

Date of Hearing: April 26, 2023

ASSEMBLY COMMITTEE ON EDUCATION
Al Muratsuchi, Chair
AB 555 (Juan Carrillo) – As Amended March 30, 2023

[Note: This bill was double referred to the Assembly Human Services Committee and was heard by that Committee as it relates to issues under its jurisdiction.]

SUBJECT: California state preschool programs

SUMMARY: Increases the priority for eligible three-year olds to be served in the California State Preschool Program (CSPP) and alters reimbursement rates, including adjustment factors. Specifically, **this bill:**

- 1) Requires a contracting agency serving part-day and full-day CSPPs to give equal priority to serving three- and four-year olds by adding three-year olds to the third priority category, and deletes the requirement that three-year olds be given the fourth priority when considering enrollment.
- 2) Codifies, with amendments, an existing regulation that requires the reimbursement rate for CSPP be the lesser of the following:
 - a) The maximum reimbursable rate stated in the contract;
 - b) Net reimbursable program costs; or
 - c) The product of the adjusted child days of enrollment for certified children times the contract rate. Removes the regulatory language that adjusts this provision by the actual percentage of attendance plus 5%, so that this provision would be based upon enrollment rather than attendance.
- 3) Permits part-day CSPP programs to receive reimbursement adjustment factors for children with exceptional needs, who are at risk of neglect, abuse, or exploitation or who are dual language learners (DLLs), and permits children who meet more than one of the criteria for adjustment factors to be reported for reimbursement.
- 4) Other technical and clarifying changes.

EXISTING LAW:

- 1) Establishes the “Early Education Act” to provide an inclusive and cost-effective preschool program that provides high-quality learning experiences, coordinated services, and referrals for families to access health and social-emotional support services through full- and part-day programs and that all families have equitable access to a high-quality preschool program, regardless of race or ethnic status, cultural, religious, or linguistic background, family composition, or children with exceptional needs. (Education Code (EC) 8200 *et seq.*)
- 2) Defines “CSPP” to mean those programs that offer part-day and/or full-day educational programs for eligible three- and four-year-old children. These programs may be offered by a

public, private, or proprietary agency, and operated in childcare centers or family childcare homes operating through a family childcare home education network. (EC 8205)

- 3) Requires the CSPP to include, but not be limited to, part-day age and developmentally appropriate programs designed to facilitate the transition to kindergarten for three- and four-year-old children in educational development, health services, social services, nutritional services, parent education and parent participation, evaluation, and staff development. (EC 8235)
- 4) Requires a part-day CSPP to be for a minimum of three hours per day for 175 days per year. (EC 8207)
- 5) Requires the operation of full-day CSPP be for a minimum of 246 days per year. (EC 8207)
- 6) Defines “three-year-old children” as children who will have their third birthday on or before December 1 of the fiscal year in which they are enrolled in a CSPP. Children who have their third birthday on or after December 2 of the fiscal year, may be enrolled in a CSPP on or after their third birthday. (EC 8208)
- 7) Provides that families seeking part-day CSPP, must meet at least one requirement in the following areas to be eligible for state preschool:
 - a) A family is a current aid recipient; income eligible; homeless; or one whose children are recipients of protective services, or whose children have been identified as being abused, neglected, or exploited, or at risk of being abused, neglected, or exploited; or
 - b) A child with exceptional needs, defined as:
 - i) Children under three years of age who have been determined to be eligible for early intervention services pursuant to the California Early Intervention Services Act; or
 - ii) Children who have been determined to be eligible for special education and related services by an individualized education program (IEP) team according to special education requirements.
 - c) Has a member of its household who is certified to receive benefits from Medi-Cal, CalFresh, the California Food Assistance Program, the California Special Supplemental Nutrition Program for Women, Infants, and Children, the federal Food Distribution Program on Indian Reservations, Head Start, Early Head Start, or any other designated means-tested government program. (EC 8205, EC 8208)
- 8) Authorizes a CSPP to provide services to children in families whose income is no more than 15% above the income eligibility threshold, after all eligible three and four-year old children have been enrolled, and limits this provision to no more than 10% of children enrolled.
- 9) Requires that families seeking full-day CSPP meet both of the following requirements:

- a) The family is a current aid recipient; income eligible; homeless; or one whose children are recipients of protective services, or whose children have been identified as being abused, neglected, or exploited, or at risk of being abused, neglected, or exploited; or has a child with exception needs; or has a member of the household who is eligible for specified means-tested government programs; and
 - b) The family needs the childcare services because of either of the following:
 - i) The child is homeless; is a recipient of child protective services; is being neglected, abused, or exploited, or at risk of being neglected, abused or exploited;
 - ii) The child's parents are engaged in vocational training; engaged in an educational program for English learners or to attain a high school diploma; employed or seeking employment; seeking permanent housing; or incapacitated.
- 10) Requires a CSPP contractor to reserve a portion of its full-day enrollment for three and four-year old children with exceptional needs as follows:
- a) From July 1, 2022 to June 30, 2023: at least 5%;
 - b) From July 1, 2023 to June 30, 2024: at least 7.5%; and
 - c) Beginning July 1, 2024: at least 10%.
- 11) Requires the California Department of Education (CDE), in collaboration with the Department of Social Services (DSS), to implement a plan that establishes reasonable standards and assigned reimbursement rates for childcare and development services, to vary by length of program year and hours of service, and establishes amounts for, and provides for an annual cost-of-living adjustment to, the standard reimbursement rate (SRR) for contracted providers, and provides for adjustments to the SRR based upon specified reimbursement factors.
- 12) Requires the SRR beginning July 1, 2021, for full-day CSPP to be \$12,968, and \$5,621 for part-day CSPP, and beginning January 1, 2022, contractors receiving the SRR be reimbursed at the greater of the 75th percentile of the 2018 regional market rate survey, or the contract reimbursement amount as of December 31, 2021, as increased by the cost-of-living adjustment. (EC 8242)
- 13) Requires, for full-day CSPP, a contractor's child-days of enrollment to be multiplied by specified adjustment factors to reflect the additional expense of serving full-day preschool children meeting the following criteria:
- a) For children with exceptional needs, including children with severe disabilities, the adjustment factor is 2.40;
 - b) For children at risk of neglect, abuse, or exploitation, the adjustment factor is 1.1;
 - c) For DLL children, the adjustment factor is 1.2;

- d) When early childhood mental health consultation services are provided, the adjustment factor is 1.1; and
 - e) For children 47 months or younger, the adjustment factor is 1.8.
- 14) For part-day CSPP, only the adjustment factors for children with exceptional needs, early mental health consultation, and children 47 months and younger, are applied.
- 15) Requires that CSPP contractors be reimbursed for services based upon the lesser of the following:
- a) The maximum reimbursable amount as stated in the annual preschool contract; or
 - b) The net reimbursable program costs; or
 - c) The product of the adjusted child days of enrollment for certified children, times the contract rate per child day of enrollment, times the actual percentage of attendance plus 5%, but in no case to exceed 100% of enrollment. (5 California Code of Regulations (CCR) 17812)
- 16) Defines “transitional kindergarten (TK)” as the first year of a two-year kindergarten program that uses a modified kindergarten curriculum that is age and developmentally appropriate. (EC 48000)
- 17) Requires a school district or charter school that maintains a TK program, as a condition of receiving apportionments for TK, to admit to TK:
- a) In the 2014-15 to the 2021-22 school year, a child who will have their fifth birthday between September 2 and December 2;
 - b) In the 2022-23 school year, a child who will have their fifth birthday between September 2 and February 2;
 - c) In the 2023-24 school year, a child who will have their fifth birthday between September 2 and April 2;
 - d) In the 2024-25 school year, a child who will have their fifth birthday between September 2 and June 2; and
 - e) In the 2025-26 school year, and in each school year thereafter, a child who will have their fourth birthday by September 1. (EC 48000)

FISCAL EFFECT: Unknown

COMMENTS:

Need for the bill. According to the author, “In 2021–22, California only served 8.5% of the over 300,000 eligible three-year-olds in the CSPP. Assembly Bill 555 will increase access and expand opportunities for children in the CSPP by removing barriers that programs face in serving three-

year olds and children who require multiple additional supports, while strengthening system coherence and stability for CSPP programs as they recover from the pandemic and support California's children and families to not only recover, but to thrive.

Research shows the critical importance of access to preschool programs for all children, but particularly Black, Hispanic/Latino, American Indian, and other children of color, as well as multilingual learners, children with disabilities and children experiencing poverty. The provisions in this bill are critical to ensuring systemic supports so that these children can experience the long-term benefits of access to two years of preschool.

As the early education field and educational system recover from the pandemic, now is a critical time to ensure these systems are structured to adapt to change. It is critical to remove barriers to access in this critical transition period so that we can provide the much needed support so working parents can meaningfully participate in the workforce and sustain their families.”

Research confirms the value of high-quality pre-kindergarten experiences. According to *Current State of Scientific Knowledge on Pre-Kindergarten Effects*, (Phillips, 2017), “Educators in K-12 school systems are faced with wide disparities in skill levels of entering kindergarteners, which means that all too many children are already far behind many of their peers. Findings in developmental science point toward the importance of early-life experiences in shaping brain development and suggest that if we knew how to provide these experiences in our early education programs, we could have a lifelong impact on children’s success.” Findings include:

- Convincing evidence shows that children attending a diverse array of state and school district pre-k programs are more ready for school at the end of their pre-k year than children who do not attend pre-k. Improvements in academic areas such as literacy and numeracy are most common; the smaller number of studies of social-emotional and self-regulatory development generally show more modest improvements in those areas.
- Studies of different groups of preschoolers often find greater improvement in learning at the end of the pre-k year for economically disadvantaged children and DLLs than for more advantaged and English-proficient children.
- Pre-k programs are not all equally effective. Several effectiveness factors may be at work in the most successful programs. One such factor supporting early learning is a well implemented, evidence-based curriculum. Coaching for teachers, as well as efforts to promote orderly but active classrooms, may also be helpful.
- Children’s early learning trajectories depend on the quality of their learning experiences not only before and during their pre-k year, but also following the pre-k year. Classroom experiences early in elementary school can serve as charging stations for sustaining and amplifying pre-k learning gains.

Creating equitable opportunities for young children. Research indicates that high-quality preschool programs can be especially powerful for creating equitable opportunities for African American, Hispanic children and other historically marginalized learners. Studies find that while all children make learning gains in high-quality settings, the largest gains in language, literacy,

mathematics, and social-emotional skills are for children from low-income families, those who are multilingual learners, and African American, Hispanic, and American Indian children enrolled in high-quality programs. Children who were able to attend two years of preschool have even stronger gains than those who attended for one year.

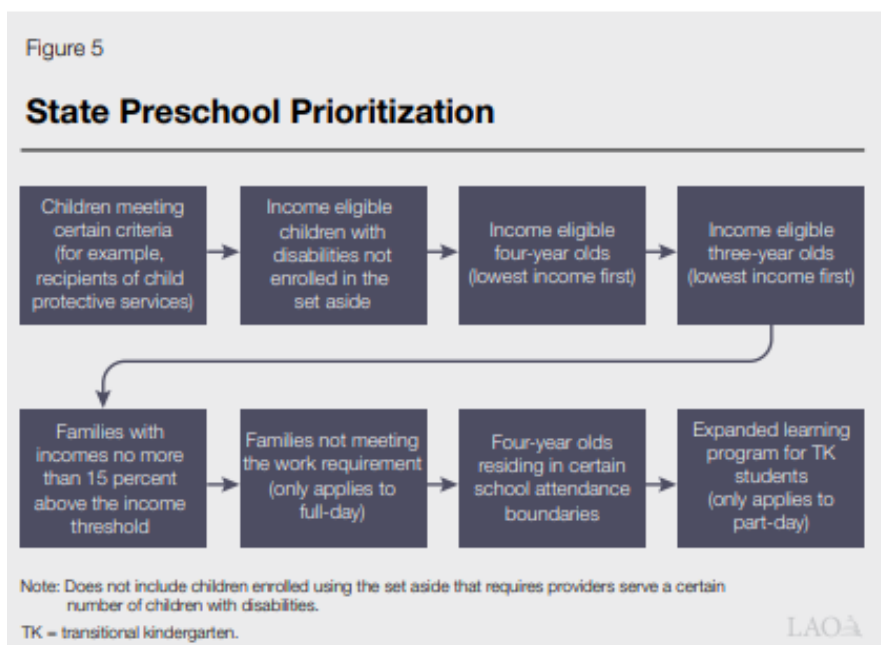
A recent study by the Learning Policy Institute, WestEd, and University of California, Berkeley analyzed data from the Quality Counts California statewide initiative found that African American children, Hispanic children, children with disabilities, and multilingual learners enrolled in programs at the two highest quality rating tiers demonstrated greater gains than their more advantaged peers. When California's children have access to high-quality programs, they thrive.

Enrollment in CSPP by three-year olds is currently providing opportunities for achieving equity among young children most in need of quality pre-k experiences. For fiscal year 2021-22:

- 52% of the total three-year old population in California were Hispanic and they represented 70% of CSPP three-year old enrollment;
- 5% were African American and they represented 8% of three-year old CSPP enrollment;
- 6% were two or more races and they represented 12% of three-year old CSPP enrollment; and
- 26% were White and they represented 2% of three-year old CSPP enrollment.

Master Plan supports universal access to preschool experiences. California's Master Plan for Early Learning and Care (WestEd, 2020) recommends that all three-year olds in income-eligible households have access to an additional year of publicly funded, full-inclusion preschool:

A substantial body of research supports the long-term learning benefits of two years of quality preschool, especially for dual language learners and children experiencing poverty and adverse life experiences. Research also demonstrates that inclusive programs benefit both children with disabilities and their typically developing peers. High-quality preschool programs can increase levels of school readiness at kindergarten entry and can improve long-term school performance. Preschool also helps reduce grade retention and referrals to special education. A review of the research shows that the key elements of effective preschool programs are early learning and development standards with aligned curricula; well-prepared and well-compensated teachers; ongoing professional development; sufficient learning time; small class size and favorable teacher-child ratios that support responsive interactions; screening and referral; and, meaningful family engagement.



CSPP is provided only to certain children.

California is home to approximately one million three and four-year old children. The number of children served in CSPP in any given year is determined by the state as part of its annual budget process. Three- and four-year old children are eligible for CSPP if their family earns at or below the state median income (\$96,590 for a family of three). If the number of

interested eligible children exceeds the number of available spaces within a program, providers enroll families based on prioritization, as shown in the figure above. (Legislative Analyst’s Office (LAO), February 2023)

California serves only a portion of children eligible for pre-K. In 2021-22, there were 620,000 three and four-year old children who were income eligible for subsidized pre-kindergarten programs, but only a fraction are currently served by federal or state funded programs, as shown below:

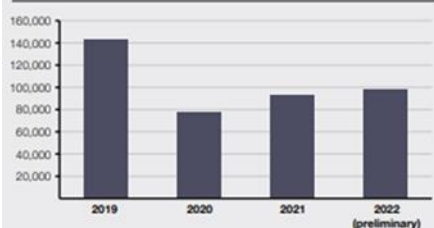
Age	Total population	Eligible for CSPP	Served in CSPP - % of eligible	Estimated # served in TK	Estimated # Served in Head Start	Est. % of eligible children unserved
3-year olds	498,416	303,603	8.5%	n/a	19,017	85%
4-year olds	507,294	316,917	21.5%	75,465	18,820	49%

Source: CDE, February 2023

Clearly, there are a significant number of eligible children, particularly three-year olds, not currently served in our subsidized pre-k programs. This bill would remove barriers to enrolling more three-year old children in CSPP programs.

Figure 6

Number of Children Served in State Preschool
October Enrollment



Enrollment in CSPP has dropped. The LAO estimates that in 2022-23, CSPP was funded to serve 211,000 children, including 69,000 in full-day CSPP and 142,000 in part-day CSPP. Enrollment in CSPP declined significantly in 2020 due to the pandemic. While enrollment has increased since 2020, it remains significantly below pre-pandemic levels, as shown in the figure at the left. Total enrollment in CSPP dropped from approximately 140,000 in 2019 to less than 100,000 in 2022.

Source: LAO, February 2023

Impacts of transitional kindergarten (TK) expansion. California has established a plan to expand TK eligibility to all four-year olds by 2025-26. At full-implementation in 2025-26, a child who has their fourth birthday by September 1st will be eligible for TK, making the grade available to all four-year olds. As this initiative rolls out, it has impacted the pool of eligible four-year olds for CSPP, which has had a negative impact on CSPP providers. The intent of the Legislature has been to shift the focus of CSPP from four-year olds to three-year olds.

Challenges to enrolling three-year olds in CSPP. Current barriers to serving more three-year old children in CSPP include the following:

- CSPP programs are required to enroll all eligible four-year old children before enrolling three-year old children;
- Current law limits CSPP programs' ability to serve children that require multiple additional supports (for example, children with disabilities that are also DLLs), restricting funding to one type of support, and further restricting part-day programs from receiving any additional funding to support DLLs and children who are at-risk; and
- Programs receive more additional funding to serve four-year olds who need extra support than they receive for three-year-olds who have those same characteristics.

This bill aims to provide support to CSPP programs by prioritizing three-year olds and ensuring that programs are not required to wait to enroll eligible three-year-old children until they have enrolled four-year-old children first. Under this solution, programs will be able to enroll children from the lowest income families first, regardless of age. This will reduce administrative burden for CSPP programs because they will not need to go through the entire list of four-year-old children before enrolling three-year-old children.

The bill also reflects the need to provide financial support to serve all children requiring additional supports. Currently, CSPP programs receive 33% more funding to serve a three-year-old child with disabilities than a three-year old child without disabilities but receive 140% more funding to serve a four-year old child with disabilities than a four-year old child without disabilities. Similarly, programs receive 10% more to support four-year-old children who are receiving child protective services, and 20% more to support four-year-old children who are DLLs, but do not receive any additional funding to support three-year old children with those

characteristics. Under the bill, these inequities would be addressed, and programs would receive the same level of additional funding for additional support for three-year-old children that they receive for four-year old children.

The bill would also allow adjustment factors for multiple child characteristics to be claimed, rather than just one, so if a child, for example, is a DLL and also has a disability, programs would be able to claim both adjustment factors. Additionally, the bill would allow part-day programs access to funding for supports for serving children who are DLLs and children who are receiving child protective services.

Recommended Committee Amendments. Staff recommends that the bill be amended with technical amendments to clarify that the changes to the contracted reimbursements and the adjustment factors align with the fiscal years.

Arguments in support. Early Edge California writes, “AB 555 will remove barriers that programs face in servicing three-year old children while strengthening stability and supports for these vital early education programs. By 2025–26, California will provide access to one year of preschool the year before kindergarten for all four-year-old children who wish to enroll, creating an opportunity to increase overall access to preschool for families that can benefit from it the most by serving more three-year-old children in CSPP.

In 2021–22, California only served 8.5% of eligible three-year-old children in CSPP. Increasing access to three-year-old children is essential as research indicates high-quality early education is especially effective in reducing the opportunity gap for Black and Hispanic children, as well as other historically marginalized learners. Impacts are particularly strong when children receive two years of high-quality preschool.

AB 555 will remove barriers to serving three-year-olds by prioritizing three-year-olds as the same priority as four-year-olds, with the lowest income served first, and providing equitable supports for three- and four-year olds who need additional support, such as children at risk of abuse or neglect and DLLs. The bill will also strengthen system coherence by ensuring programs have funding within their contract to address situations where children need multiple supports and funding CSPP based on enrollment rather than attendance. These are critical changes that will help address equity and stability within these programs.”

Related legislation. AB 1352 (Bonta) of the 2023-24 Session would create a statewide childcare pilot subcommittee of the Universal PreKindergarten Mixed Delivery Quality and Access Workgroup to propose, evaluate, and collect evidence to support the creation of statewide pilot policies for childcare programs, permit a local planning council to apply to CDE and CDSS to adopt an approved statewide pilot policy, and delay the expiration of existing pilot projects from July 1, 2023, until July 1, 2025.

AB 51 (Bonta) of the 2023-24 Session would make numerous changes to support a mixed delivery pre-kindergarten (pre-k) system, including amending the income eligibility threshold; require the CDE to reserve a portion of CSPP contracts for providers negatively impacted by the implementation of TK; require the development of regulations on comingling of children with and without subsidies in CSPP classrooms; require Expanded Learning Opportunities Programs (ELOP) serving TK pupils be developmentally appropriate for students in TK; expand the roles and responsibilities of Resource and Referral (R&R) agencies; and require the development of a new reimbursement rate schedule for CSPP.

AB 596 (Reyes) of the 2023-24 Session would require the DSS, in consultation with the CDE, to develop and implement an alternative methodology for calculating subsidy payment rates for childcare and CSPP services, require an equitable sliding scale for the payment of family fees be developed, and prohibit family fees from being collected until the sliding scale is implemented.

SB 380 (Limon) of the 2023-24 Session is substantially similar to AB 596.

AB 210 (Committee on Budget), Chapter 62, Statutes of 2022, extends the 2021-22 Budget Act actions taken during the COVID-19 pandemic to waive family fees for childcare and create hold harmless policies for the 2022-23 fiscal year, including preschool.

AB 131 (Committee on Budget) Chapter 116, Statutes of 2021, among other things, established a Rate Reform workgroup to be convened by CDSS for recommendations on rate methodology and existing program standards, including licensing standards, quality and environmental standards, and workforce competencies. Further, it required the workgroup to submit recommendations to the Legislature no later than August 15, 2022 in order to inform the Joint Labor Management Committee recommendations on a single reimbursement rate system.

SB 246 (Leyva) of the 2021-22 Session would have required DSS to establish a single reimbursement rate for early learning and care programs, including variation for regional costs and quality adjustment factors. This bill was held in the Assembly Education Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Association of California School Administrators
Early Edge California
Los Angeles Unified School District
Oakland Unified School District
Office of The Riverside County Superintendent of Schools
Santa Clara County Office of Education
State Superintendent of Public Instruction Tony Thurmond

Opposition

California Family Child Care Network
Child Care Law Center

Analysis Prepared by: Debbie Look / ED. / (916) 319-2087