

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

TUESDAY, APRIL 12, 2016

9:00 AM - STATE CAPITOL, ROOM 444

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ITEMS TO BE HEARD

6100 DEPARTMENT OF EDUCATION

ISSUE 1: IMPACT OF TRANSITIONAL KINDERGARTEN

The American Institute for Research (AIR) has done extensive research on the transitional kindergarten program. The AIR will present to the Subcommittee findings from their most recent study, *Impact of California's Transitional Kindergarten Program, 2013–14*.

PANELIST

- Dr. Heather Quick, American Institutes for Research

BACKGROUND

The Kindergarten Readiness Act of 2010 (SB 1381, Chapter 705, Statutes of 2010), signed into law by Governor Schwarzenegger, changed the cutoff date for admittance to kindergarten, requiring children to turn five years old by September 1st instead of December 2nd. This new age requirement was phased-in by moving the cutoff date one month a year for three years beginning in 2012-13. Under the law, a child is eligible to enter kindergarten if the child will have his or her fifth birthday on or before the following dates:

- November 1 of the 2012-13 school year
- October 1 of the 2013-14 school year
- September 1 of the 2014-15 school year and each school year thereafter

Additionally, the Kindergarten Readiness Act created a new transitional kindergarten (TK) program for children who would have been eligible for kindergarten prior to this law being passed, or those with birthdays between September 2nd and December 2nd. TK was created as the first year of a two-year kindergarten program that uses a modified kindergarten curriculum that is age and developmentally appropriate. The Legislature provided significant flexibility for districts, allowing them to develop their own curriculum and structure. The intent of this new grade level was to ensure that kids who were displaced as a result of the change in birthdate had the opportunity to be better prepared for kindergarten.

The 2014-15 Budget

The 2014-15 budget made additional changes to the TK program. SB 858 (Chapter 32, Statutes of 2014), the budget trailer bill, stated that it was the intent of the Legislature that TK curriculum be aligned to the California Preschool Learning Foundations developed by the California Department of Education (CDE). The budget trailer bill also clarified that all TK teachers shall be credentialed and required by August 20, 2020 that all TK teachers have one of the following:

- 1) At least 24 units in early childhood education, or childhood development, or both.

- 2) As determined by the local educational agency employing the teacher, professional experience in a classroom setting with preschool age children that is comparable to the 24 units of education.
- 3) A child development permit issued by the Commission on Teacher Credentialing.

The 2014-15 budget also included \$25 million for professional development for TK and preschool teachers. Of this funding, \$15 million was allocated to the CDE to fund professional development stipends for teachers, to be administered by the child care local planning councils. First priority was given to provide stipends for TK teachers to complete 24 units in early childhood education or child development. Second priority was given to provide professional development stipends for teachers in the California State Preschool Program. This funding was allocated to the local planning councils in January of 2015. The remaining \$10 million was allocated to the CDE for other professional development projects for TK and State Preschool teachers, as determined by the CDE. The CDE has reported that they are in the process of awarding two contractors to perform the following services: 1) provide online and site based training for TK and State Preschool teachers, as well as administrators, and 2) develop coursework for institutions of higher education tailored to the new requirements for TK and State Preschool teachers.

Expanded TK

The 2015-16 budget trailer bill, AB 104 (Chapter 13, Statutes of 2015), included language permitting school districts and charter schools to enroll younger four-year-olds into TK. Children that turn five years old after December 2nd until the end of the school year can be admitted to TK, but they will not generate average daily attendance (ADA) funding until they turn five. The Los Angeles Unified School District (LAUSD) sought this change so they could use general purpose funding to offer TK beyond the three months of eligibility. This new program is often referred to as "expanded TK" or ETK.

TK Enrollment

School districts and charter schools were not required to report TK participation in 2012-13, therefore the CDE does not have TK enrollment data for that year. According to the CDE, participation in the TK program for 2013-14 and 2014-15 is as follows:

Academic Year	Number of students participating in TK
2013-14	60,000
2014-15	83,000

Source: California Department of Education

Research on TK

The American Institute for Research (AIR) has completed a number of studies focused on TK. The AIR's *Study of California's Transitional Kindergarten Program: Report on the First Year of Implementation* found that the majority of districts in California implemented TK in 2012-13. The study also found there was substantial variability in how districts approached implementation of the new grade level, including variation in the curricula teachers used to guide classroom instruction. The most common challenges reported by districts implementing transitional kindergarten were funding, developing a transitional kindergarten report card,

selecting curricula for the new grade level, and providing professional development for teachers.

The AIR's second study, *Transitional Kindergarten in California: Comparing Transitional Kindergarten and Kindergarten Classrooms*, found that based on surveys of TK and kindergarten teachers, it appears that TK teachers are adopting instructional practices that are more developmentally appropriate for the younger students enrolled in the program, as intended by the law. Specifically, the study found that TK classrooms tended to spend more instructional time on social-emotional skills and less time on reading/ELA and math than students in standalone kindergarten classrooms. In addition, students in standalone TK classrooms spent more time in child-directed activities and less time in whole-group activities compared with students in standalone kindergarten classrooms. This study also points out the challenge of providing differentiated instruction, especially in combination classrooms.

The AIR's third study, *Transitional Kindergarten in California: Early Outreach, Enrollment, and Parent Perspectives*, focuses on district outreach efforts, parent perceptions of TK, and TK student demographics in the first year of implementation. Findings from this study point to the challenges districts faced in recruiting children for TK during the first year of TK implementation. Most districts reported that parents frequently wanted to enroll their children in kindergarten rather than in TK. District administrators also described other parents who were not aware of the TK program or who were concerned that TK was a remedial program and did not want to send their children to a program they did not understand. Despite these challenges, there were no particular demographic groups of students disproportionately left out of TK. District survey results compared with statewide kindergarten enrollment data from the California Department of Education reveal no significant differences in ethnicity, poverty, or English learner status between students in TK and students in kindergarten.

The AIR released a fourth report in December examining the impact of the TK program on students' preparedness for kindergarten. The study compares language, literacy, mathematics, executive functioning, and social-emotional skills at kindergarten entry for students who attended transitional kindergarten and for those who did not. Key findings from this report include:

- Transitional kindergarten improves preliteracy and literacy skills.
- Transitional kindergarten improves students' mathematical knowledge and problem-solving skills.
- Transitional kindergarten supports children's behavioral self-regulation, but there is no detectable impact on social-emotional skills.

STAFF COMMENTS

In November, the Subcommittee held a joint informational hearing with the Assembly Education Committee on TK. In this hearing, the committee heard from researchers, school district leaders, teachers and parents about the challenges of implementing TK. Despite the many challenges, stakeholders overwhelmingly support the TK program and recognize the difference it has made in better preparing students for kindergarten.

In this hearing, the Subcommittee will hear from the AIR about their recent report on the impact of the TK program. The AIR's research provides timely information for the Legislature in contemplating how to best expand early childhood education. This study suggests that TK is an effective way to prepare students for kindergarten. The AIR's findings also are relevant for school district leaders currently considering whether to include younger students in their TK program in order to improve educational outcomes later on.

SUGGESTED QUESTIONS

- Is AIR working on additional research projects on TK? When will these reports be available?
- Has AIR looked at the impact of TK on particular subgroups, such as English learners?
- Does AIR have any policy recommendations for the Legislature in expanding early childhood education?
- Does AIR anticipate the positive impacts of TK will also apply to expanded TK?

Staff Recommendation: No Action, Informational Only.

ISSUE 2: BARRIERS TO EARLY EDUCATION EXPANSION

The Subcommittee will discuss barriers to children accessing early education placements and Kindergarten placements.

PANELISTS

- Debra Brown, Department of Education
- Dr. Mary Ann Dewan, Deputy Superintendent, Santa Clara County Office of Education
- Dr. Steven Martinez, Superintendent, Twin Rivers Unified School District
- Scott Moore, Kindago
- Tim Taylor, Butte County Office of Education

BACKGROUND

According to the Census Bureau, in California only 48.6 percent of children three and four years old are enrolled in a preschool, nursery school, or Head Start program. In addition, California currently does not require students to attend Kindergarten which means that even some 5-year-olds in California are not receiving an education. The Legislature has explored requiring districts to offer full-day kindergarten placements.

While the State has made efforts to increase the programs through the creation of the Transitional Kindergarten program, there are several barriers that hinder expansion. Currently, the State has several programs that cover these populations at various levels of enrollment.

Full Day Versus Part Day Kindergarten

CDE estimates that 511,985 children were enrolled in Kindergarten in 2014-15, but there is no definitive data on how many children receive full-day versus part-day kindergarten. A 2009 study by the Public Policy Institute of California estimated that 43 percent of students were enrolled in a full-day kindergarten program in 2007-08. It is likely that more districts have opted to use a full-day model since that time, but it has been difficult to find data on this information.

Four Year Olds

CDE estimates that California had 504,462 4-year-olds in 2014-15 and that between TK, Preschool and Head Start provided 218,097 slots for this population.

For low-income families with 4-year-olds, the American Institute for Research estimates an unmet need of 33,209 slots statewide for early education opportunities.

Transitional Kindergarten

As mentioned in the previous issue, CDE estimates 83,000 students enrolled in TK in 2014-15. With 504,462 estimated 4-year-olds, approximately 126,116 children would be born in the three months that are eligible for the program. With the creation of the "Early TK" program, discussed in Issue 1, schools have more options for enrolling children in the program.

Other Programs for Four-Year-Olds

In addition to TK, there are other state and federally funded programs currently serving four-year-olds. These programs include the California State Preschool Program, the State child development programs, and the federally funded Head Start program.

CDE provided the following age enrollment data for State child development programs.

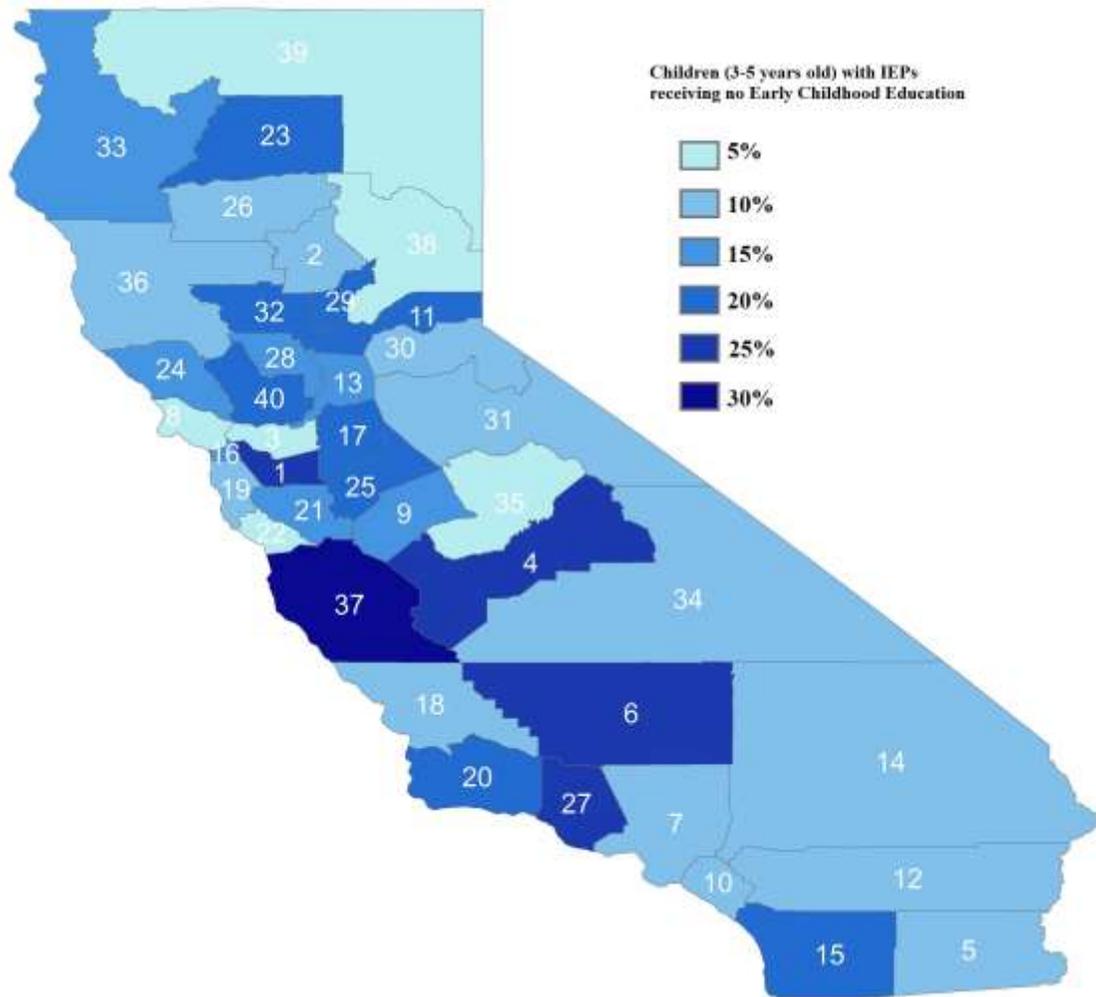
PROGRAM TYPE	AGE GROUP										ROW TOTAL
	0 - 2 YEARS OLD		3 YEARS OLD		4 YEARS OLD		5 YEARS OLD		6+ YEARS OLD		
ALTERNATIVE PAYMENT	4,463	19.15%	2,504	10.74%	2,391	10.26%	2,292	9.83%	11,659	50.02%	23,307
CALIFORNIA STATE PRESCHOOL-FULL DAY			11,466	29.12%	22,147	56.24%	5,768	14.65%			39,381
CALIFORNIA STATE PRESCHOOL-PART DAY			18,235	18.94%	61,468	63.84%	16,579	17.22%			96,282
CALWORKS STAGE 2	11,692	24.80%	6,510	13.81%	6,315	13.40%	5,208	11.05%	17,419	36.95%	47,143
CALWORKS STAGE 3	3,397	11.10%	2,461	8.04%	3,074	10.05%	3,363	10.99%	18,300	59.82%	30,593
FAMILY CHILD CARE HOME NETWORK	1,368	46.69%	376	12.83%	304	10.38%	186	6.35%	697	23.79%	2,930
GENERAL CHILD CARE AND DEVELOPMENT	11,254	36.06%	4,597	14.73%	581	1.86%	2,484	7.96%	12,298	39.40%	31,213
STATE MIGRANT	607	33.26%	460	25.21%	472	25.86%	182	9.97%	105	5.75%	1,825
MIGRANT ALTERNATIVE PAYMENT	181	24.20%	76	10.16%	84	11.23%	72	9.63%	335	44.79%	748
HANDICAPPED CHILD CARE	6	4.88%	7	5.69%	11	8.94%	6	4.88%	94	76.42%	123
UNIQUE CHILD COUNT TOTAL²	32,866	12.12%	46,198	17.03%	95,644	35.26%	35,786	13.19%	60,782	22.41%	271,275

The Head Start Program

The Head Start program is a federal grant program that promotes school readiness for children ages birth to five from low-income families. The Head Start program is designed to serve children age three through five, while the Early Head Start program serves pregnant mothers and newborns through age three. Nationally, Head Start serves over 900,000 children and families each year. While the State has no role in administering the Head Start program, many of the Head Start programs also have contracts with CDE for State Preschool. In California 2014-15, Head Start served 108,420 children, of which 57,208 were age four.

Early Education for children with an Individual Educational Placement (IEP)

In December 2015, California had 78,972 children aged 3-5 identified of Special Education, of which 44,736 (57 percent) received mainstreamed education services and 24,758 (31 percent) were education in separate Special Day classes. However, 9,478 children (12 percent) of these children received no special education services at all. According to the LAO, the access to education varies by county, as noted in the map below:



According to the LAO, Head Start contracts require that a certain percentage of contracts be set aside for special needs children and the recent state expansion of early education have prioritized services for this group. Thus, this geographic pattern reflects, in part, where these two types of care are available.

Status of Additional 2015-16 Preschool Slots

The 2015-16 Budget included \$98 million Proposition 98 funding to expand 7,030 full-day preschool and 2,500 part day preschool slots. Of this amount 5,830 were set aside for full-day care offered by LEAs. The funding also covered a 5 percent increase in the Standard Reimbursement Rate for these programs that was made on January 1, 2016.

CDE received 196 applications for 13,936 slots, as detailed in the chart below:

FY 2015-16 Preschool Expansion Applicants			
	Full-day	Part-day	Total
LEA	1,883	3,742	5,625
Non-LEA	7,336	975	8,311
Total	9,219	4,717	13,936
*196 CSPP Expansion applications received			

As of last week, all applicants have been notified of their scores, with the expectation that awards for expansion will be made on April 20th. CDE believes that ultimately it will not be able to award all of the funding available because it will not be able to award all of the part-day slots available.

STAFF COMMENTS

Statewide, there is momentum to increase access to early educational opportunities and to move kindergarten towards a full day program. This issue includes panelists that have identified barriers to such expansion so the Subcommittee can consider possible actions it can take in the budget to assist in further expansion.

The barriers that have been identified are:

- **Facilities:** Efforts to expand early education are competing for classroom space with efforts underway to reduce class-sizes. These programs also need customized classrooms that are age-appropriate.
- **Eligibility:** While there is a demand for these programs, some districts have had difficulty filling their classrooms because the income eligibility criteria that remains at the 70 percent of the 2007 State Median Income.
- **Rates:** The rates offered for State Preschool programs are much lower than those of Head Start and significantly lower than the ADA for TK or Kindergarten.
- **Special Education:** Some districts have seen increases in the number of children identified with special education needs in the early education population. These children benefit greatly from the early intervention, but districts been trying to meet increasing demand for service within programs in both early education and special education that have not grown and do not fully cover the cost.

Staff Recommendation: Hold Open

ISSUE 3: 2016 PROPOSAL FROM THE CALIFORNIA WOMEN'S LEGISLATIVE CAUCUS

The California Women's Legislative Caucus will present their 2016 budget request related to child development.

PANELIST

- Assemblymember Cristina Garcia, Vice-Chair of the Women's Legislative Caucus

BACKGROUND

On February 11, 2016 California Women's Legislative Caucus presented their priorities in a plan entitled "A Stronger California: Securing Economic Opportunity for all Women". This plan included a proposal for \$800 million in additional child development investment.

According to this plan:

To accurately reflect the reality that California is a state where mothers are significant contributors to the economy, the Legislative Women's Caucus requests an initial investment of \$800 million in the 2016-17 budget to repair the infrastructure of a state-supported child care system that has been built over many years and is at risk of deteriorating due to recession-era budget cuts. This investment would serve tens of thousands of children, prioritize our youngest learners (0-3 year olds), prevent disruption of care for children, and recognize the important and professional nature of the work providers deliver to our state's working families.

Staff Recommendation: Hold Open

ISSUE 4: DEPARTMENT OF FINANCE'S PROPOSED EARLY EDUCATION REFORM

The Subcommittee will consider the Department of Finance's Early Education Reform Proposal.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- Department of Education
- Public Comment

BACKGROUND

The Governor's Budget includes a proposal by the Department of Finance to reform preschool and child care programs. The proposal has two components:

1. Early Education Block Grant: Consolidates \$1.6 billion of Transitional Kindergarten, Preschool, and Quality Rating Improvement System (QRIS) programs into an early-education block grant that would be provided to local districts to serve low-income and at-risk children.
2. Eliminates all Title V Child Development Contracts: The Administration proposes transitioning contracted funds in the General Child Care Program into vouchers.

LAO RECOMMENDATION

The LAO recommends adopting a modified version of the DOF proposals in both preschool and child care but would redistribute funding so that the per-child levels were equalized across the State.

STAFF COMMENTS

Staff recommends the Subcommittee reject the proposed reform for the following reasons:

- The Assembly would like to address the large number of children that do not have access to early education and child development opportunities; this proposal would shift the financial burden for such an expansion from the State to local districts. These districts will not have the means to make the sizable investment needed to offer all California children the opportunity to participate in early learning.
- This proposal would be disruptive to the existing fragile mixed delivery system, which would likely result in further loss of capacity, especially in the high quality settings.

- The Assembly believes that California has promised families access to public school at age 4 years and 9 months. Eliminating Transitional Kindergarten would break that promise.
- While targeting new early education opportunities to low-income families may be good interim step in expanding care, the long-term goal should be that every child, regardless of family income, should have access to early education.

Staff Recommendation: Reject the Department of Finance Early Education Reform Proposal

ISSUE 5: OPTIONS FOR INVESTMENT IN EARLY EDUCATION AND CHILD DEVELOPMENT

The Subcommittee will consider proposals from advocates regarding additional investments in early education.

PANELISTS

- Deborah Kong, Early Edge California
- Donna Sneeringer, Child Care Alliance of Los Angeles
- Ana-Estella Calles, Parent Voices
- Kate Miller, Children Now
- Donita Stromgren, Northern Director's Group
- Denyne Micheletti, California Alternative Payment Program Association (CAPPA)
- Erin Gabel, California First Five Commission
- Public Comment

BACKGROUND

The State faces a number of challenges in expanding the existing early education and child development system and increasing the quality of the existing programs. While the State's overall investment in early education has not recovered from the Great Recession, the costs for providing this care have increased.

STAFF COMMENTS

Advocates have brought forward a number of proposals for consideration. These proposals roughly fall into the following five categories:

Access/Slots

Across California at all times of day, types of care, and ages of child, the State has significant unmet demand for child development services. Overall, the State has 49,881 fewer early education slots now than in 2008-09. Most of this decline is due to a decrease in CalWORKs related caseload. However, the State funds 14,404 fewer vouchered child care slots than in 2008. As of 2011, the last year of the Centralized Eligibility List, 193,140 children were on wait lists for existing child care programs statewide.

Rates

Early education programs are paid one of two rates:

- **The Standard Reimbursement Rate**, which is a statewide rate paid to contractors, like preschool providers and Title 5 General Child Care contractors.

- **The Regional Market Rate**, which sets the maximum reimbursement level for child care vouchers. This mechanism is based off a survey of the child care market to reflect the actual cost of care for private providers.

Ten years ago, both of these rates were roughly in line with the rates paid by private families, which made it simple and easy to attract providers for these programs. However, currently both types of rates are now below the market rates. During the Great Recession, the rates were frozen and since that time the small increases that were made have not been sufficient to keep up with rising costs, especially labor costs which are sensitive to increases in the State Minimum Wage.

There are two rate-related issues that impact subsets of the early education population:

- **Rate Increments:** The State weights rates it pays for various contracted programs to compensate for factors like infant/toddler care, special needs, and extended day. Some advocates have suggested further increasing some of these rates to meet needs identified by some of these populations.
- **Licensed Exempt Rates:** Families with vouchered child care can opt to use a licensed-exempt provider for care. This provider can only serve one family at a time and is paid 65 percent of the rate a licensed provider could be paid. In some cases, this can amount to a rate that is as low as \$2 per hour for care because of the way part-time rates are calculated. Advocates have asked for the overall percentage that licensed-exempt care receives and also fix the calculation of part-time rates.

Quality

The State currently has programs to improve the quality of existing programs and to train and retain staff. These include:

- **Quality Rating Improvement System:** California received a federal Race-to-the-Top Early Learning grant from the federal government in 2011. Approximately 77 percent of California's RTT-ELC grant funding will be spent at the local level to support a voluntary network of 17 Regional Leadership Consortia, each led by an established organization that is already operating or developing a quality rating and improvement system (QRIS). As part of this grant, the Consortia will bring together organizations in their region with the same goal of improving the quality of early learning and will expand their current areas of impact by inviting other programs to join their QRIS or reaching out to mentor other communities. With the infusion of RTT-ELC Supplemental funding in 2013, the Consortia will begin to mentor 14 additional counties. Nearly 1.8 million children or 65 percent of children under five in California are potentially impacted by this grant.
- **Workforce Investments:** Advocates have suggested using one-time funding for professional learning including coaching and mentoring for caregivers, staff, and teachers involved in early childhood programs.

- **AB 212:** AB 212 provided \$15 million per year for child development staff retention activities conducted by the 55 Local Child Care and Development Planning Councils (LPCs) throughout California.
- **First Five Investments:** First Five California's investments from tobacco tax revenues have focused on improving early learning quality across the state, including professional development for teachers, (CARES Plus), coaching and a focus on teacher effectiveness and the quality of interactions (CLASS), and additional classroom support (early learning, mental health, and family specialists). First 5 counties also invest in a range of early learning quality activities including professional development and training, strengthening and engaging families, developmental screening, and supporting the work of local providers.

Eligibility

As mentioned in Issue #2 of this agenda, the families are having difficulty qualifying and remaining on existing programs because the income requirements for the program have not been adjusted. There are two major issues limiting eligibility for existing programs.

- **SMI Freeze:** All of the State's contracted child development programs are means tested for families, which means that families must be low income to qualify for the care for their children. However, once families begin to receive care, the State Median Income (SMI) is used to decide whether a family is still eligible for subsidized child care. The 2011-12 Budget reduced maximum SMI a family could earn to qualify for care from 75 percent to 70 percent. The SMI has not been adjusted since 2007; budget language has frozen the SMI each year since then. Freezing the SMI prevents some families from being able to offer care and also forces families off care if their income reaches these thresholds. Currently a family of three loses eligibility for child care if they earn more than \$42,216 annually; a family of four must earn under \$46,896 annually to qualify.
- **12-month eligibility duration:** Currently, families in California are required to report any change in work schedule or income within 5 days. The federal government has issued some guidance that would reduce the thresholds and frequencies of income reporting. Conforming to the federal government direction for 12-month eligibility would eliminate most of this reporting. The federal guidance is consistent with extension to the duration of eligibility in CalFresh, MediCal, and CalWORKs, where the costs of reporting appeared to outweigh the benefits of potentially shortening the duration of services.

Infrastructure

There is a significant amount of deferred maintenance in the infrastructure that operates child development programs at the local level. This includes the following issues:

- **Alternative Payment Program Administration Rates:** Alternative Payment Programs administer vouchers and case manage the families in CalWORKs Stages 2 and 3 as well as the Alternative Payment Program. In some cases, these agencies

also administered the CalWORKs Stage 1 program. These administrative agencies both process the payments for the vouchers, insure compliance from providers, and assist families in finding the right child care for their children. Alternative Payment Programs can charge up to 17.5 percent of the total contract for these services. This rate was reduced from 19 percent in the 2010-11 budget as a cost saving tool. Alternative Payment Programs have shrunk, consolidated, and even ceased operating as the costs of operations have climbed while the number of vouchers has shrunk, resulting in lower contract amounts. Without intervention, it is possible that pockets of the State may not have a contractor that can administer the vouchers in the near future.

- **Child Care Resource & Referral (R&R) Data Efficiency Project:** Advocates have a proposal to build out the platform for a comprehensive statewide child care data system which will link consumer education, program eligibility, and provider information. To move toward this goal, we request \$15 million in one-time General Funds to: 1) enable automatic data uploads between the 12 different databases currently used by the 69 R&R programs in California into the statewide database; 2) enhance the website design to improve parent engagement and build a mobile component; 3) provide a disaster preparedness function to notify child care providers of emergency situations; 4) build state level and local components for the Centralized Eligibility List (CEL) into the Data Efficiency Project; and 5) lay the groundwork for future linkages with relevant data systems and agencies.