



County of Los Angeles

# Child Care Planning Committee

222 South Hill Street, 5<sup>th</sup> Floor, Los Angeles, CA 90012

Ph. (213) 974-4103 • Fax (213) 217-5106

www.lacountychildcare.org



Peggy Sisson  
Chair  
Rosa Arevalo  
Vice-Chair

January 9, 2007

## Members

Layla Abou-Taleb  
Cristina Alvarado  
Yolanda Arias, Esq.  
Wendy Bass  
Susan M. Baxter  
Michelle Cerecerez  
Fran Chasen  
Yvonne Chavez  
Amy Cooper  
Kathy Cooper-Ledesma  
Carlene Davis  
Lesbia De La Fuente  
Sandra Dennis  
Manuel Fierro  
Sandra Gallegos  
Carol Hiestand  
Jan Isenberg  
Wilma Kiel  
Pamela Kwok  
Craig Lancaster  
Leticia Lara  
Sheri Lewis  
Norma C. Lopez  
Pat Mendoza  
Sandra Menendez  
Carolyn Muller  
Alice Murphy  
Catherine Pedrosa  
Dianne Philibosian, Ph.D.  
Marie Kanne Poulsen, Ph.D.  
Nellie Rios-Parra  
Maria A. Rochart, Ph.D.  
Brenda Ross  
Ancelma Sanchez  
Corinne Sanchez  
Pamela Schmidt  
Lorraine Schrag  
Sheri Senter  
JoAnn Shalhoub-Mejia  
Adelina Ruth Sorkin  
Emilio Sosa  
Wendy Tseng  
JoEllen Tullis  
Mary Helen Vasquez  
Alicen Vera  
Robert Wiltse  
Patrice Wong

To: Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: Peggy Sisson, Chair   
Los Angeles County Child Care Planning Committee

## PLAN FOR MONITORING THE ALLOCATION OF STATE PRESCHOOL FUNDS IN LOS ANGELES COUNTY

On August 22, 2006, your Board approved a motion by Supervisor Knabe directing the Child Care Planning Committee (Planning Committee) to develop a plan for monitoring the allocation and utilization of State Preschool funds in Los Angeles County. This document and its attached appendices respond to the key questions posed in that directive and form the Planning Committee's recommendations on how to monitor State Preschool funding in Los Angeles County. Every effort has been made to be both precise and concise. However, the child care funding arena is fraught with a variety of complications. The Planning Committee members and staff are available to field your questions or those of your staff.

### Key Questions and Data Collection

To develop a plan that met the stipulations of the Board motion, the Planning Committee determined that additional information was necessary. Information was sought to answer the following questions:

- How does the California Department of Education, Child Development Division (CDE/CDD) allocate new State Preschool funds?
- How much State Preschool funding has been allocated and utilized in Los Angeles County over the last three years?
- How much State Preschool funding goes unearned each year?
- Why are State Preschool funds not fully earned each year?  
This last question is addressed in Appendix B.

## Staff

Laura A. Escobedo  
Child Care Planning Coordinator

Data was compiled from five sources:

1. Specific fiscal reports were requested of CDE/CDD;
2. Standard Quick Reports prepared by CDE/CDD;
3. Records from the Los Angeles Centralized Eligibility List (LACEL);
4. A survey of LACEL families conducted in the summer 2006; and
5. Responses to a survey sent to all State Preschool contractors in Los Angeles County;

Appendix A describes the results of the survey of LACEL families and its implications for the demand for part-day preschool services.

### **How are Preschool Funds Allocated by CDE/CDD?**

---

When new funds become available for State Preschool services, CDE/CDD allocates funds to the counties, using a formula which includes child population and the current level of funding available in each county. The formula to determine the allocation of funds under the new Pre-Kindergarten and Family Literacy Program (PKFLP) recently authorized by AB 172, is based on the number of schools with Academic Performance Indicator scores of 1-3. Fifty million dollars are available Statewide and \$13,655,323 has been allocated for use in Los Angeles County. Applications for these funds will also be scored based on whether the area to be served also falls into a high need area as determined by the Planning Committee's annual review of priorities for State funding.

### **State Preschool Funding Allocated and Utilized in Los Angeles County**

Contracts for State Preschool funds include a Maximum Reimbursable Amount (MRA) which must be "earned" by means of the enrollment and attendance of eligible children. If insufficient numbers of children are enrolled or attending, then the contractor may not earn the full contract amount, despite their expenditures. Unearned contract funds go unused in that fiscal year.

Each year, CDE/CDD reviews earnings of all contracts and identifies contractors that have earned less than 95 percent of their MRA. Contractors have an opportunity to explain why their earnings fell below 95 percent and CDE staff makes recommendations to CDD Fiscal whether to continue or to reduce the MRA of specific contracts. Recommendations to reduce a contract are generally made only when there is a pattern of significant under-spending by the contractor.

Over the past three years, contract reductions in Los Angeles County have totaled \$2,763,029, which is approximately ten percent of the actual unearned funds:

- FY 2004-05 - 27 contractors faced reductions in their MRA, based on previous year's enrollments and earnings. CDE proposed reductions amounting to over \$7 million dollars. Eleven contractors experienced reductions, totaling \$1,930,265.
- FY 2005-06 - 17 contractors faced reductions totaling \$4,380,011. Actual reductions were imposed on five contractors, totaling \$114,859.

- FY 2006-07 – 19 contracts were recommended for contract reductions totaling \$3,321,385. Actual reductions for eight contractors, totaled \$717,905.

### **Monitoring the Allocation and Use of State Preschool Funding**

The Planning Committee, with your Board's approval, will implement the following steps to monitor both the allocation and utilization of State Preschool and PKFLP funding in Los Angeles County.

- The Planning Committee will use CDE/CDD Quick Reports to track funding allocated to contractors serving Los Angeles County.
- At the end of the fiscal year, the Planning Committee will request that CDE/CDD provide it with:
  - Information on contractors serving families in Los Angeles County that earned less than 95 percent of their State Preschool or PKFLP contracts,
  - CDD staff recommendations to reduce contract amounts, and
  - Actual contract reductions.
- When reductions are implemented, the Planning Committee will request CDE/CDD to consult with them on decisions to re-allocate carryover or reduced contract funds. Currently the funds are automatically re-bid to serve the same area. In some cases, they would be better utilized in other parts of the County.

The Planning Committee will report back to your Board in January 2008, on the allocation and utilization of State Preschool and PKFLP funding in Los Angeles County for fiscal year 2006-07. The January report back date is necessary to allow for programs to provide audited financial information.

In addition, the Planning Committee will investigate the allocation and earnings of full-day child development services, to learn if these contractors are experiencing similar patterns of under-earning. The Planning Committee will also research the experiences of San Mateo and San Francisco Counties, which have secured legislative waivers to allow county level decision regarding the allocation of CDE funds.

It may be appropriate to keep the Los Angeles County State Legislative Delegation informed regarding the child care and development needs of Los Angeles County families and the capacity to meet those needs.

Each Supervisor  
January 9, 2007  
Page 4

## **Conclusion**

The Planning Committee believes that child care and development programs should be designed to meet the needs of eligible families, rather than expecting families to accommodate the convoluted nature of child care funding. With your Board's support, this effort to monitor the allocation and utilization of child care subsidies in Los Angeles County will provide concrete information on how the administration of these funds can be modified to meet the evolving needs of children and families. We look forward to providing your Board and CDE with these findings in January 2008. I am available to answer any questions that you or your staff may have. I can be reached at (626) 744-6939, or your staff may contact Laura Escobedo, staff to the Planning Committee at (213) 974-4102 or [lescobedo@cao.lacounty.gov](mailto:lescobedo@cao.lacounty.gov).

---

PS:LE:aa

## **Attachments (2)**

c: Executive Officer, Board of Supervisors  
Auditor-Controller

## Availability and Need for Preschool Funding in Los Angeles County

There are 93 contractors currently providing half-day, part-year State Preschool services to children who are three and four-years of age in Los Angeles County. State Preschool is funded by the California Department of Education (CDE). The following chart describes the type of organizations operating State Preschool programs under contract with CDE.

Type of Organization	Number of Contractors
School Districts (including LACOE)	39
Community Based/Private Organizations	34
Colleges	12
Head Start Agencies	5
Alternative Payment Agencies	2
City	1

For Fiscal Year 2006-07, the total of State Preschool funds allocated to Los Angeles County is \$93,443,166. This represents 38 percent of State Preschool funds available Statewide. State Preschool accounts for 12.8 percent of all the child development funds coming into Los Angeles County from CDE for direct services. Approximately 26,000 children can be served with these State Preschool funds if they are fully earned. Preschool-age children are also served in other half-day programs such as Head Start, estimated to serve 22,000 three and four-year olds and Los Angeles Universal Preschool which has added approximately 1,500 new spaces for four-year olds.

### Distribution of State Preschool Funds

Estimated State Preschool Funding and Enrollment by Service Planning Area (SPA)			
SPA	Funding *	Potential Children Served**	Percent of Total Potential Children Served
1	\$ 3,438,166	957	3.7 %
2	\$ 11,446,546	3184	12.4 %
3	\$ 22, 229,898	6184	23.8 %
4	\$ 12,548,374	3491	13.4 %
5	\$ 1,815,514	505	1.9 %
6	\$ 12,028,452	3346	12.9 %
7	\$ 17,398,890	4840	18.6 %
8	\$ 12,537, 326	3488	13.4 %

\* This is an approximate distribution since several contractors have sites in more than one SPA.

\*\* The number of children is an approximation based on the current reimbursement rate of 19.97/day per child and an average of 180 days of operation. There is some slight variation in rates, and programs may operate from 175 days per year (minimum) to 250 days per year. The number of potential children served assumes full utilization of all contract funds. Usually, a percentage of contractors under-earn their contracts, which means that the number of children served is fewer than the potential number served.

## **Reimbursement Issues**

There are hundreds of State Preschool sites, most serving children in double sessions, one in the morning and a second session in the afternoon. Thus a site that is licensed for 36 children may actually be serving 72.

While the reimbursement rates for State Preschool (\$19.97 child/day) are lower than for full-day child care and development programs (\$30.04 child/day), contractors operating double sessions earn nearly \$40 a day for eight hours of operation. Teacher requirements and staff to child ratios are the same for State Preschool and other CDE funded child development programs. State Preschool programs can operate with a single shift as opposed to full-day child development programs which require multiple shifts in order to cover a 10 to 12 hour day. This creates a fiscal incentive to provide the half-day preschool program since the costs are less and the reimbursement rate is greater on a per day/per space basis. At the same time, there is a significant unmet demand for full-day child development services.

---

## **Pre-Kindergarten and Family Literacy Program (PKFLP)**

In November, CDE issued the Request for Proposal for the new Pre-Kindergarten and Family Literacy Program (PKFLP) which was authorized by AB 172 in 2006. This program closely resembles the current State Preschool in which its purpose is to provide kindergarten preparedness opportunities to increase a child's readiness for school. Only children who are four-years old on or before December 2, 2006, and whose families earn at, or below 75 percent of the State Median Income (SMI), may be served. The program regulations allow no more than 20 percent of the slots to be used by children from families whose income exceeds the income eligibility limits. The areas targeted for these services are served by elementary schools with Academic Performance Indicator (API) scores in the bottom three deciles, as well as having been designated as high priority areas by each county's Local Planning Council (Child Care Planning Committee in Los Angeles County [Planning Committee]).

A total of \$50 million has been allocated for the PKFLP. Using a formula which included the number of schools with API scores of 1 through 3, the CDE has allocated \$13,655,323 PKFLP funds for use in Los Angeles County. These funds will be disbursed to successful applicants throughout Los Angeles County based on the criteria described above.

Similarly to State Preschool, PKFLP will operate 175 to 180 days or approximately 600 hours per academic year. An additional \$5 million has been set aside Statewide to allow a limited number of programs to provide the full-day service. Funding for full-day programs will be determined by lottery among interested applicants.

A recent survey of current State Preschool contractors asked if they intended to apply for the new PKFLP funding. Of the 37 contractors responding to this question, 19 (51%) indicated that their organizations would not be applying for the new funding.

The reasons given are as follows:

- Insufficient numbers of eligible children (25%)
- Insufficient facilities (25%)
- Families need other types of care (21%)
- No schools with low API Ranks in service area (9%)
- Program not needed at this time (5%)

It should be noted that of the 19 organizations declining to apply for the new PKFLP, seven have preschool programs that are fully enrolled and do not have a history of under-earning their contracts.

### The Need for Preschool Programs in Los Angeles County

A mapping exercise conducted by the Planning Committee with the assistance of the Urban Research Unit of the Service Integration Branch, Chief Administrative Office looked at the number of currently operating programs serving preschool age children located within one mile of each school with an API rank of 1, 2, or 3. The results indicate that on average, there are 13 preschool programs within a mile radius of each of these schools. Schools with API ranks of 10 had an average of four preschool programs near by.

