

Federal Budget

On December 21, 2024, [Congress passed and President Biden signed into law a Continuing Resolution \(H.R. 10545\)](#) to maintain current federal funding levels. The Continuing Resolution expires March 14, 2025, when all funding bills are due for Fiscal Year (FY) 2025.

Because of calls to action from advocates and Congressional partners, the Continuing Resolution includes **\$500 million in emergency child care funding**. Half of the funding is earmarked for disaster-affected states to repair, construct, and improve child care facilities and the other half will fund improving affordability, access, and quality of child care programs nationwide.

The agreement also includes **\$100 billion for disaster relief**, including recovery from the 2023 Maui wildfires and recent post-hurricane flooding in North Carolina. It also includes **\$21 billion in disaster assistance for farmers** and extends farm and food programs that were set to expire. Despite demands from then President-elect Trump, the measure does not include raising the debt ceiling.

As previously reported, the US Senate Appropriations Committee introduced the FY 2025 Labor, Health and Human Services, Education, and Related Agencies (LHHS) Appropriations Act ([S.4942](#)) on August 1, 2024, providing \$231.34 billion in base discretionary spending. The bill allocates vital funding to families and individuals who need critical services such as expanding mental health care; investing in women's health, cancer, diabetes, and Alzheimer's research; and tackling opioid and fentanyl use.

The US House Appropriations Committee introduced their corresponding funding bill ([H.R.9029](#)) on August 1, 2024, which cuts \$24.6 billion in funding (about 11 percent below the FY 2024 level). While this bill **decimates funding** for many life-giving programs, it allocates \$8.8 billion to the Child Care and Development Block Grant, a slight increase of \$25 million above the 2024 level.

The Trump Administration's funding plan for early care remains to be seen.

Child Care Development Fund State Plan FY 2025-2027

The Child Care Development Fund (CCDF) is the largest source of federal funding for child care distributed to states. CCDF funding is intended to ensure families with the lowest incomes have affordable, publicly funded child care. The aim of this funding is also to pay child care providers, mainly women of color, a fair wage.

To receive CCDF funding, states must submit a state plan every three years to the federal Administration for Children and Families (ACF) Office of Child Care, outlining how they will meet the CCDF requirements and use the funds to best support families, children, and child care providers.

ACF approved [California's 2025-27 CCDF State Plan](#) on November 8, 2024 and California's request for [the following waivers](#) through August 1, 2026:

- Paying child care providers prospectively (before or at the start of providing child care services)
- Posting full child care inspection monitoring reports

California remains non-compliant with many CCDF requirements in the areas of health and safety, comprehensive background checks, trainings, continuity of care, eligibility for priority populations, payment practices, and others. The state has [60 days from the date of receipt of the non-compliance notice](#) to submit its plan to meet these requirements.

Governor's January California State Budget FY 2025-26

On January 10, 2025, the Department of Finance delivered Governor Newsom's proposed 2025-26 budget, a [\\$322.3 billion spending plan](#). In large part, the Governor proposes to maintain current spending levels, relying on cutting government position vacancies, improving state operational efficiencies, and the modest budget surplus.

On December 2, 2024, Governor Newsom also called for a special session asking the legislature for [\\$25 million for local frontline legal and community-based organizations protecting Californians' civil rights](#) and [\\$25 million for a new litigation fund](#) for the Department of Justice to defend California from federal overreach, challenge illegal federal actions, and take administrative actions to reduce potential harm from the incoming federal administration.

Governor Newsom's state budget proposal makes no new investments in affordable housing, homelessness prevention, health care, food, and other programs providing basic necessities. There is also no new funding for child care or mental health. There are modest new allocations for education, but the [University of California](#) and [California State University](#) should expect as deep as an 8% cut to ongoing state money.

The Governor and the Department of Finance also warned that potential policies and cuts from the new federal administration in the coming months may result in the need for significant changes that would then materialize in the Governor's May Revision.

The Governor's January budget proposal is just the beginning of the fight to ensure all people, especially those with low incomes, can partake in California's prosperity. Advocates are ready to work with the Governor and policymakers to ensure the state continues to and increase funding for essential safety net and life-saving programs.

Child Care Programs

The Governor's proposal includes **\$7.1 billion (\$4.6 billion in General Funds)** for child care and development programs. He does not propose budget cuts to these programs.

A Fair Wage for Enriching Care

Child care providers are dedicated professionals who should be paid fairly and supported for their knowledge, experience, and talent.

Governor Newsom's proposed state budget maintains funding to pay child care providers the current subsidy payment rate, but does not include the funds necessary to pay child care providers a fair wage based on their actual costs.

Last year, the state agreed to establish payment rates for publicly funded child care based on a new cost-based formula ("alternative methodology") **by July 1, 2025**. The alternative methodology uses the full cost of providing enriching care, rather than the private market, to determine subsidy payment amounts to child care providers. It is an antiracist policy that is essential and long overdue as providers are predominantly women of color who have been underpaid by the state for decades. Significant ongoing funding is required to pay child care providers the new rates.

The Administration will provide the Legislature **with a timeline** for transitioning to the new rate structure, but the Governor's plan has no new dollars attached. He also highlights that the **agreement between the Child Care Providers United (CCPU) and State of California** is set to expire June 30, 2025 and the state will continue to negotiate with CCPU for a new contract.

Affordable Child Care for Families

Child care is essential for strong, thriving families and just communities.

Governor Newsom maintains funding only for the current number of children in publicly funded child care. He follows through with last year's agreement to once again pause new spaces for this fiscal year. As previously noted, last year's budget agreement also includes an **intention to add a total of 206,800 new spaces by FY 2028-29**. Thus far, approximately 118,000 new spaces have been added since 2021 and about 88,000 remain to be funded.

California Budget and Policy Center estimates show that about 2.1 million children are eligible for these affordable child care spaces and a majority are children of color.¹ Their estimates also show that **only 14%** of children are actually receiving these child care services.²

¹ This estimate is for Cal. Dep't of Social Services child care programs and is based on 2023 American Community Survey data. The California Budget and Policy Center plans to publish these figures later this quarter.

² This estimate is based on the number of children from birth through age 12 in October 2023, except for California Community College CalWORKs Stage Two, which reflects a California Community Colleges Chancellor's Office

Response to Los Angeles Firestorms

Executive Order N-3-25 and N-6-25

Governor Newsom issued [Executive Order N-3-25](#) to provide relief for Californians impacted by the Los Angeles and Ventura County fires. For child care, this includes:

- All publicly funded child care providers and programs, including family, friend, and neighbor providers and other licensed-exempt programs, are to be paid for 30 days from the date of the state-declared emergency when no attendance record or invoice is available as a result of the emergency.
- Title 5-contracted child care programs may instead use their 15 percent dedicated funding for expanding or increasing the contract amount for needed repairs or rebuilding due to the fires.

The Governor also issued [Executive Order N-6-25](#) to help schools, children, and families affected by the firestorms. Specifically for Universal Transitional Kindergarten (TK), this includes:

- Suspending class-size requirements for TK in Los Angeles County whose class sizes are affected by this emergency.

New Funding for Response and Recovery

Governor Newsom issued [a proclamation](#) to expand the special session he convened in November 2024 to include additional funding for response and recovery efforts in Los Angeles County. He proposes at least \$2.5 billion to support recovery and cleanup, additional wildfire preparedness, and the reopening of schools closed by the fires.

Early childhood advocates are highlighting the importance of and advocating for funding to support child care programs to rebuild, repair, and clean. There have been anecdotal reports of child care facilities that have burnt down and will not reopen.

California State Preschool Program and Transitional Kindergarten

The Governor proposes \$2.9 billion (\$1.9 billion in Prop 98 funds) for the California State Preschool Program (CSPP), an increase of \$635 million compared to last year's budget. His proposal also includes the temporary expansion that allows part-day and full-day CSPPs to enroll 2-year-old eligible children until July 1, 2027.

Governor Newsom's proposed state budget maintains funding to pay the current subsidy payment rate in CSPPs. The shift to an alternative methodology will also impact CSPPs. The new rates for center-based non-union represented providers will be discussed and decided on through the state budget process.

The Governor's proposal also includes \$150 million for financial assistance to teacher candidates, which would [revive the Golden State Teacher Grant program](#). This program provides financial awards to students enrolled in teacher preparation programs who commit to work in CSPPs and priority schools.

The proposal also includes \$2.4 billion ongoing Prop 98 funding for the final implementation phase of Universal TK. For the 2025-26 school year, all children who turn age 4 by September 1 will be allowed to enroll in TK. This expands TK to an estimated 60,000 additional children. The Governor also includes \$1.5 billion ongoing Prop 98 funding to reduce teacher-to-child ratios from 1:12 to 1:10. Lastly, the proposal includes \$10 million in one-time Prop 98 funding for the statewide use of English language proficiency screeners in TK classrooms.

CalWORKs

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families Program (TANF), provides modest cash assistance and support services for families with the lowest incomes to help meet their very basic needs.

Governor Newsom's proposal makes no new cuts to the already devastating cuts we saw to CalWORKs in the 24-25 state budget. His budget includes \$9.5 billion in total TANF spending and assumes a monthly CalWORKs caseload of 361,834 families in 2025-26 (an increase of 7,062 families compared to 2024-25).

Two new updates include:

- [CalWORKs Work and Family Well-Being Pilot](#): In November 2024, [the federal government selected California, one of five states](#), to partake in a federal pilot program to test alternative TANF performance measures. The pilot is intended to inform the federal and state government on how to improve outcomes for families with CalWORKs. Governor Newsom's proposal does not include any specific funding, but notes that his administration is "assess[ing] further opportunities to advance the vision of the pilot." The [24-25 enacted budget](#) includes language to increase the CDSS state operation budget by up to \$2.4 million for automation costs if the state was selected to participate.
- [CalWORKs Grant Increase](#): Based on [current state law](#), an estimated 0.2-percent increase to CalWORKs Maximum Aid Payment levels is expected. The May Revision will include an updated projection for the amount.

Other Programs for Children and Families

- **Diapers for Newborns:** Governor Newsom proposes up to \$7.4 million for FY 25-26 and \$12.5 million for FY 26-27 to pay for a three-month supply of diapers to all families with newborns to be distributed via hospitals.
- **Before, After, and Summer School:** The proposal includes \$435 million ongoing to cover full implementation of the Expanded Learning Opportunities Program; increasing the total ongoing funding to \$4.4 billion. It also extends the program for grades TK-6 for districts where 55% of students are students with low incomes, English learners, or in foster care.
- **Medi-Cal:** This program offers no- or low-cost health coverage for children and adults with low incomes and limited resources. Medi-Cal is projected to cover about 15 million Californians this year and 14.5 million next year – more than one-third of the state's population. The Governor proposes to increase Medi-Cal expenditures by \$7.8 billion.

California Policy Legislation Affecting Families and Children

Effective January 1, 2025: New Paid Family Leave & State Disability Insurance Law

SB 951 (Durazo) increases wage replacement rates for Paid Family Leave (PFL) and State Disability Insurance (SDI) to 90% of regular wages for workers making up to 70% of the state average weekly wage.

For workers who earn more than 70% of the state average weekly wage, the law increases PFL and SDI rates to 70% of their regular wages.

Legislative Policy Bills 2025-27

We do not expect many policy bills for families and children this year given the state's modest fiscal outlook and no plan to raise taxes. State legislative leaders also reduced the number of bills allowed to be introduced: 50 to 35 bills for Assemblymembers and 40 to 35 for Senators.

AB 49 (Muratuschi) prohibits, except as required by state or federal law, employees of child care centers and schools from allowing United States Immigration and Customs Enforcement (ICE) officials to enter child care centers for any purpose without meeting certain requirements.

SB 48 (Gonzalez) prohibits public schools and their personnel from granting an ICE officer, or other federal official engaging in immigration related investigation or enforcement, permission to access a school campus without meeting certain requirements.

SB 33 (Cortese) excludes awards from California Success, Opportunity, and Academic Resilience (SOAR) Guaranteed Income Program when determining eligibility for publicly funded programs, including CalWORKs.