assist With Facility Issues**

- Provide \$4 million ongoing funding to local planning councils for assisting providers with their facility issues. With the funds, local planning councils would hire a facility specialist to support providers, particularly those interested in finding additional facilities.

## **Retain Work Requirement for Full-Day Programs and Give New Slots to Providers Operating at Least a Ten-Hour Day**

- These two rules ensure full-day State Preschool slots are available to address the needs of working families.

## **Support Non-LEA Slots From One Fund Source**

- Funding from one source streamlines State Preschool contracts and offers non-LEA providers greater flexibility in filling their classrooms.
- The Legislature could go further and fund State Preschool for all providers from one fund source, thereby offering more flexibility for LEAs too.



# One-Time Improvement Initiative: Background

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## Child Care and Preschool Workers Must Meet Certain Education Requirements

- A teacher employed at a child care or preschool center that contracts directly with the state must hold a Child Development Teacher Permit, which requires 24 units of early childhood education coursework and 16 units of general education coursework.
- The minimum requirement for a teacher employed in other licensed centers in California is a Child Development Associate Credential or a minimum of 12 units of early childhood education coursework.

## Providers Have Three Common Facility Arrangements

- **Lease at Subsidized Rate.** Some providers have partnerships with other public entities, such as school districts and cities. These partner entities subsidize providers' monthly facility costs. In many cases, subsidies are large. For example, some providers pay \$1 per year to rent facilities from a city government.
- **Lease at Market Rate.** Other providers lease space and pay market rent.
- **Own.** Some providers own their facilities. In these cases, providers either are making monthly mortgage payments or have paid off their mortgages.



# One-Time Improvement Initiative: Background

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## **Several Special Planning Efforts Have Been Undertaken Over Past Few Years, and Some Efforts are Forthcoming**

- Assembly Blue Ribbon Commission on Early Childhood Education began meeting in March 2017 and recently released a draft set of recommendations for improving the system.
- Another recent workgroup published a set of recommendations for reforming the system's complex rate structure.
- The state was recently awarded a Preschool Development Grant totaling \$10.6 million in federal funds. With the funds, CDE plans to examine current levels of access to child care and preschool programs throughout the state. CDE also intends to develop a strategic plan that will identify steps the state could take to improve programs for children from birth through age five. All associated activities are expected to be completed by December 2019.
- A new, California-specific workforce survey is underway that plans to provide both statewide and regional information. The study is being funded by a mix of public and private funding. The results of this study are expected to be released in late 2020.



# One-Time Improvement Initiative: Governor's Proposal

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## Provides Funding for Workforce Development

- Proposes \$245 million for facility grants to (1) increase the number of child care and preschool workers and (2) increase the education and training of these workers.
- CDE is to distribute the funds to a “local partner” in each county based upon its relative need for additional child care and preschool workers, the cost of living in each county, and the number of children eligible for subsidized care. Grantees could use funds for educational expenses such as tuition, transportation, and substitute teachers. The \$245 million would be apportioned in equal amounts over the next five years (\$49 million in each year).

## Provides Funding for Facilities Expansion

- Proposes \$245 million for facility grants to providers willing to serve additional children.
- CDE would distribute the funds competitively and providers could use the funds for one-time infrastructure costs, including site acquisition, facility inspections, or construction management. Funds would be apportioned in equal amounts over the next five years.

## Provides Funding for Report on Improving Child Care and Preschool System

- Proposes \$10 million for the State Board of Education to contract with a research entity to produce a report by October 2020. The report is to include recommendations on how to improve access and affordability of state subsidized child care and preschool programs. The report also is to include steps the state can take to provide preschool to all children, cost estimates for its associated recommendations, and strategies for prioritizing state funds.



## **One-Time Improvement Initiative: Assessment**

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### **Workforce and Facilities Are Key Issues, but State Lacks Data to Make Informed Spending Decisions**

- With regard to the workforce proposal, the state does not know what geographic areas need additional child care and preschool workers or what areas would most benefit from additional worker education and training.
- With regard to the facility proposal, the state does not collect information that would allow it to determine the most significant facility challenges facing providers or the geographic areas experiencing the greatest challenges.

### **Another Plan Is Likely Duplicative of Many Recent Efforts to Improve Child Care and Preschool System**

- The Governor's proposed report likely would make recommendations that overlap significantly with prior reports or planning efforts already underway.





# One-Time Improvement Initiative: Recommendations

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## Get Better Information Before Funding New Initiative

- Hold off on spending \$500 million from the Governor's one-time initiative given the state lacks key data to make informed allocation decisions.
- Consider setting aside some amount of one-time funding in a new account specifically for future child care expansion and improvement efforts.

## Fund Studies to Understand Current Facility Arrangements and Access to Child Care

- Designate \$2 million for two studies (\$1 million for each study), instead of spending \$10 million on a plan. Authorize one study to survey child care providers on their facility arrangements and another study to survey eligible families on their child care needs.

## Align Timing of Studies so They Can Inform 2021-22 Budget Decisions

- Require CDE to award contracts to research entities by October 2019, with the results of the studies submitted to the Legislature by October 2020 (the same time the results of a workforce survey are expected). This time frame would ensure all reports would be available to inform 2021-22 budget decisions.

