Approved 3-2 on July 9, 2013

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July 8, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

MOTION TO SUPPORT PRESIDENT'S PROPOSAL TO INCREASE INVESTMENTS IN EARLY CHILDHOOD EDUCATION AND UNIVERSAL PRESCHOOL (SUPPLEMENTAL AGENDA ITEM NO. 52-A, MEETING OF JULY 9, 2013)

Item No. 52-A on the July 9, 2013 Supplemental Agenda is a motion by Supervisor Ridley-Thomas to:

1. Instruct the County's Washington, D.C. Advocates to take all appropriate actions to support the passage of President Obama's plan to increase investments in universal preschool and early childhood education.

2. Direct the Chief Executive Office and the County's Washington, D.C. Advocates to send a five-signature letter to the President, Vice-President, Senate Majority Leader, Senate Minority Leader, House Speaker, House Minority Leader, and the County's Congressional Delegation stating the Board's support for the President's early learning plan and encourage them to ensure flexibility so that local preschool programs can implement a federally-supported preschool expansion plan; and

3. Direct the Chief Executive Office and the County's Sacramento Advocates to send a five-signature letter to the Governor, Senate President pro Tempore, Assembly Speaker, and the County's Legislative Delegation to encourage them to support the President's plan, voice their support to Federal representatives, and begin the planning process to best position California to qualify for this potential funding.

President's Early Childhood Education and Universal Preschool Proposals

In his 2013 State of the Union Address, the President briefly stated that "I propose working with states to make high-quality preschool available to every child in America." The President's Proposed Federal Fiscal Year (FFY) 2014 Budget subsequently included more detailed proposals to increase investments in early childhood education, including these two proposals, which were alluded to in Supervisor Ridley-Thomas' motion:

- $75 billion over 10 years for new "Preschool for All" matching grants to states to provide high-quality preschool to all four-year-old children from low and moderate income families, which would be financed by a 94 cent increase in the tax on a pack of cigarettes that would increase for inflation after 2014; and

- $750 million in FFY 2014 for Preschool Development Grants, which would be awarded on a competitive basis to states to help them build the infrastructure needed to implement high-quality preschool programs.

Other FFY 2014 budget proposals include: A $7 billion increase over 10 years to the child care entitlement portion of the Child Care and Development Block Grant (CCDBG); a $200 million increase in discretionary CCDBG funding for FFY 2014; and a $1.4 billion in FFY 2014 funding for newly created Early Head Start - Child Care Partnerships with states to expand high-quality early learning programs.

The biggest proposed early childhood education investment – the new $75 billion Preschool for All Program – would start at $1.3 billion in FFY 2014. Allocations to states would be based on each state's percentage share of four-year-olds from families with incomes at or below 200 percent of the Federal poverty level (FPL). The state match requirement would start at 10 percent in the first year and gradually increase to 300 percent by the tenth year, but the state match would be lower (starting at 5 percent and increasing to 250 percent) for a state which opts to expand coverage to children from families with incomes above 200 percent FPL. As a condition for receipt of funds, states would be required to maintain its financial support of existing state-funded preschool programs, and may not use any funds to supplant other Federal, state, or local preschool funding.

The Obama Administration has not released draft legislative language nor legislative specifications for its proposals, such as the new Preschool for All Program and Preschool Development Grants, which would require legislation to be enacted. None of the Congressional committees with jurisdiction over the proposals have held hearings on any of them.

Potential Implications and Impacts

The President's most significant early childhood education investment proposal is the Preschool for All Program, which would receive, on average, $7.5 billion a year over the next 10 years. California would receive roughly $916 million a year under this program, based on the State's percentage share of all children under age six in families with incomes at or below 200 percent FPL in 2011. After the program's regular state match requirement reaches 300 percent in FFY 2023. California's annual match would be approximately $2.75 billion in order to receive its entire annual Federal allocation of $916 million. In short, this would require a huge increase in State support for preschool services.

The Federal share of the Preschool for All Program would be financed by a 94 cent per pack increase in cigarette taxes, which would be increased annually for inflation. The Congressional Budget Office (CBO) believes that a cigarette tax increase would have the effects of reducing tobacco usage and improving the health of individuals. For example, the proposed 94 cent tax increase is estimated to increase Federal revenues by $83 billion and reduce combined Medicaid and Medicare expenditures due to improved health outcomes by $2 billion over the next 10 years. Another indirect effect of the proposed Federal cigarette tax increase would be a slight reduction of the State's cigarette and sales tax revenues if cigarette usage drops. In California, an 87 cent excise tax currently is imposed on a pack of cigarettes in addition to the sales tax.

The President's other proposed early childhood education investments do not have an identified funding source, such as the tobacco tax increase, which means that Congress would have to make offsetting spending cuts to finance them. Moreover, the proposed discretionary spending increases for CCDBG and Preschool Development Grants would have to be funded through the annual Labor/Health and Human Services (HHS)/Education Appropriations bill, which is the single biggest non-defense appropriations bill and also is the single largest source of discretionary funding for the County. All discretionary HHS funding (including Ryan White AIDS, other health programs, Older Americans Act, Community Services Block Grant, Refugee Assistance, and Child Welfare Services) and Department of Labor's Workforce Investment Act programs are funded through this appropriations bill. The overall net fiscal impact of these early childhood education investments on the County would depend on the extent to which other Labor/HHS programs of importance to the County are cut to fund the investments.

It also is noteworthy that all of the President's proposed early childhood education investments, including the proposed Preschool for All Program, would be subject to sequestration spending cuts over the next eight years under current law. If imposed, such sequestration cuts would reduce Federal matching funds and increase the State's

financial risks. This, in turn, could cause the State to be more reluctant to participate in the new program.

Existing Board Policies Relating to the President's Proposals

There currently are existing policies in the Board-adopted Federal Agenda to support proposals and funding that increase the availability and quality of affordable child care and development services, and a policy in the Board-adopted State Agenda to support efforts to adequately fund high-quality early care and education services for all children from low and moderate families. Therefore, support for increasing investments in early childhood education services, including universal preschool as proposed by the President, would be consistent with existing Board policies.

However, there are not any Board policies supporting an increase in Federal cigarette taxes. Therefore, support for the President's plan to increase the Federal cigarette tax is a matter of Board determination.

We will continue to keep you advised.

WTF:RA
MR:MT:lm

c: Executive Office, Board of Supervisors
County Counsel