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Preschool Adequacy and Efficiency in California

Issues, Policy Options, and Recommendations

Lynn A. Karoly

Supported by the David and Lucile Packard Foundation, the W. K. Kellogg Foundation, the Pew Charitable Trusts through the National Institute for Early Education Research (NIEER), the W. Clement and Jessie V. Stone Foundation, and Los Angeles Universal Preschool

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The research described in this report was conducted by RAND Labor and Population. Funding was provided by the David and Lucile Packard Foundation, the W. K. Kellogg Foundation, the Pew Charitable Trusts through the National Institute for Early Education Research (NIEER), the W. Clement and Jessie V. Stone Foundation, and Los Angeles Universal Preschool.

Library of Congress Cataloging-in-Publication Data is available for this publication.

978-0-8330-4743-4

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Published 2009 by the RAND Corporation

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Summary

As California continues to debate reform of the K–12 education system, there has been a growing recognition that preschool policy should be an integral part of the policy discussions. Central to the debates about preschool policy are issues of both adequacy and efficiency. By *adequacy*, we mean that we are interested in whether current access to and quality of preschool education in California are sufficient to ensure that all children enter school ready to learn and meet California’s education standards. By *efficiency*, we mean that we want to know whether existing resources are being used to achieve the maximum possible benefit and how potential new resources could be used most effectively. Within this context, this study, which is the culmination of a broader research effort called the California Preschool Study, seeks to address four questions:

- What are the overall and cross-group achievement gaps for California’s children in terms of the state’s kindergarten through third grade (K–3) education standards, and what is the potential for high-quality preschool programs to raise achievement?
- How adequate is the quality of preschool education being received by California children, and what proportion of families have access to high-quality preschool that would be expected to produce the cognitive, social, and emotional benefits necessary to help children achieve the state’s early-elementary standards?
- What efficiencies can be obtained in the current system of funding for early care and education (ECE) programs serving children

one or two years before kindergarten entry in order to improve K–3 education outcomes?

- What additional ECE policies or resources would be required to ensure that all children in California are prepared to meet K–3 standards?

To address these questions, we draw on three interrelated studies we have already completed that were designed to improve our understanding of (1) gaps in school readiness and achievement in the early grades among California children and the potential for high-quality preschool programs to close existing gaps, (2) the use of ECE services among California’s children and the quality of those experiences, and (3) the system of publicly funded ECE programs in California in the two years before kindergarten entry.

In this summary of the fourth and final study component, we integrate the results from the three previous studies, as well as relevant prior research, to address the four broader issues related to preschool adequacy and efficiency just listed. We first highlight evidence of shortfalls in both preschool adequacy and efficiency. We then review design options for a preschool system and consider the merits of alternative approaches. Finally, we make specific policy recommendations and discuss the broader implications of addressing preschool adequacy and efficiency.

California Faces Shortfalls in Preschool Adequacy and Efficiency

The cumulative body of evidence from our investigation of preschool adequacy and efficiency has identified a number of shortcomings on both fronts.

In terms of adequacy, key issues include the following:

- At kindergarten entry, California children begin school with varying levels of readiness—measured by cognitive and noncognitive skills that have been shown to be predictive of later school suc-

cess. Socioeconomically disadvantaged children enter school with lower levels of readiness than their more advantaged peers. By second and third grades, these readiness gaps are manifested in sizable achievement differences in statewide standardized tests for English-language arts and mathematics by race-ethnicity, English-language fluency, parental education, and economic status.

- The current privately and publicly supported ECE system in California is marked by sharp contrasts in participation rates between more and less disadvantaged children and uneven delivery of quality services. Children with the largest gaps in school readiness and achievement are the least likely to participate in any preschool and the least likely to attend high-quality programs. Shortfalls in quality, as measured against the benchmarks attained in effective programs, are most evident for those measures strongly linked with promoting school readiness, such as providing developmentally appropriate learning supports. Other aspects of quality with room for improvement are teacher education and training, use of research-based curricula, and health and safety.
- Although a body of rigorous research shows that disadvantaged children can experience sizable benefits in both the shorter and longer terms from a high-quality preschool experience, California's system of publicly funded ECE programs targeted to lower-income children is underfunded. At current funding levels, the system is able to serve only about half of eligible three- and four-year-olds.

In terms of efficiency, the critical issues are as follows:

- Despite substantial public funding to support the California Title 5 child development–oriented preschool programs in California, the minimal regulation of some publicly subsidized providers that must only meet state licensing requirements (also known as *Alternative Payment [AP] providers*) and the weak standards on key program elements for the more highly regulated Title 5 programs does little to promote high-quality services in publicly funded programs. Moreover, providers have no financial incen-

tive, given the current reimbursement structure, to achieve higher quality. Thus, there is little assurance that the dollars spent on publicly subsidized preschool programs are supporting the maximum child development benefits.

- Current mechanisms for allocating funding to providers, whether through contracts, grants, or vouchers, make it difficult to spend all funding allocated for a given program year, thereby further diminishing the share of eligible children served.
- The complexity of the current system of publicly subsidized ECE programs makes it costly for providers to administer, challenging for families to navigate, and difficult for policymakers and the public to understand, evaluate, and improve.

An analysis of the data assembled on achievement gaps, rates of preschool participation, and the effectiveness of well-designed preschool programs shows that preschool can be part of the solution for raising achievement overall and narrowing achievement gaps between groups of students. However, different policy approaches have different implications for achievement gaps.

- If the goal is to raise student achievement in absolute terms for Latinos and African Americans, without reference to test scores of white students, then the largest *absolute* gain in test scores for Latinos and African Americans is associated with raising preschool participation and preschool quality for all groups of children—a universal approach. The estimated gain ranges from one-fifth to one-third of the size of the existing score gaps, depending on assumptions.
- The universal approach would also increase test scores for white children. So, if the goal is to narrow the score gap between Latinos and whites or African Americans and whites, the largest *relative* gain in student achievement is associated with targeted increases in preschool participation and quality for socioeconomically disadvantaged children, a larger proportion of whom are Latino or African American. With this targeted policy approach, the estimates suggest that the racial-ethnic achievement-score

gap could be narrowed by about 10 to 20 percent, depending on assumptions.

However, our analysis indicates that there would be almost no narrowing of absolute or relative achievement gaps from just raising preschool participation for all groups without any change in preschool quality. These results suggest that raising preschool quality is essential if preschool is to be an effective policy lever for addressing achievement gaps.

Thus, addressing shortfalls in preschool adequacy in California means raising participation rates for more disadvantaged children while also raising quality, particularly for those program features that are linked to advances in school readiness. Remedying shortcomings in preschool efficiency will require efforts to use existing resources more effectively to support expanded access or quality improvements, as well as putting any new resources toward the most-effective strategies for promoting school readiness and subsequent education success.

At the same time, our analysis of preschool benefits and achievement gaps under alternative policy scenarios shows that greater preschool access or quality enhancements alone are not sufficient to completely narrow existing achievement gaps, such as those evident between different racial-ethnic groups. Thus, we note in the last section of this summary the need to make preschool policy part of a coordinated set of strategies to foster success in K–12 education and beyond.

Options for Designing a Preschool System for California

If California could design a publicly funded preschool system from first principles, it would likely be different from the system that has evolved over time. Key design options for a publicly subsidized preschool system include (1) access (which children are eligible?), (2) delivery (which providers deliver services?), (3) quality (what ensures that services are of high quality?), and (4) infrastructure (what supports ensure an efficient system?). Theoretical considerations, as well as experiences

and research-based evidence from other states, can provide guidance regarding the merits of alternative approaches.

Access

In terms of access, four key design choices include universal versus targeted availability, the targeting approach for programs that are not universal, whether services are available for one year or two, and mechanisms for prioritizing eligibility when even targeted programs are underfunded.

- *Universal Versus Targeted:* Policymakers must weight the trade-offs between universal and targeted publicly funded preschool programs. Issues of total program cost and displacement of private spending—both clearly higher with a universal program—tend to be arguments made in favor of a targeting approach. Issues of lower administrative costs, greater targeting efficiency, and higher participation rates with less stigma are often made to support a universal approach. A universal approach may also produce greater political and public support for a program funded at the level required to deliver high-quality services. The issue of economic returns would likely favor a targeting approach if the goal is achieving high returns per child served, whereas a goal of maximizing total economic benefits may be achieved by moving toward a universal program.
- *The Targeting Approach: Person Based or Place Based:* For targeted programs, another consideration is whether targeting is person based (e.g., based on family income) or place based (e.g., based on the percentage of children in the community in poverty), where the choice may depend on the size and geographic concentration of the target population and the differential administrative costs of the two approaches. The two approaches may also be combined, although this typically means serving some children who would not be eligible under person-based eligibility criteria but are eligible because they live in communities targeted by the place-based criteria.

- *One Year or Two:* When resources are not sufficient to serve both three- and four-year-olds in a universal program, other research evidence suggests that it would be more efficient to serve the most disadvantaged four-year-olds first. As more resources become available, eligibility could be extended further for four-year-old children, while program services are also made available to the most disadvantaged three-year-olds. Eventually, as more resources become available, the system may serve all four-year-olds and a targeted group of three-year-olds or, with further expansion, all three-year-olds as well.
- *Prioritizing Eligibility in Underfunded Programs:* When there are insufficient funds to serve all eligible children, greater benefits from the dollars spent may be obtained when eligibility is further prioritized. This consideration suggests (1) serving children who would benefit the most first before serving those who would benefit less, (2) promoting placement in the same subsidized preschool program for a given preschool year and across years for those participating at ages three and four, and (3) implementing a rationing process that is easy for parents to understand and providers and other intermediaries to administer.

Delivery

In the delivery domain, most state systems fall into one of two standard approaches: (1) delivery through public schools, in some cases with the option that schools will subcontract out provision to other providers in the community, and (2) delivery through a combination of public providers (i.e., schools) and other community-based organizations (CBOs) (e.g., nonprofits; churches, synagogues, or other religious institutions; private schools). Research evidence to date suggests that delivery of high-quality preschool services can be attained with either approach, and there is no evidence to suggest that public or private providers are necessarily more effective. There may be differences in culture, capacity, cost, and other factors that would favor using one delivery mode over the other. For example, states that have opted to fund preschool

programs through the existing school-funding formula have concentrated delivery through public school providers.

Quality

There are also multiple approaches for ensuring high quality in publicly funded preschool programs. Ultimately, the goal is to combine both structural program elements (e.g., the resources in a classroom) and process program elements (e.g., how teachers and children interact in the classroom) to produce the maximum child development benefits for a given budget. In the absence of a formula to determine the optimal combination, various strategies, usually in combination, are in use by states to promote quality. These include licensing requirements or other program standards, independent accreditation, use of a quality rating system (QRS) or quality rating and improvement system (QRIS), making results of licensing outcomes or quality ratings public and accessible, providing financial incentives to achieve higher quality, and evaluating programs in terms of child development outcomes.

These approaches are designed to bridge the information asymmetries that characterize the child-care and preschool markets (i.e., that parents as consumers do not have full information about program quality when making their participation decisions), although each has strengths and weaknesses. Research indicates that these approaches are successful only to the extent that the quality information is current and the quality inputs that are measured are those that matter for promoting child development.

Infrastructure

A number of other design elements fall under the category of infrastructure. These include governance, financing and fiscal planning, information systems, learning standards and assessments, preschool and K–12 linkages, facilities, workforce development, and communications with parents and the public. These are key features that undergird a preschool system in terms of supporting other elements of the system, such as access, delivery, and quality, as well as system efficiency and effectiveness. For these system features, there is a relative paucity of research to suggest which approaches in any of these areas will be most

effective. Rather, the approaches adopted in other states may provide relevant models and evidence of the effectiveness of these alternative models that other states may use to guide their own policy choices.

Recommendations for Advancing Preschool Adequacy and Efficiency

Considering various design options for a preschool program in terms of access, delivery, quality, and infrastructure, as well as research evidence regarding the effectiveness of alternative approaches, we provide a series of recommendations in support of the following policy goals for California:

- Increase access, especially for underserved groups.
- Raise quality, either for underserved groups or across the board, especially for those quality dimensions with the biggest shortfalls.
- Advance toward a more efficient and coordinated system.
- Provide appropriate infrastructure supports.

Some recommendations were viewed as appropriate in the short run under the expectation that significant new resources would not be available. For a medium-term horizon in which more resources are devoted to preschool provision in California, we offer a series of recommendations on how best to use those new resources. Table S.1 summarizes the list of recommendations, grouped (and numbered) within the access, delivery, quality, and infrastructure domains, where those that require substantial new resources are noted. (More detailed suggestions regarding implementation of these recommendations are provided in Chapter Four.)

Improving the Efficiency of Existing Resources

The nine shorter-term recommendations in Table S.1 are designed to use existing resources or modest resource increases (or reallocations if efficiencies are achieved) to create a more efficient and coordinated

Table S.1
Summary of Policy Recommendations by Domain

Domain	Recommendation	Description
Access	A1	Align the eligibility-determination process and allocation of children to slots with the policy objective of first serving children who can benefit most.
	A2 ^a	As access to preschool is extended, prioritize serving a larger share of currently eligible four-year-olds and three-year-olds in poverty.
	A3 ^a	As access to preschool is extended to a larger share of the population, consider combining geographic targeting with income targeting.
Delivery	D1	Modify the contract mechanism for Title 5 and AP programs to reduce the extent of unused funds and other inefficiencies.
	D2	Implement a common reimbursement structure within a system with mixed delivery and diverse funding streams.
Quality	Q1	Increase the routine licensing inspection rate for child-care centers and family child-care homes, and make inspection reports publicly available on the Internet.
	Q2	Develop and pilot a QRIS and tiered reimbursement system as part of the state's larger effort to create an Early Learning Quality Improvement System.
	Q3 ^a	Use a multipronged strategy—with an emphasis on measurement and monitoring, financial incentives and supports, and accountability—to promote higher-quality preschool experiences in subsidized programs.
Infrastructure	I1	Evaluate options for alternative governance structures in terms of the agencies that regulate and administer ECE programs, and change the structure if greater efficiency and effectiveness can be obtained.
	I2	Make greater use of the option to allocate Title I funds for preschool programs.
	I3	Fund the implementation of the preschool through higher education (P-16) longitudinal data system envisioned under recent legislation (California Senate Bill [SB] 1298).

Table S.1—Continued

Domain	Recommendation	Description
Infrastructure, continued	I4	Examine the adequacy and efficiency of the workforce development system for the ECE workforce, and make recommendations to align with future preschool policies.
	I5a	Address workforce, facility, and other infrastructure supports needed to provide high-quality preschool for children currently eligible and those who will be eligible under any future expansion of eligibility.

^a Recommendation requires substantial new resources.

preschool system with appropriate infrastructure supports. This would be accomplished by doing the following:

- Modify the process of eligibility determination to ensure that children who can benefit most are served first and that there is stability in enrollment within a program year and across program years for those who start at age three (recommendation A1).
- Reduce inefficiencies in contracting mechanisms by introducing greater flexibility in how funds are allocated and reallocated and possibly shifting from contracts that reimburse child-days served to grants with minimum enrollment or attendance requirements (recommendation D1).
- Standardize reimbursement structures (e.g., rate differentials by ages of children served or hours of program services) across subsidized ECE programs for preschool-age children, retaining elements in some parts of the system, such as reimbursement rates that vary by geography to account for differences in the cost of service provision (recommendation D2).
- Build a foundation for future quality improvements through an increase in routine licensing inspections that produce readily accessible, published reports and through the development and testing of a QRIS and tiered reimbursement system (recommendations Q1 and Q2, respectively).
- Promote more-effective infrastructure support by assessing options for alternative governance structures (e.g., which agen-

cies regulate and administer ECE programs), increasing the use of Title I funds for preschool, funding the development and use of P–16 longitudinal data systems, and assessing ways to advance the structure of the workforce development system (recommendations I1, I2, I3, and I4, respectively).

Investing New Resources to Expand Access or Raise Quality

The remaining longer-term recommendations are designed to make effective use of any significant new resources that are devoted to expanding preschool access and raising quality. Given the trade-offs inherent in a universal approach versus a targeting one, we have not made a recommendation for one approach or the other. We have, however, argued that, with only about 50 percent of currently eligible lower-income children being served by publicly subsidized programs, California could continue to expand enrollments under current eligibility rules or even expand eligibility criteria and still serve children who would be expected to generate a net positive benefit (i.e., benefits to government or society that exceed program costs). Thus, we recommend that new funds be used to do the following:

- Expand coverage to those who will benefit the most, which means that an initial priority would be to serve a larger share of currently eligible four-year-olds and three-year-olds with income below the federal poverty line (recommendation A2).
- Implement place-based targeting combined with person-based targeting as the size of the eligible population expands (recommendation A3).
- Promote quality improvements, especially for program features most important for child development, by implementing a multi-pronged approach that includes quality measurement and monitoring, financial incentives and supports, and accountability through evaluating child development outcomes (recommendation Q3).

- Address the infrastructure supports needed to achieve higher quality and expanded access, especially in such areas as workforce development and facilities (recommendation I5).

As noted earlier, with most of the policy changes listed in Table S.1, a period of piloting and evaluation is appropriate. Given the variation across California counties that already exists in ECE implementation, such as with the Power of Preschool (PoP) demonstration projects and associated Preschool for All initiatives under way in several counties, California has natural laboratories for testing and evaluating new approaches. If efforts are expanded to a larger scale, continued studies can assess whether the desired outcomes are attained or whether further refinements are needed.

The nine recommendations in Table S.1 that do not require a significant infusion of new resources for implementation offer a strategic approach for California to institute incremental reforms to the current system of publicly funded ECE programs to deliver more services with the same resources or to lay a foundation for expanding access and raising quality in the future as new resources become available. Although California is unlikely to devote significant new resources for subsidized preschool programs in the near term, new resources will be coming to the state through the American Recovery and Reinvestment Act (ARRA) of 2009 (Pub. L. No. 111-5). Some of those resources will be designated for specific purposes, such as increasing enrollments or enhancing data systems. The recommendation to devote more Title I funds to preschool education may also be possible with the new federal funding. Flexible funds under the ARRA could be used to provide a down payment on some of the initiatives recommended in Table S.1 that require new resources, such as implementing a QRIS or investing in the education and training of the ECE workforce. Given the stated priorities of the Obama administration in the proposed 2010 fiscal year (FY) budget, California may also benefit from additional federal investments in early-education services beyond those included in the ARRA.

Broader Implications

Although our focus for purposes of this study has been on preschool programs serving children one or two years before kindergarten entry, it is important to consider the broader implications of reforms to California's preschool system in order to promote adequacy and efficiency.

First, the publicly subsidized preschool system is effectively embedded within a larger child-care and early-education system that serves children from birth to age 12. For the most part, within a given funding stream (such as the Title 5 child development program or the California Work Opportunities and Responsibility to Kids [CalWORKs] stages), the same eligibility rules, licensing and program standards (with some variation for the ages of children served), contracting mechanism, and reimbursement structure apply to programs whether they serve infants and toddlers, preschool-age children, or school-age children. In many cases, the same providers serve children in the entire age range. In addition, the entire 0–12 system falls under a common governance structure.

Thus, to maintain uniformity within the 0–12 system, changes to the preschool part of the system may imply the need for comparable changes to the parts of the program that serve younger and older children. In many cases, the types of recommended reforms, such as a more flexible contracting mechanism, a common reimbursement system, or a QRIS, could be beneficial for, and replicated for, the entire system, albeit with some differences to reflect the ages of the children served. In other cases, such as expanding access, the reforms may be possible only for the preschool component of the system, depending on available funds.

Second, many of the recommendations regarding reforms to the preschool system are similar to those that have been recommended for K–12 education by such groups as the Governor's Committee on Education Excellence established by Governor Arnold Schwarzenegger and the California P–16 Council established by State Superintendent of Public Instruction Jack O'Connell. Although the preschool and K–12 systems are very different and specific solutions may vary with respect to each component, some general strategies in terms of gover-

nance, financing, English-language learners (ELLs), workforce development, facilities, and so on may benefit from addressing these issues in a coordinated fashion and considering the transferability of effective practices from the K–12 arena to the preschool domain and vice versa. At the very least, reforms being considered for the K–12 system must account for the possible impact on the preschool system and the reverse as well. Ultimately, on all fronts, California needs to create a P–12 or P–16 system that is truly integrated and coordinated.

Third, our analysis confirms that advancing preschool access and quality cannot be expected to close existing achievement gaps. In the effort to raise achievement for all students, but especially for more-disadvantaged students, consideration also needs to be given to programs serving children and families from birth to age three, as well as services for school-age children, to support continued learning. Other successful center-based program models with a rigorous evidence base include the Carolina Abecedarian Project, Infant Health and Development Program, and Syracuse Family Development Research Program, each of which provided full-time, year-round, center-based services starting soon after birth and continuing as long as until kindergarten entry. The Chicago Child-Parent Center (CPC) and Abecedarian programs provide examples of programs that continue supportive services into the early elementary grades and have strengthened the ability to sustain the advantages conferred through preschool participation. Non-center-based early-intervention models like the Nurse-Family Partnership home-visiting program have also demonstrated short- and longer-term benefits. Given the existence of other proven models for promoting healthy child development before and after kindergarten entry, it is vital that preschool programs be considered as part of a continuum of services designed to prepare children for kindergarten and to ensure their success in school and beyond.