UCLA Center for Healthier Children, Families and Communities

Partnering Schools, Communities and Proposition 10:

Financing Considerations for Early Childhood Initiatives

Funded by
The Stuart Foundation

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January 2002

EXECUTIVE SUMMARY

Throughout the country, a growing number of schools are linking with early education programs and other service providers to promote school readiness. Leaders of these initiatives are working to create a more integrated and coordinated early learning system, with more continuity between this system and K-12 education. Several converging trends are spurring and shaping these efforts:

- Research over the last decade highlights the importance of early brain development. We have a better understanding of the roles and relationships that affect the development of the very young, and the critical role that early experiences play in subsequent learning and development;

- Welfare reform has highlighted the need for quality full-day, full-year early care and education programs and led to new collaborations between Head Start, child care, preschool, and other community-based programs; and

- Funders, policymakers, and community leaders are focusing on community-based, collaborative efforts. There are an increasing number of service integration initiatives (within large government departments, as well as between these agencies and other community organizations) that are creating more comprehensive and seamless systems of care.

These trends are leading to new investments in early care and education at the federal, state, and local level and in California, are most clearly manifested by the enactment of Proposition 10. Prop 10 is focused on locally driven initiatives to improve the lives of children from before birth to age five. The collaborative structure and flexible funding created by Prop 10 poses new opportunities for linkages among all those with a stake in quality early care and education – including schools, counties, early care and education providers, and other community agencies. These opportunities are tempered by the substantial financing and sustainability challenges inherent in developing more comprehensive and integrated programs and services. This reports explores issues related to financing school-linked early learning initiatives*. It is meant to help stakeholders such as school officials, county officials, Prop 10 Commissioners, non-profit agency and community leaders to effectively finance and sustain these important initiatives.

Financing Challenges. The challenges faced by program developers and community leaders often include concerns about funding. First, there is not enough funding to meet the incredible demand for early childhood services. This leads to shortcomings in *quantity* (i.e. not enough child care or preschool slots for eligible children), as well as *quality* (i.e. centers and care arrangements without the resources to improve quality of care). Second, the categorical nature of most funding streams is too restrictive and makes it difficult to address the specific needs of a community. Funds that are handed down in categorical streams lead to gaps and duplications in service and contribute to the overall inefficiency of the financing system.

* Throughout this report the term *school-linked early learning initiative* is used to describe initiatives that may include a variety of supports and services in addition to early childhood education, such as health services, social services, parent education and others.

Sources of Funding. Understanding the current landscape of funding sources supporting early care and education is an important foundation for optimizing resources and identifying and filling funding gaps. The federal government expends large amounts of money on early childhood services through federal programs such as Head Start, Early Head Start, and the Child Care and Development Fund. Some streams of federal funding flow through the states, where they may be combined with state-level funding into programs such as subsidized child care or adult education funds. State governments also fund programs directly through state appropriations (e.g. the Healthy Start Program and State Preschool in California). Finally, there are local funding sources, such as county and city governments and school districts. The amount of funding from these sources is variable, but may be more responsive to specific community needs.

Strategic Approaches. The four basic financing strategies discussed in this report are briefly explained below. The full report provides examples and considerations for how these strategies can be used to support school-linked early learning initiatives. None of the suggested strategies is intended to represent a solution to all funding challenges; rather they offer methods that can be selected and tailored depending on local resources, needs and priorities.

1. ***Optimize the efficiency of existing resources.*** Approaches in this category include *redeployment*, which involves shifting funding from higher-cost, remedial programs to lower-cost, preventive investments. Another option is for collaborating agencies to *streamline* administrative and management processes, for example, by creating a single application or point of entry for multiple programs accessed by clients. *Co-locating* different services and providers in one setting, such as a school is another strategy that can lead to economies of scale and more efficient us of resources by different agencies as well as greater convenience for clients.

2. ***Maximize public revenue.*** It is critical for programs to *leverage* or draw down funds from available sources. *Administrative claiming* is a strategy for leveraging federal matching funds for administrative activities, such as outreach and enrollment, under certain federal programs (e.g. Medicaid and Foster Care). Service agencies and schools are frequently engaged in eligible activities and may be able to access reimbursement through collaboration with relevant state and county agencies. Capitalizing on available *subsidies and reimbursements* is another important financing strategy for school-linked early learning initiatives. This strategy requires an understanding of what programs provide subsidies or reimbursements (e.g. nutrition programs, child care subsidies, Medicaid, and state child health programs) and who is eligible to receive them. Finally, capturing funds through effective *grant writing* can provide helpful program start-up, and short-term operating support for those with the resources and staff to pursue such endeavors.

3. ***Increase flexibility in categorical funding.*** As mentioned above, one of the major obstacles to integrated services and fashioning comprehensive programs are the restrictions and inflexibility of traditional funding streams. *Coordination* is a program-level strategy that involves combining funding from different sources to support more comprehensive services, while maintaining accountability to the various funding sources through careful cost-allocation. A state or county-level strategy that minimizes the burden of categorical funding is to *pool* funds across agency lines and distribute the more flexible funding to local programs and municipalities. An even

more ambitious step is to decategorize funding by removing restrictive regulations that separate the different funding streams. This creates the greatest funding flexibility, and is also the most difficult to implement, typically requiring state legislative approval.

4. ***Build public-private partnerships.*** Strong partnerships are essential to the development of school-linked early learning initiatives. Partnerships between the public and private sectors can help leverage funds, as well as non-monetary resources (e.g. technical assistance) and foster strong leadership for early childhood issues.

Prop 10 creates an excellent opportunity to improve the health, well-being and academic success of children through new connections between California schools and those providing supports and services for very young children and their families. In order to take advantage of this opportunity, Prop 10 Commissioners, county officials, school officials, and other community stakeholders must come together and develop a shared vision of school-linked services, as well as the financing strategies which will enable them to make that vision a reality.

I. INTRODUCTION

Public schools face significant obstacles in their mission to educate today's children and youth. Challenged by social problems that spill into the schoolyard, and insecure and insufficient funding, schools struggle to make a difference in the lives of the children they serve. With increasing pressure to meet academic achievement standards as measured by testing, educators are searching for new ways to address barriers to learning and promote academic success. Most long-standing educational reform efforts have focused on remedial education for children with multiple learning barriers. In light of recent research on the importance of early brain development, policy makers, administrators, teachers, and parents increasingly recognize that these interventions are often too little, too late. A new vision of education reform is emerging that includes early learning and other supports and services for young children as critical building blocks to lifelong learning and success. Across the country, there are a growing number of exciting examples of schools linking with early care and education and other service providers to promote school readiness and continuity between early learning and K-12 education. These collaborative initiatives take a variety of forms depending on community needs and resources– ranging from comprehensive on-site service centers to schools with a network of partnered community-based providers. They are succeeding in not only creating new connections between schools and community-based providers, but also providing a hub around which early learning and other supports and services can be integrated and coordinated. Many of these initiatives provide evidence of improved outcomes for children in the areas of readiness and primary school performance.[1] Their experience runs counter to the common argument that schools will only overburden already tight resources by expanding their role in early learning and other health and social supports. Rather, through partnerships, schools can access the resources and experience to address early learning and care issues that affect academic success, but fall beyond the purview of traditional K-12 education

In California, Prop 10 makes this a prime time for schools and communities to move forward in creating school-linked early learning initiatives. Proposition 10, a ballot initiative passed in 1998, created an excise tax on tobacco products that is dedicated to locally driven early childhood development initiatives. The majority of Prop 10 funds are allocated to county-level commissions that are responsible for bringing together the many early childhood stakeholders in a community to create a more integrated and effective system of early childhood supports and services. These commissions provide a vehicle through which schools can partner with a range of public service agencies and community-based providers. They also have the flexible resources to support the planning and coordination necessary to develop and implement new, more integrated models of early learning.

If these partnerships are to flourish, school officials, Prop 10 Commissioners, counties, community organizations, and providers must create a shared vision of what is possible, and build upon the promising models that already exist throughout California and the nation. A companion document on "best practices" in creating school-linked early learning initiatives highlights examples of schools creating or working with existing early childhood programs to provide parenting, child development, health and family services.[2] What each of these initiatives has in common is strong leadership, strong collaboration, development of a shared vision, and a commitment to breaking traditional boundaries between early learning and K-12 education.

In addition to the will, the vision, and the blueprints for new programs for younger children, success also depends on the ability to effectively finance and sustain promising initiatives. Financing goes hand in hand with design and structure and must be considered simultaneously. It is not possible to create new programs without addressing where the necessary funding will come from. Nor is it possible to integrate discrete services without considering how to make fragmented funding streams work together. Prop 10 funds provide one possible source of support for integration efforts, but it is only one of many potential funding sources and will likely decrease as tobacco consumption declines due to increasing prices and more intensive prevention efforts.[3] If schools and communities are to succeed in expanding and improving existing early care and education resources, they will need to consider creative ways to optimize a range of existing funding streams and develop new sources of support.

This report explores strategies for financing school-linked early learning initiatives*. It is meant to help county agencies, school systems, and community organizations coordinate and expand their respective resources. The overall approach that we present relies on partnerships and collaborations to meet the financing challenges faced by individual agencies and organizations working toward common goals. The report is organized in the following sections:

- **The Early Learning Policy Context**. New awareness of the importance of early learning to education reform is one of a number of converging trends that are pushing communities to create more integrated early learning systems. This section explores these trends and their implications for the development of school-linked early learning initiatives.

- **Financing Challenges**. This section reviews basic challenges that policy makers, community leaders, and program developers struggle with as they finance school-linked early learning initiatives.

- **Current Funding Sources**. This section highlights the funding sources most commonly tapped for school-linked early learning initiatives. Funds flow from federal, state, and local sources to support a number of separate programs that often have gaps and duplications. Given the billions of dollars that are currently spent on children before they enter school, development of appropriate strategies requires a basic understanding of existing streams and how they can be optimized.

- **Strategic Approaches to Financing School-Linked Early Learning Initiatives**. The final section of this document looks at financing strategies that can be employed to maximize the efficiency of existing resources and leverage new funding to support school-linked early learning and other supports and services for young children and their families. The

* Throughout this report the term *school-linked early learning initiative* is used to describe a variety of services and supports that are not limited to early childhood education and care, but include health, social services, income support, parent education and others.

strategies explored in this section are defined with examples in **Appendix A**.

The current pressure on counties and commissions to engage in strategic short and long-term financial planing has lead to a number of reports focused on sustainable funding for Prop 10 programs and commission initiatives.[4] This document provides a common framework to address the fiscal issues facing Prop 10, school districts, and early childhood programs, and offers a variety of options for financing new and innovative school-linked early learning initiatives for children and their families. It is hoped that a better understanding of financing challenges, opportunities, and strategies will help policy makers, community leaders, and providers to develop more effective and integrated early education services that prepare children for success in school.

II. THE EARLY LEARNING POLICY CONTEXT

Recent findings on brain development emphasize the importance of quality early childhood experiences to school success. Research suggests that critical neuron growth and formations occur at an unprecedented rate in the preschool years (0 to 5 years old). Although the brain continues to form significant synaptic connections into young adulthood, development slows thereafter. Research also indicates the double jeopardy that many low-income children face – not only are they less apt to receive positive learning experiences in the home, but they also have less access to quality early learning programs, which are expensive and frequently not available in low-income areas. Many studies show that low-income children are at particular risk to enter school without basic school readiness skills and subsequently fail due in part to the reduced capacity of their parents, communities, and local institutions to provide adequate early childhood experiences.[5]

Several efforts to address these problems clearly indicate that quality early learning environments can foster healthy development and the skills needed to enter school. Longitudinal studies on comprehensive community-based prevention and intervention programs for children and families, such as the Chicago's Child-Parent Center, demonstrate both modest and significant effects in areas such as academic achievement, school retention, and juvenile delinquency prevention measures.[6] Other federally sponsored programs, such as Early Head Start have preliminary evaluation findings that indicate intensive childhood development programs directed at low-income children and families result in positive parenting behavior and better cognitive, language, and socio-emotional development.[7] Studies concerned with specific components of care, such as the Cost, Quality, and Child Outcomes study demonstrated that high quality childcare environments can affect both academic and behavioral outcomes for high-risk children.[8] In addition, programs such as Perry High/Scope Preschool, Carolina Abecedarian Project, and Elmira/ New York's Early Intervention Program have all yielded important positive results.[9] High quality, comprehensive, early learning programs can make a difference in academic and social outcomes.

To meet the national and local goal of school readiness for all children, communities must develop an array of early learning opportunities and other supports and services responsive to the diverse needs of families and children. Depending on community needs, these might range from comprehensive, intensive programs for high-risk families to basic early learning opportunities for others. Policymakers, community leaders, and providers have established some components of such a system over a number of years. The federal Head Start program, which has operated for over thirty years, is one comprehensive model that includes early learning as well as other social and health services targeted to high-risk families. Federal and state governments have also made significant new investments in child care programs in recent years. These funds have expanded slots and also supported quality improvements that are moving the focus of child care from custodial care to an early learning and development emphasis.

In addition, federal, state, and local governments are making new investments in early learning and other supports and services connected to schools. In 1999, thirty-two states reported investing an estimated $1.7 billion of their own funds (beyond that required for state match purposes) to support early childhood education programs.[10] These pre-kindergarten initiatives are typically less intensive models of early learning that offer part-time opportunities to a three and four year olds from lowerincome families. In California, a Department of Education taskforce has recommended universal preschool for all age-eligible children by the year 2008.[11] A more comprehensive model of early learning and other supports and services connected to schools are family resource centers. Federal, state and local governments are investing in these one-stop service centers, which bring together educational, social, and health services for families.[12]

While these programs represent a promising beginning, they currently do not have the capacity to serve even those families and children most in need. In addition, they are often categorical programs that narrowly define eligibility and services, and operate separately from each other. Rather than representing a system of early learning and essential related supports and services for young children, they are a patchwork of disjointed and duplicative programs. For example, a single child may be eligible to attend Head Start, a state sponsored preschool program, and receive a child care subsidy. While each of these programs may have something distinct and beneficial to offer the child, if they are not coordinated, parents must make choices based on urgency and convenience. In the face of welfare reform, too often this means placing children in substandard care that is affordable and available during the hours that parents work, but does not provide needed educational or social service benefits. The more needs that families have for supports and services, such as adult education or mental health interventions, the more difficult it is to navigate the many separate programs and services in a community.

A number of trends, however, are pushing states and communities to bring together traditionally separate systems using a common focus on early learning and school readiness. The first trend is the greater involvement of schools and districts in early learning. Some states, such as Georgia, New York, and California, allow schools, child care providers, or Head Start programs to receive preschool funding, and require connections between preschool programs and K-12 education. The result is new collaborations between schools and the surrounding community-based providers. At the same time, welfare reform and the growing number of working mothers has highlighted the need for quality, full-day, full-year early childhood programs. In an effort to offer full-time care to children in Head Start (which has traditionally been part-day, part-year), states and communities are fostering new partnerships between childcare providers and Head Start programs. Finally, federal, state and local governments, as well as private funders are making substantial investments in comprehensive, community-based initiatives that bring together categorical programs to serve families in a more holistic manner. These efforts provide models and structures for inter-agency collaboration and public-private partnership, as well as a foundation for integrating separate systems.

These trends are pushing policy makers, community leaders, and providers to tackle the significant challenges inherent in bringing together separate systems governed by different agencies with differing priorities and regulations. The passage of Prop 10 provides California communities with a decisive advantage in addressing challenges and moving from the current categorical and disconnected services to a coherent set of policies and programs to meet the needs of young children and their families. Prop 10 not only provides new resources to support integrated early learning and other supports and services, but also establishes the collaborative mechanism that is critical to bringing together separate systems. Tax revenues from tobacco products are expected to generate approximately $700 million annually, most of which is allocated to county commissions in a highly flexible manner that allows for a variety of innovative uses driven by local need.[13] These funds can support the collaborative and administrative capacities that are critically important, but typically difficult to find funding for. The revenue from Prop 10 should not be viewed simply as an infusion of new categorical money to add to program operating budgets, but more strategically as a chance to instigate significant and lasting change in the structure, organization, and quality of early childhood programs.[14]

The California Children and Families Commission (CCFC), in conjunction with the Governor's Office of the Secretary for Education, have developed a *School Readiness Initiative* for California communities. This Initiative presents an opportunity for County Commissions to utilize $200 million in matching funds over four years (beginning in 2001) to establish local School Readiness Centers/Programs. These programs will be targeted to meet the needs of communities with low-performing schools as measured by student's standardized test scores. In addition to the matching funds, the CCFC will offer implementation assistance funding and rollout the program in phases, depending on the capacity and development of existing sites. As with other programs initiated through the Commission, the monetary resources are limited both in scope and time. This has immediate implications for counties and sites to develop sustainability plans, which will ensure that gains made through the School Readiness Initiative development and implementation process are not abandoned at the end of the funding cycles.

Schools will be mandatory collaborators in any of the locally established CCFC-sponsored School Readiness Centers. Schools can potentially act as a viable hub for integrating early learning and other supports and services for young children and their families. The nature of public schools makes them accessible and easily identifiable structures in virtually every California community. This is not always the case for early childhood programs, whether they are early childhood educational, health, or traditional childcare programs. In addition, schools have a clear interest in school readiness. Children who enter their first classroom ill prepared to learn are more likely to experience school failure in subsequent school years.[15] Schools, counties, community organizations, and providers can all benefit by joining together to seize the opportunity presented by Prop 10. Creating school-linked early learning initiatives can further the schools' mission of effectively educating children, lead to a more integrated and expansive early learning system, and ultimately, lead to better academic and social outcomes for children.

Current Funding Sources for Early Childhood Services*. This section highlights the funding sources most commonly tapped for school-linked early childhood services. Funds flow from federal, state, local and private sources to support a number of separate programs that often*

III. FINANCING CHALLENGES

In order to successfully design, implement and sustain school-linked early learning initiatives, policymakers, community leaders, and program developers need to successfully address two major challenges. The first is that there is *simply not enough funding* to offer quality early learning opportunities to the many families that need them. Both the public and private sectors have invested significantly in child care and early education in recent years, however the demand for services continues to outweigh the supply. In California, for example, estimates indicate that child care programs serve fewer than 30% of income-eligible families and the waiting list for subsidized care currently numbers over 200,000 families.[16] Although the state preschool programs provided services for 145,000 children in 1999, this does not nearly meet the needs of all of the income-eligible 3 and 4 year olds in the state.[17]

Furthermore, the K-12 education system, though continually a high priority among voters and policy makers, is frequently strapped for resources. Although the California public education system is financed primarily through state and local taxes, districts are affected by local capacity (e.g. foundations, fund raising and general community resources). This leads to clear variation in local ability to raise and invest sufficient funds to provide quality educational opportunities. Many school districts struggle with funding the basics such as adequate and well-maintained facilities, materials, or sufficient numbers of teachers. Consequently, there is a clear need for collaboration in order to optimize scarce resources.

Inadequate funding often forces policymakers and program developers to make difficult trade-offs between scope of services, target population, and quality. These trade-offs, and the differing priorities driving them, lead to the second challenge in creating an integrated system of early learning– *the categorical nature of funding streams*. Separate funding streams created in response to different priorities are governed by a number of federal and state agencies. As a result, there are parallel funding streams that fund early care programs with different:

- Types of services;
- Breadth of eligibility;
- Staff training and qualifications; and
- Regulations and requirements.

At the community level the result is a plethora of program and services that are fragmented and make it difficult to tailor early learning programs and other supports and services to respond to families needs. It makes it particularly difficult to fund comprehensive and intensive programs for those most in need. Categorical funding can also make accessing early learning and other supports and services cumbersome and confusing for families. Families in one program may need something that the single funding source does not cover, forcing them to do without or go to yet another provider and another program to access the service. On the other hand, if they are forced to take only what a single funding source offers, money is wasted on supports a family might not necessarily need.

While these challenges are daunting, communities that come together and strategically address them can succeed in financing and sustaining school-linked early learning initiatives. The following strategies are critical to success:

1) **Using scarce resources most effectively**. This may require the difficult and politically sensitive job of redirecting spending from less effective to more effective programs and services, from higher-cost to lower-cost approaches. It also may involve efforts to co-locate separate services and increase the efficiency of administrative and management processes;

2) **Maximizing public funding for early learning**. This can be accomplished by maximizing existing sources of funds, as well as by generating new revenue for early learning and other supports and services. Prop 10 is an excellent first step in this direction, and if managed well, can be used to leverage additional public and private-sector resources;

3) **Increasing flexibility in categorical funding** by either aligning and coordinating separate streams or removing restrictive requirements. The need for better coordination of the many separate early childhood funding streams is striking, and Prop 10 funding is a resource that can support this process; and

4) **Developing strong partnerships** among the many people and organizations in a community who have a stake in early learning-- state and local government agencies, providers, business and foundation partners, schools, community leaders, early childhood advocates, and parents. Strong partnerships are the foundation for getting beyond the turf issues associated with inadequate resources and tackling the administrative obstacles to bringing together separate funding streams. They also help communities to leverage both cash and other important resources, such as leadership and technical expertise.

Section V explores these strategies in more detail and provides examples of communities where they have been successfully implemented.

IV. THE CURRENT FUNDING LANDSCAPE

Precise estimates of current spending on early learning and other supports and services for young children and families are nearly impossible to formulate. This stems in part from the variable contribution of parents, government, public and private organizations. Estimates indicate that parents and the government (federal, state, and local) pay for the bulk of early learning (60% and 39%, respectively) with businesses and foundations contributing only 1%.[19] Even federal government investments in early learning and other supports and services for young children are difficult to track because funds originate from a number of different federal agencies and may flow directly to families, through state social service or education agencies, to communities, or directly to local programs. Dollars that flow to states are often commingled with state revenues, and therefore, are hard to disentangle. In addition, while some programs are specifically targeted for young children (i.e. Head Start and State preschool), others are broader in scope but also benefit young children and families (i.e. Medicaid and TANF). Lastly, there are also revenue sources, such as the state and federal tax credit programs, which are difficult to figure into the equation.

At a minimum, it is clear that the federal government invests billions of dollars annually into multiple programs to cover the needs of the youngest members of our population.[20] What follows is a review of the federal, state, and local sources most commonly used to support school-linked early learning initiatives.

Federal financing. There are a large number of federal programs that can be tapped to support school-linked early learning and care initiatives. A few of the largest programs are reviewed here, while the accompanying compendium of early childhood support programs provides a more extensive listing.

- **Head Start**, the federal government's largest and most comprehensive early childhood education program, receives over $4 billion in appropriations that are distributed directly to local grantees through regional offices.[21]

- **Early Head Start**, created in 1994 and funded at $421 million in FY 2000, extends the early childhood education and parent support services included in Head Start to families with children under age three.

- **The Child Care and Development Fund** (CCDF) is a block grant program administered to states and used to fund child care subsidies for children under age 13, as well as for quality enhancement, system building, and resource and referral activities. Although CCDF is the mainstay for most government sponsored child care programs, the states must maintain a certain level of program spending and use some specific type of funds in a prescribed timeframe. This means that some states might be underutilizing the available federal funds. For example, although California spent almost $600 million in CCDF funds in 1999 (three times the 1997 spending), it was still only 73% of the total funds available to the state.[22] Furthermore, in the wake of welfare reform, federal and state governments have encouraged collaboration between Head Start and child care programs (which have traditionally operated separately) in an attempt to ensure that parents have access to full-day, full year programs.

- **Temporary Assistance to Needy Families** (TANF), the block grant that replaced the entitlement Aid to Families with Dependent Children, is also used by states to support child care and early education initiatives. States can use TANF directly on child care or they can transfer a portion of TANF (up to 30%) into CCDF. California has elected to transfer $257 million in federally allocated TANF funds to the Child Care and Development Fund in an effort to meet rising child care demands.[24] Although this is viewed as a step in the right direction, the transfer represents only 7% of the state's TANF grant, whereas another $800 million of transferable funds are allowed under federal law. Furthermore, the GAO reports that California had a $1.6 billion balance of unspent TANF block grant funding at the end of fiscal year 1999.[25]

There are also educational funding streams that communities can tap to support school-linked early childhood programs:

- **Title I** of the Elementary and Secondary Education Act supports programs and services for economically disadvantaged children, with early education being one of many allowable activities schools can choose to support. Nationally, funding for early childhood education is estimated to have been about 12% ($936 million) of the total $7.8 billion in Title I expenditures for fiscal year 1999.[26] Only a limited number of California school districts have utilized Title I for school-linked early learning initiatives. This funding stream could serve as a strategic opportunity for schools to invest in early childhood programs as they work toward decreasing the academic disparities caused by growing up in poverty.

- The **Individuals with Disabilities Education Act** (IDEA), another education program, includes Grants for Infants and Families with Disabilities program, and the Preschool Grants program. Grants for Infants and Families with Disabilities provides states with funding to create a system of early intervention services for children with disabilities, while the Preschool Grants program provide funding for special education and related services for preschool-aged children.

- **Even Start**, funded at $135 million in 2000, is an education program that supports adult literacy, parenting education, and early care and education for children through age eight.

- The **Workforce Investment Act** of 1998 restructured adult education funds and includes funding for family literacy programs.

Through these types of programs, the federal government invests substantial funds in early learning and other supports and services for young children and families; however, there is still a great degree of unmet need. For example, even the well-supported and successful Head Start program only serves an estimated 40% of eligible children.[27]

State financing. Many of the federal funding sources mentioned above flow through state agencies before reaching county agencies and local providers. The amount of additional investments made by states in early learning and supports varies considerably depending on local needs and priorities. California allocates funds directly to state preschool and state funded child care. California's state preschool program had a $127 million budget in 1999, and served over 145,000 young children.[28] Significantly more dollars need to be invested if universal preschool is to be offered to the over *one million* 3 to 4 year olds in the state. The State also increased funding for child care assistance to $820 million in 2000 (including $257 million in transferred TANF funds). Yet, it is estimated that state childcare programs are serving less than 30% of eligible families and the wait lists continue to be hopelessly long for subsidized care.[29]

California also supports initiatives that are not specifically targeted to early care and education but can indirectly support related services. The California Healthy Start Support Services for Children Act (1991) established planning and operational grants to be distributed on a competitive basis to local education agencies. These grants help to establish a local collaborative body to assess needs and implement school-linked integrated health, mental health, social, educational, and other extra-academic services directed at supporting the K-12 student population. However, recognizing their important influence on student health and academic outcomes, communities have chosen to offer support to the families of students, as well. Parent education and child care (i.e. for siblings) are two of many family-related activities that may be coordinated under the Healthy Start initiative. Another Department of Education sponsored program is the California School Age Families Education (CalSAFE) Program. It is designed to increase the availability of support services for pregnant and parenting students, including parenting education and skills building, job training, health and nutrition education, case management, and childcare and development services. In 2001, the Governor's Budget allocated $83 million in local assistance funds for the CalSAFE programs.[30]

Local Financing. County and city governments, school districts and schools, and local agencies also provide important support for school-linked early learning initiatives. Much of the funding allocated by county or city governments is actually federal and state dollars that flow through them. Some counties and cities elect to invest general funds in early learning initiatives. Another important source of support at the local level is the school districts. Most commonly, school districts and schools provide in-kind support to school-linked early learning initiatives. Facilities, transportation, and administrative support are critical resource needs that schools often contribute. Though less common, some school districts also allocate direct cash support to school-linked early learning and care initiatives.

V. STRATEGIC APPROACHES TO FINANCING EARLY LEARNING AND OTHER SUPPORTS AND SERVICES IN SCHOOLS

Following is a discussion of strategies that can be used to finance school-linked early learning initiatives. These strategies are aimed at helping California schools, counties, and Prop 10 Commissions develop a broad and stable funding base in collaboration with community partners. It should be stressed that successful employment of different strategies depend on the type of agency, nature and scope activities, and the economic and political environment of the community. The strategies and terms used in this section are based on the work of The Finance Project and definitions are presented with examples in **Appendix A**.

Strategy 1: Optimize the efficiency of existing resources

As previously stated, significant amounts of money are already being spent on California's young children and their families. As Prop 10 Commissioners, school leaders, county officials and others come together to develop school-linked early learning initiatives, an important initial step is to make sure current funding is being used to the best advantage. The foundation for this process is a clear understanding of what resources are currently invested in early childhood programs, and what particular supports and services they are funding. School districts, Prop 10 Commissions, and counties can jointly develop early childhood budgets that map current funding to program capacity. With a clear understanding of current expenditures, it is then possible to make them go further. Efforts to make better use of existing resources frequently focus on shifting funds from remedial to preventive services, coordinating disconnected services, and streamlining administrative and management processes.

Redeployment. Redeployment is a strategy for shifting funding from higher-cost, more remedial services to lower-cost, more preventive programs and services. It favors and reinforces comprehensive, community-oriented approaches. Traditionally, school reform efforts have focused on remedial education, with interventions put in place after children have fallen behind in learning and development. Investments in quality early childhood education can potentially help school districts to decrease the amount they spend on expensive special education services. Some schools have redeployed portions of more flexible funding streams, such as Title I, to support early learning initiatives. It is always politically sensitive to shift investments from one set of services to another, but it is a viable strategy if the many stakeholders in the school system– teachers, administrators, and parents – understand the connections between early learning and later school success.

Example: The Caldwell Early Childhood Center is a comprehensive early childhood program located in an inner city public housing community in Nashville, Tennessee. It was established in what used to be a middle school facility. In the early 80's, a group of teachers in the community got together and lobbied for a quality early childhood program that would engage parents as well as children. They were concerned by a general lack of school readiness among children, and a lack of involvement by parents in their children's education. They succeeded in convincing the Board of Education of the importance of early childhood education to later academic success. The Board decided to move the middle school and use its facility to house a comprehensive early childhood center, funded in part by a Tennessee Department of Education grant. The strong teacher and Board of Education support made it politically feasible to access Title I funds to support the center. The Center serves 235 children in full-day pre-K and kindergarten, offers therapeutic classes, as well as job training and support services for adults.[31]

***Co-location*.** Co-location involves the coordination of multiple services and providers in one setting in order to increase convenience for users and overall efficiency. Co-location may be achieved by multiple agencies actually setting up offices under one roof or by agencies out posting key personnel and services in areas of need in the community. Examples of co-located services have become increasingly evident with the growing popularity of Family Resource Centers (FRC's), and similar comprehensive programs. FRC's vary from simple referral centers to fully integrated and comprehensive "one-stop" direct service providers.[32] As a community hub, the school represents an ideal accessible site in which to house multiple education, health, and social services.

Co-location offers benefits for both consumers and providers of services. For clients, co-located services means avoiding burdens such as traveling to separate agencies, undergoing multiple enrollment and eligibility processes, and being subject to conflicting mandates. Agencies benefit by avoiding duplication of services and increasing efficiency. Co-location enables small, separate agencies to achieve economies of scale. Purchases of equipment, supplies, and insurance can be negotiated on a larger scale for cost savings. Co-locating also enables programs to develop common systems of training and recruitment of staff, enrollment of families, and marketing/development of products or services.[33]

Example: Santa Barbara Early Childhood Healthy Start Project builds upon an established elementary school-based Healthy Start service network. The multi-partner network, with Santa Barbara School District as lead agency, began Healthy Start operations in 1994 after a two-year planning period. Recently (2000) the network has expanded, with new partners and funding support through the County's Prop 10 Commission. Currently there are eight school-based Family Resource Centers, three specifically focused on families with young children. These FRCs offer a variety of school-based services, including case management, referrals, parenting classes, counseling, translation, outreach and recruitment, health screenings, as well as linkages to other medical, mental health, and social service providers. The FRC staff are out posted from the Family Service Agency of Santa Barbara under contract with the School District. The co-location of service providers at the FRCs, in addition to the creative blending of funds to support additional staff, helps bring accessible and convenient early childhood support services, learning resources, and expanded parent education to an estimated 800 children and their families.[34]

Streamline administrative and management processes. Another means of optimizing the efficiency of current resources is to streamline administrative and management processes. Co-location often facilitates this process because it brings the administrative and service functions of agencies closer together and forces consideration of how they coordinate. Administrative and management processes can also be streamlined in the absence of co-location, however. One important step that local agencies can take is to create a common intake form and establish a single point of entry into multiple services. Another step is to align data collecting and management information systems so that information can more easily be shared among agencies and progress toward results tracked across a community. Finally, state agencies can streamline and coordinate their regulations and reporting requirements so they are less burdensome on community-level service providers. For example, state education and social service agencies might consider whether their preschool and child care regulations are aligned so that these funding streams can be coordinated at the local level. Like co-location, the benefit of streamlining administrative processes is two-fold – programs reduce the resources they need to spend on administrative functions, and children and families benefit from a more accessible, user-friendly system.

Example: The Children's Mental Health Service Act (1992) established funding for improved coordination of care to children with serious emotional problems under the System of Care (SOC) program. These children typically receive care and have cases open with multiple public agencies. To decrease the duplication of effort and streamline administrative functions, the Los Angeles County SOC created an Inter-agency Screening Committee that bridged the services of four distinct agencies: Department of Children and Family Services, Probation, Mental Health, and local school districts. This Screening Committee has created a single point of entry system that involves one screening process, one intake form, one service plan for the individual child, and one interfacing information system. Through this collaboration, duplication of effort is minimized and children and families receive services in the most coordinated manner possible.[36]

Strategy 2: Maximize public revenue

Strategies aimed at maximizing public revenue require leaders to identify relevant funding sources and draw down the maximum amount of funds that can be obtained from each source. These efforts can substantially expand the funding base for programs, provide stable revenues, and free up local funds for other purposes. There are three general types of federal funding streams that can potentially support school-linked early learning initiatives. Understanding how these funding streams flow to states and communities is a first step in maximizing them.

- *Entitlement programs* are usually uncapped and guarantee that all people who meet eligibility criteria are served. The dollars under entitlement programs generally flow from the federal government to states as a match for expenditures that states or localities have made to support services for eligible families. Entitlement programs are attractive sources to tap because they provide stable funding and because you do not have to compete with others for dollars. (Examples include Medicaid, Foster Care, and the federal food programs);

- *Block grants* (or capped entitlements) are fixed or formula–derived grants that are administered to states to use for a generally described purpose. Many block grants allow states significant discretion to determine how funds will be used. In addition, many block grants require some minimum expenditure or maintenance of effort by state governments in order to draw the federal funds down. (Examples include TANF, CCDF, Title I, and Workforce Investment Act funds); and

- *Discretionary* or grant-in-aid appropriations are usually awarded by demonstrated need through competitive application process. These funds may flow from the federal government directly to non-profits, state or local governments, school districts, tribes or other entities, depending on the requirements of the individual program. (Examples include the 21st Century Community Learning Center Program and Even Start).

Following are four strategies for maximizing public revenue-- some approaches are more applicable for program leaders; other strategies are best accomplished by school district, county or state level leaders. It should be noted that these strategies are not exclusively employed to support early childhood supports and services, and some are currently used primarily to support services for school-age children; however, they are approaches that schools and communities can potentially use to support school-linked early learning initiatives. A compendium of relevant federal and state early childhood programs is also included at the end of this document and a template of possible funding sources to support comprehensive early childhood programs is presented in **Appendix B** along with an example of funding from a California school. Early childhood advocates are encouraged to explore the various funding opportunities presented by these programs, as only a few are mentioned specifically in this text.

Leveraging. Leveraging is a strategy for maximizing revenue from federal and state programs that provide funding contingent on state, local, or private spending. In order to leverage funds, it is usually necessary to demonstrate state or local spending (i.e. a "match") on allowable activities as defined in federal statutes. This may entail designating current state or local spending as eligible in order to draw down new federal matching funds or it may involve new expenditures of state or local funds on allowable activities.

Generally, leveraging is a strategy appropriate to entitlement and block grant funds. The two most common entitlement programs used to leverage funds are Title IV (Foster Care) and Title XIX (Medicaid). Both require a match based on the Federal Financial Participation rate, which is approximately 50% in California. Local funds can be used to leverage block grant monies when the state does not meet matching or maintenance of effort requirements to secure the full amount permitted in the allocation formula. Many states fail to spend sufficient state or local dollars to obtain their maximum federal disbursements under certain block grants (e.g. Title IV-B, Child Welfare Services and The State Children's Health Insurance Program). In 1999, California expended a mere 8% of the federal allotment under SCHIP, leaving $783 million in potential federal matching funds unexpended.[37] California could cover more children's medical costs by increasing family income eligibility limits or strategically investing in programs that would allow for greater draw down of these federal SCHIP funds.

Example: The Local Education Agency (LEA) Billing Option represents a method of refinancing school health programs using leveraged Medicaid funds. The state of California recognizes that Medi-Cal services are provided in many different forms to students in schools. Therefore, in 1993 the Department of Health Services allowed Local Education Agencies (i.e. school districts or offices of education) to bill for health services provided to Medi-Cal enrolled students (and in some cases their families) by qualified Medi-Cal providers.* Commonly claimed services include assessments

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* As of July 2001, the Federal Center for Medicare and Medicaid Services will not reimburse for Individual Health and Support Plan (IHSP) linked services, but has added a number of credentialed service providers eligible for claiming.

performed on healthy children and rehabilitative and ongoing nursing services to children with chronic illnesses and an Individual Education Plan.[38] At start-up, LEAs may claim retroactive billing for services up to a year prior to enrollment. This billing option is a leveraging tool that drew down $45 million (FY 1999-2000) in federal funds for 414 school districts and education offices throughout the state.[39] These funds can be used to supplement (not supplant) spending on existing services for all students and their families through programs such as Healthy Start and school-based health clinics. The LEA Medi-Cal Billing Option is a potentially important leveraging strategy for the California Healthy Start Programs, although it has not proven effective enough to solely support and sustain sites beyond grant funding.

***Administrative Claiming*.** Certain entitlement programs (i.e. Medicaid, Foster Care) reimburse for administrative activities such as case management, outreach and eligibility determination, referrals, transportation, and interagency planning and coordination.[20] Schools and other community agencies often provide these services to children at risk for foster care or those that are Medi-Cal eligible. These local non-federally funded activities can be used as a match in administrative claiming, allowing for reimbursement from federal agencies. The matching rates for some of the activities can be as high as 75% (federal contribution), making this a very attractive option.

There are some challenges that must be addressed by programs electing to undertake administrative claiming. One of the major obstacles is the general complexity of California's Medi-Cal Administrative claiming program. Reimbursement requires participation as a "claiming unit" in a contract between a Local Education Consortium and the Department of Health Services. This contract must include a comprehensive claiming plan for each claiming unit, accurate documentation of activities rendered, and appropriate discounting based on eligible populations.[40] The method of documenting administrative activities is through a one-month time survey study, which many Local Education Agencies find too burdensome to implement for the amount of dollars eventually claimed. Another challenge is reinvesting funds since reimbursement flows through the state and there is no federal requirement that they be reinvested in specific supports and services for families. Therefore, when developing an administrative claiming strategy it is critical to agree on exactly how funds will be channeled from the state back to communities and local programs.

Example: In California, the Medi-Cal Administrative Activities program (MAA) reimburses school districts and government agencies for costs incurred through the administration of programs for Medi-Cal eligible populations. Approved activities include marketing (outreach, information and referral); assisting with access (enrollment, translation, transportation); and health program planning.[41] The State Department of Health maintained 25 contracts for MAA claims in FY 1999-2000, totaling $23 million.[42] With perhaps the largest absolute number of Medi-Cal eligible families in the state, Los Angeles Unified School District is embarking upon MAA and expects to claim approximately $4 million in reimbursements in FY 2000-2001.[43] This revenue will be reinvested into various programs through the District's General Fund.

Utilize subsidies and reimbursements. Subsidies and reimbursements from block grants, entitlements and other federal and state funds provide important sources of support for individual families as well as for service providers. Some subsidies are administered directly to families while others are administered to programs to pay for services provided to families. If eligible children and families do not apply for subsidies, they may miss out on needed assistance and/or services, and programs that serve them may miss out on important financial support. The most obvious, example of a missed opportunity to take advantage of potential reimbursements is the large number of children who are not enrolled in Medi-Cal and Healthy Families. In California, an estimated 1.85 million children lacked health insurance in 2000. Almost 70% of these uninsured children were eligible but not enrolled in public insurance programs.[44] The state, counties, schools and other community programs are investing substantial resources into outreach and enrollment efforts to ensure these children receive services under the programs for which they are entitled. Continuing and perhaps expanding these efforts may be an important strategy for leaders hoping to implement school-linked early learning initiatives, particularly if they want to provide health services to young children and their families.

Accessing subsidies and reimbursements requires a thorough knowledge of what programs provide subsidies and who is eligible. Eligibility for many programs is dependent on family income level or other family characteristics. Once program leaders understand subsidy programs, they can provide outreach to families they are serving and be alert to instances where eligibility for one program makes a child automatically eligible for other programs. For example, children whose families receive Food Stamps or TANF are automatically eligible for free meals under the Child and Adult Care Food Program. Subsidies and reimbursements that are commonly used to support school-linked early learning programs include child care subsidies, reimbursements for snacks and meals under the federal food programs, and reimbursements for health services under Medicaid and the State Children's Health Insurance Program.

Example: There are many states that allow for income information from the National School Lunch Program application to be utilized in the eligibility determination for other means tested programs, such as public health insurance. This concept of "express lane eligibility" would help maximize enrollment of eligible children into programs such as Medi-Cal and Healthy Families. California has recently adopted legislation (AB 59) that would allow for the direct use of School Lunch Program application information for Medi-Cal enrollment purposes. Until the full implementation of the express lane eligibility policy, school districts have utilized a Request for Information (RFI) form attached to the application for purposes of additional information gathering. West Contra Costa Unified School District has had encouraging success in enrolling children utilizing the RFI form. Using grant funds secured from the County Department of Health Services and a cadre of trained parents and volunteers, the school district has succeeded in enrolling over 700 families in health insurance programs.[45] There are a growing number of school districts throughout the state that have recognized that increased enrollment rates translate into better health services for children and potential reimbursement mechanisms for health providers.

Grant writing to access public funds. Discretionary grants are available to support a wide array of supports and services. The federal Departments of Education, Health and Human Services, Justice, and Housing and Urban Development all administer grant programs that can potentially support school-linked early learning initiatives and other supports and services for young children and families. Although most community agencies, and some schools, are well versed in the art of grant writing, as a general source it is usually time- and fund-limited. Therefore, program developers should carefully consider whether potential grants offer a level of funding, degree of flexibility, and timeframe that make them worthwhile. With these tenets in mind, grant writing can be a useful strategy to access short-term funding for individual programs and services. Program developers should also remember that each grant proposal should be tailored to the individual grant, including the statement of need regarding why the project funding is necessary and the project description that details how the funded project will be implemented.

Many grants require allocation to particular types of grantees. Some go to Local Education Agencies, others to state or local government agencies, and others to non-profits. Many also require evidence of collaboration and coordination of services at the community level. In these instances, partnerships between schools, counties, community-based organizations and Prop 10 Commissions will facilitate maximization and effective coordination of grant funds.

Example: The First Step Family Resource Center in the small town of Port Angeles, Washington has used a creative mix of funding sources, including grants, to thrive as a small, independent non-profit organization. The manner in which the Director put together funding for a parenting class illustrates the importance of creativity and partnership to accessing grants. The Washington Department of Social and Health Services (DSHS) asked the center to organize a parenting class for families in the child welfare system. The center proposed a 33-session curriculum but found that DSHS did not have enough clients, making the per-client cost too high. The director realized that other parents could benefit from the high-quality curriculum and sought other parents and funding. She contacted the local community college and asked to make this class part of the family life curriculum; the college agreed and provided an instructor. This gave participating parents the added benefit of a college credit for the class, but with a small catch; a mandatory $8 tuition charge. The director arranged to pay some of the tuition through a federal grant to the community college to support single parents. A local foundation contributed funds for an evening snack for parents and their children (the class included child care). Finally, once the Director realized the class had grown too large for the center's meeting space, a local church donated the classroom space.[46]

Strategy 3: Increase flexibility in categorical funding

Section IV illustrates that there are a number of funding streams that might be tapped to support school-linked early learning initiatives, but most of these streams are categorical. They support programs and services with narrowly defined purposes that provide specific types of assistance to special categories of children and families deemed eligible under the law. Thus, even if relevant stakeholders can move beyond political and turf issues and agree to bring their resources together to support integrated early learning opportunities, they will undoubtedly struggle with managing varying eligibility, service, and reporting requirements. These challenges are evident when initiatives bring together programs specifically targeted to early care and education, such as child care, Head Start and preschool funding, and are amplified as coordinators attempt to wrap more comprehensive social supports and services around these early learning programs.

Comparing the services and eligibility regulations of a few of the major programs funding early learning and other supports and services illustrates the challenges related to categorical funding streams. **Table 1** includes basic eligibility information for five programs that could likely be used to fund school-linked early learning and care services for young children and families in California. (**Appendix C** includes an expanded version of this table that contains additional information about program regulations and administration for these, as well as other programs). The programs include the federal CCDF, Head Start, Early Head Start and Preschool Grants Program, as well as the State Preschool program. It is clear from the table that each of these programs is targeted to specific populations, for specific purposes and that there are few areas in which the regulations completely align. For example:

- California Preschool, Head Start, and the Preschool Grants Program are targeted to children aged 3 to 5, Early Head Start focuses on younger children (0 to 2), while CCDF serves a broader age range.

- CCDF serves families earning less than 75% of the state median income, Early Head Start and Head Start generally serve children below the federal poverty level, and the Preschool Grants Program has no income requirement (eligibility is based on the presence of a disability).

- CCDF provides services to families on a sliding scale, while State Preschool, Early Head Start, Head Start, and the Preschool Grants programs are free.

- The Preschool Grants Program is only available to children with disabilities, while the other programs provide some priority for children with special needs (e.g. 10% of children served by Head Start and Early Head Start must have special needs).

* Note: Most of the listed programs are not focused directly on infrastructure support and development; some will, however, allow a certain amount of funding to be directed to administrative costs and activities such as case management. Consult the individual programs for greater detail.

Table 1: Comparing Eligibility and Fees for Early Care and Education Programs

Program	Age	Income	Special Needs	Fee
CCDF	13 and under	Less than 75% state median income (approximately $39,000 for a family of three).	Priority given first to children receiving protective services, and second to families with the lowest per capita income. Within this group, priority given to children with special needs.	Sliding Scale
State Preschool	3 - 5 year olds	Families that have "the lowest adjusted monthly income" are given first priority. The income ceiling varies with family size (e.g. $34,600 for a family of three).	Suggested (but not required) that children with "exceptional" needs be given priority.	Free
Head Start	3 - 5 year olds	90 % of children must be from families with income below the federal poverty level (e.g. $14,630 for a family of three)	10% of enrollment opportunities must be for children with disabilities	Free
Early Head Start	Pregnant women, infants and toddlers (birth to age 3)	90 % of children must be from families with income below the federal poverty level (e.g. $14,630 for a family of three)	10% of enrollment opportunities must be for children with disabilities	Free
Preschool Grants Program	3 - 5 year olds (and 2 year old who turn 3 during the school year)	None	Funding to be used to provide programming to children with disabilities	Free

Clearly, using these funding streams to provide integrated early learning and care services would pose significant challenges. Depending on the age of children and family income, some children would be eligible for services under multiple programs, while others would only be eligible for one. In the case of a comprehensive program, the result would be that different children might not be able to receive comparable services (or program administrators would have to find alternative sources of funding to fill in gaps). Program administrators would have to carefully track eligibility data and tie services provided back to appropriate funding sources. They would also have to contend with multiple reporting requirements, often asking for slight variations of similar information or the same information in different formats and at different times. Some program developers would manage to overcome these challenges while others would not. In either case, the process would require the use of scarce staff time and resources.

Addressing these challenges and integrating funding sources and services will require individuals at the program, county, and state level to take a hard look at these and other funding streams and begin devising strategies to increase their flexibility. It will also require public and private funders developing new funding streams to consider how to maximize flexibility and encourage cohesion with existing sources. This section explores three flexibility strategies– the first is focused on coordinating funds at the program and community level while the second two actually involve changing the structure and regulations of funding streams at the state or county level. Prop 10 Commissioners working in partnership with counties, schools, and community agencies can promote the effective use of these strategies in the unique funding context of California's counties and communities. At the program and community level, they can help program developers to understand the regulations and requirements of various funding streams and implement efficient cost-allocation procedures. They can also help county and state agencies to understand which regulations pose the greatest challenges to the integration of services and make recommendations for reform.

A final consideration that is critical to increasing the flexibility of categorical funding streams is accountability. Restrictive regulations are established to ensure that services reach specified populations and are implemented in accordance with stated program purposes. Examples of successful efforts to increase funding flexibility often involve a new commitment to achieving broader community outcomes. In effect, a focus on *process* (i.e. who is served with what particular services?), is replaced with a focus on *outcomes* (i.e. what are we as a community trying to achieve for young children and their families?) Within this framework, the use of funding streams can be organized around what supports and services will most effectively achieve desired results. Forging clear and agreed upon desired outcomes for young children among the many early care and education stakeholders in a community can lay the groundwork for increasing funding flexibility.

Coordination. Coordination is a community- and program-level strategy for aligning categorical funding from a number of agencies to support integrated and coordinated service delivery. Categorical funding streams can be tapped and used in combination to support individual components of comprehensive service initiatives. Coordination has also been termed "back office brokering"[47] because it requires a high degree of behind the scenes organization and record keeping. Critical to the success of this approach is a good plan, a good management information system, and a good cost accounting system for tracking expenditures by funding source in order to properly allocate and report them. This strategy is already successfully employed by skilled and dedicated program directors in many community agencies offering comprehensive services. In most cases, effectively coordination requires some additional non-categorical funding, such as Prop 10 funds, to provide the "glue money" for collaboration and administrative functions and fill the gaps in categorical streams. Prop 10 Commissions can also facilitate the process by supporting technical assistance to help community programs understand the regulations and reporting requirements attached to relevant programs and develop efficient cost-allocation procedures.

Example: Elizabeth Learning Center (ELC) in the Los Angeles Unified School District houses a pre-K - 12 grade school with multiple health and human services on-site for over 3000 students, their families and the community of Cudahy, California. Over the years ELC has partnered with multiple agencies and received several grants to support their array of services which include: student and family health services, mental health services, family literacy, adult education, parenting classes, pregnancy prevention programs, crisis intervention services, and early care and education programs. Administrators now coordinate close to 20 funding streams, including, LAUSD funds, LA County Office of Education, California State University (Dominguez Hills and Los Angeles), Head Start, State Pre-school, Medi-Cal, CHDP, Healthy Start, City of Cudahy, as well as cash and in-kind support from individuals, community organizations, and businesses. Coordination fosters a model of seamless services that have resulted in increased school attendance rates, decreased attrition, 94% high school graduation, and substantial parent and community involvement through volunteer services.[48] The funding stream coordination of ELC is illustrated in **Appendix B**.

Example: In El Dorado County, the Office of Education is able to offer early childhood services in rural locations because of county-level coordination of multiple federal and state programs. The county Office of Education coordinates federal programs such as Head Start and Early Head Start, and state programs such as general child care and State Preschool. The multiple programs benefit from joint training of staff and shared resources. For example, comprehensive Head Start training is offered to preschool and child care providers to decrease costs and facilitate integrated curriculum development. The smaller school districts or single sites would probably not be able to conduct such comprehensive training on their own. Another benefit of the collaboration has been in the purchasing of playground equipment. Head Start grants have been used to purchase equipment and renovate playground space at school sites, where preschool and early elementary school aged children also benefit from the investment.[49]

Pooling. Another strategy for increasing the flexibility of funds involves pooling monies across traditional agency or service sector lines.[20] This allows increased local program discretion in the combined money use. Pooling typically occurs in state agencies where state funding or the more flexible funding streams from the federal government may be combined and handed down to counties and communities as local "block grants." It can also happen at a county level or even at a sub-county level when a county provides "blocks" of funding for certain programs to specific school districts. Ultimately, pooling of funds fosters opportunities for greater collaboration and integration; it also requires a great deal of trust, and explicit and detailed accountability.

Example: Connecticut's School Readiness and Child Day Care Program was enacted in 1997 to expand and enhance access to early childhood education programs, including integrated and linked health care, literacy, employment and job training with extended hours at the school sites. The program pools funds from the State Departments of Social Services and Education to provide over $40 million annually to 16 priority school districts and other schools labeled as "severe-need." These funds are distributed to municipalities through their designated School Readiness Council, which assesses needs and develops a plan to expand and enhance pre-school opportunities for three and four year-olds in the community. In 1997, there was an estimated need for 15,000 school readiness slots statewide; the program has succeeded in creating over 6,500 slots and continues to grow in funding and effectiveness.[50]

Example: In 1999, the Florida State Legislature passed the "School Readiness Act" creating the Florida Partnership for School Readiness. Under the act, each county is responsible for creating a School Readiness Coalition to develop a plan for integrated early care and education services in the community. What is unique about this initiative is that the state gives the local School Readiness Coalitions authority over funds from the various early care and education programs. Programs include but are not limited to: Florida First Start, Even Start literacy programs, pre-kindergarten early intervention, migrant pre-kindergarten, Head Start, Title I, subsidized child care, teen parent programs, and others. Once a county coalition has developed a plan, the state develops a contract with them that essentially includes pooled funds from the above-mentioned programs, and this may also include some health and welfare (TANF) dollars. The Florida counties have formed 57 School Readiness Coalitions, 52 had fully approved work plans and the state has contracted with 33 coalitions as of September 2001. State officials estimate that the value of the contracts for these early childhood services will reach $645 million when all participating coalitions have contracts.[51]

Master Contracting. Most examples of pooling are instances where states use pooled funds to support broad, statewide reform efforts. A variation of pooling that may be implemented on a smaller scale and tailored to individual program or community needs is master contracting. A few innovative programs and jurisdictions have pioneered this strategy that involves replacing a number of separate contracts from different state or county agencies with one master contract. It is a strategy that requires state or county approval and cooperation but might be initiated at the request of a comprehensive program. Master contracting allows programs and communities greater flexibility to tailor their services to community needs, but also builds in accountability mechanisms to assure that desired outcomes are achieved. Another important benefit of master contracting is that the administrative burden of negotiations, payments, and reporting are streamlined under one contracting state body.

Example: In Monroe County (Rochester), New York, eight state health programs focused on early childhood, including immunizations, IDEA, lead screening, child development, Maternal and Child Health Block Grant, nutrition and others have been included into a master contract between the county and the state. State officials were willing to trade off separate and detailed budgets for each of the programs for the establishment of overall goals and the tracking and reporting of outcome data. The master contract has facilitated integration of services– the Health Department has co-located staff, established a single point of entry and common intake form, and created teams to deliver coordinated services to clients. The administrative benefits are also significant– the county is now responsible for one annual workplan and budget (rather than seven), provides five program and fiscal reports annually (compared to over 20 program reports and 30 fiscal reports generated previously), and uses a single fiscal year for all funding.

Decategorization. Decategorization goes one step beyond pooling by essentially removing restrictive eligibility requirements and programmatic boundaries that separate funding streams. The end result is maximized spending flexibility by locally driven initiatives without the narrow limitations and accountability restrictions of traditional government programs. This strategy usually requires state legislative action, and therefore is often a major undertaking. While there are many regulations attached to federal funding streams that states do not have the authority to alter, there are also many decisions made at the state level regarding eligibility and breadth of services. This is particularly true of block grants, over which states frequently have significant discretion. In addition, within some federal programs, states may make requests to the federal government to waive certain federal requirements. As more latitude is given to the states through devolution and block grant funding, policy makers can foster comprehensive, community-driven, early childhood services by crafting authorizing legislation and state plans with maximum flexibility.

It is important to stress, however, that this financing strategy does not stand alone. It is part of a broader vision about how supports for children and families should be developed and delivered that is focused on comprehensive, community-based decision-making. Decategorization in the absence of such a vision can jeopardize families' access to basic supports and services by removing narrow accountability requirements without putting structures and processes in place to ensure that local leaders are accountable for assessing and responding to community needs.

Example: In Colorado, the state legislature created the Community Consolidated Child Care Pilot Program to encourage communities to design consolidated early care and education programs. Pilot communities were required to consolidate funding from the Colorado Preschool Program, operated by local school districts and child care dollars administered by local boards of county commissioners. The legislature authorized the state Department of Human Services to waive state laws or rules that were obstacles to successful collaboration. Waivers included requiring only a single application for multiple programs and broadening program eligibility to meet specific community needs. For example, two communities raised the income eligibility level for the state child care subsidy so that low income parents' child care expenses would not increase substantially as their incomes increased.[52]

Strategy 4: Building public-private partnerships

All of the financing strategies discussed in this paper are predicated on the existence of strong partnerships. Interagency partnerships at the state and county level are essential if policymakers wish to increase the efficient use of resources and increase the flexibility of funding through strategies such as pooling. Likewise, community-level partnerships enable leaders from public agencies, school districts, community organizations, businesses, and foundations to effectively assess local needs, understand the landscape of funding and services present in a community, and devise strategies that optimize and increase investments. Finally, connections between community and state-level partnerships set the stage for leveraging new dollars based on local investments and foster state policymaking that is responsive to local needs.

Most of the financing strategies presented focus on public sector investments, and require partnership among public sector leaders at the state, county, and school district level. It is also critical, however to engage a range of private sector partners from foundations, corporations, faith-based organizations, universities and community organizations. In the past, partnerships between the public and private sectors often amounted to government or the non-profit community going to business leaders with an agenda and seeking financing support. Increasingly, however, partnerships are much more mutual, active and ambitious.[53] Engaging private sector leaders early in the planning process and in meaningful ways can broaden the base of support and provide new leadership for school-linked early learning initiatives.

***Partner to leverage funds*.** Through public-private partnerships, community leaders have significant opportunities to expand the fiscal base for family and children's services. Increasingly, many community-based foundations and business leaders, as well as large national corporations and foundations, see early learning as an important and productive investment – one that has significant pay-off in the quality of life in their communities and in businesses' bottom lines. At the national, state, and local level, private sector leaders are making new investments in early learning initiatives. In many cases, initiatives sponsored by corporations and foundations require a local match. Just as strategic investments of Prop 10 dollars can leverage public funding, they can also help to leverage private dollars. Likewise, private investments and involvement can help to meet the local matching and collaboration requirements included in many federal and state discretionary grants.

Example: The Florida Child Care Executive Partnership Program was created in 1996 as part of the state's welfare reform legislation. The program engages employers in efforts to serve more low-income working families who are eligible for subsidized child care. Monies invested by a business, employer or local agencies are matched dollar-for-dollar by the state using appropriations from the Child Care and Development Fund (federal funds could not cover all those eligible for subsidies in the state). Funds are used directly for the employees' subsidized child care, or are contributed to a community child care purchasing pool. The Executive Partnership Program operates in over two-thirds of Florida counties and has over 35 participating businesses contributing to purchasing pools. More than $12 million in local funds have been invested to assist an additional 8000 low-income children receive needed child care.[54]

Partner to maximize non-monetary resources. Partnerships offer the opportunity to share not only monetary resources, but also information, technical skill, and other resources. Partners derive mutual benefit by exchanging their unique strengths. For instance, schools have a long history of educational curriculum development that may translate directly into the development of effective early childhood educational tools. Counties have considerable experiences in multi-agency arrangements, and may have well-developed information exchange and tracking systems. Private corporate partners might share administrative and managerial principles that could translate into increased efficiency and effectiveness in partnership's efforts to integrate services.

Example: The Santa Ynez Valley Healthy Start Collaborative is a partnership of many local agencies which offer school-based family support services in their community located north of Santa Barbara, California. One component of their initiative has been to promote early childhood education and care. The Collaborative offers comprehensive services to young children and families at five local school-based sites. One of the key collaborators includes the private, non-profit People Helping People (PHP) agency. PHP is well known in the Santa Ynez Valley for its direct service provision to needy families. However, in the partnership PHP lends its administrative capabilities to the school districts and Collaborative in the form of grant writing and program administration. The school-based services for children started in 1999 with the receipt of a Healthy Start planning grant and the program relies on the continued administrative support of the PHP organization.[55]

Partner to foster leadership and champions. One of the most important non-financial resources garnered through public-private partnerships is leadership and the ability to heighten awareness of the importance of quality early learning opportunities. Private and public sector leaders, whether they are from businesses, foundations, or grassroots organizations, can influence political decisions and the community at large. There can be little economic or political support for a program if there is no public notice of its merits or achievements. Successful initiatives systematically identify those individuals from the public and private sectors who have influence over needed resources and engage them in their work. These champions are critical in the mobilization of new investments, as well as establishing and maintaining a broad base of public and political support.

Example: Connecticut's state School Readiness Legislation (PA 97-259) requires the creation of local School Readiness Councils through which state money is distributed to high priority school districts. These School Readiness Councils include a variety of leaders, including the mayor of the city or municipality, the Superintendent of schools, representatives from Head Start, Pre-school, child care and family day care, parents and other stakeholders. Leadership is felt to be so critical, that the mayor and Superintendent (or their designees) are required to be familiar with all proposals and must sign-off prior to implementation. Connecticut's School Readiness Councils control anywhere from $600,000 to $6 million in annual funds and are based on firm partnerships that work toward optimizing early childhood opportunities.[56]

VI. CONCLUSION

Schools find themselves in the middle of the turmoil that surrounds today's children and youth. Increasing emphasis has been placed on accountability and academic achievement as measured through standardized test scores. When testing begins as early as kindergarten, school readiness and interventions *prior* to school entry take on greater significance. Parents, teachers, administrators and communities are beginning to recognize the need to include early childhood supports in their vision of educational reform.

Although schools have been called upon to take a more active role in young children's lives, they can not shoulder the burden alone. The community agencies dedicated to early childhood care, county departments, and the new Prop 10 Commissions represent ideal partners. Effective collaboration between these entities can help to establish schools as a hub around which more integrated early learning and other supports and services can be built. There has never been a better opportunity for public education to "reach back" and support young children as there is in the current social, political and economic climate.

Financing early learning services in the context of schools will certainly not be easy. However, Prop 10 funds represent a catalyst for embarking upon major financing reform. The funds from Prop 10 are flexible and intended to serve children zero to five years old as determined by county commissions and their constituents. Strategic approaches to using funds have been presented with examples geared toward early learning initiatives that can be implemented in school settings. Understanding the landscape of existing resources and optimizing these investments is an important initial step. Maximizing revenue through new and established sources represents a critical financing component for any planned reform. Working toward a more flexible financing system underlines the current desire for comprehensive services driven by community need. Finally, partnering with other agencies opens the door to additional funds, non-monetary resources and invaluable leadership. Ultimately, cooperative financing strategies require innovation, communication and effective, meaningful partnerships. In the words of Henry Ford:

"Coming together is a beginning;
keeping together is progress;
working together is success."

Appendix A: Approaches to Financing Early Childhood Services

Approach	Definition	Examples *(see text)*
Optimize efficiency		
Redeployment	Shifting resources from higher-cost, more remedial services, to lower-cost, more preventive services.	• Using Title I to fund a comprehensive early childhood education center.
Co-location	Strategic placement of key staff in areas of high need or at sites alongside staff from other agencies.	• Family Resource Centers • Family Service Agency of Santa Barbara staff out posted at schools.
Streamline administrative and management processes	Decreasing the administrative burden associated with managing multiple programs by aligning and coordinating enrollment, reporting, data tracking and other administrative functions.	• Inter-agency Screening Committee for the System of Care program participants.
Maximize public revenue		
Leveraging	Strategy to draw down funds from federal and state programs that provides funding contingent on state or local matching dollars.	• LEA Medi-Cal Billing Option
Administrative Claiming	Accessing reimbursement for state and local funds expended on certain administrative activities related to federal programs (Medicaid and Foster Care).	• Medi-Cal Administrative Activities Program
Utilize subsidies and reimbursements	Recognizing and helping families and programs pursue the subsidies and reimbursements for which they are eligible.	• Use of the National School Lunch Program application to streamline the enrollment of children and families in public health insurance programs.
Grant Writing	A strategy focused on identifying and applying to receive funding from relevant discretionary grant programs.	• Use of grant funding to create a parent education program at a family resource center.

Increase flexibility of funding		
Coordination	Aligning categorical funds at the program level to support comprehensive services.	• Elizabeth Learning Center, Los Angeles • County-level coordination that has led shared resources among early childhood programs and grade schools.
Pooling	Combining funds across (state) agency lines to allow less restrictive and more comprehensive funding.	• Connecticut's School Readiness Act pooling state education and social services funding • Florida School Readiness Partnership
Master contracting	Negotiating a single contract from multiple funding agencies to create efficiency and allow greater response to local need.	• Monroe County, New York
Decategorization	Elimination of strict categorical eligibility and accountability tied to funding, allowing maximum flexibility for local initiative financing.	• Colorado Consolidated Child Care Project
Public- private partnerships		
Partner to access funds	Accessing fiscal support from private-sector partners; public sector support may be helpful to matching and leveraging private support and vice-versa.	• Florida Child Care Executive Partnership
Partner to maximize non-monetary resources	Tapping into the unique strengths and resources that public and private sector partners bring such as information, and technical expertise.	• Administrative and grant writing resources of People Helping People in the Santa Ynez Valley Healthy Start Collaboration
Partner to foster leadership and champions	Partners can bring increased leadership and heighten attention and support from policy makers and the public.	• Connecticut's School Readiness Councils which include mayors, superintendents and other key stakeholders

Appendix B: Template for Funding Comprehensive Early Childhood Services

Function/Activities	Possible Funding Sources
Information and Referral	• Medicaid (Title XIX) • Community Outreach Partnership Center Program • Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) • Temporary Assistance to Needy Families (TANF) • Social Services Block Grant (Title XX of SSA)
Child Care and Preschool Education	• Child Care and Development Block Grant • Head Start • Early Head Start • Even Start • Migrant Education • Special Education: Grants for Infants and Families with Disabilities and Preschool Grants • State Preschool • Temporary Assistance to Needy Families (TANF) • Title I Grants to Local Education Agencies
Parent Education/ Family Support	• Adult Education (Federal and State) • Even Start • Goals 2000: Parental Assistance Program • Social Services Block Grant (Title XX of SSA) • Welfare to Work Grants
Health and Mental Health	• Medicaid (Title XIX) • State Children's Health Insurance Program • Maternal and Child Health Block Grant • WIC • Head Start • Comprehensive Community Mental Health Services
Infrastructure/ Administrative*	• 21st Century Community Learning Centers • Healthy Start • Medicaid (Title XIX)

Appendix B: Example of Funding Comprehensive Early Childhood Services at Elizabeth Learning Center (Cudahy, California)

Function/Activities	Funding Sources
Information and Referral	• Los Angeles Unified School District • Los Angeles County Head Start
Child Care and Preschool Education	• Head Start • Early Head Start (pending) • State Pre-School • School District Integration Funds • Title I Grants to Local Education Agencies
Parent Education/ Family Support	• Adult Education Classes (Huntington Park/Bell) • Title I School Funds • Title I Parent Education Classes • Bilingual School Fund • California State University, Los Angeles • California State University, Dominguez Hills • Toyota Family Literacy Grant
Health and Mental Health	• St. Francis Medical Center • Medicaid (Title XIX) • State Children's Health Insurance Program • Healthy Start • Head Start • California State University, Dominguez Hills • Kellogg Grant (original funder) • Kaiser Permanente "Best Friends" Program
Infrastructure/ Administrative	• Los Angeles Unified School District • Los Angeles Educational Partnership • United Teachers of Los Angeles • University of California, Los Angeles (UCLA)

Appendix C: Comparing Regulations and Requirements for Early Care, Education, and Collaborative Programs

	CCDF	State Preschool	State Healthy Start	Head Start	Preschool Grants Program	Early Intervention
Eligibility						
• Age	13 and under	3 – 5 Year Olds	Elementary, middle and secondary schools can apply. K-12 students and their families can receive services.	3-5 year olds (Early Head Start, a much smaller federal program, provides services to pregnant women and children up to age 3)	3-5 year olds (and 2 year old who turn 3 during the school year)	Birth to 2 years old
• Income	Less than 75% state median income – approximately $39,000 for a family of three.	Families that have "the lowest adjusted monthly income" are given first priority. Income ceilings are based on family size (e.g. $34,600 for a family of three).	For Elementary schools, 50% or more of enrolled pupils must be either from families that receive TANF or have limited English proficiency or are eligible to receive free or reduced price meals.	90 % of children must be from families with income below the federal poverty level (e.g. $14,630 for a family of three)	N/A	N/A
• Work Requirement	Must be employed, seeking employment (eligibility for this purpose limited to 60 days), in vocational training, or homeless and searching for housing.1	None	None	None	N/A	N/A
• Special Needs	Employment requirement does not apply to the caretakers of children with special needs.	Suggested, but not required that children with "exceptional" needs be given priority.	None	10% of enrollment must be children with disabilities	Funding to be used to provide programming to children with disabilities	Funding to be used to provide programming to children with disabilities

1 The employment requirement does not apply to the caretakers of children in protective custody, to parents who are incapacitated, or to children with special medical or psychiatric needs.

	CCDF	State Preschool	State Healthy Start	Head Start	Preschool Grants Program	Early Intervention
	Priority given first to children receiving protective services, and second to families with the lowest per capita income. Within this group, priority given to children with special needs.					
Program Regulations						
• Child/ Staff ratios	Infants – 0-18mos 1:3 Adult 1:18 Teacher Toddlers – 18-36 mos 1:4 Adult 1:16 Teacher Preschool – 36 mos – kindergarten 1:8 Adult 1:24 Teacher Kindergarten – 14 Years 1:14 Adult 1: 28 Teacher	1:8 Adult 1:24 Teacher	Site specific, depending on services being provided and partners	Each class must have 2 staff members (2 teachers or 1 teacher and 1 aide) a 3rd adult volunteer is preferred. For 3 year olds preferred class size is 15-17 children. In double session programs the maximum is 15. For 4 and 5 year olds preferred class size is 17-20 children. In double session programs the maximum is 17.		
• Hours		A minimum of 3 hours/day, 175 days/year	None specified	A minimum of 3½ hours/day, 4 to 5 days/week. If 4 days/week, program year must include 128 days, if 5 days/week year must include 160 days.		
• Teacher Credentials	Teachers are required to have completed 6 units of postsecondary	Site supervisors and teachers must meet minimum credentialing qualifications	Site specific	By 2003 not less than 50% of Head Start teachers must have ECE	State specific	State specific

	CCDF	State Preschool	State Healthy Start	Head Start	Preschool Grants Program	Early Intervention
	coursework in early childhood education or development (12 units are required for fully qualified teachers); or obtain a Child Development Assistant Permit form the California Commission on Teaching Credentials.	established by the California Commission on Teaching Credentials.		Associates, Bachelors or other advanced degree or meet certification requirements by alternative means.		
• Services Provided			Comprehensive school-integrated services for Healthy Start children, youth and families. Family support, including parenting education and child care is one of many allowable activities.			To provide direct services to disabled infants and toddlers. To expand and improve those services.
Administration						
• Admin. Agency	California Department of Education	California Department of Education	California Department of Education	U.S. Department of Health and Social Services	US Department of Education	US Department of Education
• Flow of Funds	Contracts, through a competitive application process based on the priorities established by local child care planning councils.	Annual contracts	Two types of grants awarded to Local Education Agencies: 1. Collaborative Planning Grants (maximum $50,000) 2. Operational grants (maximum of $400,000 total for five years)	HHS awards grants to approved Head Start Agencies (non- or for-profit community agencies) on a competitive basis for no more than 80% of the total program costs.	Through State education agencies (which may keep up to 25% for administration and other state level programming) to local education agencies	Through States to lead agency designated in proposal.
• Fiscal Agent	Over 800 public and private agencies statewide have 2,000 contracts to provide	School districts, community college districts, universities, county superintendent of schools, county or city	Local Education Agencies	Head Start Agencies – community non-profit or for-profit organizations which were		

	CCDF	State Preschool	State Healthy Start	Head Start	Preschool Grants Program	Early Intervention
	services to over 311,000 children.	agencies, public or private non-profit agencies, or private for-profit agencies may operate programs.		competitively awarded a Head Start grant—may provide programming or contract with other organizations to provide programming.		

Sources: CCDF – California CCDF State Plan 10/1/01-9/30-03; State-Pre-K – California Code of Regulations, Title 5, California Education Code Sections 8360, 8261, 8235, 8265; Healthy Start – Healthy Start RFA 2000-01; Head Start-- Title 45 of the Federal Code Parts 1310-1311; Preschool Grants Program-- Section 301 of the Individuals with Disabilities Education Act; Early Intervention Services for Infants and Toddlers with Disabilities— Section 303 of IDEA

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