

**AGENDA**

**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2  
ON EDUCATION FINANCE**

**Assemblymember Kevin McCarty, Chair**

**TUESDAY, MARCH 13, 2018**

**9:00 AM - STATE CAPITOL, ROOM 447**

**ITEMS TO BE HEARD**

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## ITEMS TO BE HEARD

### 6100 DEPARTMENT OF EDUCATION

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#### ISSUE 1: INCENTIVIZING FULL-DAY KINDERGARTEN

The Subcommittee will review the findings of a request made to LAO regarding incentivizing full-day kindergarten programs.

#### PANELISTS

- Ryan Anderson, Legislative Analyst's Office
- Debra Brown, Department of Education
- Aaron Heredia, Department of Finance
- Public Comment

#### BACKGROUND

Last year's budget package required the LAO to identify options for incentivizing full-day kindergarten programs. In particular, the LAO was directed to examine an option that would offer different funding rates for full-day and part-day programs.

**California Kindergarten Programs Serve About 535,000 Children.** Of these children, about 453,000 attend kindergarten, which serves children who turn five before September 2. An additional 82,000 children attend transitional kindergarten, serving those who turn five between September 2 and December 2. (We refer to both kindergarten and transitional kindergarten as "kindergarten" throughout this section.)

**Kindergarten Programs Must Satisfy Basic State Requirements.** State law requires all elementary and unified districts to offer kindergarten classes that are taught by credentialed teachers and adhere to California's content standards. Each program must operate for at least 180 minutes (3 hours) a day. Some schools, however, operate longer programs, up to 6.5 hours per day. State law forbids schools from having a single teacher lead two separate kindergarten classes in a single day, such that schools running part-day kindergarten programs must hire separate teachers for their morning and afternoon classes.

**State Funds Both Full-Day and Part-Day Kindergarten at Same Rate.** Under longstanding budget practice, school districts generate the same amount of state funding for a child enrolled in full-day kindergarten as one enrolled in part-day kindergarten. In 2017-18, school districts are receiving an estimated base rate of \$7,700 in LCFF funding per kindergarten student, the same base rate generated by students in grades 1-3. (State law does not distinguish between full-day and part-day kindergarten. In this section, we define part-day kindergarten as programs operating fewer than 4 hours per day.)

**LAO FINDINGS**

The LAO had the following findings from their report:

- **Most Districts Already Operate Full-Day Kindergarten Programs.** CDE recently surveyed a random sample of 62 school districts and found about 60 percent operate only full-day kindergarten programs, 20 percent operate both full-day and part-day programs, and about 20 percent operate only part-day programs. Among survey respondents, the average full-day kindergarten program lasted 5.6 hours per day, whereas the average part-day program lasted 3.5 hours per day.
- **Part-Day Programs Typically Cost Only Somewhat Less Than Full-Day Programs.** Among the costs associated with kindergarten programs, teacher compensation is by far the largest on a per-child basis. Importantly, districts hire mostly full-time teachers, and they pay their kindergarten teachers the same salaries regardless of whether they participate in full-day or part-day programs. Whereas a teacher in a full-day program instructs a certain number of children throughout the day, a teacher in a part-day program typically instructs about the same number of children in either a morning or afternoon session, while serving in other district capacities throughout the remainder of his or her work day (often as an aide in other classrooms). The associated compensation costs are the same in these two cases. Part-day kindergarten programs could cut costs by employing part-time teachers, but it appears that such practice is rare. Theoretically, they also could cut costs by having one teacher lead two separate kindergarten classes—one in the morning and the other in the afternoon—but state law forbids this practice. For most part-day programs, the only notable savings relative to full-day programs comes from sharing some instructional materials, equipment, and facilities between two classes.
- **Districts Cite a Lack of Facilities as Main Impediment to Full-Day Kindergarten.** In its recent survey, CDE found most districts offering part-day programs were interested in offering full-day kindergarten but did not have enough facility space. Part-day kindergarten reduces the need for facility space by allowing one morning and one afternoon class to share the same space. CDE's findings confirm what we have heard in many interviews with local administrators—facilities are a major impediment to full-day kindergarten.
- **Existing State Kindergarten Funding Policies Not Hindering Full-Day Programs.** Given more than half of districts already offer exclusively full-day programs and another 1 in 5 districts offer a mix of full-day and part-day programs, the state's current funding policies appear sufficient for incentivizing full-day programs.

**LAO OPTIONS FOR LEGISLATIVE  
CONSIDERATION**

**Two Options to Consider.** If the Legislature were interested in taking additional steps to incentivize full-day kindergarten, we think the following two options are promising. If desired, the Legislature could implement both of the options simultaneously (using possible savings generated from option two to cover the costs of option one).

**State Could Incentivize More Full-Day Kindergarten Programs by Providing Facility Funding.** Given many districts cite a lack of facilities as an impediment to full-day kindergarten, the Legislature could allocate more facility funding to districts looking to switch from part-day to full-day programs. The Legislature would have various options to consider when designing such a facility program, including grant and loan options. Regarding a grant program, the Legislature, for example, could provide one-time incentive grants equal to a share of the cost of a new kindergarten facility. Similarly, for a possible loan program, the Legislature could allow school districts to qualify for a loan equal to a share of their costs, with specified loan conditions, including certain interest terms and repayment period.

**State Could Further Incentivize Full-Day Kindergarten by Reducing Part-Day Rates.** The Legislature specifically directed us to consider how the state could incentivize full-day kindergarten by establishing different funding rates for part-day and full-day programs. The Legislature could incentivize full-day kindergarten by reducing part-day funding rates. For example, it could reduce part-day funding rates by the difference in hours between the average part-day and full-day programs in CDE's survey sample (about 35 percent). Assuming the 2018-19 funding rates in the Governor's budget, this would equate to about \$5,300 in base LCFF funding per child in part-day programs compared to \$8,100 per child in full-day programs. If the change were implemented in 2018-19, we estimate possible savings of hundreds of millions of dollars statewide, as many districts might not be able to convert immediately to full-day programs, particularly given their facility constraints. Over the long run, the savings would evaporate if districts found facility solutions and converted to full-day programs, thereby "earning" back the higher funding level.

**STAFF COMMENTS**

Prior to the LAO analysis, the staff was using data from a PPIC 2009 study that found that 43 percent of the state's kindergarten students attended full day classes. The CDE survey shows that full-day kindergarten continues to expand in California under the current funding and policy framework.

Staff recommends the committee ask CDE or LAO to periodically update this survey (or create a report) so the conversation on kindergarten settings can continue in future years.

**SUGGESTED QUESTIONS**

- Would a facility program be enough to entice some of the districts that do not offer full-day kindergarten to begin offering it?
- To what extent does expanding full-day kindergarten compete with other state priorities like expanding transitional kindergarten enrollment or offering preschool at school sites?
- Are you aware of any districts that have no interest in offering full-day kindergarten?
- To what extent has declining enrollment enabled the expansion of full-day kindergarten in school districts?
- What is the best way to continue to refresh this data, so the committee can continue to track kindergarten classroom settings?

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**Staff Recommendation: Hold Open**

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**ISSUE 2: SCHOOL SITE PRESCHOOL LICENSING**

The Subcommittee will discuss the stakeholder process related to school-site licensing standards.

**PANELISTS**

- Edgar Cabral, Legislative Analyst's Office
- Sarah Neville-Morgan, California Department of Education
- Brianna Bruns, Department of Finance
- Public Comment

**BACKGROUND**

Last year, the budget package included trailer legislation that affected schools operating State Preschool programs. Specifically, beginning July 2019, Chapter 15 exempts LEA-run State Preschool programs from Title 22 licensing standards if they operate in a facility that meets school building standards. These standards are commonly referred to as Title 22 standards—named after the regulations creating them. The standards currently apply to all preschool centers in the state. Title 22 regulations include many requirements. For example, the regulations require that classrooms be clean and sanitary, children be constantly supervised, teachers be trained in first aid, and medication and cleaning supplies be stored out of reach of children. The standards are established and periodically revised by Community Care Licensing (CCL)—a division of the Department of Social Services (DSS).

The Trailer Bill also required LAO to convene a stakeholder group to discuss whether additional statute or regulations should be adopted to ensure schools continue to meet basic health and safety standards. As set forth in the bill, the stakeholder group was to include LEA and non-LEA experts on early childhood health and safety issues, as well as various state-level representatives. Although not limited in its review, the stakeholder group was specifically required to review standards related to (1) outdoor shade structures, (2) access to age-appropriate bathroom and drinking water facilities, and (3) processes for parent notification and resolution of violations.

**LAO FINDINGS OF STAKEHOLDER GROUP**

Below, we provide background on licensing requirements for State Preschool providers and describe recent legislation exempting LEAs from these requirements. We then share the conclusions of a recent stakeholder group we were tasked with convening to ensure LEAs exempt from licensing requirements still have safe and healthy preschool settings. We end by offering a few comments relating to further work the Legislature could consider in this area.

Figure 25

**Stakeholder Group Proposes Several New Title 5 Requirements**

- Providers must have outdoor shade that is safe and in good repair.
- Drinking water must be accessible and readily available throughout the day.
- Facilities must have one toilet and handwashing fixture for every 15 children. Facilities must be safe and sanitary.
- Restrooms must only be available for preschoolers and kindergartners.
- Staff must maintain visual supervision of children.
- Indoor and outdoor space must be properly contained or fenced and provide sufficient space for the number of children using the space at any given time. Playground equipment must be safe, in good repair, and age appropriate.

**Stakeholder Group Recommends Adding Several Health and Safety Requirements to Title 5.** As Figure 25 shows, the stakeholder group recommends adding several new requirements to Title 5 standards. In all cases, the recommendations are very similar to existing Title 22 standards. To assist with monitoring these new health and safety requirements, the group recommends CDE develop a health and safety checklist to be used by CDE staff in its monitoring visits.

**Group Also Recommends Expedited UCP Process for Preschool Health and Safety Issues.** With regards to notifying parents and resolving complaints involving preschool health and safety issues, the stakeholder group recommends using the existing UCP process, with timelines similar to those of Williams complaints. This would allow members of the public to submit complaints anonymously, require complaints be resolved within 30 days, and require complainants be notified of a decision within 45 days. The group also recommends requiring LEAs to begin investigating complaints within 10 days of submittal—the same time requirement that currently applies to CCL investigations. In addition, the group recommends requiring LEAs post in each State Preschool classroom information regarding health and safety standards and the process for filing a complaint. This is the same as existing Williams requirements.

**Ambiguity Regarding Exemptions for Classrooms With Mixed Funding Sources.** In its discussions, the stakeholder group identified ambiguity under the new law with regards to which LEAs may be exempt from licensing requirements. Specifically, state law is not clear on whether preschool classrooms funded through a combination of State Preschool and other sources (for example, federal Head Start or fees from private-pay families) are exempt from licensing. This lack of clarity may create confusion among providers and the state agencies responsible for monitoring them.

**STAFF COMMENTS**

The Subcommittee received feedback from advocates asking to further review this proposal. These advocates argue:

- Elimination of Title 22 Requirements leaves many areas of health and safety undefined for young children.
- In Order to Protect Young Children, the Same Minimum Standards Should Apply to all Preschools, Regardless of Where They are Housed.
- Title 22 Regulations Contain Important Inspection and Oversight Components that Protect the Health and Safety of our Youngest Learners.

**SUGGESTED QUESTIONS**

- What are the next steps for the recommendations of the stakeholders?
- Do LEAs foresee benefits from the pending consolidation of licensing requirements?
- Are there changes we could make to Title V licensing in 2019 to address some of the concerns raised by advocates?

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**Staff Recommendation: Hold Open**

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**ISSUE 3: GOVERNOR'S BUDGET PROPOSAL IN EARLY EDUCATION AND AFTERSCHOOL**

The Subcommittee will receive an overview of the Governor's proposed budget in Early Childhood Education and Afterschool Programs.

**PANELISTS**

- Brianna Bruns, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Debra Brown, California Department of Education
- No Public Comment on this Issue (Next issue on agenda is intended for public comment)

**BACKGROUND**

The Governor's budget included additional funding for early childhood education programs.

**Annualizes Preschool Expansion.** The Governor's budget includes \$32 million Proposition 98 (and an additional \$16 million non-Proposition 98 General Fund) for a 2.8 percent rate increase. It also provides \$8 million for an additional 2,959 full-day State Preschool slots at school districts and County Offices of Education starting April 1, 2019. These increases represent the final augmentations associated with a multiyear child care and preschool budget agreement made by the Legislature and the Governor in 2016-17. In addition, the budget allocates \$28 million in Proposition 98 funding (and \$22 million non-Proposition 98 General Fund) to provide a statutory 2.51 percent COLA for certain preschool and child care programs.

**Inclusive Early Education Expansion Proposal.** The Governor's budget provides \$125 million Proposition 98 funding for LEAs and \$42 million federal TANF funding for non-LEAs for a one-time competitive grant initiative. The initiative is intended to increase the availability of mainstream child care and preschool opportunities for children from birth through age 5. Grant recipients must provide a \$1 local match for every \$3 state grant dollars received. Additionally, recipients must serve children in high-need communities. The grant proposal is one of many proposals included in the Governor's budget intended to address poor outcomes for students with disabilities.

**Funds Could Be Used for Various Purposes.** The one-time grant, open to school districts and other child care and preschool providers, could be used for a variety of purposes, including training, facility renovations, and equipment.

**Annualizing 2016 Budget Act Rate Increases.** The Budget increases the reimbursement rate for providers that contract directly with the Department of Education by approximately 2.8 percent, and makes permanent a temporary hold harmless to the 2016 Regional Market Reimbursement Rate Survey for providers accepting vouchers. These rate increases are the final year in a multi-year funding agreement adopted as part of the 2016 Budget Act.

**Continues Afterschool Rate Funding Provided in 2017 Budget Act.** The California's After School Education and Safety (ASES) program supports over 4,200 elementary and middle schools offering after school and summer programs to more than 400,000 students daily. These programs operate in the highest poverty communities—where over 80% of students in ASES qualify for free and reduced-price meals. The 2017-18 Budget added \$50 million in ASES funding, increasing the budget to \$600 million and raising the daily funding formula from \$7.50 to \$8.19 per student—a 9% increase.

#### NEW FEDERAL FUNDING

The State will likely see additional federal funds Child Care and Development Block Grant for early education in the budget year. In February, Congress passed and the President signed a continuing resolution which ended the government shut down. Included in the continuing resolution was the authority to increase overall federal spending for two years (federal fiscal year 2018 and 2019). Parallel to the continuing resolution, Congress made a verbal agreement to use the additional spending authority to increase funding in a few concrete areas such as infrastructure, natural disaster relief, and child care. For child care, Congress agreed to increase CCDBG by \$5.8 billion over the two years. Congress plans to write and put the additional funding in the federal budget bill by the end of March.

#### STAFF COMMENT

The Governor's proposed 2018 budget reflects the increased level of engagement and support for early childhood education by the administration. With this greater level of policy ownership by the administration, the Assembly should expect more interest in nuance of additional investments in this area as we develop our budget priorities.

The Subcommittee should explore whether the proposed Inclusionary Early Education Expansion proposal could be expanded to address the facility and start up needs of infant/toddler programs or whether a different program should be created for this population if such an investment was part of our final budget approach.

The Early Care and Education Coalition and First Five California has suggested that the Early Education Expansion funding use the National Association for the Education of Youth Children definition of early childhood inclusion to allow it to apply to all types of early care providers.

#### SUGGESTED QUESTIONS

- Do you expect to have an estimate of additional federal CCDBG funding before the May Revision?
- Would all types of facilities be eligible for the Inclusive Early Education Expansion proposal?

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**Staff Recommendation: Hold Open**

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**ISSUE 4: POSSIBLE INVESTMENTS IN EARLY EDUCATION, NUTRITION, AND AFTER SCHOOL PROGRAMS**

The Subcommittee will hear from the public regarding possible investments in early childhood education, afterschool, and child nutrition programs.

**PANELISTS**

- Public Comment

**BACKGROUND**

The Subcommittee received a large amount of correspondence from the public relating to early childhood education investment proposals. Some groups and individuals supported more than one proposal. This agenda item will summarize proposals received by the staff to provide a point of reference for the public comment period.

**ADVOCATE PROPOSALS**

The Early Care and Education Coalition

- Increase access by making a major investment in additional child care slots.
- Expand and Support Infant/Toddler Care
  - Increase Infant/Toddler Rate Adjustment Factor
  - Re-establish professional development days
  - Provide child care center start-up funds.
- Use one-time funds for the Child Care Initiative Project and consumer education database.

American Heart Association, California Resources and Referral Network, Child Care Alliance of Los Angeles

- Appropriate \$10 million for dedicated technical assistance and grant opportunities for child care providers in low-income communities or serving low-income families to incorporate nutrition, active play and screen time standards.

California Alternative Payment Program Association (CAPPA)

- Add 100,000 vouchered child care slots for working families.
- Increase provider rates to reflect the actual cost of care and California's minimum wage.
- \$50 million in one-time non-Proposition 98 General Fund to support needed technology upgrades for child care and early education programs. Specifically, this funding would be used for Alternative Payment Programs to update their phone systems and servers, renew software licensures, transitioning to electronic applications and storage, and train staff. This would include creating a new version of the centralized eligibility list.

## United Domestic Workers Local 3930 AFSCME

- Assess the costs to develop an electronic timecard process for the monthly attendance records at alternative payment programs.

## California Food Policy Advocates

- Reinstate the state supplemental meal reimbursement for child care meals that was eliminated in 2012.
- Increase the supplemental rate for meals served on K-12 campuses and for family child care homes from \$0.1717 per meal to \$0.2306 per meal and raise the rate of reimbursement for child care homes operating under a public school authority.
- This proposal would impact an estimated 72 million meals a year at a total cost of \$16.6 million (\$15.6 million non 98 General Fund and \$1 million Prop 98).
- Increase “the Breakfast Before the Bell” program by \$1 million and continue funding the program for five years.

## California Afterschool Advocacy Alliance

- Appropriate \$76.3 million Proposition 98 to increase ASES rates to keep pace with increases in the minimum wage.
- The Subcommittee received 30 letters in support for this proposal from the following:
  - California State Alliance of YMCAs
  - United Way of Greater Los Angeles
  - Los Angeles Unified School District Police Department
  - Children Now
  - California Food Policy Advocates
  - Fight Crime: Invest in Kids
  - Mission: Readiness
  - Napa County Office of Education
  - The City of Vacaville
  - LA's BEST After School Enrichment Program
  - Youth Policy Institute
  - Nipomo Area Recreation Association
  - Reach for the Stars
  - After-School All-Stars, Los Angeles
  - Student Success Institute, Inc.
  - Camp Fire Angeles
  - Village Extended School Program, Monrovia Unified School District
  - The Tech Museum of Innovation
  - THINK Together
  - YMCA of Greater Long Beach
  - A World Fit for Kids
  - Heart of Los Angeles (HOLA)
  - City of Downey ASPIRE After School Program
  - Center for Powerful Public Schools
  - EduCare Foundation

- California School-Age Consortium
- Partnership for Children & Youth
- City of Los Angeles
- California Afterschool Network
- Bay Area Community Resources
- 8 Individuals

#### Child Care Law Center, California Child Care Resources and Referral Network, Parent Voices

- Appropriate \$11 million to increase hourly licensed-exempt child care rates to reflect 70 percent of the market rate.

#### Alameda Early Care & Education Planning Council

- Appropriate \$3.5 billion for additional child care rates and increased infant toddler slots in lieu of the one-time deposit into the Budget Stabilization Account proposed in the budget.

#### CompTIA and TechNet

- Appropriate \$100 million one-time to create After School Kids Code Grant Program for a three-year pilot to students to learn coding in existing afterschool programs.

#### California Resource and Referral Network

- Provide \$3.5 million one-time to expand and enhance the consumer education website and database as required by the Child Care and Development Block Grant of 2014.

#### California Coalition for Equity in Early Care and Education

- Increase rates beyond the level proposed in the budget.
- Increase the infant-toddler adjustment factor.
- Provide one-time start-up funding for facility projects and consider converting existing revolving loan program to a grant-based program.

#### Silicon Valley Children's Advocacy Network

- Increase reimbursement rates beyond the level of the Governor's budget.
- Replace the Child Care Facilities Revolving Loan Fund with a well funded grant-based program.
- Increase the infant-toddler adjustment factor for child care centers.
- Add additional slots for child care to restore to pre-recessionary levels.
- Provide funding for incentives for pediatricians and other health providers to screen for developmental delays.
- Consider a higher wage replacement and longer time available for paid family leave.

## First Five California

- Double the number of children served in the Alternative Payment Program
- Strengthen Infant/Toddler Care
  - Increase Infant/Toddler Rate Adjustment Factor
  - Re-establish professional development days
  - Provide child care center start-up funds.

<b>STAFF COMMENT</b>
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In addition to the proposal put forward by advocates, staff has three recommendations:

- Change the start date of CDE contracts to October 1<sup>st</sup> of each year, starting in 2019, this will allow any budget changes to rates or slots to be incorporated in the new contract. This will reduce the contracting paperwork.
- Set administrative rates for alternative payment programs based upon the total contracted amount, rather than the amount expended. This will provide more predictability to the funding for the programs and eliminate any incentive for contractors to retain surplus funds.
- Convene a workgroup with Finance, CDE, DSS, Legislative staff, and stakeholders to explore options for updating and streamlining CDE oversight provisions related to alternative payment programs with the goal of enacted consensus-based options at the end of the 2018 Legislative Session.

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**Staff Recommendation: Hold Open**

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