

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2

ON EDUCATION FINANCE

ASSEMBLYMEMBER KEVIN McCARTY, CHAIR

TUESDAY, MARCH 8, 2022

9:00 A.M. – STATE CAPITOL, ROOM 447

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub2@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

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EARLY CHILDHOOD EDUCATION OVERSIGHT & GOVERNOR'S BUDGET PROPOSALS

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
6100	CALIFORNIA DEPARTMENT OF EDUCATION	
5180	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES	
6670	OFFICE OF PUBLIC SCHOOL CONSTRUCTION	
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ITEMS TO BE HEARD

6100 CALIFORNIA DEPARTMENT OF EDUCATION

5180 CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

6670 OFFICE OF PUBLIC SCHOOL CONSTRUCTION

OVERVIEW

The 2021-22 Budget Act contained major policy and funding changes for the Early Childhood Education and Care (ECE) system, including the adoption of Universal Transitional Kindergarten as a new grade in California's public education system. This hearing will cover the major current year implementation issues, the Governor's Budget proposals, and stakeholder recommendations for the ECE system.

ISSUE 1: STATE OF EARLY CHILDHOOD EDUCATION RECOVERY

Numerous pandemic relief packages have been passed over the past two years, to support and stabilize the child care industry. All relief measures expire at the end of this fiscal year. This panel will discuss the ECE field's needs emerging from the current year pandemic.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Kim Johnson, Department of Social Services (DSS)
- Sara Cortez, Legislative Analyst's Office (LAO)
- Dr. Lupe Jaime-Mileham, DSS
- Justin Blakely, Crystal Stairs
- Robin Layton, Educational Enrichment Systems, Inc.
- Mary Ignatius, Parent Voices
- Yvonne Cottage, Child Care Providers Unified
- Kimberly Rosenberger, Service Employees International Union
- Angie Garling, Low Income Investment Fund

BACKGROUND

Pandemic Impacts and Response

The COVID-19 pandemic continues to place increased fiscal and emotional pressures on child care providers and families. The Center for the Study of Child Care Employment's (Center) June 2020 survey of California child care providers stated that the vast majority of child care providers were serving fewer children compared to before the pandemic and 77 percent of open providers

reported they experienced a loss of income from families. Providers are also reporting higher costs. Families receiving child care also have been affected, particularly due to cyclical school and child care closures and quarantines that have required families to find new child care arrangements.

One long-term impact of the pandemic is a loss of ECE workforce and access capacity. The Center's December 2021 data set shows that California only has 94.1% of the ECE workforce capacity compared to February 2020 (pre-pandemic).

DSS has provided the following table that shows an estimate of providers that remain open, and those that are closed permanently or temporarily. This data is from the Department of Social Services' (DSS) Community Care Licensing (CCL) and reflects both private and subsidized providers. This would not reflect license exempt providers and is a point-in-time snapshot before the most recent Omicron surge.

CCL Child Care Licenses and Closures				
<i>As of December 2021</i>				
	Small Family Homes	Large Family Homes	Child Care Centers	Total
Open and Operating^a				
Facilities	12,808	11,753	11,548	36,109
Slots	101,998	163,642	626,261	891,901
Temporarily Closed				
Facilities	797	637	3,125	4,559
Slots	6,326	8,854	165,913	181,093
Permanently Closed Since March 2020				
Facilities	3,827	1,611	1,185	6,623
Slots	30,432	22,368	56,690	109,490
New Licenses Since March 2020				
Facilities	4,230	1,103	1,172	6,505
Slots	33,760	15,432	53,072	102,264
a) Represents a snapshot of open and operating facilities as of 12/31/2021 and excludes licenses that are inactive or temporarily closed.				
Data Source: Community Care Licensing				

Compared to the October 2020 snapshot, which was during the height of public school closures, temporary child care closures have been reduced by almost 40%, but are impacting over 180,000 children statewide. According to the DSS data, roughly 12% of licensed child care capacity in the state closed permanently during the COVID-19 pandemic. New licensed capacity growth rates remains lower than permanent closure rates.

Budget Actions to Date

The final 2020-21 Budget Act took actions to support and stabilize child care programs during the pandemic. The vast majority of these actions were provided on a one-time basis and most of these actions were funded with one-time federal funds provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In addition to the \$350 million in CARES Act funding specifically for child care, the state also used \$110 million from the Coronavirus Relief Fund (CRF) to support child care programs. These pandemic relief policies included: essential worker child care access, flexibility to fund providers regardless of attendance or parent signature, and provide additional funded closure days, waive family fees, fund center-based closures, fund cleaning supplies, fund the additional hours of school-aged care during school closures, and provide stipends to state-subsidize child care providers.

AB 82 (Ting, 2021) was passed by the Legislature, and signed into law by Governor Newsom on February 23, 2021, as part of the Early Budget Action and pandemic relief package. The legislation appropriates \$512 million in federal CRF funds, and one-time CCDBG funds, and ratifies the agreement between CalHR and the Child Care Providers United - California (CCPU) to address COVID relief funding. This package expanded the one-time essential worker care vouchers, extended the funding hold harmless policies, created a \$525 per child stipend for subsidized child care providers, and extended the family fee waiver.

The final 2021-22 Budget Act took further actions to extend the pandemic child care supports through June 2022, at an estimated cost of \$546 million in federal CRF and CCDBG funds.

Pandemic-Related Child Care Relief Appropriations & Policies				
Policy	Description	2020-21	AB 82 (Early Action 2021)	2021-22 Budget Act
Alternative Payment Voucher Slots for Essential Workers	Provided one-time child care vouchers to essential workers regardless of income eligibility.	\$235	\$156	\$0
Voucher Reimbursement Flexibility	Through June 2022, voucher-provider payments are based on a child's authorized hours of care instead of the amount of care used. This holds voucher providers harmless if a child temporarily does not attend child care.	\$63	\$80	\$70

Family Fees	From April 2020 through June 2022, the state temporarily waived family fees for those receiving subsidized care.	\$62	\$30	\$60
Cleaning Supplies and Protective Equipment	The state provided funds for gloves, face coverings, cleaning supplies, and labor costs associated with cleaning child care facilities.	\$50	\$0	\$0
Paid Operation Days	<p>Authority for an additional 30 paid non-operational days for voucher-based providers applicable from September 1, 2020, through June 30, 2021, to provide up to a total of 40 paid nonoperational days in 2020-21.</p> <p>Authority for an additional 16 paid non-operational days for voucher-based providers applicable June 30, 2022, to provide up to a total of 26 paid nonoperational days in 2021-22.</p> <p>Eligible providers include those participating in alternative payment programs pursuant to Alternative Payment Programs, Migrant Alternative Payment, Family Child Care Home Education Networks, and Child Care under the CalWORKs Program</p>	\$40	\$0	\$33
School-Aged Care	Funds were to cover the additional cost of providing care to school-aged children. During the school year, school-aged children would typically receive care before and/or after school. As schools in most of the state remain closed, many school-aged children participating in distance learning also are receiving care from a child care provider during the school day.	\$38	\$0	?
Subsidized Care Provider Stipends	Stipends to state-subsidized care providers based on the number of subsidized children enrolled.	\$31	\$244	\$206
Licensed Provider Stipends	Provided one-time pandemic relief stipends to all licensed child care providers between \$3.5K and \$6.5K based on size and setting.	\$0	\$0	\$177

Direct Contract Reimbursement Flexibility	Direct contract providers were provided reimbursement flexibility in 2020-21 and 2021-22, to receive funding based on enrollment not attendance.	\$0	\$0	\$0
Attendance Record Requirements	Allows voucher providers to submit attendance records during 2020-21 and 2021-22 without a parent signature if the parent is unable to sign due to the COVID-19 pandemic.	\$0	\$0	\$0
Total		\$519m	\$466m	\$546m
Note: Some funds may be duplicated as unspent funds rolled over to new purposes. Dollars in millions.				

The 2021-22 Budget Act funded the new child care access for essential workers ongoing, however only income-eligible workers will retain the subsidy after 12 months under current law. All the other pandemic relief policies extended through the 2021-22 Budget Act expire at the end of the fiscal year, including support for additional paid closure days, the waiver of family fees, and all programmatic flexibilities intended to address the pandemic's impact on child care program operations.

The Governor's 2022-23 January Budget

The Governor's January Budget does not extend pandemic relief funding or policies.

STAFF COMMENTS & QUESTIONS

The pandemic investments and policies funded in the 2020-21 Budget Act, SB 93, AB 82, and the 2021-22 Budget Act are one-time in nature. The Legislature may want to consider the policy and fiscal pandemic actions from prior Budgets to stabilize the ECE system, over a multi-year period. Children under age 5 remain ineligible for vaccines, and child care leaders report ongoing family fears, quarantine, and other pandemic-related issues that impact program stability, funding, and provider burn-out.

The ECE field is asking that pandemic flexibilities for family fees and enrollment/schedule-based funding be extended, and ECE stakeholders have submitted further priorities not included in the January Budget that could impact program stability and licensed child care capacity in the near-term:

- **Additional Rate Increases:** Stakeholders note that while many providers are seeing increases in rates as of January 1, 2022, the actual costs of providing care and the rising impacts of inflation continue to outstrip reimbursement rate funding for much of the state. The current rate is the 75th percentile of the 2018 Regional Market Rate (RMR) – nowhere

near the current market rates for child care. Higher rates allow providers to retain and pay their workforce, cover administrative and other fixed costs, increase quality of care, and support expansion to meet family and state needs.

- **Workforce Stability:** Many child care workers, in both family home and center-based settings, do not have access to affordable healthcare or retirement savings. Retaining the workforce in this essential sector may require additional investments in these and other areas. Head Start is specifically requesting funds to increase teacher salaries.
- **Food Services:** Only a portion of providers participate in the Child and Adult Care Food Program and funding received currently is only 75 percent of that provided in school-based settings. Additional expansion supports both providers and the families they provide care to.
- **Infrastructure and Workforce Investments:** Additional infrastructure funding and workforce investments make it possible for existing providers to continue providing services and expand offerings, increase ECE teacher salaries, and for new providers to enter the market, particularly in areas where child care is difficult to find.

Questions:

- Do we have any data or feedback on the effectiveness of these pandemic relief measures to prevent the permanent loss of child care capacity? To prevent or offset trauma for providers? Families?
- What flexibilities/stabilizing policies from current year need to be extended into the Budget Year, and at what cost?
- Are there any important patterns to the permanent closures that the state should address?
-

Staff Recommendation: The Subcommittee may want to consider extending pandemic stabilization efforts and increasing program reimbursement rates in the context of May Revision revenues, federal fund availability, and ongoing impacts to the child care system.

ISSUE 2: CHILD CARE SYSTEM OVERSIGHT & JANUARY BUDGET PROPOSALS

The Governor's January Budget includes \$5.8 billion for child care programs, including one-time federal funds and continued support for rate increases and the goal to expand child care access by 200,000 slots by 2025.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Sara Cortez, Legislative Analyst's Office
- Dr. Lupe Jaime-Mileham, Department of Social Services
- Justin Blakely, Crystal Stairs

BACKGROUND**California's Child Care Programs**

California's diverse subsidized child care system has twin objectives: to support working parents and support healthy child development. Children, from birth to age thirteen, are cared for and instructed in a number of state and federally subsidized child care and school-based support programs, including the CalWORKs Stages child care programs, the California Alternative Payment Program, General Child Care, Migrant Child Care, the Expanded Learning Opportunities Program, the California State Preschool Program, Transitional Kindergarten, and the federal Head Start program.

State Child Care Programs

Program	Description
CalWORKs Child Care	
Stage 1	Child care becomes available when a participant enters the CalWORKs program.
Stage 2	Families transition to Stage 2 child care when the county welfare department deems them stable.
Stage 3	Families transition to Stage 3 child care two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years old) or they exceed the income-eligibility cap.
Non-CalWORKs Child Care	
General Child Care	Program for other low-income, working families.
Alternative Payment	Another program for low-income, working families.
Migrant Child Care	Program for migrant children from low-income, working families.
Care for Children with Severe Disabilities	Program for children with severe disabilities living in the Bay Area.

Source: Legislative Analyst's Office

Commencing July 1, 2021, the administration of state “child care” programs transitioned from the Department of Education (CDE) to the Department of Social Services (DSS). DSS now administers all the CalWORKs Stages child care programs, the California Alternative Payment Program, General Child Care, Migrant Child Care, and the various quality and infrastructure investments and program, including Resource & Referral agencies. CDE still administers the State Preschool program.

The California Child Care Initiative Project (CCIP). Local resource and referral agencies use CCIP funds to implement a model that: 1) builds licensed family child care capacity; 2) informs the provision of quality of care; and 3) supports providers and families in their collaborative efforts to optimize the early care and education of their children. The model assesses local supply and demand; recruits individuals to become licensed family child care providers; offers culturally and linguistically relevant professional development opportunities that are based on current research and evidence-based practices; provides technical assistance and support to providers (potential and established) and families; and connects them with resources.

2020-21 ECE Budget Reductions

The 2020-21 Budget Act assumed significant revenue declines would result from the COVID-19 pandemic's impact to the California economy. In order to mitigate impacts of this anticipated revenue decline on on-going ECE programs, the final Budget included major reductions to the one-time ECEs investment adopted in the 2019-20 Budget Act. One significant commitment was not restored as part of the final 2021-22 Budget agreement: the Early Learning and Care Workforce Development Grant Program would have provided \$195 million one-time Proposition 98 funding for grants for child care and preschool workforce professional development and education to improve the quality of care and provide accessible avenues for child care professionals to move along the early education/child care professional continuum. During the transition of child care program administration from CDE to DSS in the 2021-22 Budget Act, the statutory language for this Workforce Grant Program was moved from the Education code to Welfare and Institutions Code, but without restoration funding.

2021-22 Budget Act

Child Care Access Expansion. The final 2021-22 Budget Act provided a historic high of \$8.7 Billion for ECE programs. Of this amount, \$2.8 billion is for preschool and Transitional Kindergarten programs, and will be covered in issue three.

Child Care and Preschool Budget

(Dollars in Millions)

	2019-20 Revised ^a	2020-21 Revised ^a	2021-22 Enacted	Change From 2020-21	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	\$367	\$486	\$366	-\$120	-24.7%
Stage 2 ^b	536	560	402	-158	-28.3
Stage 3	539	663	705	43	6.4
Subtotals	(\$1,443)	(\$1,709)	(\$1,473)	(-\$236)	(-13.8%)
Non-CalWORKs Child Care					
Alternative Payment Program	\$536	\$820	\$1,304	\$483	58.9%
General Child Care ^c	522	526	785	259	49.2
Bridge program for foster children	54	58	54	-4	-6.5
Migrant Child Care	45	45	67	22	48.3
Care for Children With Severe Disabilities	2	2	2	— ^d	3.9

Subtotals	(\$1,158)	(\$1,451)	(\$2,212)	(\$761)	(52.4%)
Preschool Programs^e					
State Preschool ^f	\$1,431	\$1,277	\$1,856	\$578	45.3%
Transitional Kindergarten ^g	872	862	920	58	6.8
Preschool QRIS Grant	50	50	50	—	—
Subtotals	(\$2,353)	(\$2,189)	(\$2,826)	(\$637)	(29.1%)
Support Programs	\$284	\$194	\$2,189	\$1,994	1027.4%
Totals	\$5,239	\$5,544	\$8,699	\$3,156	56.9%

Funding

Proposition 98 General Fund	\$1,846	\$1,700	\$2,445	\$745	43.8%
Non-Proposition 98 General Fund	1,986	1,945	3,058	1,113	57.2
Proposition 64 Special Fund	80	146	235	89	60.8
Federal	1,326	1,753	2,962	1,209	69.0

^aReflects Department of Social Services' revised Stage 1 estimates, Department of Finance's revised estimates for Stage 2 and Stage 3, and budget appropriations for all other programs.

^bDoes not include \$9.6 million provided to community colleges for certain child care services.

^cGeneral Child Care funding for State Preschool wraparound care shown in State Preschool.

^dLess than \$500,000.

^eSome CalWORKs and non-CalWORKs child care providers use their funding to offer preschool.

^fIncludes \$1.2 million each year used for a family literacy program offered at certain State Preschool sites.

^gReflects preliminary LAO estimates in 2020-21 and 2021-22 as enrollment data are not yet publicly available.

QRIS = Quality Rating and Improvement System.

Source: LAO

Child Care Access Expansion. The 2021-22 budget package included \$783 million in 2021-22 (\$1.6 billion ongoing estimated) across state and one-time federal fund sources to provide 120,000 new slots for child care. Slots will be spread across the Alternative Payment Program beginning in October 2021, and General Child Care and Migrant Child Care beginning in April 2022. The Legislature and Governor further agreed to add 80,000 child care slots from 2022-23 through 2025-26 to reach a final goal of 200,000 new child care slots, which is anticipated to cost an additional \$1 billion General Fund by 2026-27.

- \$550.1 million to fund additional Alternative Payment Program (CAPP) slots,
- \$207.9 million to fund additional General Child Care and Development Program (CCTR) slots,
- \$17.5 million to fund additional California Migrant Alternative Payment Program (CMAP) slots, and

- \$3.8 million to fund additional Emergency Child Care Bridge Program for Foster Children slots.

Child Care Reimbursement Rates. The 2021-22 budget package provided \$604 million in 2021-22 (\$1.1 billion ongoing estimated) across several fund sources to increase rates for child care and preschool providers. Starting July 1, 2021, direct contract providers receive a 4.05 percent cost-of-living adjustment. On January 1, 2022, all child care and preschool providers moved to the 75th percentile of the 2018 regional market rate survey, or stayed at their current rate if it is higher.

The final budget package also includes \$552 million one-time to allocate supplemental rates to providers from January 1, 2022 through December 31, 2023, to fund providers above the 75th percentile. Provider types represented by Child Care Providers United (CCPU) will receive supplemental rates as determined through a Joint Labor Management Committee process with DSS. All other provider supplemental rates will be determined by DSS and CDE, aligned to the Regional Market Rate (RMR). Legislative intent is to provide per child funding to providers near or above the 80th percentile of their county's RMR for each age group:

- \$289 million in one-time funds for CCPU providers
- \$188 million in one-time funding for direct contract center-based providers
- \$27.5 million in one-time funding for administrative costs for providing supplemental payments (Added in Chapter 5, Statutes of 2022)
- \$47.7 million in one-time funding (including administrative costs) for non-CCPU CAPP and CalWORKs providers (Added in Chapter 2, Statutes of 2022)

Rate Reform. The 2021-22 Budget Act established two workgroups to make recommendations for implementing a single child care reimbursement rate structure. First, DSS, in consultation with the California Department of Education (CDE), is to convene a workgroup to assess the methodology for establishing a new reimbursement rate and quality standards. The workgroup is to include a range of child care stakeholders and must provide recommendations by August 15, 2022. The workgroup's recommendations are to include a definition of child care workforce competencies and suggestions for how to align these competencies to a new rate structure. Second, the state and Child Care Providers United–California shall establish a Joint Labor Management Committee that will make recommendations for a single reimbursement rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children. The budget includes \$20 million for DSS to hire a contractor that would assist the Joint Labor Management Committee. This committee is to provide its recommendations to the Department of Finance by November 15, 2022, to inform the Governor's 2023-24 budget proposal.

Child Care Facilities. The budget package also included \$250 million one-time funding (\$150 million General Fund, \$100 million federal funds) for the Child Care and Development Infrastructure Grants Program to expand access to child care and development and preschool opportunities for children up to five years of age by providing resources to build new facilities or

retrofit, renovate, repair, or expand existing facilities, with a focus on child care deserts. Of the total, \$100 million of this funding needs to be used minor construction and repair to abide by federal American Rescue Plan Act guidelines.

Child Care Initiative Project. The budget package allocated \$25 million to the Child Care Initiative project, an existing program that recruits and supports new child care providers.

Resource and Referral Agencies. The budget package allocated \$10 million one-time funds to support the MyChildCarePlan.org website for resource and referral agencies, and \$20 million in one-time federal funds for a \$10 million annual increase in Resource and Referral agency operational funding in 2021-22 and 2022-23.

Child and Adult Care Food Program (CACFP). The budget package included \$15 million General Fund to restore a state reimbursement rate for CACFP meals administered by non-LEA entities (in addition to federal reimbursement). This action conforms with the state rate currently provided for CACFP meals served by public school entities with Proposition 98 funding.

The Governor's 2022-23 January Budget

The Governor's budget includes \$5.8 billion (\$2.3 billion General Fund) for child care programs, including continued support for the historic multi-year commitment in the 2021-22 Budget Act to rate increases taking effect in January 2022 and eventually expanding child care access by 200,000 slots by 2025.

Child Care Slots. The budget includes 36,000 child care slots, and annualizes 110,000 slots added in the 2021 Budget Act, at an approximate cost of \$823.7 million, with the goal of adding 200,000 slots by 2025-26. The child care slots would be distributed between the CAPP and General Child Care programs.

Child Care Rates. The budget includes \$373 million ongoing to support annualized rate increases approved in the 2021-22 Budget Act.

Policy Changes. The proposed trailer bill includes two significant policy changes for child care. The first increases the reserve cap for direct-contractors from 2 percent to 8 percent. The second clarifies statute on supporting dual language acquisition.

The January Budget does not propose any rate or access increases beyond the 2021-22 budget agreements.

Subsidy Chart

VOUCHER-BASED PROGRAMS

Regional Market Rate¹

Families may choose any licensed or licensed-exempt provider
For children under 13 years of age

CalWORKs Stage One	
Funding: \$447,100,000	GF: 14%
Enrollment²: 36,972	TANF/Title XX: 86%
Eligibility: Begins when family enters the CalWORKs	
CalWORKs Stage Two	
Funding: \$321,466,000	GF: 63%
Enrollment: 26,474	TANF/Title XX: 37%
Eligibility: Begins when family is considered "stable" as County Welfare Departments	
CalWORKs Stage Three	
Funding: \$759,080,000	GF: 55%
Enrollment: 70,526	CCDF/ARPA: 45%
Eligibility: Begins 24 months after family stops receiving cash aid. Family may remain in Stage 3, to the extent that funding is available, until the family incomes out or the child ages out.	
Alternative Payment Program (CAPP)	
Funding: \$1,912,641,000	GF: 41%
Enrollment: 161,332	CCDF/ARPA: 50%
	Prop. 64 Funds: 9%
Eligibility: For non-CalWORKs families that are income eligible (85 percent of SMI or below) and in need of child care services.	
Emergency Child Care Bridge	
Funding: \$59,863,000	GF: 69%
Enrollment: 5,195	Title IV-E: 25%
Eligibility: Foster Children	Prop. 64 Funds: 6%

DIRECT CONTRACT PROGRAMS

Standard Reimbursement Rate²

All programs must meet Title V standards
Provided for income eligible families (85 percent of SMI or below)

General Child Care	
General Child Care includes both CCTR and Family Child Care Home Education Networks (CFCC) contracts	
Funding: \$1,244,067,000	GF: 47%
Enrollment: 82,271	CDF/ARPA/CRRSA: 46%
Eligibility: For children under 13 years	
	Prop. 64 Funds: 7%
Migrant Child Care	
Migrant Child Care includes funding for both the voucher based Migrant Alternative Payment Program (CMAP), operated by a single agency, and for 21 Migrant Centers (CMIG)	
Funding: \$73,361,000	GF: 85%
Enrollment: 4,300	CCDF: 15%
Eligibility: For children under 13 years of age.	
Child Care for Children With Severe Disabilities	
Funding: \$2,281,000	GF: 100%
Enrollment: 111	
Eligibility: For children and young adults under 21 years of age.	

Notes:

¹Funding reflects Regional Market Rate increase to 75th percentile of the 2018 RMR survey (effective January 2022, held harmless).

² Beginning January 2022, Direct Service programs will be reimbursed at the greater or daily rates in place or the converted RMR in the county.

³ Represents full-year enrollment based on available funding.

All programs above are administered by CDSS effective July 1, 2021. Funding for indirect services (including Resource and Referral and Health and Safety) is not included. Total funding, funding ratios, and caseload is based on the 2022-23 Governor's Budget.

Source: DSS

STAFF COMMENTS & QUESTIONS

The LAO has raised concerns that the Governor's budget funding provided for annualizing General Child Care slots added in 2021-22 is insufficient. Specifically the 2021-22 budget included \$208 million for 46,000 new General Child Care slots. The amount of funding provided was based on the assumption that these slots would be released April 1, 2022. In past practice, to annualize the cost of the slots for 2022-23, the budget should include quadruple the amount of funding—to go from 3 months' worth to 12 months' worth of funding. This would require a total of \$832 million in 2022-23 for these slots. The administration's 2022-23 budget, however, only provides \$493 million to cover the full-year cost of the slots—\$339 million less than anticipated. Based on LAO conversations with DSS, this is due to a change in DSS methodology in how they are calculating the cost per General Child Care slot. The LAO notes that while there are a number of ways to calculate the cost per child care slot, this calculation is a significant departure

from the 2021-22 budget agreement, especially with the priority for infant and toddler slots and the rate reform measures estimated by DSS. With this change in calculations, the administration is only providing 60 percent of the funding for General Child Care that we would have expected based on the agreement, resulting in less funding available on an ongoing basis.

General Child Care contractors assume annual contracts are capped, and can only enroll children within their annualized capacity. Shortfalls in Budget allocations for the program will result in serving far fewer children than in the Budget agreement.

The child care field is in a period of great stress, and implementation of the changes in the child care field from the 2021-22 budget agreement are still underway. The historic investments in rates and slots and the provision of pandemic response funds were made in the same time frame that the bulk of child care programs shifted from the Department of Education to the California Department of Social Services and the state negotiated its first contract with Child Care Providers United. At the same time, the industry has been and continues to be heavily impacted by the COVID -19 pandemic.

The Legislature should continue to monitor implementation of funding and changes agreed to in the 2021-22 budget package. In particular, ensuring that ongoing and full funding is provided so that expansion of access through slots agreed to in 2021-22 is realized to support child care needs across the state in the 2022-23 fiscal year and future years.

The Legislature should also continue to closely monitor the implementation of rate reform. Rate increases as implemented January 1, 2022, provide uneven support across different regions of the state, across various age-groups, and across provider types and may result in unintended consequences without further action to move towards a more consistent and comprehensive child care rate system.

As demonstrated by the table below from the California Budget and Policy Center, the rate increase to the 75th percentile of the 2018 RMR does not provide any funding increase to many providers, and a does not provide a significant increase for most providers.

Percent Change in the Full-Time, Monthly Regional Market Rate Ceiling by County from
January 1, 2018 to January 1, 2022

	Licensed Child Care Center Rate Increase		Licensed Family Child Care Home Rate Increase	
	Children Under	Children Ages	Children Under	Children Ages
	Age 2	2 to 5	Age 2	2 to 5
Alameda	8%	16%	13%	17%
Alpine	0%	0%	0%	0%
Amador	0%	0%	2%	2%
Butte	5%	9%	12%	9%
Calaveras	0%	1%	7%	3%
Colusa	13%	0%	19%	11%
Contra Costa	5%	14%	10%	11%
Del Norte	0%	0%	0%	0%
El Dorado	19%	18%	24%	16%
Fresno	16%	11%	11%	14%
Glenn	0%	0%	19%	9%
Humboldt	7%	17%	11%	14%
Imperial	1%	0%	4%	1%
Inyo	4%	4%	5%	6%
Kern	15%	8%	8%	9%
Kings	13%	0%	0%	2%
Lake	0%	0%	12%	11%

Lassen	0%	0%	15%	5%
Los Angeles	6%	11%	21%	16%
Madera	9%	0%	3%	3%
Marin	6%	4%	5%	4%
Mariposa	0%	0%	1%	0%
Mendocino	0%	0%	4%	4%
Merced	0%	0%	10%	10%
Modoc	0%	0%	13%	12%
Mono	0%	0%	0%	0%
Monterey	0%	0%	6%	6%
Napa	0%	1%	9%	11%
Nevada	3%	0%	7%	6%
Orange	9%	16%	25%	20%
Placer	9%	17%	13%	15%
Plumas	0%	0%	3%	0%
Riverside	5%	4%	12%	13%
Sacramento	2%	10%	11%	6%
San Benito	5%	0%	7%	7%
San Bernardino	7%	2%	3%	4%
San Diego	6%	14%	11%	12%
San Francisco	8%	12%	6%	9%
San Joaquin	12%	8%	14%	11%
San Luis Obispo	3%	0%	10%	7%
San Mateo	9%	9%	9%	17%
Santa Barbara	0%	0%	10%	0%
Santa Clara	7%	11%	8%	15%
Santa Cruz	0%	1%	13%	11%
Shasta	3%	0%	10%	8%
Sierra	0%	0%	12%	8%
Siskiyou	4%	0%	9%	4%
Solano	7%	5%	12%	11%
Sonoma	7%	12%	17%	13%
Stanislaus	9%	1%	11%	9%
Sutter	15%	2%	9%	13%
Tehama	0%	0%	20%	12%
Trinity	0%	0%	15%	18%
Tulare	0%	0%	10%	8%
Tuolumne	0%	0%	9%	14%
Ventura	5%	8%	9%	11%
Yolo	5%	8%	11%	7%
Yuba	12%	0%	11%	9%

Source: Budget Center Analysis of Regional Market Rate Survey data

Contact: Kristin Schumacher (kschumacher@calbudgetcenter.org) or Erik Saucedo (esaucedo@calbudgetcenter.org)

Questions:

- When will the Administration provide corrections for the estimated annualized slot and rate increases for the Budget Year?
- Why are RMR rate increases not included in the January Budget to reflect extreme COLA pressures on all programs or statutory goals to reflect the 85th percentile of the 2018 market survey?
- What is the current year trajectory of federal fund savings due to new slot delays? Can these funds be used of rate increases in the Budget Year?
- Why didn't the January Budget restore the 2019-20 child care workforce programs?
- Does the Administration have any concerns about fully utilizing one-time federal funds or any concerns about ensuring the one-time funds for rate and access increases are backfilled with General Fund in BY +1?

Staff Recommendation: Hold Open and anticipate corrections from the Administration to address adequate funding for rates and access expansion agreements.

ISSUE 3: CALIFORNIA STATE PRESCHOOL PROGRAM OVERSIGHT & JANUARY BUDGET PROPOSALS

The Governor's January Budget contains major policy and fiscal proposals to the California State Preschool Program, including rate reform and expanding inclusive preschool settings.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Jodi Lieberman, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Virginia Early, Department of Education
- Eric Sonnenfeld, Tulare County Office of Education & Every Child California

BACKGROUND**Subsidized Preschool Programs in California**

The state has several publicly subsidized “preschool” programs for three- and four-year olds:

State Preschool. The state funds State Preschool through two different funding sources depending on the provider. Local education agencies (LEAs)—school districts and county offices of education (COEs)—are funded with Proposition 98 General Fund, while community-based organizations (non-LEAs) are funded with non-Proposition 98 General Fund. Children are eligible for State Preschool if their family earns less than 85 percent of the state median income. Participating children either receive a part-day or full-day option. Providers are funded based on a child's attendance in the program, with higher levels of funding—known as an “adjustment factor”—for certain children, such as dual language learners and children with disabilities. In 2021-22, the state funded 110,000 part-day slots and 50,000 full-day slots for State Preschool.

Transitional Kindergarten (TK). Under state law, TK is the first year of a two-year kindergarten program. School districts can enroll students in TK in the year prior to kindergarten if the student has their fifth birthday between September 2 and December 2 of that school year. Similar to all other K-12 students, TK students generate attendance-based funding through the Local Control Funding Formula. In 2019-20, the state served 89,000 students through TK.

Head Start. Many schools and community-based organizations operate Head Start—a school readiness program for children ages three to five. The program is targeted to families living below the poverty line. Grantees contract directly with the federal government, with specific funding plans and services varying by grantee. The Head Start program requires that 10 percent of children enrolled be children with disabilities. In 2019, about 80,000 three- and four-year olds in California were enrolled in Head Start.

Other Subsidized Child Care Programs. Through the state's subsidized child care programs, children can receive vouchers to attend private sector preschools. The exact duration and program vary based on the provider and parent work schedules. Through the General Child

Care program, the state also directly contracts with providers to serve children ages three and four, as well as other ages. The LAO estimates about 18,000 three- and four-year olds were served in these programs in 2019-20.

Preschool for Students with Disabilities

Schools Must Provide Services for Students With Disabilities Beginning at Age Three. Federal law requires school districts to begin providing special education services to all children with disabilities upon their third birthday. The specific support provided to each student is detailed in his or her individualized education program, a legal document developed by the student's teachers, parents, and school administrators.

Inclusive Early Education Expansion Program (IEEEP). The 2018-19 budget provided \$167 million Proposition 98 General Fund for one-time competitive grants to LEA providers for the purpose of increasing access to inclusive early education programs. Grants could be used for a variety of one-time expenses, including training, facility renovations, and equipment. Grant recipients were required to provide \$1 in local funds for every \$2 received through the grant. Grant recipients also must commit to provide program data and participate in an evaluation. Funding is available for expenditure through December 31, 2024.

New Early Intervention Preschool Services Grant. The budget package provides \$260 million ongoing for a new early intervention preschool grant. The funding can be used to support early intervention services for preschool children at risk of being identified for special education, resources for preschool children with disabilities not required under special education, and other activities that improve school readiness and long-term outcomes for children under the age of five. Funding must supplement existing special education spending and, to the extent possible, promote inclusive practices. Funding is to be distributed to school districts based on the number of first graders with disabilities.

Master Plan for Early Learning and Care

The California Master Plan for Early Learning and Care was published on December 1, 2020. The Master Plan builds upon the past work of the Assembly Blue Ribbon Commission and offers a roadmap for building a comprehensive, equitable early learning and care system over the next decade. Specifically, it indicates that 'the Master Plan is a framework with which to realize the vision of ensuring that all California children thrive physically, emotionally, and educationally in their early years, through access to high-quality early learning and care resources; equitable outcomes for children; and greater efficiencies to the state today and every day through structures for continuous improvement.'

Specific preschool system recommendations included:

- *Provide universal preschool for all four-year olds and income-eligible three-year olds or those with disabilities.*
- *Prohibit the suspension and expulsion of any child in state-subsidized early learning and care programs so that children are not deprived of opportunities to learn.*

- *Implement funding reform to address regional cost of care differences.*
- *Support stronger training for caregivers and teachers in the early learning workforce and provide opportunities for greater compensation and career advancement.*
- *Strengthen quality standards and technical assistance to programs so that they serve all children well in culturally and linguistically responsive settings.*

2021-22 Budget Act

Increases Funding for State Preschool Rates and Slots. The budget package includes \$130 million Proposition 98 to provide additional State Preschool slots at school districts and COEs. The package also includes \$242 million Proposition 98 to increase rates. Furthermore, the budget package changes State Preschool eligibility, allowing programs to provide wraparound care to students in TK or Kindergarten whose families meet the State Preschool income requirements. Previously, the State Preschool program could only serve three- and four-year olds.

Universal TK to All Four-Year Olds by 2025. The 2021-22 Budget agreement gradually expands TK eligibility from 2022-23 through 2025-26. 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 in the year before kindergarten. Four-year olds will retain eligibility for all other subsidized child care programs, to allow for parental choice. Implementation of this policy in the 2022-2023 budget year will be covered in Issue 4.

Governor's 2022-23 January Budget

Requires State Preschool Providers Serve Students With Disabilities. The Governor's budget proposes to require that at least 10 percent of children enrolled in State Preschool programs be children with disabilities. Under the proposal, an amount equivalent to 10 percent of the provider's funded enrollment would be guaranteed (not based on attendance) and set aside specifically for children with disabilities. The provider is, in turn, required to maintain slots available for children with disabilities to enroll throughout the fiscal year. The California Department of Education (CDE) would monitor compliance of the requirement and assist providers. Providers that are unable to meet the requirement must conduct community outreach to special education partners to increase their enrollment of students with disabilities. Beginning July 1, 2025, any providers not meeting the requirement may be placed on conditional contract status by CDE, with the potential to have their contract terminated. CDE is also required to create a waiver process for providers that cannot meet the requirement.

Increased Adjustment Factor and \$308 Million for Serving Students With Disabilities. The budget provides \$308 million related to the new requirement to serve 10 percent children with disabilities—\$198 million (Proposition 98 General Fund) for LEAs and \$111 million (non-Proposition 98 General Fund) for non-LEAs. This funding accounts for the expected increase in the number of children with disabilities that will be served in State Preschool, as well as a proposed increase to adjustment factors. Specifically, the Governor proposes an adjustment factor of 2.4 for children with disabilities. This new factor would replace the two related

adjustment factors under current law—an adjustment factor of 1.54 for most children with disabilities and an adjustment factor of 1.93 for children with severe disabilities.

\$500 Million One Time for IEEEP. The Governor’s budget also includes \$500 million one-time Proposition 98 funding for IEEEP. As with the funding provided in 2018-19, funding would be available for LEA providers through a competitive grant and could be used for training, facility modifications, or equipment. The Superintendent of Public Instruction can set aside up to \$50 million of the proposed funding for state-level assistance and support. Specifically, funding could be used for coaching and job-embedded training, developing culturally and linguistically responsive resources, regional support for State Preschool providers, and facilitation of a work group. The state-level assistance could be accessed by both LEA and non-LEA providers. Funding would be available through June 30, 2027.

Provides \$62 Million One Time for Early Identification and Training. The Governor’s budget provides \$2 million non-Proposition 98 General Fund for CDE to develop a process and tools for identifying children at risk for developmental delays or learning disabilities. Funding would be available through June 30, 2024. The budget also includes \$60 million Proposition 98 funding to provide training and coaching associated with the early identification process and tools. Funding could also be used more broadly to provide for statewide training and support that helps align local practices with research-based strategies that improve student outcomes. Funding would be available through Jun 30, 2026.

Cost of Living Adjustment. The January Budget provides an increase of approximately \$26.2 million General Fund and approximately \$54.3 million Proposition 98 General Fund to apply a 5.33 percent cost-of-living adjustment to the Standard Reimbursement Rate for the California State Preschool Program.

Significant Policy Proposals. The proposed budget also includes several other State Preschool proposals not specifically related to serving children with disabilities:

- Provides \$40 million to increase the adjustment factor for dual language learners from 1.1 to 1.2.
- Proposes that, once determined to be eligible for State Preschool, children and families can remain eligible for 24 months, rather than 12 months under current law, without having to reestablish eligibility.
- Allows providers to serve two-year olds in State Preschool programs.

CDE Capacity. The proposed budget provides increased agency capacity for 12 full-time equivalents, to support the Budget proposals for Part C to B, CSPP, and various inclusive preschool and early identification proposals.

LAO Comments

Increasing Access to State Preschool Is Laudable Goal. Providing access to inclusive settings can help children with disabilities improve in their development and school readiness, as well as provide opportunities for meaningful social interaction with their peers. The state has historically lagged compared with the rest of the nation in increasing access to inclusive programs. In 2019-20 (the most recent year data is available), 27 percent of three- to five-year

olds with disabilities in California attended a regular early childhood program at least ten hours a week, compared with 56 percent of three- to five-year olds nationwide. The State Preschool program also has historically had relatively low shares of students with disabilities. In fall 2019, children with disabilities represented 4.1 percent of children enrolled in State Preschool. This share varies significantly based on the type of provider, with LEAs serving children with disabilities at a higher rate (4.7 percent of enrollment) than non-LEAs (2.9 percent of enrollment).

TK Expansion Also Likely to Increase Access to Inclusive Settings for Four-Year Olds. In our conversations with special education administrators over the past several years, they often cited challenges in finding inclusive settings for their preschool-aged children with disabilities. Some school districts, for example, do not operate State Preschool or Head Start programs, which makes identifying appropriate programs with available spaces challenging for districts and families. Some districts also mentioned challenges with serving students with disabilities in State Preschool given program regulations and requirements that can make it difficult to accommodate children with disabilities. As the state expands TK to serve all four-year olds, all districts will have greater ability to offer an inclusive program on their elementary school campuses, likely resulting in greater access to inclusive settings for four-year olds with disabilities.

Serving More Students With Disabilities Will Require Programmatic Changes. Implementing the Governor's proposal would require State Preschool to effectively increase by 2.5 times the number of students with disabilities they serve in each classroom. In turn, this likely would require a number of changes to how providers operate. They may change their processes for marketing and improving relationships with other agencies that can refer students with disabilities. Once enrolled, providers may need to make modifications to their existing curriculum and activities to ensure they are suitable for children with disabilities. Making these changes could require hiring additional staff, increasing training, or contracting with special education experts. Providers may also need to make modifications to their classrooms and playground to accommodate children with disabilities, particularly those with more severe disabilities.

Requirement to Serve 10 Percent Students With Disabilities Similar to Head Start. According to the administration, its proposal is intended to emulate that of Head Start, which requires that 10 percent of slots be set aside for children with disabilities. Given Head Start already has a similar requirement, and given the lower rates in State Preschool, we think the 10 percent requirement proposed by the Governor is a reasonable starting place for setting expectations for providers. Many State Preschool providers also operate Head Start programs, often blending the two into one unified program. For these providers, the requirement proposed by the Governor will be aligned with other programs they currently operate.

LEA-Based Providers Better Positioned to Serve Students With Disabilities. Meeting the requirements proposed by the Governor would be relatively easier for LEA providers. Since school districts are directly responsible for providing special education services to their students, they will find it easier to refer students to their State Preschool program and ensure that providers are coordinating with special education experts. COEs also have special education experts that can assist State Preschool in better serving students. Moreover, unlike non-LEA providers, LEAs would have access to the IEEEP grant funding proposed by the Governor, which would cover one-time costs for training, facility renovations, and equipment.

Recommend Redirecting Funding to Better Support Non-LEA Providers. Because non-LEA providers do not have these same advantages, we think it is likely that they will find serving a larger share of students with disabilities more challenging. This is particularly true of those that do not already operate Head Start. We recommend the Legislature set aside a larger portion of IEEEP funding for state-level assistance and support that can be accessed by non-LEA providers. The Legislature could also consider redirecting others sources of funding for non-LEA training and support. For example, the Legislature could consider redirecting a portion of federal quality improvement funding (currently totaling \$120 million) for this purpose. These funds are currently administered by the Department of Social Services. Similarly, the Legislature may want to ensure a greater portion of the \$60 million proposed by the Governor to be set aside for training on early identification will be available for non-LEAs.

Consider Ways to Monitor Implementation and Address Barriers to Access. While we think the 10 percent requirement is a reasonable starting point, the Legislature may want to reassess this threshold in a few years, particularly in light of the major changes that will be occurring in early education with the expansion of TK. At that time, the Legislature may want to increase or decrease the requirement. To the extent that providers have difficulty implementing the 10 percent requirement, the Legislature will also want to consider ways to change the existing program to help address the key barriers that providers face. The Legislature could monitor these issues in a variety of ways, such as by requiring CDE to report to the Legislature or contracting with an external agency to follow the implementation more closely.

Trade-Offs Associated With Allowing Two-Year Olds. Allowing State Preschool to serve two-year olds would give providers more flexibility to ensure that their programs are fully enrolled. This flexibility could be particularly beneficial for providers who also have General Child Care contracts with the state and serve two-year olds in those programs. Serving two-year olds in State Preschool, however, would create some administrative challenges. Providers would be required to increase staffing, as the child-to-staff ratios for two-year olds are half the ratio for preschoolers (4-to-1 and 8-to-1, respectively). Providers may also need to modify their facilities to address the unique needs of smaller children. (For example, by installing diaper changing stations.) Moreover, the Governor's proposal is not clear on whether two-year olds enrolled in State Preschool would be funded at the same rate as three- and four-year olds, or if they would be funded at the higher rate for toddlers that is used in General Child Care. Given the complexities of such a change, the Legislature may want to wait a few years and see how the expansion of TK affects State Preschool enrollment before deciding to adjust eligibility in this way.

Recommend Adopting 24-Month Eligibility. Providers in several counties that have been granted flexibility from certain state policies have implemented 24-month eligibility for several years. The policy allows three-year olds enrolled in State Preschool to continue participating in the program until they are eligible for kindergarten, helping to ensure the child is prepared for kindergarten. The change also reduces some administrative burden without adding cost pressure to the program. Applying this policy statewide also would create consistency for children and families.

STAFF COMMENTS & QUESTIONS

Questions:

- SB 150 (Limon, 2021) would have allowed CSPP programs to serve two year olds, but also authorized the General Child Care standards and adjustment factor for this age group. Does the Administration and CDE believe providers can afford to serve two year olds without a funding rate adjustment?
- Are the California State Preschool program standards appropriate for serving two year olds? Would CDE recommend adjustments?
- In light of the IDEA mandate that LEAs provide preschool for children with special needs, is it appropriate to create a service capacity requirement on all community-based preschool providers? If so, how are LEAs going to support community preschools with meeting Part B requirements?
- How would this proposal cause CSPP to interact with the \$260 million ongoing for a new early intervention preschool grant? Are LEAs allowed to use both funding sources to serve the same children?
- Are these major policy changes possible to implement during a pandemic recovery period for preschool providers?
- What specificity and standards are needed for the early identification tool, to ensure the Administration's goals to identify a wide range of developmental and learning delays in diverse ECE settings, using a valid and reliable tool?

Staff Recommendation: Hold Open: Anticipate revisiting ECE package after May Revise.

ISSUE 4: UNIVERSAL TRANSITIONAL KINDERGARTEN IMPLEMENTATION & JANUARY BUDGET PROPOSALS

The 2021-22 Budget Act launched the state's commitment to Universal Transitional Kindergarten for all children. The Governor's January Budget contains over \$1 billion in investments to begin implementation of Universal Transitional Kindergarten in the 2022-23 school year.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Sara Cortez, LAO
- Lina Grant, DOF
- Sarah Neville Morgan, California Department of Education
- Deanna Mathies, Fresno Unified School District

BACKGROUND**Transitional Kindergarten**

SB 1381 (Simitian, 2010) enacted the "Kindergarten Readiness Act" and established the transitional kindergarten (TK) program, beginning phased implementation in 2012-13, for children who turn five between September 2 and December 2. TK is defined in statute as the first year of a two-year kindergarten program that uses a modified, age and developmentally appropriate curriculum. It is intended to be aligned with California Preschool Learning Foundations developed by the California Department of Education. Each elementary or unified school district must offer TK and kindergarten for all eligible children. TK is funded based on ADA through the Local Control Funding Formula (LCFF) allocation.

In 2018-19, 91,000 students in California were enrolled in TK. In addition to an elementary teaching credential, starting August 2023, TK teachers are required to have either 24 units in early childhood education and/or child development, a child development permit, or comparable experience in a classroom setting.

Early Transitional Kindergarten. Starting in the 2015-16 school year, local education agencies (LEAs) were allowed to enroll children in TK that do not meet the age criteria if they will turn five by the end of the school year. However, these students do not generate state funding until they turn five. LEAs are not required to provide early TK, and if they do, they are allowed to set their own age criteria. Uptake of this optional program varies widely, and CalPADS does not capture this enrollment data.

Preschool Impacts. The 2021-22 Budget provided funding for approximately 160,000 three- and four-year-olds in State Preschool. Four-year-olds make up approximately 63 percent of that enrollment. Aside from income eligibility, these programs vary in other ways, including teacher credentialing requirements and length of school day (see table below). Income-eligible four-year-

olds may enroll in either preschool or TK due to a combination of factors. The Governor's recently published Master Plan on Early Learning and Care set a goal to provide all income-eligible three-year-olds and all four-year-olds with preschool options prior to kindergarten, with an improved TK program as the foundation of early learning and care services for all four-year olds, and CSPP as the base of early learning and care for income-eligible three-year olds.

TK Quality. A longitudinal study by the American Institutes for Research concluded "TK is effective for all groups of students who participated. It showed a particularly notable impact on language skills for English learners and mathematics skills for low-income students at kindergarten entry." TK students were found to out-perform peers whom had "some preschool" prior to kindergarten enrollment. The same study found a wide range of quality standards for TK classrooms, including length of school day, student-to-adult ratios and age-appropriate curriculum. Most local educational agencies provide a four-hour or longer Transitional Kindergarten program.

TK and Full-day Kindergarten (FDK) Facilities. The 2018-19 budget provided \$100 million in one-time non-Proposition 98 General Fund for the Full-Day Kindergarten Facilities Grant Program, in order to address unique kindergarten classroom facility needs that may be inhibiting LEAs from offering full day kindergarten. The Office of Public School Construction, with approval by the State Allocation Board, allocated grants to LEAs for schools that did not have enough classroom space to provide FDK or had an existing FDK space that did not meet regulations. Priority for the grants was provided to districts with financial hardship or districts that have a high population of low-income students. The grants required 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 met the financial hardship requirements. Applicants had to provide anticipated and three preceding years of kindergarten enrollment data to verify need for new construction. Participation in the Full-Day Kindergarten Facilities Grant Program did not impact a school district's participation in the School Facilities Grant Program. According to the Office of Public School Construction, LEAs submitted a total of \$405 million in applications for this FDK program. In the 2019-20 Budget Act, another \$300 million in funding was provided to support three additional rounds of grants. However, this money was rescinded in the 2020-21 Budget Act in anticipation of a COVID-19 recessionary impact on the overall State Budget.

The 2021-22 Budget Act provided \$490 million in additional funding for this program, and expanded eligible classrooms to Transitional Kindergarten, as described below.

The 2021-22 Budget Act

Expands TK to All Four-Year Olds. Budget trailer legislation gradually expands TK eligibility from 2022-23 through 2025-26. Figure 5 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. (Under current law, a child is eligible for TK if their fifth birthday is between September 2 and December 2 of the coming school year.) This plan is anticipated to cost approximately \$600 million in 2022-23 and \$2.7 billion at full implementation in 2025-26. The Legislature and the Governor have reached an agreement to cover these costs by "rebenching" (adjusting) the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools.

Transitional Kindergarten Expansion Schedule

Figure 5

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

Makes Programmatic Changes to TK. Budget trailer legislation sets class size requirements for TK—specifically, requiring that school districts and charter schools maintain an average TK classroom enrollment of no more than 24 students at each school site. Trailer legislation also specifies a minimum number of adults required in a TK classroom. Starting in 2022-23, TK classrooms must on average have 1 adult for every 12 students. Starting in 2023-24 and contingent on additional funding, TK classrooms must on average have one adult for every ten students. Statute specifies that eligibility for TK does not affect a family’s eligibility for other subsidized preschool or child care programs. For example, if a child is eligible for TK and State Preschool, the family could choose to enroll the child in either of the programs. The budget package also delays implementation of additional child development requirements for TK teachers. State law previously required that, by August 1, 2021, TK teachers have a Child Development Teacher Permit, at least 24 units of early childhood education or child development, or comparable experience. Trailer legislation delays this requirement to August 1, 2023.

Includes Several One-Time Augmentations to Support Expansion. The budget package included \$490 million non-Proposition 98 General Fund for schools to construct or renovate State Preschool, TK, and full-day kindergarten classrooms.

The package also included \$200 million Proposition 98 to support State Preschool or TK expansion. Of these funds, each LEA that operates a kindergarten program is to receive a base grant based on its 2020-21 kindergarten enrollment. COEs are to receive \$15,000 for each LEA that operates a kindergarten program in their county. Of the remaining funds, 60 percent will be distributed proportionally based on 2019-20 kindergarten enrollment and 40 percent will be distributed based on the number of kindergarteners that are EL/LI. Funds can be used for a

variety of purposes such as recruitment, training, and materials. The budget package also includes \$100 million Proposition 98 in competitive grant funding for LEAs to increase the number of highly qualified State Preschool and TK teachers. Funds will be used to provide State Preschool, TK, and kindergarten teachers with training in specific areas, such as providing instruction in inclusive classrooms and supporting dual language learners.

The budget package provided \$10 million non-Proposition 98 General Fund to update the *California Preschool Learning Foundations*, a publication that describes the skills preschool children typically attain in school.

The final Budget Act also authorized the Commission on Teacher Credentialing to convene a workgroup on updating TK teacher requirements.

The Governor's 2022-23 January Budget

Rebenching Prop 98. Pursuant to the 2021 Budget plan, the January Budget includes \$639.2 million General Fund to expand eligibility for transitional kindergarten, from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2, beginning in the 2022-23 school year. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

Student to Adult Ratios. The proposed budget includes \$383 million Proposition 98 General Fund to add one additional certificated or classified staff person to every transitional kindergarten class so that the student-to-adult ratios more closely align with the State Preschool Program. This investment will bring the student-to-adult ratio to 12-to-1, as required by law; and beginning in 2023-24, the student-to-adult ratio is expected to be 10-to-1, contingent on available funds.

CDE Capacity. The proposed budget increases agency staff capacity with 2.5 full time equivalent positions.

STAFF COMMENTS & QUESTIONS

Are LEAs ready for UTK? According to CDE, only 400 LEAs submitted letters of intent for the PreK Teacher Preparation funds, to increase the number of highly qualified State Preschool and TK teachers. CDE expects the final awards to use the entire \$100 million, however, it raises the question of whether LEAs had capacity to apply for UTK funds during this pandemic year, and if there will be out-year demands for funds.

Are LEAs working and planning for UTK with preschool providers? State planning funds specifically allow LEAs to partner with school and community-based preschool providers

Is the UTK Ratio funding formula already supporting a 1 to 10 ratio? According to DOF, the \$383 million estimate for 2022-23 TK ratios would support ratio reductions in all existing TK classrooms as well as the new cohorts eligible in the 2022-23 school year. DOF's methodology already assumes an average TK classroom loading standard of approximately 20 students per classroom, and then funds the costs for an additional, full-time classified employee. The LCFF

grade span adjustment incentivizes a 24 student classroom maximum for kindergarten, but the 2016 AIR report on TK found a state average ratio of 1 to 17, early in implementation. Some LEAs, like LAUSD and San Diego Unified, already support lower TK and early TK ratios.

Is there need for more UTK facility funding? The Office of Public School Construction plans to award the first round of the new \$490 million in UTK/FDK facility funding in the Fall of 2022, with a cap in the first round of \$225 million. This funding cycle may inform the Legislature on demand for facility funding, and whether the \$490 million is sufficient.

Questions:

- What is the Administration's expected cost to bring the student-to-adult ratio to 10-to-1 in 2023-24?
- Is there anything that the state can do to further support LEAs as you implement the expansion of transitional kindergarten?
- Is there anything additional needed to support preschool systems adapt and adjust to UTK implementation and Expanded Learning options?

Staff Recommendation: Hold Open: Anticipate revisiting the UTK package as part of the overall Proposition 98 package, and with further information on facility and workforce needs.

ISSUE 5: TRANSITIONING CHILD CARE ADMINISTRATION OVERSIGHT**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Sara Cortez, Legislative Analyst's Office
- Dr. Lupe Jaime-Mileham, DSS

BACKGROUND

The 2020-21 Budget Act Education Trailer Bill, SB 98, contained the Early Childhood Development Act of 2020, which authorized the transfer of child care and development programs administered by the CDE (with the exception of CSPP) to the Department of Social Services (DSS) effective July 1, 2021. Having all child care programs administered within one agency is intended to allow for greater collaboration, including improved eligibility processes, across the various departments and programs in supporting the needs of young children and their families. SB 98 also established the position of Deputy Director of Child Development within DSS, to be appointed by the Governor and confirmed by the Senate. The 2020-21 budget provided DSS with \$2 million one-time General Fund to plan for the transition.

DSS Transition Plan

The DSS Transition Plan details plans and considerations underway between the two agencies. The following are excerpts from the Plan, on key issues:

The following child care and development services and programs will transfer to CDSS:

- *California Alternative Payment Programs (CAPP)*
- *California Migrant Alternative Payment Programs (CMAP)*
- *Stages Two and Three of the California Work Opportunity and Responsibility to Kids (CalWORKs) Child Care Programs*
- *General Child Care and Development Programs (CCTR)*
- *California Migrant Child Care and Development Programs (CMIG)*
- *Child Care and Development Services for Children with Severe Disabilities*
- *The Child and Adult Care Food Program*
- *Child Care and Development Facilities Capital Outlay*
- *The Early Learning and Care Workforce Development Grants Program*
- *The California Head Start State Collaboration Office*
- *The Early Head Start-Child Care Partnerships (EHS-CCP) Grant from the United States Department of Health and Human Services*
- *Resource and Referral Agencies*
- *Local Child Care and Development Planning Councils*
- *The California Child Care Initiative Project*

- *Other Child Care Quality Improvement Projects*
- *The Child Development Management Information System and other related data systems as they pertain to the programs, services, and systems above.*

Long-term Objectives

- *Informed by extensive stakeholder input, CDSS and its partners are ensuring that the long-term programmatic and policy-driven goals and objectives of this transition build on*
- *the concept of an integrated child care and development system, as described above, with equity, justice, and a whole-child/whole-family approach at the center. Recommendations for system improvements set forth in the Master Plan and the California Assembly Blue Ribbon Commission on Early Childhood Education Final Report (BRC Report), the prior work of CDE, and additional planning efforts will also help to guide these objectives. While the immediate priority of the transition is to foster the continuity of services for children, families, and the workforce, the transition will also provide opportunities to create an integrated administration and system for child care and development services designed to more responsively meet the needs of children, their families, and their caregivers. These opportunities include, but are not limited to:*
- *Streamlining early childhood governance, administration, and eligibility requirements, reducing administrative burdens and barriers on the child care and development system's participants and workforce;*
- *Simplifying funding streams and systems to better meet family, children, and workforce needs;*
- *Integrating and using data to streamline and improve the experience of families and the workforce;*
- *Maximizing accessibility, particularly for families with the greatest needs;*
- *Providing families with information necessary to make informed choices;*
- *Further recognizing cultural competency as a feature of quality and aligning quality infrastructures with equity and anti-racist, outcome-driven standards;*
- *Creating a comprehensive data and governance infrastructure across departments that can inform policy and funding decisions with a focus on quality, equity, and a whole-child/whole-family approach to services;*
- *Using data to examine bias and the root causes of inequities along with the factors that create barriers for children and families;*
- *Exploring the development of shared services networks that support the child care and development workforce;*
- *Supporting the expansion of facilities in underserved communities to promote equitable access;*
- *Integrating child care and development services to provide timely and accurate information to parents and caregivers, to make it easier for programs to access and share information, as well as to coordinate services and identify gaps in resources; and*
- *Implementing timely, data-driven policies, practices, and resource allocation to support better outcomes for children and families of all races, ethnicities, incomes, spoken languages and communities.*

Technology and data system transfers have been a key consideration and concern for the transition, particularly due to the quick nature of the transition, and the role of antiquated systems in contracts and funding. The Transition Plan notes:

An initial exploration of the systems supporting the transitioning programs has shown that most are highly integrated with systems that must remain at CDE, creating an inability to transfer them to CDSS. These systems also support programs that will remain under CDE's administration after the transfer. As such, an initially considered "lift and shift" strategy is not feasible or desirable because this would have impacted CDE's capacity to administer its remaining programs. "Lift and shift" may also present a missed opportunity to modernize technology. The existing systems are nuanced, complex, and in some cases developed on legacy hardware/software that makes updating them costly and impractical. Further, CDE IT staff identified as transitioning to CDSS will need to remain at CDE for maintenance of systems in the interim until a long-term solution is established and implemented.

The Plan also includes updates from the CDE on programs remaining at the agency, and policy considerations to increase program efficiencies:

Issues that CDE will work with the Administration and Legislature as well as CSPP contractors and stakeholders to address during and after this transitional period include:

- *Age definitions that do not allow for parental choice in enrolling TK-eligible children in CSPP.*
- *Statute that requires the State Superintendent of Public Instruction to encourage CSPP contractors to offer full-day services through a combination of part-day slots and wraparound services.*
 - *Many Local Education Agencies (LEAs) offer "full-day" services of up to six (6) hours a day for the school year, which may not meet families' needs. Clear and consistent definitions of part-day and full-day services are needed to allow for flexibility and to serve the needs of families.*
- *The need to better define Family Child Care Home Education Networks (FCCHEN) and how they operate under CSPP. CDE will work in partnership with CDSS and others stakeholders on these goals.*
- *Allowance for up to 24-month enrollment for eligible three-year-old children at initial certification in CSPP.*
- *Allowance for children in TK to also be served by CSPP for additional hours as necessary to meet the needs of families.*

The following programs and funding will remain under CDE's leadership after the transition:

- *California State Preschool Program (CSPP)*
- *Quality Counts California (QCC) CSPP Block Grant that provides Quality Rating and Improvement System (QRIS) Grants for CSPP*
- *The Inclusive Early Education Expansion Program (IEEEP)*
- *The American Indian Early Childhood Education Program (AIECE)*
- *After School Education and Safety (ASES) Program*

- *21st Century Community Learning After School Programs*
- *Transitional Kindergarten (TK)*
- *Special Education Services for Young Children with Disabilities (IDEA Part B and a portion of Part C)*

The Transition Plan estimated DSS 2021-22 Budget needs for 185.7 permanent staff and \$31.7 million to fund the programs' administration.

2021-22 Budget Act

The 2021-22 Budget Act included various increases in state operations for CDE and DSS to administer child care and preschool programs. The Budget supported the Transition Plan funding and an additional 74 positions and \$9.8 million General Fund for DSS as part of the transition of most child care programs from CDE. The budget also provides an increase of 83 positions and \$12.6 million to backfill positions at CDE to ensure the department has sufficient staff to administer State Preschool and various school nutrition programs.

STAFF COMMENTS & QUESTIONS

Questions:

- Can DSS outline the short-term scope for contracting of workload back to CDE? What is the timeline for full program transfer?
- Can DSS outline all the administrative contracts (amounts, overhead, scope of work) currently in place for administering one-time child care programs, including Facilities, Stipends, and Supplemental Rates?
- Does DSS anticipate a BCP to fund administration of any multi-year programs in-house that are currently contracted out?
- From the Transition Plan's long-term objectives, what are the Administration's priorities for near-term consideration?

Staff Recommendation: Information Only.
