

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 2  
ON EDUCATION FINANCE****Assemblymember Kevin McCarty, Chair****TUESDAY, MARCH 26, 2019****9:00 AM - STATE CAPITOL ROOM 447**


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<b>ITEMS TO BE HEARD</b>		
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**ITEMS TO BE HEARD****6100 DEPARTMENT OF EDUCATION  
7760 OFFICE OF PUBLIC SCHOOL CONSTRUCTION**

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**ISSUE 1: FULL-DAY KINDERGARTEN**

The Subcommittee will hear the Governor's budget proposal to provide \$750 million in non-Proposition 98 funding to expand facilities for districts to provide full-day kindergarten.

**PANELISTS:**

- Keith Nezaam, Department of Finance
- Amy Li, Legislative Analyst's Office
- Barbara Kampmeinert, Office of Public School Construction

**BACKGROUND**

The state requires all elementary and unified districts to offer kindergarten to all five year olds. Additionally, those students that turn five between September 2<sup>nd</sup> and December 2<sup>nd</sup> qualify for Transitional Kindergarten, or TK (qualifying for two years of kindergarten). Currently, about 530,000 students participate in kindergarten in California.

School districts are provided the flexibility to determine the length of their kindergarten programs. Part-day programs are three to four hours long, while full-day programs operate more than four hours. Part-day programs often offer a morning and afternoon session using the same classroom and two teachers. School districts receive the same funding rate (\$8,235 per student in 2019-19) for operating a part-day or full-day kindergarten program. In 2017-18, 71 percent of districts ran only full-day kindergarten programs, 19 percent ran part-day programs and 10 percent ran a combination of full-day and part-day programs. The number of full-day programs has increased significantly since 2007-08.

**The 2018-19 Budget**

The 2018-19 budget provided \$100 million in one-time non-Proposition 98 General Fund for the Full-Day Kindergarten Facility Grant Program in order to help districts address barriers to providing full-day kindergarten programs. The Office of Public School Construction, approved by the State Allocation Board, is charged with allocating the grants to school districts that lack the facilities to provide full-day kindergarten. Priority for the grants is provided to districts with financial hardship or districts that have a high population of low-income students. The grants require a local match of 50 percent of the cost of new construction and 40 percent of the cost of renovation, except for those districts that meet the financial hardship requirements.

The OPSC is awarding grants in two rounds of applications. The first round of applications were due in January and will allocate \$37.5 million. In the first round of applications, 70 districts requested a total of \$262 million for 262 projects. The majority of projects (76 percent) were for new construction. Funding will likely be awarded in May or June. The second round of applications will allocate \$60 million in grants and will be reviewed and awarded later this year.

The first round of applications shows that the initial interest in the kindergarten facility grants is primarily among districts already operating full-day programs. Of all applicants, an estimated 76 percent already offer only full-day programs.

**Significant Majority of Initial Applicants Already Run Full-Day Programs**

*(Dollars in Millions)*

Programs Operated	Districts Applying		Projects Submitted		Funding Requested	
	Number	Percent	Number	Percent	Amount	Percent
Full-day only	53	76%	121	46%	\$135	52%
Full-day and part-day	9	13	100	38	86	33
Part-day only	8	11	41	16	41	16
<b>Totals</b>	<b>70</b>	<b>100%</b>	<b>262</b>	<b>100%</b>	<b>\$262</b>	<b>100%</b>

Source: Legislative Analyst’s Office

**GOVERNOR’S PROPOSAL**

The Governor’s budget provides an additional \$750 million in one-time non-Proposition 98 General Fund for the Full-Day Kindergarten Facility Grant Program in 2019-20. The Governor’s proposal would allocate the grants similar to the funding provided in last year’s budget, with a few changes. The trailer bill language allows for school districts to use any savings achieved from the project to be used for professional development or instructional materials to build capacity for implementation of a full-day kindergarten program (currently any excess funds must be spent on capital projects). The proposed trailer bill language also would require districts applying for funding to provide enrollment data to OPSC in order to verify the district’s overall need for funding and determine if funding shall be limited to retrofit.

**LAO RECOMMENDATIONS**

The LAO makes the following recommendations related to the Governor’s proposal related to full-day kindergarten:

**Recommend Against Expanding Grant Program at This Time.** Based upon an analysis of first-round applications, the existing kindergarten facility grants are not notably advancing the state's objective of expanding full-day programs, with the vast majority of applicants already running only full-day programs. Moreover, the majority of districts already converted to full-day kindergarten programs using existing state and local facility funding, without any special grant funding. Furthermore, some districts that continue to operate part-day programs indicate strong teacher and parent preferences for those programs. For all these reasons, we recommend the Legislature not proceed with an expansion of the grant program at this time. This would free up \$750 million in one-time non-Proposition 98 General Fund purposes that could be used for key budget priorities (including building higher reserves and making larger supplemental pension payments).

**Could Revisit Issue Next Year and Create More Tailored Grant Program.** Should the Legislature remain interested in expanding full-day kindergarten programs through facility grants, it could revisit this proposal in 2020-21. After receiving and examining all the applications for the initial \$100 million in grant funding, the state will have more information about the demand for new facilities among districts running part-day programs. Were part-day programs to document unmet facility issues, the Legislature could craft a more narrowly tailored program next year. We recommend any such program direct funds only toward districts currently running part-day programs due to facility constraints that cannot be addressed through the SFP. We encourage the Legislature to structure any new grant rules such that they do not create incentives to circumvent the SFP or otherwise work at cross purposes with it.

**Consider Reducing Part-Day Per-Student LCFF Funding Rate if Interested in Creating a Stronger Incentive.** The state's approach to funding kindergarten—providing the same amount of LCFF funding per student for part-day and full-day programs—is rare. Normally, the state funds at a lower rate when fewer hours of service are provided. For example, the state provides a notably lower rate for part-day State Preschool programs compared to full-day State Preschool programs. To be more consistent with regular state funding practice and provide an even stronger incentive for schools to operate full-day kindergarten programs, the Legislature could reduce the LCFF part-day kindergarten funding rate. The part-day rate, for example, could be reduced by the difference in hours between the average part-day and full-day program (about 35 percent). Assuming the 2019-20 LCFF funding rates in the Governor's budget, this would equate to about \$5,500 in base funding per student in a part-day program compared to \$8,500 per student in a full-day program.

**Reducing Part-Day Rate Likely Yields Initial Budget Savings, but Raises Important Trade-Offs.** If the Legislature desires to implement a rate reduction for part-day programs, we recommend it do so over a three-year period, beginning in 2020-21. This would allow districts time to consider and plan for any additional full-day programs. If no district decided to add full-day programs, the rate reduction would yield roughly \$450 million in state savings at

full implementation. In contrast, were all existing part-day programs to convert to full-day programs by year three, the state would achieve no ongoing savings. (The state would achieve near-term savings for districts not converting all their programs in year one of the transition.) We think some districts eventually would respond by converting part-day to full-day programs, such that the state would achieve some savings but likely far less than \$450 million. While reducing the part-day rate would create a strong fiscal incentive to convert to full-day programs, we encourage the Legislature to weigh all the pros and cons of full-day and part-day programs carefully before changing the associated LCFF funding rates. Given districts report that some parents prefer part-day programs, the state might not want to create a strong disincentive for districts to offer those programs.

<b>STAFF COMMENTS/QUESTIONS</b>
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A significant portion of the first round of applications for the Full-Day Kindergarten Facilities Grant program were for facilities for existing full-day kindergarten programs. This means that many full-day programs are operating in classrooms that do not meet the standards required for kindergarten classrooms. Although it is important for all students to be in appropriate facilities, the Subcommittee may wish to limit the Full-Day Kindergarten Facilities Grant program to programs not currently operating full-day programs. Or, the Subcommittee could specify that at least a certain portion of the funding should be for new full-day programs.

Suggested Questions:

- What are the other barriers or reasons that school districts do not provide full-day kindergarten programs?
- Does OPSC believe that districts would take-up \$750 million in grants for full-kindergarten facilities?

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**Staff Recommendation: Hold Open**

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**ISSUE 2: PRESCHOOL EXPANSION**

The Subcommittee will consider the Governor's proposals related to expanding the California State Preschool Program.

**PANEL 1:**

- Sarah Burtner, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Khieem Jackson and Sarah Neville-Morgan, Department of Education

**PANEL 2:**

- Olanrewaju Ajayi, West Contra Costa Unified School District
- Robin Layton, Educational Enrichment Systems

**BACKGROUND**

The California State Preschool Program includes both part-day and full-day programs. The part-day program provides at least 3 hours per day of developmentally appropriate activities for 175 days per year. The full-day program provides between 6.5 and 10.5 hours per day of care for 250 days per year. In 2018-19, approximately 103,000 children are being served in part-day programs and 67,000 in full-day programs.

The State Preschool program serves both three and four year olds. However, providers must serve all eligible four year olds first and prioritize families with the lowest income. After enrolling all eligible children, providers can enroll children that are not income eligible, up to ten percent. The LAO estimates that in 2018-19, the State Preschool program is serving 123,000 four year olds and 47,000 three year olds.

State Preschool is offered by both local educational agencies (school districts and county offices of education) and non-local educational agencies (non-profits and local governments). Local educational agencies (LEAs) provide about two-thirds of the State Preschool slots, while non-LEAs provide about one-third of slots. Non-LEA providers are more likely to operate full-day programs and more likely to operate programs longer than 6.5 hours.

Since 2013-14, the state has added more than 27,000 full-day State Preschool slots, an increase of 70 percent. Most of these slots have been dedicated for LEAs using Proposition 98 funding. However, not all of these slots have been taken-up by LEAs for full-day programs. The Department of Education has then awarded some of the full-day slots as part-day slots. Additionally, the demand for full-day State Preschool slots for non-LEAs providers is much greater, as shown by the table below.

		2017-18			2018-19		
		Intended Slots Based on Budget Act	Number of Slots Requested by Agencies	Awarded Slots Based on Available Funds	Intended Slots Based on Budget Act	Number of Slots Requested by Agencies	Awarded Slots Based on Available Funds
<b>Full-Day</b>	LEA	2,959	1,043	275	2,959	1,341	Not yet awarded
	Non-LEA	-	2,554	741	-	2,648	Not yet awarded
<b>Part-Day</b>	LEA	-	1,801	1,309	-	2,865	Not yet awarded
	Non-LEA	-	2,354	1,833	-	2,431	Not yet awarded
	Part-Day Exceptional Needs	-	-	-	-	-	-

\*In some years CDE awards more slots than provided in the budget due to CDE’s contract review process.  
 Source: Department of Education

**GOVERNOR’S PROPOSALS**

The Governor’s budget includes \$124.9 million in non-Proposition 98 General Fund for 10,000 additional full-day, full-year State Preschool slots in 2019-20, with the intent to fund an additional 10,000 slots in 2020-21 and 2021-22, for a total of \$30,000 slots over 3 years. These additional slots will be available for non-LEA preschool providers. With this funding, the Governor’s goal is to fund slots for all eligible low-income four year olds by 2021-22.

The Governor’s budget proposes to shift \$297.1 million in Proposition 98 funding for part-day State Preschool programs at non-local educational agencies to the non-Proposition 98 General Fund. The Administration argues that this will provide more flexibility in the provider’s contract.

The Governor also proposes to eliminate the current requirement to provide proof of employment or enrollment in higher education in order to enroll in full-day State Preschool. Part-day State Preschool does not have this requirement.

**LAO RECOMMENDATIONS**

**Fund Fewer New Slots in 2019-20, Start Them Midyear.** We suggest the Legislature add 2,500 new non-LEA slots beginning January 1, 2020. This is roughly a 10 percent increase from the full-day slots non-LEAs currently provide, and more than twice the number of slots provided to non-LEAs in 2015-16. This increase provides a significant number of new slots for non-LEAs, while recognizing the logistical challenges of expanding quickly. Starting the

slots midyear gives CDE time to review and approve applications, while giving providers time to find facilities, get their facilities licensed, hire additional staff, and enroll children. An additional 2,500 slots beginning January 1, 2020 would have a half-year cost of \$16 million in 2019-20, growing to a full-year cost of \$31 million in 2020-21. In future years, the Legislature could decide how many new slots to approve based on the take-up in 2019-20.

**Keep Work Requirement and Give New Slots to Providers Operating at Least a 10-Hour Day.** To ensure full-day State Preschool slots are available to address the needs of working families, we recommend maintaining the requirement that parents be working or in school. Removing the work requirement would result in some children from families where one parent stays at home receiving priority for full-day programs over other children from families with child care needs. Additionally, we recommend prioritizing new slots to non-LEAs that agree to operate at least 10 hours per day. This would ensure that new slots meet the needs of parent(s) working full time.

**Provide Ongoing Funding to Assist With Facility Expansion.** To increase the take-up of new State Preschool slots, we recommend providing \$4 million in ongoing funding to assist providers with facility expansion. For 2019-20, we recommend having CDE distribute the funding among LPCs based on the county's population of low-income children under five. In the future, the state could use data from CDE's forthcoming needs assessment to distribute funding based on each county's unserved preschool population. With the funds, we recommend requiring LPCs to have a facility specialist who supports providers interested in finding additional facilities. (Our estimate assumes one full-time facility specialist for each large county and a portion of a specialist's time for smaller counties.) These facility specialists could work with local governments to address local zoning ordinances and other local issues serving as barriers to using facilities for child care and preschool. Given LPCs already are intended to serve a key planning role and include representation from an array of stakeholders, we think they are well positioned to help plan and provide support related to facilities.

**Support Non-LEAs Slots From One Fund Source.** This change allows more flexibility for non-LEA providers to use slots in a way that best meet families' needs. This change also simplifies contracting for the state and providers. The Legislature could go further and fund all State Preschool for all providers from one fund source, thereby offering more flexibility for LEAs too.

**Over Coming Year, State Could Design One Program That Better Met Two Core Goals.** To better meet the core goals of fostering kindergarten readiness and meeting the child care needs of low-income families, the Legislature may want to consider consolidating state funding for all existing preschool programs into one program. The state could build off the structure of the existing State Preschool program, which assures all participating children receive at least three hours of developmentally appropriate activities and also provides wrap



care for working families. To improve the convenience for families and increase the likelihood that all low-income children can participate, the state could also require providers to offer programs year-round, operate at least 10 hours per day, and have flexible start times for part-day programs.

<b>STAFF COMMENTS/QUESTIONS:</b>
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The 2014-15 budget included intent language setting the goal of providing preschool or transitional kindergarten and wrap-around services for all low-income 4-year-olds. The Governor's budget includes a plan to fund this goal over three years. Some of the issues to consider related to preschool expansion, include:

**LEA and Non-LEA Preschool.** The state has significantly expanded preschool slots in recent years. However, most of the new full-day slots were provided for LEA providers and have not been fully utilized for full-day programs. Some of the barriers for LEAs in expanding their preschool programs include: lack of facilities, the number of days required for full-day programs and the reimbursement rate being too low to cover the cost of the program. Staff agrees with the Governor's approach to focus on expanding slots for non-LEA preschool providers. These providers are more likely to utilize the full-day slots and typically operate longer hours in order to serve the needs of working parents. The Subcommittee should also consider options for removing barriers for LEAs in offering early education and preschool programs.

**Pre-K For All Proposal.** Members of the Assembly also has a proposal to further expand State Preschool using a "targeted universal" approach and increase quality for State Preschool and Transitional Kindergarten (TK). The proposal would:

- Expand eligibility for the State Preschool program to include all four year olds within a school attendance area where at least 70 percent of students are eligible for free or reduced-price meals (FRPM).
- Increase the reimbursement rate for full-day State Preschool programs by 23 percent, with the intent to further increase the reimbursement rates in the future to advance toward pay parity with K-12 teachers.
- Require lead teachers within State Preschool to obtain a bachelor's degree, including 24 units of early childhood education, and any other practicum or certificates required by the Commission on Teacher Credentialing by July 1, 2028.
- Provide grants for existing State Preschool teachers to obtain their BA.
- Require a maximum class size of 24 for State Preschool classrooms.
- Provide an add-on of \$3,000 per student for TK classes that maintain a maximum class size of 24, with an adult to child ratio of 8:1 or a maximum class size of 20 with an adult to child ratio of 10:1.

**Work Requirement for Full-Day Preschool.** If the goal of the Legislature is to provide full-day pre-k for all low-income four year olds, in order to better prepare them for kindergarten, then the Governor's proposal to eliminate the work requirement for families to participate in full-day preschool makes sense. Alternatively, the Subcommittee could consider eliminating the work requirement, but prioritizing families based on work needs.

**Proposition 98 Funding Shift.** Staff has no concerns with the Governor's proposal to shift certain part-day State Preschool costs from Proposition 98 to the non-Proposition 98 General Fund. This change will allow for greater flexibility for providers and CDE.

Suggested Questions:

- Does CDE believe that the state can expand full-day state preschool to meet the demand of all low-income four year olds over three years?
- What are some of the barriers in expanding State Preschool for both LEA and non-LEA providers? What can the state do to help eliminate these barriers?

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**Staff Recommendation: Hold Open**

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**ISSUE 3: ONE-TIME INVESTMENTS: FACILITIES, WORKFORCE AND PLANNING**

The Subcommittee will discuss the Governor's budget proposal to invest \$500 million in one-time funding for facilities, workforce development and planning for early childhood education.

**PANEL**

- Sarah Burtner, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Khieem Jackson and Sarah Neville-Morgan, Department of Education

**BACKGROUND****Facilities**

All licensed child care and preschool facilities must meet specific safety standards. To ensure facilities meet state standards, Community Care Licensing (a division in the Department of Social Services) inspects facilities before providers can begin serving children in them. It inspects all existing facilities on a three-year cycle (with plans to start doing annual visits).

In order to open or expand a child care program, providers typically access facilities through owning, leasing or leasing with a subsidized rate (typically from a school district or other public entity).

The state administers the Child Care Revolving Loan Program, a loan program to help providers cover facility upgrades or repairs of their current facilities. With state loans, providers could purchase portable classrooms or repair current facilities. In recent years, only a few providers have used the loan program, citing concerns with their ability to repay.

**Workforce**

Child care and preschool workers are required to meet certain educational requirements. A child care or preschool teacher in a program that contracts with the state must hold a Child Development Teacher Permit. The permit is issued by the Commission on Teacher Credentialing and requires 24 units of early childhood education coursework and 16 units of general education coursework. Child care or preschool teachers in other licensed centers in California are required to have a Child Development Associate Credential or a minimum of 12 units of early childhood education coursework. This credential is issued by a national nonprofit organization focused on educating and training child care workers. Other child care workers, such as aids and directors have different education and experience requirements.

In 2018-19 the state provided about \$50 million for workforce training, including programs for coaching and stipends for workers to increase their education.

## Planning

Over the past several years, numerous workgroups have convened to develop recommendations to improve the child care and preschool system, including the Assembly Blue Ribbon Commission and a workgroup on reimbursement rate reform. These workgroups have included policymakers, practitioners, and representatives of state agencies, with support from researchers. In addition to these workgroups, a group of researchers recently released a series of reports known as Getting Down to Facts II that covered many areas, such as access to child care, services for young children with special needs, the child care workforce, and alignment with kindergarten.

The state was recently awarded a Preschool Development Grant totaling \$10.6 million in federal funds. With the funds, CDE is examining current levels of access to child care and preschool programs throughout the state. CDE also intends to develop a strategic plan that will identify steps the state could take to improve programs for children from birth through age five. The strategic plan will address topics including access, workforce, and facilities and will be developed in coordination with practitioners and representatives of state agencies. All associated activities are expected to be completed by December 2019.

### GOVERNOR'S BUDGET PROPOSALS

The Governor's budget includes \$500 million in one-time non-Proposition 98 funding to expand subsidized child care facilities, invest in the education of child care workers and develop a long-term strategic plan to implement a comprehensive, high-quality early education system in California. Specifically, the proposal includes:

- Facilities. The Governor's proposal includes \$245 million for the Superintendent to administer grants to non-LEA child care and preschool providers for construction of new or retrofitting of existing child care and preschool facilities. The Superintendent would allocate the funding in equal amounts over five years. Priority would be given to applicants with a demonstrated need for facilities, those serving low-income communities and who plan to serve children that qualify for subsidies.
- Workforce Development. The Governor's proposal provides \$245 million for the Superintendent to administer competitive grants to expand the number of qualified child care and early learning professionals and increase the educational credentials of existing providers. The Superintendent would allocate the funding in equal amounts over five years and would administer the grants through "local partnerships" in all 58 counties. The funding would be allocated based on the demonstrated need, cost of living and number of children under the age of 13 that qualify for subsidized care in each county. The grants could be used for educational expenses, including tuition, supplies, transportation, child care, substitute teacher pay and other expenses determined by the Superintendent.

- **Strategic Plan.** The Governor's budget includes \$10 million for the state board to contract with a research entity to develop recommendations for future investment in the state's system of subsidized child care and early learning for children birth to age five.

#### LAO RECOMMENDATIONS

**Get Better Information Before Funding New Initiative.** Given the state lacks much of the information it needs to address child care workforce and facility issues, the Legislature might want to collect better information over the coming year. Then, over the subsequent few years, it could use one-time funds in a more targeted and effective way. To this end, the Legislature could set aside some amount of one-time funding in 2019-20 into an account designated specifically for future improvement efforts. As it learns more, it could allocate funds from this account as part of the regular budget process.

**Fund Studies to Understand Current Facility Arrangements and Access to Child Care.** Instead of spending \$10 million on another child care plan, we recommend the Legislature designate \$1 million each for two focused studies, described below.

- **Facility Arrangements.** This study would survey subsidized providers and collect information on how they obtained their facility, if they rent or own, the amount of their monthly facility payments, their interest in expanding, and the associated challenges they face. The survey would also collect information on providers' maintenance issues and how they cover the cost of major maintenance projects.
- **Child Care and Preschool Accessibility.** This study would survey parents eligible for child care benefits to better understand their needs. The survey would ask parents about the hours they need child care, existing child care and preschool arrangements, and the key considerations affecting their child care arrangements. The survey would attempt to include eligible families currently not receiving child care benefits due to the capped nature of some child care programs.

**Align Timing of Studies So They Can Inform 2021-22 Budget Decisions.** For these studies, CDE could run a request for applications from interested research entities. We recommend requiring CDE to award contracts to research entities by October 2019, with the results of the studies available by October 2020. This time frame would ensure all reports (including the forthcoming workforce study) would be available to inform 2021-22 budget decisions. That year, the Legislature could begin withdrawing funds from the account designated specifically for child care expansion and improvement.

**STAFF COMMENTS/QUESTIONS**

The Governor's budget includes a significant one-time investment for early education facilities and workforce development. However, these funds are proposed to be spent over 5 years, which would only provide \$49 million for facilities and \$49 million for workforce development each year. If the state wanted to ramp up access to facilities and workforce training more quickly, the Subcommittee could allocate this funding over a shorter period of time, such as three years.

**Facilities.** Access to child care and preschool facilities can be a challenge for providers, especially in certain areas of the state. A recent report by the Advancement Project on child care facilities found:

- Only 613,000 child care center and transitional kindergarten seats for more than two million children ages two through five.
- Only 47,000 child care center seats for nearly one million children under age two.
- California Family Child Care Homes provide over 280,000 seats.

The Advancement Project's analysis also shows that access to child care spaces are not spread evenly throughout the state. Often the highest need areas, those with the highest number of low-income children under five, have the least access. The report shows there are also striking racial disparities in access to publicly funded early education programs. The report makes the following recommendations:

- Convert the Child Care Facilities Revolving Loan Fund from a loan to a well-funded grant program.
- Conduct an inventory of state-owned property and land that may be converted or developed into ECE facilities.
- Include ECE as a legal element in state general plan guidance for local jurisdictions.
- Establish a CDE early childhood education facilities technical assistance office to support providers.
- Create a statewide ECE facilities bond to ensure a stable and dedicated funding stream for ECE facilities for highest need communities.

The Governor's budget proposes using one-time funding to help address the facility needs of child care and preschool providers. The Governor's proposal prioritizes applicants with a demonstrated need for facilities, those serving low-income communities and who plan to serve children that qualify for subsidies. Staff agrees that this funding should be targeted toward the "child care deserts," or those communities with the most need.

In addition to the Governor's proposal, Members of the Assembly has two proposals related to child care and preschool facilities. These proposals include: 1) placing a \$500 million facilities bond on the 2020 ballot for new construction and modernization for LEAs and non-LEAs with State Preschool contracts and 2) converting the Child Care Revolving Loan Program into a grant program.

**Workforce Development.** Providing additional support for child care and preschool providers is a good use of one-time funding, as it will help increase quality and support for early education professionals. Members of the Assembly also have a proposal related to workforce development for early education providers. The proposal would make changes to the existing AB 212 stipends and provide additional funding for stipends for specified workers in state-subsidized childcare centers and family childcare homes.

In addition, the Assembly Blue Ribbon Commission on Early Childhood Education has made several recommendations around workforce development. Some of these recommendations include: adopting principles and goals pertaining to workforce focused on equity and diversity, to examine racial disparities in compensation and career advancement and develop targeted solutions that promote access to pathways to competencies and expertise. Solutions would include supports and systems to optimize all providers' ability to meet the diverse needs of children and families, including working with dual-language learners, children with special needs, supporting culturally responsive practice, and providing trauma-informed care and instruction. An important underpinning is to modernize compensation before imposing new requirements, to include realistic, phased-in timelines with necessary support and compensation, and to develop essential expertise and practice that improve child outcomes; to develop the measurement and coaching process to develop a competency-based system that supports the acquisition of expertise along a continuum of opportunity supported with financial aid. The goal is to invest in a range of higher education programs and appropriate supports for people from a wide spectrum of cultural, educational, and financial backgrounds, including scholarships, tutoring, conveniently scheduled and located classes, education advisors, resources for students learning English as a second language and the availability of courses and books in languages in addition to English.

**Planning Process.** The Assembly's Blue Ribbon Commission on Early Childhood Education has convened practitioners, researchers, policymakers, local and state agencies and stakeholders over the past two years to provide a comprehensive set of recommendations for expanding and improving the state's early childhood education system. The Commission recently released a draft report outlining the recommendations in order to solicit more public comment and feedback. The final recommendations will be released in April. In addition to the Blue Ribbon Commission, there have been many other reports and workgroups on improving the early education system in recent years. The Governor's proposal to provide \$10 million for a strategic plan on early education seems redundant to these efforts.

Suggested Questions:

- What data does the state collect on early education workforce and facilities?
- The Governor’s proposal on workforce development proposes the funding be allocated to “local partners” within each county, but does not define local partners. What entities would be eligible to apply under this proposal?
- How would the Governor’s proposed blueprint be different from other reports, such as the Assembly Blue Ribbon Commission recommendations or the Preschool Development Grant strategic plan?

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**Staff Recommendation: Hold Open.**

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**ISSUE 4: OTHER EARLY EDUCATION PROPOSALS**

The Subcommittee will hear an overview of California's subsidized child care and preschool programs, including the state's reimbursement rate system and the number of children served. The Subcommittee will also hear from stakeholders and the public on early childhood education budget proposals not included in the Governor's budget.

**PANEL**

- Sara Cortez, Legislative Analyst's Office
- Erin Gabel, First 5 California and Early Childhood Education Coalition
- Donna Sneeringer, Child Care Resource Center and Early Childhood Education Coalition
- Parent
- Public Comment

**BACKGROUND**

The Subcommittee has received the following budget requests related to early childhood education:

**Increase Child Care Access.** The budget request is for \$1 billion over three years to increase the number subsidized child care slots for the highest need families in California. The funding would go towards Alternative Payment programs and General Child Care, which generally serve the vast majority of eligible infants and toddlers in the system.

**Reimbursement Rate Reform.** The budget proposal would establish a single regionalized state reimbursement rate system for subsidized child care and preschool. Currently, the state has two different reimbursement rate systems for early education providers, the Standard Reimbursement Rate (SRR) and the Regional Market Rate (RMR). These rate systems are not aligned and have resulted in inequities in funding across the state. The proposal would create one reimbursement rate system based on the cost of providing care in different settings, recognizing regional cost differences and providing incentives for increased quality. The estimated cost of this proposal is between \$550 million to \$750 million and would be funded over eight years.

**Increased Slots and Quality for Infants and Toddlers.** The budget proposal would provide \$600 million over four years for 20,000 full-day, full-year infant and toddler slots that meet standards based on the Early Head Start Performance Standards. The proposal would support existing General Child Care providers to meet the higher standards by providing \$4,000 per child in additional funding to providers who choose to participate. Under the partnership, families with infants and toddlers would have access to high-quality child care

with qualified teachers, health and developmental screenings, intensive family support and engagement including home visits, and behavioral health consultation.

**Technology Updates.** The budget proposal would allocate \$30 million in one-time funding to implement technology that will more fully support the child care needs of families. Specifically, the proposal would allow for agencies to use digital signatures for parents, store documents electronically and update IT systems.

**Child Nutrition.** The budget proposal requests a total of \$16.6 million (\$14.6 million General Fund and \$2 million Proposition 98 funding) to provide a state reimbursement rate of 23 cents per meal for child care and preschool programs serving low-income children and participating in the Child Care Food Program.

<b>STAFF COMMENTS/QUESTIONS</b>
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The Governor's budget includes significant investments in early childhood education, including one-time funding for full-day kindergarten facilities, one-time funding for child care facilities and workforce development and ongoing funding for 30,000 additional State Preschool slots over the next 3 years. Although this is significant compared to the prior Administration, the Governor's budget includes little ongoing funding for early education, specifically for additional slots for infant and toddlers or increased reimbursement rates. Although there is not a significant amount of ongoing funding in the overall budget, the Subcommittee may wish to consider providing additional infant and toddler slots in order to better meet the needs of families. Additionally, the Subcommittee should consider reforming the reimbursement rate structure before providing significant increases to the existing rate system.

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**Staff Recommendation: Hold Open.**

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**ISSUE 5: COLLEGE SAVINGS ACCOUNTS**

The Subcommittee will discuss the Governor's Budget proposal to provide \$50 million one-time General Fund to support child savings accounts.

**PANEL**

- Lisa Mierczynski, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- David O'Brien, Student Aid Commission

**BACKGROUND**

Child Savings Accounts are accounts designated for a specific child to build assets overtime through contributions from governments, society, family, friends, or the child. The accounts are generally opened with an initial contribution, or seed money, from a sponsoring organization such as a government agency, nonprofit, or philanthropic foundation. Eligible uses of the accounts are for tuition (normally for post-secondary education such as college, vocational, or technical schools), room and board, books, supplies and equipment, and mandatory fees. Research indicates that even small college savings plans increase the likelihood of a student attending college.

Numerous California cities and local foundations have in recent years launched programs to enroll children and their families into savings accounts or 529 college savings accounts and provide some initial seed funding for these accounts.

The Budget Act of 2017 established the Every Kid Counts (EKC) Act and established the EKC College Savings Program. Amendments to the EKC Act in 2018 placed this program under the authority of the Student Aid Commission (Assembly Bill 108 [Committee on Budget], Chapter 7, Statutes of 2018, Section 27). The intent of the EKC College Savings Program was to support and evaluate programs operated at the local level that provide incentives for low-income families to begin saving for their children's college education. The EKC Act allocated \$2,910,000 in one-time General Fund for EKC College Savings Program grant awards that support "local governments and other entities that sponsor one or more comprehensive citywide or regional children's savings account programs." The EKC Act specified how an entity may qualify for the grant, the minimum amount of the grant (\$100,000) and permissible activities for the use of the funds by the grantees.

To distribute the grants, the Commission developed a Request for Application process. Local entities were eligible if they met the following criteria:

- Have a college savings program in operation or development that primarily targets pupils in kindergarten and grades 1 to 6, inclusive, on or before December 31, 2018.
- Have moneys, in addition to this state funding, to support its college savings program.
- Agree to enter into an evaluation consortium that allows for independent research and evaluation of activities and outcomes associated with its college savings program.

The Commission received a total of nine applications for the EKC grants by the deadline of February 21, 2019. All applications were deemed by program staff to meet the statutory requirements. Under EKC Act, the Commission was required to distribute grants to qualifying entities based on the number of applications, the total amount of funding available, and the number of students that each participating entity intended to serve, and the percentage of low income families residing in the community served by each participating entity.

The following qualifying entities were approved for funding by the Commission at its hearing last week:

- City of West Sacramento (\$148,576)
- San Francisco Kindergarten to College (\$926,892)
- Santa Cruz Community Ventures (\$100,000)
- Corazon Healdsburg (\$110,779)
- El Monte Promise Foundation (\$448,044)
- United Way California Capitol Region (\$286,172)
- The Oakland Promise Kindergarten to College (K2C) Program (\$405,038)
- Glendale Unified School District (\$197,915)
- Los Angeles Housing and Community Investment Department (\$286,583)

### **Governor's 2018-19 Budget Proposal**

The Governor's Budget provides \$50 million one-time General Fund to support child savings accounts. The *Governor's Budget Summary* states that the funding would support "pilot projects and partnerships with First 5 California, local First 5 Commissions, local government, and philanthropy. These pilot programs will support development or strengthening of cost-effective models that can be replicated or expanded to increase access to Child Savings Accounts among incoming kindergartners."

**STAFF COMMENTS**

The Governor’s proposal is in line with Assembly priorities to increase college-going rates in this state, particularly for low-income children. However, the Administration has yet to provide further details regarding how this funding would be distributed, including which agency would oversee the program, what the specific goals are, dollar amounts, or what types of entities would be eligible. Much more detail is required before the Subcommittee can make a decision on this proposal.

Staff notes that before the creation of the Every Kid Counts program in 2017, the LAO provided analysis for this subcommittee including cost estimates for a program that would provide a small state stipend to every California newborn or kindergartner to open a college savings account. The chart below was prepared by the LAO in 2017.

**Figure 2**  
**Cost Estimates for Various Program Options**

State Contribution to Each Account	Newborns <sup>a</sup>		Kindergartners <sup>b</sup>	
	All	Low Income	All	Low Income
\$25	\$12,500,000	\$5,375,000	\$11,250,000	\$6,875,000
50	25,000,000	10,750,000	22,500,000	13,750,000
100	50,000,000	21,500,000	45,000,000	27,500,000
500	250,000,000	107,500,000	225,000,000	137,500,000
1,000	500,000,000	215,000,000	450,000,000	275,000,000

<sup>a</sup> Assumes 500,000 children are born in California annually, with 215,000 children born into low-income families. Assumption based on federal data using the school free and reduced-priced meal income threshold.  
<sup>b</sup> Assumes California has 450,000 kindergartners, including 275,000 low-income kindergartners. Assumption based on state data using the school free and reduced-price meal income threshold.

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**Staff Recommendation: Hold Open.**

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