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L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

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# **The 2016-17 Budget: Analysis of Child Care and Preschool Proposals**

Presented to:  
Assembly Budget Subcommittee  
No. 2 on Education Finance  
Hon. Kevin McCarty, Chair





## Preschool Restructuring Proposal

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### **Governor's Proposal**

- Governor proposes to consolidate funds from State Preschool, Transitional Kindergarten, and the State Preschool Quality Rating and Improvement System grant into a \$1.6 billion early education block grant intended to benefit low-income and at-risk preschoolers.
- Funds would be allocated to local education agencies based on their historical allotments and local need. Providers would set income eligibility criteria locally.
- Administration plans to develop remaining aspects of the program—such as allowable providers, program standards, and funding rules—over the next few months.



### **Assessment**

- Consolidating preschool funding into one program prioritized for low-income and at-risk children is an improvement over the current system.
- Allowing income eligibility to be defined locally and basing funding on historical allocations likely would create inequities across the state in terms of children served and per-child funding amounts.



## Preschool Restructuring Proposal *(Continued)*

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### Recommendations

- Create a single, coherent preschool program designed to provide access to all low-income and at-risk children (as defined by the Legislature) and offer a full-day option for working families.
- Provide a uniform per-child funding rate and distribute funds based on the number of children participating in the program.
- Provide substantial local flexibility on program implementation but require all programs to include developmentally appropriate activities, meet minimum state staffing requirements, and report some key information to the state.



## Child Care Restructuring Proposal

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### **Governor's Proposal**

- Governor proposes trailer bill language that would require CDE to develop a five-year plan to transition most contracted funding to vouchers.



### **Assessment**

- Converting to vouchers would allow all families to have similar levels of choice in selecting a provider that meets their needs.
- Without a corresponding change in standards, shifting to all vouchers could mean a loss of some developmentally appropriate care.
- Governor's plan does not address other design flaws in current system, including the inequitable distribution of slots statewide and the disconnect between the current reimbursement rates for vouchers and market rates for child care.



### **Recommendations**

- Pursue the proposal to unify the existing child care system into one voucher-based program.
- Require all child care programs accepting vouchers to include developmentally appropriate activities for children birth through age three.
- Equalize service levels across counties over the course of several years.
- Replace the current reimbursement rate structure for vouchers with a simplified, more market-driven model.
- Establish regional monitoring systems to oversee certain components of local programs.



# Governor's Overall Child Care and Preschool Budget

## Child Care and Preschool Budget

(Dollars in Millions)

	2014-15 Revised	2015-16 Revised <sup>a</sup>	2016-17 Proposed	Change From 2015-16	
				Amount	Percent
<b>CalWORKs Child Care</b>					
Stage 1	\$330	\$410	\$394	-\$17	-4%
Stage 2 <sup>b</sup>	364	414	422	8	2
Stage 3	223	278	316	38	14
Subtotals	(\$917)	(\$1,103)	(\$1,132)	(\$29)	(3%)
<b>Non-CalWORKs Child Care</b>					
General Child Care <sup>c</sup>	\$531	\$450	\$450	— <sup>d</sup>	— <sup>d</sup>
Alternative Payment	182	251	255	\$4	2%
Migrant Child Care	28	29	29	— <sup>d</sup>	— <sup>d</sup>
Care for Children With Severe Disabilities	2	2	2	— <sup>d</sup>	— <sup>d</sup>
Infant and Toddler QRIS Grant (one time)	—	24	—	-24	-100
Subtotals	(\$742)	(\$756)	(\$736)	(-\$20)	(-3%)
<b>Preschool Programs<sup>e</sup></b>					
State Preschool	\$604	\$835	—	-\$835	-100%
Transitional Kindergarten	604 <sup>f</sup>	686 <sup>f</sup>	—	-686	-100
Preschool QRIS Grant	50	50	—	-50	-100
Targeted Play and Learning Block Grant	—	—	\$1,654 <sup>g</sup>	1,654	—
Subtotals	(\$1,258)	(\$1,571)	(\$1,654)	(\$83)	(5%)
<b>Support Programs</b>					
	\$73	\$76	\$79	\$3	3%
<b>Totals</b>					
	<b>\$2,991</b>	<b>\$3,506</b>	<b>\$3,600</b>	<b>\$95</b>	<b>3%</b>
Proposition 98 General Fund	\$1,258	\$1,571	\$1,654	\$83	5%
Non-Proposition 98 General Fund	809	977	998	21	2
Federal CCDF	570	573	583	10	2
Federal TANF	353	385	365	-20	-5

<sup>a</sup> Reflects Department of Social Services' revised Stage 1 estimates for cost of care and caseload. Reflects budget act appropriation for all other programs.

<sup>b</sup> Does not include \$9.2 million provided to community colleges for certain child care services.

<sup>c</sup> In 2014-15, includes funding for all State Preschool wrap slots. Beginning in 2015-16, includes funding for State Preschool wrap slots provided only by non-LEAs.

<sup>d</sup> Less than \$500,000 or 0.5 percent.

<sup>e</sup> Some CalWORKs and non-CalWORKs child care providers use their funding to offer preschool.

<sup>f</sup> LAO estimate based on average daily attendance in Transitional Kindergarten, as reported by CDE.

<sup>g</sup> Consists of \$878 million shifted from State Preschool, \$726 million shifted from Transitional Kindergarten, and \$50 million shifted from the Preschool QRIS Grant.

QRIS = Quality Rating and Improvement System; CCDF = Child Care and Development Fund; TANF=Temporary Assistance for Needy Families; CDE = California Department of Education; and LEA = local education agency.



## Changes from 2015-16 Budget

### 2016-17 Child Care and Preschool Changes

(In Millions)

Change	Proposition 98 General Fund	Non-Proposition 98 General Fund	Federal Funds	Total
<b>Preschool Programs</b>				
Creates new early education block grant	\$1,654	—	—	\$1,654
Moves part-day State Preschool and full-day wrap run by LEAs into proposed early education block grant	-878	—	—	-878
Moves Transitional Kindergarten into proposed early education block grant	-726	—	—	-726
Moves Preschool QRIS Grant into early education block grant	-50	—	—	-50
Adjusts Transitional Kindergarten for increases in LCFF before moving into block grant	40	—	—	40
Adjusts State Preschool for annualization of slots initiated in 2015-16 and statutory growth and COLA before moving into block grant <sup>a</sup>	36	\$3 <sup>b</sup>	—	40
Subtotals	(\$76)	(\$3)	(—)	(\$80)
<b>Child Care Programs</b>				
Makes CalWORKs caseload and average cost of care adjustments	—	\$38	-\$20	\$18
Annualizes funding for Regional Market Rate ceiling increase initiated in 2015-16	—	10	-1	9
Adjusts non-CalWORKs child care programs for statutory growth and COLA <sup>a</sup>	—	4	—	4
Annualizes funding for 5 percent license-exempt rate increase initiated in 2015-16	—	4	1	5
Removes one-time Infant and Toddler QRIS Grant funds	—	-24	—	-24
Subtotals	(—)	(\$32)	(\$-19)	(\$12)
<b>Other Technical Adjustments</b>				
	\$7	-\$14	\$10	\$3
<b>Totals</b>	<b>\$83</b>	<b>\$21</b>	<b>-\$9</b>	<b>\$95</b>

<sup>a</sup> Reflects 0.13 percent growth in the birth-through-four population and 0.47 percent COLA.

<sup>b</sup> Annualizes the cost of the 1,200 non-LEA, full-day State Preschool wrap slots initiated January 1, 2015.

LEA = local education agency; QRIS = Quality Rating and Improvement System; LCFF = Local Control Funding Formula; and COLA = cost-of-living adjustment.