

Date of Hearing: April 28, 2021

ASSEMBLY COMMITTEE ON EDUCATION
Patrick O'Donnell, Chair
AB 1294 (Quirk) – As Introduced April 15, 2021

[Note: This bill is double referred to the Assembly Human Services Committee and was heard by that Committee as it relates to issues under its jurisdiction.]

SUBJECT: Childcare: individualized county childcare subsidy plans

SUMMARY: Authorizes the Counties of Alameda and Santa Clara to continue to operate their respective individualized county childcare subsidy plans after the pilot period ends on July 1, 2021, or July 1, 2022, respectively. Specifically, **this bill:**

- 1) Authorizes the Counties of Alameda and Santa Clara to continue to operate the individualized county childcare subsidy plan initially developed and approved under current law beyond the conclusion of the pilot project.
- 2) Updates the definition of “plan” to mean an individualized county childcare subsidy plan developed and approved under the pilot project, or, in the Counties of Alameda and Santa Clara, the individualized county childcare subsidy plan initially developed and approved under that pilot project.
- 3) Authorizes, for the County of Santa Clara, the pilot project to remain in effect only until July 1, 2022, and the County of Alameda, the pilot project remain in effect only until July 1, 2021, after which time the Counties of Alameda and Santa Clara may continue the individualized county childcare subsidy plan.

EXISTING LAW:

- 1) Establishes the Child Care and Development Services Act to provide childcare and development services as part of a coordinated, comprehensive, and cost-effective system serving children from birth to 13 years old and their parents including a full range of supervision, health, and support services through full- and part-time programs. (Education Code (EC) 8200 *et seq.*)
- 2) Defines “childcare and development services” to mean services designed to meet a wide variety of children and families’ needs while parents and guardians are working, in training, seeking employment, incapacitated, or in need of respite. (EC 8208)
- 3) States the intent of the Legislature that all families have access to childcare and development services, through resource and referral where appropriate, and regardless of demographic background or special needs, and that families are provided the opportunity to attain financial stability through employment, while maximizing growth and development of their children, and enhancing their parenting skills through participation in childcare and development programs. (EC 8202)
- 4) Requires the Superintendent of Public Instruction (SPI) to administer general childcare and development programs to include, among other things as specified, age- and

developmentally-appropriate activities, supervision, parenting education and involvement, and nutrition. Further allows such programs to be designed to meet child-related needs identified by parents or guardians. (EC 8240 and 8241)

- 5) Requires families to meet certain criteria in order to be eligible for federal and state subsidized child development services, including that a family must be either a current aid recipient, income eligible, homeless, or one whose children are recipients of protective services or have been identified as being abused, or neglected. (EC 8263)
- 6) Defines “income eligible,” for purposes of establishing initial income eligibility for subsidized childcare services to mean that a family’s adjusted monthly income is at or below 85% of the state median income (SMI), adjusted for family size. (EC 8263.1)
- 7) Defines “ongoing income eligible” to mean that a family’s adjusted monthly income is at or below 85% of the SMI, adjusted for family size. (EC 8263.1)
- 8) States that, with certain exceptions, once a family has established initial or ongoing eligibility, they are considered to meet all eligibility and need requirements, receive services, and not be required to report income or other changes for at least 12 months. (EC 8263)
- 9) Requires the California Department of Education (CDE) to promote full utilization of childcare and development funds and match available unused funds with identified service needs and, further, requires CDE to arrange interagency adjustments between different contractors with the same type of contract when both agencies mutually agree to a temporary transfer of funds for the balance of the fiscal year. (EC 8275.5)
- 10) Defines “California State Preschool Program” (CSPP) to mean part-day and full-day educational programs for low-income or otherwise disadvantaged three- and four-year olds, and includes the CSPP under the definition of childcare and development programs which offer a full range of services for children from 0 to 13 years of age. (EC 8208)
- 11) Requires the SPI to implement a plan that establishes reasonable standards and assigned reimbursement rates for childcare and development services, to vary by length of program year and hours of service, and establishes amounts for, and provides for an annual cost-of-living adjustment to, the standard reimbursement rate. (EC 8265)
- 12) Requires the SPI to administer general childcare and development programs to include, among other things as specified, age- and developmentally-appropriate activities, supervision, parenting education and involvement, and nutrition. Further allows such programs to be designed to meet child-related needs identified by parents or guardians, as specified. (EC 8240 and 8241)
- 13) To allow for maximum parental choice, authorizes the operation of Alternative Payment Programs (APPs) and provision of alternative payments and support services to parents and childcare providers by local government agencies or non-profit organizations that contract with CDE. (EC 8220)
- 14) Establishes rules and requirements for APPs and providers, as contracted agencies with the CDE, to observe, including but not limited to accounting and auditing requirements,

attendance monitoring requirements, referral requirements where applicable, and reimbursement and payment procedures. (EC 8220 *et seq.*)

- 15) Requires the SPI to adopt rules and regulations regarding eligibility, enrollment, and priority of services. (EC 8263)
- 16) Requires the SPI to adopt rules, regulations, and guidelines to facilitate funding and reimbursement procedures for subsidized childcare. (EC 8269)
- 17) Requires the SPI to establish a family fee schedule for subsidized childcare, as specified, contingent on income and subject to a cap. (EC 8273)
- 18) Authorizes an individualized county childcare subsidy plan for each of the City and County of San Francisco and San Mateo County to allow for greater flexibility in subsidized childcare programs to ensure that subsidies received by these counties are used to address local needs, conditions, and priorities of working families in their respective communities. (EC 8335-8335.6, 8347-8347.5)
- 19) Establishes the individualized county childcare subsidy plan pilot projects in the Counties of Alameda, Contra Costa, Fresno, Marin, Monterey, San Benito, San Diego, Santa Clara, Santa Cruz, Solano, and Sonoma. (EC 8332)
- 20) Authorizes the pilot project for the County of Santa Clara become inoperative on July 1, 2022, and the pilot project for the County of Alameda becomes inoperative on July 1, 2021. (EC 8332.7)

FISCAL EFFECT: Unknown

COMMENTS:

Need for this bill: According to the author, “Childcare is a crucial service, not only for families, but for communities, and our overall economy as well. Smart childcare infrastructure like these pilot projects has proven to be effective at helping low-income families while also efficiently using state funding. That’s why I’m committed to ensuring these two pilot programs become permanent. Making this change won’t cost the state more money and it’s particularly important during the pandemic when we need to boost our economy and support hard-working families.”

California has a complex system of early childhood programs. California’s system of subsidized early care and education (ECE) is made up of a complex system of programs serving children from birth through 13 years, funded through a mix of federal and state dollars, and administered through a mixed delivery system by local education agencies, and community-based providers. The major direct service ECE programs include, but are not limited to, the following:

Program	Description
General Child Care	Administered by the CDE, provided through contracted centers and family childcare home networks that are administered through private or public agencies and offer childcare, education, and development services.

California State Preschool Program	Administered by the CDE through contractors and provides both part-day (at least 3 hours per day) and full-day (at least 6.5 hours per day) services to eligible 3- and 4-year-olds, and can be offered in various settings, including childcare centers, family childcare network homes, or in school settings.
Alternative Payment Programs	Offers families vouchers that allow them to choose their own childcare in either centers, family childcare homes, or license-exempt settings. Administered through contracts with the CDE.
California Work Opportunity and Responsibility to Kids child care (CalWORKs)	For parents who receive or have received CalWORKs. CalWORKs childcare can be provided in centers, family childcare homes, or license-exempt settings and is paid for using vouchers. Stage 1 is administered by DSS and Stages 2 & 3 are administered by CDE.
Head Start	A national program providing comprehensive developmental services for low-income children from birth to entry into elementary school. California's Head Start program is the largest in the nation.

Transition of childcare programs from the CDE to the CDSS. According to the CDE, California is committed to building a system of early learning and care which is more integrated and coordinated to promote a high-quality, affordable, early childcare system designed to comprehensively and effectively serve the children and families in our state. The enacted state budget for Fiscal Year 2020-21 transitions responsibility for certain child care and development programs and nutrition program from the CDE to the CDSS, effective July 1, 2021, including:

- Stages 2 and 3 of the CalWORKs Child Care Programs;
- General Child Care and Development Programs (CCTR);
- Alternative payment programs (CAPP);
- Migrant alternative payment programs (CMAP);
- Migrant Child Care and Development Programs (CMIG); and
- Child Care and Development services for children with severe disabilities.

Other programs supporting early education, as well as the school and summer child nutrition meal programs currently administered by CDE, remain under the responsibility of CDE, including:

- California State Preschool Program (CSPP);
- Quality Rating and Improvement System Grants for CSPP;
- The Inclusive Early Education Expansion Program;
- The American Indian Early Childhood Education Program;

- Transitional Kindergarten; and
- Special Education Services for Young Children with Disabilities.

The benefits of high-quality infant and toddler care. Research demonstrates that children begin learning at birth and every interaction that young children have with a caregiver adds to their experiences and influences the rapid brain development that occurs in the first few years of life. The ability of families to access childcare programs staffed by highly skilled and experienced teachers can have a major impact on children’s cognitive development. Nearly one in five infants in the U.S. live in poverty, leaving them at risk of falling behind before they can walk. The toxic stress associated with poverty can limit young children’s exposure to positive interactions and harm brain development. Research shows that gaps in children’s cognitive abilities by income are evident as early as nine months and significantly widen by the age of two.

Research confirms the value of high-quality pre-kindergarten experiences. Research consistently confirms the benefits of high-quality pre-kindergarten experiences. “Educators in K-12 school systems are faced with wide disparities in skill levels of entering kindergarteners, which means that all too many children are already far behind many of their peers. Findings in developmental science point toward the importance of early-life experiences in shaping brain development and suggest that if we knew how to provide these experiences in our early education programs, we could have a lifelong impact on children’s success.” (Phillips, 2017).

Access and affordability concerns. According to a 2018 Getting Down to Facts II Study, *Early Childhood Education in California*, the average annual cost of childcare for infants from birth through two years was \$8,462 for family childcare and \$13,327 for care in a childcare center, and the average cost of full-time early care for 3- and 4-year-olds in the state was \$7,850 a year in licensed family childcare homes and \$9,106 for center care. California is one of the ten least affordable states for infant care, costing an average of 51% of the median income of a single parent and 15% of the median income of two parents.

Reimbursement rates. Two different sets of rate schedules apply to providers of subsidized childcare. For programs utilizing vouchers, which allow families to access childcare through their choice of a licensed day care center, a licensed family childcare home, or license-exempt child, providers are reimbursed using the Regional Market Rate (RMR). This rate is based on a biannual RMR survey of the cost of childcare in various geographical regions across the state. These rates vary significantly from one county to another, reflecting differences in the cost of care.

This table illustrates differences in the full-time daily rate for children from birth to 24 months:

Childcare Setting	Fresno County	Los Angeles County	Alameda County
Childcare center	\$72.73	\$96.53	\$114.06
Family childcare home	\$45.53	\$54.40	\$72.20
License-exempt care	\$31.87	\$39.48	\$50.54

This table illustrates differences in the full-time daily rate for children from 2- to 5-years-old:

Childcare Setting	Fresno County	Los Angeles County	Alameda County
Childcare center	\$48.81	\$67.37	\$81.64

Family childcare home	\$41.73	\$51.96	\$67.19
License-exempt care	\$29.21	\$36.37	\$47.03

Providers of contracted care – childcare and development programs that contract directly with the CDE, as opposed to voucher-based care – are reimbursed according to a uniform statewide rate system based on the Standard Reimbursement Rate (SRR). The fiscal year 2018-19 SRR for General Child Care is \$47.98 per child per day of enrollment or \$11,995 per year based on 250 days of operation. However, acknowledging the higher costs associated with providing care to certain populations, state law provides for “adjustment factors” to be multiplied by child days of enrollment to arrive at an adjusted SRR.

Head Start. Head Start is a national program administered by the federal Administration on Children, Youth and Families. Head Start programs provide comprehensive developmental services for low-income children from birth to entry into elementary school. The Head Start Program Performance Standards set forth the requirements local grantees must meet to support the healthy cognitive, social, emotional, and physical development of children from birth to age five. They encompass requirements to provide education, health, mental health, nutrition, and family and community engagement services, as well as standards for local program governance and aspects of federal administration of the program.

Number of Children Served by Program Type During Fiscal Year 2019-20

Program Type	Number of Children
General Child Care	46,807
CalWORKs Stage 2	79,019
CalWORKs Stage 3	75,795
Alternative Payment	85,207
California State Preschool - Part Day	115,388
California State Preschool - Full Day	72,276
Head Start	89,211 (federal fiscal year 2019)

CDE, Source: CDD-801A Monthly Child Care Reports for FY 2019-20.

Individualized county childcare subsidy plans. Income eligibility thresholds for subsidized childcare services and SRR for providers, as established, apply statewide and do not account for any regional variance in cost of living. Over the years, this lack of programmatic sensitivity to the differing economic contexts that face working families and childcare providers across California, along with an overall need for greater supply of and access to subsidized childcare services, has led to a number of counties (now totaling 13) establishing their own individualized county childcare subsidy plans.

In 2003, San Mateo was the first county to establish an individualized county childcare subsidy plan pilot project, followed by San Francisco. Both of these pilots were developed, in large part, to address two significant issues facing subsidized childcare in high-cost counties. The first issue was that, by earning just enough to be able to afford housing in a high-cost area, some relatively low-income families were deemed to have too high of an income to qualify for assistance with childcare by statewide eligibility standards. The second issue was that the SRR paid to contracted childcare centers and family childcare homes was often not sufficient to cover program costs and overhead, particularly in high-cost areas. Both counties would see a portion of their childcare subsidy funds go unused as low-income families failed to qualify for eligibility

by uniform statewide criteria, and as provider reimbursement rates made offering subsidized care untenable for some providers.

San Mateo and San Francisco Counties' individualized county childcare subsidy plans are still in operation today, although both no longer operate as pilots. These plans offer the counties limited local flexibility to revise eligibility rules and adjust provider rates and family fees within the context of local evaluation and assessment and heightened state oversight. Thus, the counties are able to reinvest otherwise-unused funds through increased reimbursement rates.

In recent years, beginning with Alameda County in 2015, 11 other counties established their own individualized county childcare subsidy plan pilot projects. Santa Clara County established its pilot project in 2016, and the following counties did so in 2017: Fresno, Monterey, San Benito, and Santa Cruz, San Diego, Solano, Contra Costa, Marin, and Sonoma.

This bill would remove the sunset dates for the pilot projects operating in Alameda and Santa Clara Counties, and make the individualized county childcare subsidy plans permanent. The sunsets have been eliminated for the San Mateo and San Francisco County pilots. Given the number of pilot counties, each with upcoming pilot sunset dates, *the Committee may wish to consider* the benefit of continuing multiple individual pilots, or whether there should be an attempt to address this issue statewide.

Santa Clara County Pilot Project: Preliminary findings from the first full fiscal year of the pilot's implementation (2018-19) found that the pilot served a total of 10,228 children—280 more children served than the previous fiscal year. The largest share of children (4,309) were enrolled in APPs and second largest share (3,841) were enrolled in CSPP programs. About 20% of the children served had a family income between 70-85% of SMI. Most parents listed “Employment,” “Part-Day CA State Preschool Program,” or “Seeking employment” as their primary reason for receiving childcare. In the first full year of the pilot's implementation, the County earned approximately \$48 million of its contracted funds, which was \$3.8 million more than the previous year. The Santa Clara Pilot Project is set to expire on July 1, 2022.

Alameda County Pilot Project: In fiscal year 2018-19, a total of 6,876 children received care—1,565 of whom were under the pilot income threshold. Of newly enrolled children, 65% (1,014) were under the pilot income threshold. The majority of the children served (5,588) were enrolled in a CSPP. Most parents listed “Employment,” “Part-Day CA State Preschool Program,” or “Seeking employment” as their primary reason for receiving childcare. From the baseline fiscal year (2015-16), Alameda County was able to increase earned child days of enrollment by 2.5%. In fiscal year 2018-19, contractors earned 93% (\$65 million) of the \$70 million contract funds allocated to Alameda County, the highest amount retained over five years. All eligible contractors of subsidized childcare in the county participate in the pilot. The Alameda Pilot Project is set to expire on July 1, 2021.

Arguments in support. The Santa Clara County Office of Education writes, “Our Individual Subsidized Child Care Pilot has shown significant successes in expanding childcare access to low-income families and those receiving other family support services. For the Fiscal Year 2019, the Pilot kept an additional \$5 million in the county and served a total of 10,228 children. This is 280 more children served than the previous fiscal year, and 1,380 children newly enrolled within the Pilot's Income Threshold Range. In Fiscal Year 2020, the program kept an additional \$10 million in the county and served an additional 700 kids. The County's pilot program is scheduled to expire on July 1, 2022. AB 1294 furthers SCCOE's commitment to improving equity and

access to high quality, inclusive education for all students with a priority focus on student groups that have been historically underserved and impacted by the effects of structural racism and systemic poverty.”

Related legislation. AB 2626 (Mullin), Chapter 945, Statutes of 2018, the April 17, 2018 amended version of the bill would have provided a similar level of flexibility to childcare contractors statewide as is available to contractors in the other counties with individualized county childcare subsidy plans in order to increase the effective utilization of available child care funds. This provision was later removed from the bill.

AB 108 (Committee on Budget), Chapter 7, Statutes of 2018, consolidates statute authorizing childcare pilot programs relating to the counties of Alameda, Contra Costa, Fresno, Marin, Monterey, San Benito, San Diego, Santa Clara, Santa Cruz, Solano, and Sonoma, and adopts administrative and clarifying changes for these 11 plans and those of San Mateo County and San Francisco City and County.

AB 258 (Arambula) Chapter 697, Statutes of 2017, authorizes Fresno County to establish an individualized county childcare subsidy plan pilot project, to sunset on January 1, 2023.

AB 300 (Caballero) Chapter 699, Statutes of 2017, authorizes the counties of Monterey, San Benito, and Santa Cruz to each establish an individualized county childcare subsidy plan pilot project, to sunset on January 1, 2023.

AB 377 (Frazier) Chapter 701, Statutes of 2017, authorizes the counties of San Diego and Solano to each establish an individualized county childcare subsidy plan pilot project, to sunset on January 1, 2023.

AB 435 (Thurmond) Chapter 703, Statutes of 2017, authorizes the counties of Contra Costa, Marin, and Sonoma to each establish an individualized county childcare subsidy plan pilot project, to sunset on January 1, 2023.

AB 2368 (Gordon) Chapter 574, Statutes of 2016, establishes the Santa Clara County individualized county childcare subsidy plan pilot project, to sunset in 2022.

AB 104 (Budget Committee), Chapter 13, Statutes of 2015, eliminates the sunset on the San Francisco individualized county childcare subsidy pilot program and removed language referring to the San Francisco plan as a pilot project.

AB 833 (Bonta), Chapter 563, Statutes of 2015, establishes the Alameda County individualized county childcare subsidy plan pilot project, to sunset in 2021.

SB 103 (Committee Budget and Fiscal Review) Chapter 324, Statutes of 2015, eliminates the sunset of the San Mateo County childcare subsidy plan and related reporting requirements and removed language referring to the San Mateo plan as a pilot project.

AB 86 (Committee on Budget) Chapter 48, Statutes of 2013, extends the sunset date of the San Francisco individualized county childcare subsidy plan to 2015.

AB 260 (Gordon) Chapter 731, Statutes of 2013, extends the sunset dates of the San Francisco and San Mateo County individualized county childcare subsidy plans to 2016 and 2018, respectively.

SB 1016 (Committee Budget and Fiscal Review) Chapter 38, Statutes of 2012, extends the sunset date of the San Francisco individualized county childcare subsidy plan to 2014.

AB 1610 (Committee on Budget) Chapter 724, Statutes of 2010, extends the sunset date of the San Francisco individualized county childcare subsidy plan to 2013.

SB 1225 (Yee) of 2010, would have extended the sunset date of the San Francisco individualized county childcare subsidy plan to 2016. This bill was held in the Senate Appropriations Committee.

AB 1304 (Simitian) Chapter 61, Statutes of 2008, extends the sunset data of the San Mateo County individualized county childcare subsidy plan to 2014.

SB 701 (Migden) Chapter 725, Statutes of 2005, establishes the San Francisco individualized county childcare subsidy plan pilot project, to sunset in 2011.

AB 1326 (Simitian) Chapter 691, Statutes of 2003, establishes the San Mateo County individualized county childcare subsidy plan pilot project.

REGISTERED SUPPORT / OPPOSITION:

Support

Alameda County Board of Supervisors
Alma State Preschool
Bay Area Hispano Institute for Advancement, INC.
Child Care Providers United (CCPU)
Community Child Care Council (4CS) of Alameda County
County of Santa Clara
Ephesian Children's Center
San Jose; City of
San Mateo County Child Care Partnership Council
Santa Clara County Office of Education
Silicon Valley Community Foundation
Supporting Future Growth
One individual

Opposition

None on file

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