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YEARS OF
SERVICE

California's Child Care and Preschool Programs

Presented to:
Senate Budget and Fiscal Review Committee
Hon. Mark Leno, Chair

Overview: Programs

☑ **State Provides Subsidized Child Care and Preschool Through a Variety of Programs**

Overview of State's Child Care and Preschool Programs		
(2015-16)		
Program	**Description**	**Estimated Number of Slots**
CalWORKs Child Care		
Stage 1	Begins when a participant enters the CalWORKs program.	44,154
Stage 2	Families transition to Stage 2 when the county welfare department deems them stable.	50,971
Stage 3	Families transition to Stage 3 two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years of age) or they exceed the income eligibility cap.	35,845
Subtotal		130,970
Non-CalWORKs Child Care		
General Child Care	Program generally for low-income, working families that are not current or former CalWORKs recipients.	28,738
Alternative Payment	Another program generally for low-income, working families that are not current or former CalWORKs recipients.	32,852
Migrant Child Care	Program for migrant children.	3,060
Care for Children With Severe Disabilities	Program for children with severe disabilities. Program limited to the San Francisco Bay Area.	105
Subtotal		64,755
Preschool		
State Preschool-part day	Part-day, part-year preschool program for low-income families.	98,956
State Preschool-full day	Full-day, full-year preschool program for low-income, working families.	58,504
Transitional Kindergarten	Part-day, part-year preschool program for all four-year olds with birthdays between September 2 and December 2.	83,000
Subtotal		240,460
Total		**436,185**

☑ **State Makes Efforts Every Year to Improve Quality of Child Care and Preschool Programs**

Overview: Key Components of State's Child Care and Preschool Programs

☑ **All Programs Have Eligibility Criteria**

- Family income.

- Age of child.

- Parental work hours.

☑ **Care Provided in Variety of Settings**

- Centers.

- Family Child Care Homes.

- License-exempt providers.

☑ **Standards Vary Across Programs**

- All programs must meet certain health and safety standards.

- All programs have standards for staffing qualifications and staff-to-child ratios but specific standards vary.

- Some programs require care to include developmentally appropriate activities.

Overview: Key Components of State's Child Care and Preschool Programs
(Continued)

☑ **Funding Model Varies Across Programs**

- The state funds programs through vouchers, direct contracts, and the Local Control Funding Formula (LCFF).

- CalWORKs child care, the Alternative Payment Program, and some Migrant Child Care are voucher-based. Voucher rates vary regionally.

- State Preschool, General Child Care, Care for Children With Severe Disabilities, and some Migrant Child Care is reimbursed through direct contracts with the California Department of Education (CDE). Providers are reimbursed based on the number of children they serve. Contract rates are the same across the state.

- The state funds Transitional Kindergarten based on the average daily attendance of eligible children. School districts receive this funding through their LCFF allocations.

Overview: Recent Augmentations

☑ **Over Last Two Years, State Has Significantly Augmented Funding for Child Care and Preschool Programs**

- *Slots.* $247 million for additional slots.

  – Over two-thirds of funding for additional State Preschool slots.

  – Rest of funding mostly for Alternative Payment and General Child Care slots.

- *Rates.* $243 million for rate increases.

  – Half for increases to voucher reimbursement rates and half for increases in rates for providers contracting with the state.

- *CalWORKs Child Care.* $136 million for various adjustments, including higher caseload.

- *Improvement Activities.* More than $100 million in combined one-time and ongoing increases.

  – $52 million in total one-time funds for preschool teacher training, quality improvement grants for infant and toddler child care, and State Preschool facilities.

  – $50 million for ongoing quality improvement grants for State Preschool.

Overview: Assessment of Current System

☑ **Choice**

- State provides some families choice in selecting child care and preschool providers that meet their needs, but other similar families do not have this same level of choice.

☑ **Eligibility**

- Most programs are need-based, focusing on low-income and at-risk children.

- Some resources could be targeted better, thereby allowing additional low-income children to be served.

- Similar families across the state have different levels of access to subsidized child care and preschool.

☑ **Standards**

- Whereas some programs are required to include developmentally appropriate activities, many children are not in programs that are required to include such activities.

☑ **Funding**

- State generally reimburses those child care providers that are required to include developmentally appropriate activities at lower rates than providers not subject to these standards.

- While some child care is reimbursed based on regional rates, these regional rates are not aligned with the current market prices for child care.

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2016-17 Budget: Governor's Overall Child Care and Preschool Budget

Child Care and Preschool Budget

(Dollars in Millions)

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

[a] Reflects Department of Social Services' revised Stage 1 estimates for cost of care and caseload. Reflects budget act appropriation for all other programs.

[b] Does not include $9.2 million provided to community colleges for certain child care services.

[c] 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.

[d] Less than $500,000 or 0.5 percent.

[e] Some CalWORKs and non-CalWORKs child care providers use their funding to offer preschool.

[f] LAO estimate based on average daily attendance in Transitional Kindergarten, as reported by CDE.

[g] 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.

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2016-17 Budget:
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
Preschool Programs				
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[a]	36	$3[b]	—	40
Subtotals	($76)	($3)	(—)	($80)
Child Care Programs				
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[a]	—	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)
Other Technical Adjustments	$7	-$14	$10	$3
Totals	**$83**	**$21**	**-$9**	**$95**

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

b 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.

2016-17 Budget:
Preschool Restructuring Proposal

☑ **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.

2016-17 Budget:
Preschool Restructuring Proposal *(Continued)*

☑ 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.

2016-17 Budget:
Child Care Restructuring Proposal

☑ **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.