

# **The Child Development Program**

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## ***A Sunset Review***

Office of the Legislative Analyst  
February 1989

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# Introduction

# Introduction

This report is submitted pursuant to the "sunset" review procedures enacted by Chapter 1270, Statutes of 1983 (Senate Bill 1155).

Chapter 1270 provided that the child development programs administered by the State Department of Education (SDE) would terminate ("sunset") on June 30, 1988. Chapter 1318, Statutes of 1984 (Senate Bill 1858) extended the sunset to June 30, 1989.

The state's child development programs fall into two categories--those which provide services directly to children, and those which provide services indirectly. *Direct service programs* provide subsidized child care for (1) low-income parents who are employed, seeking employment, or in training, and (2) specified target groups, such as severely handicapped children and the children of high school students. *Indirect service programs* provide (1) information to parents about child care that is available in their communities, and (2) training, child care facilities, and special grants and projects.

As part of the sunset process, Chapter 1270 requires the SDE to review the child development programs and submit its findings to the Legislature by September 15, 1987. The department submitted its report in June 1988. Chapter 1270 also requires the Legislative Analyst to review the department's report and submit her own findings, comments, and

recommendations regarding the program to the Legislature.

Specifically, Chapter 1270 requires the SDE and the Legislative Analyst to address as many of the following issues as possible:

- (1) The appropriateness of formulas used to identify children who have special needs.
- (2) The appropriateness of formulas used to allocate funds and the adequacy of funding levels for the program.
- (3) The effectiveness of the program.
- (4) The appropriateness of local control.
- (5) The appropriateness of state involvement in monitoring, reviewing, and auditing to assure that funds are being used efficiently, economically, and legally.
- (6) The appropriateness of the administrative costs of these programs.
- (7) The appropriateness of placing administration of these programs under SDE.
- (8) The interrelationships among state and federal categorical programs providing this type of assistance.
- (9) The characteristics of the target population being served by the program.
- (10) The need for the program.
- (11) The purpose and intent of the program.

The law also requires that the report submitted by the SDE include, but not be limited to, all of the following topics:

- (1) A description of the program, including a description of how the program is administered at the state and local levels.
- (2) The history of the program and previous legislative action.
- (3) Relevant statistical data.
- (4) Related federal programs.
- (5) Whether there is an unmet need for the intended purposes of the programs and, if any, the estimated cost of meeting the unmet need.
- (6) Findings regarding the program, including comments on whether any identified problems are implementation issues, or issues that require revision of law or regulations.
- (7) Recommendations of ways to improve the program while maintaining its basic purposes.

This report, as specified by law, is based on our review of the SDE report. Some information that is provided in the SDE sunset report, such as detailed information on child care funding in each county, is not repeated here.

We suggest, therefore, that this report be read in conjunction with the SDE report in order to obtain a more complete understanding of the child development programs and of our comments on the SDE's findings and recommendations.

The first chapter of this report provides an overview of the child development programs. Chapter II provides our findings and recommendations on program issues related to the child development programs. Chapter III provides our findings and recommendations on fiscal issues related to the programs. Chapter IV contains our comments on recommendations made by the SDE in its sunset review report.

We would like to thank the staff of the State Department of Education for their cooperation in responding to requests for information as we prepared this report.

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# Executive Summary

# Executive Summary

## Program Description

- California's subsidized child care programs administered by the State Department of Education (SDE) are governed by Chapter 798, Statutes of 1980--the Child Care and Development Services Act. The SDE administers 10 programs which provide direct child care services and eight programs which provide indirect services such as capital outlay, referrals to parents, and training for providers.
- The direct service programs provided services, usually on a sliding fee scale, to

approximately 110,000 children in 1985-86 (the last year for which detailed enrollment data are available). Almost two-thirds of all the children enrolled came from families headed by single women. Most of the children served were aged 3 through 5 (61 percent), and 98 percent were under 11 years of age. Almost all children (93 percent) were enrolled in child care centers, which are usually licensed to care for more than 12 children.

## Funding

- In 1988-89, the child development programs are budgeted \$332.7 million (\$330.3 million from the General Fund and \$2.4 million from federal funds). In addition, the SDE estimates that \$7 million in General Fund support from previous years will become available in the current year to fund one-time special projects.
- In 1986-87, the majority of child development funds went to programs run by school districts (52 percent) and private nonprofit agencies (35 percent). The remainder went to county offices of education, public two- and four-year colleges, cities, churches, and other organizations.

## Legislative Analyst's Findings

### Findings Regarding Purpose and Goals of Program

- We find that there is a fundamental tension between two of the general purposes

of the Child Development program: (1) to allow families to become economically self-sufficient through employment and training and (2) to enhance the develop-

mental growth of children. To accomplish the first goal (self-sufficiency) within a particular budget, the program should serve as many children of low-income families as possible in order to allow their parents to work. To achieve the second goal (developmental growth of the child) within the same budget, the program should serve fewer children in order to provide more staff resources and developmental materials and equipment to each child. The basic public policy issue facing decisionmakers is whether subsidized child development programs should provide (1) healthy and safe care for a larger number of children or (2) enriched, developmental care for fewer children. The Legislature may wish to clarify the respective priorities of each of these goals.

### Findings Regarding Demand for Services

- It is not possible to estimate *total demand* for subsidized child care, because data are not available on the demand for child care by specific groups, such as migrant families and teenage parents.
- Our review indicates that, in 1985-86, *given current subsidy rates and eligibility standards*, the child development programs were meeting between 12 percent and 26 percent of the demand for child care *for a particular group*--low-income families in which both parents or the single parent were in the labor force. (We note, however, that the SDE estimates that only 5 percent of the demand for child care by this group was met in 1985-86.) Our estimates imply that between 74 percent and 88 percent of the potential demand for subsidized child care (155,000 to 405,000 children) was not met in that year.
- Our estimates may *overstate* the percentage of demand for child care services among low-income, working families

that is actually met by state-subsidized programs. This is because our estimates assume that the 1985-86 patterns of *usage* between formal and informal child care reflect what these families' *preferences* would have been if more state-subsidized, formal care were made available. In reality, usage patterns may reflect preferences that are constrained by the lack of availability of affordable, formal care. Moreover, families' preferences for formal versus informal care would undoubtedly be altered if the state were to increase significantly the availability of subsidized, formal care.

### Findings Regarding Program Implementation

- Our review indicates that the Child Development program is generally effective in meeting the needs of children served through the majority of child development funds--that is, children from low-income families where all parents are in the labor force. Our review, however, indicates the following problems:
  - There are no data on the unmet demand for particular direct service programs or for any of the indirect service programs.
  - There are no evaluative data to determine the extent to which the program has assisted special populations, such as the children of high school parents, and abused and neglected children. In addition, there are no data that indicate the extent to which subsidized programs allow families to become economically self-sufficient.
  - The SDE's current budget review procedures do not adequately (1) ensure that the program's costs reflect *actual* expenditures of child care providers or (2) encourage programs to use resources efficiently. Furthermore, existing reimbursement rates may not adequately reflect the actual costs of



caring for certain children or of providing resource and referral services. Finally, existing staff ratio requirements could be modified to lower program costs while maintaining high-quality programs and richer staff ratios than those required by the Department of Social Services (DSS) for non-subsidized child care programs.

- The SDE should improve its monitoring of program compliance and quality, to ensure that existing programs merit funding.

Our review indicates that these problems relate primarily to the implementation of the program, and do not reflect an inherently flawed program or a lack of need for the program. For these reasons, therefore, we do not believe this program should be sunsetted. Instead, we believe the problems should be resolved in order to improve program effectiveness and efficiency.

## Legislative Analyst's Recommendations

We make the following recommendations regarding the Child Development program:

- **Program Continuation.** We recommend that the Child Development program be continued, subject to the modifications discussed below.
- **Program Evaluation.** We recommend that the SDE develop a detailed plan, including a funding proposal, to conduct a comprehensive evaluation of specified child development programs. The evaluation should focus on the effectiveness of specified programs in (1) improving families' economic self-sufficiency and (2) meeting the special needs of certain children. The plan should be submitted to the Joint Legislative Budget Committee, the legislative fiscal committees, and the Department of Finance by November 15, 1989.
- **State Preschool.** We recommend that the SDE report to the Legislature by October 1, 1989 on the extent to which State Preschool funds are distributed across the state to meet differing levels of demand. This report also should discuss whether some State Preschool funds should be reallocated, as appropriate, (1) to meet the demand for the program in unfunded areas or (2) to meet the demand for the full-day General Child Care program.
- **Triennial Applications Process.** We recommend the enactment of legislation requiring the SDE to implement a triennial contract application process by July 1, 1990 for all contracts that have been in "good standing" for at least two years, as determined by the department.
- **Program Quality Reviews.** We recommend the enactment of legislation requiring the SDE to conduct Program Quality Reviews more frequently by using a peer review process.
- **Local Government Role.** We recommend the enactment of legislation requiring SDE to consider local needs assessments and recommendations prior to allocating child development funds. This legislation should require the SDE to develop a notification and "request for recommendations" process for, at a minimum, cities, counties, and Resource and Referral agencies.
- **Legislative Review of Carryover Funds.** We recommend the enactment of legislation directing the SDE to report periodically to the Legislature on the use of child care carryover funds and submit a plan for carryover expenditures each year for legislative review during the annual budget process.

- **Staff Ratio Savings.** We recommend the enactment of legislation to phase-in a change in staff ratios, as specified, for preschool-aged children from 1:8 to 1:10. A 1:10 ratio would maintain high-quality programs and would be a richer ratio than the ratio required by the DSS for nonsubsidized child care programs. *This would result in savings of up to \$19 million each year, which could be used to serve up to 4,300 additional children.* To the extent the Legislature wishes to maintain existing practices regarding the distribution of child development funds, we further recommend that the Legislature give first priority for the allocation of the savings resulting from this change to counties that are relatively underserved by existing child development funds.
- **Group Size Ceiling.** Based on research that suggests that smaller group sizes greatly improve program quality at relatively little cost, we recommend that the SDE report to the Legislature by February 15, 1990 on the program impact and costs of establishing a group size ceiling of 20 children for subsidized child development programs.
- **Rate Evaluation.** We recommend that the SDE use budget guidelines to evaluate reimbursement rates for all child development programs funded during 1988-89, beginning with those that receive the highest daily reimbursement rates. We also recommend that the SDE report to the Legislature by November 15, 1989 on the evaluation results, particularly on the number of additional children that could be served as a result of rate adjustments. We further recommend that the department, beginning in the current year, routinely compare proposed agency budgets against prior and current year expenditures to determine whether the proposed budgets appropriately reflect past expenditure patterns.
- **Reimbursement Rates.** We recommend the adoption of Budget Bill language to modify the child development reimbursement rate structure to more accurately reflect the actual costs of care.
- **Rates and Fees for Disabled Children.** We recommend that the SDE report to the Legislature by December 1, 1989 on recommended reimbursement rates and parent fees for disabled children served through various subsidized child development programs.
- **Enrollment and Cost Tracking System.** We recommend that the SDE develop a system for tracking child care enrollments and costs, in order to provide comparable information over time to the Legislature. The system should include information on the amount of additional child care services that is supported by parent fees and interest earned on child care funds.
- **Resource and Referral Agency Funding.** We recommend that the SDE develop a comprehensive system for funding Resource and Referral agencies, based on agency workload and county population.

## Legislative Analyst's Comments on Recommendations of the Department of Education

The State Department of Education (SDE) makes nine recommendations in its sunset report on the Child Development program. We offer the following comments on these recommendations:

- **Enact an "Equitable" Cost-of-Living Adjustment for the Program.** We concur that reasonable cost-of-living adjustments (COLAs) should be provided to this program. We recommend, however,

that any such COLA be (1) discretionary rather than statutory, and (2) based on the Implicit Price Deflator for State and Local Government Purchases of Goods and Services.

- ***Adopt Specified Public Policy Statements.*** The SDE recommends that a public policy position be taken by the Legislature supporting high-quality programs for children in the state-subsidized system, especially related to maintaining high qualifications for teaching staff and high adult:child ratios. We believe the question of whether subsidized child development programs should provide (1) enriched, developmental care for fewer children or (2) healthy and safe care for a larger number of children is a fundamental policy decision that can only be made by the Legislature, based on its own priorities. Accordingly, we make no recommendation on this issue.

The SDE also proposes that the Legislature adopt a specific policy statement on child care. We believe the statement's content should be based on the Legislature's priorities for child development programs. The suggested statement focuses on enhancing the developmental growth of children, which is just one of the Legislature's goals for child development programs.

- ***Expand Funding for Specified Child Development Programs.*** The SDE has provided no evidence indicating that the programs it recommends expanding--the State Preschool, Protective Services, School-Age Parenting and Infant Development (SAPID), Migrant, Campus, and Infant Care programs--have a greater need for expansion funding than other child care programs. Furthermore, the department has not indicated what level of expansion funding would be needed. While we find there is substantial unmet demand for subsidized child care programs, some of this demand could be met

by making the existing programs more cost-effective and redirecting the freed up funds to serve additional children. We believe the issue of whether to provide additional resources (beyond redirection of existing funds) is a policy decision for the Legislature.

- ***Charge Market Rates or Adjusted State Rates for Middle-Income Children to Attract them to Available Child Care Slots.*** We do not concur with the recommendation to charge local market rates for middle-income children because the rates would not accurately reflect the value of the child care services provided through the Child Development program. We do not concur with the department's second alternative to charge adjusted state rates to middle-income children because these rates would, as a practical matter, be difficult and expensive to administer. We recommend instead that the current rate structure (which requires middle-income children to be charged at least the same amount the state pays for child care slots) be retained because it reflects the actual value of child development services, provides an incentive to keep the state's subsidized child care rates down, and is relatively easy to administer. We further recommend that the SDE implement other cost control mechanisms which will help attract middle-income children to available child care slots. We further recommend that the department provide guidelines to subsidized child care providers about marketing available child care spaces to middle-income families who will pay the actual cost of the services provided through the Child Development program.
- ***Provide Resources for Planning and Coordination on the State and Local Levels.*** We concur with the general thrust of this recommendation. We are unable to comment on whether additional

resources are needed to implement the recommendation because it lacks sufficient specificity.

- ***Provide One-time Matching Grants for the Establishment of Local Child Care Coordinator Positions.*** We concur with the general thrust of this recommendation, but are unable to comment on whether additional resources are needed to implement the recommendation because it lacks sufficient specificity.
- ***Fund One-Time Incentive Planning Grants for Employer-Sponsored Child Care.*** We do not concur with this recommendation, because we find that private employers generally need technical, rather than financial, assistance to establish child care services for employees. We further recommend that SDE continue to direct all employers--both public and private--to existing sources of technical assistance.
- ***Fund Research and Development.*** The SDE does not indicate what level of funding is needed for research and development purposes, nor why there is an ongoing need for such funding. Without a specific proposal, we have no analytical basis for responding to this recommendation.
- ***Work Cooperatively with Federal Headstart and Provide Matching Funds for Child Development Programs if Required by Congress.*** We concur that the SDE should continue to work cooperatively with the Headstart program. Since the federal government has not enacted legislation requiring the state to provide matching funds for Headstart or other child development programs, however, we have no analytical basis for commenting on whether the state should provide such funds.❖

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# Chapter I

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## Program Overview

### A. Purpose and Goals of Program

Currently, California's subsidized child care programs administered by the State Department of Education (SDE) are governed by Chapter 798, Statutes of 1980--the Child Care and Development Services Act (CCDSA). Since 1980, a number of additional child care programs have been established to target resources to specific populations and/or needs. Today, the SDE administers 10 programs which provide direct child care services and eight programs which provide indirect services such as capital outlay, referrals to parents, and training for providers.<sup>1</sup>

Program goals for each of the 18 programs are not specified either in the Education Code or by the SDE. The 15 statements of purpose and legislative intent contained in the CCDSA (beginning with Education Code Section 8200) generally apply to all programs, and fall under three categories: children's services, family services, and community services.

These statements are contained in Appendix A of this report.

Based on our review, we conclude that the *major* goals of the state's child care and development programs are:

- To provide all families, regardless of income, ethnic status, cultural background, or special needs, with access to child care and development programs through resource and referral services;
- To provide those families which need child care and meet statutorily-specified eligibility criteria with a choice of cost-effective subsidized child care and development services which enhance the developmental growth of children and improve parenting skills; and
- To encourage coordination of state, federal and local resources, both public and private, in support of child care and development services.

### B. Program History

California began providing child care services almost 60 years ago when the Legislature enacted the Parent Participation Preschool Program in 1929. This was followed during World War II by the federally-funded Lanham Act children's center program, which

was established in response to labor market demands for women in defense industries. After the Lanham Act expired, children's center programs were continued through state funding; however, in 1947, the Legislature targeted this center-provided care to

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<sup>1</sup> The SDF also administers several short-term programs funded through one-time federal funds, which are not discussed in this report due to their temporary nature.

low-income working families by enacting a means test and a sliding fee scale.

The 1962 amendments to the Social Security Act (Title IV-A) again made federal funds available for child care services in California.<sup>2</sup> Ten years later, with passage of the Child Development Act (Chapter 670, Statutes of 1972), the Legislature provided significant new state funding for child care and designated the SDE as the single state agency responsible for promotion and development of child care programs in California.

As mentioned, the current CCDSA was enacted in 1980. There are two types of child

development programs: (1) those that provide direct services to children and (2) those that provide indirect services. The direct child care service programs also provide a variety of other services. For example, 36 percent of the programs provide counseling services, 82 percent provide breakfast, and 99 percent assess children's progress in some manner (see Appendix B for details). The indirect service programs include those that provide capital outlay funds, child care referrals to parents and information to child care providers. Both direct and indirect service programs are described in more detail below.

## C. Direct Service Programs

Table 1 provides summary information on the child development programs that provide ongoing direct services to children. The direct service programs are budgeted \$320.2 million in 1988-89.

As the table indicates, the majority of these child development programs are targeted to families that meet the standard eligibility criteria. Chart 1 describes these criteria.

As Chart 1 indicates, children admitted to subsidized care because they are low-income continue to be eligible for subsidized care until their parents' incomes exceed 100 percent of the state median income, adjusted for family size. Parents begin to pay part of the cost of care once they reach 50 percent of the state median income, and pay the full cost of care once they reach 100 percent.

As Table 1 indicates, some programs are targeted to particular groups and have specific eligibility and need criteria. These programs provide services for a number of types of children, including (1) the children of teenage parents, (2) abused and neglected children, (3) migrant children, and (4) severely handicapped children. Table 1 provides information on the specific eligibility and need criteria that apply to these programs.

Unless otherwise noted, the following direct service programs are targeted to children from families that meet the standard eligibility and need criteria:

**Alternative Payment.** The Alternative Payment (AP) program is a vendor-voucher system of child care; that is, the program allows families to choose the type of child care most suited to their needs, and then reimburses the chosen provider for the cost of providing care. The SDE contracts with local agencies to administer AP programs throughout the state. In addition to paying for child care, the agencies may also (1) recruit and assist potential child care providers, and (2) refer families to social service agencies. The AP program also includes child care services provided to county welfare clients through contracts between SDE and county welfare offices. The 1988-89 budget for the AP program is \$33.3 million.

**Campus Children's Centers.** Campus programs are primarily for the children of students enrolled in the community college, California State University, and University of California systems. They also may serve as a practical-experience classroom for students enrolled in child development classes. The

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<sup>2</sup> With the enactment of the 1981 Budget Act, the state "bought out" all of the federal Title XX (formerly Title IV-A) funds which were previously used to support child care programs. These Title XX funds were then used to replace General Fund expenditures for various programs administered by the state Department of Social Services. Thus, there was no net impact on the state budget as a result of this "buy out."

**Table 1**  
**Child Development Programs: Direct Services**  
**(dollars in thousands)**

| PROGRAMS  | ENROLLMENT<br>1985-86 <sup>a</sup> | DESCRIPTION/TYPES OF PROVIDERS  | CLIENT POPULATION<br>ELIGIBILITY CRITERIA  | BUDGET<br>1988-89  |
|---|------------------------------------|---|--|--------------------|
| Alternative Payment                                 | 8,581                              | Vendor-voucher system provides reimbursement for in-home, center or family day care, generally through private non-profit intermediary agencies | Standard <sup>b</sup>  | \$33,315           |
| Campus Children's Centers                           | 3,755                              | Provides child care on college campuses, generally to students, through student associations or campus administrations                          | Standard <sup>b</sup>  | 6,459              |
| Child Care and Employment Act (CCEA)                | 1,661                              | Provides matching funds to Private Industry Councils (PICs) for child care services to Job Training Partnership Act (JTPA) participants         | Determined by PICs; Selected for job training under JTPA   | -- <sup>c</sup>    |
| Extended Day Care                                   | 14,953                             | Provides before- and after-school and summer child care to children in kindergarten through ninth grade   | Standard <sup>b</sup> and Kindergarten - 9th Grade   | 16,111             |
| General Child Care                                  | 52,453                             | Provides full- and part-day care, primarily through school districts and private non-profit agencies  | Standard <sup>b</sup>  | 208,576            |
| Migrant Child Care                                  | 2,330 <sup>d</sup>                 | Provides child care to migrant children, often in migrant housing camps   | State-funded: Standard <sup>b</sup> and at least half of annual income from agriculture, fishing or agriculture-related activities. Federally-Funded: Current or formerly (within 5 years) migrant, regardless of income | 9,725 <sup>e</sup> |
| Protective Services                                 | 2,307                              | Voucher system provides reimbursement for child care for actually or potentially abused, neglected, or exploited children                       | Actual or potential abuse, neglect, or exploitation; referred by medical or social service agency  | 1,069              |
| School-Age Parenting and Infant Development (SAPID) | 1,300                              | Provides child care, parenting education, and some social service referrals for school-aged parents and some other students                     | 85 percent of enrollment: teenage parents in grades 7 to 12 seeking a diploma, regardless of income; 15 percent of enrollment (in parenting education): other students   | 6,941              |
| Severely Handicapped                                | 197                                | Approximately seven San Francisco Bay Area agencies provide child care to handicapped persons to age 21   | Documented disability/Eligible regardless of income  | 740                |
| State Preschool                                     | 21,241                             | Provides half-day educational programs, primarily through school districts and non-profit agencies  | Children aged 3 to 5 from families with low incomes; individual providers may target limited-English proficient (LEP) or certain other children  | 37,285             |
| <b>TOTALS</b>                                       | <b>108,776</b>                     |   |  | <b>\$320,221</b>   |

<sup>a</sup> 1985-86 enrollment figures are the latest figures which are available for all programs.

<sup>b</sup> Chart 1 provides information on the standard eligibility criteria.

<sup>c</sup> The 1988 Budget Bill contained \$2.5 million for this program, but the funding was vetoed by the Governor.

<sup>d</sup> An additional unknown number of children are served through federal funds.

<sup>e</sup> Of this amount, \$2.4 million is from federal funds.



Chart 1

## Standard Eligibility for Child Development Services

*To be eligible for entrance to a subsidized child development program (and to maintain eligibility once admitted), a child must meet one of the criteria from Column A **and** one of the criteria from Column B:*

### **A** Eligibility for Child Care

1. The child's parents are receiving public assistance, or;
2. The child's parents have an income not exceeding 84 percent of the state median income<sup>a</sup>, adjusted for family size (to maintain eligibility once admitted, the parent's income must not exceed 100 percent of the state median income); or
3. The child is abused, neglected, or exploited or at risk of abuse, neglect or exploitation as documented by a referral from a legal, medical or social service agency.

### **B** Need for Child Care

1. The child's parents are employed, participating in an education or training program (including postgraduate work), or actively seeking employment (for a maximum of 60 days per fiscal year); or
2. The child and/or the child's parents is/are incapacitated because of medical or psychiatric special needs; or
3. The child is abused, neglected or exploited or is at risk of abuse, neglect or exploitation as documented by a referral from a legal, medical or social service agency; or
4. The child is homeless.

<sup>a</sup> In the current year, 84 percent of the state median income for a family of three is \$21,768.

centers are operated by either student associations or college administrations. The campus programs are budgeted \$6.5 million in 1988-89.

**Child Care and Employment Act (CCEA).** The CCEA program provides child care to parents participating in training programs under the federal Job Training Partnership Act (JTPA). The program funds are matched by federal funds from local Private Industry Councils (PICs) which oversee the training programs. The program is targeted to those parents unable to obtain child care through

other community resources. The 1988-89 Budget Bill contained \$2.5 million for the program, which was vetoed by the Governor. Thus, at the time this report was prepared, the program had terminated.

**Extended Day Care.** The Extended Day Care ("Latchkey") program provides before- and after-school and summer care to children in kindergarten through grade 9. Unlike traditional fully-subsidized programs, the program serves both subsidized and non-subsidized children. The Latchkey program budget for 1988-89 is \$16.1 million.

**General Child Care.** The General Child Care program--the largest direct service program--provides year-round care to children from infancy through age 14, primarily in child care centers. The programs provide child care, developmental activities (age-appropriate activities for children), health and nutrition, parent involvement, and staff development. Children, and their families, are referred to various social services, as appropriate. The General Child Care program is composed of: (1) General Public child care, which provides care in centers through school districts and county offices of education, (2) General Private child care, which provides care through private nonprofit and proprietary agencies, cities, colleges, and other public agencies, (3) Title 22 centers, which provide care under the staffing ratios contained in Title 22 of the *California Administrative Code*, instead of the higher adult:child ratios contained in Title 5 of the *Education Code*, and (4) family day care homes. The 1988-89 budget for General Child Care is \$208.6 million.

**Migrant Child Care.** The Migrant Child Care program serves the children of migrant workers in centers that are often in migrant housing camps, and in family day care homes. Though most programs operate only during the growing and harvesting season, some programs in southern California are open year-round. Funding for the program is provided through both federal and state funds. As Table 1 shows, children eligible for state funding must be from families that are migrant *and* low-income, while those served with federal funds must demonstrate only that they are currently or formerly (within the last five years) from migrant families. The 1988-89 budget for Migrant Child Care is \$9.7 million.

**Protective Services.** This program, also called Respite Child Care, is operated through local Resource and Referral agencies. The

program provides child care, generally for a specified time period, to children who are actually or potentially abused, neglected, or exploited. Children served must be referred from a medical or social service agency. The program is targeted to children who cannot be served through other resources and is available regardless of family income. The Protective Services program is budgeted \$1.0 million in 1988-89.

**School-Age Parenting and Infant Development (SAPID).** The SAPID program provides child care, parenting education, and some social service referrals to teenage parents in grades 7 through 12 seeking a diploma, regardless of income. The program, which is operated by 57 school districts and three county offices of education, also provides parenting education to other, nonparenting students. The SAPID program is budgeted \$6.9 million in 1988-89.

**Severely Handicapped.** The Severely Handicapped program provides supervision, care, therapy, and counseling to individuals from infancy to age 21, regardless of income, who have a documented disability that would prevent them from being served in a regular child care situation. Care is provided in approximately seven San Francisco Bay Area sites. The program's 1988-89 budget is \$740,000.

**State Preschool.** The State Preschool program serves children aged three through five from low-income families. The program provides child care, developmental activities (age-appropriate activities for children), health and nutrition, parent involvement, and staff development. The program is similar to most General Child Care programs, except that services are generally provided only during the school-year, and on a part-day basis. The State Preschool program's 1988-89 budget is \$37.3 million.

## D. Indirect Service Programs

Table 2 provides information on ongoing programs that provide child care services indirectly. The programs primarily serve parents and child care providers. The major services provided by these programs include (1) capital outlay, (2) rent subsidies, and (3) referrals and information. The programs are budgeted \$12.5 million in 1988-89. In addition, at least \$7 million will be available in 1988-89 from one-time General Fund support carried

over from previous years to provide indirect services. A description of programs that provide child care services indirectly follows.

**Campus Child Care Tax Bailout.** This program provides additional funds to certain community college child care programs that lost tax revenue after the passage of Proposition 13 in 1978. The program is budgeted \$4.2 million in 1988-89.

**Table 2**  
**Child Development Programs: Indirect Services**  
(dollars in thousands)

| PROGRAMS                                | DESCRIPTION   | TARGET GROUP   | BUDGET<br>1988-89 | REMARKS   |
|---|---|--|-------------------|---|
| Campus Child Care Tax Bailout           | Provides additional funds to certain community college child care programs that lost tax revenue after the passage of Proposition 13                            | Certain community college child care programs  | \$4,191           |   |
| Capital Outlay                          | Provides funds for renovations, repairs, and portable facilities to child care providers  | Child care providers that serve, or plan to serve, subsidized children                         | N/A               | One-time only funds; Ch 1026/85 and Ch 1140/85 allocated \$44 million, most of which was allocated in 1987-88; the remainder will be allocated in 1988-89             |
| Child Care Initiative                   | Provides matching funds to increase the supply of child care; primarily used to recruit and train family day care providers                                     | Resource and Referral agencies award contracts based on State Department of Education criteria | 250               | Additional \$1 million provided by private sector   |
| Pregnant Minors                         | Provides counseling and guidance to pregnant students in participating schools  | Medically-verified pregnant students, regardless of income                                     | N/A               | Funding is provided through general school district revenue; specific program funding is not separately identified  |
| Preschool Scholarship Incentive Program | Provides scholarships to staff working directly with preschool children for completed college work in Early Childhood Education                                 | Scholarships awarded based on State Department of Education criteria                           | (276)             | Funds are included as part of State Preschool budget  |
| Resource and Referral (R&R) Agencies    | Provides child care information and referrals to parents and assistance to child care providers   | Parents and community members eligible regardless of income                                    | 7,636             |   |
| Special Allowance for Rent              | Provides rent subsidies to approximately 27 non-profit child care agencies  | Certain private non-profit child care agencies   | 441               |   |
| Special Projects                        | Projects include conferences and newsletters for providers, special direct service programs or additional funding for existing programs, and child care studies | Eligibility depends on specific project and/or funding source                                  | N/A               | Generally funded through child care funds that were not spent in previous years ("carryover" funds). An estimated \$7 million is available for expenditure in 1988-89 |
| <b>TOTAL</b>                            |   |  | <b>\$12,518</b>   |   |

**Capital Outlay.** Chapter 1026/85 and Ch 1140/85 provided approximately \$44 million in one-time federal funds for portable child care facilities and renovations and repairs. The majority of these funds were allocated in 1987-88 to agencies that provide, or plan to provide, subsidized child care.

**Child Care Initiative.** This program matches funds provided through the private sector in order to increase the state's supply of child care. Resource and Referral agencies that have received funding have used it primarily to recruit and train family day care providers. The Child Care Initiative is budgeted \$250,000 in 1988-89.

**Pregnant Minors.** The Pregnant Minors program provides counseling and guidance to pregnant students in participating schools. Funding is provided through general school district revenues. As a result, specific program funding and enrollment levels are not available.

**Preschool Scholarship Incentive Program.** This program provides scholarships to staff working directly with preschool-age children to assist them in completing college work in Early Childhood Education. The program is budgeted \$276,000 from State Preschool funds in 1988-89.

**Resource and Referral Agencies.** The Resource and Referral ("R&R") agencies operate in all counties to provide child care information and referrals to parents and assistance to child care providers. The R&Rs provide services to parents regardless of income. In addition, all R&Rs administer the Protective Services program and some also administer the Child Care Initiative program. The R&R budget for 1988-89 is \$7.6 million.

**Special Allowance for Rent.** This program provides rent subsidies for approximately 27 private nonprofit child care agencies. The program's 1988-89 budget is \$441,000.

**Special Projects.** These projects, generally funded through child care funds that were not spent by child care programs in previous years--"carryover" funds--are used primarily to conduct child care studies, provide newsletters and conferences for child care providers, and initiate special child care programs or provide additional funds to existing programs. If funded through carryover funds, the projects must be one-time, rather than ongoing, in nature. Approximately \$7.0 million is available from carryover funds for one-time projects in 1988-89.

## E. Funding and Enrollment

Table 3 shows the funding history of all child development programs from 1978-79 through 1988-89. As the table indicates, Child Development program funding has more than doubled over the 10-year period. Some programs have grown much faster than others. For example, the Alternative Payment program has grown at a faster rate than most other programs, while the State Preschool program has grown at a much slower rate.

Even when the effects of inflation are taken into account, funding for child development programs has grown by about 25 percent over the past 10 years, as shown by Chart 2. Generally, this growth occurred as a result of (1) the

expansion of the General Child Care program in 1980, (2) the establishment of the Extended Day Care--Latchkey--program in 1985, and (3) the expansion of the Alternative Payment program since 1978. In contrast, funding for two direct service programs--the State Preschool program and the Severely Handicapped program--has declined in real terms over the past 10 years.

It is not possible to estimate whether the funding for the Child Development program has kept pace with the growth in the numbers of children eligible for services. This is because the number of California children meeting the program's income requirements is updated

**Table 3**  
**Funding for Child Development Programs<sup>a</sup>**  
**Selected Years, 1978-79 through 1988-89**  
**(dollars in thousands)**

| <i>Programs</i>                                      | <i>1978-79</i>   | <i>1980-81</i>   | <i>1982-83</i>   | <i>1984-85</i>   | <i>1986-87</i>    | <i>Estimated<br/>1988-89</i> | <i>Change from<br/>1978-79</i> |
|--|------------------|------------------|------------------|------------------|-------------------|------------------------------|--------------------------------|
| <b>Direct Service Programs</b>                       |                  |                  |                  |                  |                   |                              |                                |
| Alternative Payment <sup>b</sup>                     | \$12,759         | \$17,348         | \$21,817         | \$24,245         | \$25,538          | \$33,315                     | 161.1%                         |
| Campus Children's Centers                            | 2,809            | 4,461            | 5,161            | 5,750            | 6,196             | 6,459                        | 129.9                          |
| Child Care and Employment Act (CCEA) <sup>c</sup>    | --               | --               | --               | 980              | 2,904             | --                           | -- <sup>s</sup>                |
| Extended Day Care                                    | --               | --               | --               | --               | 13,998            | 16,111                       | -- <sup>s</sup>                |
| General Child Care <sup>b</sup>                      | 98,367           | 161,502          | 171,309          | 192,220          | 206,454           | 208,576                      | 112.0                          |
| Migrant Child Care                                   | 3,700            | 5,414            | 7,614            | 8,156            | 8,713             | 9,725                        | 162.8                          |
| Protective Services                                  | --               | 1,000            | 794              | 970              | 1,027             | 1,069                        | -- <sup>s</sup>                |
| School-Age Parenting and Infant Development (SAPID)  | 2,334            | 3,848            | 4,371            | 4,782            | 6,623             | 6,941                        | 197.4                          |
| Severely Handicapped                                 | 501              | 528              | 587              | 677              | 711               | 740                          | 47.7                           |
| State Preschool <sup>e</sup>                         | <u>24,541</u>    | <u>28,480</u>    | <u>30,269</u>    | <u>34,104</u>    | <u>35,604</u>     | <u>37,285</u>                | <u>51.9</u>                    |
| Subtotals, Direct Services                           | (\$145,011)      | (\$222,581)      | (\$241,922)      | (\$271,884)      | (\$307,768)       | (\$320,221)                  | (120.8%)                       |
| <b>Indirect Service Programs</b>                     |                  |                  |                  |                  |                   |                              |                                |
| Campus Child Care Tax Bailout                        | --               | 3,986            | 3,477            | 3,833            | 4,026             | 4,191                        | -- <sup>s</sup>                |
| Child Care Initiative                                | --               | --               | --               | --               | 250               | 250                          | -- <sup>s</sup>                |
| Pregnant Minors <sup>d</sup>                         | N/A              | N/A              | N/A              | N/A              | N/A               | N/A                          | N/A                            |
| Preschool Scholarship Incentive Program <sup>e</sup> | N/A              | (225)            | (2180)           | --               | (233)             | (276)                        | N/A                            |
| Resource and Referral (R&R) Agencies <sup>b</sup>    | 2,835            | 3,876            | 4,813            | 5,302            | 7,297             | 7,636                        | 169.3%                         |
| Special Allowance for Rent                           | 298              | 345              | 365              | 404              | 424               | 441                          | 48.0                           |
| Special Projects <sup>f</sup>                        | <u>1,615</u>     | <u>1,458</u>     | <u>20</u>        | <u>--</u>        | <u>412</u>        | <u>--</u>                    | <u>-100.0</u>                  |
| Subtotals, Indirect Services                         | <u>(\$4,748)</u> | <u>(\$9,665)</u> | <u>(\$8,675)</u> | <u>(\$9,539)</u> | <u>(\$12,409)</u> | <u>(\$12,518)</u>            | <u>(163.6%)</u>                |
| Totals   | \$149,759        | \$232,246        | \$250,597        | \$281,423        | \$320,177         | \$332,739                    | 122.2%                         |

<sup>a</sup> General Child Care includes: General Public, General Private, Title 22 centers, and family day care homes. Alternative Payment includes the County Welfare program. N/A = not available.

<sup>b</sup> Expenditures for 1978-79 are estimated; some actual expenditures for the General Child Care, Alternative Payment, and Resource and Referral programs were not budgeted separately.

<sup>c</sup> The 1988-89 Budget Bill contained \$2.5 million for this program, which was vetoed by the Governor.

<sup>d</sup> Pregnant Minors program funding is provided through general school district revenue; specific program funding is not separately identified.

<sup>e</sup> Funding for the Preschool Scholarship Incentive Program is contained in the State Preschool program budget.

<sup>f</sup> These are one-time programs included in the Governor's Budget. Various statutes also have funded one-time child care programs.

<sup>s</sup> Not a meaningful figure.

only every 10 years through the U.S. Census Bureau. The most recent eligibility information available is for 1980.

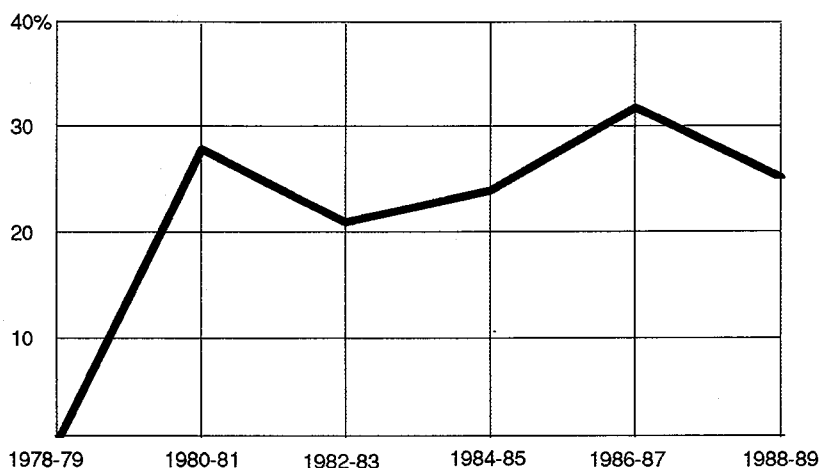
In addition, it is not possible to compare enrollment and funding over the 10-year period, because the method for calculating enrollment changed during this period. Table 4,

however, provides this information from 1985-86 through 1987-88 for those programs where annual enrollment information is available. As the table indicates, funding for these programs has increased by 3.2 percent from 1985-86 through 1987-88 and enrollment has increased by 0.8 percent.

Chart 2

**Growth in Child Development Funding**

1978-89 through 1988-89 (percent change adjusted for inflation)



**Table 4**  
**Funding and Enrollment**  
**Selected Child Development Programs**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

| Programs                               | Funding <sup>a</sup> |           |           | Difference<br>1985-86 to 1987-88 |         | Average Daily<br>Enrollment <sup>b</sup> |         |         | Difference<br>1985-86 to 1987-88 |         |
|--|----------------------|-----------|-----------|----------------------------------|---------|--|---------|---------|----------------------------------|---------|
|  | 1985-86              | 1986-87   | 1987-88   | Amount                           | Percent | 1985-86                                  | 1986-87 | 1987-88 | Number                           | Percent |
| Alternative Payment <sup>c</sup>       | \$20,701             | \$25,538  | \$25,903  | \$5,202                          | 25.1%   | 5,675                                    | 6,407   | 6,435   | 760                              | 13.4%   |
| Campus Children's Centers <sup>d</sup> | 6,706                | 6,798     | 6,798     | 92                               | 1.4     | 2,059                                    | 2,058   | 2,057   | -2                               | -0.1    |
| General Child Care                     |                      |           |           |                                  |         |  |         |         |                                  |         |
| General Public                         | 136,916              | 137,797   | 134,576   | (2,340)                          | -1.7    | 28,378                                   | 28,323  | 27,523  | -855                             | -3.0    |
| General Private                        | 49,106               | 50,389    | 52,149    | 3,043                            | 6.2     | 11,277                                   | 11,397  | 11,573  | 296                              | 2.6     |
| Title 22 Centers                       | 7,259                | 7,123     | 6,881     | (378)                            | -5.2    | 1,812                                    | 1,775   | 1,671   | -141                             | -7.8    |
| Family day care homes                  | 5,035                | 5,091     | 6,815     | 1,780                            | 35.4    | 1,137                                    | 1,146   | 1,520   | 383                              | 33.7    |
| Migrant Child Care                     | 6,501                | 6,649     | 7,221     | 720                              | 11.1    | 2,473                                    | 2,468   | 2,513   | 40                               | 1.6     |
| Severely Handicapped                   | 704                  | 711       | 656       | (48)                             | -6.8    | 166                                      | 166     | 152     | -14                              | -8.4    |
| State Preschool                        | 34,894               | 35,352    | 35,499    | 605                              | 1.7     | 19,248                                   | 19,256  | 19,339  | 91                               | 0.5     |
| Totals                                 | \$267,822            | \$275,448 | \$276,498 | \$8,676                          | 3.2%    | 72,225                                   | 72,996  | 72,783  | 558                              | 0.8%    |

<sup>a</sup> These are the levels of funding actually made available to child care agencies; generally, the levels are lower than the budgeted levels.

<sup>b</sup> Average daily enrollment: The average number of full-time equivalent children enrolled in a program on any given day of operation; the total number of children is higher due to part-time enrollments.

<sup>c</sup> Does not include funding or enrollments for the County Welfare program.

<sup>d</sup> Includes 25 percent matching amount which is statutorily required for 17 community colleges. Does not include funding provided through the Campus Tax Bailout.

## F. Characteristics of Population Served

This section describes the characteristics of the children served in direct service programs. In general, this section is based on 1985-86 estimates from a sample survey of child development programs conducted by the State Department of Education for a statutorily-required triennial report.<sup>3</sup> Information on the Latchkey child care program, however, is

based on 1986-87 actual statewide data collected by the firm of MPR Associates.<sup>4</sup> A more detailed description of the types of children served in child development programs may be found in SDE's sunset review report, the triennial report, and the MPR Associates study.

**Table 5**  
**Enrollment in Child Development Programs<sup>a</sup>**  
**1985-86**

| <i>Programs</i>                                     | <i>Number</i> | <i>Percent</i> |
|---|---------------|----------------|
| Alternative Payment                                 | 8,581         | 7.9%           |
| Campus children's centers                           | 3,755         | 3.5            |
| Child Care and Employment Act (CCEA)                | 1,661         | 1.5            |
| Extended Day Care                                   | 14,953        | 13.7           |
| General Child Care                                  | 52,453        | 48.2           |
| Migrant Child Care                                  | 2,330         | 2.1            |
| Protective Services                                 | 2,307         | 2.1            |
| School-Age Parenting and Infant Development (SAPID) | 1,300         | 1.2            |
| Severely Handicapped                                | 197           | 0.2            |
| State Preschool                                     | 21,241        | 19.5           |
| Totals  | 108,778       | 100.0%         |

<sup>a</sup> Includes part-time and full-time enrollments. Excludes the Federal Migrant program.

**Enrollment.** The child development programs served approximately 110,000 children in 1985-86. As Table 5 shows, the General Child Care program accounted for the largest proportion of all children enrolled—48 percent, followed by the State Preschool program (20 percent) and the Extended Day Care (Latchkey) program (14 percent). Together, these programs accounted for approximately four-fifths of all children served.

**Type of Child Care Agency.** In 1985-86, the majority of agencies providing subsidized child care services were either private non-profit agencies (49 percent) or school districts (32 percent). Additional types of agencies included county offices of education (6 percent),

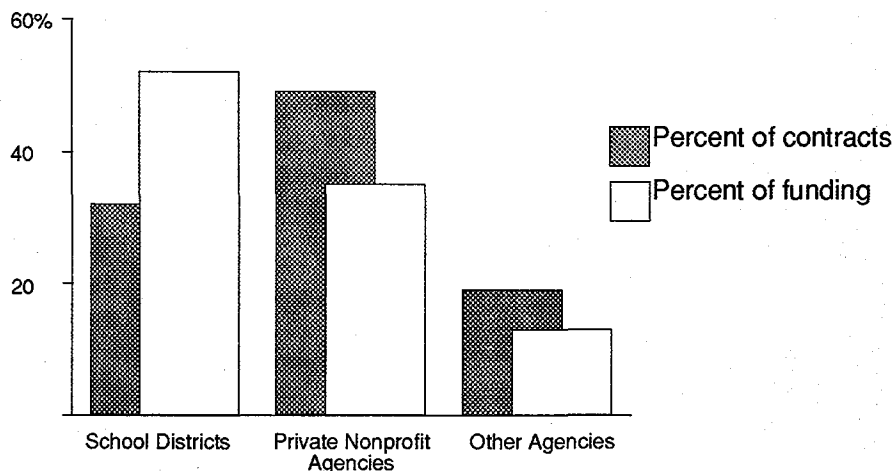
public two- and four-year colleges (7 percent), and cities, churches, and other organizations. In this year, agencies provided services through approximately 2,300 sites, including approximately 1,800 child care centers and 500 family day care homes.

As Chart 3 shows, although school districts represented only about one-third of the agencies providing services, district programs tended to be larger than other types of programs. Specifically, these programs accounted for approximately one-half (52 percent) of Child Development program funding in 1986-87, while private agencies accounted for approximately one-third (35 percent).

<sup>3</sup> State Department of Education, *Triennial Report on Publicly Funded Child Development Programs: 1985-86*, (Sacramento), spring 1988. The triennial report does not include information on the following programs: (1) the Latchkey child care program, which was reviewed by MPR Associates under contract with the Office of the Legislative Analyst, (2) the County Welfare program, which serves approximately 2,700 children, but maintains files on family cases rather than individual children, and (3) specific southern California migrant programs that provide services in the winter.

<sup>4</sup> MPR Associates, Inc. and J.D. Franz Research, *Evaluation of the SB 303 School-Age Community Child Care Program*, (Berkeley), December 1987.

Chart 3

**Child Development Program Contracts vs. Funding Levels****By Type of Administering Agency  
1985-86**

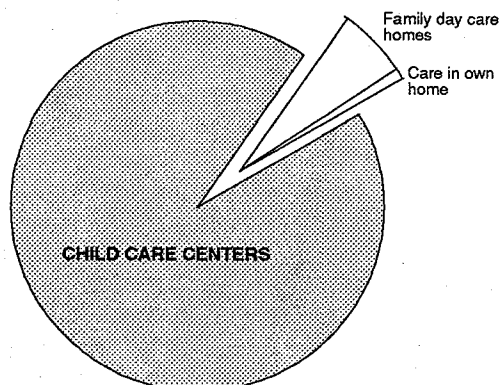
**Type of Care.** As Chart 4 shows, approximately 93 percent of all children receiving services in 1985-86 were enrolled in child care centers (which generally are sites that care for more than 12 children). Six percent were enrolled in family day care homes (which generally are family residences with a licensed capacity of either six or 12 children) and less than 1 percent were cared for in their own homes. All programs provide some care in

child care centers. The following programs also utilize family day care providers: Protective Services, Child Care and Employment Act (CCEA), General Child Care, and Alternative Payment.

There appears to be a shift toward providing care in family day care homes. As Table 4 showed previously, two programs which primarily provide care in family day care homes--Alternative Payment and General Child Care: family day care homes--have enrolled approximately 1,100 additional full-time children from 1985-86 through 1987-88, while two programs that provide care primarily in centers--General Child Care: Public, and General Child Care: Title 22 centers--have experienced a decline in enrollment of approximately 1,000 full-time children over the same period.

**Ages of Children.** With the exception of the Severely Handicapped program, which serves individuals to age 21, the child development programs serve children through age 14. Historically, though, child development programs have emphasized care for pre-school-aged children. Accordingly, most of the children served are aged 3 through 5 (61 percent), and 98 percent are under 11 years of age.

Chart 4

**Percentage of Children Served  
By Type of Program****1985-86**



Various programs are targeted to particular age groups. For example, since the SAPID program enrolls children of high school students, approximately 99 percent of the children it serves are under age 3. Similarly, the State Preschool program enrolls only those children aged 3 through 5, while the Extended Day Care (Latchkey) program enrolls only those in kindergarten through ninth grade. (Appendix C shows the age groups served in each program in 1985-86.)

**Ethnicity and Language.** In 1985-86, 38 percent of the children enrolled in child development programs were Hispanic, 23 percent were black, 28 percent were white, and 6 percent were Asian. The remainder (6 percent) were from other or unknown ethnic groups.

The ethnic composition of various programs differs significantly. For example, the majority of the children served in the Migrant Child Care program (98 percent) and in the State Preschool program (54 percent) are Hispanic, while the majority of those served in the Extended Day Care program (56 percent) and in

the Protective Services program (53 percent) are white. (Appendix D shows the ethnic groups served in each program in 1985-86.)

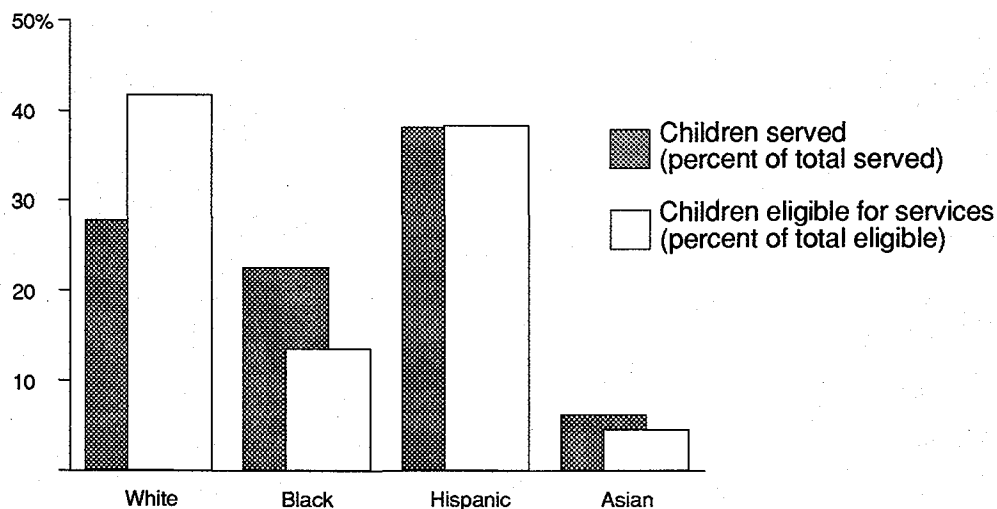
Chart 5 compares the ethnic composition of child development programs with the eligible population identified by 1980 census data. The chart indicates that whites are relatively underserved, while blacks are relatively overserved. Specifically, whites account for 42 percent of the eligible population but 28 percent of those served, while blacks account for 13 percent of the eligible population but 23 percent of those served. The proportions of Hispanics (38 percent) and Asians (6 percent) served are roughly equivalent to those in the eligible population.

Approximately one-quarter of the children enrolled in 1985-86 were limited-English proficient (LEP). As Table 6 shows, almost 80 percent of these LEP children spoke Spanish, while approximately 7 percent spoke Cantonese and about 5 percent spoke Vietnamese. The remaining 8 percent spoke Hmong, Samoan, Tagalog, and other languages.

Chart 5

### Ethnicity of Children Served in the Child Development Program Compared to Ethnicity of Eligible Children

1985-86



**Table 6**  
**Distribution of Enrolled Limited-English Proficient (LEP) Children by Native Language**  
**1985-86<sup>a</sup>**

| <i>Language</i> | <i>Children</i> | <i>Percent</i> |
|-----------------|-----------------|----------------|
| Spanish         | 16,857          | 78.8%          |
| Non-Spanish     | 4,548           | 21.2           |
| Cantonese       | (1,385)         | (6.5)          |
| Hmong           | (202)           | (0.9)          |
| Samoan          | (247)           | (1.2)          |
| Tagalog         | (163)           | (0.8)          |
| Vietnamese      | (974)           | (4.5)          |
| All Others      | (1,577)         | (7.4)          |
| Totals          | 21,405          | 100.0%         |

<sup>a</sup> Excludes the County Welfare, Federal Migrant, and Extended Day Care programs.

**Family Status.** According to SDE's triennial report, almost two-thirds of all children enrolled came from families headed by single women. Only in two programs do the majority of children come from two-parent families: (1) the half-day State Preschool program (where parents must demonstrate that they are low-income, but do not need to be working or in training) and (2) the Migrant Child Care program (where children traditionally have come from two-parent migrant families).

**Eligibility Status.** As Table 7 shows, approximately one-half (51 percent) of the children enrolled in child development programs are from families that are income-eligible—that is, their families make less than 84 percent of the state median income when they enroll (though they may earn up to 100 percent of median income after initial enrollment). An additional 13 percent of the children are from families receiving public assistance—primarily Aid to Families with Dependent Children (AFDC). Approximately one-quarter of the children meet specialized eligibility criteria associated with the State Preschool, SAPID, Severely Handicapped, and CCEA programs, while 5 percent have been referred by medical or social services agencies for protective services because they are actually or potentially abused, neglected or exploited, or are home-

less. Finally, approximately 8 percent are non-subsidized children enrolled in the Extended Day Care--Latchkey--program.

According to the SDE's triennial report, the proportion of AFDC children served by child development programs has dropped since 1979-80. According to the report, approximately 30 percent of those served in 1979-80 were AFDC children. The report estimates that approximately 17 percent of those enrolled in subsidized child care programs *excluding the Latchkey program* in 1985-86 were receiving AFDC, but projects that the actual percentage could be as high as 25 percent, based on the results of another survey conducted by the department for the Auditor General.

It is not possible, based on available information, to determine whether the relative decline in services to AFDC children has occurred because (1) services are not targeted adequately to children from the lowest-income families, (2) the number of AFDC parents who are working or in training and thus qualify for child care has declined, or (3) the number of AFDC children that receive services because they are identified as "income-eligible" (and are thus not counted as AFDC recipients) has increased.

**Table 7**  
**Distribution of Children Enrolled, by Program and Eligibility Status**  
**1985-86<sup>a</sup>**

| Programs  | Income   |       | Protective | State | Severely    |                    | CCEA <sup>a</sup> | Other <sup>b</sup> | Unknown | Totals |
|---|----------|-------|------------|-------|-------------|--------------------|-------------------|--------------------|---------|--------|
|   | Eligible | AFDC  |            |       | Handicapped | SAPID <sup>a</sup> |                   |                    |         |        |
| Alternative Payment                                 | 69.5%    | 18.4% | 0.8%       | 10.8% | --          | --                 | --                | --                 | 0.6%    | 100.0% |
| Campus Children's Centers                           | 49.6     | 45.6  | 0.8        | 1.1   | --          | --                 | --                | --                 | 2.9     | 100.0  |
| Child Care Employment Act (CCEA) <sup>c</sup>       | --       | --    | --         | --    | --          | --                 | 100.0%            | --                 | --      | 100.0  |
| Extended Day Care                                   | 35.0     | 9.3   | N/A        | 1.3   | --          | --                 | --                | 53.9%              | 0.5     | 100.0  |
| General Child Care                                  | 77.1     | 17.7  | 0.4        | 3.7   | --          | --                 | --                | --                 | 1.2     | 100.0  |
| Migrant Child Care                                  | 98.2     | 0.6   | 0.8        | 0.4   | --          | --                 | --                | --                 | 0.1     | 100.0  |
| Protective Services                                 | --       | --    | --         | 100.0 | --          | --                 | --                | --                 | --      | 100.0  |
| School-Age Parenting and Infant Development (SAPID) | --       | --    | --         | --    | --          | 100.0%             | --                | --                 | --      | 100.0  |
| Severely Handicapped                                | --       | --    | --         | --    | --          | --                 | 100.0             | --                 | --      | 100.0  |
| State Preschool                                     | --       | --    | --         | --    | 100.0%      | --                 | --                | --                 | --      | 100.0  |
| Totals  | 50.8%    | 12.7% | 0.3%       | 4.8%  | 20.0%       | 1.2%               | 0.2%              | 1.6%               | 7.6%    | 100.0% |

<sup>a</sup> Eligibility information for the County Welfare program and the Federal Migrant program is not available. Percentages are rounded; thus, they may not total 100 percent. AFDC--Aid to Families With Dependent Children; SSI/SSP--Supplemental Security Income/State Supplementary Program; SAPID--School-Age Parenting and Infant Development Program; CCEA--Child Care and Employment Act.

<sup>b</sup> These are nonsubsidized children served by the Extended Day Care program.

<sup>c</sup> The CCEA program serves children of parents participating in job training under the Job Training Partnership Act (JTPA). The 1988-89 Budget Bill contained \$2.5 million for the program, which was vetoed by the Governor; thus, at the time this table was prepared, the program had terminated.

The SDE does not determine if children who are eligible for subsidized care because they are receiving public assistance or meet specific program (such as State Preschool or SAPID) requirements also meet income-eligibility requirements. Our analysis of the triennial report data and of subsidized child care and public assistance requirements indicates, however, that the vast majority of *all* children (approximately 80 percent to 90 percent) enrolled in subsidized programs in 1985-86 probably would have met income-eligibility requirements.

**Reason for Care.** As discussed earlier, the State Preschool program targets its services to

low-income children, but children are eligible whether or not their parents are working or in training. According to the SDE triennial report (which does not include information on Latchkey or County Welfare programs), approximately 87 percent of the children enrolled in non-State Preschool programs needed care because their parents were working or enrolled in school or training programs. The remaining 13 percent generally needed care because (1) they were actually or potentially abused, neglected, or exploited, (2) they met the Severely Handicapped program requirements, or (3) they or their parents had a medical or psychiatric special need. ♦

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## Chapter II

## Chapter II

# Legislative Analyst's Findings and Recommendations on Program Issues

### Effect of Sunset

As mentioned in the introduction to this report, under current law (beginning with Section 62000 of the Education Code), the child development programs are scheduled to "sunset" on June 30, 1989, unless legislation is enacted to extend or repeal this date. The sunset provision is intended to provide the Legislature with an opportunity to conduct a comprehensive review of the program's effectiveness.

Even if legislation is not enacted to continue the child development programs beyond the sunset date, the programs will not actually terminate. Instead, the statute provides that funding provided in the annual budget "shall continue for the general purposes of [the] program[s] as specified in the provisions relating to the establishment and operation of the program[s]."

We discuss the effects of the sunset in two areas--funding allocations and program requirements--below.

**Funding Allocations.** The sunset statutes require that funds be used according to the "identification criteria and allocation formulas" in use as of the scheduled sunset date (June 30, 1989). Since the vast majority of child development funds are distributed to child care providers through annual contracts, our review indicates that most funds would con-

tinue to be distributed in this manner if the child development programs sunset. Similarly, certain small programs currently funded through grants or loans would continue to be administered in this manner.

The effect of the sunset, however, on certain funds--called "carryover" funds--is unclear. Under current law, the State Department of Education (SDE) may use funds that have been allocated to child development providers but that have not been spent by the providers (carryover funds) for three years. The law specifies that the SDE may allocate these carryover funds for one-time child care purposes of direct benefit to children.

During each of the past few years, approximately \$3 million, on average, in carryover funds has been available. The SDE has typically allocated some of these funds to existing child care providers for one-time programs or purchases.

Generally, state agencies are not allowed to carry over funds for more than one year unless they are granted specific statutory authority to do so. Instead, any unspent funds usually revert to the state's General Fund where they may become available for various state funding priorities.

Should the child development programs sunset, it is not clear whether the SDE would continue to have legal authority to carry over

funds from year to year for specified child care purposes or whether the department would be required to return child development funds not spent in a particular fiscal year to the General Fund.

The questions related to the effects of the sunset on "carryover" funds are primarily legal in nature. Thus, the Legislature may wish to seek legal counsel regarding this issue as it reviews the status of child development programs.

**Program Requirements.** To a large extent, the guidelines developed by the SDE based on its review of the statutory statements of purposes and intent for child development programs will govern the programs if they sunset, unless the department's interpretations are overruled by the Legislature or are successfully challenged by a lawsuit. This is because the SDE has relatively broad authority to determine, based on its review of the programs' history and statutory purposes, what the "general purposes" of the child development programs are. (As mentioned in Chapter I, the child development statutes specify approximately 15 statements of legislative intents and purposes for the child development programs. A copy of these statements is included as Appendix A.)

The effect of the sunset on staff ratios and qualifications, however, is unclear. SDE currently requires various child development programs to maintain certain adult:child ratios and staff qualifications in order to receive state funds. Some of these requirements are based on the child development statutes which are scheduled to sunset on June 30, 1989, while others have been developed by the SDE based on its administrative authority to implement child development programs.

Generally, the SDE requirements depend on the size of a particular child development program or the types of services provided, rather than whether a program is operated by a local education agency (LEA) or by a non-LEA. (LEAs usually include school districts,

county offices of education, and community colleges. Non-LEAs include nonprofit agencies, colleges and universities, and local governments.) Approximately 60 percent of child development funds are allocated to LEAs while the remaining 40 percent are provided to non-LEAs.

It is not clear to what extent the SDE would have authority to make the existing standards for LEAs and non-LEAs more or less stringent if the child development programs sunset. Furthermore, it is not clear whether the department would have different levels of authority depending upon whether a program were administered by a LEA or a non-LEA.

The questions related to the effects of the sunset on staff ratios and staff qualifications for child development programs are primarily legal in nature. The Legislature also may wish to seek legal counsel regarding these issues as it reviews the status of child development programs.

#### **Legislative Analyst's Recommendation: Continue Program in Revised Form**

*We recommend that the Child Development program be continued in a modified form.*

**Overview.** Our review of the Child Development program indicates that the program is generally effective in meeting the needs of children served through the majority of child development funds—that is, children from low-income families where all parents are in the labor force. Our review, however, identifies the following problems:

- There are no data on the unmet demand for some direct service programs which are targeted to provide services to particular groups of children or for any of the indirect service programs.
- There are no evaluative data to determine the extent to which the program has assisted special populations, such as the children of high school parents, and abused and neglected children. In addition, there are no data that indicate the

extent to which subsidized programs allow families to become economically self-sufficient.

- The SDE's current budget review procedures do not adequately (1) ensure that the program's costs reflect *actual* expenditures of child care providers and (2) encourage programs to use resources efficiently. Furthermore, existing reimbursement rates may not adequately reflect the actual costs of caring for certain children or of providing resource and referral services. Finally, existing staff ratio requirements could be modified to lower program costs while maintaining high-quality programs and staff ratios that would be richer than those required by the Department of Social Services

(DSS) for nonsubsidized child care programs.

- The SDE should improve its monitoring of program compliance and quality to ensure that existing programs merit funding.

Our review indicates that these problems relate primarily to the implementation of the program, and do not reflect an inherently flawed program or a lack of need for the program. For these reasons, therefore, we do not believe this program should be eliminated. Instead, we believe the problems should be resolved in order to improve program effectiveness and efficiency. Accordingly, we recommend that the program be continued, subject to the modifications discussed below.

## A. Direct Service Programs

### 1. Need for Child Care

It is not possible to determine objectively the "need" for child development programs. This is because "need" depends on parents' individual circumstances and the priority they place on child care, rather than on factors which solely can be measured on an objective basis. However, based on available data, it is possible, *given current subsidy rates and eligibility standards*, to arrive at a conservative estimate of the *demand* for the Child Development program for one particular group—low-income families with both parents or the single parent in the labor force. It is not possible, however, to determine the *total demand* for subsidized child care, because demand for some types of subsidized care is not known. Thus, as indicated in Chapter I, we know only that *the state, by providing services to approximately 53,000 children who meet specified criteria for particular programs, meets some unknown amount of total demand.*

The SDE's sunset report estimates that the Child Development program serves only about 5 percent of the demand for care by specifically low-income families with both parents or the single parent in the labor force. Our review indicates that this estimate is too low, because it does not account for the fact that some families who are eligible for subsidized care prefer to use informal child care arrangements, such as care by relatives, and therefore do not require subsidized services. If we adjust for these preferences, we estimate (as shown in Table 8) that subsidized child development programs targeted to low-income, working families were meeting *between 12 percent and 26 percent* of the potential demand for such care in 1985-86, the last year for which detailed service data are available. Conversely, these estimates imply that between 74 percent and 88 percent of the potential demand for subsidized child care (155,000 to 405,000 children) was *not met* in that year.

**Table 8**  
**Potential Minimum and Maximum Amounts of Demand Met for Subsidized Child Care<sup>a</sup>**  
**1985-86**

| ESTIMATED MINIMUM DEMAND MET |   |  |                |                                      |   |  |
|------------------------------|---|--|----------------|--------------------------------------|---|--|
| AGES                         | ESTIMATED NUMBER OF CHILDREN IN FAMILIES WHERE ALL PARENTS ARE IN THE LABOR FORCE, BELOW 84% OF MEDIAN INCOME | CHILDREN WHO WOULD POTENTIALLY DEMAND SUBSIDIZED CHILD CARE <sup>b</sup> |                | CHILDREN SERVED <sup>a</sup> 1985-86 | ESTIMATED MAXIMUM UNMET DEMAND FOR SUBSIDIZED CHILD CARE <sup>c</sup> | ESTIMATED MINIMUM <sup>d</sup> PERCENTAGE OF DEMAND MET FOR SUBSIDIZED CHILD CARE IN 1985-86 |
|                              |   | PERCENT  | NUMBER         |                                      |   |  |
| 0-2                          | 239,356   | 40%  | 95,742         | 5,501                                | 90,241  | 6%   |
| 3-5                          | 261,676   | 50   | 130,838        | 33,314                               | 97,524  | 25   |
| 6-14                         | 668,017   | 35   | 233,806        | 16,226                               | 217,580   | 7  |
| <b>Totals</b>                | <b>1,169,049</b>  | <b>39%</b>   | <b>460,386</b> | <b>55,041</b>                        | <b>405,345</b>  | <b>12%</b>   |

| ESTIMATED MAXIMUM DEMAND MET |   |  |                |                                      |   |  |
|------------------------------|---|--|----------------|--------------------------------------|---|--|
| AGES                         | ESTIMATED NUMBER OF CHILDREN IN FAMILIES WHERE ALL PARENTS ARE IN THE LABOR FORCE, BELOW 50% OF MEDIAN INCOME | CHILDREN WHO WOULD POTENTIALLY DEMAND SUBSIDIZED CHILD CARE <sup>b</sup> |                | CHILDREN SERVED <sup>a</sup> 1985-86 | ESTIMATED MINIMUM UNMET DEMAND FOR SUBSIDIZED CHILD CARE <sup>c</sup> | ESTIMATED MAXIMUM <sup>d</sup> PERCENTAGE OF DEMAND MET FOR SUBSIDIZED CHILD CARE IN 1985-86 |
|                              |   | PERCENT  | NUMBER         |                                      |   |  |
| 0-2                          | 112,294   | 40%  | 44,918         | 5,501                                | 39,417  | 12%  |
| 3-5                          | 121,054   | 50   | 60,527         | 33,314                               | 27,213  | 55   |
| 6-14                         | 299,009   | 35   | 104,653        | 16,226                               | 88,427  | 16   |
| <b>Totals</b>                | <b>532,356</b>  | <b>39%</b>   | <b>210,098</b> | <b>55,041</b>                        | <b>155,057</b>  | <b>26%</b>   |

<sup>a</sup> Includes only low-income children in families where all parents are in the labor force. Excludes the demand for—and services provided to—other children who qualify for child development programs.

<sup>b</sup> Sources: U.S. Department of Commerce, Bureau of the Census, *Who's Minding the Kids?: Child Care Arrangements Winter 1984-85*, Washington, D.C., May 1987 and the Gallup Organization, Inc., *California Child Care Final Report*, Princeton, NJ, February 1985. The percentages used are based on *actual* child care arrangements in 1985. To the extent that family preferences for child care in 1985 were not reflected in their actual *usage* of care; these estimates could either under- or over-estimate the potential preference for subsidized child care by low-income families in the labor force.

<sup>c</sup> The low range of the estimate of unmet demand (155,000 children) is based on projections of demand for such care among families with incomes below 50 percent of the state median income (currently, \$12,599 for a family of three—the income level at which a family would qualify for *full* state subsidy). The high range of the estimate (405,000 children) is based on estimates of demand for such services among families with incomes below 84 percent of state median income (currently \$21,768 for a family of three—the level at which families are not longer admitted to subsidized child care programs, though they may stay in programs until their incomes reach 100 percent of the state median). It is not possible to estimate the unmet demand for subsidized care more precisely because of data limitations.

<sup>d</sup> These estimates assume the continuation of existing practices regarding (1) subsidy rates, (2) eligibility qualifications, and (3) staffing ratios.

Our estimates may *overstate* the actual percentage of demand met by state-subsidized child care services among low-income, working families. This is because our estimates assume that the 1985-86 patterns of *usage* between formal and informal child care reflect what these families' *preferences* would have been even if more state-subsidized, formal care were made available. In reality, usage

patterns may reflect preferences that are constrained by the lack of affordable, formal care. Thus, if more affordable formal day care were made available, additional families might choose to use such care. Moreover, families' preferences for formal versus informal care would undoubtedly be altered if the state were to increase significantly the availability of *subsidized*, formal care.



As Table 8 shows, the unmet demand for subsidized child care varies greatly among different age groups. For example, we estimate that the potential unmet demand for infant and school-aged care is much greater than that for preschool-aged care, primarily because the majority of subsidized care is targeted to preschoolers.

Our review indicates that, based on current expenditures, the cost of serving the unmet demand we identify would range from approximately \$675 million to \$1.8 billion annually. These estimates assume the continuation of existing practices regarding (1) subsidy rates, (2) eligibility qualifications, and (3) staffing ratios. Changes in any of these assumptions would change the cost estimates. In addition, to the extent that the state is able to identify the demand for specific types of care, such as care for migrant children or abused and neglected children, in the future, it is likely that the costs of meeting the total demand for subsidized child care would be even higher.

## **2. Effectiveness of the Direct Service Programs**

As noted in Chapter I, there are approximately 15 statements of legislative intent and purpose for child development programs against which the effectiveness of these programs could be measured. Our review indicates that the goals for direct service programs primarily fall within the following three categories:

- The provision of healthy and safe care;
- The provision of care that enhances the developmental growth of children; and
- The provision of care that allows parents to work, or enroll in training or education programs.

### **a. Which Program Purpose Has Greater Priority?**

We find that there is a fundamental tension between two of the general purposes of the Child Development program: (1) to allow

families to become economically self-sufficient through employment and training and (2) to enhance the developmental growth of children. To accomplish the first goal (self-sufficiency) within a particular budget, the program should serve as many children of low-income families as possible, in order to allow their parents to work. To achieve the second goal (developmental growth) within the same budget, the program should serve fewer children in order to provide more staff resources and developmental materials and equipment to each child. The basic public policy issue is whether subsidized child development programs should provide (1) healthy and safe care for a larger number of children or (2) enriched, developmental care for fewer children.

Most of the child development programs have historically been targeted to low-income families, to enable parents to work or receive training. We find, however, that the Legislature, in its statements of intent over the past 15 years or so, has given more and more weight to the program's educational and developmental aspects. In fact, the Legislature moved administration of the programs from the Department of Social Services to the SDE during this time period, *making California the only state in the U.S. that administers child care programs through an education department.*

While our review indicates that the Legislature intends the Child Development program *both* to allow families to enroll in training or become employed *and* to enhance the developmental growth of children, the Legislature may wish to clarify the respective priorities of each of these goals. We discuss this issue further later in this chapter, as it relates to staff ratio requirements, and in Chapter IV, in response to SDE's recommendations.

### **b. Studies of Program Effectiveness**

There are relatively few studies available which can be used to assess the general effectiveness of the child development programs. We discuss four of the major studies below.

One evaluation is national in scope, while the remaining three were based in California. Overall, the reports indicate that (1) preschool programs of high quality, as specified, are likely to be effective in improving school achievement and economic self-sufficiency in later life, (2) California's child development programs meet basic health, safety and nutrition standards and provide referrals to other services as needed, and (3) two California programs--the Extended Day Care (Latchkey) program and the Child Care Employment Act (CCEA) program (which serves Job Training Partnership Act (JTPA) participants)--generally meet the Legislature's goals for providing specific services, though the programs could be administered more effectively. (Extension of the CCEA Child Care program was recently vetoed by the Governor.)

*i. The Perry Preschool Study.* The Perry Preschool Study, a 19-year longitudinal study of the effects of preschool on children in Ypsilanti, Michigan, is one of the most comprehensive preschool studies ever conducted. The study selected approximately 120 black children from similar low-income backgrounds and placed about 60 of them (the "experimental group") in a half-day preschool program, and compared the achievements of these children with the others (the "control group"), who received no preschool program.

The experimental group was enrolled in a half-day preschool program that met five days a week for approximately eight months or, in the case of some enrolled in a two-year program, for 16 months. The adult:child ratio was about 1:6, and the parents of each child enrolled were visited for one and one-half hours each week by program staff. The study concluded that, compared with nonparticipants, the experimental group:

- Spent less time in special education;
- Had lower dropout and delinquency rates;
- Attended more postsecondary education and training courses; and

- Had higher wage earnings (and, thus, qualified for lower welfare payments).

The study also concluded that children enrolled in either the one- or two-year program achieved similar results.

The results of the Perry Preschool Study suggest that similar child development programs in California, such as the State Preschool program and General Child Care provided to preschoolers, are likely to be effective in improving school achievement and economic self-sufficiency in later life. These results also suggest that the benefits of similar California preschool programs (to taxpayers in the form of increased taxes paid by preschool participants, reduced educational and criminal justice costs, and reduced welfare payments) are likely to offset partially the costs of such programs. These findings are strengthened by the results of other similar, though less-comprehensive, studies.

The Perry Preschool Study indicated that the benefit:cost ratio to taxpayers of preschool is about 4:1; that is, the study suggests that \$4 in state expenditures for services such as remedial education, welfare, and the criminal justice system would be saved for every \$1 spent on preschool. Unfortunately, the Perry Preschool Study cannot be used to indicate whether the benefits of preschool programs for low-income children in California would be *even as high as* the costs of such programs, for two major reasons:

- The program's benefits, expressed in terms of taxpayer savings, were much higher than they would be in California, primarily because California's tax and welfare structures are different than those in Michigan. (The program's costs were also higher than program costs in California.)
- The program, while generally similar to certain California child development programs, is not strictly comparable. For example, the Perry Preschool program included a large *mandatory* parent education component (in contrast, parents are

encouraged to participate in all of California's child development programs, but such participation is not mandatory). The Perry Preschool program also exhibited somewhat higher staff:child ratios than the California child development programs.

**ii. Publicly Subsidized Child Care Services in California.** This study, conducted under contract with the Office of the Legislative Analyst in 1974, surveyed approximately 120 child care centers and family day care homes. The study concluded that programs generally met health, safety, and nutrition standards, and provided social service or counseling referrals, as appropriate. As Appendix B indicates, many programs continue to provide such services.

The study also found that the majority of the centers "stress the development of each child's feeling of self-worth and his or her emotional and social growth." The study concluded, however, that "[m]any of the centers...do not have well-developed curricular plans, although most use some form of lesson plan to guide their daily activities."

Although the study is almost 15 years old, our field visits tend to confirm that subsidized child care programs generally meet basic health, safety, and nutrition standards, and provide referrals to other services, as needed. In addition, it appears that the programs offered in child care centers have generally improved in one area. Specifically, we find that many center-based programs now use broad curricular plans to enhance the developmental growth of children served.

The following studies evaluate the effectiveness of two specific child development programs:

**iii. Evaluation of the SB 303 School-Age Community Child Care Program.** This study, conducted by MPR Associates, Inc., under contract with the Office of the Legislative Analyst, was submitted to the Legislature in December 1987. Overall, MPR found that the

"Latchkey" child care program, which provides before- and after-school and summer care to school-aged children, is meeting the Legislature's specific goals for the program. Specifically, the program offers high-quality care, including age-appropriate activities, homework assistance, participation in youth groups, and support services, as necessary. In addition, over 90 percent of the parents reported being very satisfied with the program, and none reported dissatisfaction. Lastly, MPR found that the program is cost-effective--average program costs are lower than the fees charged by private providers of school-aged care, and Latchkey providers use community resources effectively.

The report, however, noted that there were a number of administrative implementation problems associated with the Latchkey program. Our review indicates that many of these have since been resolved. Specifically, based on our recommendations in the *Analysis of the 1988-89 Budget Bill*, the Legislature adopted language in the 1988 Budget Act requiring the SDE to (1) speed up the program's waiver process, (2) ensure that providers are financially "held harmless" for certain problems outside their control, and (3) provide additional technical assistance to Latchkey programs. In addition, the SDE has acted to reduce some of the administrative barriers to local child care agency participation associated with the program.

**iv. Evaluation of the JTPA Child Care Program Created by the Child Care and Employment Act.** This study, also conducted by MPR Associates, Inc., under contract with the Office of the Legislative Analyst, was submitted to the Legislature in January 1988. MPR found that the program provided a valuable service by increasing both the quantity and quality of child care services provided to single parents receiving job training under the federal Job Training Partnership Act (JTPA). In fact, over three-fourths of those who received assistance said they would not have been able to participate in the JTPA program without its child

care services. The study indicated, however, that some programs were more successful than others. In addition, MPR found that two-thirds of the state's single-parent JTPA participants lived in areas not served by successful programs.

The Legislature, in the 1988-89 Budget Bill, provided \$2.5 million for the program, and adopted language to address some of the program's implementation problems. The Governor, however, vetoed funding for the program; thus, at the time this report was written, the program had been terminated.

*v. Summary.* We find, based on our review of these studies and on our field visits, that the child development programs generally meet basic health, safety, and nutrition standards. In addition, our review indicates that the programs usually refer children to health and social service agencies, as appropriate.

Based on our field visits, we also find that the child development programs offered in child care centers have generally developed curricula and teaching methods that focus on enhancing the developmental growth of children. However, the impact of these curricula and methods on children's later academic achievement or economic self-sufficiency has never been specifically assessed; thus, given the current information available, it is not possible to determine how successful California's programs are in meeting these two legislative goals.

While it would be useful to evaluate the success of all child development programs in meeting all the Legislature's goals, it is most important to evaluate the success of the programs that have never been evaluated (even on a national level). We address this issue in the next section.

#### **Legislative Analyst's Recommendation: Evaluate Effectiveness of Certain Programs**

*We recommend that the State Department of Education develop a detailed plan, including a funding proposal, to conduct a comprehensive evaluation of specified child*

*development programs. Specifically, the evaluation should focus on the effectiveness of specified programs in (1) improving families' economic self-sufficiency and (2) meeting the special needs of certain children. The plan should be submitted to the Joint Legislative Budget Committee, the legislative fiscal committees, and the Department of Finance by November 15, 1989.*

The majority of funding for the child development programs provides services to the low-income children of parents who are working or enrolled in education or training programs, in order to (1) enhance the developmental growth of children and (2) improve families' economic self-sufficiency. Specifically, these programs include: General Child Care, Alternative Payment, and Campus Child Care. While our review indicates that it is likely that these programs are generally meeting the Legislature's developmental goals, there has been no statewide evaluation of their success in improving families' economic well-being.

In addition, certain child development programs are targeted to meet the needs of specific groups, such as the children of teenage parents, migrant children, and abused and neglected children. Our review indicates that there has been no statewide evaluation of the success of these programs in meeting the needs of specific groups of children. We believe these programs merit evaluation in order to assist the Legislature in determining whether they are cost-effective.

Specifically, we have the following questions about each of the following programs which are targeted to specific groups of children:

- **SAPID and Pregnant Minors.** How effective are the programs in enhancing the educational achievement of pregnant teenagers and teenage parents? To what extent, if any, do the programs provide duplicative services? Should the programs be combined?

- **Migrant Child Care.** How effective are the programs in meeting the developmental, social service, and health needs of migrant children? Are some types of program curricula more effective than others?
- **Abused and Neglected Children.** What services are provided to these children through each of the following programs: Alternative Payment--County Welfare, Protective Services, and other child development programs? To what extent do the services provided vary by type of program? To what extent do programs work with local social service agencies to address the needs of these children and determine how long they need services?
- **Alternative Payment--County Welfare programs.** To what extent do these programs serve (1) public assistance recipients and (2) abused and neglected children? To what extent do those served also qualify for child care services under the Greater Avenues for Independence (GAIN) program? To what extent will the programs be needed once GAIN is fully implemented?
- **Severely Handicapped.** What services are provided? To what extent are federal funds available for this program? How successful are the programs in meeting the needs of the severely handicapped?
- **Disabled Children.** To what extent are services provided in programs--other than the Severely Handicapped program--to disabled children? How successful are these services?

Our review indicates that it is both possible--and necessary--to address these issues, in order to assist the Legislature in its deliberations regarding continuation and improvement of these programs. Accordingly, we recommend that the SDE develop a detailed plan, including a funding proposal, to conduct a comprehensive evaluation of the effectiveness of (1) all programs that serve the

low-income children of parents who are working or enrolled in training programs in improving families' economic self-sufficiency and (2) those programs which are targeted to specific groups in meeting the needs of these groups. The plan should be submitted to the Joint Legislative Budget Committee, the legislative fiscal committees, and the Department of Finance by November 15, 1989 and should specifically include the estimated costs and time frame for conducting such an evaluation.

#### **Legislative Analyst's Recommendation: Report on State Preschool Program**

*We recommend that the State Department of Education report to the Legislature by October 1, 1989 on the extent to which State Preschool funds are distributed across the state to meet differing levels of demand. This report also should discuss whether some State Preschool funds should be reallocated, as appropriate, (1) to meet the demand for the program in unfunded areas or (2) to meet the demand for the full-day General Child Care program.*

The State Preschool program serves approximately 21,000 low-income children aged 3 to 5 in half-day (three to four hour) sessions, which generally operate during the school year only. The program, which is operated primarily by school districts and private non-profit agencies, accounts for approximately 20 percent of all children served through child development programs.

The State Preschool program is designed to provide developmental activities for children from low-income families, rather than as a support for parents' employment. Parents unable to enroll their children full-time in a subsidized child care program are prohibited by SDE regulations from enrolling them part-time in a subsidized child care program and part-time in the State Preschool program, unless they obtain prior written approval from SDE. In addition, the SDE requires

parents to participate in State Preschool classrooms. For example, the SDE contract requirements state that "employment of paid instructional staff [in the program] should not supplant the involvement of parents or volunteers."

It is not clear whether State Preschool funding is distributed across the state in a manner which addresses the differing levels of demand, because there are no data concerning this issue. However, our discussions with the staff of local Resource and Referral agencies suggest that demand for the half-day program varies among the regions of the state and, to some extent, within each region of the state. The staff indicate that, while demand for the State Preschool program is still high in many areas, it is low in those areas where parents want full-time child care in order to work or enroll in training.

Furthermore, it is not clear whether some State Preschool funding should be reallocated to a similar, but full-day, program--the General Child Care program--to meet the needs of parents that want, but are unable to obtain, full-time child care. The State Preschool program, contrary to some impressions, is very similar to the General Child Care program, except that activities are generally concentrated in a shorter time period rather than spread throughout the day, and parent participation is required. In fact, the SDE indicates that both programs are judged according to the same quality review indicators during the department's periodic Program Quality Review (PQR) process. (This process is described later in this chapter.)

In order for the Legislature to determine whether funds for the State Preschool program are allocated efficiently, it is important to know whether the funds are allocated to meet varying levels of demand (1) between geographic regions and (2) between the State Preschool and the General Child Care program. Accordingly, we recommend that the SDE report to the Legislature by October 1, 1989 on the extent to which State Preschool

funds are distributed across the state to meet differing levels of demand. This report also should discuss whether some State Preschool funds should be reallocated, as appropriate, (1) to meet the demand for the program in unfunded areas or (2) to meet the demand for full-day General Child Care programs.

### **3. Level of State Administration and Review**

The SDE's responsibilities for administering child development programs fall into three categories: fiscal administration, program administration, and program coordination. These areas are discussed below.

#### **a. Fiscal Administration**

The SDE's fiscal administration duties include (1) contracting with child development agencies, (2) providing monthly payments (apportionments) to the agencies, and (3) ensuring that agencies are paid only for the services they provide. In addition, the department develops operating guidelines and regulations for child care agencies.

*i. Contract Process.* The SDE enters into annual contracts with local school districts, county offices of education, colleges, and other public and private agencies for child care services. Generally, contracts are renewed more or less automatically every year. For example, fewer than 5 percent of the contracts issued in 1986-87 were "new" contracts.

The few new contracts are awarded on a competitive bid basis when (1) funds to expand the provision of child care are provided or (2) funds are "freed up" due to the state's termination of a contract or the voluntary termination of a contract by a child care agency.

#### **Legislative Analyst's Recommendation**

*We recommend that the Legislature enact legislation requiring the State Department of Education to implement a triennial contract application process by July 1, 1990 for all*

*contracts that have been in "good standing" for at least two years, as determined by the SDE.*

The SDE processes more than 1,000 child care contracts each year. Recently issued reports by the department's Streamlining Task Force and by the firm of Price Waterhouse make the following recommendation: the renewal application process should be conducted for most child care provider agencies every three years, rather than on an annual basis. Our review indicates that implementation of a triennial applications process for most agencies would free up (1) local staff to provide additional direct care for children and (2) SDE staff to conduct more program and compliance reviews and provide more technical assistance to child care providers.

The implementation of a triennial applications cycle depends on the extent to which the SDE can conduct appropriate program and compliance reviews during the three-year period. Currently, the department conducts most such reviews, on average, less than every three years.

It is not clear whether or not the department would need some additional resources to conduct the reviews necessary for a triennial applications process. This is because the amount of resources needed would depend on a number of factors for which little data currently exist. Specifically, the amount of resources needed would depend on (1) the number of agencies that would qualify for a three-year application process, (2) the extent to which staff currently used to review annual applications could be used to conduct triennial program and/or compliance reviews, and (3) the extent to which local child care providers rather than SDE staff could conduct the program and/or compliance reviews.

Under current law (Ch 1066/86), the SDE has authority to implement a three-year renewal process for certain agencies providing child development services. Legislation would be required, however, to expand the three-year renewal process to additional

agencies providing child development services.

Based on our analysis of the existing process, we recommend that legislation be enacted requiring the SDE to implement a triennial contract application process by July 1, 1990, for all contracts in "good standing" for at least two years (as determined by the department).

*ii. Regulations and Fiscal Compliance Reviews.* In our *Analysis of the 1988-89 Budget Bill*, we made recommendations related to two fiscal administration issues: (1) the development of regulations for child development programs and (2) the implementation of fiscal compliance reviews. A summary of our recommendations and the SDE's subsequent actions on these issues follows:

- *Regulations.* In the 1987 Budget Act, the Legislature required the SDE to submit proposed regulations for all child development programs to the Office of Administrative Law (OAL) by April 1988. Based on our recommendation in the *Analysis of the 1988-89 Budget Bill*, which noted that development of the regulations had been delayed, the Legislature adopted language in the *Supplemental Report of the 1988 Budget Act* requiring the SDE to report periodically on the status of the regulations until they were approved by the OAL.

The OAL approved the proposed child development regulations on November 21, 1988. The SDE expects to distribute copies of the approved regulations to all child development programs by January 1989.

- *Fiscal Compliance Reviews.* In our *Analysis of the 1988-89 Budget Bill*, we found that local education agencies (LEAs)—which include school districts, county offices of education, and community colleges—and entities other than LEAs are subject to a significantly different level of compliance review, although they contract for similar proportions of child development funds. Specifically,

LEAs are reviewed every three years, while non-LEAs are reviewed on average *only every eight years*. Based on our recommendation in the *Analysis*, the Legislature adopted language in the *Supplemental Report of the 1988 Budget Act* (1) specifying legislative intent that non-LEA child development programs be subject to more frequent compliance reviews and (2) requiring the SDE to report to the Legislature by September 1, 1988 on the extent to which the frequency of non-LEA compliance reviews could be increased using existing resources.

The department indicated at the time this report was prepared that some existing resources have been redirected to reduce the review cycle for non-LEAs from once every eight years to approximately once every five or six years. The department also plans to reduce this cycle further over the next few years, as specified in the *1988 Supplemental Report*, but notes that, given existing resources, the cycle will not be able to be reduced significantly.

## **b. Program Administration**

The SDE has two major program administration responsibilities: (1) to develop and conduct program quality reviews to assure that programs are maintained at a high level of quality and (2) to develop eligibility criteria to ensure that the Legislature's priorities for admitting children into child development programs are maintained. We discuss these activities below.

*i. Program Quality Review.* The SDE uses Program Quality Review (PQR) instruments to evaluate the extent to which child care programs are meeting or exceeding specified quality standards, and to develop procedures for improving program quality, as necessary. The results of these reviews also assist the Legislature in determining whether child development funds are provided to programs that merit funding.

In our *Analysis of the 1988-89 Budget Bill*, we noted that the department had not developed PQRs for approximately five programs. At the time this report was prepared, the SDE had developed PQRs for all but one of the remaining programs--the County Welfare program, which is a small program that is part of the Alternative Payment program. The department anticipates that the review instrument for the County Welfare program will be developed by the spring of 1989.

### **Legislative Analyst's Recommendation: Increase Frequency of Reviews**

*We recommend that the Legislature enact legislation requiring the State Department of Education to conduct Program Quality Reviews more frequently by using a peer review process.*

According to the SDE, the department conducts PQRs at each program site about once every 10 years. A team of two SDE staff conducts each PQR in one day. In addition, each site conducts periodic self-reviews to assess whether state program quality standards are being met. We find that the current 10-year Program Quality Review cycle provides insufficient information for the Legislature to determine whether the SDE is providing child development funds to programs that merit continued funding.

Our review indicates that the SDE could conduct PQRs much more frequently if it used local child care providers to conduct PQRs through a "peer review" process. Peer reviews are often used in California, particularly to assess the quality of state-subsidized health programs. In addition, the National Association for the Education of Young Children (NAEYC) uses a peer review process to assess the quality of private child care programs that apply to be accredited through the association. Generally, we believe such a system would be well suited to subsidized child development programs, because many local staff have already developed and



implemented quality programs, and with some additional training, could assess the quality of other programs.

A peer review process could be implemented in either of two ways. First, department staff could complete the first PQR for a site, a peer review team could do the second PQR, and department staff and PQR teams could alternate thereafter. Alternatively, a team of one SDE staff member and one local agency representative could conduct each PQR. Whichever method were used, we believe that, once local staff were trained and a peer review process were fully implemented, the PQR review cycle could be reduced to about once every five or six years.

If the SDE were to adopt a peer review process for conducting PQR's, then the current review cycle could be cut dramatically. We therefore recommend the enactment of legislation requiring the SDE to adopt such a process.

According to department staff, there would be some costs associated with implementing such a system, in order to cover travel and per diem expenses of local child care providers, and training expenses. To the extent that the department used existing planned meetings (such as statewide and regional child care conferences) to train peer reviewers, we believe the training costs could be substantially limited. Similarly, the department might be able to redirect resources freed up by implementing a triennial contract application process (discussed earlier in this chapter) to meet some of these costs. If the department believed that additional resources were needed to implement the peer review process, it could request funding in the annual budget. In this manner, the Legislature could review the request in the context of its overall priorities for SDE's use of funds.

**ii. Identification Formulas.** For the majority of child development programs, services are provided as space becomes available, according to the following priorities:

- First, to siblings of children already enrolled in a child development program;
- Second, to children referred by a social services or related agency as being in need of protective services because they are actually or potentially abused, neglected, or exploited;
- Third, to children from families whose earnings (including public assistance payments) are less than 84 percent of the state median income, adjusted for family size. *Within this category, children from the lowest-income family on the waiting list are admitted first.*

Once admitted, children may remain in subsidized child care until they meet either of the following criteria: (1) they no longer need child care based on their actual or potential abuse, neglect, or exploitation, as certified by a local social service agency, or (2) they no longer are eligible for subsidized child care because their family's income has reached 100 percent of the state median income.

Our review of the Child Development statutes indicates that these priorities, as implemented, generally meet the Legislature's program goals.

### c. Program Coordination

Our review indicates that, in general, the SDE adequately coordinates Child Development program activities with those of the federal Headstart and Migrant programs. (The department's sunset review report discusses these coordination activities in some detail.)

On the state and local levels, however, we find that there is little coordination between the SDE and other affected agencies, with the exception of some issues related to the provision of child care for GAIN participants. For example, the SDE, the University of California, the California State University, and the California Community Colleges all provide child care to college students, yet these services are not systematically coordinated. In

addition, the SDE and the Department of Social Services (DSS) both administer funds that may be used to provide child care for (1) abused and neglected children and (2) Aid to Families with Dependent Children (AFDC) recipients, but the agencies do not coordinate these services. Finally, local governments often have access to local child care information and may administer child care programs, but they have no formal role in ensuring that state-funded subsidized child care programs meet the needs of their localities.

The SDE recommended in its sunset report on the child development programs that additional resources be provided to encourage coordination and planning of child care issues. We discuss this issue in Chapter IV of this report.

**Legislative Analyst's Recommendation:  
Allocate Funds Based on Local Needs**

*We recommend the enactment of legislation requiring the SDE to consider local needs assessments and recommendations prior to allocating child development funds. This legislation should require the SDE to develop a notification and "request for recommendations" process for--at a minimum--cities, counties, and Resource and Referral agencies.*

Currently, local city and county governments have no role in determining, for their localities, (1) where subsidized child development programs are needed or (2) what types of child development programs are most necessary. Instead, the allocation of child development funds is based primarily on historical factors. That is, funds were allocated to particular programs at some point (often more than 10 years ago), based on (1) the type of program funding available at the time (such as funds for the children of high school or college students, or migrant families) and (2) the statewide need indicators used at the time (generally, the number of AFDC children, the number of working women, and the number of children under age 15 in each area).

Once funds are allocated to a particular program, our review indicates the SDE places the highest priority on maintaining each program's prior-year funding allocation, unless the program no longer complies with SDE funding conditions or decides to terminate its participation. If other programs desire to participate, they must wait until a currently-funded program drops out of the Child Development program and new applications are again considered. As a consequence, the allocation of child development funds does not necessarily reflect the *current* relative need for (1) child development funds *among* the counties or (2) for particular types of programs *within* each county. We discuss the allocation of program funding *among* the counties in Chapter III of this report. Thus, the discussion below focuses on the allocation of program funding *within* each county.

We find that cities, counties, and Resource and Referral (R&R) agencies often have useful information to indicate how program funds should be distributed within each county. Specifically, our review indicates that many cities, counties and R&Rs collect information on the demand for all types of subsidized child care. Others collect data on the demand for certain types of care, such as care for disabled children or for the children of teenage parents. In addition, counties also complete local child care needs assessments, which are required by the state Department of Social Services for participation in the Greater Avenues for Independence (GAIN) program. (The GAIN program provides employment and training services to Aid to Families with Dependent Children (AFDC) recipients to help them become financially self-sufficient.)

We believe it is important for the SDE to target subsidized child care funds to those areas and types of child care for which there is the greatest need, in order to meet the Legislature's goals for the Child Development program. To ensure that child development funds are targeted effectively, we recommend that the Legislature enact legislation requiring

the SDE to consider local needs assessments and recommendations prior to allocating child development funds. This legislation should also require the SDE to develop a notification and "request for recommendations" process for—at a minimum—cities, counties, and R&Rs so that they are consistently notified of pending funding decisions and have adequate time to make recommendations.

#### **d. Appropriateness of Administration by the SDE**

In 1972, the Legislature designated the SDE as the single state agency for child care. Currently, the SDE administers all major subsidized child care programs in the state, except for child care provided to participants in the GAIN program, which is administered by the DSS.

We believe that the decision about whether to continue to place administration of the Child Development program under the SDE is primarily a policy decision for the Legislature to make, based on its priorities for the program. Specifically, to the extent the Legislature views the primary goals of child care as enabling parents to work, then the appropriate place for program administration would be DSS. On the other hand, if the Legislature views child care as being important primarily because it enhances the developmental growth of children, then it is appropriate to leave program administration under the SDE. Thus, we have no analytical basis for making a recommendation on this issue. We note, however, that while we have found several areas of needed improvement in the administration of the Child Development program, our analysis indicates that the SDE is generally implementing the program in accordance with the Legislature's intent.

#### **e. Appropriateness of Administrative Costs**

In 1988-89, the department will spend an estimated \$4.7 million to administer child development programs. As mentioned earlier, the

department's sunset review report does not discuss the appropriateness of its administration costs. The report, however, does show that the state administration budget, as compared to the local assistance budget (the budget for direct child care services) has decreased over the past several years.

Our review indicates that increased local assistance funding does not necessarily result in increased state workload. We believe a more appropriate workload indicator is the number of contracts administered by the department. The department indicates that the number of contracts processed annually has increased by almost 25 percent since 1981—from 855 contracts in 1981-82 to approximately 1,060 contracts in 1987-88. During that period, the department's administration budget for child development programs declined by approximately 7 percent—from \$5.2 million in 1981-82 to \$4.9 million in 1987-88. We find, however, that the scope of SDE's administration duties also changed considerably during this time. Specifically, the SDE's responsibility for licensing certain child care programs was transferred to the Department of Social Services. In addition, the SDE's contract processing procedures changed considerably to reflect new automation technologies. Our review indicates that these changes resulted in a significantly decreased workload for the SDE.

We have no analytical basis for determining the appropriateness of state administration costs for child development programs. This is because the department's workload standards do not adequately account for the administrative procedures currently used. Specifically, the department's workload standards (1) contain numerous methodological and technical errors and (2) are not based on existing departmental practices and procedures. Thus, the standards cannot be used to tell whether the existing staff and funding levels (or any particular staff and funding levels) are justified based on SDE's current responsibilities.

## B. Indirect Service Programs

### 1. Need for Indirect Service Programs

As described in Chapter I, the SDE administers eight programs that provide indirect child development services. These programs are:

- Campus Child Care Tax Bailout;
- Capital Outlay;
- Child Care Initiative;
- Pregnant Minors;
- Preschool Scholarship Incentive Program;
- Resource and Referral Agencies;
- Special Allowance for Rent; and
- Special Projects.

Our review indicates that these programs are meeting specific demands for indirect service funding. Based on available information, however, it is not possible to estimate what the unmet demand is for these programs.

### 2. Effectiveness of the Programs

Five indirect service programs—Capital Outlay, the Child Care Initiative, the Preschool Scholarship Incentive Program, the Community College Tax Bailout program, and the Special Allowance for Rent—provide specified services or funding to child care providers and/or parents, as described in Chapter I of this report. Our review indicates that these five programs are generally meeting their intended purposes.<sup>5</sup> We find, however, that the funding allocations for the Resource and Referral program could be improved. This issue is discussed in Chapter III.

We discussed the effectiveness of one of the remaining two programs—the Pregnant Minors program—along with the SAPID program (which also serves teen parents) in the direct service section of this chapter. Specifically, we recommended that the SDE evaluate

this program, along with a number of other programs.

#### **Legislative Analyst's Recommendation: Use of Carryover Funds for Special Projects**

*We recommend the enactment of legislation directing the State Department of Education to (a) report periodically to the Legislature on the actual use of carryover funds and (b) submit an annual plan for proposed future carryover expenditures for legislative review during the annual budget process.*

The remaining indirect service program is Special Projects. This category includes a wide range of activities, including studies on child care-related issues, special funding for subsidized child care programs, and services for child care providers. In general, Special Projects are one-time projects that have been funded through “carryover” monies—that is, funds that have been allocated to subsidized child care agencies, but that have not been spent by the agencies and have been returned to the SDE.

State law specifies that carryover funds may be used by the SDE for a total of three years (the year they are allocated but unspent and for two years afterwards) as follows:

- First, for the SDE's accounts payable;
- Second, to reimburse alternative payment programs for the provision of certain additional services, as specified; and
- Third, for special projects which could include the purchase of materials approved by the SDE for deferred and major maintenance of existing facilities, one-time-only services, or any combination of these expenditures which will directly benefit enrolled children.

Historically, carryover funds have amounted to approximately 1 percent of all child development funds, or about \$3 million annually over the past few years.

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<sup>5</sup> We note, however, that the Capital Outlay program was implemented more slowly than the Legislature originally anticipated. Based on recommendations contained in our analyses of the 1987-88 and 1988-89 Budget Bills, the Legislature provided one-time additional funding in the 1987 Budget Act to expedite the programs and, through supplemental language in the 1988 Budget Act, required the SDE to submit periodic reports on the program's status.

**Effectiveness of Special Projects.** Our review of Special Projects indicates that their effectiveness (the extent to which they are one-time projects that directly benefit enrolled children) has been somewhat mixed. On the one hand, some projects, such as one-time fiscal supplements for subsidized child care providers and funding for one-time summer school-aged child care programs, have clearly been of direct benefit to children. Other projects, including newsletters and conferences, have not been as directly beneficial to children.

**Recent Legislative Actions.** Prior to 1987, the Legislature allowed the SDE essentially unlimited flexibility to spend carryover funds according to the department's priorities. In the 1987 and 1988 Budget Acts, however, the Legislature adopted language requiring the SDE to submit periodic reports on (1) the anticipated amount of carryover funds available and (2) the anticipated uses of carryover funds. The language does not specify a legislative review and approval process for carryover funds.

In spring 1988, the SDE estimated that the amount of carryover funds that would become available in 1988-89 was \$7 million, or more than double the amount that historically has been available. According to the SDE, the amount estimated to be available was particularly large in 1988 because many extended day care (Latchkey) programs experienced implementation problems and were unable to spend all their funds. Thus, the department

anticipated that many Latchkey programs would return some funds to the department.

To ensure that the majority of funds available were spent for legislative priorities (and, in many cases, joint legislative and SDE priorities), the Legislature adopted language in the 1988 Budget Act to allocate approximately \$4.5 million of available carryover funds for specified child care activities. The Legislature also allowed the SDE flexibility to spend the remaining \$2.5 million available in the current year according to its own priorities, as long as the requirements of state law were met.

**Summary.** We find that the language contained in the 1987 and 1988 Budget Acts has assisted the Legislature in ensuring that the SDE's special projects are effective and meet legislative priorities. Accordingly, we recommend the enactment of legislation that permanently establishes this reporting requirement. This legislation should also require SDE to submit an annual plan for the expenditure of identified carryover funds that will be available in the future so the Legislature can review the plan during the annual budget process.

### **3. Level of State Administration and Review**

Our review indicates that, in general, the SDE has adequate oversight and compliance procedures for the indirect service programs. The SDE does not provide information in its sunset report on the costs of administering these programs; thus, we have no analytical basis for commenting on these costs. ♦



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# Chapter III

## *Chapter III*

# **Legislative Analyst's Findings and Recommendations on Fiscal Issues**

This chapter discusses the fiscal issues that we identify in direct and indirect child care programs.

## **A. Direct Service Programs**

In this section, we discuss (1) the adequacy of funding for direct child development programs and (2) the allocation of funding for these programs.

### **1. Adequacy of Funding**

Our review indicates that the level of funding provided to direct child development programs is primarily a policy decision for the Legislature to make, based on its program and funding priorities. Thus, we have no analytical basis for determining whether the current level of funding (\$320 million) for child development programs that provide direct services is an "adequate" level of funding.

To the extent the Legislature may wish to expand the current level of service, we find that there is probably a great deal of unmet demand for subsidized child care, given current subsidy rates and eligibility requirements. Specifically, as we noted earlier, in 1985-86 program funding was meeting approximately 12 percent to 26 percent of the demand for subsidized child care by low-income children where both parents (or the single parent) were in the labor force. Also, in

that year the funding was meeting an unknown amount of demand for particular types of programs, such as those that serve migrant children and children of high school-age parents. We estimate that, in the current year, the additional cost of fully meeting the unmet demand for child care by low-income working parents ranges from approximately \$675 million to \$1.8 billion annually, given existing program requirements, costs, and level of demand. We cannot estimate the additional demand for child care by other parents due to the lack of available data.

While we find there is an unmet demand for subsidized child care, we also find that, by redirecting existing resources, some of this demand could be met. We make recommendations on this issue in the next section.

### **2. Allocation of Funding**

This section focuses on (a) using existing child development funds more efficiently while still meeting the Legislature's program goals and (b) targeting funds more effectively to meet the demand for subsidized child care, by program type and geographic area.



### Legislative Analyst's Recommendation: Staff Ratios and Group Sizes

*We recommend the enactment of legislation to phase in a change in staff:child ratios, as specified, for preschool-aged children from 1:8 to 1:10. A 1:10 ratio would maintain high quality programs and would be a richer ratio than the ratio required by the Department of Social Services (DSS) for nonsubsidized child care programs. To the extent the Legislature wishes to maintain existing practices regarding the distribution of child development funds, we further recommend that the Legislature give first priority for the allocation of the up to \$19 million annual savings resulting from this change to counties that are relatively underserved by existing child development funds.*

*We further recommend, based on research that suggests that smaller group sizes greatly improve program quality at relatively little cost, that the State Department of Education report to the Legislature by February 15, 1990 on the program impact and costs of establishing a group size ceiling of 20 children for subsidized child development programs.*

Most subsidized child development programs must maintain higher staff:child ratios

than nonsubsidized programs. For example, Chart 6 shows that nonsubsidized programs are required by DSS licensing standards to place one teacher in charge of no more than 12 preschoolers, for a 1:12 staff ratio. The SDE, however, requires that subsidized programs meet a 1:8 staff ratio for this age group (usually one teacher and two aides for a group of 24 children).

Historically, subsidized programs have been required to meet higher staff ratio requirements because they serve low-income children and children with special needs, such as abused and neglected children. Based on the results of a comprehensive national study, however, we find that current staff ratios for preschool children enrolled in subsidized care could be liberalized, while maintaining high quality programs. (We have no analytical basis for recommending staff ratio changes for infants or school-age children because no similar comprehensive studies are available for these age groups.) The results of this study are summarized below.

*The National Day Care Study.* The National Day Care Study, completed in 1979, was a four-year study of the effects of child care center characteristics on the cost and quality of

**Chart 6**

### Staff Ratio Comparison

1987-88

| NONSUBSIDIZED CHILD CARE RATIOS |            |             |    | SUBSIDIZED CHILD CARE RATIOS |             |             |    |
|---------------------------------|------------|-------------|----|------------------------------|-------------|-------------|----|
| Age Range                       |            | Staff-Child |    | Age Range                    |             | Staff-Child |    |
| Infants                         | 0-2 years  | 1:          | 4  | Infants                      | 0-2 years   | 1:          | 3  |
| Children <sup>a</sup>           | 2-6 years  | 1:          | 12 | Infants and Toddlers         | 0-3 years   | 1:          | 4  |
| School-age                      | 6-14 years | 1:          | 15 | Pre-school-age               | 3-6 years   | 1:          | 8  |
|                                 |            |             |    | School-age                   | 6-10 years  | 1:          | 14 |
|                                 |            |             |    |                              | 10-14 years | 1:          | 18 |

<sup>a</sup> Nonsubsidized preschool programs usually serve children up to age 6.

care for *low-income* urban children aged 3 to 5. The study is well-regarded by child care policy experts because it used controlled experimental methods (such as the comparison of "control" groups whose child care situations were not changed with other "experimental" groups whose situations were changed). The study's results were based primarily on two experiments:

- The first experiment was conducted in 49 child care centers in three urban areas--Atlanta, Detroit, and Seattle. It involved studying the centers' existing characteristics and then raising adult:child ratios in certain centers, while leaving the ratios unchanged in others, for comparison purposes.
- The second experiment was conducted in 29 classrooms in eight child care centers in Atlanta. In this study, children were randomly assigned to experimental classes with contrasting levels of adult:child ratios and staff education.

The study found that:

- Adult:child ratios in the range of 1:5 to 1:10, based on enrollment (rather than actual attendance, which is generally lower than enrollment), show a "slight," but not significant, relationship to improved child behavior (compared to ratios such as 1:11 or 1:12), but *are not related to gains on developmental tests*. Adult:child ratios, however, are "the strongest determinant of differences in center costs."
- Child care providers with education and training related to the care of young children are able to deliver "better care with somewhat superior developmental effects for children," with little impact on costs. In particular, the study found that better care was provided when the lead teacher in a group (or the only teacher present) had such training.
- Group enrollment sizes of 16 to 20 "are consistently associated with better care, more socially active children and higher

gains on...developmental tests. Variations in group size affect cost only slightly."

**Subsequent Research.** More recent research on the effect of teacher training and group sizes tends to support the findings of the National Day Care Study.<sup>6</sup> The research on staff ratios for preschool-aged children, however, is mixed. Some studies find that staff ratios have a greater effect on program quality than was found in the National Day Care Study, while other studies found even less of an effect. Overall, though, the research does not indicate that changing staff ratios slightly (unless the change goes beyond the 1:12 ratio to 1:13 or more) would have major effects on child behavior or developmental gains. (The research indicates this would be particularly true if the lead teachers in each group have appropriate training in the care of young children. The SDE requires teachers to have such training.) In addition, most research indicates that a far more important indicator of program quality is group size.

Our review indicates that the results of the National Day Care Study are applicable to California's subsidized child development programs, because the programs serve the same general population--low-income, primarily urban, children. Accordingly, we find that:

- The existing staff:child ratios for subsidized child development programs could be modified while maintaining high quality programs and richer staff ratios than those required by the DSS for nonsubsidized child care programs;
- The existing staff education and training requirements for subsidized child care centers probably increase program quality, particularly in enhancing the developmental growth of children. While this may occur at little additional cost for some programs, it may result in increased costs for others, to the extent they maintain relatively high salaries for staff

<sup>6</sup> For example, see: Deborah A. Phillips, Editor, *Quality in Child Care: What Does Research Tell Us?*, (Washington, D.C.: National Association for the Education of Young Children), 1987.

that meet high education and training requirements; and

- The state should consider implementing group size restrictions for subsidized programs because smaller groups improve child care quality significantly.

**Recommendation.** We recommend that the Legislature adopt legislation to change staff ratios for those aged 3 to 5 from 1:8 to 1:10 on an enrollment basis. A 1:10 ratio would maintain high quality programs and would provide the children in child development programs with richer staff ratios than those required by DSS for nonsubsidized child care programs. In addition, 44 of the 50 states in 1986 had staff ratios of 1:10 or lower (such as 1:12) for 3 to 5 year olds. We further recommend that the staff ratio change be phased in, to allow child care providers to adjust to the changes through normal staff attrition or reassignment. We further recommend that the legislation require the SDE to capture the savings prescribed by the new staff ratios, once the ratios are phased in (and redistribute the savings as we discuss below).

*We estimate that full implementation of this recommendation would result in General Fund savings of up to \$19 million annually, which could be used to serve up to 4,300 additional children in the child development programs. (To the extent the Legislature wishes to use these funds for child care purposes, we recommend that it give priority to certain types of expenditures. This issue is discussed below.)*

We further recommend, based on our review of the National Day Care Study, that the SDE report to the Legislature, by February 15, 1990, on the impact and costs of establishing a specified group size ceiling for subsidized child development programs. Specifically, we recommend that the department report on the impact of implementing a ceiling of 20 children per group. We suggest this specific ceiling because the National Day Care Study finds that a group size of 20 promotes program quality and is the size that is most cost-effective with a staff:child ratio of 1:10.

**Target Savings to Specific Areas and/or Programs.** Historically, the Legislature has almost always acted to use funds allocated, but not spent, for subsidized child care to provide other child care services. Most recently, the Legislature adopted language in the 1988 Budget Act to use approximately \$7 million in unspent child care ("carryover") funds for various child care purposes, rather than revert some or all of the funds to the General Fund, as proposed by the Governor.

*To the extent the Legislature wishes to continue this practice of reallocating unspent funds, we recommend that it give priority to allocating the savings (up to \$19 million annually from the General Fund) available as a result of modifying staff ratios for subsidized child care programs to counties that are relatively underserved by child development funds.*

According to the SDE, the number of children receiving Aid to Families with Dependent Children (AFDC) in each county is probably the single best indicator of each county's demand for subsidized child care. As Table 9 shows, we estimate that some counties receive a relatively large amount of child development funds, compared with their "demand" for subsidized child care, as measured by their percentage of the state's AFDC children. Many of these counties are located in the San Francisco Bay Area. On the other hand, many primarily rural counties, such as Fresno, Lake, and San Bernardino Counties, are relatively underserved by child development funds.

There are great disparities among counties in terms of estimated funding per AFDC child, as shown in Table 9. For example, San Francisco's funding is almost 4-1/2 times the average funding level per AFDC child for subsidized child care, while four relatively rural counties--Lake, Amador, Mono, and Sierra--receive *no* child development funds. Overall, 13 counties receive more than 1-1/2 times (that is, 150 percent) the average funding amount per AFDC child, while 15 counties receive less than half of the average amount.

**Table 9**  
**Distribution of Child Development Funds By County\***  
**1987-88**

| <i>County</i>                | <i>Percentage<br/>of State's<br/>AFDC<br/>Children</i> | <i>Estimated<br/>Percentage<br/>of State's<br/>Child Care<br/>Funds</i> | <i>Estimated<br/>Funding as a Percentage<br/>of Average Funding<br/>Per AFDC Child</i> |
|------------------------------|--|---|--|
| San Francisco                | 1.95%  | 8.64%   | 442.1%   |
| San Benito                   | 0.11   | 0.39  | 360.0  |
| Marin                        | 0.18   | 0.61  | 347.7  |
| San Mateo                    | 0.61   | 2.00  | 327.4  |
| Santa Cruz                   | 0.40   | 1.09  | 271.4  |
| Colusa                       | 0.06   | 0.13  | 217.9  |
| Napa                         | 0.17   | 0.37  | 215.7  |
| Alameda                      | 4.42   | 9.15  | 206.9  |
| Modoc                        | 0.05   | 0.10  | 192.2  |
| Santa Barbara                | 0.63   | 1.17  | 186.8  |
| Santa Clara                  | 3.49   | 6.40  | 183.1  |
| San Luis Obispo              | 0.31   | 0.51  | 163.5  |
| Plumas                       | 0.07   | 0.11  | 153.5  |
| Trinity                      | 0.06   | 0.09  | 148.0  |
| Sonoma                       | 0.73   | 1.07  | 147.6  |
| Monterey                     | 0.89   | 1.30  | 146.4  |
| Contra Costa                 | 1.95   | 2.77  | 141.6  |
| Alpine                       | 0.01   | 0.01  | 140.1  |
| Calaveras                    | 0.10   | 0.13  | 127.5  |
| Humboldt                     | 0.58   | 0.74  | 126.9  |
| Mendocino                    | 0.35   | 0.40  | 114.2  |
| Glenn                        | 0.10   | 0.11  | 109.7  |
| Inyo                         | 0.06   | 0.07  | 105.1  |
| Imperial                     | 0.65   | 0.65  | 100.1  |
| <b>Average, All Counties</b> | <b>1.72%</b>   | <b>1.72%</b>  | <b>100.0%</b>  |
| Tuolumne                     | 0.14%  | 0.14%   | 98.7%  |
| Los Angeles                  | 34.18  | 33.03   | 96.6   |
| Sacramento                   | 5.45   | 5.09  | 93.4   |
| Nevada                       | 0.15   | 0.13  | 86.7   |
| San Diego                    | 6.85   | 5.77  | 84.2   |
| Orange                       | 2.83   | 2.36  | 83.1   |
| Solano                       | 0.91   | 0.75  | 82.2   |
| Ventura                      | 1.15   | 0.94  | 81.3   |
| El Dorado                    | 0.26   | 0.21  | 79.7   |
| Kern                         | 2.30   | 1.68  | 73.2   |
| Sutter                       | 0.27   | 0.19  | 70.0   |
| Shasta                       | 0.81   | 0.56  | 69.3   |
| Yolo                         | 0.51   | 0.33  | 64.1   |
| Del Norte                    | 0.16   | 0.10  | 63.2   |

**Table 9 Continued**  
**Distribution of Child Development Funds By County**  
**1987-88**

| <i>County</i>  | <i>Percentage<br/>of State's<br/>AFDC<br/>Children</i> | <i>Estimated<br/>Percentage<br/>of State's<br/>Child Care<br/>Funds</i> | <i>Estimated<br/>Funding as a Percentage<br/>of Average Funding<br/>Per AFDC Child</i> |
|----------------|--|---|--|
| Placer         | 0.33   | 0.20  | 60.7   |
| Riverside      | 3.29   | 1.95  | 59.2   |
| Stanislaus     | 1.88   | 1.11  | 58.8   |
| Butte          | 0.81   | 0.47  | 58.0   |
| Kings          | 0.51   | 0.28  | 55.9   |
| San Joaquin    | 3.30   | 1.63  | 49.4   |
| Tulare         | 2.23   | 1.02  | 45.9   |
| Siskiyou       | 0.23   | 0.10  | 43.2   |
| Lassen         | 0.12   | 0.15  | 39.4   |
| Yuba           | 0.50   | 0.20  | 39.0   |
| Merced         | 1.33   | 0.51  | 38.6   |
| Fresno         | 4.80   | 1.71  | 35.6   |
| Madera         | 0.41   | 0.10  | 23.9   |
| San Bernardino | 5.71   | 1.35  | 23.7   |
| Mariposa       | 0.05   | 0.01  | 11.5   |
| Tehama         | 0.23   | 0.02  | 7.7  |
| Lake           | 0.27   | 0.00  | 0.0  |
| Amador         | 0.05   | 0.00  | 0.0  |
| Mono           | 0.01   | 0.00  | 0.0  |
| Sierra         | 0.01   | 0.00  | 0.0  |

<sup>a</sup> Percentages used are rounded. Funding for each county is from: *Program Facts for 1987-88*, (Sacramento: Child Development Division, State Department of Education), 1988.

Our review indicates that the distribution of counties shown in Table 9 is primarily a result of historical, rather than cost, factors. Many of the counties that receive funding that is above the state's average funding level per AFDC child have been funded at high levels for 15 years or more. These funding levels do not appear to reflect, in any systematic way, the relative costs of child care in each county. For example, some counties that have high market rates for child care are funded below the state average per AFDC child, while others are funded above the state average.

The Legislature most recently has acted (when establishing the Extended Day Care--Latchkey--program) to require that child development funds be distributed to each of the state's counties based on need. Thus, to the

extent funds become available from modifying existing staff ratios, we recommend that the Legislature give first priority to funding relatively underserved counties.

#### **Legislative Analyst's Recommendation: Rate Evaluation System**

*We recommend that the State Department of Education use budget guidelines to evaluate reimbursement rates for all child development programs during 1988-89, beginning with those that receive the highest daily reimbursement rates. We also recommend that the SDE report to the Legislature by November 15, 1989 on the results of its evaluation of reimbursement rates, particularly on the number of additional children that could be served as a result of rate adjustments.*

*We further recommend that the department, beginning in the current year, routinely compare proposed agency budgets against prior and current year expenditures to determine whether the proposed budgets appropriately reflect past expenditure patterns.*

**Current System.** Generally, child development agencies are reimbursed for their actual costs of providing child care for each day an eligible child is enrolled in a child care program. The agencies are not reimbursed, however, for (1) those costs that exceed the agency's maximum per-unit or total reimbursement rate, or (2) the costs of items not allowed under the agency's contract (such as major capital outlay).

On average, reimbursement rates for subsidized child development programs were in about the top 5 percent to 15 percent of California market rates for licensed child care in 1987-

88; that is, they were between the 85th and 95th percentile of market rates. (Market rates are the hourly rates for both subsidized and nonsubsidized care charged by the state's child care providers, ranked from lowest to highest.) Chart 7 shows, however, that several subsidized child care programs were funded below the 85th percentile in 1987-88, and one--the Extended Day Care (Latchkey) program--was funded below the median market rate.

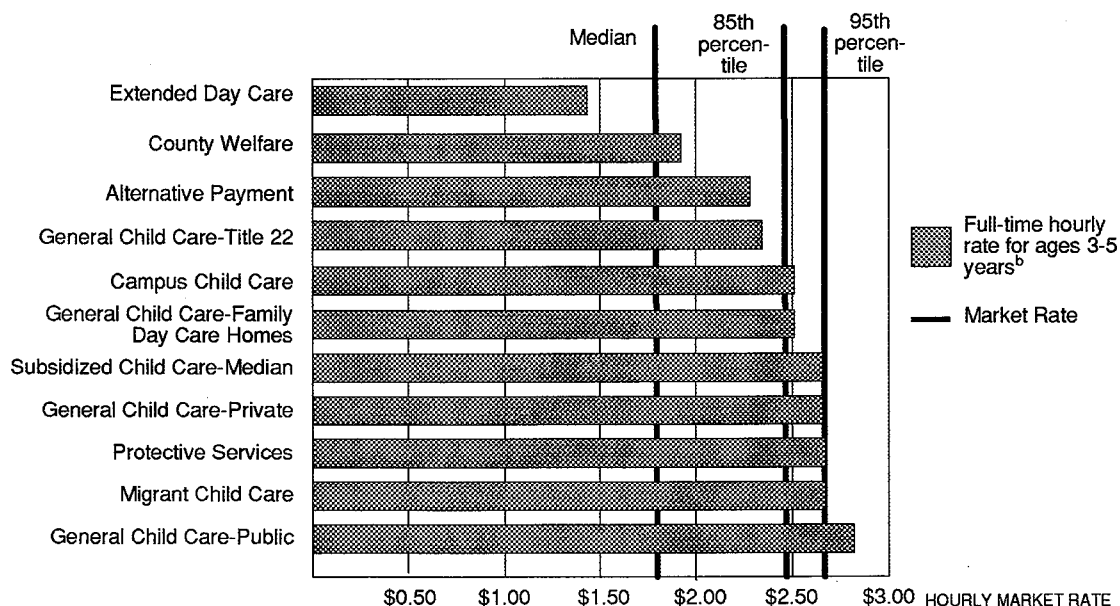
The relatively high costs of subsidized child care compared to the state market rates could be related to several factors, including the following:

- The higher staffing ratios (that is, more staff per child) required of subsidized programs, relative to those required of nonsubsidized programs;

**Chart 7**

### Selected Child Development Program Rates Compared to Market Rate

1987-88<sup>a</sup>



<sup>a</sup> Sources: California Resource and Referral Network, *California Inventory of Child Care Facilities*, February 1987 and June 1988 Update; MPR Associates, Inc., *The Reimbursement System for Publicly Subsidized Child Care*, Berkeley, 1985.

<sup>b</sup> The Resource and Referral Network defined full-time care as 35 hours per week. MPR Associates found that five major subsidized child care programs enrolled children for an average of 7.06 hours per day, which would be approximately 35 hours per week. Thus, this table assumes that children are enrolled approximately 35 hours per week.

- The generally high staff qualifications required of subsidized programs, relative to those required of nonsubsidized programs;
- The prices incurred by agencies in providing child care, such as salaries and rent levels in the community; and
- The efficiency of management.

Subsidized programs cost more than non-subsidized programs, in large part, because of differences in staff ratios; however, it is not clear to what extent the other factors noted above have an impact on costs. Despite this limitation of exact information, it is possible to reduce costs in many programs, while still meeting high quality standards.

The current reimbursement system provides no direct incentive for agencies to use resources efficiently (and therefore control costs), because agencies are reimbursed for all costs incurred, subject to the general limits discussed above. Our analysis indicates that the state could better ensure that child development funds are used efficiently if it consistently reviewed child care providers' budgets. This issue is discussed below.

**Consistent Budget Reviews.** The state could ensure that child development funds are used more efficiently under the current system if it rigorously reviewed each agency's request for reimbursement. The current contracting system does not, however, provide an adequate or uniform review of reimbursement rates. This conclusion is reinforced by an August 1987 report by the firm of Price Waterhouse which stated:

*"There are no clearly established fiscal guidelines in place to assist (child development staff)...in assessing the (child development) application(s). The proposed line item budget in the application is not compared against prior and current year actuals, nor against program and statewide averages. Similarly, other than agency historical experience, there are no established program and statewide*

*guidelines in assessing and determining the daily reimbursement rate."*<sup>7</sup>

Based on its review, Price Waterhouse recommends that the SDE's Child Development Division establish and utilize budget guidelines to determine whether current contract terms are reasonable or should be modified.

Our review indicates that, as a result of inadequate and inconsistent rate and budget reviews, the state may be paying more than is reasonable or necessary for child development services. The Legislature expressed this concern when, based on our recommendation in a previous *Analysis*, it adopted language in the *Supplemental Report of the 1985 Budget Act* directing the SDE to develop budget guidelines regarding allocation of state funds by all public and private child care agencies, including requirements specifying minimum expenditures for direct services to children. At the time this report was prepared--three years after the language was adopted--the SDE had just completed the guidelines.

Although the SDE plans to distribute the guidelines to local agencies for their own budget planning purposes, the department has not developed a method for using the guidelines at the state level. We recommend that the department use the guidelines during the current year to evaluate the reimbursement rates for all child care programs, starting with those that receive the highest daily reimbursement rates. We also recommend that the SDE report to the Legislature by November 15, 1989 on the evaluation results, particularly on the number of additional children that could be served as a result of any rate adjustments which might result from the use of such guidelines.

We further recommend that child development staff, beginning in the budget year, routinely compare proposed agency budgets against prior- and current-year *actual* expenditures to determine whether the proposed budgets are appropriately based on expenditure patterns.

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<sup>7</sup> *Evaluation of the State Department of Education's Application and Contracting Procedures for Child Care and Development Programs*, (Sacramento: Price Waterhouse), August 26, 1987.

### **Adjust the Reimbursement System**

Most child development programs are reimbursed on a daily enrollment basis; that is, they receive different reimbursement amounts for children who are enrolled part-time, full-time, or more than full-time. The current daily reimbursement amounts are specified in Budget Act language as follows:

- Under 4 hours: 50 percent of the full-time daily rate.
- 4 to under 6.5 hours: 75 percent of the full-time daily rate.
- 6.5 to under 10.5 hours: 100 percent of the full-time daily rate.
- 10.5 hours and over: 150 percent of the full-time daily rate.

The reimbursement rate is further adjusted for children with special needs. These adjustment factors are: 1.1 for children at risk of abuse, neglect, or exploitation; 1.2 for disabled children; 1.4 for infants; and 1.1 for limited-English proficient children. Each child may be enrolled under only one need category. For example, a disabled infant would be assigned a weight of 1.4, rather than 1.2, reflecting the special need with the higher weight.

An agency's reimbursement for a particular child is determined by multiplying the adjustment for enrollment by any adjustment for a special need. For example, an agency caring for an infant for more than 10.5 hours would receive 2.1 times its daily rate for that child (1.5 for the full-time plus category multiplied by 1.4 for being an infant).

#### **Legislative Analyst's Recommendation: Adjust Full-time and Part-time Reimbursement Rates**

*We recommend the adoption of Budget Bill language to modify the child development reimbursement rate structure to more accurately reflect the actual costs of care.*

In our *Analysis of the 1988-89 Budget Bill*, we noted that MPR Associates, in a September 1986 report, found that reimbursement rates

should be (1) reduced significantly for children enrolled more than full-time and (2) increased slightly for some part-time children, to reflect more accurately the actual costs of providing child care for varying lengths of time.

We further noted that adopting this recommendation would result in a \$1.8 million savings to provide the current level of child care services. Part or all of these savings could be used to serve up to 400 additional children and/or provide reimbursement rate increases for child care providers.

Accordingly, we recommended that the following daily reimbursement rate factors be adopted:

- (a) Under 4 hours: 55 percent of the full-time daily rate.
- (b) 4 to under 6.5 hours: 73 percent of the full-time daily rate.
- (c) 6.5 to under 10.5 hours: 100 percent of the full-time daily rate.
- (d) 10.5 hours and over: 118 percent of the full-time daily rate.

The SDE originally concurred with this recommendation. However, in late spring, some child care agencies found that the proposal might have unanticipated adverse consequences. For example, some (but not all) migrant programs enroll new children every three or four weeks during harvesting season; these programs found the proposed rates would not cover their unique enrollment costs. Thus, adoption of the proposed rates (particularly for children enrolled more than 10.5 hours per day) might result in somewhat decreased services.

Based on this concern, we withdrew our recommendation, pending further review. Accordingly, the reimbursement rates remain unchanged in the current year.

Our subsequent review this year indicates that implementation of the MPR-recommended reimbursement rates is still warranted, because the rates generally reflect the actual costs of caring for children. To ensure



that subsidized child care services are not adversely affected, however, we recommend the following modifications:

- Phase in the rate changes over a two-year period (during 1989-90 and 1990-91);
- Provide the SDE with appropriate authority to grant full or partial rate waivers to programs that demonstrate they have actual costs that are (1) reasonable and (2) in excess of the proposed rates; and
- Leave the reimbursement rate for children enrolled 4 to 6.5 hours unchanged, because it has relatively little fiscal impact statewide, but would adversely affect certain child care programs.

Accordingly, we recommend that for the immediate future the Legislature adopt Budget Bill language in the 1989 Budget Act implementing our modified recommendation. Once the program has been phased in with the justified waivers, the Legislature should adopt separate legislation to implement these reimbursement rate changes permanently.

**Legislative Analyst's Recommendation:  
Reimbursements for Children With  
Exceptional Needs**

*We recommend that the State Department of Education report to the Legislature by December 1, 1989 on recommended reimbursement rates and parent fees for disabled children served through various subsidized child development programs.*

According to a 1988 study by Berkeley Planning Associates (BPA), the reimbursement rates for disabled children served in subsidized child care programs do not appear to be based on the actual costs of caring for these children. Specifically, BPA found that some programs "appear to be offering very similar services and yet receiving different rates of reimbursement." For example, child care providers participating in a small exceptional needs mainstreaming program "are reimbursed at 1.5 times their usual rates for serving

children with disabilities, but regular (subsidized child care) providers who serve children with disabilities are reimbursed at 1.2 times their usual rate."

In addition, we find that some Severely Handicapped programs receive yet another rate indirectly, because their reimbursement rates are set at levels that are higher than the standard reimbursement rate. Furthermore, the parents of children enrolled in the Severely Handicapped program are not required to pay fees, while the parents of disabled children enrolled in regular subsidized child care programs are subject to such fees.

There is little analytical information available to determine (1) whether existing reimbursement rates accurately reflect the actual costs of providing child care for disabled children or (2) whether families are assessed parent fees for disabled children on an equitable basis. Accordingly, we recommend that the SDE's Child Development Division, in conjunction with the department's Special Education Division, evaluate the current reimbursement rate and parent fee structures for services provided to disabled children and make recommendations to the Legislature by December 1, 1989 on whether the current rates and fee structure should be modified.

**Legislative Analyst's Recommendation:  
Enrollment and Cost Tracking System**

*We recommend that the State Department of Education develop a system for tracking child care enrollments and costs, in order to provide comparable information over time to the Legislature. The system should include information on the amount of additional child care services that is supported by parent fees and interest earned on child care funds.*

During the course of our review, we found that it is not possible to answer the following basic questions on the history of subsidized child development programs over the last five to 10 years, based on available information:

- Has the state funded more or less child care (based on some consistent measure such as hourly enrollments)?
- Has the cost per child served, when adjusted for inflation, gone up, gone down, or remained the same?
- How has funding for child care centers versus family day care homes changed?
- To what extent have additional child care services been supported by parent fees or by interest earned on child development funds?

While it is possible to obtain answers for some of these questions for certain years, or

for certain individual child development programs, it is not possible to obtain the information on a consistent statewide basis.

We believe the Legislature, in its oversight capacity, needs such information to determine whether child development programs are meeting their intended purposes. Accordingly, we recommend that the SDE develop a system for tracking future child care enrollments and costs, in order to provide comparable information over time to the Legislature. The system should include information on the amount of additional child care services that is supported by parent fees and interest earned on child care funds.

## B. Indirect Service Programs

As described previously, the SDE administers eight programs that provide services indirectly. In this section, we discuss (1) the adequacy of funding for indirect service programs and (2) the allocation of funding for these programs.

### 1. Adequacy of Funding

Our review indicates that the level of funding provided to indirect service programs is a policy decision for the Legislature to make, based on its program and funding priorities. Thus, we have no analytical basis for determining whether existing funding levels are "adequate."

There is probably some level of unmet demand, based on existing subsidy rates and eligibility criteria, for almost all the indirect service programs. Due to lack of available data, however, we are unable to estimate the magnitude of this unmet demand. The department's sunset review report does not discuss this issue.

### 2. Allocation of Funding

Our review indicates that the existing methods of allocating certain indirect service funds could be improved. Specifically, we discuss

the funding allocations for Resource and Referral agencies below.

#### **Legislative Analyst's Recommendation: Resource and Referral Agencies**

*We recommend that the State Department of Education develop a comprehensive system for funding Resource and Referral agencies, based on agency workload and county population.*

Resource and Referral agencies (R&Rs) provide (1) child care information and referrals to parents and (2) technical assistance to employers and child care providers. Table 10 shows that estimated R&R funding per child under age 15 varies considerably both among and within regions of the state.

Our review indicates that the SDE allocates funds primarily based on historical factors, rather than local population and workload. Specifically, we find that R&Rs that were funded earlier tend to be funded at higher rates than those that were funded later. (The one exception we have identified is programs located in small northern counties. As Table 10 shows, these programs are funded at relatively high rates *per capita* compared to other areas, whether or not they received funding

early or late. This is because their fixed costs cannot be spread over a large eligible population.)

Based on our field visits, we find that the costs of operating R&Rs depends primarily on the following factors:

- The demand for services by parents, local child care providers, and employers;
- The types of services provided, particularly the extent to which agencies assist local child care providers and employers;

- The prices incurred by agencies in providing services in their communities, such as salary and rent levels and telephone rates; and
- The efficiency of management.

We believe funding for R&Rs should be based on population and workload levels; accordingly, we recommend that the SDE develop a comprehensive system for funding Resource and Referral agencies, based on agency workload and county population (of children under age 15).❖

**Table 10**  
**Variance in Resource and Referral Agency Funding,**  
**Selected Counties**  
**1987-88**

|                                | <i>Estimated Funding<sup>a</sup></i> | <i>Children Under 15</i> |                                   |
|--------------------------------|--------------------------------------|--------------------------|-----------------------------------|
|                                |                                      | <i>Number</i>            | <i>Estimated Amount Per Child</i> |
| <b>San Francisco Bay Area:</b> |                                      |                          |                                   |
| Alameda                        | \$438,367                            | 250,281                  | \$1.75                            |
| Contra Costa                   | 201,640                              | 150,636                  | 1.34                              |
| San Francisco                  | 253,414                              | 109,678                  | 2.31                              |
| San Mateo                      | 144,111                              | 112,269                  | 1.28                              |
| <b>Valley Area:</b>            |                                      |                          |                                   |
| San Joaquin                    | 66,897                               | 109,199                  | 0.61                              |
| Stanislaus                     | 66,897                               | 76,497                   | 0.87                              |
| Tulare                         | 66,897                               | 79,940                   | 0.84                              |
| <b>Southern California:</b>    |                                      |                          |                                   |
| Riverside                      | 308,178                              | 193,344                  | 1.59                              |
| Santa Barbara                  | 93,106                               | 66,490                   | 1.40                              |
| San Diego                      | 355,775                              | 448,502                  | 0.79                              |
| Ventura                        | 96,533                               | 143,197                  | 0.67                              |
| <b>Northern Counties:</b>      |                                      |                          |                                   |
| Del Norte                      | 65,788                               | 4,412                    | 14.91                             |
| Lassen                         | 66,897                               | 5,026                    | 13.31                             |
| Plumas                         | 65,506                               | 4,116                    | 15.91                             |

<sup>a</sup> Source: *Program Facts for 1987-88*, (Sacramento: Child Development Division, State Department of Education), 1988.

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## Chapter IV

## *Chapter IV*

# Comments on Recommendations of the State Department of Education

As detailed in the introduction to this report, the sunset review legislation (Ch 1270/83) specifies seven items that the State Department of Education's (SDE) report is required to address, and 11 items that it has the option to address. Of the seven required items, the department addresses six items completely but incompletely addresses one item--whether there is an unmet need for the intended purposes of the program and, if any, an estimated cost of serving the unmet need. Of the 11 optional items, the department addresses six. The most significant optional items not addressed include:

- The purpose and intent of the program;
- The appropriateness of formulas used to allocate funds and the adequacy of funding levels for the program; and
- The appropriateness of the administrative costs of the program.

As noted previously, there are two major types of child development programs: those that provide direct services to children, and those that provide indirect services. In general, we find that the department's report does not address the need for, or effectiveness of, the indirect service programs. Furthermore, we find that the report is inconsistent in providing information on the effectiveness of direct service programs in meeting the Legislature's goals. The report provides detailed information on the effectiveness of the major

child development programs in enhancing the developmental growth of preschool-aged children, but provides no information on the effectiveness of child development programs in (1) improving families' economic self-sufficiency or (2) meeting the specific needs of such groups as infants, disabled children, and the children of teenage parents.

The SDE makes 10 recommendations in its sunset review report. Our specific comments on each recommendation follow. For the most part, the department's recommendations were described in general terms, and were not supported by any analysis presented in the report. Furthermore, the department did not provide an estimate of the costs of implementing each recommendation. Accordingly, our ability to respond to the department's recommendations is limited.

Overall, we find the department's report provides little analytical assistance to the Legislature in determining whether child development programs should be continued and, if so, how they may be improved.

### **Cost-of-Living Adjustment**

The department notes that increases in program funding have not kept pace with inflation over the past few years. Consequently, it recommends that an "equitable" (statutory) cost-of-living adjustment (COLA) for the Child Development program be provided so

that contracting agencies can maintain their programs at current levels.

#### Legislative Analyst's Comments

*We concur that a cost-of-living adjustment (COLA) should be provided to this program. We recommend, however, that any such COLA be (1) discretionary rather than statutory, and (2) based on the Implicit Price Deflator for State and Local Government Purchases of Goods and Services.*

If COLAs are not provided to the Child Development program to keep pace with inflation, there could be a variety of negative program impacts. For example, the SDE may have to use its statutory authority to allow "service reductions"; that is, to allow contractors that are being reimbursed at less than the standard reimbursement rate to serve fewer children at the same reimbursement rate. Also, the SDE is not obligated to renew each agency's funding from year-to-year (as is generally the current practice) or to provide full funding for all subsidized children. In addition, the SDE may have to require participating agencies to provide local funding support.

If the Legislature adopts a policy to protect this program against the effects of inflation, we recommend that it use the measure of inflation indicated by the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, published by the U.S. Department of Commerce. This index forms the basis of the statutory COLA for school district revenue limits and is also an appropriate COLA for child development programs.

We believe, however, that it should be applied on a discretionary basis. We have consistently recommended against the establishment of *statutory* COLAs, because such entitlements restrict the Legislature's flexibility to reorder priorities. Thus, we recommend that the Legislature not establish a *statutory* COLA for the Child Development programs.

#### Public Policy Statements

California has a dual system for setting child care standards. Most child care programs--both subsidized and nonsubsidized--must meet the Department of Social Services' licensing requirements in the areas of: (1) health, (2) safety, and (3) staff ratios and qualifications. In addition, the *subsidized* child development programs must meet the SDE's (1) adult:child ratios and more-stringent qualifications standards and (2) specific program content standards.

The SDE notes that subsidized child development programs cost more than nonsubsidized programs because of the more stringent standards regarding staff ratios, teaching qualifications and program content. It believes, however, that reducing these "quality" standards would "jeopardize positive outcomes and raise the question of continued accessibility to quality care by the working poor." The SDE recommends that a public policy position be taken by the Legislature supporting high-quality programs for children in the state-subsidized system, especially related to maintaining high qualifications for teaching staff and high adult:child ratios.

The SDE also recommends that a broader public policy statement, such as the following, be adopted as a legislative resolution:

*"Social and economic developments in California have compelled an ever increasing number of parents to entrust the care and nurturance of their children for a significant portion of each work day to persons outside the family. In response to this need, the State Department of Education, Child Development Division (CDD), has established resources throughout the state which offer a safe environment and a staff of competent, caring adults to guide children through an exploration of the world around them.*

*"The parents' needs provide an unparalleled opportunity for the education of young*

children. The accumulation of evidence points increasingly to the importance of early experiences which enhance children's cognitive, social, and physical development. These experiences build on children's unique attributes, promote psychosocial well-being, school achievement, and accrue positive economic outcomes. Utilizing the disciplinary body of knowledge of child development, CDD state-subsidized programs are designed to strengthen and support families and to promote and enhance the developmental and learning opportunities of all participating children in California."

#### Legislative Analyst's Comments

*We believe the question of whether subsidized child development programs should provide (1) enriched, developmental care for fewer children or (2) healthy and safe care for a larger number of children is a fundamental policy decision that can only be made by the Legislature, based on its own priorities. Accordingly, we make no recommendation on this issue.*

Our review indicates, however, that the Legislature may be able to maintain high-quality programs in a less-costly manner, by using existing resources more effectively. Specifically, the literature on child care quality indicates that existing staff:child ratios for preschool children could be changed from 1:8 to 1:10 for preschool-aged children. Such a modification would free up significant program resources, while maintaining high-quality programs with staff ratios that are richer than the minimum ratios required by the DSS for nonsubsidized child care programs. (In Chapter III, we recommended that the staff ratios for child development programs be modified accordingly.)

Furthermore, the comprehensive National Day Care Study<sup>8</sup>, completed in 1979, suggests that the state may be able to actually improve existing program quality at almost no cost by adopting group size limitations. Based on the

results of this study, we recommended in Chapter III that the SDE report to the Legislature on the costs and program quality effects of establishing a preschool-age group size limit of 20 and an adult:child ratio of 1:10, instead of the current typical group size of 24 and adult:child ratio of 1:8.

With regard to the SDE's specific proposed statement, we find that it does not include all of the Legislature's priorities for child development programs. The suggested statement focuses on enhancing the developmental growth of children, which is just one of the Legislature's goals for child development programs. Our review indicates that other legislatively identified major goals and purposes of the program, which are not included in SDE's statement, include:

- To provide all families, regardless of income, ethnic status, cultural background, or special needs, with access to child care and development programs through resource and referral services;
- To provide families which need child care and meet statutorily-specified eligibility criteria with a choice of cost-effective subsidized child care and development services which enhance the developmental growth of children and improve parenting skills, to the extent funding is made available by the Legislature and Congress; and
- To encourage coordination of state, federal and local resources, both public and private, in support of child care and development services.

The Legislature may wish to include one or more of these goals in a child care public policy statement.

#### Expansion Funding

The SDE, in its report and in subsequent discussions with us, cites a need for funding to expand the following programs: State Preschool, Protective Services (Respite), School

<sup>8</sup> *Children at the Center: Final Report of the National Day Care Study*, Executive Summary, (Cambridge, Massachusetts: Abt Associates), 1979, p. 29.

Age Parenting and Infant Development (SAPID), Migrant, Campus, and Infant Care (which is provided primarily through the General Child Care and Alternative Payment programs). The department also notes that funding levels vary considerably among geographic areas and types of programs. The department recommends that expansion funding be provided for child development programs, and that the department have the flexibility to target expansion funding to meet geographic and program needs within counties.

#### **Legislative Analyst's Comments**

*The SDE has provided no evidence indicating that the State Preschool, Protective Services, SAPID, Migrant, Campus, and infant care programs have a greater need for expansion funding than other child care programs. Furthermore, the department has not indicated what level of expansion funding would be needed.*

*While we find there is substantial unmet demand for subsidized child care programs, some of this demand could be met by making the existing programs more cost-effective and redirecting the freed up funds to serve additional children. We believe the issue of whether to provide additional resources (beyond redirection of existing funds) is a policy decision for the Legislature.*

As discussed previously in Chapter II, we find there is considerable unmet demand for subsidized child care at the current levels of state subsidy. We estimate that the unmet demand for subsidized child care among low-income working families ranges from about 155,000 to 405,000 children, and that demand by other groups, such as parents attending high school, is unknown.

While we concur that there is an unmet demand for child care at the current state-subsidized "price" for care, we find that some of this demand could be met through redirection of existing resources. For example, if staff ratios for children aged 3 to 5 are liberalized, as

recommended in Chapter III, we estimate that up to \$19 million in existing funds could become available to serve approximately 4,300 additional children in the Child Development program (or an unknown number of children in other programs).

In our view, the issue of whether to provide additional expansion funding (beyond redirection of currently-available funds) is a policy decision that can only be made by the Legislature, based on (1) whether additional services provided through redirection of existing funds is deemed adequate and (2) the priority accorded to child care services relative to other legislative priorities for the use of limited state funds.

Should the Legislature decide to provide additional funds for child care programs, we recommend (based on our analysis presented in Chapter III) that the responsibility for allocating expansion funds among various programs and geographic areas *not* be delegated completely to the SDE. Instead, we recommend that the Legislature provide guidance to the SDE to direct the funding to (1) particular counties based on their relative need for services, as indicated primarily by the amount of funding available per AFDC child and (2) particular programs based on their cost-effectiveness and on local government needs assessments and/or recommendations.

#### **Middle-Income Access**

The department's sunset review report notes that it often subsidizes some, but not all of the child care spaces ("slots") at a given child care center. Current SDE child care contract terms allow middle-income families to enroll their children in the slots that are not subsidized by the SDE as long as they pay no less than the amount that the state would pay to enroll subsidized children in the slots. The SDE sunset review report recommends that the department modify these contract terms to encourage middle-income children to enroll in the available slots.



In further discussions with us, department staff indicated that the terms should be modified to allow middle-income families to purchase child care services based either (1) on local market rates, rather than on the typically higher rates paid by the state or (2) on the state rates, minus the specific costs associated with serving subsidized low-income children. According to department staff, subsidized child care rates are higher than market rates primarily because subsidized providers are paid for their costs to (1) meet more stringent teacher qualifications, staff ratios, and program content requirements than those which private providers must meet, and (2) determine children's eligibility for subsidized care.

#### Legislative Analyst's Comments

*We do not concur with the SDE recommendation to charge local market rates for middle-income children because such rates do not accurately reflect the value of the child care services provided through the Child Development program. We also do not concur with the SDE's second alternative to charge adjusted state rates to middle-income children because these rates would, as a practical matter, be difficult and expensive to administer.*

*We recommend instead that the current rate structure be retained, because it reflects the actual value of child development services, provides an incentive to keep the state's subsidized child care rates down, and is relatively easy to administer. We further recommend that the SDE implement other cost control mechanisms which will keep subsidized child care rates down, thereby attracting middle-income children to available child care slots.*

*We further recommend that the department provide guidelines to subsidized child care providers about marketing nonsubsidized child care spaces to middle-income families who will pay the actual cost of the services provided through the Child Development program.*

Our analysis of the current system, the proposed market rate system, and the proposed adjusted state rate system follows.

- **Current System.** Some child development programs contain both child care slots which are subsidized by the SDE and some which are not subsidized by the SDE. The current system provides an incentive for many of these child development programs to operate at the lowest state reimbursement rates that are feasible, given their costs. This is because the SDE requires these programs to charge the parents of nonsubsidized children a rate that is at least equal to the rate the SDE pays for the subsidized slots. Thus, these programs try to operate at low state reimbursement rates in order to compete effectively with other child care providers in attracting nonsubsidized children into available slots.

The current reimbursement rate system also reflects the actual costs of meeting relatively high staff and program standards. This is because the state and the parents of children in nonsubsidized slots reimburse these child development programs for actual costs. The children enrolled in these child care programs (whether middle-income or low-income children) benefit from these high standards.

Finally, the current system is relatively simple and inexpensive to administer. This is because all children are charged the same fees, whether the fees are paid by parents, the state, or both. The system, however, does have one drawback. Specifically, it charges parents of children in nonsubsidized slots for some costs, such as determining whether low-income children are eligible for a subsidy, that arguably should be borne entirely by the state.

- **Proposed Market Rate System.** The SDE proposed system would charge rates for middle-income children based on the

prevailing market rate in each county, which is generally lower than the current rate charged for such children; thus, middle-income families would be more likely to enroll their children in available child development slots. The proposed system, however, would not reflect the actual costs of providing child development services. This is because the average cost of providing child development services is higher than the average market rate for child care. As a result, the state (or local agencies) would have to pay the remaining costs of providing these services. In addition, the system would be somewhat more difficult and expensive to administer than the current program, because market rates vary by county and need to be adjusted periodically.

- **Proposed Adjusted State Rate System.** This proposed system, SDE's second alternative, would be more equitable than the current system, because it would not charge middle-income children for services that are only of benefit to low-income children. In addition, the adjusted state rate system also would increase demand for child development programs by middle-income children because it would lower the fees for these children. The system, however, would be significantly more difficult and expensive to administer than the current system. This is because each individual child care agency would have to determine what fees to charge middle-income children so that they pay for all benefits received (as well as for the customary costs incurred by nonsubsidized programs, such as the costs of conducting annual fiscal audits), but do not pay for services that only benefit low-income children, such as eligibility determination procedures.

Overall, we believe the current system is preferable (1) to the market rate system because it reflects the actual costs of providing

child development services that meet relatively high standards and (2) to the adjusted state rate system because it is much easier and less expensive to administer.

Although we do not concur with the department's recommendations to charge adjusted rates to middle-income children, we believe the department can increase middle-income access to child care services provided through the child development program in other ways:

- First, the department should implement cost-control mechanisms which would lower the cost of subsidized programs, both to middle-income families who pay the full cost of care and to low-income families who receive state subsidies. We make several cost-control recommendations in Chapter III.
- Second, the department should provide information on how to market available child care spaces that are not subsidized by SDE to middle-income children at the state rate. We recommend that the department survey School-Age Community Child Care ("Latchkey") providers, who are required by statute to enroll nonsubsidized children, to determine what marketing techniques have been successful in filling nonsubsidized spaces, and include this information in guidelines disseminated to subsidized child care providers.

### **Planning and Coordination**

The department indicates that county-level child care efforts should be increased to complement the role of the state, because "it is unlikely that the [SDE] will ever have sufficient staff to meet these [child care] demands adequately." The department specifically notes that Santa Cruz County has increased its child care planning and coordination efforts, in part through SDE assistance from "carry-over" funds. In addition, the SDE indicates that increased coordination of child care efforts

should occur between state government, local governments, and the private sector. The SDE recommends that legislation providing resources for planning and coordination efforts at both the state and local levels should be initiated and supported. The SDE does not indicate what funding level is needed for planning and coordination efforts, nor what types of planning and coordination efforts are recommended.

#### **Legislative Analyst's Comments**

*We concur with the thrust of this recommendation. We are unable to comment on whether additional resources are needed to implement the recommendation because it lacks sufficient specificity.*

We concur that additional planning and coordination efforts are needed. Specifically, we find that, with the exception of certain issues related to child care provided to GAIN participants, there is little coordination and planning on child care issues at either the state or the local level, or between these two levels of government. For this reason, we recommended in Chapter II that the SDE improve state coordination with local governments by considering local government needs assessments and recommendations when allocating child care funds, in order to target funds to areas of greatest need.

The department has provided no information on the specific services that would be provided or the costs that would be incurred if this recommendation were adopted. For this reason, we are unable to comment on whether additional resources are needed to implement the recommendation.

#### **Child Care Coordinators**

The department notes that, in those areas where city and/or county child care coordinator positions exist (such as in the City of Sacramento and Santa Cruz County), "increased efficiency and cooperation are apparent" in expanding local child care

services. Accordingly, the department recommends that one-time only matching grants be authorized to encourage the creation of *additional* local city and/or county child care coordinators.

#### **Legislative Analyst's Comments**

*We concur with the general thrust of this recommendation, but are unable to comment on whether additional resources are needed to implement the recommendation because it lacks sufficient specificity.*

We generally concur that child care coordinators can be effective in assisting employers in implementing child care programs, and in increasing local child care supply. We also agree with the department that grants should be used to create *new* coordinator positions, rather than fund existing positions. We note, however, that the department plans to spend \$250,000 in available "carryover" funds during the current year to provide matching funds for additional child care coordinator positions.

The department does not specify in its report the total amount of funding needed to implement this recommendation, or the proposed level of matching funds to be provided. Thus, we are unable to comment on whether additional resources (above the available "carryover" fund amount) are needed to implement the recommendation.

#### **Employer-Sponsored Child Care Incentives**

The department has used approximately \$250,000 in "carryover" funds in the past to provide planning grants to employers for the establishment of child care services. The department notes that these grants were successful "in promoting corporate involvement" in child care.

The SDE recommends that one-time only incentive planning grants for private employer-sponsored child care be created. The SDE does not specify the number of incentive

planning grants to be provided, the funding level needed, or why there is a need for such grants. In addition, the SDE does not discuss whether public employers, such as federal, state, and local government agencies, need child care assistance.

### **Legislative Analyst's Comments**

*We do not concur with this recommendation, because we find that private employers generally need technical, rather than financial, assistance to establish child care services for employees. We further recommend that the SDE continue to direct all employers--both public and private--to existing sources of technical assistance.*

Based on our field visits and discussions with child care consultants, we find that private employers often need *technical* assistance to secure liability insurance, obtain a license, and understand zoning requirements, but generally do not need additional *financial* assistance to provide child care services. In fact, through state and federal tax deductions, private employers already receive an unknown amount of financial assistance for the costs of providing direct child care services and related benefits to employees, including planning costs.

Rather than allocating planning grants to employers, we find that the SDE could encourage the creation of employer child care in a less costly manner by continuing to direct employers to existing technical assistance services. Specifically, technical assistance is available to private (and public) employers through two statewide groups--the Child Development Programs Advisory Committee of the Health and Welfare Agency, and the Resource and Referral programs supported through the SDE. In addition, approximately 10 cities have funded local child care coordinators who provide such assistance, usually at no cost to employers. Finally, employers may choose to use the services of private child care consulting firms for planning and/or implementation of child care services. According

to the SDE, the department directs both public and private employers to these existing services, as appropriate.

### **Research and Development**

The department notes that child development research is important because it (1) provides assistance to policy makers and (2) assists child care providers in developing more effective programs. Thus, the SDE recommends that a "modest" child care research and development budget be supported "in order for California to maintain its national leadership role in child development and to promote efficiency and effectiveness in program operations."

### **Legislative Analyst's Comments**

*The SDE does not indicate what level of funding is needed for research and development purposes, nor why there is an ongoing need for such funding. Without a specific proposal, we have no analytical basis for responding to this recommendation.*

We note that the SDE has some limited alternatives available for completing research on child care issues. First, the department's program evaluation unit, which is provided an annual research budget, may focus on child care issues to the extent they are identified as departmental and/or legislative priorities. Second, the SDE can continue to use any unearned contract ("carryover") funds to retain independent consultants for this purpose as it has in the past. Finally, if the department believes that additional support for child care research and development activities is warranted, it should request funding in the annual budget so that the Legislature may review it in the context of the SDE's overall staffing patterns and priorities.

### **Federal Headstart**

The department notes in its sunset review report that "an extremely positive and cooperative relationship" exists between state-subsidized programs and the federal

Headstart program. The SDE's report recommends that "the state avail itself of every opportunity to work cooperatively with Federal Headstart." The report further recommends that the state commit, to the extent required by Congress, 25 percent matching funds in order to obtain federal funds for child development programs. The matching funds recommendation is based on the department's concern that Congress *may* enact legislation to require states to provide matching funds in order to obtain the federal funds.

#### **Legislative Analyst's Comments**

*We concur that the department should continue to work cooperatively with the Headstart program. Since the federal government has not enacted legislation requiring the state to provide matching funds*

*for Headstart or other child development programs, however, we have no analytical basis for commenting on whether the state should provide such funds.*

The SDE currently works cooperatively with the Headstart program. We concur with the department's recommendation that it maintain this relationship.

Regarding the matching funds recommendation, we note that, at the time this report was prepared, Congress was considering various pieces of legislation that would provide federal matching funds for state child development programs and/or the Headstart program, but had not enacted such legislation. Accordingly, we have no analytical basis for commenting on the need for California to provide matching funds in order to receive federal child development funds. ♦



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# Appendices

## Appendix A

# The Child Care and Development Services Act (CCDSA)

### Legislative Purposes and Intent

#### Legislative Purposes:

"The purpose (of the Child Care and Development Services Act) is as follows:

- (a) To provide a comprehensive, coordinated, and cost-effective system of child care and development services for children to age 14 and their parents, including a full range of supervision, health and support services through full- and part-time programs.
- (b) To encourage community-level coordination in support of child care and development services.
- (c) To provide an environment that is healthy and nurturing for all children in child care and development programs.
- (d) To provide the opportunity for positive parenting to take place through understanding of human growth and development.
- (e) To reduce strain between parent and child in order to prevent abuse, neglect, or exploitation.
- (f) To enhance the cognitive development of children, with particular emphasis upon those children who require special assistance, including bilingual capabilities to attain their full potential.
- (g) To establish a framework for the expansion of child care and development services."

#### Legislative Intent:

"It is the intent of the Legislature that:

- (a) All families have access to child care and development services, through resource and referral services, where appropriate, regardless of ethnic status, cultural background, or special needs. It is further the intent that subsidized child care and development services be provided to persons meeting the eligibility criteria established under this chapter to the extent funding is made available by the Legislature and Congress.
- (b) The healthy physical, cognitive, social, and emotional growth and development of children be supported.
- (c) Families achieve and maintain their personal, social, economic, and emotional stability through an opportunity to attain financial stability through employment, while maximizing growth and development of their children, and enhancing their parenting skills through participation in child care and development programs.
- (d) Community-level coordination in support of child care and development services be encouraged.



- (e) Families have a choice of programs that allow for maximum involvement in planning, implementation, operation, and evaluation of child care and development programs.
- (f) Planning for expansion of child care and development programs be based on ongoing local needs assessments.
- (g) The Superintendent of Public Instruction in providing funding to child care and development agencies, promote a range of services which will allow parents the opportunity to choose the type of care most suited to their needs. The program scope may include the following:
  - (1) Programs located in centers, family day care homes, or in the child's own home.
  - (2) Services provided part-day, full-day, and during nonstandard hours including weekend care, night and shift care, before and after school care, and care during holidays and vacation.
  - (3) Child care services provided for infants, preschool, and school-age children.
- (h) The Superintendent of Public Instruction be responsible for the establishment of a public hearing process or other public input process that ensures the participation of those agencies directly affected by a particular section or sections of this chapter."

# Appendix B

**Table 1**  
**Distribution of Programs by Types of Services Provided**  
**1985-86<sup>a</sup>**

| <i>Services Provided</i>                          | <i>State</i>   |                  |                    |               |              |                            | <i>Total<sup>c</sup></i> |
|---|----------------|------------------|--------------------|---------------|--------------|----------------------------|--------------------------|
|   | <i>Migrant</i> | <i>Preschool</i> | <i>Handicapped</i> | <i>Campus</i> | <i>SAPID</i> | <i>General<sup>b</sup></i> |                          |
| <b>Meals served</b>                               |                |                  |                    |               |              |                            |                          |
| Breakfast   | 98%            | 54%              | 29%                | 72%           | 74%          | 82%                        | 82%                      |
| Cold Lunch  | 63             | 46               | 14                 | 50            | 38           | 75                         | 63                       |
| Hot Lunch   | 40             | 45               | 43                 | 30            | 71           | 42                         | 49                       |
| Snack   | 93             | 49               | 86                 | 85            | 56           | 81                         | 80                       |
| <b>Psychological services<sup>a</sup></b>         |                |                  |                    |               |              |                            |                          |
| Testing   | 14             | 28               | 14                 | 5             | 10           | 15                         | 19                       |
| Counseling  | 5              | 51               | 14                 | --            | 19           | 35                         | 36                       |
| <b>Assess child's progress</b>                    | 100            | 100              | 100                | 100           | 100          | 98                         | 99                       |
| Developmental profile                             | 79             | 83               | 43                 | 59            | 65           | 86                         | 75                       |
| Criterion referenced tests                        | 9              | 9                | 14                 | 17            | --           | 13                         | 12                       |
| Standardized tests                                | 23             | 36               | 14                 | 8             | 36           | 11                         | 14                       |
| Nonstandardized tests                             | 35             | 30               | 43                 | 59            | 29           | 62                         | 55                       |
| Teacher judgment                                  | 88             | 69               | 71                 | 83            | 83           | 88                         | 85                       |
| Other   | 33             | 15               | 29                 | 30            | 17           | 10                         | 15                       |
| <b>Provide special materials for LEP children</b> | 95             | 62               | 29                 | 45            | 26           | 53                         | 56                       |
| <b>Refer families to community services</b>       | 98             | 89               | 86                 | 87            | 91           | 92                         | 90                       |

<sup>a</sup> The table does not include the following programs: General Child Care: family day care homes, Alternative Payment, Child Care and Employment Act (CCEA), Protective Services, County Welfare program, Federal Migrant and Extended Day Care. Multiple responses allowed. Responses within sections (such as "Meals Served") may not add to 100 percent.

<sup>b</sup> General Child Care data includes Title 22 centers, General Public, and General Private programs; the data is weighted by enrollment.

<sup>c</sup> Weighted average.



# Appendix C

**Table 1**  
**Estimated Distribution of Enrolled Children by Program and Age**  
**1985-86<sup>a</sup>**

| Program   | 2 Years and Under |         | 3-5 Years |         | 6-10 Years |         | Over 10 Years |         | All Children |         |
|---|-------------------|---------|-----------|---------|------------|---------|---------------|---------|--------------|---------|
|   | Number            | Percent | Number    | Percent | Number     | Percent | Number        | Percent | Number       | Percent |
| Alternative Payment <sup>a</sup>                    | 1,188             | 20.2%   | 2,546     | 43.3%   | 1,935      | 32.9%   | 212           | 3.6%    | 5,881        | 100.0%  |
| Campus Children's Centers                           | 1,063             | 28.3    | 2,560     | 68.2    | 128        | 3.4     | 4             | 0.1     | 3,755        | 100.0   |
| Child Care Employment Act (CCEA) <sup>b</sup>       | 726               | 43.7    | 611       | 36.8    | 304        | 18.3    | 20            | 1.2     | 1,661        | 100.0   |
| Extended Day Care <sup>c</sup>                      | --                | --      | 3,589     | 24.0    | 10,422     | 69.7    | 942           | 6.3     | 14,953       | 100.0   |
| General Child Care <sup>d</sup>                     | 4,814             | 9.2     | 31,232    | 59.5    | 15,483     | 29.5    | 924           | 1.8     | 52,453       | 100.0   |
| Migrant Child Care <sup>a</sup>                     | 756               | 32.4    | 1,381     | 59.3    | 179        | 7.7     | 14            | 0.6     | 2,330        | 100.0   |
| Protective Services                                 | 750               | 32.5    | 983       | 42.6    | 496        | 21.5    | 78            | 3.4     | 2,307        | 100.0   |
| School-Age Parenting and Infant Development (SAPID) | 1,292             | 99.4    | 8         | 0.6     | --         | --      | --            | --      | 1,300        | 100.0   |
| Severely Handicapped                                | 13                | 6.6     | 67        | 34.1    | 59         | 30.1    | 58            | 29.3    | 197          | 100.0   |
| State Preschool                                     | --                | --      | 21,241    | 100.0   | --         | --      | --            | --      | 21,241       | 100.0   |
| Totals  | 10,602            | 10.0%   | 64,218    | 60.5%   | 29,006     | 27.3%   | 2,252         | 2.1%    | 106,078      | 100.0%  |

<sup>a</sup> The County Welfare program, funded through the Alternative Payment program, served approximately 2,700 additional children in 1985-86; no age data are available for this program. In addition, the table does not reflect an additional unknown number of children served by the Federal Migrant program.

<sup>b</sup> The CCEA program serves children of those participating in job training under the Job Training Partnership Act (JTPA). The 1988-89 Budget Bill contained \$2.5 million for the program, which was vetoed by the Governor; thus, at the time this table was prepared, the program had terminated.

<sup>c</sup> The Extended Day Care ("Latchkey") program was provided half-year funding in 1985-86; the estimated enrollments are for January to June 1986, based on 1986-87 enrollment data contained in MPR Associates, Inc. and J. D. Franz Research, *Evaluation of the SB 303 School-Age Community Child Care Program*, Berkeley, 1987.

<sup>d</sup> General Child Care includes the following programs: General Public, General Private, Title 22 centers, and family day care homes.



# Appendix D

**Table 1**  
**Distribution of Enrolled Children by Program and Ethnicity**  
**1985-86<sup>a</sup>**

| <i>Program</i>   | <i>White</i> | <i>Black</i> | <i>Hispanic</i> | <i>Asian</i> | <i>Filipino</i> | <i>Other</i> | <i>Unknown</i> | <i>Total</i> |
|--|--------------|--------------|-----------------|--------------|-----------------|--------------|----------------|--------------|
| Alternative Payment                                    | 42.0%        | 22.0%        | 18.5%           | 1.4%         | 0.3%            | 1.5%         | 14.3%          | 100%         |
| Campus Children's Centers                              | 49.4         | 12.4         | 21.4            | 9.9          | 0.2             | 6.4          | 0.4            | 100          |
| Child Care Employment Act (CCEA)                       | 36.8         | 10.3         | 15.3            | 1.6          | 0.5             | 0.9          | 34.7           | 100          |
| Extended Day Care                                      | 55.7         | 15.8         | 20.9            | 4.3          | 0.7             | 2.7          | --             | 100          |
| General Child Care                                     | 21.7         | 28.0         | 39.1            | 7.8          | 0.5             | 2.7          | 0.2            | 100          |
| Migrant Child Care                                     | 0.1          | 0.2          | 98.2            | 0.9          | --              | 0.6          | --             | 100          |
| Protective Services                                    | 52.7         | 12.1         | 15.7            | 1.0          | 0.3             | 1.6          | 16.6           | 100          |
| School-Age Parenting and<br>Infant Development (SAPID) | 22.3         | 34.9         | 36.6            | 1.9          | 0.1             | 4.2          | --             | 100          |
| Severely Handicapped                                   | 30.2         | 45.2         | 9.0             | 10.6         | 1.5             | 3.0          | 0.5            | 100          |
| State Preschool  | 15.0         | 19.1         | 54.4            | 5.7          | 1.7             | 3.6          | 0.3            | 100          |
| Totals   | 27.7%        | 22.5%        | 38.1%           | 6.1%         | 0.7%            | 2.9%         | 1.9%           | 100%         |

<sup>a</sup> Excludes the County Welfare and Federal Migrant programs.

