

Senate Bill No. 120

CHAPTER 13

An act to amend Sections 8242, 8245.5, and 42238.15 of the Education Code, and to amend Sections 10227.5, 10227.6, 10243, 10271, 10277.1, 10277.2, 10280, and 10374.5 of the Welfare and Institutions Code, relating to early childhood education and childcare, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 27, 2025. Filed with Secretary of State June 27, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

SB 120, Committee on Budget and Fiscal Review. Early childhood education and childcare.

(1) Existing law, the Child Care and Development Services Act, administered by the State Department of Social Services, establishes a system of childcare and development services for children up to 13 years of age. Under the act, families that meet specified requirements are eligible for federal and state subsidized childcare and development services, and a family that establishes initial eligibility or ongoing eligibility for these services is considered to meet all eligibility and need requirements for those services for not less than 24 months, except as specified. Existing federal regulations require a minimum of 12 months of eligibility for these services before a redetermination of eligibility is made.

This bill would, if a family already receiving childcare services adds an additional child and requests services for that child during the current eligibility period, extend the family's eligibility period, as necessary, to ensure that the additional child receives at least 12 months of eligibility for services before a redetermination of eligibility, as specified.

(2) Existing law requires the State Department of Social Services to annually report to the Department of Finance and the Legislature a statewide summary identifying the estimated funding used in general childcare and development programs for infants and toddlers, and the number of preschool age children receiving part-day preschool and wraparound childcare services.

This bill would delete the requirement for that report to identify the number of preschool age children receiving part-day preschool and wraparound childcare services.

(3) Existing law requires the State Department of Social Services to contract with local contracting agencies for alternative payment programs for childcare services to be provided throughout the state. Existing law requires an alternative payment program to reimburse a licensed childcare provider in accordance with a biennial market rate survey, as specified, at a rate not to exceed the regional market rate ceiling, as prescribed. Under

existing law, reimbursements to childcare providers based upon a daily rate may only be allowed under certain circumstances, including that a family has an unscheduled but documented need of 6 hours or more per occurrence that exceeds the certified need for childcare or a family has a documented need of 6 hours or more per day that exceeds no more than 14 days per month.

This bill would reduce the documented need for reimbursements to childcare providers based upon a daily rate from 6 hours or more to 5 hours or more, as described.

(4) Existing law allocates certain appropriated funds to the State Department of Social Services and State Department of Education to provide specified family childcare providers and childcare centers with a monthly cost of care plus rate commencing January 1, 2024, and through June 30, 2026. The monthly cost of care plus rate is a supplemental monthly payment to those providers and centers.

This bill would extend the payment of the monthly cost of care plus rate to June 30, 2026, and would allocate additional funds to the State Department of Social Services and State Department of Education from the Budget Act of 2025 to provide a once-per-month cost of care plus rate for each child served who is enrolled in subsidized childcare, therefore making an appropriation. From July 1, 2025, to June 30, 2026, inclusive, the bill would require that monthly rate to be equal to the existing rate increased by a percentage calculated by the Department of Finance based on a specified formula.

(5) Existing law provides for a specified annual funding increase for special education and childcare and development programs if an inflation or cost-of-living adjustment is not otherwise provided for those programs. Existing law suspends the annual cost-of-living adjustment for childcare and development programs for the 2012–13, 2013–14, 2014–15, and 2020–21 fiscal years.

This bill would additionally suspend the annual cost-of-living adjustment for childcare and development programs for the 2025–26 fiscal year.

(6) Existing law requires the State Department of Social Services, in collaboration with the State Department of Education, to implement a reimbursement system plan that establishes reasonable standards and assigned reimbursement rates for state-subsidized childcare and development services. Existing law also requires the department, in collaboration with the State Department of Education, to develop and conduct an alternative methodology, as specified, to set reimbursement rates for state-subsidized childcare and development services.

Existing law requires the department, from October 1, 2024, to January 1, 2026, inclusive, to provide the Assembly Committee on Budget, the Senate Committee on Budget and Fiscal Review, and the Legislative Analyst's Office with quarterly updates on the implementation of the new reimbursement rates set under the alternative methodology. If a market rate survey is used to set reimbursement rates, existing law requires the

department to contract to conduct a regional market rate survey no more than once every 2 years, as specified.

This bill would extend the timeframe during which the above-described quarterly update is required to July 1, 2027, and require the department to include additional specified information commencing with the quarterly update due October 1, 2025. The bill would, commencing July 1, 2026, increase rates for specified programs by the cost-of-living adjustment granted by the Legislature annually, as specified.

This bill would express the intent of the Legislature to cease using a regional market rate survey and to instead use an alternative methodology to inform the setting of future childcare rates, and to set reimbursement rates that are informed by the alternative methodology by statute. The bill would further express the intent of the Legislature that specified programs be reimbursed under a unified structure that takes into account a common set of rate elements, that base rates be administered as a per-child amount, and that rate levels be informed by, and rates vary based on, specified criteria.

(7) Existing law also requires, for California state preschool programs and childcare and development programs, the State Department of Education and the State Department of Social Services to collaborate to implement a reimbursement system plan that establishes reasonable standards and assigned reimbursement rates. Existing law requires the reimbursement rate to be increased by the above-described cost-of-living adjustment, except for specified fiscal years, including the 2024–25 fiscal year.

This bill would, commencing July 1, 2026, require the cost-of-living adjustment for state preschool programs to be consistent with the adjustment granted by the Legislature annually, as specified. The bill would additionally suspend the annual cost-of-living adjustment for the 2025–26 fiscal year.

(8) Existing law requires, commencing January 1, 2022, those California state preschool program contractors and childcare and development program contractors who, as of December 31, 2021, received the established standard reimbursement rate to be reimbursed at the greater of the 75th percentile of the 2018 regional market rate survey or the contract per-child reimbursement amount as of December 31, 2021, as increased by a specified cost-of-living adjustment.

This bill would instead require, commencing July 1, 2025, and through June 30, 2026, if the program is open and operating in accordance with its approved program calendar and remains open and providing services to certified children throughout the program year, the contract reimbursement to be based on the lesser of the maximum reimbursable amount stated in the contract and the net reimbursable program costs. The bill would also require, commencing July 1, 2026, the contract reimbursement to be based on the lesser of the maximum reimbursable amount stated in the contract, the net reimbursable program costs, or the product of the adjusted child days of enrollment for certified children times the contract rate set forth in the above-described provisions.

(9) Existing law also requires the State Department of Social Services, in the administration of childcare and development programs, to contract

with local contracting agencies for a variety of alternative payment programs for childcare services to be provided throughout the state. Existing law requires alternative payment programs to reimburse childcare providers based upon actual days and hours of attendance.

This bill would, beginning July 1, 2025, and through June 30, 2026, instead require those programs to reimburse childcare providers based on families' certified need, as specified, and would appropriate \$88,550,000 from the General Fund for this purpose.

(10) Existing law authorizes family childcare providers to form, join, and participate in the activities of provider organizations and to seek the certification of a provider organization to act as the representative for family childcare providers on matters related to childcare subsidy programs pursuant to a petition and election process overseen by the Public Employment Relations Board or a neutral third party designated by the board. Existing law requires the Governor and a certified provider organization to jointly prepare a memorandum of understanding if an agreement is reached, which is required to be presented to the Legislature for determination, and which would be binding on all state departments and agencies, and their contractors and subcontractors, and any political subdivision of the state, that are involved in the administration of state-funded early care and education programs.

If the above-described reimbursement rate provisions are in conflict with a memorandum of understanding between the Governor and a certified provider organization, the bill would require the memorandum of understanding to be controlling without further legislative action, except as specified.

(11) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 8242 of the Education Code is amended to read:

8242. (a) The department, in collaboration with the State Department of Social Services, shall implement a reimbursement system plan that establishes reasonable standards and assigned reimbursement rates, which vary with the length of the program year and the hours of service.

(1) Parent fees shall be used to pay reasonable and necessary costs for providing additional services.

(2) The department may establish any regulations deemed advisable concerning conditions of service and hours of enrollment for children in the programs.

(b) (1) (A) Commencing July 1, 2021, the standard reimbursement rate shall be twelve thousand nine hundred sixty-eight dollars (\$12,968).

(B) Commencing July 1, 2021, the standard reimbursement rate for part-day California state preschool programs shall be five thousand six hundred twenty-one dollars (\$5,621).

(2) Commencing in the 2022–23 fiscal year, the standard reimbursement rates described in paragraph (1) shall be increased by the cost-of-living adjustment granted by the Legislature annually pursuant to Section 42238.15.

(c) (1) Commencing January 1, 2022, contractors who, as of December 31, 2021, received the standard reimbursement rate established in this section shall be reimbursed at the greater of the following:

(A) The 75th percentile of the 2018 regional market rate survey.

(B) The contract per-child reimbursement amount as of December 31, 2021, as increased by the cost-of-living adjustment pursuant to paragraph (2) of subdivision (b).

(2) Commencing July 1, 2022, subject to available funding, the department may issue temporary rate increases to contractors that exceed the rates specified in paragraph (1) and the reimbursement rate supplements described in Section 51 of Chapter 571 of the Statutes of 2022.

(3) In accordance with federal requirements for Child Care Stabilization Grants appropriated pursuant to the federal American Rescue Plan Act of 2021 (Public Law 117-2), contractors shall provide information via a one-time application or survey in advance of receiving American Rescue Plan Act funds. The department shall specify the timeline and format in which this information shall be submitted, and the information shall include, but not be limited to, all of the following:

(A) Address, including ZIP Code.

(B) Race and ethnicity.

(C) Gender.

(D) Whether the provider is open and available to provide childcare services or closed due to the COVID-19 public health emergency.

(E) What types of federal relief funds have been received from the state.

(F) Use of federal relief funds received.

(G) Documentation that the provider met certifications as required by federal law.

(4) Rate increases shall be subject to federal usage limitations and federal and state program eligibility requirements.

(d) (1) (A) Notwithstanding subdivisions (b) and (c), for the 2023–24 fiscal year and the 2024–25 fiscal year, the cost-of-living adjustment required pursuant to subdivisions (b) and (c) shall instead be zero.

(B) It is the intent of the Legislature that any adjustments in the 2023–24, 2024–25, and 2025–26 fiscal years related to reimbursement for programs funded pursuant to this section will be subject to a ratified agreement, and subject to future legislation providing for appropriations related to the budget bill.

(2) Notwithstanding subdivisions (b) and (c), for the 2025–26 fiscal year, the cost-of-living adjustment required pursuant to subdivisions (b) and (c) shall instead be zero.

(e) Commencing July 1, 2026, the cost-of-living adjustment shall be applied consistently with subdivision (m) of Section 10227.6 of the Welfare and Institutions Code.

SEC. 2. Section 8245.5 of the Education Code is amended to read:

8245.5. (a) (1) Notwithstanding any other law, for the 2022–23 fiscal year only, contracting agencies operating a California state preschool program shall be reimbursed according to paragraph (2), if they meet either of the following requirements:

(A) The program is open and operating in accordance with their approved program calendar and remains open and offering services through the program year.

(B) The program operated by the contracting agency is closed by local or state public health order or guidance due to the COVID-19 pandemic.

(2) Reimbursement pursuant to paragraph (1) shall be 100 percent of the contract maximum reimbursable amount or net reimbursable program costs, whichever is less, pursuant to guidance released by the Superintendent.

(3) A California state preschool program that is physically closed as described in subparagraph (B) of paragraph (1) due to the COVID-19 pandemic, but funded to be operational, shall provide distance learning services, as specified by the Superintendent, for the program. A contractor specified in paragraph (1) shall submit a distance learning plan to the department overseeing their contract pursuant to guidance from the Superintendent.

(b) Notwithstanding any other law, reimbursement for full-day and part-day California state preschool family childcare home education network providers for the 2022–23 fiscal year shall be based on the maximum certified hours of care for all families, including families certified for a variable schedule, regardless of attendance.

(c) Notwithstanding any other law, commencing July 1, 2023, to June 30, 2025, inclusive, if a program is open and operating in accordance with their approved program calendar and remains open and offering services through the program year, the contract reimbursement amount shall be based on the lesser of either of the following:

(1) One hundred percent of the contract maximum reimbursable amount.

(2) Net reimbursable program costs.

(d) Notwithstanding any other law, commencing January 1, 2023, and through June 30, 2026, reimbursement for full-day and part-day California state preschool family childcare home education network providers shall be based on the maximum certified hours of care for all families, including families certified for a variable schedule, regardless of attendance, less any allowable administrative expenses withheld by the contractor.

(e) If the provisions of subdivisions (c), (d), (f), and (g) are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 10426 of the Welfare and Institutions Code, the memorandum of understanding shall be controlling without further legislative action, except that if such provisions of a memorandum of understanding require

the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

(f) Commencing July 1, 2025, and through June 30, 2026, if a program is open and operating in accordance with its approved program calendar and remains open and providing services to certified children throughout the program year, the contract reimbursement shall be based on the lesser of the following:

- (1) The maximum reimbursable amount stated in the contract.
- (2) Net reimbursable program costs.

(g) Commencing July 1, 2026, the contract reimbursement shall be based on the lesser of the following:

- (1) The maximum reimbursable amount stated in the contract.
- (2) Net reimbursable program costs.
- (3) The product of the adjusted child days of enrollment for certified children times the contract rate set forth in this section.

SEC. 3. Section 42238.15 of the Education Code is amended to read:

42238.15. (a) Notwithstanding any other law, and in lieu of any inflation or cost-of-living adjustment otherwise authorized for the programs enumerated in subdivision (b), state funding for the programs enumerated in subdivision (b) shall be increased annually by the product of the following:

(1) The sum of 1.0 plus the percentage change determined under paragraph (2) of subdivision (d) of Section 42238.02.

(2) The sum of 1.0 plus the percentage of increase, from the prior fiscal year to the current fiscal year, in each of the workload factors described in subdivision (b) or, for paragraph (2) of subdivision (b), zero, whichever is greater.

(b) The programs for which annual state funding increases are determined under this section, and the factors used to measure workload for each of those programs, are as follows:

(1) Special education programs and services, with workload measured by the regular second principal apportionment average daily attendance for kindergarten and grades 1 to 12, inclusive.

(2) Childcare and development programs, and preschool programs, with workload measured by the state population of children up to and including four years of age.

(c) Notwithstanding any other law, childcare and development programs shall not receive a cost-of-living adjustment in the 2012–13, 2013–14, 2014–15, 2020–21, and 2025–26 fiscal years.

(d) Notwithstanding any other law, childcare and development programs shall not receive a cost-of-living adjustment in the 2023–24 and 2024–25 fiscal years, except for resource and referral agencies pursuant to Chapter 2 (commencing with Section 10217) of, and local childcare and development planning councils pursuant to Chapter 31 (commencing with Section 10480) of, Part 1.8 of Division 9 of the Welfare and Institutions Code.

SEC. 4. Section 10227.5 of the Welfare and Institutions Code is amended to read:

10227.5. (a) Childcare providers authorized to provide services pursuant to this chapter shall submit to the alternative payment program a monthly attendance record or invoice for each child who received services that, at a minimum, documents the dates and actual times care was provided each day, including the time the child entered and the time the child left care each day. The information shall be documented on a daily basis.

(b) (1) The monthly attendance record or invoice shall, at a minimum, be signed by the parent or guardian of the child receiving services and the childcare provider once per month to attest that the child's attendance is accurately reflected. The verification of attendance shall be made by signature at the end of each month of care and under penalty of perjury by both the parent or guardian of the child receiving services and the childcare provider.

(2) (A) Notwithstanding paragraph (1) and pursuant to subdivision (d) of Section 10277, a childcare provider may submit a monthly attendance record or invoice without a parent's signature when the parent has not communicated with the provider for a minimum of seven consecutive days, the provider has notified the contractor of the parent's lack of communication in accordance with Section 18066.5 of Title 5 of the California Code of Regulations, and the contractor has documented the provider's unsuccessful attempts to collect a signature.

(B) If the provisions of this paragraph are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 10426, the memorandum of understanding shall be controlling without further legislative action, except that if such provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

(c) The monthly attendance record or invoice shall be maintained by the childcare provider in the unaltered original format in which it was created, which may be in paper form or electronic format.

(d) (1) The alternative payment program shall accept the monthly attendance record or invoice as documentation of the hours of care provided if the attendance record or invoice includes adequate information documented on a daily basis, including, at a minimum, the dates and actual times care was provided each day, including the time the child entered and the time the child left care each day.

(2) Except as described in paragraph (3), the alternative payment program shall reimburse childcare providers based upon the following criteria:

(A) The hours of service provided that are broadly consistent with certified hours of need.

(B) For families with variable schedules, the actual days and hours of attendance, up to the maximum certified hours.

(C) For license-exempt providers that provide part-time services, the actual days and hours of attendance, up to the maximum certified hours.

(3) Effective July 1, 2025, and through June 30, 2026, reimbursement of state-subsidized childcare and development providers, including licensed daycare centers, as defined in Section 1596.76 of the Health and Safety

Code, licensed family daycare homes, as defined in Section 1596.78 of the Health and Safety Code, and license-exempt providers, that serve children through alternative payment programs, including migrant alternative payment programs pursuant to Chapter 3 (commencing with Section 10225), family childcare home education networks pursuant to Chapter 8 (commencing with Section 10250), or the CalWORKs Stage 1, Stage 2, or Stage 3 programs pursuant to Chapter 21 (commencing with Section 10370), or the Emergency Child Care Bridge Program for Foster Children pursuant to Section 11461.6, shall be based on families' certified need, as follows:

(A) Providers shall be reimbursed based on the maximum authorized hours of care, regardless of attendance.

(B) For families certified for a variable schedule, providers shall be reimbursed based on the maximum authorized hours of care.

(C) For license-exempt providers that provide part-time services, providers shall be reimbursed based on the maximum authorized hours of care.

(e) For purposes of reimbursement to providers through an alternative payment program, contractors shall not be required to track absences.

(f) For purposes of this section, a monthly attendance record or invoice is defined as documentation that includes, at a minimum, the name of the child receiving services, the dates and actual times care was provided each day, including the time the child entered and the time the child left care each day, that is signed under penalty of perjury by both the parent or guardian and the childcare provider, attesting that the information provided is accurate.

(g) For the 2025–26 fiscal year, the sum of eighty-eight million five hundred fifty thousand dollars (\$88,550,000) is hereby appropriated from the General Fund to the State Department of Social Services for the purpose of reimbursement based on families' certified need as set forth in paragraph (3) of subdivision (d). These funds shall be available for encumbrance until June 30, 2026.

(h) If subdivision (d) is in conflict with a memorandum of understanding reached pursuant to Section 10426, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

SEC. 5. Section 10227.6 of the Welfare and Institutions Code is amended to read:

10227.6. (a) It is the intent of the Legislature to use an alternative methodology, as defined in subdivision (ak) of Section 10213.5, to inform the setting of reimbursement rates for subsidized childcare.

(b) Reimbursement rates are subject to agreement and codification by the Legislature.

(c) The department, in collaboration with the State Department of Education, shall develop and conduct an alternative methodology. The department shall begin the process of data collection and analysis pursuant

to developing an alternative methodology by July 1, 2023, and consult with the State Department of Education on data collection, analysis, and methodology for preschool programs. The alternative methodology shall build on the recommendations of the working group established pursuant to Section 10280.2 and shall be aligned with the recommendations of the Joint Labor Management Committee established pursuant to subdivision (a) of Section 10280.2.

(d) No later than February 15, 2024, the department, in collaboration with the State Department of Education and the Joint Labor Management Committee established pursuant to subdivision (a) of Section 10280.2, using information from the cost estimation model, shall define elements of the base rate and any enhanced rates to inform the state's proposed single rate structure and rates. These elements shall be subject to the mandated public engagement state plan process and legislative review. The department shall report to the Senate Health and Human Services budget subcommittees, Assembly and Senate Education budget subcommittees, and the Legislative Analyst's Office on progress made to conduct an alternative methodology and cost estimate model.

(e) No later than May 15, 2024, the department shall report on the status of the draft Child Care and Development Fund state plan to the Senate Health and Human Services budget subcommittees, Assembly and Senate Education budget subcommittees, and the Legislative Analyst's Office on the state's proposed single rate structure to be submitted to the United States Department of Health and Human Services, Administration for Children and Families.

(f) No later than July 1, 2024, the department shall submit necessary information to support use of a single rate structure using the alternative methodology to the United States Department of Health and Human Services, Administration for Children and Families in the Child Care and Development Fund state plan or an amendment to the state plan. The department shall provide a copy of the Child Care and Development Fund state plan or amendment to the state plan submitted to the United States Department of Health and Human Services, Administration for Children and Families to the Senate Health and Human Services budget subcommittees, Assembly and Senate Education budget subcommittees, and the Legislative Analyst's Office no later than July 10, 2024.

(g) (1) Within 60 days of federal approval of the single rate structure utilizing the alternative methodology in the state plan, the department, in collaboration with the State Department of Education, shall provide the Assembly Committee on Budget, the Senate Committee on Budget and Fiscal Review, and the Legislative Analyst's Office with a report that outlines the implementation components for the approved single rate structure. For a period of 30 days, the Legislature shall have the opportunity to review and provide feedback regarding draft guidance for implementation of policies. The report shall include all of the following:

(A) The department's plan to set new reimbursement rates under the alternative methodology by no later than July 1, 2025.

(B) The estimated costs and estimated timelines associated with the implementation components of the approved single rate structure, including, but not limited to, state operations resources, technology and infrastructure changes, and any regulatory or statutory changes necessary to implement the approved single rate structure.

(2) The department shall, from October 1, 2024, to July 1, 2027, inclusive, provide the Assembly Committee on Budget, the Senate Committee on Budget and Fiscal Review, and the Legislative Analyst's Office with quarterly updates on the implementation of the new reimbursement rates set under the alternative methodology. The quarterly updates shall include any changes to the information provided in the report described in paragraph (1).

(h) Beginning October 1, 2025, and through July 1, 2027, inclusive, the department shall update the Legislature not more frequently than quarterly, to the extent information is available or reported to the department by contractors, regarding progress on implementation of prospective payment and paying based on enrollment, in keeping with the goals set for funds appropriated pursuant to Provision 19 of Item 5180-101-0001 of the Budget Act of 2025 and with subparagraph (i) of paragraph (2) of subdivision (m) of Section 98.45 of Subpart E of Part 98 of Subchapter A of Subtitle A of Title 45 of the Code of Federal Regulations.

(i) The Governor and the Legislature shall, by no later than July 1, 2025, establish reimbursement rates based on the alternative methodology. Provider reimbursement rates shall not be reduced from the reimbursement rates that were in effect on June 30, 2024, pursuant to Sections 10280 and 10374.5 of this code and Section 8242 of the Education Code, inclusive of the cost of care plus rates established pursuant to subdivision (b) of Section 10277.1 and subdivision (b) of Section 10277.2.

(j) (1) If the new reimbursement rates established pursuant to subdivision(i) do not take effect on July 1, 2025, the department shall provide the Legislature with a timeline for transitioning from the rates that are in effect on July 1, 2025, to the new rates established pursuant to subdivision (i).

(2) Any temporary reimbursement rates established as part of the transition timeline required by paragraph (1) shall be, at minimum, equivalent to the reimbursement rates established pursuant to Sections 10280 and 10374.5 of this code and Section 8242 of the Education Code, inclusive of the cost of care plus rates established pursuant to subdivision (b) of Section 10277.1 and subdivision (b) of Section 10277.2.

(k) The single rate structure shall apply to all programs funded by the State Department of Social Services under Chapter 3 (commencing with Section 10225), Chapter 6 (commencing with Section 10235), Chapter 7 (commencing with Section 10240), Chapter 8 (commencing with Section 10250), Chapter 9 (commencing with Section 10260), Chapter 21 (commencing with Section 10370), and Chapter 2 (commencing with Section 11461.6) of Part 2, and the State Department of Education under Chapter

2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1 of the Education Code.

(l) (1) Except as required by subdivision (n), it is the intent of the Legislature, beginning July 1, 2025, to cease using a regional market rate survey pursuant to Section 10436, and instead use an alternative methodology, as defined in subdivision (ak) of Section 10213.5, for the purpose of informing the setting of future childcare rates.

(2) It is the intent of the Legislature that:

(A) Reimbursement rates are set pursuant to statute and informed by the alternative methodology, as defined in subdivision (ak) of Section 10213.5.

(B) Under the single rate structure, all programs described in subdivision (k) shall be reimbursed under a unified structure that takes into account a common set of rate elements.

(C) Rate levels shall be informed by the costs associated with meeting health and safety requirements and program requirements.

(D) Base rates shall be administered as a per-child amount, and programs shall be able to claim reimbursement for services they deliver consistent with enhanced rates, if any.

(E) Rates shall vary based on all of the following:

(i) Geography.

(ii) Type of care setting.

(iii) Regulatory requirements applicable to each type of care setting.

(iv) Time categories.

(v) Child age.

(m) Commencing July 1, 2026, rates for all programs described in subdivision (k) shall receive the cost-of-living adjustment granted by the Legislature annually pursuant to Section 42238.15 of the Education Code as a minimum annual rate increase for all subsidized childcare providers.

(n) If the United States Department of Health and Human Services, Administration for Children and Families does not approve the alternative methodology developed pursuant to this section, the department shall develop and conduct a survey of the market rates for childcare services.

(o) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 10426, the memorandum of understanding shall be controlling without further legislative action, except that if such provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

SEC. 6. Section 10243 of the Welfare and Institutions Code is amended to read:

10243. The department shall annually monitor funding used in general childcare and development programs for infants and toddlers and shall annually report to the Department of Finance and to the Legislature a statewide summary identifying the estimated funding used for infants and toddlers. The annual report shall include a comparison to the prior year on a county-by-county basis.

SEC. 7. Section 10271 of the Welfare and Institutions Code is amended to read:

10271. (a) (1) The department shall adopt rules and regulations on eligibility, enrollment, and priority of services needed to implement this part. In order to be eligible for federal and state subsidized child development services, families shall meet at least one requirement in each of the following areas:

(A) A family is (i) a current aid recipient, (ii) income eligible, (iii) homeless, (iv) one whose children are recipients of protective services, or whose children have been identified as being abused, neglected, or exploited, or at risk of being abused, neglected, or exploited, or (v) one who has a member of its household who is certified to receive benefits from Medi-Cal, CalFresh, the California Food Assistance Program, the California Special Supplemental Nutrition Program for Women, Infants, and Children, the federal Food Distribution Program on Indian Reservations, Head Start, Early Head Start, or any other designated means-tested government program, as determined by the department. If a family is deemed eligible pursuant to clause (v), the family shall be prioritized by the income declared on the application for the means-tested government program.

(B) A family needs the childcare services (i) because the child is identified by a legal, medical, or social services agency, a local educational agency liaison for homeless children and youths designated pursuant to Section 11432(g)(1)(J)(ii) of Title 42 of the United States Code, a Head Start program, or an emergency or transitional shelter as (I) a recipient of protective services, (II) being neglected, abused, or exploited, or at risk of neglect, abuse, or exploitation, or (III) being homeless or (ii) because the parents are (I) engaged in vocational training leading directly to a recognized trade, paraprofession, or profession, (II) engaged in an educational program for English language learners or to attain a high school diploma or general educational development certificate, (III) employed or seeking employment, (IV) seeking permanent housing for family stability, or (V) incapacitated.

(2) If only one parent has signed an application for enrollment in childcare services, as required by this part or regulations adopted to implement this part, and the information provided on the application indicates that there is a second parent who has not signed the application, the parent who has signed the application shall self-certify the presence or absence of the second parent under penalty of perjury. The parent who has signed the application shall not be required to submit additional information documenting the presence or absence of the second parent.

(b) Except as provided in Chapter 21 (commencing with Section 10370), priority for federal and state subsidized child development services is as follows:

(1) First priority shall be given to neglected or abused children who are recipients of child protective services, or children who are at risk of being neglected or abused, upon written referral from a legal, medical, or social services agency. If an agency is unable to enroll a child in the first priority

category, the agency shall refer the family to local resource and referral services to locate services for the child.

(2) Second priority shall be given equally to eligible families, regardless of the number of parents in the home, who are income eligible. Within this priority, families with the lowest gross monthly income in relation to family size, as determined by a schedule adopted by the department, shall be admitted first. If two or more families are in the same priority in relation to income, the family that has a child with exceptional needs shall be admitted first. If there is no family of the same priority with a child with exceptional needs, the family of the same priority in which the primary home language is a language other than English shall be admitted first. If there is no family of the same priority in which the primary home language is a language other than English, the family of the same priority that has been on the waiting list for the longest time shall be admitted first. For purposes of determining order of admission, grants of public assistance recipients shall be counted as income.

(3) The department shall set criteria for, and may grant specific waivers of, the priorities established in this subdivision for agencies that wish to serve specific populations, including children with exceptional needs or children of prisoners. These new waivers shall not include proposals to avoid appropriate fee schedules or admit ineligible families, but may include proposals to accept members of special populations in other than strict income order, as long as appropriate fees are paid.

(c) Notwithstanding any other law, in order to promote continuity of services, a family enrolled in a state or federally funded childcare and development program whose services would otherwise be terminated because the family no longer meets the program income, eligibility, or need criteria may continue to receive child development services in another state or federally funded childcare and development program if the contractor is able to transfer the family's enrollment to another program for which the family is eligible before the date of termination of services or to exchange the family's existing enrollment with the enrollment of a family in another program, provided that both families satisfy the eligibility requirements for the program in which they are being enrolled. The transfer of enrollment may be to another program within the same administrative agency or to another agency that administers state or federally funded childcare and development programs.

(d) A physical examination and evaluation, including age-appropriate immunization, shall be required before, or within six weeks of, enrollment. A standard, rule, or regulation shall not require medical examination or immunization for admission to a childcare and development program of a child whose parent or guardian files a letter with the governing board of the childcare and development program stating that the medical examination or immunization is contrary to the parent's or guardian's religious beliefs, or provide for the exclusion of a child from the program because of a parent or guardian having filed the letter. However, if there is good cause to believe that a child is suffering from a recognized contagious or infectious disease,

the child shall be temporarily excluded from the program until the governing board of the childcare and development program is satisfied that the child is not suffering from that contagious or infectious disease.

(e) Regulations formulated and promulgated pursuant to this section shall include the recommendations of the State Department of Health Care Services relative to health care screening and the provision of health care services. The department shall seek the advice and assistance of these health authorities in situations where service under this part includes or requires care of children who are ill or children with exceptional needs.

(f) The department shall establish guidelines for the collection of employer-sponsored childcare benefit payments from a parent whose child receives subsidized childcare and development services. These guidelines shall provide for the collection of the full amount of the benefit payment, but not to exceed the actual cost of childcare and development services provided, notwithstanding the applicable fee based on the fee schedule.

(g) The department shall establish guidelines according to which the director or a duly authorized representative of the childcare and development program will certify children as eligible for state reimbursement pursuant to this section.

(h) (1) Except as provided in paragraphs (3) to (5), inclusive, upon establishing initial eligibility or ongoing eligibility for services under this part, a family shall be considered to meet all eligibility and need requirements for those services for not less than 24 months, shall receive those services for not less than 24 months before having their eligibility or need recertified, and shall not be required to report changes to income or other changes for at least 24 months.

(2) In the event that the eligibility period as described in paragraph (1) ends before the end of a program year, eligibility shall be extended until the end of the program year, as long as applicable age-eligibility requirements are met, as specified in Section 10213.5.

(3) A family that establishes initial eligibility or ongoing eligibility on the basis of income shall report increases in income that exceed the threshold for ongoing income eligibility as described in subdivision (b) of Section 10271.5, and the family's ongoing eligibility for services shall at that time be recertified.

(4) A family may at any time voluntarily report income or other changes. This information shall be used, as applicable, to reduce the family's fees, increase the family's services, or extend the period of the family's eligibility before recertification.

(5) If a family already receiving services pursuant to this part adds an additional child to the family size and the family requests services for that child during the current eligibility period, the family's eligibility period shall be extended, as necessary, to ensure that the additional child receives at least 12 months of eligibility for services before a redetermination of eligibility, as required pursuant to Section 98.21 of Title 45 of the Code of Federal Regulations.

(i) (1) Because a family that meets eligibility requirements at its most recent eligibility certification or recertification is considered eligible until the next recertification, as provided in subdivision (h), a payment made by a child development program for a child during this period shall not be considered an error or an improper payment due to a change in the family's circumstances during that same period.

(2) Notwithstanding paragraph (1), the department may seek to recover payments that are the result of fraud.

(j) (1) Notwithstanding the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) and Section 33308.5 of the Education Code, until regulations are filed with the Secretary of State to implement subdivision (h), the department shall implement subdivision (h) through management bulletins or similar letters of instruction on or before October 1, 2017.

(2) The department shall initiate a rulemaking action to implement subdivision (h) on or before December 31, 2018. The department shall convene a workgroup of parents, advocates, department staff, child development program representatives, and other stakeholders to develop recommendations regarding implementing subdivision (h).

(k) (1) Notwithstanding the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) and Section 33308.5 of the Education Code, until regulations are filed with the Secretary of State, the department shall implement the changes made to subdivision (h) by the act that added this subdivision through management bulletins or similar letters of instruction on or before December 1, 2023.

(2) The department shall initiate a rulemaking action to implement the changes made to subdivision (h) by the act that added this subdivision on or before December 31, 2024.

(l) Public funds shall not be paid directly or indirectly to an agency that does not pay at least the minimum wage to each of its employees.

SEC. 8. Section 10277.1 of the Welfare and Institutions Code is amended to read:

10277.1. (a) Funding shall be allocated to the State Department of Social Services from funds in Schedule (3) of Item 5180-101-0001 of the Budget Act of 2023 and the Budget Act of 2025 and to the State Department of Education from funds specified in Schedule (1) of Item 6100-194-0001 and Schedule (1) of 6100-196-0001 of the Budget Act of 2023, the Budget Act of 2024, and the Budget Act of 2025 to provide a once-per-month, per-child-served who is enrolled in subsidized childcare cost of care plus rate.

(b) (1) Of the funding described in subdivision (a), the Legislature hereby allocates funds to the State Department of Social Services and the State Department of Education to provide family childcare providers with the monthly cost of care plus rate commencing January 1, 2024, and through June 30, 2026, inclusive. The amount per child shall range between

ninety-eight dollars (\$98) and two hundred eleven dollars (\$211) per month to be determined based on the family childcare provider type and the region in which the family childcare provider is located pursuant to paragraphs (2) and (3). The state shall provide the amount of the monthly costs of care plus rate for all family childcare providers serving children described in this paragraph based on the number of subsidized children enrolled. This monthly rate shall be issued to family childcare providers based on monthly child enrollments for subsidized childcare and development and state preschool programs.

(2) Per child rate amounts shall be as follows:

(A) For family childcare providers in the central region, ninety-eight dollars (\$98) per each license-exempt family childcare provider, and one hundred forty dollars (\$140) per each licensed family childcare provider.

(B) For family childcare providers in the northern region, ninety-nine dollars (\$99) per each license-exempt family childcare provider, and one hundred forty-one dollars (\$141) per each licensed family childcare provider.

(C) For family childcare providers in the southern region, one hundred twelve dollars (\$112) per each license-exempt family childcare provider, and one hundred sixty dollars (\$160) per each licensed family childcare provider.

(D) For family childcare providers in the Los Angeles region, one hundred nineteen dollars (\$119) per each license-exempt family childcare provider, and one hundred seventy-one dollars (\$171) per each licensed family childcare provider.

(E) For family childcare providers in the bay area region, one hundred forty-eight dollars (\$148) per each license-exempt family childcare provider, and two hundred eleven dollars (\$211) per each licensed family childcare provider.

(3) Regions are defined as follows:

(A) The central region includes the Counties of Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, Monterey, Sacramento, San Benito, San Joaquin, San Luis Obispo, Stanislaus, and Tulare.

(B) The northern region includes the Counties of Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Mono, Nevada, Placer, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba.

(C) The southern region includes the Counties of Imperial, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, and Ventura.

(D) The Los Angeles region includes the County of Los Angeles only.

(E) The bay area region includes the Counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma.

(c) (1) Funding shall be allocated to the State Department of Social Services from funds in Schedule (3) of Item 5180-101-0001 of the Budget Act of 2025 and to the State Department of Education from funds specified in Provision 6 of Schedule (1) of Item 6100-194-0001 and Schedule (1) of 6100-196-0001 of the Budget Act of 2025 to provide a once-per-month,

per-child-served who is enrolled in subsidized childcare cost of care plus rate.

(2) (A) Of the funding described in paragraph (1), the Legislature hereby allocates funds to the State Department of Social Services and the State Department of Education to provide family childcare providers with the monthly cost of care plus rate commencing July 1, 2025, and through June 30, 2026, inclusive. The amount per child shall be equal to the amounts described in subdivision (b) increased by the percentage calculated in clause (iii) of subparagraph (B). The state shall provide the amount of the monthly costs of care plus rate for all family childcare providers serving children described in this paragraph based on the number of subsidized children enrolled. This monthly rate shall be issued to family childcare providers based on monthly child enrollments for subsidized childcare and development and state preschool programs.

(B) The Department of Finance shall make the following calculations based on data provided by the State Department of Social Services and the State Department of Education:

(i) The total cost of providing the statutory cost of living adjustment for childcare programs and State Preschool programs operated by nonlocal educational agencies in the 2025–26 fiscal year pursuant to subdivision (b) of Section 10280 of this code and paragraph (2) of subdivision (b) of Section 42238.15 of the Education Code. These programs include alternative payment programs, including migrant alternative payment programs pursuant to Chapter 3 (commencing with Section 10225), migrant childcare and development programs pursuant to Chapter 6 (commencing with Section 10235), general childcare and development programs pursuant to Chapter 7 (commencing with Section 10240), family childcare home education networks pursuant to Chapter 8 (commencing with Section 10250), and childcare and development services for children with special needs pursuant to Chapter 9 (commencing with Section 10260) of this part, and the California state preschool program pursuant to Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1 of the Education Code, and exclude state preschool programs operated by local educational agencies.

(ii) The estimated cost of providing the monthly cost of care plus rates described in subdivision (b) of this section and subdivision (b) of Section 10277.2 in the 2025–26 fiscal year, excluding costs for state preschool programs operated by local educational agencies, based on the estimates of child enrollment in 2025–26 provided by the State Department of Social Services and State Department of Education, respectively.

(iii) Divide the amount calculated in clause (i) by the amount calculated in clause (ii).

(d) (1) Of the funding described in subdivision (a), the Legislature hereby allocates funds to the State Department of Social Services and the State Department of Education to provide family childcare providers with a one-time payment. This payment is due to providers no later than November 30, 2023. The payment amounts shall be based on provider type pursuant to paragraph (2). The one-time payment shall be applicable to all family

childcare providers who were reimbursed for subsidized childcare and development or state preschool program services in the month of April 2023.

(2) One-time payment amounts shall be determined as follows:

(A) Five hundred dollars (\$500) per each license-exempt family childcare provider.

(B) Two thousand five hundred dollars (\$2,500) per each family childcare provider licensed to operate a small family daycare home, as defined in subdivision (c) of Section 1596.78 of the Health and Safety Code.

(C) Three thousand dollars (\$3,000) per each family childcare provider licensed to operate a large family daycare home, as defined in subdivision (b) of Section 1596.78 of the Health and Safety Code.

(e) The monthly reimbursement rate described in this section shall be payable to family childcare providers operating or serving programs pursuant to Chapter 3 (commencing with Section 10225) of, Chapter 6 (commencing with Section 10235) of, Chapter 7 (commencing with Section 10240) of, Chapter 8 (commencing with Section 10250) of, Chapter 9 (commencing with Section 10260) of, or Chapter 21 (commencing with Section 10370) of, Part 1.8 of Division 9 of this code, or the Emergency Child Care Bridge Program for Foster Children pursuant to Chapter 2 (commencing with Section 11461.6) of Part 2 of this code, or Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1 of the Education Code.

(f) In addition to the monthly rates and one-time payments described in this section, the State Department of Education and the State Department of Social Services shall provide state preschool programs, alternative payment and direct contract programs, or any other agency designated to distribute payments to these providers with a 10-percent administrative fee for processing the monthly rates and a 5-percent administrative fee for processing the one-time payments. For payments provided after June 30, 2025, the 10-percent administrative fee for processing the monthly rates shall only apply to the monthly rate amounts specified in subdivision (b).

(g) The State Department of Education shall allocate funding to California state preschool contracting agencies for distribution of rates and payments pursuant to this section to the family childcare providers participating in a state preschool program family childcare home education network, and the State Department of Social Services shall allocate funding to contracting agencies for distribution of rates and payments pursuant to this section to family childcare providers participating in subsidized childcare and development programs administered by the State Department of Social Services.

(h) The State Department of Education and the State Department of Social Services shall exchange any essential data necessary to issue payments to family childcare providers.

(i) The state may designate another agency or agencies to distribute the funds described in subdivision(e) to family childcare providers. Funds allocated pursuant to this section shall be exempt from the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code, the

Public Contract Code and the State Contracting Manual, and shall not be subject to the review or approval of the Department of General Services.

(j) For purposes of this section, a “family childcare provider” means a provider who participates in a state-funded early care and education program, as defined in subdivision (b) of Section 10421.

(k) Nothing in this section shall be construed to limit the authority of childcare contractors and providers to pass on rates and one-time payments pursuant to this section to their employees in the form of compensation, including, but not limited to, salaries, wages, and direct benefits.

(l) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 10426, the memorandum of understanding shall be controlling without further legislative action, except that if such provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

SEC. 9. Section 10277.2 of the Welfare and Institutions Code is amended to read:

10277.2. (a) Funding shall be allocated to the State Department of Social Services from funds in Schedule (3) of Item 5180-101-0001 of the Budget Act of 2023 and the Budget Act of 2025 and to the State Department of Education from funds specified in Schedule (1) of Item 6100-194-0001 and Schedule (1) of 6100-196-0001 of the Budget Act of 2023, the Budget Act of 2024, and the Budget Act of 2025 to provide a once-per-month, per-child served who is enrolled in a subsidized childcare program cost of care plus rate.

(b) (1) Of the funding described in subdivision (a), the Legislature hereby allocates funds to the State Department of Social Services and the State Department of Education to provide centers with the monthly cost of care plus rate commencing January 1, 2024, and through June 30, 2026, inclusive. The amount per child shall range between one hundred forty dollars (\$140) and two hundred eleven dollars (\$211), per month, to be determined based on the region in which the center is located pursuant to paragraphs (2) and (3). The state shall provide the amount of the monthly cost of care plus rate for all centers serving children described in this paragraph based on the number of subsidized children enrolled. This monthly rate shall be issued to centers based on monthly child enrollments for subsidized childcare and development and state preschool programs.

(2) Per-child rate amounts shall be as follows:

(A) For centers in the central region, one hundred forty dollars (\$140).

(B) For centers in the northern region, one hundred forty-one dollars (\$141).

(C) For centers in the southern region, one hundred sixty dollars (\$160).

(D) For centers in the Los Angeles region, one hundred seventy-one dollars (\$171).

(E) For centers in the bay area region, two hundred eleven dollars (\$211).

(3) Regions are defined as follows:

(A) The central region includes the Counties of Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, Monterey, Sacramento, San Benito, San Joaquin, San Luis Obispo, Stanislaus, and Tulare.

(B) The northern region includes the Counties of Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Mono, Nevada, Placer, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba.

(C) The southern region includes the Counties of Imperial, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, and Ventura.

(D) The Los Angeles region includes the County of Los Angeles only.

(E) The bay area region includes the Counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma.

(c) (1) Funding shall be allocated to the State Department of Social Services from funds in Schedule (3) of Item 5180-101-0001 of the Budget Act of 2025 and to the State Department of Education from funds specified in Schedule (1) of Item 6100-194-0001 of the Budget Act of 2025 and Schedule (1) of 6100-196-0001 of the Budget Act of 2025 to provide a once-per-month, per-child-served who is enrolled in subsidized childcare cost of care plus rate.

(2) Of the funding described in paragraph (1), the Legislature hereby allocates funds to the State Department of Social Services and the State Department of Education to provide centers with the monthly cost of care plus rate commencing July 1, 2025, and through June 30, 2026, inclusive. The amount per child shall be equal to the amounts described in subdivision (b) increased by the percentage calculated in clause (iii) of subparagraph (B) of paragraph (2) of subdivision (c) of Section 10277.1. The state shall provide the amount of the monthly cost of care plus rate for all centers serving children described in this paragraph based on the number of subsidized children enrolled. This monthly rate shall be issued to centers based on monthly child enrollments for subsidized childcare and development and state preschool programs.

(3) If this subdivision is in conflict with a memorandum of understanding reached pursuant to Section 10426, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

(d) Of the funding described in subdivision (a), the Legislature hereby allocates funds to the State Department of Social Services and the State Department of Education to provide centers with a one-time payment amount of three thousand dollars (\$3,000) in the 2023–24 fiscal year. The three-thousand-dollar (\$3,000) payment shall be provided to all centers who provided subsidized childcare and development or state preschool program services in the month of April 2023.

(e) The monthly and one-time payments described in this section shall be payable to centers operating or serving programs pursuant to Chapter 3

(commencing with Section 10225) of, migrant childcare and development programs pursuant to Chapter 6 (commencing with Section 10235) of, a general childcare and development program pursuant to Chapter 7 (commencing with Section 10240) of, a family childcare home education network pursuant to Chapter 8 (commencing with Section 10250) of, childcare and development services for children with special needs pursuant to Chapter 9 (commencing with Section 10260) of, or the CalWORKs Stage 1, Stage 2, or Stage 3 program pursuant to Chapter 21 (commencing with Section 10370) of, Part 1.8 of Division 9 of this code, or the Emergency Child Care Bridge Program for Foster Children pursuant to Chapter 2 (commencing with Section 11461.6) of Part 2 of this code, or Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1 of the Education Code.

(f) In addition to the monthly rates and one-time payments described in this section, the State Department of Education and the State Department of Social Services shall provide contractors, or any other agency designated to distribute payments to these centers, with a 10-percent administrative fee for processing the monthly rates and a 5-percent administrative fee for processing the one-time payments. For payments provided after June 30, 2025, the 10-percent administrative fee for processing the monthly rates shall only apply to the monthly rate amounts specified in subdivision (b).

(g) The State Department of Education shall allocate funding for distribution of payments to state preschool program contractors, and the State Department of Social Services shall allocate funding for distribution of payments to contractors participating in State Department of Social Services subsidized childcare and development programs.

(h) The State Department of Education and the State Department of Social Services shall exchange any essential data necessary to issue payments to centers.

(i) The state may designate another agency or agencies to distribute the funds described in subdivision(d) to centers. Contracts or grants awarded pursuant to this section shall be exempt from the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code. Contracts or grants awarded pursuant to this section shall be exempt from the Public Contract Code and the State Contracting Manual and shall not be subject to the review or approval of the Department of General Services.

(j) Nothing in this section shall be construed to limit the authority of childcare contractors and providers to pass on rates and flat-rate one-time payments pursuant to this section to their employees in the form of compensation, including, but not limited to, salaries, wages, and direct benefits.

SEC. 10. Section 10280 of the Welfare and Institutions Code is amended to read:

10280. (a) The department, in collaboration with the State Department of Education, shall implement a reimbursement system plan that establishes

reasonable standards and assigned reimbursement rates, which vary with the length of the program year and the hours of service.

(1) Parent fees shall be used to pay reasonable and necessary costs for providing additional services.

(2) When establishing standards and assigned reimbursement rates, the department and the State Department of Education shall confer with applicant agencies.

(3) The reimbursement system, including standards and rates, shall be submitted to the Joint Legislative Budget Committee.

(4) The department may establish any regulations deemed advisable concerning conditions of service and hours of enrollment for children in the programs.

(b) Commencing July 1, 2021, the standard reimbursement rate shall be twelve thousand eight hundred eighty-eight dollars (\$12,888) and, commencing with the 2022–23 fiscal year, shall be increased by the cost-of-living adjustment granted by the Legislature annually pursuant to Section 42238.15 of the Education Code.

(c) (1) Commencing January 1, 2022, contractors who, as of December 31, 2021, received the standard reimbursement rate established in this section shall be reimbursed at the greater of the following:

(A) The 75th percentile of the 2018 regional market rate survey.

(B) The contract per-child reimbursement amount as of December 31, 2021.

(2) (A) Commencing July 1, 2022, subject to available funding, the department may issue temporary rate increases to contractors that exceed the rates specified in paragraph (1). The department shall have discretion in determining how funding may be used to increase the rates, including, but not limited to, providing one-time lump-sum payments. The department may contract with another entity to distribute this funding to contractors.

(B) Notwithstanding any other law, contracts or grants awarded pursuant to this subparagraph shall be exempt from the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code, the Public Contract Code, and the State Contracting Manual, and shall not be subject to review or approval of the Department of General Services.

(3) In accordance with federal requirements for Child Care Stabilization Grants appropriated pursuant to the federal American Rescue Plan Act of 2021 (Public Law 117-2), contractors shall provide information via a one-time application or survey in advance of receiving American Rescue Plan Act funds. The department shall specify the timeline and format in which this information shall be submitted, and information shall include, but not be limited to, all of the following:

(A) Address, including ZIP Code.

(B) Race and ethnicity.

(C) Gender.

(D) Whether the provider is open and available to provide childcare services or closed due to the COVID-19 public health emergency.

- (E) What types of federal relief funds have been received from the state.
- (F) Use of federal relief funds received.

(G) Documentation that the provider met certifications as required by federal law.

(4) Rate increases shall be subject to federal usage limitations and federal and state program eligibility requirements.

(d) Notwithstanding subdivision (b), for the 2023–24, 2024–25, and 2025–26 fiscal years, the cost-of-living adjustments required pursuant to subdivision (b) shall instead be zero. It is the intent of the Legislature that any adjustment in the 2023–24 and 2024–25 fiscal years related to reimbursement for programs funded pursuant to this section will be subject to a ratified agreement, and subject to future legislation providing for appropriations related to the budget bill.

(e) Commencing July 1, 2025, and through June 30, 2026, if a program is open and operating in accordance with its approved program calendar and remains open and providing services to certified children throughout the program year, the contract reimbursement shall be based on the lesser of the following:

- (1) The maximum reimbursable amount stated in the contract.
- (2) Net reimbursable program costs.

(f) Commencing July 1, 2026, contract reimbursement shall be based on the lesser of the following:

- (1) The maximum reimbursable amount stated in the contract.
- (2) Net reimbursable program costs.
- (3) The product of the adjusted child days of enrollment for certified children times the contract rate set forth in this section.

(g) Commencing July 1, 2025 and through June 30, 2026, reimbursement for family childcare home education network providers funded through migrant child care and development programs pursuant to Chapter 6 (commencing with Section 10235), general child care and development programs pursuant to Chapter 7 (commencing with Section 10240), or child care and development services for children with special needs pursuant to Article 9 (commencing with Section 10260) shall receive 100 percent of reimbursement based on the family's certified need for services at the maximum authorized hours of care less any allowable administrative expenses withheld by the contractor.

(h) If subdivision (g) is in conflict with a memorandum of understanding reached pursuant to Section 10426, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

SEC. 11. Section 10374.5 of the Welfare and Institutions Code is amended to read:

10374.5. (a) Recipients of childcare services provided pursuant to this chapter shall be allowed to choose the childcare services of licensed childcare providers or childcare providers who, by law, are not required to be licensed,

and the cost of that childcare shall be reimbursed by counties or agencies that contract with the department. For purposes of this section, “regional market rate” means care costing no more than 1.5 market standard deviations above the mean cost of care for that region. It is the intent of the Legislature to reimburse childcare providers at the 85th percentile of the most recent regional market rate survey. If the market rate survey is used to set reimbursement rates, the following shall apply:

(b) (1) The regional market rate ceilings shall be established at the greater of either of the following:

(A) The 75th percentile of the 2016 regional market rate survey for that region.

(B) The regional market rate ceiling that existed in that region on December 31, 2017.

(2) Commencing January 1, 2022, the regional market rate ceilings shall be established at the greater of either of the following:

(A) The 75th percentile of the 2018 regional market rate survey for that region.

(B) The regional market rate ceiling that existed in that region on December 31, 2021.

(c) (1) Reimbursement to license-exempt childcare providers shall not exceed 70 percent of the family childcare home rate established pursuant to subdivision (b).

(2) Commencing January 1, 2022, license-exempt childcare providers shall be reimbursed at 70 percent of the family childcare home rate established pursuant to subdivision (b), including hourly, daily, weekly, and monthly, for both full- and part-time reimbursement categories.

(d) (1) Commencing July 1, 2022, subject to available funding, the department may issue temporary rate increases to licensed childcare providers that exceed the rates specified in paragraph (2) of subdivision (b) and to licensed-exempt childcare providers that exceed the rates specified in paragraph (2) of subdivision (c). The department shall have discretion in determining how funding may be used to increase the rates, including, but not limited to, providing one-time lump-sum payments. The department may contract with another entity to distribute this funding to childcare providers.

(2) Notwithstanding any other law, contracts or grants awarded pursuant to this subparagraph shall be exempt from the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code, the Public Contract Code, and the State Contracting Manual, and shall not be subject to review or approval of the Department of General Services.

(e) (1) In accordance with federal requirements for Child Care Stabilization Grants appropriated pursuant to the federal American Rescue Plan Act of 2021 (Public Law 117-2), childcare providers shall provide information via a one-time application or survey in advance of receiving American Rescue Plan Act funds pursuant to paragraph (2) of subdivision (b) or paragraph (2) of subdivision (c). The department shall specify the

timeline and format in which this information shall be submitted, and information shall include, but not be limited to, all of the following:

- (A) Address, including ZIP Code.
 - (B) Race and ethnicity.
 - (C) Gender.
 - (D) Whether the provider is open and available to provide childcare services or closed due to the COVID-19 public health emergency.
 - (E) What types of federal relief funds have been received from the state.
 - (F) Use of federal relief funds received.
 - (G) Documentation that the provider met certifications as required by federal law.
- (2) Rate increases shall be subject to federal usage limitations and federal and state program eligibility requirements.
- (f) Reimbursement to childcare providers shall not exceed the fee charged to private clients for the same service.
 - (g) Reimbursement shall not be made for childcare services when care is provided by parents, legal guardians, or members of the assistance unit.
 - (h) A childcare provider located on an Indian reservation or rancheria and exempted from state licensing requirements shall meet applicable tribal standards.
 - (i) For purposes of this section, “reimbursement” means a direct payment to the provider of childcare services, including license-exempt providers. If care is provided in the home of the recipient, payment may be made to the parent as the employer, and the parent shall be informed of their concomitant legal and financial reporting requirements. To allow time for the development of the administrative systems necessary to issue direct payments to providers, for a period not to exceed six months, a county or an alternative payment agency contracting with the department may reimburse the cost of childcare services through a direct payment to a recipient of aid rather than to the childcare provider.
 - (j) Counties and alternative payment programs shall not be bound by the rate limits described in subdivisions (a) and (b), when there are, in the region, no more than two childcare providers of the type needed by the recipient of childcare services provided under this chapter.
 - (k) (1) Notwithstanding any other law, reimbursements to childcare providers based upon a daily rate may only be authorized under either of the following circumstances:
 - (A) A family has an unscheduled but documented need of five hours or more per occurrence, such as the parent’s need to work on a regularly scheduled day off, that exceeds the certified need for childcare.
 - (B) A family has a documented need of five hours or more per day that exceeds no more than 14 days per month. Reimbursements to a childcare provider based on the daily rate over one month’s time shall not exceed the childcare provider’s equivalent full-time monthly rate or applicable monthly ceiling.

(2) This subdivision shall not limit childcare providers from being reimbursed for services using a weekly or monthly rate, pursuant to Section 10228.

SEC. 12. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.