

# Transitional Kindergarten and State Preschool Proposals

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## SUMMARY

This brief provides an overview and analysis of the Governor's proposals for transitional kindergarten (TK) and State Preschool.

***Delaying Facilities Funding and Maintaining Current TK Staffing Ratios Seems Reasonable Given State Budget Problem.*** The Governor's budget delays \$550 million one-time non-Proposition 98 General Fund for early education facilities from 2023-24 to 2024-25. The Governor's budget also maintains staffing ratios at 1 adult for every 12 students rather than moving to 1 adult for every 10 students. Both of these actions help to address the state's budget issues. With regard to facilities, most school districts report having adequate classroom space to meet projected TK enrollment. However, past augmentations for early education facilities were oversubscribed and funding provided would likely be used. The Legislature can provide some amount of funds for facilities this year or reevaluate whether to provide additional funding next year, based on the state's budget condition. With regard to staffing ratios, keeping these ratios at existing levels also helps ensure that schools do not experience even greater staffing shortages.

***Recommend Rejecting Additional TK Staffing Requirements.*** The Governor's budget proposes additional requirements for adults assigned to TK classrooms starting in the 2028-29 school year. In practice, these would be additional requirements for instructional aides. In light of staffing challenges, we recommend rejecting this proposal. These requirements would make hiring instructional aides for TK classrooms more difficult.

***Several Opportunities for Savings in State Preschool.*** We find the Legislature could reduce costs in State Preschool by \$196 million and maintain the program as it currently operates. These savings are associated with the Governor overbudgeting the cost-of-living adjustment (COLA), lower-than expected costs for recent rate increases, and unallocated funding for recent slots. If the Legislature reduces costs, the "freed up" funds could be used (1) as a budget solution, (2) to increase funding in other areas of the State Preschool program (such as to increase rates or eliminate family fees for full-day State Preschool), or (3) to increase funding for other priorities outside of the State Preschool program.

***Legislature Could Consider Action on Temporary Policies.*** The Governor's budget allows two temporary policies to lapse—reimbursement flexibility for State Preschool providers and family fee waivers. We recommend allowing the reimbursement flexibility to sunset, which would require State Preschool providers to serve a certain number of children to fully earn their contracts. If funding priorities allow, the Legislature may want to consider eliminating family fees for full-day State Preschool. (The state does not charge family fees for part-day State Preschool or TK.) This action would eliminate the fiscal incentive for families to enroll in TK rather than State Preschool, even when State Preschool would better meet a family's needs.

# INTRODUCTION

In this brief, we analyze the Governor’s budget proposals related to the state’s two main preschool programs—TK and State Preschool. The first section provides an overview of the Governor’s

proposed spending for preschool programs. In the second section, we cover the Governor’s major TK proposals, while in the third section we cover the Governor’s major State Preschool proposals.

# OVERVIEW

**Governor’s Budget Includes \$5.9 Billion for Preschool Programs in 2023-24.** The Governor’s budget proposes providing \$3 billion for TK and \$2.9 billion for State Preschool. As **Figure 1** shows, this is an increase of \$553 million (10 percent) from the revised 2022-23 level. The budget includes a \$556 million increase in Proposition 98 General Fund and a \$154 million increase in non-Proposition 98 General Fund. These increases are offset by a \$157 million decrease in temporary federal funds.

**Majority of New Funding Associated With TK.** **Figure 2** shows the various changes to preschool spending included in the Governor’s budget for 2023-24. The budget provides a \$939 million increase for TK. This is associated with TK expansion and COLA for the Local Control Funding Formula (LCFF). For State Preschool programs, the budget provides \$176 million for an 8.13 percent COLA and \$112 million to increase the enrollment of students with disabilities. These increases are offset by a \$675 million decrease associated with the expiration of one-time funds, primarily for TK planning and facilities.

Figure 1

## Preschool Budget

(Dollars in Millions)

	2021-22 Revised	2022-23 Revised	2023-24 Proposed	Change From 2022-23	
				Amount	Percent
<b>Expenditures</b>					
<b>Preschool Programs</b>					
State Preschool <sup>a</sup>	\$1,720	\$2,579	\$2,867	\$288	11.2%
Transitional Kindergarten <sup>b</sup>	965	2,069	3,008	939	45.4
Preschool QRIS Grant	50	50	50	—	—
Subtotals	(\$2,736)	(\$4,698)	(\$5,925)	(\$1,227)	(26.1%)
<b>Other Support</b>	\$1,040	\$694	\$19	-\$674	-97.2%
<b>Totals</b>	<b>\$3,775</b>	<b>\$5,391</b>	<b>\$5,944</b>	<b>\$553</b>	<b>10.3%</b>
<b>Funding</b>					
Proposition 98 General Fund	\$2,547	\$4,337	\$4,892	\$556	12.8%
Non-Proposition 98 General Fund	988	844	998	154	18.3
Federal One-Time COVID-19 Relief	240	210	54	-157	-74.5

<sup>a</sup> Includes \$1.2 million each year used for a family literacy program offered at certain State Preschool sites.

<sup>b</sup> Reflects preliminary LAO estimates as enrollment data are not yet publicly available. The 2022-23 and 2023-24 estimate includes Department of Finance’s estimates for add-on and expansion policies.

QRIS = Quality Rating and Improvement System.

Figure 2

### 2022-23 Changes in Preschool Spending

(In Millions)

Change	General Fund			Total
	Proposition 98	Non-Proposition 98	Federal	
Transitional kindergarten attendance and COLA	\$939	—	—	\$939
State Preschool COLA (8.13%)	112	\$64	—	176
State Preschool for students with disabilities	64	48	—	112
Classroom Assessment Scoring System support	1	— <sup>a</sup>	—	1
Replace expiring federal funds	—	157	-\$157	—
Remove one-time funding	-561	-114	—	-675
<b>Totals</b>	<b>\$556</b>	<b>\$154</b>	<b>-\$157</b>	<b>\$553</b>

<sup>a</sup> Less than \$500,000.  
COLA = cost-of-living adjustment.

## TRANSITIONAL KINDERGARTEN

In this section, we provide background on TK, describe the Governor’s proposals related to TK, and offer our associated comments.

### Background

**Certain Students Eligible for TK.** Under state law, TK is the first year of a two-year kindergarten program offered by public elementary schools. In 2021-22, students were eligible for TK if they had their fifth birthday between September 2 and December 2. Similar to all other K-12 students, TK students generate attendance-based funding through LCFF. School districts have the option to provide TK to students who are born after the cutoff date (December 2 in 2021), but have their fifth birthday during the school year. School districts only receive attendance-based funding for these students after the student turns five.

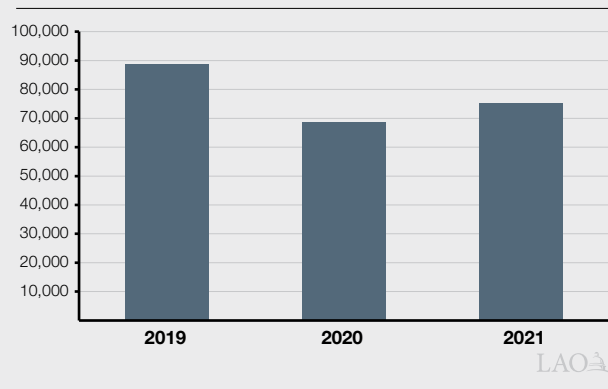
**TK Enrollment Declined During the Pandemic.** As **Figure 3** shows, in October 2019, 89,000 students were enrolled in TK. The following year, 69,000 children were enrolled (a 23 percent decline). By October 2021, 75,000 students were enrolled in TK. While this enrollment reflects a 10 percent increase from the previous year, it is 13,000 students short of pre-pandemic enrollment.

**State Implementing Multiyear Plan to Expand TK Eligibility to All Four-Year Olds.** As part of the 2021-22 budget agreement, the state established a plan to gradually expand TK eligibility to all students from 2022-23 through 2025-26. **Figure 4** on the next page shows the expansion schedule. 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.

Figure 3

### Number of Children Served in Transitional Kindergarten

October Enrollment



**State Also Made Recent Programmatic Changes to TK.** The 2021-22 budget agreement also included a new class size requirement for TK—specifically, requiring that school districts maintain an average TK classroom enrollment of no more than 24 students at each school site. (Previously, districts could have a higher average class size if it was collectively bargained.) The state also set minimum requirements for the number of adults required in a TK classroom. Beginning in 2022-23, TK classrooms must, on average, have 1 adult for every 12 students and school districts will receive \$2,813 per TK average daily attendance to cover the associated costs. In practice, this means TK classrooms have 24 students or fewer, with one credentialed teacher and one instructional aide. State law also specifies that ratios would be reduced to one adult for every ten students starting in 2023-24, contingent on additional funding being provided.

**Additional Requirements for TK Teachers Scheduled to Take Effect Next year.** In addition to an elementary teaching credential, TK teachers will be required—starting August 2023—to have either 24 units in early childhood education and/or child development, a child development permit, an early childhood education specialist credential, or comparable experience in a classroom setting with preschool-aged children. These additional requirements were initially set to start August of 2020, but have been delayed several times.

**State Provided One-Time Funding to Support TK Expansion.** Between 2021-22 and 2022-23, the state provided a total of \$1.2 billion in one-time General Fund to support TK expansion. These augmentations include:

- **Facility Support.** In 2021-22, \$490 million in one-time non-Proposition 98 General Fund funding was provided to construct or retrofit early education facilities. Projects could be used to support full-day kindergarten, transitional kindergarten, or school district operated State Preschool facilities. In 2022-23, an additional \$100 million was provided, with statute specifying intent to provide an additional \$550 million to in 2023-24.
- **Planning Support.** In 2021-22, \$200 million Proposition 98 General Fund was provided to all local education agencies (LEAs)—school districts, charter schools, and county offices of education—that operate kindergarten programs. Funds could be used for a variety of purposes such as recruitment, training, and materials. In 2022-23, an additional \$300 million was provided for these purposes.
- **Teacher Support.** In 2021-22, \$100 million Proposition 98 General Fund was provided as a competitive grant for LEAs to increase the number of highly qualified State Preschool and TK teachers.

**School District Reports Give Snapshot of TK Expansion Plans.** Based on reports submitted to the California Department of Education (CDE) by 829 school districts as part of the one-time planning grants funded in 2021-22, approaches to TK implementation vary across the state. For example, districts differ as to whether they plan to ramp up TK implementation faster than required in the 2022-23 school year. Specifically, 43 percent of school districts report they plan to offer TK to four-year olds with birthdays after February 3,

whereas 35 percent report they do not plan to offer TK to this population. (The remaining 22 percent were not sure.) The majority of districts (67 percent) report they are offering full-day TK (exceeds four hours) and 61 percent report that TK is offered at all elementary school sites. (The reports for charter schools were similar.)

Figure 4

**Transitional Kindergarten Expansion Schedule**

Year	Eligibility
2021-22	Must have fifth birthday between September 2 and December 2.
2022-23	Must have fifth birthday between September 2 and February 2.
2023-24	Must have fifth birthday between September 2 and April 2.
2024-25	Must have fifth birthday between September 2 and June 2.
2025-26	Must have fourth birthday by September 1.

Note: Some school districts may allow younger students who do not meet the criteria above to enroll in transitional kindergarten. These students do not generate state funding until their fifth birthday and must turn five before the end of the school year.

***Workforce Challenges Appear to Be More Prevalent Compared to Facility Challenges.***

Workforce issues appear to be a key barrier to TK implementation. Only 23 percent of school districts report having enough multiple subject teaching credential holders to meet the need for TK expansion. Facility challenges appear to be less of an issue, with 75 percent of school districts reporting they have adequate space to meet the projected enrollment of TK students. Some school districts report planning to make facility updates, such as paving an area. However, 41 percent of school districts and charter schools report they do not intend to make updates to facilities.

**Governor's Proposal**

***Increases Funding by \$690 Million to Implement TK Expansion.*** The Governor's budget includes \$690 million in additional LCFF funding to account for the approximately 46,000 additional children estimated will be enrolled in TK in 2023-24. These costs are associated with an additional two months of eligibility specified in the multiyear plan. (In 2023-24, a child must have their fifth birthday by April 2 instead of February 2 to be eligible.)

***Delays Planned Facilities Augmentation.*** The Governor's budget delays \$550 million one-time non-Proposition 98 General Fund for facilities from 2023-24 to 2024-25. Funds could be used for TK, full-day kindergarten or State Preschool facilities.

***Maintains Staffing Ratios at 1 Adult for Every 12 Students.*** The budget also includes an increase of \$165 million to reflect higher costs of maintaining an average of 1 adult for every 12 students in TK classrooms. These costs are associated with maintaining these ratios for a growing number of TK students and providing a COLA. Notably, the Governor's budget does not include funding to require that TK classrooms, on average, have one adult for every ten students.

***Creates Additional Requirements for TK Staff.*** The Governor's budget proposes additional requirements for adults assigned to TK classrooms. In practice, these would be additional requirements for instructional aides. Starting in the 2028-29 school year, adults assigned to TK classrooms must either (1) be a credentialed teacher, (2) be working towards a teaching credential

through any program that requires a clinical practicum experience, (3) hold a child development permit or be a candidate for supervised practicum experience for a child development permit, or (4) participate in certain specialized programs such as regional occupational programs with supervision. (A child development permit is required for teachers in a State Preschool program.)

**LAO Comments**

***TK Estimates Will Be Updated as Current-Year Data Become Available.*** The state will have a better sense of TK attendance for 2022-23 when CDE releases preliminary attendance data in the coming weeks (based on attendance data through December). This data will help inform estimates that will be included in the final budget.

***Delaying Facilities Funding and Maintaining Current Staffing Ratios Seems Reasonable Given State Budget Problem.*** The Governor's proposed actions help to address the state's budget issues. Delaying the facilities funding provides non-Proposition 98 General Fund savings in 2023-24 to address a projected budget problem. In addition, as we discuss in a [recent brief](#), the Governor's Proposition 98 proposals would create a deficit in 2024-25, as the state is using about \$1.4 billion in one-time Proposition 98 funding to cover 2023-24 LCFF costs. Maintaining the staffing ratio at current levels avoids additional ongoing Proposition 98 General Fund costs that would make the problem worse.

***Facility Issues Do Not Appear as Prevalent a Barrier to Implementation.*** Given most submitted reports indicated school districts have adequate classroom space to meet projected TK enrollment, facility issues do not appear as prevalent a barrier to TK expansion. However, given past augmentations for early education facilities were oversubscribed, any funding provided would likely be used. The Legislature can provide some amount of funds for facilities this year or reevaluate whether to provide additional funding next year, based on the state's budget condition.

***Keeping the TK Staffing Ratio at Current Levels Helps Avoid Further Workforce Issues.*** In addition to helping address existing budget issues, the Governor's proposal to keep TK staffing ratios at existing levels also helps ensure that

schools do not experience even greater staffing shortages. Requiring that TK classrooms have, on average, 1 adult for every 10 students, instead of 1 adult for every 12 students, means districts need to hire more instructional aides. In some cases, the lower staffing ratio would also mean a school district would need to hire additional credentialed teachers to move from classrooms of 24 to classrooms of 20. Given that only 23 percent of school districts reported having enough TK

teachers, dropping to the lower ratio likely will make implementation more challenging.

**Recommend Rejecting Additional Staffing Requirements.** In light of staffing challenges, we recommend rejecting the additional staffing requirements for adults assigned to TK classrooms. These requirements would make hiring instructional aides for TK classrooms more difficult.

## STATE PRESCHOOL

In this section, we provide an overview of State Preschool, describe the Governor’s proposals, and offer our associated comments.

### Background

**State Preschool Is Provided to Certain Children.** The number of children served in State Preschool in any given year is determined by the state as part of its annual budget process. Three- and four-year old children are eligible for State Preschool if their family earns at or below the state median income (\$96,590 for a family of three). If the number of interested eligible children exceeds the number of available spaces within a program, providers enroll families based on prioritization specified in law. This prioritization is shown in **Figure 5**. We estimate in 2022-23, State Preschool is funded to serve 211,000 children (69,000 in full-day and 142,000 in part-day).

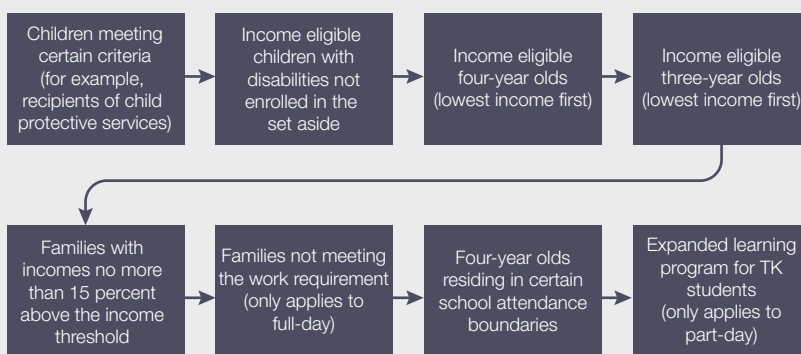
**State Contracts Directly With Local Providers to Offer Program.** State Preschool is offered by various local government and nonprofit agencies. In 2022-23, 64 percent of State Preschool funds are provided to LEAs and community colleges. Other non-LEA entities, such as nonprofit agencies, county welfare departments, and cities, receive the remaining 36 percent of funds. LEA providers and community colleges are funded with

Proposition 98 funding, while non-LEA providers are funded with non-Proposition 98 General Fund.

**State Preschool Enrollment Has Not Rebounded From Large Pandemic-Related Decline.** As **Figure 6** shows, State Preschool enrollment experienced a significant decline in 2020 as a result of the pandemic. While enrollment has increased since 2020, it remains significantly below pre-pandemic levels. According to data collected by the National Institute for Early Education Research, California experienced the fourth largest decline nationwide in state funded preschool enrollment (inclusive of State Preschool and TK) as measured by the percent change between 2019-20 and 2020-21. The enrollment decline associated with State Preschool accounts for the majority of this

Figure 5

### State Preschool Prioritization



Note: Does not include children enrolled using the set aside that requires providers serve a certain number of children with disabilities.

TK = transitional kindergarten.



decline. Two of the three states that experienced a larger decrease than California also had reduced spending in preschool programs between 2019-20 and 2020-21, while California preschool programs received stable funding. State Preschool providers cite the impact of the pandemic, workforce challenges, and TK expansion as reasons why enrollment has not returned to pre-pandemic levels.

**State Took Several Temporary Actions to Support Providers and Families During the Pandemic.** The state provided programmatic flexibility and fiscal support aimed at providing stability for both providers and families. Notable temporary actions include:

- **Reimbursement Flexibility.** Since 2020-21, the state has allowed State Preschool providers to receive the lesser of reimbursable program costs or the contract amount, but did not take attendance into consideration. This allows providers to receive their full contract amount regardless of how many children are enrolled in the program. Prior to the pandemic, reimbursement for direct contract programs was based on the lesser of reimbursable program costs, the contract amount, and the reimbursement rate multiplied by attendance. With this approach, providers had to serve a specified number of children to fully earn the contract. If a provider did not earn a contract, funds would be returned to the state.

The 2022-23 budget temporarily extended the pandemic-related reimbursement flexibility until June 30, 2023.

- **Family Fee Waivers.** Beginning in April 2020, the state temporarily waived fees for families participating in the full-day program. The 2022-23 budget temporarily extended these family fee waivers until June 30, 2023. (Some families are not subject to fees regardless of the temporary waiver, such as families participating in part-day State Preschool and families with income below 40 percent of the state median income.)
- **Stipends and Supplemental Payments.** State Preschool providers also received several rounds of one-time stipends and supplemental payments, totaling several hundreds of millions of dollars.

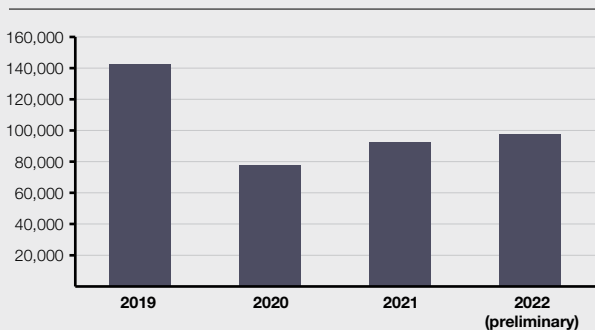
**State Also Made Several Ongoing Changes Within the Past Few Years.** Recent budgets have also included several ongoing changes. These include:

- **Rate Increases.** Starting January 1, 2022, State Preschool providers moved to the 75<sup>th</sup> percentile of the 2018 regional market rate (RMR) survey or stayed at their current rate if it is higher. (Voucher-based child care providers have historically received reimbursement using the RMR, which is based on regional market surveys of a sample of licensed child care providers.) Prior to this change, State Preschool providers received the standard reimbursement rate (SRR). Consistent with existing law, the 2022-23 budget provided a COLA for providers receiving the SRR, while providers receiving the RMR were not provided a COLA. (The COLA for State Preschool is the same rate provided to K-12 education.) For LEA providers and community colleges, this rate increase was funded with Proposition 98 General Fund. For non-LEA providers, the rate increase was funded with one-time federal funds.

Figure 6

**Number of Children Served in State Preschool**

October Enrollment



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- Rate Increases for Providers Serving Certain Children.** The 2022-23 budget package increased rates for certain groups of children in the State Preschool program. These increased rates are provided through adjustment factors applied to the rate the provider would typically receive. For example, an adjustment factor of 1.8 reimburses providers at 1.8 times the rate for four-year olds. **Figure 7** shows these adjustments in more detail.
- Requirement to Serve Additional Students With Disabilities.** The 2022-23 budget package required at least 5 percent of children enrolled in State Preschool programs be children with disabilities in 2022-23. This requirement increases to 7.5 percent in 2023-24 and 10 percent in 2024-25 and future years. The share of children with disabilities a provider needs to serve is often referred to as the “set aside,” as the state requires providers to reserve a certain share of spots in their programs for these children.
- Increased Income Eligibility.** The 2022-23 budget package increased the income eligibility threshold from 85 percent of the state median income to 100 percent. (Students with disabilities served within the set aside do not need to meet the income criteria).

Figure 7

**Changes in Preschool Adjustment Factors**

	Previous Adjustment	Adjustment as of 2022-23
Exceptional needs	1.54	2.40
Severe disabilities	1.94	2.40
Three-year olds	1.00	1.80
Dual language learner	1.10	1.20
Receiving mental health consultation services	1.05	1.10

**Governor’s Proposal**

**Increases Funding for COLA.** The Governor’s budget provides \$176 million (\$112 million Proposition 98 and \$64 million non-Proposition 98 General Fund) to provide an 8.13 percent COLA for State Preschool. The Governor’s budget does not make changes to current law where the COLA is provided only to State Preschool providers with rates based on the SRR. Providers with rates based on the RMR would not receive an increase in rates.

**Increases General Fund for Non-LEA Providers to Account for Expiring Federal Funds.** The Governor’s budget includes \$157 million non-Proposition 98 General Fund to account for expiring one-time federal funds. This action sustains the rate increase consistent with the 2021-22 budget agreement. As previously mentioned, the 2022-23 budget funded the costs of the rate increase with one-time federal funds.

**Increases Funds for Planned Ramp-Up of Requirement That Providers Serve More Students With Disabilities.** The Governor’s budget provides \$112 million (\$64 million Proposition 98 General Fund and \$48 million Non-Proposition 98 General Fund) for State Preschool providers to serve more children with disabilities. Specifically, the Governor funds the requirement that 7.5 percent of children enrolled be children with disabilities (an increase from 5 percent in the 2022-23 school year). Providing these additional funds is consistent with the 2022-23 budget agreement.

**Allows Temporary Reimbursement Flexibility and Fee Waivers to Lapse.** The Governor’s budget does not extend temporary provisions to provide reimbursement flexibility and family fee waivers. Without any additional action, these provisions will expire.

**LAO Comments**

**Under Governor’s Budget, Several Opportunities for Savings.** Based on our review of the Governor’s proposals, we find the Legislature could reduce costs in State Preschool by \$196 million and maintain the program as it currently operates. These savings are associated with the Governor overbudgeting the COLA, lower-than-expected costs for recent rate increases, and unallocated funding for



recent slots. If the Legislature reduces costs, the freed up funds could be used (1) as a budget solution, (2) to increase funding in other areas of the State Preschool program (such as to increase rates or eliminate family fees for full-day State Preschool), or (3) to increase funding for other priorities outside of the State Preschool program. The following paragraphs describe how these funds were identified in more detail. We then provide comments associated with the two temporary policies scheduled to lapse.

**Budget Overestimates Cost of COLA.** The Governor’s estimated cost of the State Preschool COLA reflects the costs associated with providing an 8.13 percent increase to all providers. Under current law, however, only providers with rates based on the SRR would receive a COLA. CDE reports it only needs \$68 million of the \$176 million proposed in the Governor’s budget to implement the COLA. The Legislature could continue implementing the COLA as current law specifies and use the remaining \$108 million as a budget solution. This approach, however, would not address inflationary pressure for providers receiving the RMR. The Legislature has several alternative options for using this funding to address inflationary pressures, such as providing an across-the-board rate increase to all providers or providing a rate increase based on the RMR. Alternatively, the Legislature could redirect funds to use for another purpose within State Preschool, or forgo action to address inflationary pressure and score the entire amount provided for COLA (\$176 million in General Fund) as savings to address the budget problem. The Legislature faces similar trade-offs within the Governor’s proposal for child care. We describe the trade-offs for these options in more detail in our [recent brief](#).

**Estimated Cost of Rate Increase Lower Than Anticipated.** CDE has indicated the costs to implement recent rate increases—which were funded with one-time federal funds—were lower than budgeted in 2022-23. This means the state could provide a lower General Fund amount to account for expiring federal funds in 2023-24. We estimate the state could continue rate augmentations with \$98 million instead of \$157 million the Governor proposes, freeing up \$59 million the Legislature could use for other purposes.

**Funds Available From Unawarded Slots.**

CDE reports \$29 million Proposition 98 General Fund is available in 2022-23 from unawarded slots to LEAs and community colleges. The Legislature could reduce the State Preschool program by this amount either on a one-time or ongoing basis. This reduction would align total budgeted amounts with the costs to continue providing existing services. We would note that there could be demand to expand services among LEAs. Based on reports submitted to CDE, 255 school districts and charter schools responded they will apply or plan to apply for additional State Preschool funds. This excludes school districts and charter schools that recently applied for expansion funding.

**Considerations Regarding Temporary Policies.** Below, we describe our comments and recommendations on these policies in more detail.

- **Recommend Allowing Reimbursement Flexibility to Sunset.** Current law sunsets the policy allowing providers to receive funding for the number of children they served prior to the pandemic—regardless of how many children they currently serve. Ending this policy would align State Preschool with LCFF, for which pre-pandemic attendance funding is already phasing out. We think this would help incentivize providers to return to pre-pandemic enrollment levels. If a provider can no longer serve its pre-pandemic enrollment levels (due to local demand from families or workforce issues), ending the reimbursement flexibility allows the state to either (1) redistribute funds to other State Preschool providers that have the demand to expand, (2) redirect the funding to other priorities, or (3) achieve budget savings.
- **Eliminating Family Fees for Full-day State Preschool Has Merit.** If funding priorities allow, the Legislature may want to consider eliminating family fees for full-day State Preschool. (The state does not charge family fees for part-day State Preschool or TK.) This action would eliminate the fiscal incentive for families to enroll in TK rather than State Preschool, even when State Preschool would better meet a family’s needs. Families instead could focus on other aspects of preschool

programs when choosing to enroll, such as the time the program starts and ends, the distance the school is from home or work, or any other aspect of the program. Since ongoing funding for State Preschool comes entirely from the state, the program does not have to comply with the federal child care and development fund requirements to assess family fees. We estimate eliminating family fees would cost roughly \$11 million

non-Proposition 98 and \$11 million Proposition 98 General Fund. The exact costs would depend on the number of children enrolled and the incomes of the families enrolled in the program. If the Legislature frees up other funds within the State Preschool program, it may want to consider using some of those funds to eliminate fees for families enrolled in a full-day program.



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

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