California State Assembly

Agenda

Assembly Budget Subcommittee No. 2 on Human Services, & Assembly Budget Subcommittee No. 3 on Education Finance

Assemblymembers Dr. Corey Jackson & David Alvarez, Chairs

Wednesday, March 24, 2024
10:00 A.M. – State Capitol, Rm 126

JOINT INFORMATIONAL HEARING

ITEMS TO BE HEARD

Item	**Description**	**Page**
6100 **5180**	**California Department of Education** **California Department of Social Services**	
Issues	1. California Master Plan for Early Learning and Care 2. Universal Transitional Kindergarten Implementation 3. Childcare & Preschool Funding Rates Oversight 4. Childcare & Preschool Quality Improvement & Workforce Support 5. Breaking Barriers to Childcare Access	2 5 10 17 19

Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the committees.

Items To Be Heard

6100 California Department of Education
5180 California Department of Social Services

Issue 1: California Master Plan for Early Learning and Care

This panel will hear an update on the Governor's *Master Plan for Early Learning and Care*, and priorities for the Newsom Administration.

Panel

- Dr. Kim Johnson, California Department of Social Services (DSS)
- Sarah Neville-Morgan, California Department of Education (CDE)

Background

Published in December 2020, the California Master Plan for Early Learning and Care was intended to provide a concrete and prioritized roadmap for state investments through 2030. The Master Plan outlines four key objectives, tied to specific recommendations:

"*To achieve this vision by 2030, the Master Plan focuses on four key objectives:*

- *Improve the life outcomes of infants and toddlers by providing comprehensive early learning and care.*
- *Ensure that all families can easily identify and access a variety of quality early learning and care choices that fit the diverse needs of their children, their financial resources, and workday and nonstandard schedules.*
- *Promote school readiness through preschool for all three-year-old children experiencing poverty and universally for all four-year-old children.*
- *Advance better outcomes for all children by growing the quality, size, and stability of the early learning and care workforce through improved and accessible career pathways, competency-based professional development supports, and greater funding.*

To achieve these objectives, the Master Plan has identified four policy goals that set high standards, create cohesion, fill gaps, and foster sustainability:

1. Unify programs to improve access and equity. Streamline requirements for birth through age three programs, providing access to care and learning for all three-year-olds experiencing poverty, and providing universal preschool access to all four-year-olds.

2. Support children's learning and development by enhancing educator competencies, incentivizing, and funding career pathways, and implementing supportive program standards. Enhance standards and provide affordable and accessible pathways for the entire workforce to advance in their competency and compensation.

3. Unify funding to advance equity and opportunity. Adopt a new reimbursement and rate model that brings all types of care and learning support into one structure that acknowledges costs associated with quality, including characteristics of children and competencies of the workforce.

4. Streamline early childhood governance and administration to improve equity. Design and implement data systems that support positive impacts on the results and quality of care for children through sharing and integration of data that impact the ways in which families and the workforce experience the system.

Transforming the early childhood system will take time, intentionality through purposeful changes in the system, and significant resources—ranging from an additional $2 billion to $12 billion— supported through public investments, business contributions, philanthropy, and family fees. It will also require leadership and support not only by the present Governor and Legislature, but also by future policymakers who share their vision and commitment to a California For All Kids.[1]"

Commencing July 1, 2021, the administration of state "child care" programs transitioned from the Department of Education (CDE) to the Department of Social Services (DSS). DSS now administers all the CalWORKs Stages child care programs, the California Alternative Payment Program, General Child Care, Migrant Child Care, and the various quality and infrastructure investments and program, including Resource & Referral agencies. CDE still administers the State Preschool program. TK and ELO-P are administered directly by LEAs, and Head Start grants are administered by direct federal contracts to local agencies.

Staff Comments

The Master Plan for Early Learning and Care can continue to serve as a guiding document for state investments and policy, to further child access to developmentally enriching programs while their parents maintain stable employment.

In recent years, historic steps in the Master Plan have been achieved, including but not limited to Universal Transitional Kindergarten, child care access expansion, child care funding rate systems reform, Early Childhood systems facilities, and the transition of most child care programs (except Proposition 98 funded programs and state preschool) to the Governor's direct line of administration, under the Department of Social Services.

[1] California Master Plan for Early Learning and Care, December 2020 Master Plan for Early Learning and Care: Making California For All Kids

This hearing will review implementation of various Master Plan recommendations already in statute or proposed in the January Budget, but this panel is a unique opportunity for the Subcommittees to continue exploring what should come next to stabilize, expand, and support the child care system, and the Master Plan's priorities for all California's children and families.

Questions:

- What are the Administration's priority areas for the Master Plan, not yet achieved?
- What are the Administration's priority areas for implementation in the Master Plan, in areas already launched, including but not limited to child care funding rates and Universal PreK?
- Should the state create a more formal, public mechanism for reviewing Master Plan progress?

Staff Recommendation: Information only.

Issue 2: Universal Transitional Kindergarten Implementation

This panel will hear an update on Universal Transitional Kindergarten implementation.

Panel

- Sara Cortez, Legislative Analyst's Office (LAO)
- Sarah Neville Morgan, CDE
- Dean Tagawa, Los Angeles Unified School District
- Rahele Atabaki, Washington Elementary School District

Background

Transition Kindergarten began in the 2012-13 school year, as part of an overhaul to kindergarten age eligibility, defined as the "first year of a two-year kindergarten program." The original TK eligibility was limited to children who would have otherwise been age-eligible for kindergarten under prior law (born between September 2 and December 2).

The Governor's Master Plan on Early Learning and Care, as published in December of 2020, called for universal preschool access for all four-year olds in the year prior to kindergarten enrollment. As one key step toward this Master Plan goal, the 2021-22 Budget Act authorized Universal Transitional Kindergarten – eligibility for all children to enroll in TK the year prior to kindergarten eligibility, regardless of income.

Statute gradually expands TK eligibility from 2022-23 through 2025-26. The LAO table below shows the expansion schedule. At full implementation in 2025-26, a child who has their fourth birthday by September 1 will be eligible for TK, making the grade available to all four-year olds and young five year olds in the year prior to kindergarten enrollment.

This plan is anticipated to cost approximately $2.7 billion at full implementation in 2025-26 (compared to the cost of TK in 2020-21), though costs will be driven by student enrollment. The Legislature and the Governor have reached an agreement to cover these costs by "rebenching" (adjusting) the Proposition 98 formulas through 2025-26 to increase the share of General Fund revenue allocated to schools, to accommodate the enrollment growth in UTK.

Transitional Kindergarten Expansion Schedule

Year	Eligibility
2021-22	Must have fifth birthday between September 2 and December 2.
2022-23	Must have fifth birthday between September 2 and February 2.
2023-24	Must have fifth birthday between September 2 and April 2.
2024-25	Must have fifth birthday between September 2 and June 2.
2025-26	Must have fourth birthday by September 1.

Note: Some school districts may allow younger students who do not meet the criteria above to enroll in transitional kindergarten. These students do not generate state funding until their fifth birthday and must turn five before the end of the school year.

Source: LAO

The 2023-34 Budget Act expanded existing early TK (ETK) policy, to allow children born between June 3th and September 1st to be enrolled in UTK the year prior to kindergarten eligibility, under specific policy conditions.

Statute specifies that eligibility for TK does not affect a family's eligibility for other subsidized preschool or child care programs. For example, if a child is eligible for TK and State Preschool, the family could choose to enroll the child in either of the programs.

Universal Transitional Kindergarten Standards & Appropriations

UTK has unique classroom quality standards, partially aligned to state preschool and kindergarten standards.

***Additional Requirements for TK Teachers*.** In addition to an elementary teaching credential, TK teachers will be required—starting August 2025—to have either 24 units in early childhood education and/or child development, a child development permit, an early childhood education specialist credential, or comparable experience in a classroom setting with preschool-aged children. These additional requirements were initially adopted in the 2014-15 Budget Act, and set to start August of 2020, but have been delayed several times.

The 2021-22 budget package included $100 million Proposition 98 in grant funding for LEAs to increase the number of highly qualified State Preschool and TK teachers. Funds will be used to provide State Preschool, TK, and kindergarten teachers with training in specific areas, such as providing instruction in inclusive classrooms and supporting dual language learners.

***UTK Class Ratios*.** Universal TK statute established new quality standards for TK, distinct from Kindergarten. Budget Act agreements set class size requirements for TK—specifically, requiring that school districts and charter schools maintain an average TK classroom enrollment of no more than 24 students at each school site. Trailer legislation also specifies a minimum number of adults required in a TK classroom. Starting in 2022-23, TK classrooms must on average have 1 adult for every 12 students. Starting in 2025-26, TK classrooms must have one adult for every ten students.

***Universal TK Planning*.** The 2021-22 Budget package included $200 million Proposition 98 funding to support State Preschool or TK expansion and planning. Of these funds, each LEA that operates a kindergarten program received a base grant based on its kindergarten enrollment and unduplicated kindergarten pupil count. Funds can be used for a variety of purposes such as recruitment, training, and materials.

***TK Curricula*.** Statute aligns TK curricula to both the state's preschool and kindergarten curricula. The budget package provided $10 million non-Proposition 98 General Fund to CDE to update the *California Preschool Learning Foundations*, a publication that describes the skills preschool children typically attain in school. This update was extended to 2024, and CDE should provide an update at this hearing.

***Student to Adult Ratios*.** The 2023-24 Budget Act included $165 million Proposition 98 General Fund to add one additional certificated or classified staff person to every transitional kindergarten class to bring the student-to-adult ratio to 12-to-1, as required by law.

***TK Staff Qualifications*.** The 2021-22 Budget Act authorized the Commission on Teacher Credentialing to convene a workgroup on updating TK teacher requirements.

The 2022-23 Budget Act provided flexibility for the one-year emergency teaching permits for self-contained TK classrooms, through the CTC. This flexibility will expand under current law in the 2023-24 school year.

***Early TK*.** The 2023-24 Budget Act expanded Early TK permission to LEAs choosing to implement UTK faster than statutory timeline requirements. Prior to the Budget Act, LEAs could choose to enroll children born outside the TK age cohort window, up to June 2nd, as early as the beginning of the school year, but not earn ADA until the student turned five years old. The Budget Act extended this Early TK permission for 4 year olds born during the summer months to participate in Early TK, in those LEAs implementing universal TK prior to the 2025-26 deadline, as long as the summer month birthday students were enrolled in classrooms meeting the 10 to 1 ratio.

***TK Facilities*.** In 2021-22, $490 million in one-time non-Proposition 98 General Fund funding was provided to construct or retrofit early education facilities. Projects could be used to support full-day kindergarten, transitional kindergarten, or school district operated State Preschool facilities. In 2022-23, an additional $100 million was provided with statute specifying intent to provide an additional $550 million to in 2023-24.

***Preschool Impacts*.** The 2022-23 Budget required the CDE to convene a stakeholder workgroup, and by January 15, 2023, provide recommendations to the Legislature and DOF on best practices for increasing access to universal preschool, updating preschool standards to support both preschool and TK, and support the mixed delivery system of preschool.

The California Department of Education is required to provide the Legislature with a comprehensive report on Universal Preschool Implementation by March 2024, and will provide an update in this hearing. The Budget Act requires this report to ensure the comprehensive needs of the state's preschool system, inclusive of UTK, are recognized during this implementation period.

Prior LAO Comments

School District Reports Give Snapshot of TK Expansion Plans. Based on reports submitted to the California Department of Education (CDE) by 829 school districts as part of the one-time planning grants funded in 2021-22, approaches to TK implementation vary across the state. For example, districts differ as to whether they plan to ramp up TK implementation faster than required in the 2022-23 school year. Specifically, 43 percent of school districts report they plan to offer TK to four-year olds with birthdays after February 3, whereas 35 percent report they do not plan to offer TK to this population. (The remaining 22 percent were not sure.) The majority of districts (67 percent) report they are offering full-day TK (exceeds four hours) and 61 percent report that TK is offered at all elementary school sites. (The reports for charter schools were similar.)

Workforce Challenges Appear to Be More Prevalent Compared to Facility Challenges. Workforce issues appear to be a key barrier to TK implementation. Only 23 percent of school districts report having enough multiple subject teaching credential holders to meet the need for TK expansion. Facility challenges appear to be less of an issue, with 75 percent of school districts reporting they have adequate space to meet the projected enrollment of TK students. Some school districts report planning to make facility updates, such as paving an area. However, 41 percent of school districts and charter schools report they do not intend to make updates to facilities.

Staff Comments

According to CDE, many LEAs are accelerating TK enrollment. Based off of 1546 LEA UPK Program Report Submissions, 648 LEAs have indicated their plan to serve students eligible with birthdays after February 3 through ETK. Additionally, 500 LEAs have indicated "Maybe" they will serve students eligible for ETK. This feedback shows that more than 74% of LEAs are admitting or planning to admit more young 4-year-olds to TK than is currently required by law. It is important to note that larger, urban districts with more resources and community demand for TK are accelerating implementation at a faster pace than rural districts with limited TK enrollment.

According to the Learning Policy Institute, UTK instructional and environmental standards across LEA's vary greatly, including class sizes, instructional minutes, age ranges, ratios, curricula, and facility quality.

Is the UTK Ratio funding formula already supporting a 1 to 10 ratio? According to DOF, the $383 million for 2022-23 TK ratios and $165 million in the 2023-24 Budget would support ratio reductions in all existing TK classrooms as well as the new cohorts eligible in the 2023-24 school year. DOF's methodology already assumes an average TK classroom loading standard of approximately 20 students per classroom, and then funds the costs for an additional, full-time, classified employee.

The LCFF grade span adjustment incentivizes a 24 student classroom maximum for kindergarten, but the 2016 AIR report on TK found a state average ratio of 1 to 17, early in implementation.

Some LEAs, like LAUSD and San Diego Unified, already support lower TK and early TK ratios.

***2025-2026 UTK Deadline Looms*.** In light of insufficient facility funds, a continuing teacher workforce shortage, delays in curricula availability, and reasonable local needs to prepare high-quality child development classrooms, should the state consider delaying the mandatory UTK timeline to 2026-27?

***Access to UTK*.** Do parents know their children are eligible for free PreK? Take-up rates remain low in many LEAs across California which calls into question whether parents know their children are eligible, and are LEAs building attractive TK options for four-year old children. Is there a necessary role for the state, in promoting this new universal grade?

Questions:

- What is the current "uptake" rate amongst each eligible student age cohort, for UTK? What are the enrollment trends?
- What does the Administration estimate to be the 2025-26 "uptake" rate for UTK?
- What is the Administration's expected cost to bring the student-to-adult ratio to 10-to-1 in 2025-26? Does the LAO have an alternative cost estimate?
- Are LEAs struggling with hiring and placing qualified TK teachers?
- Is there anything that the state can do to further support LEAs as you implement the expansion of high quality transitional kindergarten?
- Is there anything additional needed to support preschool systems adapt and adjust to UTK implementation and Expanded Learning options?
- Is there a need to better promote UTK/UPK options to parents? How?

Staff Recommendation: Information Only.

Issue 3: Childcare & Preschool Funding Rates Oversight

This panel will provide an update on the implementation of the “cost of care plus” rate supplement from the 2023-24 Budget Act, and the development process for an Alternative Methodology for funding all child care and preschool program rates.

Panel

- Jackie Barocio, Legislative Analyst’s Office (LAO)
- Dr. Kim Johnson, DSS
- Kim Rosenberger, SEIU
- Donna Sneeringer, Child Care Resource Center
- Liliana Camacho, Parent Voices

Background

California’s Child Care Programs

California’s diverse subsidized child care system has twin objectives: to support working parents and support healthy child development. Children, from birth to age thirteen, are cared for and instructed in a number of state and federally subsidized child care and school-based support programs, including the CalWORKs Stages child care programs, the California Alternative Payment Program (CAPP), General Child Care (GCC), Migrant Child Care, the Expanded Learning Opportunities Program (ELO-P), the California State Preschool Program (CSPP), Transitional Kindergarten (TK), and the federal Head Start program.

Rate Reform

California has two different child care and preschool provider rates: the Regional Market Rate (RMR) and the Standard Reimbursement Rate (SRR). The RMR varies based on the county in which the child is served and is based on regional market surveys of a sample of non-subsidized, licensed child care providers. The SRR is a flat rate for providers across the state. Historically, the voucher-based child care programs (i.e. CAPP and Stages childcare) received the RMR while direct contract child care providers (i.e. GCC, Migrant, and CSPP) received the SRR.

The 2021-22 Budget Act increased rates for voucher-based providers to the 75th percentile of the 2018 market survey, beginning in January 2022 (The state was previously using the 75th percentile of the 2016 survey.). In addition, the Budget agreement shifted direct contract providers (including preschool) to the RMR, to the extent the RMR was higher than the SRR – a policy change that aligned all child care and preschool programs to a single rate system.

***Rate Reform Recommendations*.** The 2021-22 Budget Act established two workgroups to make recommendations for implementing a single child care reimbursement rate structure. First, DSS, in consultation with the California Department of Education (CDE), is to convene a workgroup to assess the methodology for establishing a new reimbursement rate and quality standards. Second, the state and Child Care Providers United–California shall establish a Joint Labor Management Committee that will make recommendations for a single reimbursement rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children.

The Rate and Quality Workgroup identified four core recommendations, which are detailed in the full report:

- Ensure equity is foundational to all change. Work toward equity as an outcome and implement equity as a process.
- Replace the current methodology of using a market price survey to set rates with an alternative methodology, which uses cost estimates/models to set base rates to compensate early learning and care programs. The costs of care for meeting current state requirements will become the basis of the reimbursement rate, including wage scales that set a living wage floor.
- Create a single rate structure that specifies base rates and that is designed to address historical inequities. This structure should specify separate base rates for Family, Friend, and Neighbor care and Home-Based and Center-Based early learning and care and should differentiate base rates for meeting different sets of state standards.
- Continuously evaluate the rate-setting methodology to address equity and adjust for changing conditions and rising costs.

Additionally, the Workgroup recommended a three-stage implementation process:

- Stage 1. Increase reimbursement rates immediately, even before an alternative methodology can be implemented. Simultaneously, obtain federal approval for an alternative methodology and state change to delink subsidy rates from those charged to private pay families.
- Stage 2. Implement a federally approved alternative methodology to set base rates that are informed by the cost of providing early learning and care services. Do not increase requirements on early learning and care programs and educators until the new base rate using the alternative methodology is fully funded.
- Stage 3. Continuously evaluate the new alternative methodology and base rate and make appropriate changes and broader system investments. In addition, the Rate and Quality Workgroup delivered a study recommending a cost estimation model to calculate the cost of child care in California, which could form the foundation of the alternative methodology. The cost estimation model included a series of default scenarios based on variables and

cost drivers aligned with the Workgroup's recommendations, for each provider type: child care center, small family child care home, large family child care home, and family, friend, and neighbor care.

In November 2022, the Joint Labor Management Committee (JLMC) presented their recommendations for a single rate reimbursement structure to the Administration. The JLMC recommends moving away from the current structure that relies on the RMR and towards a single rate structure that reflects the actual cost of care. This single rate will be based on (1) an alternative methodology that considers a cost estimation model; (2) base rates; (3) incentives/enhancement rate-setting metrics; and (4) evaluation of the rate structure. The alternative methodology will include a base rate that providers receive for meeting current statutory and regulatory program standards, depending on program type.

The 2022-23 budget package also increased rates for certain groups of children in direct contract child care programs. These increased rates are provided through adjustment factors applied to the SRR rate the provider would typically receive. For example, an adjustment factor of 1.8 for three-year old children reimburses providers at 1.8 times the SRR rate for four-year olds.

The 2023-24 Budget Act included over $2 billion to implement a two-year, collectively bargained early education and parity agreement between the state and CCPU. This package consists primarily of monthly per-child "cost of care plus" rate supplements above the RMR or SRR rate, and also includes funding for one-time transitional payments, CCPU health, retirement, and training programs, reimbursement based on certified need, and a change in the part-time definition. The package includes parity for center-based child care providers who are not represented by CCPU (CCPU represents voucher and direct contract providers that are family child care homes or license-exempt home providers.)

Alternative Rate Methodology

The collectively bargained agreement with CCPU, which was codified in budget trailer bill language through SB 140 (Committee on Budget), Chapter 193, Statutes of 2023, requires DSS, in collaboration with CDE, to develop and conduct an alternative methodology for a single rate structure. The alternative methodology is based on a new cost study and cost estimation model, rather than using the Regional Market Rate (RMR), which determines rates based on a percentile of regional costs in the private market. SB 140 includes a series of milestones for CDSS to track progress towards developing a new single rate structure, based on the alternative methodology, and receiving federal approval.

SB 140 requires the following timelines for the new methodology:

- July 1, 2023: DSS, in consultation with CDE, shall begin the process of data collection and analysis to develop an alternative methodology, which shall build on the recommendations of the Rate and Quality Workgroup and the recommendations of the JLMC.
- February 15, 2024: DSS, in collaboration with CDE and the JLMC, shall use information from the cost estimation model to define elements of the base rate and any enhanced rates to inform the state's proposed single rate structure. DSS is required to report to the Legislature on progress made to conduct and alternative methodology and cost estimation model.
- July 1, 2024: DSS shall submit the necessary information to support use of a single rate structure utilizing the alternative methodology to the federal Administration for Children and Families (ACF) as part of the Child Care and Development Fund State Plan. SB 140 requires this information to be shared with the Legislature by July 10, 2024.
- Within 60 days of ACF Approval: CDSS shall provide the Legislature with an outline of the implementation components of the approved single rate structure, with 30 days for legislative review.

According to the latest Legislative report, DSS received pre-approval from ACF in August 2023 to move forward with a single rate structure based on an alternative methodology for setting child care rates. Between July and November, DSS has worked with consultant P5 Fiscal Strategies to conduct public engagement, data collection, and to develop the cost estimation model. This public engagement work includes public meetings with the Rate and Quality Advisory Panel, over 100 virtual input sessions, multiple ad-hoc focus groups, and a survey to inform the development of the cost estimation model, which received over 9,250 responses. CDSS has posted its draft Child Care State Plan for 2025-2027, which will include details on the single rate structure.

At this hearing, DSS, CCPU, and Workgroup interest holders will provide an update on the process. DSS anticipates meeting the July 1, 2024 deadline for submission of the Alternative Methodology to ACF.

LAO Comments

Continues Progress Towards Developing Alternative Rate Methodology. Per the MOU agreement and associated 2023-24 trailer bill language, by February 15, 2024, DSS was required to reach agreement with the JLMC on the definitions of base rate elements and any enhanced rates for purposes of informing the single rate structure. On March 6, 2024, the administration and JLMC reached a general consensus on base and enhanced rate definitions. Additionally, the department provided the Legislature with the required report on progress made to conduct an alternative methodology and cost estimate model to inform a future single rate structure for subsidized child care and development services.

DSS Anticipates Meeting All Future Alternative Methodology Milestones. Even though DSS did not reach an agreement with JLMC on rate element definitions by the required deadline, we understand that DSS anticipates meeting all future milestones. This includes submitting the necessary information to support the use of a single rate structure based on the alternative methodology to the federal government no later than July 1, 2024. We will continue to monitor progress made by DSS to meet future milestones and, if necessary, update the Legislature on any concerns.

Staff Comments

The Legislature should also continue to closely monitor the implementation of rate reform. Rate increases as implemented January 1, 2022, provide uneven support across different regions of the state, across various age-groups, and across provider types and may result in unintended consequences without further action to move towards a more consistent and comprehensive child care rate system.

As demonstrated by the table below from the California Budget and Policy Center, the rate increase to the 75th percentile of the 2018 RMR did not provide any funding increase to many providers, and a does not provide a significant increase for most providers.

Percent Change in the Full-Time, Monthly Regional Market Rate Ceiling by County from January 1, 2018 to January 1, 2022

	Licensed Child Care Center Rate Increase		Licensed Family Child Care Home Rate Increase	
	Children Under Age 2	Children Ages 2 to 5	Children Under Age 2	Children Ages 2 to 5
Alameda	8%	16%	13%	17%
Alpine	0%	0%	0%	0%
Amador	0%	0%	2%	2%
Butte	5%	9%	12%	9%
Calaveras	0%	1%	7%	3%
Colusa	13%	0%	19%	11%
Contra Costa	5%	14%	10%	11%
Del Norte	0%	0%	0%	0%
El Dorado	19%	18%	24%	16%
Fresno	16%	11%	11%	14%
Glenn	0%	0%	19%	9%
Humboldt	7%	17%	11%	14%
Imperial	1%	0%	4%	1%
Inyo	4%	4%	5%	6%
Kern	15%	8%	8%	9%
Kings	13%	0%	0%	2%
Lake	0%	0%	12%	11%

Lassen	0%	0%	15%	5%
Los Angeles	6%	11%	21%	16%
Madera	9%	0%	3%	3%
Marin	6%	4%	5%	4%
Mariposa	0%	0%	1%	0%
Mendocino	0%	0%	4%	4%
Merced	0%	0%	10%	10%
Modoc	0%	0%	13%	12%
Mono	0%	0%	0%	0%
Monterey	0%	0%	6%	6%
Napa	0%	1%	9%	11%
Nevada	3%	0%	7%	6%
Orange	9%	16%	25%	20%
Placer	9%	17%	13%	15%
Plumas	0%	0%	3%	0%
Riverside	5%	4%	12%	13%
Sacramento	2%	10%	11%	6%
San Benito	5%	0%	7%	7%
San Bernardino	7%	2%	3%	4%
San Diego	6%	14%	11%	12%
San Francisco	8%	12%	6%	9%
San Joaquin	12%	8%	14%	11%
San Luis Obispo	3%	0%	10%	7%
San Mateo	9%	9%	9%	17%
Santa Barbara	0%	0%	10%	0%
Santa Clara	7%	11%	8%	15%
Santa Cruz	0%	1%	13%	11%
Shasta	3%	0%	10%	8%
Sierra	0%	0%	12%	8%
Siskiyou	4%	0%	9%	4%
Solano	7%	5%	12%	11%
Sonoma	7%	12%	17%	13%
Stanislaus	9%	1%	11%	9%
Sutter	15%	2%	9%	13%
Tehama	0%	0%	20%	12%
Trinity	0%	0%	15%	18%
Tulare	0%	0%	10%	8%
Tuolumne	0%	0%	9%	14%
Ventura	5%	8%	9%	11%
Yolo	5%	8%	11%	7%
Yuba	12%	0%	11%	9%

Source: Budget Center Analysis of Regional Market Rate Survey data
Contact: Kristin Schumacher (kschumacher@calbudgetcenter.org) or Erik Saucedo (esaucedo@calbudgetcenter.org)

While the submission and anticipated federal approval of California's Child Care and Development Fund State Plan will represent a major milestone towards implementing a new single rate structure for child care rates in California, it is not the final step. New reimbursement rates for child care providers will not take effect immediately upon federal approval because they need to be funded as part of the annual budget process. The P5 cost model suggestions a wide range of potential costs to this new Alternative Methodology, between $2 billion and $12 billion annually.

Current statute states legislative intent to fund the child care system at the 85th percentile of the latest RMR survey. It is unclear the last time California met the statutory intent to fully fund the existing methodology.

As noted above, the current structure the state uses to determine care rates is the 2018 Regional Market Rate (RMR) Survey, and the state reimburses child care providers at the 75th percent of this rate. The current two-year "cost of care plus" collectively bargained one-time rates supplement expires June 30, 2025. In the absence of Budget action, there would be a cliff effect to rates for all child care providers if the one-time rate supplements expire without replacement funding or methodology change funding above the existing RMR rates.

After the federal government approves the new rate structure, the Legislature and the Governor will need to set new reimbursement rates to take effect July 1, 2025 and appropriate the funding necessary for implementation. Additionally, within 90 days of federal approval, CDSS and CCPU can reopen bargaining negotiations to restructure the current reimbursement rates and associated funding.

Questions:

- What improvements on the child care funding rate system does the Alternative Methodology seek to address?
- What is the range of potential state-wide costs for shifting to the Alternative Methodology?
- Will the 2025-26 January Budget include a proposal to shift to the Alternative Methodology?
- Is the Administration committed to funding progress toward increased funding, by provider, as part of the new methodology adoption?
- Is the Administration committed to a hold harmless on existing Cost of Care Plus funding rates, as part of the rate transition?
- Are changes to the RMR or SRR necessary, until the full funding of an AM, to address systemic racism, and inequities?
- Could an annual reversion account (similar to Proposition 98 accounting) for child care funding provide better transparency for funding state commitments versus annual expenditures? Serve as an ECE Rainy Day Fund?

Staff Recommendation: Information only.

Issue 4: Childcare & Preschool Quality Improvement & Workforce Support

This panel will provide an overview of existing state investments and policy in ECE educator support, and program quality improvement systems.

Panel

- Jackie Barocio, LAO
- Lupe Jaime-Mileham, DSS
- Sarah Neville-Morgan, CDE
- Anna Powell, Center for the Study of Child Care Employment
- Cristina Alvarado, Child Care Alliance of Los Angeles
- Maeva Marc, Kidango & Black ECE

Background

Goal #2 in the Master Plan states: Support children's learning and development by enhancing educator competencies, incentivizing, and funding career pathways, and implementing supportive program standards. Enhance standards and provide affordable and accessible pathways for the entire workforce to advance in their competency and compensation.

***CCDF Rules Require States Spend a Certain Amount of Funding on Quality Improvement Activities*.** As a condition of receiving CCDF dollars, the federal government requires states use at least 9 percent of total CCDF dollars on general quality improvement activities and at least 3 percent of total CCDF dollars on quality improvement activities specific to infant and toddler child care services. Allowable quality improvement activities include training and professional development opportunities for child care providers; developing and implementing a quality rating system; and supporting child care providers to develop and adopt high-quality program standards related to health, mental health, cognitive development, and physical activity.

***Increase in Required Amount of CCDF Quality Funds*.** As a result of the updated estimates of available 2024-25 CCDF dollars and recently approved increase to total CCDF Discretionary levels, the LAO estimates that the state will need to set aside roughly $10 million in additional CCDF quality funds in 2024-25 to comply with the federally required minimum amount of funding for quality improvement activities. The remaining CCDF dollars—$89 million—may be used for other child care and development program activities.

The administration is still in the process of finalizing the list of quality improvement activities that would be supported by CCDF quality funds in 2024-25. In the past, CCDF quality plans were generally finalized after the Legislature approved the associated funding through the annual budget process.

Staff Comments

The State needs to strengthen workforce capacity to engage in quality interactions with children across the private and public sectors, and all provider types. Implement an inclusive, competency-based system of education and training that ensures that all providers of publicly funded care receive support and incentives to develop key competencies and skills to engage effectively with infants, toddlers, and other young children.

In light of Master Plan recommendations, and long-standing advocacy in the child care field, the State should consider a more systemic approach to professional supports, including professional development paid time and infrastructure, leveraging regional community college and Local Planning Council capacity, and leveraging Quality Improvement Systems and CCDF funding for a more holistic approach for all providers.

Questions:

- How should the state better imbed professional development and support into all child care programs?
- How can the state prioritize areas for professional support, including but not limited to Dual Language Learner supports and inclusive classroom approaches?
- Is the state’s quality plan a systemic approach?
- Does rating programs still serve a purpose in the CA QRIS system?
- What will happen without the state Workforce Registry, in light of expiring funding?
- How can the state strengthen the workforce pipeline into licensed care?
- Are there program improvements to CCIP needed for effectiveness at scale?
- Why does the State budget process not have a role in CCDBG quality plan expenditures?
- How have recent funding CCDBG increases for Local Planning Councils and Resource & Referral agencies impacted family services?

Staff Recommendation: Information only.

Issue 5: Breaking Barriers to Childcare Access

This panel will cover state investments and recommendations intended to address child care deserts, and support child care capacity and access expansion statewide.

Panel

- Jackie Barocio, LAO
- Lupe Jaime-Mileham, DSS
- Shelly Masur, Low Income Investment Fund
- Andrea Fernandez Mendosa, California's Children's Academy
- James Moses, Inland Empire Children's Cabinet

Background

Child Care Infrastructure. The 2021-22 budget package included $250 million one-time funding ($150 million General Fund, $100 million federal funds) for the Child Care and Development Infrastructure Grants Program to expand access to child care and development and preschool opportunities for children up to five years of age by providing resources to build new facilities or retrofit, renovate, repair, or expand existing facilities, with a focus on child care deserts. Of the total, $100 million of this funding needs to be used minor construction and repair to abide by federal American Rescue Plan Act guidelines. The 2022-23 Budget Act provided an additional $105 million for this program.

DSS's and their program contractor, LIIP will provide an update and recommendation on this program.

Resource and Referral Agencies**.** The budget package allocated $10 million one-time funds to support the MyChildCarePlan.org website for resource and referral agencies, and $20 million in one-time federal funds for a $10 million annual, ongoing increase in Resource and Referral agency operational funding in 2021-22 and 2022-23.

Child Care Initiative Project**.** The Child Care Initiative Project (CCIP) is an initiative used to identify child care shortages and deserts, particularly within the workforce. Efforts include recruiting license-exempt providers to become licensed, as well as providing support to assist small homes with the goal of increased capacity and inclusion of infants and toddlers. `CCIP, which is designed per the Welfare and Institutions Code (WIC) sections 10217-10224.5 to be administrated via Resource and Referral Programs across the state to support needs assessment, recruitment and screening of providers, technical assistance, and staff development and training, in order to aid communities in increasing their capacity in the number of child care spaces available and the quality of child care services offered. The FY 2022-23

CCIP program data reports a total of 10,244 CCIP participants, 1,014 new child care licensees, 516 pending licensees, and 803 expanded licensees in the program.

Staff Comments

Despite historic state investments in child care access, facilities, and workforce supports, child care deserts remain in many communities, and licensed child care capacity is struggling. Access to affordable, high quality care remains an acute challenge for families with infants and toddlers.

The Assembly should consider, in light of scarce state funding, how to break down policy barriers to child care program expansion, with a focus on areas of greatest need by location and age group.

Questions:

- Why does the state charge licensing and local fees for opening or expanding child care in care deserts? Would waiving these fees provide incentive?

- Are family home-based child care providers eligible for and benefiting from first-time homebuyer programs? Is there more to promote or tweak home buyer programs for this population, in child care deserts?

- What would be a sufficient, ongoing investment level in the DSS Infrastructure program, to keep up with care system needs?

- Are any policy changes needed to strengthen the existing Infrastructure program?

- In the online era, should the state revisit minimum Resource & Referral standards, for parent information access and online accessibility?

- Are there other no- or low-cost Master Plan recommendations for program and contract streamlining that should be examined in the short term?

Staff Recommendation: Information Only.

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