

## Federal Budget & Policy

### Federal Shut-Down Temporarily Averted

Congress temporarily averted a federal shutdown on September 30, 2023 by passing a last-minute stopgap spending measure. [This bill](#) allows the government to remain open for an additional 45 days, continuing last year's funding levels through November 17, 2023.

Without a house speaker and clarity on how quickly a new one will be elected, Congress members face even more challenges to finalize a final budget by the November 17 deadline.

Even though federally-funded programs are continuing services for now, [\\$37 billion](#) in emergency COVID-19 child care relief dollars expired on September 30, 2023 leaving hundreds of thousands of child care providers and millions of parents nationwide in perilous situations. This one-time federal money was a band aid to help keep child care programs open and parents working during the pandemic. The critical need for substantial, ongoing public funding in this broken market where parents cannot afford child care and providers scrape by to survive remains.

[The Century Foundation](#) estimates more than 3 million children will lose their child care, over 70,000 child care programs will be forced to close, 232,000 child care workers will lose their jobs, and millions of parents will either have to stop working or reduce their hours if significant funding does not continue. For [California](#), the Century Foundation predicted 84,417 children would lose their child care, 13,571 child care programs would close, and 23,021 child care workers would lose their jobs without fiscal intervention.

### Child Care Stabilization Act

Senators Pat Murray and Bernie Sanders, and Representative Clark lead 35 senators and 77 house members to introduce the "[Child Care Stabilization Act](#)" on September 13, 2023 as an [urgent call to action](#) to keep the child care sector afloat.

This measure mandates **\$16 billion in annual federal funding** each year, for the next five years, to continue the Child Care Stabilization Grant Program. While advocates are [pushing hard](#) to uplift this bill, ensuring at least \$16 billion for child care be incorporated into the final federal Appropriations bill for this year through any vehicle is most crucial.

### Child Care Nutrition Enhancement Act

On September 25, 2023, Congressman Greg Landsman introduced [the Child Care Nutrition Enhancement Act](#) to address the financial challenges of child care providers who participate in the Child and Adult Care Food Program (CACFP). This bill amends the Child and Adult Care Food Program to provide additional payments to child care providers. According to [Congressman Landsman](#), the impact of this bill result in:

- A family child care provider serving 7 children could receive an additional \$475 a month or \$5,700 a year in reimbursements

- A Head Start or child care center serving 100 children could receive an additional \$600 a month or \$7,200 a year in reimbursements.

### **Child Care Development Fund (CCDF) Notice of Proposed Rulemaking**

On July 13th, the U.S. Department of Health and Human Services (HHS) issued a Notice of Proposed Rulemaking (NPRM) intended to increase affordable child care options for families and improve financial security of child care providers participating in the federal child care subsidy program under the Child Care and Development Block Grant (CCDBG).

This proposed rule is in response to the [President's Executive Order](#) on "Increasing Access to High-Quality Care and Supporting Caregivers" issued on April 18, 2023. HHS requested comments on the proposed rule which they will consider and potentially incorporate into a final rule. Progressive measures such as lowering the costs of co-payments (family fees), requiring Lead Agencies to pay child care providers prospectively and based on enrollment rather than attendance, and giving states the flexibility to implement presumptive eligibility measures will not only bring more stability to children, parents and child care providers, but will also impact our broader communities' overall health and wellbeing.

## **California State Budget & Policies for 2023-24**

When families have affordable child care, they can work and provide for their housing, health care, and other needs.

This year's historic state budget [includes \\$6.9 billion \(\\$4.1 billion General Fund\) for child care programs](#), including \$2.8 billion over two years to increase subsidy payments in all California child care and preschool programs. This Budget takes an important next step in ensuring California's child care system can best serve families and providers by eliminating family fees for everyone with monthly incomes under 75% of the State Median Income (SMI) enrolled in publicly funded child care, increasing all child care providers' subsidy payments by an average of 20% over two years, establishing a retirement fund for licensed family child care providers, and charting a course to reform child care payments to be based on the true cost of care permanently by 2025. These shifts also begin to heal the harms of decades-long policies rooted in racism, patriarchy, and classism.

The state's recent significant funding and progressive changes in child care mean that many of the pandemic-era policies will continue in California for the next couple of years. While [California will likely fare better than other states](#) after the federal emergency COVID-19 child care relief expires, additional federal child care money is still essential and other vital programs such as serving families with low incomes are at risk of reduced funding.

### **Child Care Budget Items**

#### **Family Fees**

Child care should be a civil right, not a privilege dictated by social injustices and limitations. The monumental modification in this year's budget to lower family fee payments is life-changing for families

and child care providers and moves California closer to making child care truly affordable for people with the lowest incomes.

Under the prior 2023-2024 family fee schedule, a family of three who would have been required to pay \$571 per month for full-time care; they will now pay \$57.60 per month starting October 1, 2023. And a family of 3 who previously had to pay \$528 per month, will now pay \$0 per month. This new policy benefits an estimated more than 26,578 families in California, and in some cases, families will recoup as much as 10% of their income due to reduced family fees.

Family fee policy changes include:

- Families with monthly incomes below 75% of SMI pay no family fees (the prior law required most families with incomes above 40% to pay family fees)
- Families with monthly incomes between 75% and 85% of SMI pay no more than 1% of their income for family fees (the prior law allowed for families to pay up to 10% of their income in family fees)
- Uncollected family fees accrued before October 1, 2023 may be forgiven and not collected
- Child care providers must not absorb a reduction in their subsidy payment due to a reduced family fee amount - they must still be paid the full subsidy amount
- The number of child care spaces must not be reduced because of the reduction in family fees

The below table shows the percent of income families paid in fees under the prior family fee schedule and the comparison to today's:

**Percent of Income Spent on Family Fees for Families at 75% SMI**

Family Size	Annual Household Income at 75% SMI	Percent of Income Paid in Family Fees: Original Schedule	Percent of Income Paid in Family Fees: New Schedule
One or Two	\$64,885	9.9%	1.0%
Three	\$73,382	8.8%	0.9%
Four	\$84,969	7.6%	0.8%
Five	\$98,564	6.5%	0.7%
Six	\$112,159	5.7%	0.6%
Seven	\$114,708	5.6%	0.6%
Eight	\$117,257	5.5%	0.6%

The family fee suspension for all families was also extended from July 1, 2023 to September 30, 2023 through early budget action items as amendments to the 2022-23 state budget.<sup>1</sup>

### **Child Care Providers United (CCPU) Ratified Agreement**

The tremendous accomplishments of CCPU in their Agreement with the Governor continue to build on the historic changes and pave the way for a more equitable child care system.

The CCPU membership approved the [Agreement](#) on July 31st, 2023 and the Governor signed it on September 13th, 2023. It is effective through July 1, 2025.

In the Agreement, the state commits to using an “alternative methodology,” or more specifically, a “cost estimation model” to develop a single rate structure for child care subsidy payment rates. This cost estimation model will be informed by child care providers’ true cost of care rather than by the amounts child care providers charge to parents determined by the regional market rate survey. Shifting to the use of a cost estimation model will help ensure child care providers’ subsidy payment rates are significantly higher, a policy that is essential and long overdue.

In the meantime, child care providers will continue to be paid based on the regional market rate or standard reimbursement rate, with a supplemental “cost of care plus rate.”

Additionally, the Agreement includes the first retirement fund for family child care providers in the country. Many licensed family child care providers, mostly women of color, cannot save for retirement due to their extremely low pay. Not being able to save for their future causes stress on providers as they decide whether to remain open or retire into poverty.

The Agreement also extends the COVID-19 policy of paying child care providers based on enrollment instead of attendance. This policy helps providers have a predictable income and provide for their own families. It also reflects the same policy applied to most families who pay for child care without subsidies. With consistent and predictable income, child care providers can budget, plan for their futures, and keep their doors open. This stability also creates an environment where children can thrive.

While CCPU may only bargain on behalf of its members, the state budget provides parity for many of the Agreement’s provisions for non-represented providers.

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<sup>1</sup> [Assemb. B. 110, 2023-24 Leg. Reg. Sess. §§ 2 & 4 \(Cal. 2023\), Chapter 41, Statutes of 2023 \(amending Cal. Educ. Code section 8252 and Cal. Welf. & Inst. Code section 10290\) & Cal. Dep’t Soc. Servs., 2023 Budget Act Executive Summary, 5, \(2023\), <https://cdss.ca.gov/Portals/9/Additional-Resources/Fiscal-and-Financial-Information/Local-Assistance-Estimates/2023-Budget-Act-Executive-Summary.pdf>.](#)

## Subsidy Payment Rates and Supplemental Payments

The Budget allocates funding over two years to increase payment rates to child care providers and create a path to reforming child care payment rates for child care and early learning programs across the Department of Social Services and Department of Education.<sup>2</sup> (\$2.832 billion total, \$1.674 billion General Fund, \$1.158 billion Prop 98)<sup>3</sup>

- [“Monthly Cost of Care Plus Rate”](#) January 1, 2024 through June 30, 2025 pays:
  - Family, friend, and neighbor providers: \$98 - \$148/month
  - Family child care providers: \$140 - \$211/month
  - Child care center providers: \$140 - \$211/month

\* Rates applied to number of children with subsidies who are enrolled each month
- [One-time supplemental payments](#) by November 30, 2023:
  - \$500 - license-exempt providers
  - \$2,500 - small family child care providers
  - \$3,000 - large family child care providers
  - \$3,000 - child care centers serving children in publicly-funded child care programs\*

\* For providers who cared for children with subsidies in April 2023
- [Timeline through July 1, 2024 for California to develop an alternative methodology](#) instead of a market rate survey to set child care rates subject to federal approval.

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<sup>2</sup> [Assemb. B. 102](#), 2023-2024 Leg. Reg. Sess. § 163 Item 5180-101-0001 Provision 22 (Cal. 2023), Chapter 38, Statutes of 2023 (“\$1,360,964,000 is available over the 2023–24 and 2024–25 fiscal years to make any adjustments related to the reimbursement provided under all programs funded pursuant to Sections 10280 [CDSS child care programs] and 10374.5 [CalWORKs child care] of the Welfare and Institutions Code and Section 8242 of the Education Code [California State Preschool Programs {CSPP}]”).

<sup>3</sup> Total funding across both CDSS and CDE early learning programs. \$1,673,557,000 General Fund total for CDSS child care programs and non-Local Education Agency (LEA) CSPP. See [Assemb. B. 102](#), 2023-2024 Leg. Reg. Sess. § 163 Item 5180-101-0001 Provision 22 (Cal. 2023), Chapter 38, Statutes of 2023, (\$1,360,964,000) [Assemb. B. 102](#), 2023-2024 Leg. Reg. Sess. § 194 Item 6100-194-0001 Schedule (1) Provision 8 (Cal. 2023), Chapter 38, Statutes of 2023 (\$126,064,000), [Assemb. B. 116](#), 2023-2024 Leg. Reg. Sess. § 23 (Cal. 2023), Chapter 41, Statutes of 2023 (\$186,528,000 from [Assemb. B. 102](#), 2023-2024 Leg. Reg. Sess. § 161 Items 5180-001-0001 and 6100-194-0001). \$1,158,069,000 Prop 98 total for CDE LEA CSPP. See [Assemb. B. 102](#), 2023-2024 Leg. Reg. Sess. § 195 Item 6100-196-0001 Provision 7 (Cal. 2023), Chapter 38, Statutes of 2023 (\$369,320,000), [Assemb. B. 116](#), 2023-2024 Leg. Reg. Sess. § 23 (Cal. 2023), Chapter 41, Statutes of 2023 (\$445,666,000 from [Assemb. B. 102](#), 2023-2024 Leg. Reg. Sess. § 194 Item 6100-194-0001), [Assemb. B. 103](#), 2023-2024 Leg. Reg. Sess. § 17 Item 6100-196-0001 Provision 6 (Cal. 2023), Chapter 33, Statutes of 2023 (\$343,083,000).

### Retirement, Health, and Training Benefits

- Starting April 1, 2024 through July 1, 2025, each year the state will contribute to the CCPU Workers Health Care Fund to [restore the \\$100 million balance](#) if the balance falls below \$100 million
- [One-time contribution](#) to establish CCPU Retirement Trust (\$100 thousand)
- [Lump sum contribution](#) to the CCPU Retirement Trust (\$80 million)
- Starting July 1, 2024, [up to \\$80 million single contribution to the CCPU Retirement Trust to replenish](#) the fund if balance is below \$80 million within 90 days of receiving an annual report from CCPU
- Starting July 1, 2024, [a single contribution of up to \\$15 million](#) to the Joint CCPU-State of California Training Partnership Fund to replenish the fund if balance is below that amount

### Additional Child Care Budget Items

- [Two-year extension of “hold harmless”](#)
  - Family child care and family, friend, and neighbor providers: pay based on maximum authorized hours of care.
  - Child care centers: If program is open and operating during approved calendar year, pay is lesser of either:
    - 100% of the contract maximum reimbursable amount, or
    - Net reimbursable program costs
- Changes the requirement for the full-time subsidy pay rate [from 30 hours per week to 25 hours per week or more](#) by March 1, 2024, better compensating providers for wrap-around care
- [Improved payment rate category determinations](#) for full-time care, which helps ensure providers are paid fairly and the highest allowable amount possible.
- [Contractors and counties](#) to develop a plan that ensures timely payment to providers within 21 calendar days of submission of attendance sheets
- License-exempt child care providers are [not required to submit rate sheets](#)
- [No Cost-of-Living-Adjustment \(COLA\) for child care and development contractors](#), but retains the COLA for Resource & Referral Agencies (R&Rs) and Local Planning Agencies (LPCs)
- Funding for [Resource and Referral Agencies to support child care spaces expansion and improve data collection](#) (\$10 million GF)
- [Child Care Initiative Project](#) (CCIP) (\$4.2 million, including \$2 million augmentation for FY 23-24)
- Families experiencing income fluctuation [may choose to provide up to 12 preceding months of income](#) information for determination of income eligibility or family fees for child care services



## Other California Early Education & Care Budget Items

### Department of Education (CDE) Early Education Programs

#### *California State Preschool Program (CSPP)*

- [Adds three-year-olds as a third priority for enrollment](#) in part-day state preschool, if they are not enrolled in transitional kindergarten
- [Delays the requirement](#) that 7.5% of CSPP spaces be reserved for “children with exceptional needs” until FY 2025-26

#### *Transitional Kindergarten*

- Expands TK enrollment to more children by opening enrollment to children who turn [four years old between June 2 and September 1](#) during the preceding school year
- [Delays teacher credentialing and ratio requirements](#) (from 1 adult to 12 children to 1:10) to 2025-2026

#### *Expanded Learning Opportunities Program (ELOP)*

- [Exempts ELOP programs](#) on Local Education Agency campuses or Community-Based Organizations from all Health and Safety and state licensure requirements. For example, ELOP programs are no longer subject to toileting and diapering assistance requirements, annual unannounced inspections, and publicly-posted health and safety site reports.

### CalWORKs Grants

- [Increase maximum cash assistance payment](#) beginning October 1, 2023 by 3.6%
- [Continue the 10% percent increase for the CalWORKs maximum cash assistance](#) payments indefinitely

### California Policy Bills Improving the Lives of Women, Children, and Families

#### Passed

[SB 616](#) (Gonzales) increases Paid Sick Leave from 3 days to 5 days.

[SB 407](#) (Wiener) supports LGBTQ youth by requiring resource families to demonstrate their ability to meet the needs of a child, regardless of the child’s sexual orientation, gender identity, or gender expression.

#### On Governor’s Desk

[AB 393](#) (Rivas) requires CDSS to develop procedures for General Child Care and Migrant Child Care to identify and report data on dual language learners enrolled.

[SB 521](#) (Smallwood-Cuevas) adds denial of reasonable accommodations for pregnant or parenting students, in violation of Title IX, to the list of conditions that may be considered good cause for excuse from participation in welfare-to-work activities.

[SB 722](#) (Ochoa Bogh) requires CDSS to create before January 1, 2025, a template form for plans of operations and incidental medical services.

### **Two-year bills**

[AB 310](#) (Arambula) is a CalWORKs Reform Bill aimed to better serve families and reduce sanctions.

[AB 596](#) (Gómez Reyes) and [SB 380](#) (Limón) implement comprehensive rate reform; develop an alternative methodology based on the true cost of care.

[AB 518](#) (Wicks) expands Paid Family Leave for chosen family members.

[SB 9](#) (Cortese) creates a three-year pilot program in at least three counties to extend foster care services to nonminor dependents up to 22 years old if they are experiencing or at reasonable risk of homelessness.

### **Vetoed**

[SB 686](#) (Durazo) would have expanded Cal/OSHA jurisdiction to domestic workers and removed health and safety law exemption for domestic workers. [Governor's Veto Message](#)

[AB 524](#) (Wicks) prohibits discrimination against employees based on their family caregiver status. [Governor's Veto Message](#)

[AB 575](#) (Papan) improves Paid Family Leave (PFL) by removing the requirement that a care provider certify that no other family member could provide care at the same time in order to qualify for PFL benefits; makes PFL available for child bonding when a guardian newly assumes responsibility for a child in loco parentis; removes provision that allows employers to require employees to use 2 weeks of accrued vacation before they can receive PFL benefits. [Governor's Veto Message](#)