

California State Assembly



Agenda

Assembly Budget Subcommittee No. 7 on Accountability and Oversight

Assemblymember Gregg Hart, Chair

Wednesday, January 28, 2026

9:00am, State Capitol, Room 126

OVERSIGHT HEARING IMPACTS OF 2026 FEDERAL CHILD CARE FUNDING WITHHOLDING

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Item To Be Heard

Impacts of 2026 Federal Child Care Funding Withholding

This panel will provide an overview of the role federal funds play in the California child care system, and impacts of federal fund withholding in the Current Year, as well as potential ongoing consequences for systems, families, and children.

Panel

- Dylan Hawksworth-Lutzow, Legislative Analyst’s Office (LAO)
- Jennifer Troia, California Department of Social Services
- Supervisor Holly Mitchell, Los Angeles County Board of Supervisors
- Hanadi Rousan, VDA Inc. Preschools
- Amasha Griffin, Child Care Providers United – California
- Marilynda Bustamante, Parent Voices Los Angeles

Background

California’s child care programs are estimated to now serve 487,000 children, ages 0 through 12.

California supports multiple child care and “preschool” options: The Department of Social Services (DSS) administers all the CalWORKs Stages child care programs, the California Alternative Payment Program, General Child Care, and Migrant Child Care. The California Department of Education (CDE) administers the California State Preschool program.

In addition to the child care programs above, Transitional Kindergarten (TK) and the Expanded Learning Opportunity Program (ELOP) is administered directly by local education agencies (LEAs), and Head Start grants are administered by direct federal contracts to local agencies. The estimated child service levels in these three programs are not part of the 487,000 children annual service estimate above.

Department of Social Services Child Care and Development Programs.

California offers subsidized child care for low-income families, including families participating in CalWORKs. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) (\$93,418 annual income for a family of three) and (3) children must be under the age of 13.

Figure 1

Overview of Child Care Programs

Program	Description ^a
CalWORKs Child Care	Provides subsidized child care services to current and former CalWORKs families. Slots are available for all eligible families.
California Alternative Payment Program	Provides subsidized child care vouchers to eligible working families. Slots are limited by budget appropriation.
General Child Care and Development	Directly contracts with center-based and licensed family child care providers to serve working families eligible for subsidized care. Slots are limited by budget appropriation.
Family Child Care	Directly contracts with consortia of licensed family child care providers to serve working families eligible for subsidized care. Slots are limited by budget appropriation.
Migrant Child Care	Provides subsidized child care services to migrant families working in agriculturally related industries. ^b Services are provided throughout the Central Valley. Slots are limited by budget appropriation.
Care for Children With Severe Disabilities	Provides additional access to child care services for children under the age of 21 and with exceptional needs. ^c Program is located in the San Francisco Bay Area. Slots are limited by budget appropriation.
Emergency Child Care Bridge	Provides temporary child care services to children in foster care system and under age 13. Child care services are temporary until family finds longer-term child care solution. ^d

^a Unless otherwise specified, child must be under age 13 and families must earn at or below 85 percent of the state median income to be eligible for subsidized child care programs. For example, a family of three must earn less than \$89,659 annually in 2024-25 to be eligible for programs.

^b Family earned at least 50 percent of their total gross income from employment in fishing, agriculture, or agriculturally related work during the 12 months immediately preceding the date of application for services.

^c Child must have an individualized education program or an individualized family service plan issued through a special education program.

^d Child care services provided up to 12 months, but may be extended for a compelling reason.

Source: LAO

The enacted 2025-26 Budget provides \$7.4 billion for the child care programs administered by the DSS. The state’s subsidized child care programs are primarily funded with state General Fund (\$4.924 billion in 2025-26), with a substantial portion of costs also covered by federal funds (\$2.3 billion in 2025-26). The state uses federal Child Care and Development Fund (CCDF) for various DSS child care programs, and Temporary Assistance for Needy Families (TANF) funds to partially cover CalWORKs child care costs. The state draws down federal Title IV-E funds to partially cover Emergency Child Care Bridge program costs—referred to as the Bridge program, for children in foster care. The state also uses \$195 million in 2025-26 Proposition 64 funding to cover child care programs.

Figure 1

Child Care Budget

(Dollars in Millions)

	2023-24 Revised ^a	2024-25 Revised ^b	2025-26 Enacted ^c	Change From 2024-25	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	\$550	\$614	\$622	\$8	1%
Stage 2 ^d	420	549	657	109	20
Stage 3	559	537	515	-22	-4
Subtotals	(\$1,530)	(\$1,700)	(\$1,794)	(\$95)	(6%)
Non-CalWORKs Child Care					
Alternative Payment Program	\$2,028	\$1,990	\$2,003	\$13	1%
General Child Care ^e	1,255	1,495	1,585	90	6
Bridge program for foster children	94	107	64	-43	-40
Migrant Child Care	70	79	79	—	—
Care for Children With Severe Disabilities	2	2	2	—	3
Subtotals	(\$3,449)	(\$3,672)	(\$3,732)	(\$60)	(2%)
Support Programs	\$1,594^f	\$2,161^g	\$1,921^h	-\$240	-11%
Totals	\$6,573	\$7,533	\$7,448	-\$85	-1%
Funding					
Proposition 98 General Fund ⁱ	\$3	\$2	\$1	-\$1	-37%
Non-Proposition 98 General Fund	3,188	4,450	4,924	473	11
Proposition 64 Special Fund	270	639	195	-444	-69
Federal	3,111	2,442	2,328	-114	-5

^aReflects 2024-25 May Revision estimates with LAO adjustments.

^bReflects 2025-26 May Revision estimates with LAO adjustments.

^cReflects 2025-26 Budget Act with LAO adjustments.

^dDoes not include \$4.4 million provided to community colleges for certain child care services.

^eIncludes funding for family child care home education networks .

^fIncludes cost estimates for quality programs, child care infrastructure, Child and Adult Care Food Program, CCPU Retirement Benefit Trust, CCPU Health Benefit Fund, accounts payable, whole child community equity, court cases, and costs associated with 2023-24 MOU and parity agreement.

^gIncludes cost estimates for quality programs, child care infrastructure, Child and Adult Care Food Program, CCPU Training Fund, CCPU Retirement Benefit Trust, CCPU Health Benefit Fund, accounts payable, whole child community equity, and costs associated with 2023-24 MOU and parity agreement.

^hIncludes cost estimates for quality programs, child care infrastructure, Child and Adult Care Food Program, accounts payable, prospective pay, reimbursement based on certified need, rate reform support, administrative support, and whole child community equity. The budget authorizes the Department of Finance to increase spending by up to \$195 million on CCPU funds for retirement, health, and training.

ⁱReflects Proposition 98 funds for Child and Adult Care Food Program.

CCPU = Child Care Providers United and MOU = memorandum of understanding.

The state budget also provides \$2.8 billion for the California State Preschool Program, administered by the California Department of Education. This program receives no federal funding, but in some cases are jointly funded at the local level with federal Head Start contracts, and contracts for CDSS child care programs.

The CDSS table below provides a snapshot of the blended nature of CDSS-run child care program funding:

Child Care Subsidy Summary¹

Programs serve income eligible families that are at or below 85 percent of State Median Income.

Voucher-Based Programs

Regional Market Rate. Families may choose any licensed or licensed-exempt provider.

CalWORKs Stage One

Funding: \$626.2 million (33 percent GF, 67 percent Federal)

Number of Children Funded: 53,241

Eligibility: Begins when family enters the CalWORKs program.

CalWORKs Stage Two

Funding: \$619.9million (87 percent GF, 13 percent Federal)

Number of Children Funded: 53,097

Eligibility: Begins when family is considered "stable" as defined by County Welfare Departments.

CalWORKs Stage Three

Funding: \$608.7 million (56 percent GF, 44 percent Federal)

Number of Children Funded: 54,076

Eligibility: Begins 24 months after family stops receiving cash aid. Family may remain in Stage Three, to the extent that funding is available until the family income exceeds the eligibility ceiling or the child ages out.

CAPP

Funding: \$2.1 billion (76 percent GF, 16 percent Federal, 8 percent Prop 64 Funds)

Number of Children Funded: 170,495

Eligibility: For non-CalWORKs families that are income eligible and in need of child care services.

CMAF

Funding: \$37.2 million (85 percent GF, 15 percent Federal)

Number of Children Funded: 3,200

Eligibility: For children of migrant agricultural worker families who are birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

Emergency Child Care Bridge

Funding: \$62.3 million (86 percent GF, 8 percent Federal, 6 percent Prop 64 Funds)

Number of Children Funded: 3,245

Eligibility: For children in the foster care system birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

¹ Represents full-year enrollment based on available funding for FY 2026-27. CalWORKs Stages One, Two, and Three enrollment is based on projected caseload. All other programs display a funded enrollment amount which estimates the number of full-time equivalent children that could be enrolled in the program.

All programs above are administered by CDSS effective July 1, 2021. Funding for indirect services (including Resource and Referral and Health and Safety) is not included. Total funding, funding ratios, and caseload is based on the 2026-27 Governor's Budget. In addition to the programs listed here Preschool, After-School Programs, and California Community Colleges Child Care also serve children in state subsidized care.

Direct Service Programs

Standard Reimbursement Rate.¹ All programs must meet Title V standards.

CFCC

Funding: \$54.4 million (72 percent GF, 28 percent Federal)

Number of Children Funded: 3,400

Eligibility: This program provides services through a Family Child Care Home Education Network for children birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

CCTR

Funding: \$1.4 billion (80 percent GF, 20 percent Federal)

Number of Children Funded: 61,048

Eligibility: For children birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

CMIG

Funding: \$36.1 million (100 percent GF)

Number of Children Funded: 1,854

Eligibility: For children of migrant agricultural worker families who are birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

Child Care for Children with Severe Disabilities

Funding: \$1.9 million (100 percent GF)

Number of Children Funded: 80

Eligibility: For children and young adults with severe disabilities under 21 years of age.

¹ Beginning January 2022, Direct Service programs will be reimbursed at the greater of the Standard Reimbursement Rate or the converted daily Regional Market Rate in the county.

All programs above are administered by CDSS effective July 1, 2021. Funding for indirect services (including Resource and Referral and Health and Safety) is not included. Total funding, funding ratios, and caseload is based on the 2026-27 Governor's Budget. In addition to the programs listed here Preschool, After-School Programs, and California Community Colleges Child Care also serve children in state subsidized care.

Staff Comments

In early January, the [U.S. Department of Health and Human Services](#) (HHS) sent five states, including California, notices informing them it would require justifications for spending child care money appropriated by Congress. According to sources at CDSS, at the same time, the federal funding portal froze California child care payments. U.S. District Judge Vernon Broderick has issued a temporary restraining order against the federal government until mid-February. In his ruling on January 23, 2026, Broderick said that he would decide later whether the money is to remain in place while a challenge to cutting it off works its way through the courts.

The braided nature of federal, state, and local funding for the California child care system has historically provided a robust range of diverse options to meet parent needs and provide child development options, through a comprehensive and systemic approach.

In addition to the CDSS braiding federal and state funding together in program contracts, local providers further braid CDSS, CDE-funded programs, and Head Start to create comprehensive programs and services.

The federal funding freeze is making this design strength a significant vulnerability, because it threatens entire programs, despite being a fraction of the overall system funding source.

Staff Recommendation: Information only.

This agenda and other publications are available on the Assembly Budget Committee's website at: [Sub 7 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Erin Gabel.