

AGENDA

JOINT HEARING

ASSEMBLY BUDGET SUBCOMMITTEE No. 1 ON HEALTH AND HUMAN SERVICES
ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

ASSEMBLY BUDGET SUBCOMMITTEE No. 2 ON EDUCATION FINANCE
ASSEMBLYMEMBER SUSAN BONILLA, CHAIR

WEDNESDAY, MARCH 20, 2013
1:30 P.M. - STATE CAPITOL ROOM 4202

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
5180	DEPARTMENT OF SOCIAL SERVICES	1
6110	CALIFORNIA DEPARTMENT OF EDUCATION	1
ISSUE 1	OVERVIEW OF CHILD DEVELOPMENT IN CALIFORNIA	1
ISSUE 2	PRESCHOOL	5
ISSUE 3	PRIORITIES FOR REINVESTMENT IN CHILD DEVELOPMENT	8

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES

6110 DEPARTMENT OF EDUCATION

ISSUE 1: OVERVIEW OF CHILD DEVELOPMENT IN CALIFORNIA

The Subcommittees will consider how California's children are cared for, especially in their early years when developmental gains are critical.

PANEL

- Kristin Schumacher, California Budget Project
- Rowena Quinto, California Resource and Referral Network
- Professor Ross Thompson, UC Davis
- Rachel Ehlers, Legislative Analyst's Office
- Erin Gabel, California Department of Education

BACKGROUND

In 2010, 24.8 percent of California's population was under the age of 18, which equates to a little less than 9.3 million children. 2.5 million of these children were preschool age (under 5), a growing segment of California's population that will increase by 192,439 by 2020.

According to the Department of Social Services, in February 2013 California had 49,129 licensed child care facilities with a capacity to serve 1,111,743 children in total. This means that most of California's children are not being served by licensed care, because the total potential capacity only covers a small proportion of children. Who is caring for these children?

Preschool-Aged Children

Various estimates suggest a very high number of children aged 3-5 do not attend a preschool, Head Start, or nursery school. Data derived from the census suggests that in 2011, 596,000 children or 39 percent overall did not enroll in one of these programs. Additional data from the California Health Interview Survey in 2009, suggests that 73 percent of children in California aged 3-5 do not attend a preschool, head start or nursery school for more than 10 hours a week.

In addition to licensed child care, the State has several programs that target this age group.

Transitional Kindergarten

In the current year, at least 25,563 children are enrolled in Transitional Kindergarten, which is currently provided to children that turned five between November 2nd and December 2nd of 2012. This enrollment level is expected to roughly double as the program expands to children that turn five between October 2nd and December 2nd of this year. When fully implemented in the 2014-15 school year, the program will serve children born between September 2nd and December 2nd.

State Preschool

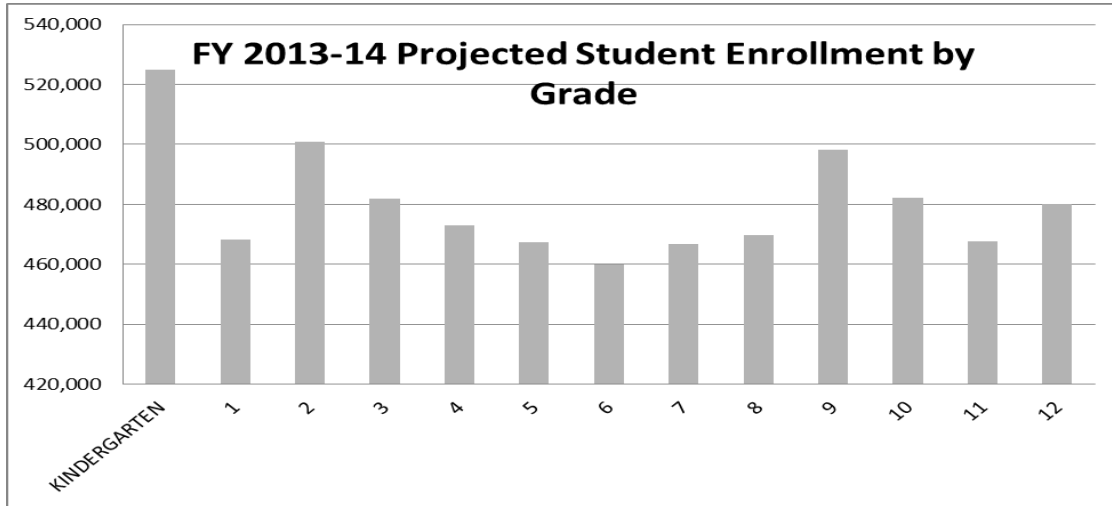
The California Department of Education (CDE) administers a state preschool program that provides contracts to schools and preschool centers for both part-day and full-day preschool programs targeting low-income children. Often these program slots are bundled with other programs to allow for extended or full day care. According to CDE since October 2008, the number of preschool slots have decline by 15 percent, from 151,775 slots to 129,202 slots.

Head Start

Head Start is a federal program that promotes the school readiness of children ages birth to 5 from low-income families by enhancing their cognitive, social, and emotional development. According to the California Head Start Association in the Federal Fiscal Year 2011-12, Head Start served 111,959 children in California. While the State has no role in administering the Head Start program, the California Head Start Association estimates that over 79 percent of Head Start programs also have contracts with CDE for State Preschool.

School Aged:

As for school-aged children, the Department of Finance has made the following projection of the number of children at various grade levels for 2013-14, which is depicted in the following chart:



Source: Department of Finance

State Afterschool

California administers two afterschool programs: the After School Education and Safety (ASES) Program, which was the result of the 2002 voter-approved initiative, Proposition 49 and the 21st Century Program. A state-administered, federally funded program provides five-year grant funding to establish or expand before-and after-school programs that provide disadvantaged kindergarten through twelfth-grade students. These programs serve on average close to 400,000 children, with 21st Century serving 30,516 and ASES serving 362,523 in 2011-12.

STAFF COMMENTS

There is a significant gap between the available slots in child care, preschool, and afterschool programs and the number of children in California that need these placements. One of the principle reasons for this gap is that these services are too expensive or difficult to access, with care costing an average statewide of \$6,596 per year for preschool care a licensed family child care home to \$11,276 per year for licensed infant care. However, families with young children are among the most financially stretched groups in the State, with 43 percent of households with children earning less than 200 percent of the federal poverty level. This creates a classic "market failure" where there are no private providers to provide child development services at a level many California families can afford. Thus without the intervention of Government into this market, this need would go unmet.

The question is therefore: Does the societal benefit from providing care to families outweigh the cost to the public for these services?

Staff believes there is evidence to conclude that there are at least three reasons why the State investment in this area have provided benefits to all Californians and is worthy for consideration for additional resources when the State again has the capacity to invest. These reasons are:

1. California's investment in child development has facilitated hundreds of thousands of children having access in their early years to high quality educational experiences that have been demonstrated empirically to improve learning for the child's entire academic career.
2. The large State investment in child development programs over the last decade has facilitated a significant increase in child development and child care access in underserved areas of the State, which has allowed parents additional choices for their children and encouraged continue investment in child care and development infrastructure and training across the State.
3. Access to affordable child care continues to be the single most challenging barrier for families attempting to enter the labor force or attain education and provision of stable, predictable care that empowers parents to make choices has been shown to address this need.

Given these three reasons, investment in child development and child care addresses two of the State's most intractable problems, the educational achievement gap and the reduced economic mobility.

Staff Recommendation: Informational Item, no action

ISSUE 2: PRESCHOOL

The Subcommittees will discuss the overall funding of preschool and the impact of a recently impacted family fee for preschool.

PANEL

- Angie Garling, Alameda County Child Care Planning Council
- Scott Moore, Preschool California
- Rachel Ehlers, Legislative Analyst's Office
- Erin Gabel, California Department of Education

BACKGROUND

As noted in the previous issue, California's Preschool program enrollment dropped 15 percent between October 2008 and October 2012, from 151,775 slots to 129,202 slots due to various factors including budget reductions. While the Governor has proposed increases to other elements of Proposition 98 programs, the Governor's Budget leaves Preschool essentially flat funded at \$481 million, with a small technical decrease (\$242,000) to the program to adjust for population.

While expanding Preschool was not a priority of the Administration in this year's budget proposal, it has become a priority for the White House. On February 12, 2013, President Barack Obama made the following comments about preschool programs in his State of the Union Address:

Study after study shows that the sooner a child begins learning, the better he or she does down the road. But today, fewer than 3 in 10 four year-olds are enrolled in a high-quality preschool program. Most middle-class parents can't afford a few hundred bucks a week for a private preschool. And for poor kids who need help the most, this lack of access to preschool education can shadow them for the rest of their lives. So tonight, I propose working with states to make high-quality preschool available to every single child in America. That's something we should be able to do.

Every dollar we invest in high-quality early childhood education can save more than seven dollars later on -- by boosting graduation rates, reducing teen pregnancy, even reducing violent crime. In states that make it a priority to educate our youngest children, like Georgia or Oklahoma, studies show students grow up more likely to read and do math at grade level, graduate high school, hold a job, form more stable families of their own. We know this works. So let's do what works and make sure none of our children start the race of life already behind. Let's give our kids that chance.

Preschool Fee

2012-13 is the first year families in State Preschool have been asked to pay a family fee, which has impacted enrollment. The 2012-13 Education Budget Trailer Bill SB 1016 (Budget and Fiscal Review Committee), Chapter 38, Statutes of 2012, contained provisions that imposed an income-based family fee on families participating in State preschool. For example, a family of three with an adjusted monthly income of \$2,100 is assessed a part-time daily fee of \$1.25; a family of four with adjusted monthly income of \$2,400 is assessed a part-time daily fee of \$1.50. Only 11 percent of the families with children in preschool had high enough incomes to be impacted when the program was initiated. However, in the first six months of the program's implementation, about 5 percent of the total enrollment withdrew from preschool and an addition 2,757 children did not enroll in the program after their parents were informed of the fee. The Department of Finance estimates that the family fee generates about \$3.3 million, which is redirected back to the program to fund preschool slots.

LAO RECOMMENDATION

We recommend the Legislature allocate a share of the projected increase in the Proposition 98 minimum guarantee to fund additional preschool slots. The State Preschool program experienced disproportionately large funding reductions in recent years compared to other Proposition 98 programs. In addition, increasing funding would treat preschool comparably to other Proposition 98 programs, most of which the Governor proposes to increase. Assuming the Legislature ultimately adopts the same Proposition 98 spending level as the Governor, spending more on preschool would require spending less on other Proposition 98 activities compared to the Governor's proposals. Given the Proposition 98 minimum guarantee likely will change at the May Revision, we recommend the Legislature wait to determine how much additional preschool funding to provide within the context of its overall Proposition 98 package.

STAFF COMMENTS

The Subcommittees may wish to explore whether the State is prepared to partner with the federal government to expand preschool if that possibility was presented to the State in the near future. When the federal government structured project sponsorship under ARRA, one of the major criteria was funding for "shovel-ready projects" that could begin immediately. Caltrans and local transportation agencies were ready for this funding and California was able to compete for funding effectively. The Subcommittee could ask if similar preschool funding was made available would the state be able to react as nimbly?

The Preschool family fee seems like a mistake that should be corrected. The reported impact of the fee far exceeds the paltry savings attributed to its adoption.

Staff Recommendation for Action in SUBCOMMITTEE 2:

- **Adopt placeholder Trailer Bill Language to Repeal the Family Fee for State Preschool and direct staff to include funding to backfill the loss of fee revenue to preschool as part of the Assembly's final Proposition 98 package.**
 - **Adopt Supplemental Report Language to require CDE to prepare a plan, by February 1, 2014, to make high-quality preschool available to every single child in California over the next 5 to 10 years. The plan should include various options and recommendations for achieving this implementation plan.**
-

ISSUE 3: PRIORITIES FOR REINVESTMENT IN CHILD DEVELOPMENT

The Subcommittees will discuss options for reinvestment in child care and development programs.

PANEL**Panel #1: Impact of recent budget cuts**

- Rachel Ehlers, Legislative Analyst's Office

Panel #2: Suggestions for Reinvestment by Advocates

- Donita Stromgren, Northern Director's Group
- Kimberly Johnson, California Resource and Referral Network
- Denyne Micheletti, California Alternative Payment Programs Association
- Giannina Perez, Children Now
- Donna Sneeringer, Child Care Resource Center
- Tim Fitzharris, Child Development Policy Institute
- Parent, Parent Voices

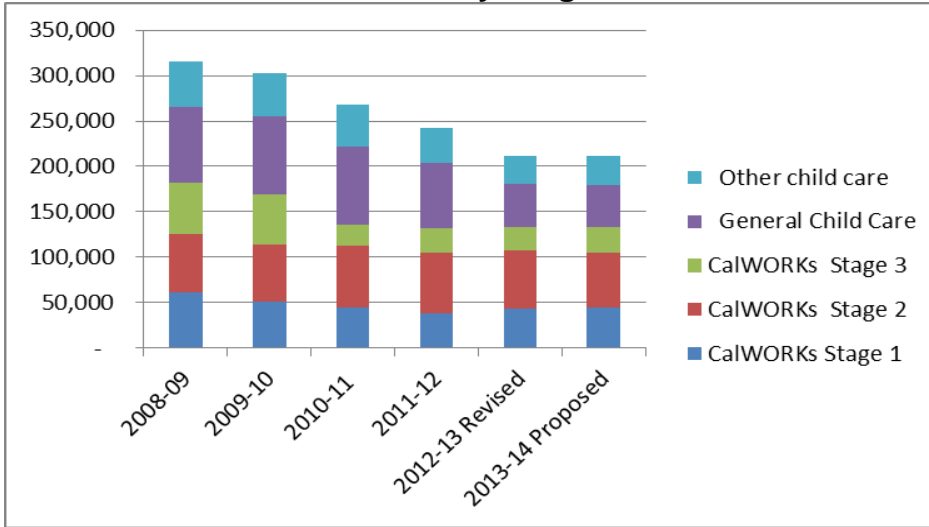
Panel #3: Reaction and Thoughts from State Entities

- Pete Cervinka, Department of Social Services
- Erin Gabel, California Department of Education

BACKGROUND**Our State System Diminished**

Subsidized child care programs in California have been cut significantly during the Great Recession. Since 2008-09, over 100,000 subsidized child care slots have been lost due to, budget reductions and impacts related to CalWORKs policy changes. This reduction, a 33 percent drop, has significantly diminished the State programs. The chart below indicates the impact on child care programs from the policy, caseload, and funding reductions implemented over the last five years.

Subsidized Child Care Slots by Program 2008-09 to 2013-14



These figures exclude State Preschool programs, which were discussed in Issue 2.

The Legislative Analyst's Office (LAO) projects that in 2013-14 the State will purchase 211,785 subsidized child care slots, for both licensed and license exempt care. In the 2010 data, California had a total of 1,111,743 licensed child care slots, which means the State's role in the market overall is significant.

How do the cuts to subsidized slots impact unsubsidized capacity?

The reductions to state subsidized child care has impacted the overall supply of child care to all families in California. Between 2008 and 2012, forty counties have seen a drop in licensed capacity, with some counties seeing incredible reductions in capacity. For example, Stanislaus County lost 34 percent of capacity over that time period.

The chart below, from the California Resource and Referral Network, illustrates this data:

COUNTY	Change in Licensed Capacity 2008-2012
MONO	-47.8%
ALPINE	-46.2%
STANISLAUS	-34.1%
PLUMAS	-22.8%
MARIPOSA	-22.5%
AMADOR	-19.3%
SOLANO	-18.8%
SUTTER	-18.2%
KINGS	-16.7%

BUTTE		-15.7%
SISKIYOU		-14.8%
SHASTA		-13.1%
EL DORADO		-12.5%
CALAVERAS		-11.3%
SAN BENITO		-11.1%
TEHAMA		-10.6%
TUOLUMNE		-10.5%
IMPERIAL		-10.1%
KERN		-9.9%
NAPA		-9.7%
PLACER		-9.6%
DEL NORTE		-9.3%
MONTEREY		-9.0%
LOS ANGELES		-8.3%
NEVADA		-7.9%
VENTURA		-7.6%
FRESNO		-7.1%
HUMBOLDT		-6.9%
LAKE		-6.6%
SAN LUIS OBISPO		-6.2%
COLUSA		-5.8%
ALAMEDA		-5.6%
MERCED		-5.6%
SACRAMENTO		-5.3%
MADERA		-3.0%
SAN DIEGO		-3.0%
SAN JOAQUIN		-3.0%
YUBA		-2.7%
SONOMA		-2.4%
ORANGE		-1.9%

While it did not see an overall decline in this time period, Contra Costa County in 2012 lost a net of 851 slots as child care facility closures outpaced new openings. Of these slots, 726 were in family child care, while 125 were in center based care.

Child Care Rates Can Translate Into Some of California's Lowest Wages

The rates paid to some subsidized child care providers in California are among the lowest wages paid to workers anywhere in the world. While California is considered one of the highest cost regions to live internationally, the rate paid for licensed exempt child care can be equivalent to the pay rate of unskilled factory work in developing nations.

Occupation	Hourly Wage
California Median Wage (2012)	\$25.30
United States Median Wage (2011)	\$24.06
California Preschool Teacher Median Wage (2012)	\$15.77
California Child Care Median Wage (2012)	\$11.97
California Nonfarm Animal Caretaker Median Wage (2012)	\$11.34
California Minimum Wage (Current)	\$8.00
United States Minimum Wage (Current)	\$7.25
Hourly Licensed Exempt Reimbursement Rate for School Aged Care in Contra Costa County	\$2.04
Hourly Licensed Exempt Reimbursement Rate for one child receiving School Aged Care in Los Angeles County	\$2.02
Hourly Licensed Exempt Reimbursement Rate for one child receiving Infant Care in Kern County	\$2.02
Average Wages for Factory Work, Philippines (2012)	\$2.01
Hourly Licensed Exempt Reimbursement Rate for one child receiving School Aged Care in Kern County	\$1.73
United States Minimum Wage (1968)	\$1.60
Average Wages for Factory Work, China (2011)	\$1.32

Department of Social Services Workgroup

The Governor's January Budget Summary included reference to a working group, administered by the Department of Social Services, to discuss program improvements and efficiencies. The Department has since deferred convening this work group.

STAFF COMMENTS

Families with children in licensed child care are impacted by the State's child care programs, whether their children are directly subsidized or not. As previously stated in the agenda, staff believes there is a market failure for child care. In this case, child care providers lack the customers they need to cover the costs of their intense fixed facilities and operations costs. The State provides more customers, especially in underserved areas, which allow these facilities to utilize their scale and thrive. The increase in demand for care by subsidized families facilitates competition between facilities, investment in expansion and quality, and innovation to attract families. Therefore any investment in additional subsidized slots would help increase the scope and quality of the State's overall child development network.

Child care providers also lack the power to address their own wages, which are held down by the need for providers to minimize costs to be price competitive. This staffing model works for low skilled warehouse employees or customer service representatives that add little value to the products they handle. However, this model leads to high turnover and provides little incentive for investment in further education and quality-related human capital attainment by employees. Given that child care workers are providing care, education, and life skills to the children they care for, the State has an interest to make sure that the quality of care is sufficient. However, it is unrealistic to expect that quality care can be provided at \$1.73 per hour or that staff can build the expertise and professionalism in a field that is among the lowest compensated in the State.

Staff Recommendation: Hold Open
