

Publicly Funded Early Care and Education Programs for California Preschool-Age Children

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California has fallen behind on many key indicators of education performance, prompting policymakers to look for strategies to improve student outcomes. Among the policy options being considered is the possibility of expanding public funding for preschool education as part of a broader agenda of education reform. To provide a foundation for evaluating the potential of such an expansion and how best to implement it, the RAND Corporation is undertaking the California Preschool Study, which seeks a better understanding of

- the size of achievement shortfalls overall in the early elementary grades and gaps in school performance between groups—defined, for example, by race-ethnicity or socioeconomic status—and the potential for preschool education to close existing gaps
- how publicly funded early care and education (ECE) programs are structured and how effectively ECE funds are being spent
- rates of access to high-quality early learning programs among California’s children.

This research brief summarizes the findings of the second part of the study, which is on the system of subsidized ECE programs that serve preschool-age children in California, i.e., children who are one or two years away from kindergarten entry.

The Complex System Has Multiple Components and Serves Two Purposes

The system of publicly funded ECE programs that serve three- and four-year-olds in California comprises the 11 distinct programs listed in Table 1, some of which have variants, such as part-day and full-day versions. These programs mostly target children from economically disadvantaged families or children with other risk factors. Financed by federal, state, and local

Key findings:

- California has a complex system of publicly subsidized early care and education (ECE) programs for preschool-age children, with 11 distinct programs promoting child development and/or providing affordable child care.
- Because of limited funding, most three-year-olds and about half of four-year-olds eligible for subsidized programs are not being served by programs with a child development focus.
- About 80 percent of preschool-age children participating in subsidized programs are in child development-oriented programs with more extensive and stringent program requirements, but these requirements still fall short of those associated with effective programs.
- Given current reimbursement mechanisms, providers of subsidized ECE services have little financial incentive to exceed regulatory requirements in order to offer higher-quality programs.
- The system does not ensure that the substantial resources for subsidized ECE programs for preschool-age children will have their maximum child development benefits.

funding streams, the complex web of programs is marked by varying eligibility requirements, operating hours, physical settings for service delivery, reimbursement mechanisms, and degrees of regulatory oversight.

As indicated in Table 1, these programs serve two main purposes: (1) promoting healthy child development and school readiness and (2) provid-

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**Table 1
Publicly Funded ECE Programs in California, by Purpose**

Program	Purpose	
	Child Development	Affordable Child Care for Low-Income Working Parents
Federal programs Title I Preschool Head Start	✓ ✓	*
CalWORKs and non-CalWORKs Alternative Payment programs CalWORKs Stages (Stages 1, 2, and 3) CalLearn Alternative Payment (non-CalWORKs)		✓ ✓ ✓
State Title 5 child development programs State Preschool (part day and full day) General Child Care and Development Prekindergarten and Family Literacy (part day and full day) Migrant Child Care and Development Cal-SAFE (California School Age Families Education)	✓ ✓ ✓ ✓ ✓	* * * * *
State and local preschool expansion programs Power of Preschool Demonstration Projects	✓	

* = program purpose for full-day option.

ing affordable child care for lower-income working families. Title I preschool, Head Start, the group of state Title 5 child development programs, and the Power of Preschool (POP) demonstration projects have a primary focus on child development. The CalWORKs and non-CalWORKs Alternative Payment (AP) programs are primarily designed to provide access to subsidized child care for families receiving Temporary Assistance to Needy Families (TANF) or other low-income working families. Some of the child development-oriented programs serve both purposes through full-day options.

Most Programs Are Targeted, But Not All Eligible Children Are Served

All programs except the POP demonstration projects are targeted to specific groups of children, typically those with low family income (adjusted for size) or low family income and a demonstrated need for care. The federal poverty guidelines—\$20,000 for a family of four as of 2006—apply for Head Start eligibility, while higher thresholds set at 75 percent of the benchmark state median income—\$48,400 for a family of four as of 2006—apply to the other state-administered targeted programs listed in Table 1.

The project team estimated that 23 percent of California preschool-age children fall below the federal poverty guidelines, and an additional 30 percent are below the state income threshold. Thus, just over half of California three- and four-year-olds are eligible for at least one targeted program, including one with a child development focus.

However, because most programs are not fully funded, the fraction of eligible children who can be served depends on funding levels. As seen in Table 2, just 53 percent of eligible four-year-olds and 25 percent of eligible three-year-olds are currently being served by one of the publicly subsidized programs with a child development focus, leaving 134,000

**Table 2
Gap in Eligibility and Enrollment in Subsidized ECE Programs with Child Development Focus, October 2006**

Publicly Funded Programs with Child Development Focus	Three-Year-Olds	Four-Year-Olds
Percentage of eligible children served	25%	53%
Difference between number eligible and children served	213,000	134,000

four-year-olds and 213,000 three-year-olds who are not being served. Overall, because of limited funding, fewer than half of three- and four-year-olds in California who are eligible for publicly funded programs designed to prepare them for elementary school are served by those programs.

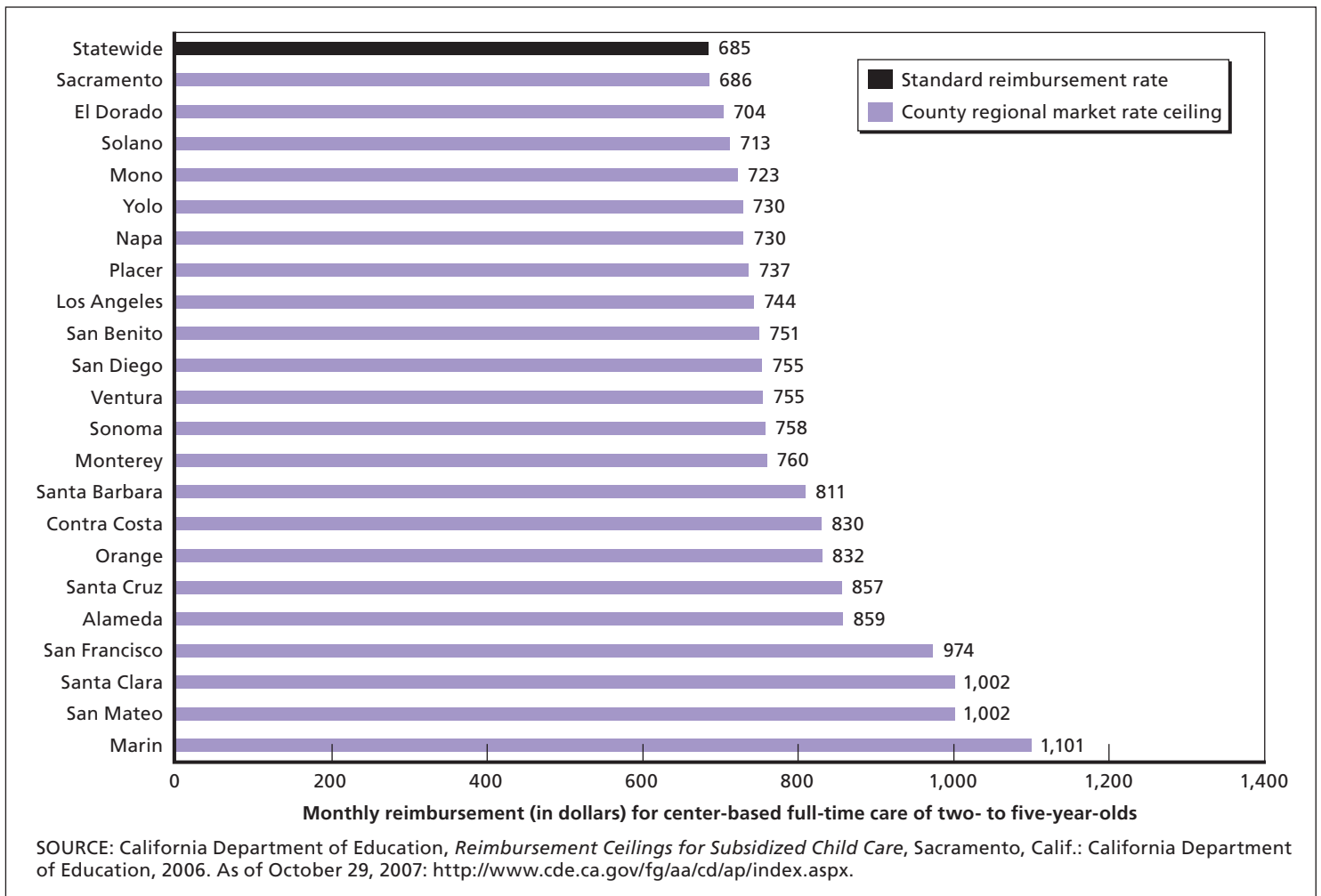
Preschoolers Are Largely in Regulated Settings, But Program Quality Is Uncertain

While license-exempt providers, which are essentially unregulated, supply some of the care offered through CalWORKs and non-CalWORKs AP programs, other providers of subsidized care fall under statutes that specify requirements for program features, such as group size, staff-child ratios, staff qualifications, and other aspects of program delivery. More of these features are regulated in the developmentally oriented programs than in those run by licensed AP providers. When the same feature is regulated in both program types, the requirements for the child development programs are more

stringent and meet, or come closer to meeting, established benchmarks for high-quality programs. The staff education requirements that apply to all subsidized ECE programs in Table 1, however, fall short of nationally recognized benchmarks that specify a postsecondary degree—whether an associate or bachelor’s degree—for the lead classroom teacher.

The RAND researchers estimate that 81 percent of preschool-age children in subsidized ECE are served by the developmentally oriented programs with more extensive and more stringent requirements. The degree of regulation should not be confused with actual program quality, however. Indeed, there is little systematic measurement of care quality across the full range of subsidized settings in California to determine if the public resources being used are likely to produce the child development benefits evident in research on high-quality programs (see the associated research brief from the study referenced on p. 4). The inattention to quality in the state’s regulations represents a missed opportunity for

Monthly Reimbursement Rate for Alternative Payment Programs Exceeds Statewide Standard Reimbursement Rate for State Child Development Programs in 22 Counties



preschool-age children where there is great potential to have a positive influence on their developmental trajectories through high-quality educational-based care arrangements.

Reimbursement Mechanisms Provide Little Incentive for Raising Quality

The mechanisms used to reimburse providers of subsidized ECE services do not give a financial incentive for exceeding program requirements in order to deliver higher-quality services. In the more strictly regulated state-administered child development programs, the standard reimbursement rate to providers for each child enrolled is a set dollar amount. It does not vary in response to geographic variation in the cost of providing care or the quality of care provided.

In contrast, providers in the less strictly regulated programs, such as CalWORKs Stages, are reimbursed based on market rate ceilings that vary across the 58 counties. As seen in the figure on the previous page, in 22 of those counties, home to nearly 80 percent of the preschool-age population, the market rate ceiling exceeds the standard rate. Providers in these counties thus have an incentive to participate in the less strictly regulated programs.

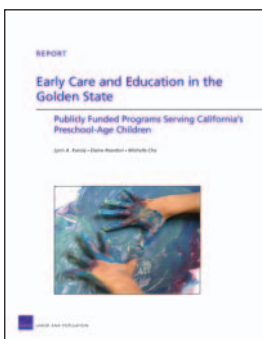
Potential Inefficiencies May Limit the Benefits from the Dollars Spent

The RAND researchers estimate that California allocated about 1.9 billion federal and state dollars in state fiscal year

2005–2006 for subsidized ECE programs for preschool-age children. The analysis did not identify any major sources of inefficiency that could generate substantial savings to redirect toward program services. However, between 5 and 10 percent of contract funds for programs administered by the California Department of Education are not spent in a given year. If more of these funds could be expended, the percentage of children served could be expanded, although the increase over current levels would be expected to be in the single digits. There may also be room to reduce administrative costs—e.g., if the current system were to be streamlined—but the magnitude of the savings is uncertain.

Perhaps more important, the state is spending some \$2 billion a year on subsidized ECE programs, and it is not clear that this money is being allocated in a manner that maximizes the developmental gains for children. This outcome can be viewed as an inefficiency from the perspective of child development, because public subsidies for ECE programs serving preschool-age children have the potential to enhance child development and promote school readiness. At the same time, any reforms to support the child development goal must also factor in the implications for the objective of providing affordable child care for low-income working parents. Identifying the menu of policy options and their implications for the dual goals of subsidized ECE programs will be the focus of another companion report in the California Preschool Study. ■

The study summarized in this research brief was based on program data from state sources, interviews with state officials, and site visits to four counties chosen as case studies. The RAND California Preschool Study was requested by the California Governor's Committee on Education Excellence, the California State Superintendent of Public Instruction, the Speaker of the California State Assembly, and the President pro Tempore of the California State Senate. Funding was provided by The David and Lucile Packard Foundation, 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 (LAUP). The project has been guided by an advisory group of academic researchers, policy experts, and practitioners.



This research brief describes work done for RAND Labor and Population and documented in *Early Care and Education in the Golden State: Publicly Funded Programs Serving California's Preschool-Age Children* by Lynn A. Karoly, Elaine Reardon, and Michelle Cho, TR-538-PF/WKKE/PEW/NIEER/WCJVSF/LAUP, 2007, 228 pp., available at http://www.rand.org/pubs/technical_reports/TR538/. A companion study and research brief are also available: *Who Is Ahead and Who Is Behind? Gaps in School Readiness and Student Achievement in the Early Grades for California's Children* by Jill S. Cannon and Lynn A. Karoly, TR-537-PF/WKKE/PEW/NIEER/WCJVSF/LAUP, 2007, available at http://www.rand.org/pubs/technical_reports/TR537/, and *The Promise of Preschool for Narrowing Readiness and Achievement Gaps Among California Children*, RB-9306-PF/WKKE/PEW/NIEER/WCJVSF/LAUP, 2007, available at http://www.rand.org/pubs/research_briefs/RB9306/. The RAND Corporation is a non-profit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. RAND® is a registered trademark.

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