

# The 2022-23 Budget: State Preschool

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**Summary.** The Governor’s budget includes several proposals related to State Preschool, with the primary goal of increasing the number of children with disabilities enrolled in the programs. In this post, we provide background on State Preschool, describe the Governor’s proposals, and provide our comments associated with these proposals.

## Background

The state has several publicly subsidized preschool programs for three- and four-year olds. In this section, we describe these programs, as well as the services provided to children with disabilities in these programs.

**State Preschool.** The state funds State Preschool through two different funding sources depending on the provider. Local education agencies (LEAs)—school districts and county offices of education (COEs)—are funded with Proposition 98 General Fund, while community-based organizations (non-LEAs) are funded with non-Proposition 98 General Fund. Children are eligible for State Preschool if their family earns less than 85 percent of the state median income. Participating children either receive a part-day or full-day option. Providers are funded based on a child’s attendance in the program, with higher levels of funding—known as an “adjustment factor”—for certain children, such as dual language learners and children with disabilities. In 2021-22, the state funded 110,000 part-day slots and 50,000 full-day slots for State Preschool.

**Transitional Kindergarten (TK).** Under state law, TK is the first year of a two-year kindergarten program. School districts can enroll students in TK if the student has their fifth birthday between September 2 and December 2 of that school year. Similar to all other K-12 students, TK students generate attendance-based funding through the Local Control Funding Formula. In 2019-20, the state served 89,000 students through TK.

**Head Start.** Many schools and community-based organizations operate Head Start—a school readiness program for children ages three to five. The program is targeted to families living below the poverty line. Grantees contract directly with the federal government, with specific funding plans and services varying by grantee. The Head Start program requires that 10 percent of children enrolled be children with disabilities. In 2019, about 80,000 three- and four-year olds in California were enrolled in Head Start.

**Other Subsidized Programs.** Through the state’s subsidized child care programs, children can receive vouchers to attend private preschools. The exact duration and program vary based on the provider and parent work schedules. Through the General Child Care program, the state also directly contracts with providers to serve children ages three and four, as well as other ages. We estimate about 18,000 three- and four-year olds were served in these programs in 2019-20.

**In 2021-22, State Enacted Plan to Expand TK to All Four-Year Olds.** Budget trailer legislation enacted in 2021-22 gradually expands TK eligibility from 2022-23 through 2025-26. At full implementation in 2025-26, a child who has their fourth birthday by September 1 will be eligible for TK, making the grade available to all four-year olds.

**Schools Must Provide Services for Students With Disabilities Beginning at Age Three.** Federal law requires school districts to begin providing special education services to all children with disabilities upon their third birthday. The specific support provided to each student is detailed in his or her individualized education program, a legal document developed by the student’s teachers, parents, and school administrators.

**State Funded Inclusive Early Education Expansion Program (IEEEP) in 2018-19.**

The 2018-19 budget provided \$167 million Proposition 98 General Fund for one-time competitive grants to LEA providers for the purpose of increasing access to inclusive early education programs. Grants could be used for a variety of one-time expenses, including training, facility renovations, and equipment. Grant recipients were required to provide \$1 in local funds for every \$2 received through the grant. Grant recipients also must commit to provide program data and participate in an evaluation. Funding is available for expenditure through December 31, 2024.

**Governor’s Proposals**

**Requires State Preschool Providers Serve Students With Disabilities.** The Governor’s budget proposes to require that at least 10 percent of children enrolled in State Preschool programs be children with disabilities. Under the proposal, an amount equivalent to 10 percent of the provider’s funded enrollment would be guaranteed (not based on attendance) and set aside specifically for children with disabilities. The provider is, in turn, required to maintain slots available for children with disabilities to enroll throughout the fiscal year. The California Department of Education (CDE) would monitor compliance of the requirement and assist providers. Providers that are unable to meet the requirement must conduct community outreach to special education partners to increase their enrollment of students with disabilities. Beginning July 1, 2025, any providers not meeting the requirement may be placed on conditional contract status by CDE, with the potential to have their contract terminated. CDE is also required to create a waiver process for providers that cannot meet the requirement.

**Increases Funding by \$308 Million for Serving Students With Disabilities.** The budget provides \$308 million related to the new requirement to serve 10 percent children with disabilities—\$198 million (Proposition 98 General Fund) for LEAs and \$111 million (non-Proposition 98 General Fund) for non-LEAs. This funding accounts for the expected increase in the number of children with disabilities that will be served in State Preschool, as well as a proposed increase to adjustment factors. Specifically, the Governor proposes an adjustment factor of 2.4 for children with disabilities This would replace

the two related adjustment factors under current law—an adjustment factor of 1.54 for most children with disabilities and an adjustment factor of 1.93 for children with severe disabilities.

**Provides \$500 Million One Time for IEEEEP.**

The Governor’s budget also includes \$500 million one-time Proposition 98 funding for IEEEEP. As with the funding provided in 2018-19, funding would be available for LEA providers through a competitive grant and could be used for training, facility modifications, or equipment. The Superintendent of Public Instruction can set aside up to \$50 million of the proposed funding for state-level assistance and support. Specifically, funding could be used for coaching and job-embedded training, developing culturally and linguistically responsive resources, regional support for State Preschool providers, and facilitation of a work group. The state-level assistance could be accessed by both LEA and non-LEA providers. Funding would be available through June 30, 2027.

**Provides \$62 Million One Time for Early Identification and Training.** The Governor’s budget provides \$2 million non-Proposition 98 General Fund for CDE to develop a process and tools for identifying children at risk for developmental delays or learning disabilities. Funding would be available through June 30, 2024. The budget also includes \$60 million Proposition 98 funding to provide training and coaching associated with the early identification process and tools. Funding could also be used more broadly to provide for statewide training and support that helps align local practices with research-based strategies that improve student outcomes. Funding would be available through Jun 30, 2026.

**Other Proposals.** The proposed budget also includes several other State Preschool proposals not specifically related to serving children with disabilities:

- Provides \$40 million to increase the adjustment factor for dual language learners from 1.1 to 1.2.
- Proposes that, once determined to be eligible for State Preschool, children and families can remain eligible for 24 months, rather than 12 months under current law, without having to reestablish eligibility.
- Allows providers to serve two-year olds in State Preschool programs.

## LAO Comments

***Increasing Access to State Preschool Is Laudable Goal.*** Providing access to inclusive settings can help children with disabilities improve in their development and school readiness, as well as provide opportunities for meaningful social interaction with their peers. The state has historically lagged compared with the rest of the nation in increasing access to inclusive programs. In 2019-20 (the most recent year data is available), 27 percent of three- to five-year olds with disabilities in California attended a regular early childhood program at least ten hours a week, compared with 56 percent of three- to five-year olds nationwide. The State Preschool program also has historically had relatively low shares of students with disabilities. In fall 2019, children with disabilities represented 4.1 percent of children enrolled in State Preschool. This share varies significantly based on the type of provider, with LEAs serving children with disabilities at a higher rate (4.7 percent of enrollment) than non-LEAs (2.9 percent of enrollment).

***TK Expansion Also Likely to Increase Access to Inclusive Settings for Four-Year Olds.*** In our conversations with special education administrators over the past several years, they often cited challenges in finding inclusive settings for their preschool-aged children with disabilities. Some school districts, for example, do not operate State Preschool or Head Start programs, which makes identifying appropriate programs with available spaces challenging for districts and families. Some districts also mentioned challenges with serving students with disabilities in State Preschool given program regulations and requirements that can make it difficult to accommodate children with disabilities. As the state expands TK to serve all four-year olds, all districts will have greater ability to offer an inclusive program on their elementary school campuses, likely resulting in greater access to inclusive settings for four-year olds with disabilities.

***Serving More Students With Disabilities Will Require Programmatic Changes.*** Implementing the Governor's proposal would require State Preschool to effectively increase by 2.5 times the number of students with disabilities they serve in each classroom. In turn, this likely would require

a number of changes to how providers operate. They may change their processes for marketing and improving relationships with other agencies that can refer students with disabilities. Once enrolled, providers may need to make modifications to their existing curriculum and activities to ensure they are suitable for children with disabilities. Making these changes could require hiring additional staff, increasing training, or contracting with special education experts. Providers may also need to make modifications to their classrooms and playground to accommodate children with disabilities, particularly those with more severe disabilities.

### ***Requirement to Serve 10 Percent Students With Disabilities Similar to Head Start.***

According to the administration, its proposal is intended to emulate that of Head Start, which requires that 10 percent of slots be set aside for children with disabilities. Given Head Start already has a similar requirement, and given the lower rates in State Preschool, we think the 10 percent requirement proposed by the Governor is a reasonable starting place for setting expectations for providers. Many State Preschool providers also operate Head Start programs, often blending the two into one unified program. For these providers, the requirement proposed by the Governor will be aligned with other programs they currently operate.

***LEA-Based Providers Better Positioned to Serve Students With Disabilities.*** Meeting the requirements proposed by the Governor would be relatively easier for LEA providers. Since school districts are directly responsible for providing special education services to their students, they will find it easier to refer students to their State Preschool program and ensure that providers are coordinating with special education experts. COEs also have special education experts that can assist State Preschool in better serving students. Moreover, unlike non-LEA providers, LEAs would have access to the IIEEP grant funding proposed by the Governor, which would cover one-time costs for training, facility renovations, and equipment.

***Recommend Redirecting Funding to Better Support Non-LEA Providers.*** Because non-LEA providers do not have these same advantages, we think it is likely that they will find serving a larger share of students with disabilities more challenging.

This is particularly true of those that do not already operate Head Start. We recommend the Legislature set aside a larger portion of IEEEEP funding for state-level assistance and support that can be accessed by non-LEA providers. The Legislature could also consider redirecting others sources of funding for non-LEA training and support. For example, the Legislature could consider redirecting a portion of federal quality improvement funding (currently totaling \$120 million) for this purpose. These funds are currently administered by the Department of Social Services. Similarly, the Legislature may want to ensure a greater portion of the \$60 million proposed by the Governor to be set aside for training on early identification will be available for non-LEAs.

**Consider Ways to Monitor Implementation and Address Barriers to Access.** While we think the 10 percent requirement is a reasonable starting point, the Legislature may want to reassess this threshold in a few years, particularly in light of the major changes that will be occurring in early education with the expansion of TK. At that time, the Legislature may want to increase or decrease the requirement. To the extent that providers have difficulty implementing the 10 percent requirement, the Legislature will also want to consider ways to change the existing program to help address the key barriers that providers face. The Legislature could monitor these issues in a variety of ways, such as by requiring CDE to report to the Legislature or contracting with an external agency to follow the implementation more closely.

**Trade-Offs Associated With Allowing Two-Year Olds.** Allowing State Preschool to serve two-year olds would give providers more flexibility to ensure that their programs are fully enrolled. This flexibility could be particularly beneficial for providers who also have General Child Care contracts with the state and serve two-year olds in those programs. Serving two-year olds in State Preschool, however, would create some administrative challenges. Providers would be required to increase staffing, as the child-to-staff ratios for two-year olds are half the ratio for preschoolers (4-to-1 and 8-to-1, respectively). Providers may also need to modify their facilities to address the unique needs of smaller children. (For example, by installing diaper changing stations.) Moreover, the Governor’s proposal is not clear on whether two-year olds enrolled in State Preschool would be funded at the same rate as three- and four-year olds, or if they would be funded at the higher rate for toddlers that is used in General Child Care. Given the complexities of such a change, the Legislature may want to wait a few years and see how the expansion of TK affects State Preschool enrollment before deciding to adjust eligibility in this way.

**Recommend Adopting 24-Month Eligibility.** Providers in several counties that have been granted [flexibility from certain state policies](#) have implemented 24-month eligibility for several years. The policy allows three-year olds enrolled in State Preschool to continue participating in the program until they are eligible for kindergarten, helping to ensure the child is prepared for kindergarten. The change also reduces some administrative burden without adding cost pressure to the program. Applying this policy statewide also would create consistency for children and families.

## LAO PUBLICATIONS

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This post was prepared by Edgar Cabral and reviewed by Anthony Simbol. The Legislative Analyst’s Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.