More Than Just Pre-K:

The Positive Economic Impact of Preschool in Los Angeles County

MARCH 2016

ISSUE BRIEF

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(about this report)

The Institute for Child Success commenced work on this report in response to discussions between LAUP, County Supervisor Hilda Solis and critical early childhood education stakeholders in Los Angeles County regarding the economic impact of early education investments in the county. It is designed to serve as a resource for the broad network of policymakers, practitioners and others who are committed to the role quality early education has in the lives of young children and their communities. It notes the extraordinary achievements of LAUP and First 5 LA over the past ten years and their lasting positive impact. Over those 10 years, LAUP has known the funding from First 5 LA would conclude. LAUP has worked to find alternative sources of funding and the challenge in doing so speaks to a stark reality: to achieve universal access to quality early care and education opportunities in L.A. County, we need our policy makers to make investing in our young children a priority. Less than half of 4-year-olds in Los Angeles County are being served and for younger children, the need is far greater. To completely and comprehensively address the issue of access in L.A. County and throughout the state of California, early learning advocates, including LAUP and First 5 LA, need to make the case for sustainable funding from federal, state and local governments and private philanthropy. This report underscores the economic impact and widespread benefit such sustainable funding could have. It is our hope that this report inspires the creation of advocacy and policy recommendations as it reminds us all that no one funding source can do it all. The alignment of multiple funding sources is required.

Headquartered in Greenville, South Carolina, the Institute for Child Success is an independent, nonpartisan, nonprofit research and policy organization dedicated to the success of all young children. They have prepared similar reports across the country for a number of state and local agencies.

(author's note)

The report is being written during a period of rapid change in the early childhood systems of both Los Angeles County and the State of California. From this vantage point, it is very hard to predict how LA's preK system will look even six months from now. This report analyzes the potential impact of two major systems changes: expiration of the contract that has funded Los Angeles Universal Preschool since it began operations in 2005 and the elimination of the LA Unified School District's School Readiness Language Development Program (SRLDP). Factors that remain uncertain at the time of this writing include: (1) how the new California State Preschool Program (CSPP) slots funded in this year's state budget agreement will be allocated among providers; (2) the extent to which the new CSPP slots will serve as effective replacements for the LAUP slots lost; and (3) the extent to which the expansion of LAUSD's transitional kindergarten (ETK) program will compensate for the loss of SRLDP, both in number of slots and program quality. Because so much is in flux at the time of this writing, these issues are discussed, but no attempt is made to anticipate or estimate the extent to which the losses to SRLDP and LAUP will be compounded and/or offset by these and other possible early childhood systems changes.

(executive summary)

Despite the economic recovery and the commitment by many state leaders to provide preK to all eligible children, Los Angeles is on the brink of losing 10,738 high-quality public preK slots, because funding is no longer available.

The impact of withdrawing funding for high-quality public preK from LA's highest-need communities will be a significant loss of jobs; the financial imperilment and likely closure of numerous small businesses; the loss of affordable child care for thousands of working parents; and, most importantly, diminished chances of success in school and life for ten thousand children.

These impacts will not be readily undone, even if funding is restored in subsequent years, as would happen if public preK were expanded statewide. The years between birth and age five are a critical period of intense brain development. To deprive a child of preK during this time is to sacrifice a unique and brief opportunity to vastly improve their chances for long-term social and economic success. Similarly, the economic damage to families, providers, and communities caused by a break in the flow of preK funding cannot be quickly or cost-effectively repaired.

The School Readiness Language Development Program (SRLDP), a popular and effective Los Angeles Unified School District (LAUSD) preK program specially

designed for English language learners, has been cut repeatedly since 2011 and is slated for elimination in the 2016-17 school year.

At the same time, the contract with First 5 LA that has funded Los Angeles Universal Preschool (LAUP) for the last ten years will expire in June of 2016 while no alternative funding has been secured to continue to fund spaces.

SRLDP was implemented in 1979 as part of the court-ordered integration of the Los Angeles public schools. Until 2011, SRLDP was a comprehensive preK program emphasizing oral language development, parent education and engagement, professional development for teachers, and evaluation. Since then, a series of budget cuts have systematically dismantled the program, eliminating parent involvement and professional development programs, cutting enrollment by over two-thirds, and increasing class sizes.

Cuts to SRLDP since 2011 have already cost Los Angeles County $605 million in reduced economic activity and foregone long-term benefits. Loss of the remaining SRLDP slots will increase this cost by 59 percent.

Since 2005, LAUP has enabled over 100,000 children to attend affordable, high-quality preschool. During that time, over 650 programs have taken part in LAUP, generating $6.9 billion in economic benefits, ten times more than the services cost to provide. LAUP's economic benefits have been distributed among the state, the county, school districts, local businesses, families, and the children themselves. Our analysis finds that benefits of $1.2 million per classroom per year will be lost when LAUP's grant ends.

LAUP has both expanded and improved LA County's preschool network, helping to meet the need for affordable preK, enhancing the quality of the hundreds of preK programs with which it contracts, and setting a standard of quality for preK programs countywide.

In addition to LAUP and SRLDP, two other major public preK programs—Head Start and the California State Preschool Program (CSPP)—serve LA County 4-year-olds. LAUSD's Transitional Kindergarten (TK) an Extended Transitional Kindergarten (ETK) currently serve 10,200 and 2,300 4-year-olds respectively. Collectively, the six programs have the capacity to serve just over half of the county's 126,000 4-year-olds.

Research confirms that high quality pre-K is one of the best investments government can make.

WHY LA NEEDS AFFORDABLE, HIGH-QUALITY PREK

One-in-four LA County high school students will fail to graduate, and many who do will be unprepared for college or the labor market. By 2020, two-thirds of US jobs will require at least some post-secondary education; but, at present, only 19 percent of LA County 11th graders are ready for English coursework at a California state college and only 13 percent are prepared for college coursework in math.

Over 27 percent of Los Angeles children grow up in poverty. Economic disadvantage in early childhood, particularly prolonged poverty, has been shown to compromise physical and emotional health well into adulthood,[1] reducing an individual's workforce productivity and greatly increasing the chances that they will raise their own children in poverty.

An ever-growing body of research confirms that high-quality preK is one of the best investments government can make. Children who attend preK, particularly those disadvantaged by economic and/or social circumstances, do better in elementary school, are less likely to become teen parents, are more likely to complete high school and go on to college, have higher lifetime earnings, and pay more taxes. They are less likely to engage in crime or be victimized by it, have fewer incarcerations, and spend less time on welfare

or relying on other forms of government assistance. PreK is a key tool to combat the issues of poverty and educational attainment facing LA County.

PROVEN EFFECTIVENESS

Program evaluations have documented LAUP's positive impact on kindergarten readiness and performance in elementary school. The percentage of children participating in LAUP programs who scored "proficient" or "near-proficient" on social, emotional, and cognitive skills essential for kindergarten success increased from 22 percent when they entered preschool in fall 2008 to 72 percent when they finished preschool in spring 2009. LAUP students scored higher than their non-PreK peers on both the Reading and Math California Standards Test in 2nd grade, and higher on the Reading test in 3rd grade. LAUP children were also less likely than other students to be classified as English Language Learners (ELL) or special needs, they attended more days of school, and were less likely to have repeated a grade or have been suspended.

Since 2011, successive budget cuts have eliminated many key features of SRLDP, including evaluation. However, a 1998 study of 4th graders who attended SRLDP documented significant, positive impacts in reading, language, and mathematics.

Universal Services

Although most LAUP and SRLDP families are low-income, neither program is strictly means-tested, meaning that they are available to families regardless of income. SRLDP targets services to English Language Learners (ELLs) and Standard English Learners (SELs). LAUP services are concentrated in low-income communities and are especially beneficial to low-income working families who have income too high to qualify for CSPP or Head Start but can't afford several hundred dollars a month for private preschool.

Workforce Development

Both SRLDP and LAUP have helped meet LA's critical need for high-quality, culturally competent preK. Prior to the recent budget cuts, SRLDP prioritized ongoing staff development for teachers, paraprofessionals and other classroom support staff. Since 2005, LAUP has trained thousands of individuals from culturally diverse backgrounds to provide high-quality preK in a wide variety of settings.

Sustaining the Mixed Delivery System by Supporting Preschool Business Operations

LAUP's mixed delivery system offers preK in a diverse array of public and private settings in order to meet the differing needs and preferences of families. The staff and proprietors of the community-based centers and family child care homes that enroll LAUP children are truly representative of the communities they serve. Many small preK programs are owned and operated by minority women. PreK providers in immigrant communities are often immigrants themselves. Their close familiarity with the challenges faced by the families they serve enables these providers to establish the trusting relationships that are the foundation of high-quality early care and education.

LAUP fortifies the economies of the communities it serves by supporting small business development and local entrepreneurship. LAUP currently expends $59.1 million annually on contracts with preK providers in a variety of settings including public, private, and charter schools, private child care centers, community-based programs such as Head Start centers, and family child care homes. To help its private preK contractors succeed, LAUP provides technical assistance to improve preschool business operations and meet reporting obligations.

Table 1. Economic Impacts of Reduced PreK Funding

	Total	Per Classroom
Local Economic Impact (reduced output)	-$109.8 million	-$219,600
Parental Employment Impact (lost wages)	-$24.9 million	-$49,700
Long-term Cost Impact (higher public sector costs)	-$462 million	-$922,000
	-$596.7 million	**-$1.2 million**

ECONOMIC IMPACTS

PreK cuts have both short-term and long-term economic consequences. These consequences take three general forms:

1. Local economic impacts of reduced expenditures by LAUP—Job losses and business closures in early childhood education and the sectors that supply ECE businesses with goods and services.
2. Parental employment impacts—Reductions in parent employment and earnings due to the loss of affordable, high-quality child care.
3. Long-term cost impacts —Reductions in future workforce productivity and increases in long-term social costs due to diminished school readiness.

These three factors produce a combined annual impact of -$596.7 million or -$1.2 million per classroom.

Local Economic Impact: Job Losses and Business Closures

Early childhood programs have numerous linkages to other businesses and institutions within a local economy. ECE investments are particularly beneficial at the local level because early education is labor-intensive and most program revenue is returned to the community in the form of wages and salaries paid to ECE employees. Owners of private ECE businesses often live in the communities they serve, so proprietor income is also re-injected into the local economy. Finally, ECE programs tend to purchase their goods and services locally, often from other neighborhood small businesses. Thus, although the impacts of ECE funding cuts are felt countywide, they are experienced most acutely by individual communities and neighborhoods.

Parental Employment Impact

PreK also contributes to the economy by providing an affordable child care option for working parents, particularly low income families with limited access to high-quality early childhood programs. Subsidized early childhood programs have been shown to increase the duration of employment, the number of hours worked, and the earnings of working mothers.

Many parents would be unable to hold down a job without access to affordable child care. This is particularly true for mothers, both in single-parent and two-parent families. The loss of over 10,000 affordable preschool slots would impact an estimated 6,000 working mothers and reduce their time spent working by 1.5 million hours causing them to forego $24.9 million in annual earnings.

Long-term Cost Impact: The Value of Improved Outcomes for Children

Many of preK's most significant economic benefits accrue over the course of many years. Documented long-term cost savings attributable to preK include: reduced grade retention and special education placements in primary school, increased rates of high school completion and post-secondary education, better employment outcomes, reduced likelihood of incarceration, and less dependency on government assistance in adulthood.

A cost-benefit analysis conducted in 2005 by the RAND Corporation concluded that providing high-quality, half-day, public preK to children from low-income communities throughout California would produce $7.81 in benefits for every $1 spent. The hypothetical statewide program modeled in the RAND analysis had standards very similar to those employed in LAUP classrooms.

Based on the benefit-cost ratio calculated by RAND, the loss of 7,000 LAUP slots would cost residents of California about $462 million annually in:

- Increased spending on public education interventions including grade retention and special education placement;
- Higher social costs due to child maltreatment, crime, and delinquency;
- Foregone income due to lower rates of high school completion and reduced college attendance;
- Diminished tax revenue.

The costs of cutting high-quality preK in Los Angeles County will well exceed the program dollars saved. State and local leaders must either re-examine their funding priorities to find the resources to preserve these programs within existing budgets or actively explore new sources of revenue for high-quality preK.

Table 2. Major Publicly Financed Preschool Programs in Los Angeles County School Year 2014-15

Program Name	Eligibility Criteria	4-year-olds Eligible	4-year-olds Served	Percent Served	Eligible but Un-enrolled
LAUP	Universal	126,230	7,000	6%	119,230
SRLDP	ELL and SELL in PHBAO elementary schools	31,588	10,642	34%	20,946
Ca. State Preschool Program (CSPP)	Income below 70% SMI	65,785	20,672	31%	45,113
Head Start	Income below 100% FPL	34,628	14,420	42%	20,208
Transitional Kindergarten (TK)	Eligible for free & reduced meals & turn 5 between the start of the school year & Dec 2.	21,459	10,200	48%	11,259
Total		**126,230**	**62,934**	**50%**	**63,296**

[1] Standard English learners (SELs)

[2] Predominantly Hispanic, Black, Asian, or Other non-Anglo

Sources: Los Angeles Universal Preschool; SRLDP—LAUSD, CSPP- Policy Office Early Education and Support Division California Department of Education; Head Start – California Head Start Association; American Community Survey, Age by ratio of income to poverty level, 2013

(introduction: can Los Angeles County afford to lose high quality PreK?)

The evidence is overwhelming and continuing to mount. Study after study, from across the nation, the state, and Los Angeles County confirm: preK pays off. Children who attend preK, particularly those disadvantaged by economic and/or social circumstances, do better in elementary school, are less likely to become teen parents, are more likely to complete high school and go on to college, have higher lifetime earnings and pay more taxes. They are less likely to engage in crime or be victimized by it, have fewer incarcerations and spend less time on welfare or relying on other government social programs. The families they form are often more stable and prosperous than the ones they came from, and, as a result, their children have a better chance of success than they did.

Given this evidence, it is not surprising that the chorus of voices calling for more and better preK is growing louder and evermore diverse. Supporters of universal preK include Nobel Laureates, the US President, business groups, research scholars, classroom teachers, police officers, and spectrum of families from a wide variety of communities and every income level.

After years of cuts to early childhood programs, government finances are finally rebounding from the recession. Many state leaders, in California and across the country, are renewing their commitments to early childhood education, vowing to restore the lost funding and, in the case of California, pledging to expand early childhood programs to cover all eligible children.[2]

Despite the progress at other levels of government, some of the LA communities most in need of high-quality preK are facing cuts. Exhaustion of funding for Los Angeles Universal Preschool (LAUP) could mean the elimination of 7,000 high-quality preK slots by 2017. This loss would coincide with the elimination of the School Language Readiness Development Program (SRLDP), a popular and effective[3] Los Angeles Unified School District (LAUSD) preK program specially designed for English Language Learners that served between 10,000 and 11,000 children in school year 2014-15 and has the capacity to serve roughly 5,912 today. This study explores the consequences of these

losses by estimating their potential impact on the county economy, low income communities, working families, and Los Angeles' future workforce.

(background)

PUBLIC PREK IN LOS ANGELES COUNTY

Four major publicly financed preK programs and LAUSD transitional kindergarten (TK) collectively served 50 percent of county 4-year-olds in 2014-2015. Their enrollments are listed in Table 2 and each program is described in detail below.

Los Angeles Universal Preschool

During the 2014–2015 school year, LAUP fully funded about 7,000 preschool spaces and funds quality enhancements for an additional 2,700 spaces in other publicly financed programs such as Head Start.

Los Angeles Universal Preschool (LAUP) is an independent public benefit corporation founded in 2004 to provide high-quality preschool to 4-year-old children in Los Angeles County. LAUP preschools are free or low-cost and are available to all Los Angeles County families regardless of income. LAUP has been financed primarily with state tobacco tax funds administered by First 5 LA. With these funds, LAUP supports the provision of high-quality preK services by a diverse network of public and community-based preschools. Although LAUP preschools are located throughout the county, services are concentrated in the high needs communities in LA's south and east, including parts of the San Gabriel, San Fernando and Antelope Valleys.

Since 2005, LAUP has provided high-quality preK to over 100,000 county 4-year-olds of all cultural and socioeconomic backgrounds through contracts with over 650 preschools and public school preK classrooms. During this time LAUP has both expanded and improved the county's preschool network, helping to meet the unmet need for preK, enhancing the quality of the hundreds of preK programs with which it contracts, and setting a standard of quality for preK programs countywide.

Transitional Kindergarten: TK ≠ pre-K, yet.

The Kindergarten Readiness Act of 2010 changed California's kindergarten entry date from December 2 to September 1 so that all children enter public kindergarten at age five. Prior to the change, 4-year-olds with birthdays before December 2 could enroll in kindergarten. Due to the rapid pace of cognitive and social- emotional development in the first five years, these youngest kindergarteners were often at a disadvantage relative to their slightly older peers. Transitional kindergarten (TK) was created to provide developmentally appropriate programs for children born in this three-month window who were ready to start school, but not quite ready for kindergarten.

The 2015-2016 California state budget extends TK by allowing school districts to enroll 4-year-olds, including those who turn five after December 2 but during the school year.

Source: What is TK? www.tkcalifornia.org/about-tk/about-tk.html

LAUP provides funding for preschool operations, capital improvements, professional development and other forms of capacity building. Operational funds are allocated on the basis of enrollment rather than attendance, a practice that gives LAUP providers a degree of fiscal stability not available from other public funders. Per- child operations funding is predicated on program quality, which motivates program improvement. A parent "investment fee," which can be waived in cases of extreme financial hardship, offsets some program costs and helps ensure parent engagement. LAUP supports the efforts of preK providers to meet and even exceed its high expectations with a comprehensive coaching model and spectrum of other resources designed to assist programs in meeting the organizational, financial, and workforce-related challenges of consistently providing high-quality preK.

School Readiness Language Development Program

The School Readiness Language Development Program (SRLDP) is a half-day preK program that, during school year 2014-15, served 10,642 4-year-olds in 289 predominantly Hispanic, Black, Asian, or other Non-Anglo (PHBAO) Los Angele public schools and this year

serves about 5,912. SRLDP emphasizes oral language skills, preparing both English Language Learners and Standard English Learners[i] for kindergarten by developing their listening, speaking, and vocabulary skills.

SRLDP is financed entirely with LA Unified School District (LAUSD) general funds. During school year 2014-15, SRLDP employed 311 teachers and cost LAUSD $36.6 million annually. For school year 2015-16 SRLDP was budgeted $22.8 million.

SRLDP was implemented in 1979 as part of the court-ordered integration of the Los Angeles public schools. Until recently, SRLDP was a comprehensive preK program, serving over 16,000 children at 326 schools. For its first thirty years, SRLDP consisted of four components: half-day preK emphasizing oral language development, parent education and engagement, professional development, and evaluation.

Being outside the state school funding formula, SRLDP does not generate state average daily attendance (ADA) revenue for LAUSD. This, and the lack of any program revenue external to LAUSD, has made SRLDP vulnerable to budget cuts. In 2011, SRLDP received the first in a series of cutbacks that increased class sizes, decreased teacher prep time, eliminated the parent engagement component of the program and resulted in the layoff of parent-training teachers.[4]

SRLDP Quality: Pre-2011 and Today

Prior to 2011, SRLDP served both children and their parents. Active parent involvement, including mandatory parent workshops, parent education classes, and monthly classroom volunteering, was a program requirement.

SRLDP maintained maximum ratios of 11 students to each teacher and five students to each adult. Each class had 15 to 22 students with two credentialed teachers and two teaching assistants; other support personnel who assisted on a regular basis; and parent volunteers in the classroom daily.

Professional development for SRLDP teachers, paraprofessionals, and support staff was a third component of SRLDP quality lost to budget cuts.

California State Preschool Program (CSPP)

CSPP programs are administered through local educational agencies, colleges, community-action agencies, and private nonprofit agencies at elementary schools and other sites throughout Los Angeles County. CSPP offers developmentally, culturally, and linguistically appropriate curricula, as well as meals and snacks, parent education, and referrals to health and social services for families. California is in the early stages of implementing a statewide quality rating improvement system (QRIS), but the vast majority of CSPP programs have never received tiered reimbursement rates based on program quality. CSPP currently meets four of the ten benchmarks used to compare the quality of state preK programs. Only two state preK programs rank lower than CSPP on markers of preK quality.[5]

Services are available to 3- and 4-year-olds in households with income below 70 percent SMI, although 4-year-olds have priority in enrollment. In 2014, 20,672 Los Angeles County 4-year-olds were enrolled in CSPP, 46 percent in full day programs.[6] The state is steadily restoring CSPP slots lost during the recession and a significant expansion is underway in LA County. Still, the number of LA County CSPP slots remains below the 27,000 available in 2008.

Head Start

Roughly 27,731 children are enrolled in Head Start preschool programs in Los Angeles County. 4-year-olds constitute just over half (14,420) of LA's Head Start preschool enrollees.[7] Head Start supports child development by providing children the tools they need to succeed in school and helping parents provide stable, nurturing learning environments at home. Head Start services include education, family and community engagement, health, mental health, nutrition, and services for children with disabilities.[ii] The programs are operated by a variety of non-profit agencies and school districts with funding from the federal Office of Head Start. To qualify for Head Start children must be from households with income below the federal poverty level, but a small percentage of slots may be awarded to families with income that exceeds this threshold.

i Native English speakers with limited mastery of standard academic English due to use of nonstandard ethnic dialects.

ii Ten percent of Head Start program slots are reserved for children with diagnosed disabilities.

What is High Quality Pre-K and Why Does it Matter?

- Relationship intensive
- Outcomes-oriented
- Benchmarks establish the conditions conducive to quailty
- Only children who receive high quality services reap the full benefits of Pre-K

The Los Angeles County Office of Education (LACOE) Head Start-State Preschool Division operates the nation's largest Head Start program, with a combined total funding of more than $200 million.[8]

THE NEED

In school year 2014-15 approximately 62,934 LA County 4-year-olds were enrolled in publicly funded preK or TK, leaving 63,296 un-enrolled (Table 2). Over one-third of un-enrolled children are from households that can't afford private preK.[iii] Lack of access to preK reduces the chances that children will succeed in school and obtain the skills necessary to meet the demands of LA's future economy.

Educational Outcomes

By 2020, two-thirds of US jobs will require at least some post-secondary education;[9] but presently only 19 percent of LA County 11th graders are ready for English coursework at a California state college and only 13 percent are prepared for college coursework in math.[10] Yet even these alarming statistics fail to capture the full extent of LA's pending workforce crisis. Despite recent progress, one-in-four LA County high school students will fail to graduate. The unemployment rate for dropouts is 50 percent higher than the national average, and, when they do find a job, dropouts earn one-third less than high school graduates and 44 percent less than college graduates. Individuals who do not complete high school are twice as likely as college graduates to live in poverty.[11]

iii The average cost of private center-based preschool generally constitutes over 15 percent of income for a three-person family with income below 300 percent FPL. Roughly 85,438 LA County 4-year-olds reside in households with income below 300% FPL,

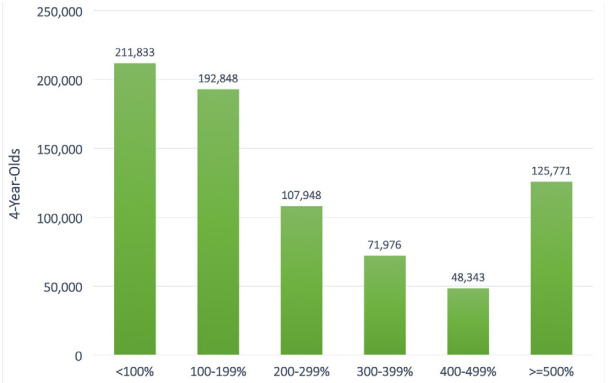
Tomorrow's Economy: Fewer Workers and Technically Demanding Jobs

Investing in preK today helps ensure a healthy future economy despite the challenges of an aging population and the highly technical nature of a growing share of jobs. Falling birth rates, fewer immigrants, and a smaller population of women of child-bearing age have reduced LA's child population dramatically and will continue to do so for the foreseeable future. Between 2000 and 2010 the number of Angelinos under age 18 decreased by 16.9 percent. The number of young people is expected to drop an additional 14.6 percent by 2020.[12]

As LA's child population shrinks, the county's senior population is growing at an unprecedented rate. Fewer young people today means a smaller future workforce with which to support a disproportionately large senior population.

Maintaining a healthy economy with fewer people on the job and a larger dependent population requires that each worker contribute more; this, in turn, requires that employees be as productive and highly skilled as possible. Every student must complete high school and enter the workforce with the skills, both "hard" and "soft," needed to succeed in employment. As jobs become more complex the need for post-secondary education grows. The responsibility of preparing young people to succeed in work and life rests heavily on the public education system, which must also learn how to accomplish more with even fewer resources. Early childhood education, particularly preK, can improve outcomes at every

Figure 1. Los Angeles County 4-Year-Olds by Ratio of Family Income to Federal Poverty Level (FPL)



Source: American Community Survey, 2013

Table 3. Private Preschool Costs in Los Angeles County, 2012

Type of Facility	Annual Cost[1]	Median Income LA County Single Mother Families[2]
Child Care Center	$9,164	$25,314
Family Child Care Home	$7,710	

[1] KidsData.org [2] American Community Survey 2013, 3 Year Estimates Table B19126

stage in the educational process[13] and is a far more cost effective investment than educational remediation in the later grades.[14]

The Consequences of Poverty

Over 27 percent of Los Angeles children grow up in poverty.[15] Economic disadvantage in early childhood, particularly prolonged poverty, has been shown to compromise physical and emotional health well into adulthood,[16] reducing an individual's workforce productivity and greatly increasing the chances that they will raise their own children in poverty. Figure 1 shows the distribution of LA County 4-year-olds by family income level.

Poverty also increases the incidence of Adverse Childhood Experiences (ACEs). ACEs are traumatic experiences such as abuse, neglect, parental incarceration, exposure to domestic violence, and other forms of family dysfunction that can severely impact physical, emotional, and cognitive development.[17] The impacts of ACEs are dose-dependent, meaning that the more stress and trauma children experience, the more likely they are to suffer long-term academic, economic, and social consequences. Fourteen percent of Los Angeles County adults have experienced four or more ACEs.[18]

Barriers to Access

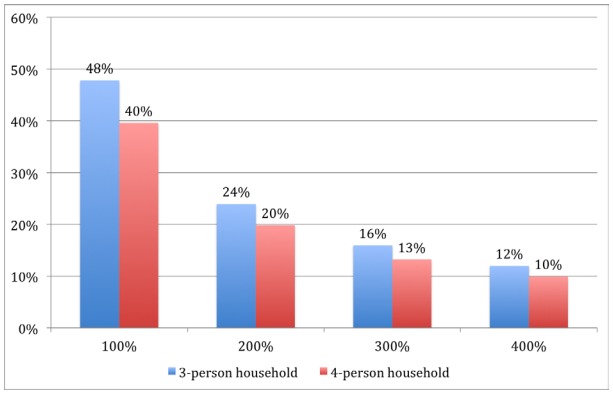
High-quality preK can help children who have experienced poverty and traumatic stress catch up with their peers and enter kindergarten ready to learn. It can also greatly improve the school readiness and chances for long-term success of more advantaged children.[19] However, high-quality preK is out of reach for many LA families. There are too few slots in Head Start and other publicly financed high-quality programs to meet the need for affordable, developmentally appropriate care,[20] and paying the full price for private preK—over $9,000 per year in 2012[21]—is simply impossible for most low-income families. Center-based child care for a 4-year-old in Los Angeles County exceeds one-third of median household income for an LA single mother.[22] Preschool costs are shown in Table 3.

Low-income families are not the only ones that struggle with the cost of private preK, as shown in Figure 2. Center-based child care for a 4-year-old in Los Angeles County constitutes 23 percent of the median income for a Los Angeles female employed full-time and year-round.[23] Over two-thirds of county 4-year-olds reside in homes with income below 300 percent of the federal poverty level (FPL), the level below which private, center-based preschool for one child typically constitutes more that 15 percent of income.

Over 25 percent of Los Angeles parents of children ages four and five who need child care[iv] report that care is "very" or "somewhat" difficult to obtain.[24] Difficulty

iv 25.9% of parents of children ages four and five reported that they did not need child care

Figure 2. Cost of Private Center-Based Preschool as a Percentage of Family Income by Ratio of Income to Poverty Level



Source: US Census American Community Survey 2013 3-year data and KidsData.org

The Benefits and Costs of a Higher Minimum Wage

The minimum wage in Los Angeles is scheduled to increase from $9 per hour to $15 per hour by 2020. Early childhood education is historically low wage work, and the early childhood workforce includes many minimum wage workers. A higher minimum wage will make a big difference in the lives of these workers and their families and will stimulate the economies of the communities in which they live and work.

However, raising the minimum wage will also impact a large number of early childhood employers, many of whom struggle to keep rates affordable for parents. To the extent that higher operating costs cannot be passed along to parents, providers may reduce jobs or employee hours and thus the number of children they can serve. Many ECE providers are, at least temporarily, exempted from the higher minimum wage, but the higher pay available in other occupations and industries and the challenge of recruiting and retaining qualified staff will compel pre-K providers to pay their workers more.

Another unintended consequence of raising the minimum wage may be an increase in the number of working families who earn too much to qualify for Head Start or CSPP but not nearly enough to pay for pre-K out-of-pocket, especially if prices go up. This will increase the need for pre-K programs like LAUP and SRLDP that target low income working families but are not means-tested.

LAUP has taken a number of steps to help providers secure alternative funding, including:

- Advocating at the state level for preschool dollars
- Holding 12 technical assistance workshops to assist providers in applying for state preschool funding and other grant opportunities
- Applying for new state preschool slots on behalf of 15 family child care providers
- Contacting every school district that will be affected by the loss of LAUP slots, encouraging them to apply for new CSPP funding and offering technical assistance with the grant application

finding care varies by race, ethnicity, nativity, income, and geography. Barriers to child care access are reported by:

1. Thirteen percent of White Non-Hispanic, US-born parents and 43 percent of foreign-born Latino parents
2. Twelve percent of families with income above 300 percent FPL and 43 percent of families living in poverty
3. Eighteen percent of families in the Antelope Valley area and 37 percent of families in South Los Angeles

Fifty-seven percent of LA County children speak a language other than English at home and 15 percent live in "linguistically isolated" households in which no one over 13 speaks English "very well."[25] Limited English can restrict access to early education, yet English language learners are among the children who have the most to gain from preK. ELL students enter school at a significant academic disadvantage, lagging monolingual students in numerous dimensions of language and literacy including vocabulary, comprehension and letter recognition.[26] Spanish speaking children start kindergarten with language and literacy scores in the bottom 25 percent and are still in the lowest quartile at kindergarten's end.[27]

(budget and policy context)

The recession took a tremendous toll on California's system of early care and education. The state reduced funding for early childhood programs by $1.2 billion. Between 2008 and 2011, Los Angeles County lost 11,200 early care and education slots[28]—over 25 percent of the county's ECE capacity.[29] Between 2011 and 2015 SRLDP lost an additional 11,000 slots.

Low-income communities in south and southwest Los Angeles County, the Antelope Valley, Pomona and sections of the San Gabriel Valley were the hardest hit. During the same period, the number of child-care spaces in some of LA's more affluent communities actually increased.[30] Thus, the net change in spaces county-wide camouflages the extent to which many individual communities were impacted.

As the economy recovers, many leaders are renewing their commitments to early childhood education, vowing to restore the lost funding and pledging to expand early childhood programs to cover all eligible children.[31]

Table 4. Los Angeles County CSPP Restoration and Expansion Slots (3 and 4-year olds)

	Full-Day	Part-Day	Total
Expansion	1,075	301	1,376
Restoration	1,578	346	1,924
Total	2,653	647	3,300

Source: Policy Office Early Education and Support Division. California Department of Education.

Yet, in-spite of the rebounding economy, SRLDP's remaining 5,912 preK slots will be lost at the end of this school year. LAUP's 10-year, $580 million contract with its funding source is set to expire on June 30, 2016. LAUP has worked to find alternative sources of funding and the challenge in doing so speaks to a stark reality: to achieve universal access to quality early care and education opportunities in L.A. County, we need our policy makers to make investing in young children a priority. A no-cost contract extension will enable LAUP to draw down remaining fund balances to support a number of preK quality initiatives, but LAUP will no longer fully fund preK slots.

In 1998, California voters passed Proposition 10, which levied a 50-cent per pack tax on all tobacco products. The resulting tax revenues were earmarked for the creation of a comprehensive system of information and services to advance early childhood development and school readiness within each county in California. In Los Angeles County, the First 5 LA Commission was formed as a public entity to develop and oversee various early childhood initiatives and to manage the funding from Proposition 10.

Since then, tobacco tax revenue has declined 50 percent, a rate far faster than was expected. In light of this, First 5 LA is reducing its expenditure on direct services and instead investing in systems change and policy initiatives designed to secure support for ECE that is sustainable in the long-run.[32]

The 2014-2015 California Budget Act included $66 million to restore 7,500 of the CSPP slots lost statewide during the recession. Funds were also allocated for program expansions. Los Angeles County received 1,924 restoration and 1,376 expansion slots (Table 4). Programs began filling restoration slots in October 2014. Expansion services began in July 2015.

On June 16, 2015, Governor Jerry Brown announced a final budget package that included over $300 million for ECE statewide. The budget package provides for 16,330 new slots: 7,030 full-day state preschool slots, 2,500 part-day state preschool slots with priority for children with disabilities, and 6,800 alternative payment voucher slots. The 2017 budget also increases statewide reimbursement rates and includes $24.2 million in one-time funding to improve the quality of infant-toddler programs.

CAN CSPP REPLACE LAUP?

CSPP expansion funds awarded for the 2016-17 school year will likely offset some of the LAUP losses, although the number of LAUP slots preserved will not be known until Spring 2016. LAUP is working to maximize the number of new CSPP slots allotted to LAUP providers by helping providers navigate the CSPP application process. Small, home-based preK businesses are receiving technical assistance in responding to CSPP Request for Applications. LAUP is also supporting superintendents of local school districts and ECE directors in obtaining new CSPP funding to save LAUP's school-based slots. Recipients of CSPP awards for 2016-17 are scheduled to be announced on March 11, 2016.

CAN EXTENDED TRANSITIONAL KINDERGARTEN REPLACE SRLDP?

A plan to offset some of the SRLDP losses with expansions to LAUSD's Transitional Kindergarten (TK) was implemented at the start of the 2015-2016 school year.[33] Transitional kindergarten is available to children who qualify for LAUSD's free-and-reduced price

meal program and turn five between September 2 and December 2. Expanded Transitional Kindergarten (ETK) is available to low-income children who turn five after December 2 but during the school year.

ETK is being implemented in schools where School Readiness Language Development Program (SRLDP) classrooms have been eliminated. For school year 2015-2016 2,780 ETK slots are being made available in 116 schools. The remaining 171 schools with SRLDP classrooms will transition to ETK in the 2016-17 school year with the anticipated creation of 4,104 additional ETK slots.

The ETK expansion is intended to provide an alternate program for low-income children who would otherwise have enrolled in SRLDP. It will also preserve teaching positions for certified and classified former SRLDP staff. For SY 2015-2016 LAUSD has allocated $14.3 million to ETK and $22.8 million to SRLDP.

The LAUSD plan will create 6,884 ETK slots to replace 10,642 slots lost by SRLDP, leaving a deficit of roughly 3,758 slots. However, LAUSD will spend the same amount on ETK as it did on SRLDP because the ETK school day is longer and thus more costly.

Differences between SRLDP and ETK and uncertainty about the extent to which they will be reconciled make it difficult to gauge the suitability of ETK as a substitute for SRLDP.

As noted earlier, the pending cuts to SRLDP are the last in a series of reductions.[v] SRLDP today is not the SRLDP that existed five years ago. The program has already lost over 10,000 slots as well as essential program components including parent engagement and professional development for teachers (See box on page 7). ETK may be a reasonable alternative to SRLDP in its current incarnation but inferior to the original program.

ETK is a 180-day program that follows the elementary school schedule. The ETK expansion sites established to replace SRLDP will be open to all low income 4-year-olds with birthdays between December and June, not just those with oral language needs. The current ETK curriculum is not tailored to the specific needs of ELL and SELL children and does not include the parent participation and education components that were central to SRLDP.

The 6.5-hour ETK school day is four hours longer than the SRLDP school day. While there is evidence that full day preK is more beneficial than half-day preK,[34] the improvement in outcomes is contingent on program quality.[35] The observed improvements in performance are generally less than proportional to the increase in the duration of the school day,[36] [37] suggesting that, from a societal perspective, providing high-quality half-day preK to two children may be more beneficial than providing full-day preK to one.

Finally, with two sessions per day, the 311 credentialed lead teachers employed by SRLDP have average class sizes of about 16 students, with one educational assistant (EA) for an adult-to-child ratio of 1:8. TK classes are limited to 24 students, a 1:12 ratio with one EA.

IS JETTISONING PREK AN EFFICIENT USE OF PUBLIC FUNDS?

The ongoing scarcity of public funds and the great unmet need for preK services make it essential to maximally leverage existing resources. Forcing the closure of many small preK providers when a statewide preK expansion is likely to renew demand for their services in the next few years is an inefficient use of public resources.

The loss of LAUP funding will force many small providers to shut down entirely. Although most LAUP providers are committed to providing preK, they also need to make a living. If they are forced to close their doors it may be very difficult to convince them to reopen if and when more preK funds become available. Many providers will have no choice but to seek employment elsewhere and families in their communities will seek

v The cuts to SRLDP were triggered by budget pressure created by 12 consecutive years of declining LAUSD enrollment. District officials estimate that every 3 percent drop in enrollment costs LAUSD $100 million in state average daily attendance funding. The district's falling enrollment is partly attributable to the increasing popularity of charter schools. Advocates of preserving SRLDP argue that the program helps LAUSD compete with charters because attending SRLDP increases the likelihood that a child will attend their local public school for K-12. (See: Romo, V. (2015, May 4) LAUSD preschool program in peril with help still two years away. LA School Report. http://laschoolreport.com). It is not yet clear whether transitional kindergarten will be as appealing to parents or exert the same influence on public school enrollment.

Qualified teachers play a critical role in the LAUP program.

other sources of child care. If CSPP later expands to the degree policymakers have committed to, former providers may be unwilling or unable to undertake the effort of applying for funds that are uncertain and potentially unstable.

Workforce development is essential to the growth and maintenance of a high-quality preK system, but it is also expensive and time-consuming and thus a significant capacity constraint for preK expansion. Since 2005, LAUP and First 5 LA have made workforce development one of their highest priorities, investing millions to develop a robust, diverse contingent of dedicated providers to deliver high-quality preK in a variety of settings throughout Los Angeles' highest need communities. LAUP must maintain capacity until new funding is secured to prevent squandering the investments the program and many of its providers have made in workforce development over the past ten years. It will also reinforce the impression that early childhood is an inherently unstable occupation and make it even harder to attract qualified personnel to the field.

(more than just a loss of slots: the unique contributions of LAUP and SRLDP to LA County)

Head Start, LAUP, CSPP, and SRLDP—all share a focus on school readiness and serve primarily disadvantaged populations, but each program has characteristics that make it particularly suitable and/or accessible to specific children and families.

Proximity is a key determinant of preschool enrollment.[38] Although all of the major public preschool programs have a countywide presence, their slots are concentrated in different high-needs areas, which maximizes their collective reach. Thus, a loss of spaces in one program cannot be completely offset by a gain in spaces for another. Similarly, while all programs strive to provide high-quality, developmentally appropriate services, each offers some services that the others do not. SRLDP targets ELL and SEL populations with a curriculum specifically developed to meet their oral language needs. Head Start provides comprehensive family services including healthcare and supportive services for parents. LAUP emphasizes quality, has effectively engaged home-based providers, and is not bound by stringent family income guidelines.

Although most of its families are low income, LAUP is the only public preK program in Los Angeles County that is not means-tested, meaning it is available to families with income too high to qualify for other programs. LAUP also distinguishes itself with an intensive focus on program quality and professional development using specialized coaches and providing technical support for small businesses to improve fiscal stability and long-term sustainability.

PROGRAM QUALITY

LAUP is a leader in the drive toward higher standards of quality for early education in Los Angeles County. LAUP sets high standards for its provider network and provides comprehensive support to programs seeking to obtain, maintain, and exceed these standards. The high quality of LAUP programs has been verified through rigorous evaluation.[39]

LAUP supports provider quality through a process of continuous quality improvement that includes assessment, evaluation, and intensive, on-going coaching. All LAUP preschools must participate in the Quality Rating Improvement System (QRIS), which ranks programs on the basis of quality. LAUP is currently in the process of aligning with California's Quality Continuum Framework (QCF) which establishes common elements of quality and common quality improvement tools and resources across all participating programs. Going forward, LAUP will rely solely on the QCF's three tiers to rank providers. LAUP is the only program to tie financial incentives to its QRIS. In addition to requiring that

its 7,000 fully-funded slots adhere to high standards of quality, LAUP also funds quality enhancements for 2,700 slots in other preschool programs including Head Start and CSPP.

WORKFORCE INVESTMENT

LAUP has long recognized the critical role qualified teachers play in quality preK. LAUP's coaching model utilizes highly educated and experienced early childhood professionals to support teachers and staff in creating the best possible learning environments. In addition to the coaching model utilized with all contract providers and other QRIS participants, LAUP implements programs specifically designed to grow, improve, and maintain the preK workforce. In 2016, LAUP will allocate $15 million to workforce development through its funding of the LA County ECE Workforce Consortium, a county-wide, multi-stakeholder ECE workforce development collaboration. ASPIRE (A Stipend Program in Support of ECE Excellence), is a professional support and income subsidy program for ECE professionals designed to reward and retain preK teachers who have obtained additional ECE education. Of the 1,190 early educators who participated in ASPIRE in the 2013-2014 program year, 824 passed relevant coursework with a "C" or better, 60 obtained a degree, and 240 ASPIRE participants received a new or upgraded permit.

LAUP'S commitment to quality through workforce development is evident in the qualifications of its teachers. Eighty-three percent of LAUP teachers hold a BA or better in Early Education and 100 percent have additional specialized ECE training. Ninety percent of assistant teachers in LAUP programs have a Child Development Associate (CDA) certificate or more advanced ECE credential. LAUP teachers have an average of 15 years working with children and 11.5 years teaching preschool.[40]

EVALUATIONS AND OUTCOMES

When it was formerly evaluated in 1998, SRLDP was a comprehensive preK program that fostered language development and the active involvement of families.[41] The 1998 evaluation assessed the performance of 7,500 former SRLDP participants in 4th grade and documented large and lasting improvements in reading, language, and mathematics.[42]

Since its implementation in 2005, LAUP has been subject to rigorous evaluation. Program evaluations by Mathematica Policy Research have documented LAUP's positive impact on kindergarten readiness and performance in elementary school. The percentage of children participating in LAUP programs who scored "proficient" or "near proficient" in social, emotional and cognitive skills essential for kindergarten success increased from 22 percent to 72 percent between fall 2008 and spring 2009.[43] [vi] Participation in LAUP was especially beneficial for English language learners, many of whom caught up to their native English speaking peers over the course of the preK year.

Assessments of LAUP children in early elementary school showed that the gains made in preK persisted. LAUP students scored higher than their non-PreK peers on both the Reading and Math California Standards Test in 2nd grade, and higher on the Reading test in 3rd grade.[44] [45] LAUP children were also less likely than other students to be classified as English language learners (ELL) or special needs; they attended more days of school; and they were less likely to have repeated a grade or have been suspended.

ENSURING ACCESS

Sustaining a Mixed Delivery System

LAUP has helped to diversify the supply of preK providers by enhancing the ability of small and home-based businesses to deliver high quality preK. LAUP's mixed delivery system offers preK in a diverse array of public and private settings in order to meet the differing needs and preferences of families. Providing parents with a variety of preK options helps reach as many vulnerable children and families as possible. Because providing high-quality preK costs so much more than most parents are able to pay, private preschools in low-income communities depend on public subsidies to succeed. Thus, programs like LAUP play a critical role in ensuring the ongoing viability of the mixed delivery system.

The staff and proprietors of the community-based centers and family child care homes that enroll LAUP children are truly representative of the communities

vi Skills assessed include proficiency in using crayons, washing hands, controlling impulses, expressing needs, counting to ten and recognizing letters of the alphabet as well as shapes and colors.

they serve. A provider's ability to relate culturally to the children and families she serves is key to establishing the trusting relationships that are the foundation of high quality early care and education.[46] [47] Providers who share a common language and culture with their pupils are often the most effective, particularly in immigrant communities. Many small preK programs are owned and operated by minority women. PreK providers in immigrant communities are often immigrants themselves. LAUP has leveraged the unique ability of home based providers to connect with vulnerable families by building the capacity of family child care homes to deliver high quality preK services.

During the 2014–2015 school year, LAUP spent $59.1 million on contracts with preK providers who serve children in a variety of settings including public, private and charter schools, community-based programs such as Head Start centers, and family child care homes. The viability and effectiveness of this mixed delivery system relies on a stable base of private providers capable of upholding standards comparable to those of LAUP's public school programs without having access to the supports available through the LAUSD. To help ensure the sustainability of the private programs with which it contracts, LAUP provides technical assistance to improve preschool business operations, meet financial reporting obligations, and effectively utilize financial resources.

Universal Eligibility With a Concentrated Presence in High-Need Communities

SRLDP targets services to children whose limited command of standard English threatens to compromise their success in school. As such, it offers services in PBHAO schools. Many children who struggle with English are from low-income families, thus SRLDP serves primarily low-income children. However, unlike CSPP and Head Start, income is not an eligibility criterion for SRLDP.

All 4-year-olds are eligible for LAUP regardless of income; however, LAUP sites are concentrated in communities that have the most at-risk children and the greatest need for additional preK spaces.[vii] Approaching access at the community level rather than individual level helps address the influence of community risk factors on child outcomes.[48]

Proximity is a primary determinant of preschool access.[49] Research has demonstrated that even a small increase in the number of preschool slots within a short distance of a family's residence can vastly increase the chances that their child will enroll.[viii] [50] Over half of LAUP families live in the same zip code as the program their child attends and less than five percent travel more than ten miles to school.[51]

(the lasting impacts of preschool funding cuts)

The immediate and enduring impact of withdrawing LAUP funding for high quality public preK from LA's highest-need communities will be a significant loss of jobs, the financial imperilment and likely closure of hundreds of small businesses, the loss of affordable child care for thousands of working parents, and, most importantly, the diminished chances of success in school for thousands of children. These impacts will not be undone if funding is restored at a later date. The years between zero and five are a critical period of intense brain development. Hence, the consequences of depriving a child of preK cannot be easily undone at a later date. Similarly, the economic damage caused by a sustained break in the flow of preK funding cannot be readily repaired.

"I just felt preK was too unstable at that point and was going to turn into a revolving door for teachers who just graduated" — former Georgia preK teacher explaining why she opted not to return to teaching preK after state funding cuts were restored.

Source: Atlanta Journal Constitution, March 8, 2012

vii Nearly 40 percent of the children served by LAUP programs live in families with household incomes below the Federal Poverty Level See: http://www.first5la.org/files/F5_UPCOS_FNL4.pdf

viii Wassmer (2015) finds proximity to care, as measured by the number of preK slots within 20 miles of a family's residence, to be the single best predictor of a child's preK enrollment. In fact, increasing the supply of preschool slots within 20 miles by one standard deviation increased the likelihood of preschool attendance by 800 percent.

PROGRAMS

The 279 providers currently under contract to LAUP derive a substantial share of their total revenue from LAUP and would be severely impacted by the loss of LAUP funding. Forty-one percent of LAUP providers have no other source of public subsidy. For these providers, LAUP enrollment constitutes approximately 42 percent of licensed capacity, suggesting that, in many instances, the existence of these programs depends on the funding they receive from LAUP. Among the 59 percent of providers who have publicly subsidized slots in addition to those funded by LAUP, LAUP enrollment constitutes 58 percent of total licensed capacity, indicating that they too depend heavily on their LAUP contracts.

Ninety-three LAUP providers (33%) are private, for-profit businesses. Their 2,737 LAUP-funded enrollees constitute 86 percent of their licensed capacity. The loss of these slots would likely cause these small businesses to close.

PREK WORKFORCE

Attracting and retaining qualified teachers and administrators is one of the central challenges to providing high quality preK at scale. Early childhood professionals, particularly those not employed by the public schools, are often paid less than equally qualified personnel in other occupations.

Large fluctuations in program funding compound workforce development challenges by destabilizing employment. Uncertainty about the permanence of teaching positions discourages teachers from investing in professional development and deters highly skilled teachers from entering or staying in early childhood careers.

When Georgia cut its state preK program in 2011, 1,070 lead teachers were forced to find new jobs. When funding was partially restored in 2013 many teachers chose not to return to preK.[52] The exodus of highly-qualified teachers from one of the country's most esteemed state preK programs has had an impact on program quality that has outlasted Georgia's budget crisis.

Table 5. Economic Impacts of Reduced PreK Funding

	Total	Per Classroom
Local Economic Impact	-$109.8 million	-$219,600
Parental Employment Impact	-$24.9 million	-$49,800
Long-term Cost Impact	-$462 million	-$922,000
	-$596.7 million	-$1.2 million

(economic impacts)

Since 2005, over 115,000 children have attended LAUP. During that period, their participation in high quality, affordable preK produced $6.9 billion in economic benefits, almost four times more than the services cost to provide. During its 35 years in existence, SRLDP has served several hundred thousand ELL and SEL children and their families, producing total economic benefits in excess of $18 billion.

The benefits of these two programs, which average $1.2 million per class per year, will be lost when LAUP's grant ends. Significant cost has already been incurred: cuts to SRLDP since 2011 have cost LA $605 million in economic activity and long-term cost savings.

PreK cuts have both short-term and long-term economic consequences. These consequences come in three basic forms:

1. Local Economic Impacts —Job losses and business closures in early childhood education and the businesses that supply goods and services to ECE providers.

Table 6. Short Term Economic Impacts of LAUP Preschool cuts			
	Output	**Employment**	**Wages & Salaries**
LAUP	-$59.1 million	-1,636	-$41.4 million
Indirect	-$23.2 million	-213	-$7.8 million
Induced	-$27.6 million	-294	-$11.8 million
Total	-$109.8 million	-2,143	-$61.1 million
Per Classroom	-$219,600	-4	-$122,200

2. Parental Employment Impacts —Reductions in parent employment and earnings due to the loss of affordable, high-quality child care.
3. Long-term Cost Impacts —Reductions in future workforce productivity and increases in long-term social costs due to diminished school readiness.

These three factors produce a combined annual impact of -$596.7 million or -$1.2 million per classroom lost.

SHORT TERM IMPACTS

Local Economic Impact

Early childhood programs are an integral part of the communities they serve with numerous linkages to the other businesses and institutions that make up the local economy. Although the impacts are felt county-wide, they are most acute at the individual community level where the loss of a handful of small businesses or school-based preK classrooms has immediate consequences for business owners, program staff, and local suppliers of goods and services. This is particularly true for low-income communities that already struggle to attract business investment and sustain jobs.

Early education, particularly *high-quality* early education, is extremely labor-intensive and most small providers employ residents of the communities they serve. Program revenue is therefore returned to the community in the form of wages and salaries that ECE employees spend at local businesses. Owners of private ECE businesses often live in the communities they serve, so proprietor income is also rapidly re-injected into the local economy. Finally, ECE programs tend to purchase their goods and services locally, often from other neighborhood small businesses.

Input-Output Analysis

The IMPLAN™ modeling system was used to estimate the economic impact of high quality public preK on the economy of Los Angeles County. IMPLAN™ is a widely-used software package and database for estimating local economic impacts[53] using input-output analysis. Input-output analysis models the linkages between businesses, households, and institutions within a local economy. These linkages include transactions between businesses, the purchase of goods and services from businesses by households, the wages and salaries paid by businesses and institutions to their employees, the flow of tax revenue from businesses and households to governments and the flow of government services to businesses and households. Due to the extensive interconnections within an economy, a significant change in one sector will impact all the sectors to which it is linked. The initial change is called the "direct" effect. As the initial change reverberates throughout the economy it produces "indirect" and "induced" effects, sometimes referred to as "multiplier" effects. Input-output analysis is a technique for estimating the total economic impact of a change by quantifying the direct, indirect, and induced effects using data on the relationships between industrial sectors. These relationships are represented by multipliers.[ix]

ix *Output multipliers* relate the changes in sales to final demand by one industry to total changes in output (gross sales) by all industries within the area. An industry output multiplier of 1.80 indicates that a change in sales to final demand of $1.00 by the industry in question would result in a total change in local output of $1.80. *Income and employment multipliers* relate the change in direct income to changes in total income within the local economy. For example, an income multiplier for a direct industry change of 1.75 indicates that a $1.00 change in income

• *Direct effects* represent the initial change to the industry in question.

• *Indirect effects* result when the industries that supply the industry in question respond to the change in demand resulting from the initial impact.

• *Induced effects* reflect changes in local spending that result from income changes in the directly and indirectly affected industry sectors.

Spending on public preK produces a direct impact when it is received by providers and used to hire staff and expand operations. It generates an indirect impact when providers purchase goods and services from other businesses. Induced impacts result when preschool employees use their wages and salaries to purchase goods and services in the local economy. Conversely, when resources are diverted from preK, fewer children receive services, employment shrinks, small businesses close, and the suppliers of goods and services purchased by preK programs lose revenue. Economic impacts of eliminating 7,000 LAUP-funded preK slots are presented in Table 5. SRLDP is not included in the economic impact analysis because, despite the net loss of over 3,700 slots, almost all SRLDP funding will be reallocated to ETK.

The combined impact of the LAUP and SRLDP losses will mean 10,758 fewer preK slots or about 538 fewer preK classes.[x] This will cost the county 2,143 jobs in ECE programs and in the businesses from which ECE programs and ECE employees make purchases.

Parental Employment and Purchasing Power

Although improving school readiness is its primary objective, preK also provides an affordable child care option for working parents, particularly low income families with limited access to high quality early childhood programs.

Employees with children under 13 miss an average of 8–9 days of work a year.

Subsidized early childhood programs have been shown to increase the duration of employment, the number of hours worked, and earnings of working mothers.[54] Parental workforce participation and productivity have been linked to improvements in child well-being,[55] increased family economic security, and a more productive economy.[56]

The cost of child care is effectively a tax on parent wages – the higher the cost of child care, the less incentive parents have to work. That said, many families have no choice but to work, even if child care costs consume a large fraction of what they earn. In households with little discretionary income, child care expenses diminish funds available for housing, food, and other necessities. Paying for child care also reduces a family's ability to build assets or save for emergencies. Without savings, many low-and moderate-income families are just a car repair or hospital bill away from financial catastrophe or even homelessness.

Child care costs have been shown to influence parents' employment decisions, particularly those of mothers.[57] The availability of public preK has been shown to increase the chances that mothers of 4-year-olds will be employed even if they also have younger children at home.[58] Maternal employment has been shown to increase 50 percent when child care expenditures are subsidized by 50 percent.[59] In one survey, 40 percent of non-working mothers cited child care costs as their primary barrier to employment.[60]

Breakdowns in child care are a leading cause of employee absenteeism. Nationally, employees with children under 13 miss an average of eight to nine days

in the direct industry will produce a total income change of $1.75 in the local economy. Similarly, an employment multiplier of 1.75 indicates that the creation of one new direct job will result in a total of 1.75 jobs in the local economy.

x Assumes 20 children per classroom

Advocacy

LAUP works vigorously at the local, state and national levels to secure funding for quality early learning programs:

LAUP and other ECE champions contributed to the passage of a Los Angeles Unified School District (LAUSD) Board resolution to invest $34 million in the district's Early Education Division between 2015 and 2017. LAUP parents submitted more than 1,000 letters in support of this resolution. LAUP also hosted candidate forums for the Los Angeles Board of Supervisors and School Board races. The forums provided LAUP with an opportunity to educate candidates about early learning and to help secure their support for ECE programs.

At the state level, LAUP has worked with leaders in the Senate and Assembly, members of the Budget Conference Committee, the Legislative Women's Caucus, and dozens of ECE advocates to secure additional funding in the state budget for quality early learning programs. LAUP and other ECE supporters advocated on behalf of AB 47 (McCarty). This bill would have required that voluntary access to the state preschool program be made available to all eligible children who were not enrolled in the transitional kindergarten program the year before they entered kindergarten. While the bill was ultimately vetoed by the Governor, the advocacy efforts of LAUP and other ECE champions sent a strong message about the need to make preschool available to all low-income children in California.

At the federal level, LAUP has educated legislators and staff in both the House and Senate about the benefits of quality early learning programs and the need for more ECE funding. LAUP advocated in Washington to increase appropriations for ECE programs such as Head Start and Early Head Start, the Child Care Development Block Grant (CCDBG) and the Preschool Development Grant Program. In addition, LAUP has encouraged policy makers to establish a dedicated funding stream through ESEA to support state and local efforts to expand early learning programs for low income children.

of work annually due to child care problems.[61] Parents may lose income when they miss work, but because the absence of one employee can diminish the productivity of many others, the impact of absenteeism on productivity is considerably higher than just the wages lost by the absent employee. A 2005 study estimated that unscheduled absenteeism cost US employers $3,600 per worker per year for hourly workers and $2,650 per worker per year for salaried employees[62] ($4,308 and $3,171 in 2015 dollars respectively).

By making it possible for parents to work, preK also increases family income and purchasing power. Most children attending LAUP programs have at least one parent who works full-time, typically the father.[xi] [63] Sixty percent of LAUP mothers are also employed.[64] If employed mothers of LAUP and SRLDP participants earn an average of $17 hour,[xii] the time their children spend in preK enables them to earn a total of $49.7 million annually. Numerous studies have documented the negative impact of higher child care prices on mothers' employment and hours worked.[65] If the number of hours worked by mothers whose children would have attended LAUP or SRLDP decreases by one hour for every two hours of preK lost, elimination of LAUP and SRLDP will reduce parent employment by 1.5 million hours annually and shrink parent earnings by $24.9 million annually or about $49,725 per preK class per year.

Table 7. Parent Employment Impacts

Reduction in hours worked by parents	-1.5 million
Wages lost	-$24.9 million
Cost per classroom	-$49,724

LAUP providers are concentrated in low-income communities and serve primarily low income working families. Because LAUP is not means-tested, it is one of the few options available to working families with income too high to qualify for Head Start (under 100% FPL) or CSPP (under 70% SMI). Because private preK is expensive, without a program like LAUP, some low-income working families with income too high to qualify for Head Start or CSPP may find that they are better off working less and reducing their income in order to qualify for subsidized preK. Other parents, when confronted with inadequate child care options opt not to work in order to care for their children at home.

xi 72% of LAUP children come from 2-parent families. See: First 5 LA. (2009) First 5 LA Universal Preschool Child Outcomes Study (UPCOS) Profile of Children Entering Los Angeles Universal Preschool (LAUP), Fall 2007

xii 70% of the median hourly wage for Los Angeles County

Workforce Productivity: Economic Spillover Effects

By increasing the overall skill level of local workforce, pre-K can actually increase the wages of individuals who did not participate in pre-K. A higher average skill level among workers enhances the economy's overall productivity by increasing the efficiency of training, speeding the adoption of new technologies and by fostering "peer effects" whereby workers reinforce and compound each other's expertise. A skilled workforce speeds job creation by accelerating the growth of local companies and by attracting new employers. More jobs relative to workers puts upward pressure on wages, ultimately increasing compensation levels throughout the economy.

Bartik, Timothy J. 2011. "Presentation on Early Childhood Programs and Local Economic Development to American Chamber of Commerce Executives Convention." Presentation to American Chamber of Commerce Executives, Los Angeles, CA, August 4, 2011.

Entrepreneurship and Community Development

Small businesses are the engine of job growth throughout Los Angeles and the nation.[66] Through its support for the mixed delivery system and small community-based preK providers, LAUP has fortified the economies of the communities it serves. A robust mixed delivery system strengthens communities by supporting entrepreneurship, providing jobs for community members and creating opportunities for advancement. Programs that support the development of home-based early care and education businesses were shown by one study to increase gross regional product by $15 to $20 for every dollar invested.[xiii] [67]

Addressing Poverty with Job Creation

A high-quality preK program like LAUP that also helps grow woman- and-minority-owned small business in the communities it serves is especially beneficial because it attacks the complicated problem of child poverty on multiple levels.

PreK provides a powerful antidote to some of the cognitive, behavioral, and emotional damage caused by early deprivation and stress and helps to break the cycle of generational poverty that many families experience, but it is only part of the "solution" to child poverty. Job creation and support for entrepreneurship in low-income communities are also critical. LAUP is the rare program that truly accomplishes these objectives simultaneously.

Provider Consequences

LAUP's professional development programs and technical assistance have enabled hundreds of community-based educators to advance their skills and provide high-quality preK through home-based businesses. While some LAUP providers may secure new sources of funding for their preK programs, this funding may not be sufficient to maintain the level of quality they achieved as LAUP providers, nor is it likely to provide the same level of technical assistance and coaching support that they received from LAUP. The many providers who do not obtain new funding will be unable to provide high-quality preK and will either have to close their businesses or revert to providing basic "home day care" as they did prior to joining the LAUP network.

LONG-TERM IMPACTS: THE PRESENT VALUE OF FUTURE CHILD OUTCOMES

Many of ECE's most significant economic benefits are not captured through input-output analysis because they are cost savings that accrue over the course of many years. Documented long-term cost savings attributable to preK include: reduced grade retention and special education placements in primary school, less child maltreatment and juvenile delinquency, increased rates of high school completion and post-secondary education, higher earnings, and reduced crime and incarceration adulthood.[68]

A cost-benefit analysis conducted in 2005 by the RAND Corporation concluded that providing voluntary, public preK to residents of low income communities

xiii Researchers at the University of Connecticut estimated that providing training and business development services to home-based child care providers enable between four and five parents to enter the workforce for every provider who received assistance. See: Hill, Shannon (2011). The Economic Impact of the All Our Kin Family Child Care Tool Kit Licensing Program: A Report on the Findings of the Connecticut Center for Economic Analysis. Retrieved from http://www.allourkin.org/sites/default/files/All%20Our%20Kin_CCEAReport.pdf

throughout California would produce $7.81 in benefits for every $1 invested.[69] The targeted statewide program modeled in the RAND analysis shared several key characteristics with LAUP including: degreed and credentialed teaching staff, low child-teacher ratios and group sizes, and a half-day format. The program modeled by RAND targeted residents of low-income communities, rather than individual low-income households.[xiv]

The RAND estimates of public school cost savings attributable to preK were based on the outcomes documented for children who attended preK at the Chicago Child-Parent Center (CPC).[70] The CPC is an exemplar of large scale, high-quality public preK and is one of the nation's most thoroughly and rigorously evaluated. When compared to a control group of otherwise similar children who had not attended CPC, the CPC children experienced:

- 15 percent less grade repetition
- .7 fewer years of special education
- 11 percent higher high school graduation rates
- 5.2 percent fewer incidents of child abuse and neglect

Based on the high school graduation rates documented in the CPC study, the RAND researchers projected the impact of preK attendance on lifetime earnings. After subtracting the costs to the state public education system of fewer drop-outs and the costs to the higher education system of increased college enrollments, the RAND analysis concluded that one year of high-quality, public preK at a cost to the state of $5,376 per child would generate benefits with a present value of $41,979 per child,[xv] resulting in a benefit-cost ratio of $7.81 for every $1 invested by the State of California.[xvi]

Based on the RAND results, the loss of one preK class would impose $786,705 in annual long- term costs on California residents. The loss of 7,000 LAUP slots would cost $462 million in foregone future benefits annually.[xvii] Components of cost include:

- Increased spending on public education interventions including grade retention and special education placement;
- Higher social costs due to child maltreatment, crime, and delinquency;
- Foregone income due to lower rates of high school completion and reduced college attendance;
- Diminished tax revenue.

Combined with the SRLDP losses, the net present value of the long-term cost would total $747 million.

(other funding sources)

Most of the nation's most successful preK programs have one or more dedicated funding sources. These include special financing districts, sales taxes, property taxes, selective excise ("sin") taxes, pay-for-success financing, and funding through public school funding formulas.

A full exploration of new financing options for LA is beyond the scope of this analysis. Described below are a few of the *many* strategies that warrant further exploration:

- California's *Local Control Funding Formula* provides LAUSD the funding flexibility and fiscal autonomy to sustain and even expand preschool.
- *Children's Trusts* are independent local entities that support ECE and fund children's programs in specific communities. They are created as voter-approved *special districts* and funded with a voter-approved local revenue source such as a dedicated property tax levy or sales tax increment. With an annual budget of

xiv Although LAUP is technically universal, its slots are concentrated in low-income communities and over 80 percent of participating families are considered low-income. (Source: Los Angeles Universal Preschool custom data extract, 2015). Consequently, in terms of enrollment, LAUP has more in common with a targeted program than a truly universal one. This is meaningful because the return on investment in preK is highest for low-income children and thus programs targeting this population will achieve higher benefit-cost ratios.

xv Amounts from the RAND study are expressed in 2003 dollars unless otherwise noted.

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xvii The present value is the value today of benefits that accrue in the future.

over $100 million and a dedicated .5 mill property tax levy, Florida's Miami-Dade Children's Trust is the nation's highest profile local children's initiative.

- *Local sales tax increments* such as Denver's .12 percent sales tax to fund preK scholarships and San Antonio's .125 percent (1/8th of one cent) sales tax for full day preK are generating significant new revenue and attention to the role of local governments in meeting the needs of young children.
- *Pay for Success Financing* is a form of social impact investing that leverages private investment to support public programs that improve outcomes for at-risk populations. The Salt Lake City school district is using a form of pay for success financing to provide high-quality preschool for at-risk 3-and 4-year-olds.
- *Sin Taxes*. LA's current preK funding crisis was triggered, in part, by a rapid decline in cigarette consumption and thus tobacco tax revenue. However, sin taxes—such as those on alcohol, or possibly marijuana as state legalize its sales —remain a viable source of preK funding. To avoid the revenue volatility of a tax intended to discourage consumption, sin tax revenue could be deposited in a permanent fund, the earnings from which could be used to finance ECE.

(conclusion and recommendations)

Despite the economic recovery and the commitment by state leaders to provide preK to all eligible children, Los Angeles is on the brink of losing two of its most effective public preK programs due to lack of funding.

The impact of withdrawing funding for high-quality public preK from LA's highest-need communities will be a significant loss of jobs, the financial imperilment and likely closure of numerous small businesses, the loss of affordable child care for thousands of working parents, and, most importantly, diminished chances of success in school and life for over twenty thousand children.

The total cost of allowing LAUP and SRLDP to go unfunded is $1.2 million per preK class per year—the sum of the local economic impact of reduced ECE expenditures, the impact on parent employment, and the net present value of the long-term lost productivity and increased social costs resulting from diminished access to ECE. Harder to quantify is the impact losing these programs will have on the ECE infrastructure of Los Angeles and its capacity to support future expansions and attempts to inprove quality.

However, one thing is certain: the costs of cutting preK in Los Angeles County will far exceed the program dollars saved. State and local governments throughout the US have successfully employed a variety of financing strategies to meet the preK funding challenge. Many of these strategies have the potential to succeed in Los Angeles County and should be explored. State and local leaders must find the funds within existing budgets to sustain these vital programs in the immediate future. Securing an adequate, reliable source of revenue for preK must be among the county's top priorities.

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(appendix)

Current Enrollment Spaces per Supervisorial District						
	Supervisorial Districts					Total
	1	2	3	4	5	
Quality Enhancement Funding	859	292	129	491	496	**2,267**
Fully Funded	2,381	1,950	1,193	1,117	743	**7,384**
Total	**3,240**	**2,242**	**1,322**	**1,608**	**1,239**	**9,651**

LAUP funds pre-k by fully funding slots, or providing a quality enhancement subsidy to programs. It is difficult to estimate the number of slots the fully funded programs will retain in the 2016-2017 school year. LAUP estimates the end of funding would result in a reduction of up to 7,384 available pre-k slots across Los Angeles County, equal to the number of fully funded pre-k slots.

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