Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Dr. Akilah Weber Pierson, Chair
Senator Shannon Grove
Senator Caroline Menjivar

Thursday, April 3, 2025
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

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PUBLIC COMMENT

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5180 Department of Social Services (CDSS)

Issue #1: Child Care Overview

Governor's Budget—Child Care and Development. The Governor's 2025-26 budget includes $6.4 billion ($4.6 billion General Fund) for CDSS child care programs. This represents a net increase of $287.8 million from the Budget Act of 2024. The following chart, provided by the Legislative Analyst's Office (LAO), summarizes the total child care budget. Note the LAO chart below includes funding for the Child and Adult Care Food Program ($683.1 million in 2025-26), which accounts for the difference between the CDSS child care total fund amount ($6.4 billion) compared to the LAO child care total fund amount in the chart below ($7.1 billion).

Figure 3

Child Care Budget

(Dollars in Millions)

	2023-24 Revised[a]	2024-25 Revised[b]	2025-26 Proposed[b]	Change From 2024-25	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	$550	$588	$602	$14	2%
Stage 2[c]	420	546	599	53	10
Stage 3	559	541	524	-17	-3
Subtotals	**($1,530)**	**($1,675)**	**($1,725)**	**($51)**	**(3%)**
Non-CalWORKs Child Care					
Alternative Payment Program	$2,028	$1,990	$2,052	$61	3%
General Child Care[d]	1,255	1,495	1,594	99	7
Bridge program for foster children	94	107	94	-14	-13
Migrant Child Care	70	79	80	2	2
Care for Children With Severe Disabilities	2	2	2	—	6
Subtotals	**($3,449)**	**($3,673)**	**($3,822)**	**($149)**	**(4%)**
Support Programs	$1,578[e]	$1,929[f]	$1,523[g]	-$407	-21%
Totals	**$6,557**	**$7,276**	**$7,070**	**-$207**	-3%
Funding					
Proposition 98 General Fund[h]	$3	$2	$1	-$1	-37%
Non-Proposition 98 General Fund	3,173	4189	4,609	420	10
Proposition 64 Special Fund	270	642	202	-440	-69
Federal	3,111	2,443	2,257	-186	-8

[a]Reflects 2024-25 May Revision estimates with LAO adjustments.

[b]Reflects 2025-26 Governor's budget.

[c]Does not include $11.2 million provided to community colleges for certain child care services.

[d]Includes funding for family child care home education networks.

[e]Includes cost estimates for quality programs, child care infrastructure, Child and Adult Care Food Program, Child Care Providers United Retirement Benefit Trust, accounts payable, Whole Child Community Equity, court cases, and costs associated with 2023-24 memorandum of understanding (MOU) and parity agreement.

[f]Includes cost estimates for quality programs, Child and Adult Care Food Program, accounts payable, Whole Child Community Equity, and costs associated with 2023-24 MOU and parity agreement.

[g]Includes cost estimates for quality programs, Child and Adult Care Food Program, accounts payable, and Whole Child Community Equity.

[h]Reflects Proposition 98 funds for Child and Adult Care Food Program.

The 2025-26 child care budget reflects increases due to the annualization of 2024-25 General Child Care and Development (CCTR) expansion awards, higher than previously projected caseload in CalWORKs Stages 2 and 3, and an anticipated COLA of 2.43 percent. The total increase is offset by the sun-setting of the current agreement with Child Care Providers United – California (CCPU) and policies outlined in SB 140 (Committee on Budget and Fiscal Review), Chapter 193, Statutes of 2023.

The Governor's proposed 2025-26 budget includes $698.5 million General Fund to continue supplemental monthly payments to providers adopted in the 2023 agreement between the state and CCPU, consistent with requirements related to the reimbursement floor established in the 2024 Budget Act. The current Memorandum of Understanding (MOU) with CCPU is set to expire on June 30, 2025, and collective bargaining regarding a successor MOU reconvened in late 2024.

The Governor's revised 2024-25 budget includes $6.5 billion ($4 billion General Fund) for Child Care and Development Programs, which reflects a net increase of $373.8 million from the Budget Act of 2024. The increase reflects the inclusion of the federal funds needed to support the 2024-25 CCTR expansion awards, higher than previously projected caseload in CalWORKs Stages 2 and 3, and an increase in projected costs associated with SB 140 monthly supplemental payments.

Background: Child Care and Development Programs. California provides subsidized child care to some low-income families, including families participating in CalWORKs. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) ($89,659 annual income for a family of three) and (3) children must be under the age of 13.

The Department of Social Services (CDSS) provides child care and development programs through vouchers and contracts.

- **Vouchers (Also known as California Alternative Payment Program, or CAPP).** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will pay up to the regional market rate (RMR), a different amount in each county based on regional surveys of the cost of child care. Beginning in 2022, the RMR was set to the 75th percentile of the 2018 RMR survey. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts (Also known as General Child Care, or CCTR).** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations – must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDSS or the Department of Education (CDE), for the California State Preschool Program (CSPP). All Title 5 programs also operate through family child care home education networks, which serve children in those programs through family child care homes that are members of the network.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of vouchers and fixed funding amount for slots, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages 1 and 2), which are entitlement programs in statute.

Overview of Child Care Programs

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

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

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

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

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

Source: LAO

Background: Child Care Funding. The state's subsidized child care programs are primarily funded with state General Fund ($4.6 billion in 2025-26), with a substantial portion of costs also covered by federal Child Care and Development Fund (CCDF) ($2.3 billion in 2025-26). The state uses federal Temporary Assistance for Needy Families/Title XX funds to partially cover CalWORKs child care costs. Additionally, the state draws down federal Title IV-E funds to partially cover Emergency Child Care Bridge program costs—referred to as the Bridge program, for children in foster care. The state also uses some Proposition 64 funding to cover child care programs.

Background: Collective Bargaining. In 2019, Governor Newsom signed legislation granting collective bargaining rights to child care providers in California, allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. Child Care Providers United - California (CCPU) represents voucher and direct contract providers that are family child care homes, or license-exempt home providers known as Family, Friend, and Neighbor (FFN) providers. CCPU does not represent center-based child care providers. In 2021, CCPU and the state negotiated their first Master Contract Agreement, which included rate increases, provider stipends, hold harmless policies, and a variety of other supports. In addition, the contracts included a process for continuing conversations through Joint Labor Management Committees on a single reimbursement rate system, and other provider needs such as retirement, and healthcare, among other topics. The 2023 Budget Act included ratification of a second CCPU collective bargaining agreement, with parity provisions for child care centers (described below).

Slot Expansion Plan. As part of the 2021 Budget Act, the Governor and the Legislature agreed to increase the number of child care slots by 206,500 across CAPP (142,620 slots), CCTR (62,080 slots), CMAP (1,300 slots), and Emergency Child Care Bridge (500 slots). Initially, these new slots were expected to be fully rolled out by 2025-26. The 2023 Budget Act delayed the slot expansion plan by one year. The 2024 Budget Act contained an additional partial delay, but preserved an approximately 11,000 new CCTR slots for which preliminary award letters had been issued. The 2024 Budget Act also codified the revised slot expansion plan, adjusting for slots that had planned but unawarded or unfilled in prior years. Trailer bill language establishes the slot expansion plan, with future slot increases subject to appropriation.

State's Multiyear Child Care Expansion Plan

Number of New Child Care Slots by Year

Program	2021-22 Through 2024-25	2025-26	2026-27	2027-28	Totals
General Child Care	33,000	—	12,000	17,000	62,000
Alternative Payment	95,000	—	32,000	16,000	143,000
Migrant Alternative Payment	1,300	—	—	—	1,300
Emergency Child Care Bridge	500	—	—	—	500
Totals	**129,800**	**—**	**44,000**	**33,000**	**206,800**

Source: LAO

Prior to the 2021 Budget Act, the state funded approximately 100,000 non-CalWORKs child care slots. Including the expanded slots that have been funded, the state funds a total of 237,374 slots in 2025-26 (390,714 slots when including CalWORKs slots). The total cost of all slots added as part of the slot expansion is $1.9 billion in 2025-26.

The 2024 Budget Act also included trailer bill language to streamline contracting for existing CCTR providers to take up newly added slots. CDSS implemented this provision in October 2024 to distribute 1,133 unawarded CCTR slots and will continue using the streamlined process moving forward to decrease the administrative burden on CCTR contractors.

2023 Budget Act Rates Package. The 2023 Budget Act included over $2 billion to implement a two-year, collectively bargained agreement between the state and Child Care Providers United (CCPU.) The 2023 two-year package consists primarily of monthly per-child rate supplements (ranging from $140 to $210 per child per month), and includes funding for one-time transitional payments, CCPU health, retirement, and training programs, reimbursement based on certified need, and a change in the part-time definition. The package includes parity for center-based child care providers who are not represented by CCPU.

The 2023 Budget Act and CCPU agreement also included an agreement to shift from a market-based approach to a cost-based approach (known as the alternative methodology or single rate structure) for setting child care reimbursement rates. Rate reform is covered in Issue #2 of this agenda.

Monthly Rate Supplements Established in 2023 Became Rate "Floor" in 2024. While the two-year, collectively bargained agreement expires on June 30, 2025, the 2024 Budget Act included trailer bill language that set the rates in effect on June 30, 2025 as the floor for future rates. As a result, the Governor's proposed 2025-26 budget includes $698 million General Fund to continue the same amount of supplemental funding in 2025-26. This is effectively a placeholder amount as the state is currently bargaining with CCPU on a successor agreement to the two-year 2023 agreement.

Child Care Unspent Funds. The 2023 Budget Act included supplemental reporting language requiring CDSS to report to the Legislature with estimates of the amount of child care and development funding appropriated in the prior or current fiscal year that may go unspent by the end of the current fiscal year, including funding not yet allocated or committed in contracts. This was intended to maximize utilization of limited-term federal funding provided during the pandemic. CDSS has reported that $1.3 billion in 2023-24 child care funds have not been spent, however this includes some multi-year funding that has a longer expenditure window. CDSS reports having accounted for approximately $1.1 billion in unspent funds as savings in the 2023-24 fiscal year.

Child Care Cost-of-Living Adjustment. The Governor's budget includes a 2.43 percent cost-of-living adjustment (COLA) for child care programs; however, the COLA is applied differently across program types. In 2023-24 and 2024-25, the state suspended the statutory COLA and instead used the funding associated with the COLA to support the two-year collectively bargained rate package.

- *COLA for Direct Contract Providers.* For direct contract (CCTR) child care providers, statute requires an annual COLA for providers whose reimbursement rate is the standard reimbursement rate (SRR), but not for providers whose reimbursement rate is the regional market rate (RMR). However, as part of changes in the 2021 Budget Act, most direct contract providers moved to the RMR, meaning these providers would not receive the Governor's proposed 2.43 percent COLA. The Governor's proposed budget includes $37.9 million for the 2.43 percent COLA to the SRR.

  The LAO has noted that the current COLA policy for direct contract providers effectively prioritizes rate increases for lower cost counties. According to the LAO, "prior to 2021-22, when the SRR was the only reimbursement structure for direct contract providers, providing a COLA was a reasonable way to adjust rates to ensure the state was adequately covering provider costs. However, under the state's current approach—where direct contractors get the higher of SRR or RMR rates—the only providers that receive an annual COLA are those with rates that are higher than the 75th percentile of what private child care providers in their county charge based on the 2018 market survey. For example, in 30 of the 42 counties where direct contractors are currently funded on the SRR and receive an annual COLA, the SRR is higher than the 90th percentile of the regional market rate for four-year olds in full-time care."[1] The LAO recommends repealing the statutory COLA for providers receiving the SRR and allowing the rates for these providers to be set at the discretion of the Legislature.

- *COLA for Voucher-Based Programs.* For Alternative Payment (AP) agencies, which administer voucher-based programs, the statutory COLA is applied based on the total amount of funding appropriated for voucher-programs from the past year (this includes funding for direct child care payments administered by AP agencies and the AP agency's support and operational costs). The Governor's proposed 2025-26 budget includes $49.6 million General Fund for the 2.43 percent COLA for voucher-based programs.

  The LAO notes that this COLA approach for voucher-based programs is similarly worth revisiting. According to the LAO, "providing a statutory COLA to AP agencies' operational costs is reasonable, as these agencies face inflationary cost pressures in administering voucher-based child care programs. However, there is no clear rationale for applying a COLA to the portion of funding that covers child care provider payments as these payment amounts are typically adjusted through other mechanisms in the state budget. For example, rates are set in statute and, when the Legislature has increased rates in the past, it has provided associated increases in funding to address the higher costs. Also, payments are adjusted when the state provides additional funding for new child care slots as part of the annual budget. As a result, under the current COLA structure—where it is applied to the entire AP agency allocation, rather than only the portion related to operational costs—the amount of COLA funding likely exceeds the amount that is needed to cover inflationary cost increases."[2]

[1] Legislative Analyst's Office, "The 2025-26 Budget: Child Care and State Preschool," March 28, 2025.
[2] LAO.

Reimbursement Flexibility. As noted by the LAO, prior to the COVID-19 pandemic, reimbursement for direct contract providers was based partly on child attendance.[3] For voucher-based programs, reimbursement was also based on child attendance. Since the pandemic, however, the state has provided all child care providers with reimbursement flexibility, also known as "hold harmless" (as providers are not penalized financially for a child's absence.) This reimbursement flexibility continues through June 30, 2025 as part of the 2023 Budget Act rates package. For voucher-based programs, this means reimbursement is based on a child's enrollment, similar to the private market. For direct contract programs (CCTR), however, the flexibility allows providers to receive the lesser of their reimbursable program costs or the maximum reimbursable amount under their contract. According to the LAO, for direct contract providers, this reimbursement flexibility disconnects funding from program attendance. As a result, the LAO recommends allowing the reimbursement flexibility to expire, only for direct contract providers.

New Federal Rule on Reimbursement Policies. A recent federal rule (45 CFR Part 98.45(m)(2)), effective April 30, 2024, requires states to modify child care reimbursement policies to be based on enrollment rather than attendance. The intention is to recognize the fixed costs of providing child care by delinking provider payments from a child's occasional absences. Specifically, the federal rule requires states to establish payment practices that reflect generally accepted payment practices of child care providers that serve non-subsidized children, including basing payments on a child's authorized enrollment.

The Governor's budget assumes that the current "hold harmless" reimbursement flexibility policies for both direct contract and voucher-based programs will expire on June 30, 2025, in alignment with the 2023 Budget Act and CCPU agreement. This effectively means returning both programs to an attendance-based reimbursement method, which is not consistent with the recent federal rule.

For direct contract providers, because the current reimbursement flexibility is partly based on the maximum contract amount, there would be no additional cost to the state to move to an enrollment-based approach. An enrollment-based approach would be consistent with the federal rule, but avoid some of the pitfalls noted by the LAO about the current reimbursement flexibility. For voucher-based programs, however, there would be a cost (approximately $88.5 million) to continue the current enrollment-based reimbursement. CDSS states that reimbursement flexibility for voucher-based programs is subject to ongoing collective bargaining with CCPU.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview on the Governor's proposed 2025-26 budget for CDSS child care and development programs. Please include an update on the expansion of child care slots, including the new slots added pursuant to the 2024 Budget Act.

2. Please provide an overview of the unspent child care funds from 2023-24 reported to the Legislature. What is the total General Fund savings from unspent child care funds in 2023-24 assumed in the Governor's proposed budget?

[3] LAO

3. How does the Administration plan to implement the 2024 federal rule *Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund*, which requires states to pay child care providers prospectively and based on child enrollment?

Issue #2: Child Care Rate Reform Update

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Edgar Cabral, Deputy Legislative Analyst, Legislative Analyst's Office
- Jackie Barocio, Central Operations Branch Chief, Child Care and Development Division, CDSS
- Eric Sonnenfeld, Assistant Administrator, Tulare County Office of Education
- Miren Algorri, Child Care Provider's Union (CCPU)
- Adriana Pucheta Caixba, Parent Leader, Parent Voices California

Background: Child Care Rate Reform and Collective Bargaining. California has taken steps over the last several years to revise the way the state sets reimbursement rates for subsidized child care, moving from a market-based rate model (RMR) to a cost-based model intended to capture the "cost of care." The 2023 Budget Act, as part of the two-year, collectively bargained rates package, codified the state's commitment to conducting an alternative methodology for setting child care rates, based on a cost-estimation model. The 2023 Budget Act also established a series of planning and reporting milestones to track the state's progress toward developing and implementing the cost-based model, including federal approval.

On November 8, 2024, the federal Administration for Children and Families (ACF) approved California's Child Care State Plan, inclusive of the new cost-based method for setting reimbursement rates, known as the "single rate structure."

Federal approval initiated several steps for the Administration. First, CDSS is required to regularly report to the Legislature on the department's plan to set new reimbursement rates by July 1, 2025, and provide details regarding costs, timelines, and other implementation details.

Second, federal approval of the state plan initiated a new round of collective bargaining between the Administration and Child Care Providers United (CCPU), which is ongoing.

CDSS has stated that rate-setting for family child care providers will occur through the collective bargaining process with CCPU, however that does not include the center-based providers not represented by CCPU. CDSS has stated that rate-setting for center-based providers not represented by CCPU will occur in partnership with the Legislature as part of the 2025-26 budget development process, concurrent with collective bargaining.

2024 Budget Act. The 2024 Budget Act included trailer bill language to codify federal commitments that CDSS has made to the federal Administration for Children and Families (ACF); primarily, the commitment to set new reimbursement rates for subsidized child care pursuant to the new single rate structure by July 1, 2025. Additionally, the 2024 Budget Act set current rates, including the temporary rate supplements providers are receiving, as the floor for the new single rate structure. This is to ensure that when rate reform is implemented, providers will have certainty that their new rates at a minimum will not drop below what they currently receive. In addition, the 2024 Budget Act outlines a series of reporting requirements to provide the Legislature with an understanding of the costs and timelines associated with the new single rate structure.

2025-26 Governor's Budget. The Governor's proposed 2025-26 budget meets the requirement from the 2024 Budget Act to continue the temporary rate supplements for an additional year, consistent with the rate floor established in the 2024 Budget Act. However, the Governor's budget does not include any funding or plan for implementing the new single rate structure in the 2025-26 fiscal year.

January Implementation Report. On January 7, 2025, CDSS submitted the first quarterly report to the Budget Committees on single rate structure implementation progress.[4] The report summarizes some decisions regarding the single rate structure that have been made:

Table 2. Proposed Single Rate Structure Decision Point Summary

	Decision Points To-Date	Remaining Decision Points
Base and Enhanced Rate Elements	Rate elements identified and defined for all provider/program types.	
Cost Model Selection Points	No recommendation made to date	To be set through the bargaining process for family child care providers. To be set for centers by the Administration in partnership with the Legislature
Design Features of the Single Rate Structure	Informed by costs associated with health and safety standards and other program requirements. Base and enhanced rates will be calculated on a per-child basis. Enhanced rates reimburse services not funded through the base rate, contingent upon eligibility. Rates will vary by geography. Rates will vary by type of care setting. Rates will vary by regulatory requirements. Rates will vary based on time categories. Rates will vary by child age.	Geographical variation categories. Specific time categories. Child age groupings. To be set for centers by the Administration in partnership with the Legislature.
Indirect and Support Services Cost Structure for Contractors	No recommendation made to date	To be established by the Administration in partnership with the Legislature, separate from direct services rate and not subject to the bargaining process.

[4] "Implementation of the Single Rate Structure for Subsidized Child Care and Preschool," January 7, 2025: Implementation of the Single Rate Structure for Subsidized Child Care and Preschool - Report to the Legislature

The Implementation Report lays out the base rate and enhanced rate elements that provide the cost-based inputs for the single rate structure, which have been agreed upon with CCPU, as follows:

Base Rate Elements.

- *Administration/Office:* Covers costs such as advertising, insurance, legal and professional fees, office supplies, repairs, maintenance, and janitorial.

- *Child Health:* Covers activities related to supporting child health, including costs associated with meeting licensing requirements, such as collecting and keeping records of child immunizations.

- *Child Education and Development:* Covers additional costs above and beyond the basic Education Program costs, including educational materials and curriculum, developmental screening and assessment tools, development specialists, and special activities for children.

- *Discretionary Benefit - Health, Employer Share:* Funds that can be flexibly deployed to cover the employer share of benefit costs such as health insurance expenses, retirement contributions, and other discretionary benefits.

- *Discretionary Benefit - Paid Time Off*: Including sick leave and vacation benefits.

- *Dual Language Learner Supports:* Covers costs associated with serving dual language learners and their families effectively, such as linguistically and culturally appropriate educational materials, translation, lesson plan resources, and books/materials in multiple languages.

- *Education Program:* Covers basic program supplies such as diapering supplies, regular updating of emergency supplies/kits, fire extinguishers, and food.

- *Family Engagement:* Supports required and expected family engagement activities, including but not limited to family conferences or conference equivalents.

- *Inclusion:* Covers expenses within the base rate related to serving a specific share of children with developmental delays, disabilities, and other special needs.

- *Mandatory Expenses Related to Staffing:* Covers non-discretionary employer taxes including FICA payroll tax, Social Security, Medicare, unemployment insurance, and worker's compensation.

- *Occupancy:* Covers facility-related costs such as rent/lease or mortgage, real estate taxes, maintenance, janitorial and repairs.

- *Operating Reserve:* Covers contributions to an annual operating reserve fund.

- *Planning Time*: Covers planning and release time for teachers, assistant teachers, child care providers, and owners.

- *Ratios and Group Size:* maximum number of children for whom care may be provided at any one time.

- *Salary/Wage/Income:* adequate and appropriate compensation (including wage scales that set a living-wage floor that account for job roles, experience and education levels).

- *Staffing Pattern:* Covers the cost to maintain a setting-specific standard staffing pattern.

- *Training:* Covers the cost of hiring a substitute to cover for staff while they attend professional trainings.

Enhanced Rate Elements:

- *Inclusion:* Covers expenses related to serving children with developmental delays, disabilities and other special needs, when the share of children served exceeds the share covered through the Base Inclusion rate.

- *Extended Evenings/Weekends:* Covers additional costs associated with providing care during non-traditional hours.

- *Child Transportation:* Covers the cost of year-round transportation services between schools and activities, children's homes and providers' facilities/homes when necessary to support families.

Legislative Concerns with January Implementation Report. The January Implementation Report does not contain the level of detail required by statute. To fulfill a statutorily required 30-day review period, the Legislature provided feedback to the Administration via a Joint Legislative Budget Committee (JLBC) letter.[5] The JLBC response to the January Implementation report is summarized below:

1. **Missing estimated costs and timelines for rate reform implementation.** WIC 10227.6(g) requires the Administration provide estimated costs and timelines associated with implementation of the single rate structure. The Implementation Report does not contain any estimated costs associated with the base rate, possible selection points, design features, and enhanced rate elements.

   The Legislature has requested the Administration provide a range of estimated costs associated with each element of the single rate structure.

   Regarding estimated timelines, the Implementation Report states that a "period of time" will be required before implementation. To meet the requirements of WIC 10227.6(g), the Legislature has requested specific time ranges or dates for when the new single rate

[5] JLBC Response: Comments on the Child Care Alternative Methodology: Section Letter

structure can be implemented. (Importantly, even if the Legislature and Governor meet the July 1, 2025 deadline for *rate-setting*, any new rates need to be funded in the budget and then implemented in order to take effect.)

2. **Unclear data and systems requirements.** The Implementation Report states that the implementation timeline is dependent on the systems changes and data collection required by the single rate structure. The Implementation Report also characterizes these systems changes and data collection requirements as unknown factors that could significantly impact the implementation timeline. Given that the elements of the base rate and enhanced rates have been defined, agreed upon by the JLMC, and listed in the Implementation Report, the Administration has had time to develop an estimated range of costs associated with new data and systems requirements. In addition, many data points are captured in current systems utilized by CDSS and CDE.

   The Legislature has requested the Administration provide clarity on which specific elements of the single rate structure would require significant modifications to current data collection systems.

3. **Lack of plan for developing the center-based rate in partnership with the Legislature.** The Implementation Report states that rate-setting for center-based providers will occur "in partnership with the Legislature" concurrent with collective bargaining with CCPU for family home-based rates. However, neither the Implementation Report nor the Governor's proposed 2025-26 budget includes a proposal for center-based rates, a timeline for a proposal, or a clear process for partnership in this policy development.

   The Legislature has requested the Administration describe how they intend to partner with the Legislature to determine and implement center-based rates for the 2025-26 fiscal year, including a timeline for this engagement.

4. **Missing a plan to set new reimbursement rates under the single rate structure.** Statute requires that the report to the Legislature includes the department's plan to set rates by July 1, 2025. Even if the rate model is completed and new reimbursement rates pursuant to the single rate structure are set by this deadline, it is not clear when those rates will actually be implemented for child care providers.

5. **Need for a Transition plan.** WIC 10227.6 states that if the new rates do not take effect on July 1, 2025, CDSS must provide the Legislature with a timeline for transitioning from current rates to the rates set using the single rate structure.

   The Legislature has requested the Administration provide a transition plan by the Governor's 2025 May Revision.

LAO Comment. As the LAO notes, "although CDSS is required to set rates based on the alternative methodology by July 1, 2025, the department's time line for sharing the details with the Legislature is unclear at this time. It is possible that the Legislature will not have any information regarding the overall costs or key details of the alternative reimbursement rates prior to the constitutional deadline to pass a budget by June 15. Furthermore, even if the information is released around the time of the May Revision or later, the Legislature would have only limited time to review the details of the alternative methodology and consider whether it would like to make changes to the structure for non-represented child care centers."

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that the Administration provided responses to the JLBC letter on March 21, 2025.[6] However the department's response continues to leave open fundamental questions about how the department will meet the July 1, 2025 deadline to set new reimbursement rates, when those new rates could feasibly be implemented, and what a temporary transition plan might entail. And while the state is currently collectively bargaining with CCPU on the rate structure for family-based providers, it is unclear how the Administration will partner with the Legislature to set rates for non-represented center-based providers, without the information that has been requested.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a range of costs associated with implementation of the single rate structure.

2. What specific steps will the department take between now and July 1, 2025 to meet the deadline for setting child care rates pursuant to the single rate structure? After rates are set, what is the timeline for implementing those rates?

3. WIC 10227.6(i) states that if the new reimbursement rates do not take effect on July 1, 2025, CDSS must provide the Legislature with a timeline for transitioning from the rates that are in effect on July 1, 2025, to the new rates under the single rate structure. The Joint Legislative Budget Committee has requested this transition plan be provided by the Governor's 2025 May Revision. When does the Administration plan to provide this transition plan?

4. The January 2025 Implementation Report states that rate-setting for non-represented center-based providers will occur in partnership with the Legislature concurrent with collective bargaining with CCPU. Please describe how and when the Administration intends to partner with the Legislature to set and implement center-based rates.

[6] https://jtlegbudget.legislature.ca.gov/system/files/2025-03/dss-response-letter-to-jlbc-implementation-of-the-single-rate-structure-for-subsidized-child-care-and-preschool-3-21-2025.pdf

Issue #3: Child Care Budget Change Proposals

Budget Change Proposals – Governor's Budget. The Governor's proposed 2025-26 budget contains the following two budget change proposals for child care and development under CDSS:

1. **Child Care Development Fund Authority.** CDSS requests a technical change to increase ongoing federal fund authority by $34.4 million to support the Child Care Development Block Grant (CCDBG) program. There is no General Fund impact.

2. **Child Care Policy, Program, Administrative, and Support Staffing Needs.** CDSS requests 33 federally funded permanent positions and an increase in federal expenditure authority of $6.4 million in 2025-26 and $6.2 million ongoing to provide policy, program, and administrative support to child care and development programs.

Both proposals are summarized below.

Child Care Development Fund Authority

Background: Child Care Development Fund (CCDF) Authority. Prior to 2021-22, CDSS held an interagency agreement with the California Department of Education (CDE), which allowed CDSS to be reimbursed in the amount of $34.4 million for managing the CCDF award on behalf of CDE. CDSS took over the CCDF grant from CDE in 2021-22 but never established federal fund authority. For the past three fiscal years, CDSS has been submitting budget revisions annually and is now requesting ongoing federal fund authority to alleviate the need for ongoing requests.

Federal Fund Authority Request. According to CDSS, this ongoing authorization for CCDF federal fund authority would allow the department to use its federal funds without needing to wait for the reimbursement at the end of each fiscal year. This technical change has no General Fund impact.

Child Care Policy, Program, Administrative, and Support Staffing Needs

Background: CCDF and Child Care Transition. Over the past three years, the federal CCDF allocation, which is managed by CDSS, has seen substantial growth, with an 18 percent increase in 2022-23, a four percent increase in 2023-24, and a seven percent increase in 2024-25.

CDSS reports that staffing shortages are impeding efforts to support the expansion of the state's child care and development system and to administer child care programs equitably. Consequently, the department's child care division needs additional resources to manage the increased workload from new policies and programs generated by this additional federal funding and the expansion of child care programs, as well as accompanying administrative and support needs. CDSS reports needing additional staff to support the following responsibilities:

- **Data and Information Systems.** As a result of the transition of child care programs from CDE to CDSS in 2021, CDSS assumed responsibility for the administration of support services for legacy applications including the Child Development Management

Information System (CDMIS), which is used for federal reporting and compliance. Currently, CDMIS is housed at CDE; however, CDSS is developing a department-specific version of CDMIS. According to CDSS, there will be an increase in workload arising from the expanded scope of responsibilities.

- **Program and Policy Support.** According to CDSS, the department's child care policy office needs more professional and administrative staff to manage its growing regulatory workload. The child care division also faces resource constraints in centralizing and administering audit response coordination and strategic governance. Lastly, the federal government has identified that the CDSS Community Care Licensing Division (CCLD) must come into compliance with several federal regulations, including consumer education, health and safety standards, and training requirements, including training for Shaken Baby Syndrome prevention, Pediatric First Aid, CPR, and handling hazardous materials. Emergency and disaster preparedness standards also require updates to meet federal requirements.

- **Provider Bargaining Support.** According to CDSS, additional resources are necessary to effectively implement provisions of the collective bargaining agreements with Child Care Providers United (CCPU). CDSS states that the vision of moving to a cost-based, single rate structure requires dedicated specialist support in administering payment processes and procedures as a transitional step, as well as developing and implementing the alternative methodology.

- **Child Care Expansion.** According to CDSS, The Program Quality Improvement Branch (PQIB) has experienced a significant workload increase due to historic investments in child care. California was monitored in January 2024 by the federal Office of Child Care (OCC) and was found to be out of compliance with several health and safety regulations around annual inspections. To support ongoing compliance with the CCDF rules, CDSS needs additional staff within PQIB to develop and implement procedures to monitor and inspect 19,500 license-exempt family child care providers and 723 center-based providers annually, or risk fines or sanctions.

  Additionally, CDSS has experienced a 30 percent increase in new child care contractors (111 new contractors) over the last three years due to the historic expansion of child care slots that began in 2021. CDSS states that limited staff resources have hindered the ability to conduct follow-up visits, essential for ensuring compliance and program quality. The PQIB is mandated to review contractors once every three years, or as resources permit; CDSS is experiencing significant challenges to meet this monitoring threshold and may be at risk of being out of compliance with the federal fiscal year 2025-27 State Plan because the number of consultants to support, monitor, and train contractors is currently insufficient. Programs that have several years in between contract monitoring visits have been found to have a higher number of program violations, which impact the quality of services. As the number of contractors increases, the number of reviews also increases.

  Lastly, the Child Development Fiscal Services (CDFS) Section also faces staffing and management shortages. This Section oversees 463 contractors with 753 contracts and supports nearly 50,000 providers serving over 300,000 children. CDFS staffing and clerical support have not kept pace with the growth in child care contractors, leading to delays in payments and technical assistance. Additionally, outdated payment software from before the transition of programs to CDSS complicates the workload. Additional management and staff are needed to handle the growing demands effectively.

- **Administrative Support.** The CDSS Human Resources Services Branch is responsible for overseeing personnel processes for all departmental staff. According to CDSS, the typical ratio for Personnel Specialist to staff is 180:1; however, existing staffing in the branch is closer to 200:1.

  Additionally, the Direct Services Contracts office is staffed with three analyst positions whose primary focus is to process thousands of contracts each year. CDSS states that with the increasing workload due to the expansion of child care slots, it is necessary to increase staffing to keep up with the demand and ensure acceptable turnaround times. The number of contract applications has increased from 397 to 490 (as of 2023-24) since the transition of child care programs to CDSS, and it is estimated to grow to over 600 in 2024-25. For example: in 2021-22, CDSS processed 1,897 contracts and amendments. In 2022-23, CDSS processed 2,451 contracts and amendments (29 percent increase). In 2023-24, CDSS processed 3,628 contracts and amendments (48 percent increase).

Staffing and Resources Request. CDSS requests a total of 33 permanent positions, federally funded by the CCDF block grant. The requested positions fall into the following categories:

- *Data Research and Planning Office (two positions*). The Research Data Analyst (RDA) II will manage and support the child care data collection process for CDSS-CDMIS. The Office Technician (OT) position will be responsible for providing organization and clerical support for office activities.

- *Policy Office (two positions).* These positions will help balance the workload of the team that is currently leading the regulation work and provide administrative support to the team responsible for planning, policy direction, and engagement with subsidized child care programs.

- *Operational (three positions).* These positions will create a new Grants Unit to oversee federally funded quality grants. One of the analyst positions is a current limited-term position the department is requesting to make permanent.

- *Audits and Strategic Governance (one position).* The Staff Services Manager I (Specialist) would work with other offices and divisions to collect data and develop administrative data practices, and implement business improvement through technology and software.

- *Equity and Tribal Liaison (one position).* This specialist will act as lead facilitator of the division's Equity Action Plan, lead coordinator on behalf of the child care division with the department's equity and tribal Resources, and lead representative within the division on child care issues that impact Tribes, in partnership with the Office of Tribal Affairs.

- *Child Care Provider Unit (two positions).* These specialists would act as leads to implement various aspects of the collective bargaining agreements with CCPU. Without these specialist positions, CDSS risks failure to adequately implement negotiated provisions of the collective bargaining agreement. This could result in grievances or unfair practices claims that would require legal resources and potentially impede vital provider policy implementation.

- *Program Quality and Improvement (10 positions*). These positions would inspect all eligible license-exempt providers and address training needs of newly awarded child care agencies.

- *Child Development Fiscal Services (eight positions).* These positions will be responsible for training and technical assistance for new contractors, payment timeliness and systems maintenance, monitoring contract funds, and clerical and administrative support to facilitate high quality fiscal services. According to CDSS, these additional staff resources will allow for redirected analysts to return to an appropriately sized caseload to meet the expectations of timely technical assistance, communication, and payments, and also help CDSS comply with state policies regarding staff allocation per supervisor.

- *Administrative Support - Human Resources (two positions).* A Staff Services Manager I and an additional analyst would provide relief in the processing of the division's recruitment packages, the participation in classification specification revisions currently underway, and the continued development of staff and organizational initiatives.

- *Administrative Support – Child Care Contracts Direct Services (one position*). To continue to provide contracts and payments to child care providers in a timely manner, the workload needs to be broken down to a manageable level by increasing the number of analysts in order to reduce the risk of error.

- *Child Care Division Support for Community Care Licensing Division (one position).* The Staff Services Manager I (Specialist) position will lead on legislative and regulatory revisions necessary to come into compliance with federal regulations. Additionally, this position would provide licensing expertise and guidance to division staff as they implement new requirements for license-exempt family, friend, and neighbor child care, including technical assistance to caregivers who need support to come into compliance.

Table A: Child Care Policy, Program, Administrative, and Support Staffing Needs

Position Description	Personnel Years
Total Positions Requested	**33.0 PY**
Office Technician – Data, Research, and Planning Office	1.0 PY
Research and Data Analyst II – Data, Research, and Planning Office	1.0 PY
Office Technician – Policy Office	1.0 PY
Child Development Consultant – Policy Office	1.0 PY
Office Technician – Central Operations Branch	1.0 PY
Associate Governmental Program Analyst – Grants Unit	1.0 PY
Staff Services Manager I – Grants Unit	1.0 PY
Staff Services Manager I (Specialist) – Child Care Administration Bureau (Audits & Strategic Gov.)	1.0 PY
Staff Services Manager I (Specialist) – Equity/Tribal	1.0 PY
Staff Services Manager I (Specialist) – Provider Unit	2.0 PY
Education Administrator I – Program Quality Improvement	1.0 PY
Child Development Consultant – Program Quality Improvement	3.0 PY
Staff Services Manager I (3 Specialists, 1 Supervisor) – Program Quality Improvement	4.0 PY
Associate Governmental Program Analyst – Program Integrity and Improvement	2.0 PY
Office Technician – Child Development Fiscal Services	1.0 PY
Staff Services Manager I – Child Development Fiscal Services	1.0 PY
Staff Services Manager I (Specialist) – Child Development Fiscal Services	1.0 PY
Associate Governmental Program Analyst – Child Development Fiscal Services	3.0 PY
Staff Services Manager II – Child Development Fiscal Services	1.0 PY
Staff Services Manager III – Child Development Fiscal Services	1.0 PY
Staff Services Manager I – Human Resources Support	1.0 PY
Associate Governmental Program Analyst – Human Resources Support	1.0 PY
Associate Governmental Program Analyst – Direct Service Contracts	1.0 PY
Staff Services Manager I (Specialist) – Community Care Licensing	1.0 PY

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of the two budget change proposals included in this issue: (1) Child Care Development Fund Authority and (2) Child Care Policy, Program, Administrative, and Support Staffing Needs.

Issue #4: Child Care Clean-up Language

Trailer Bill Language – Governor's Budget. The Governor's budget includes two clean-up trailer bills related to child care:

1. **Child Care Reporting Clean-up.** Trailer bill would delete a requirement for a CDSS to report on the number children receiving part-day preschool and wraparound childcare services.

2. **Child Care Part-time/ Full-time Clean-up.** Trailer bill would reduce the documented need for reimbursements to child care providers based on a daily rate from six hours to five or more, as specified.

<u>Child Care Reporting Clean-up.</u>

Background: Child Care Transition. The 2020 Budget Act transferred most child care programs from CDE to CDSS. This included a lift of statute from the Education Code to the Welfare and Institutions Code (WIC) and the removal of references to CDE and the California State Preschool Program from the language that was transferred over.

Clean-up to Remove Reference to Preschool. According to CDSS, certain references to CDE and the California State Preschool Program (which is administered by CDE) were inadvertently not removed from the language that was lifted and shifted in the codes. Section 10243 of the WIC requires CDSS to report data about children served in child care and development programs administered by CDSS. This section erroneously includes a reference to part-day or wraparound services for preschool age children which are administered by CDE in conjunction with CSPP. These reporting requirements are applicable to CDE and are currently identified in Education Code 8215. The proposed trailer bill would remove these references.

<u>Child Care Part-time/Full-time Clean-up</u>

Background: Part-time/full-time definitions. SB 140 (Committee on Budget and Fiscal Review), Chapter 193, Statutes of 2023, codified a provision of the 2023 CCPU Memorandum of Understanding that changed the definition of part-time child care from 30 hours per week to 25 hours per week. As a result, hourly, weekly, and monthly definitions are now based on five hours instead of six.

Clean-up to Align Daily Rate. According to CDSS, in order to ensure the time-based categories defined in regulations are aligned with statutory changes made to the part-time and full-time definition, clean-up is needed to fix one reference in statute that was inadvertently missed in SB 140. This reference in WIC 10374.5(k)(1) defines full time as six hours or more a day. This needs to be corrected to five hours, to align all time-based rate categories, in order for regulations to be clear.

Subcommittee Staff Recommendation and Comment – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of the two trailer bill proposals included in this issue: (1) Child care reporting Clean-up and (2) Child Care Part-Time/Full-time Clean-up.

Issue #5: Child Care 12-month Eligibility for New Children

Trailer Bill Language—Governor's Budget. The Governor proposes trailer bill language to extend a family's period of eligibility for subsidized child care when a family adds an additional child to the family, ensuring children receive a minimum of 12 months of eligibility.

Background: Eligibility for Subsidized Child Care. Federal regulations governing state-subsidized child care require that eligible children receive a minimum of 12 months of eligibility for child care services.

According to CDSS, the department recently received a notice regarding areas of noncompliance from the federal Administration for Children and Families (ACF) based on a monitoring visit in January 2024.

During one of the visits with an external contractor, ACF found inconsistencies regarding how contractors implement eligibility requirements if a family has added a child during their eligibility period. As a result, ACF determined that California does not meet the 12-month eligibility requirement. In its notice, ACF asserted that "the Lead Agency re-determines a child's eligibility for child care services sooner than 12 or 24 months following the initial determinations or most recent redeterminations, and a child does not always receive services at the same level of the most recent determinations or redetermination under certain circumstances."

WIC 10271(h) gives contractors the authority to "extend the period of eligibility." According to CDSS, because of the inconsistencies identified in how the contractors interpret this provision, additional clarification is needed. The proposed changes will clarify each child's period of continuous eligibility (12 or 24 months, as specified), rectify an area of asserted noncompliance, and avoid potential fiscal penalties imposed by ACF for not meeting the federal requirements.

Trailer Bill to Clarify 12 Months of Eligibility. The proposed trailer bill would clarify that if a family already receiving subsidized child care adds another 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 occurs.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of this proposed trailer bill.

Issue #6: Child Welfare Overview & Tiered Rate Structure Implementation

Governor's Budget – Child Welfare. The Governor's proposed 2025-26 budget includes $10.8 billion ($1 billion General Fund) for children and family services programs.

Child welfare is funded mainly through federal funds ($3.6 billion) and realigned county funds ($5.9 billion). Approximately $1 billion General Fund supports child welfare, as shown in the LAO chart below:

Figure 1

Governor's Budget Local Assistance Funding for Child Welfare[a]

(In Millions)

	Total	Federal	State	County	Reimbursment
2025-26 proposed expenditures	$10,844	$3,596	$1,079	$5,873	$296
2024-25 revised estimates	9,769	3,423	974	5,119	253
Change From 2024-25 to 2025-26	**$1,075**	**$174**	**$105**	**$754**	**$43**

[a]Includes Child Welfare Services, Foster Care, Adoptions Assistance Program, Kinship Guardianship Assistance Payment Program, Approved Relative Caregiver Program, and associated automation costs.

Source: LAO

Child Welfare Caseload. According to the LAO, California's child welfare system involves nearly 100,000 children and their families in any given month. The Governor's proposed 2025-26 budget projects the following child welfare caseloads:

- 29,685 children with emergency response cases, in response to maltreatment allegations.
- 13,429 children with families receiving family maintenance services to help keep children safely at home.
- 12,419 children in foster care whose families are receiving reunification services.
- 26,581 children in foster care for whom the child welfare system is working toward permanent placement.

Other than continued funding for the CWS-CARES project, which is covered in Issue #8 of this agenda, the Governor's proposed budget does not contain any new child welfare proposals. The LAO chart on the following page details significant adjustments from the 2024 Budget Act.

Changes in Child Welfare Local Assistance (Net General Fund Increase)
(In Millions)

Item	Changes From 2024-25 (Revised) to 2025-26 Governor's Budget: Total Funds	General Fund	Description
CWS-CARES project increase	$83	$42	Revised OTSI spending plan.
Emergency Child Care Bridge	33	35	Restoration of program expansion funding that was previously reduced to help address the budget shortfall.
BH-CONNECT	28	21	Transition from a half-year implementation in 2024-25 to full-year implementation in 2025-26. Includes funding for activity stipends, CFTs for FM cases, and joint home visits.
Tiered Rate Structure: CalSAWS	6	6	Continued automation funding to prepare the state payment system for implementation of the permanent foster care rate structure. Initial funds are provided in 2024-25.
Tiered Rate Structure: CWS-CARES	4	2	Continued automation funding to prepare the new state child welfare case managment system for implementation of the permanent foster care rate structure. Initial funds are provided in 2024-25.
Tiered Rate Structure: CANS model fidelity and training support	2	1	New funding to support statewide fidelity in completing CANS assessments, which are an essential component of implementing the permanent foster care rate structure.
CWS-CARES and CalSAWS interface	-12	-12	Revised schedule for implementing the interface solution. As of the 2024-25 budget appropriation, $25 million total funds (all General Fund) was included in 2024-25 as one-time funding.
Net changes in CCR costs for Home-Based Family Care Rates	14	9	Higher projected costs for foster care, Kin-GAP, ARC, and AAP payments under CCR. This increase is the net change reflecting higher monthly payments to caregivers due to the annual COLA, partially offset by projected caseload trends—which are estimated to be lower for foster care and ARC and roughly flat for AAP and KinGAP.
Other net changes[a]	916	—	Net effect of all other changes across programs, including caseload changes and estimated increases in county and federal expenditures under 2011 realignment.
Totals	**$1,075**	**$105**	

CWS-CARES = Child Welfare Services-California Automated Response and Engagement System; OTSI = Office of Technology and Solutions Integration; BH-CONNECT = Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment; CFT = Child and Family Team; FM = Family Maintenance; CalSAWS = California Statewide Automated Welfare System; CANS = Child and Adolescent Needs and Strengths; CCR = Continuum of Care Reform; Kin-GAP = Kinship Guardianship Assistance Payment; ARC = Approved Relative Caregiver; AAP = Adoption Assistance Program; and COLA = cost of living adjustment.

[a]We are working with the administration to understand more detail around what is driving the projected increases to the federal and county shares of 2011 realignment costs.

Background: Child Welfare and Foster Care. When children experience abuse or neglect, the state responds with a range of interventions. The state provides prevention services—such as substance use disorder treatment and in-home parenting support—to families at risk of child removal to help families remain together, if possible. When children cannot remain safely in their homes, the state provides temporary out-of-home placements through the foster care system, often while providing services to parents with the aim of safely reunifying children with their families. If children are unable to return to their parents, the state provides assistance to establish a permanent placement for children, for example, through adoption or guardianship. California's counties carry out child welfare activities for the state, with funding from federal funds and state General Funds along with local funds.

Children in foster care are disproportionately from low-income, Black, and Native American families. The proportion of Black and Native American youth in foster care is around four times larger than their proportion of the population in California overall.[7]

Most foster care placements include home-based placements with relatives, or non-relative resource families, who are recruited, trained, and overseen either directly by county child welfare

[7] For more information on disproportionalities in the child welfare system, see the LAO's 2024 report: California's Child Welfare System: Addressing Disproportionalities and Disparities.

departments, or through foster family agencies (FFAs), non-profit agencies that contract with county child welfare departments. In certain cases, children or youth may be admitted to a residential program known as a Short-Term Residential Therapeutic Program (STRTP) for short-term, specialized, and intensive therapeutic mental health treatment and supervision. Youth in foster care at age 18 have the option of entering Extended Foster Care through age 21. Older foster youth have additional placement options such as a Transitional Housing Program or a Supervised Independent Living Program (SILP).

Recent state and federal reforms have sought to reduce trauma and increase stability for children in foster care by reducing reliance and duration of congregate care placements, increasing home-based placements, and facilitating placements with relatives whenever possible. This includes funding to support family finding and engagement, child-specific funding, the 24/7 mobile response program known as Family Urgent Response System (FURS), flexible family supports, and most recently, a new rate structure for foster care known as the Tiered Rate Structure.

2024 Budget Act. The 2024 Budget Act included the following major actions:

- **Ultimately avoided most cuts to child welfare programs.** The Governor's proposed 2024 budget included significant cuts to child welfare programs such as eliminating FURS and funding for caregiver approvals, which help caregivers become approved resource families. Ultimately, the final 2024 Budget Act agreement preserved all foster care funding, with the exception of a Los Angeles-only program known as the Public Health Nursing Program ($8.25 million), and a planned increase to the Supervised Independent Living Program (SILP) Supplement, which was absorbed into the Tiered Rate Structure.

- **Established the Foster Care Tiered Rate Structure.** The 2024 Budget Act established a new permanent rate structure for foster care, effective July 1, 2027, to transition the state away from interim foster care rates. The new permanent rate structure, known as the Tiered Rate Structure, bases foster care payments on the strengths and needs of the child as identified by the Child and Adolescent Needs and Strengths (CANS) assessment, regardless of their placement setting. There are three main components of the Tiered Rate Structure: Care and Supervision Rate, Strengths Building Allocation, and Immediate Needs Allocation, as well as an administrative rate component for foster care providers. The 2024 Budget Act requires CDSS to provide regular pre-implementation and post-implementation updates to the Legislature regarding all components of the Tiered Rate Structure. The 2024 Budget Act included $20.5 million ($13.3 million General Fund) for automation costs over two years to implement the Tiered Rate Structure.

Implementation of Tiered Rate Structure. The following is a summary of major steps being undertaken in the current year to implement the Tiered Rate Structure, provided by CDSS. CDSS has broken the implementation of the Tiered Rate Structure into five categories:

1. The Child and Adolescent Needs and Strengths (CANS) and Child and Family Teams (CFT) Fidelity
2. Care and Supervision
3. The Strengths Building Program
4. The Immediate Needs Program
5. Automation of the Tiered Rate Structure

The new rates under the Tiered Rate Structure are provided in the CDSS summary below:

Permanent Foster Care Tiered Rate Structure Framework

Tier 1 (74% of children and youth) (Latent Classes 1 and 2 for the 0-5-year-olds and Latent Classes 1, 2, and 3 for the 6+ year olds)	
Care and Supervision* Paid to the caregiver	$1,788
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$500
Immediate Needs	NA
FFA Admin (for youth placed in an FFA)* *Recruitment, retention, approval, training, etc.*	$1,610

Tier 2 (19% of children and youth) (Latent Class 3 for the 0 – 5-year-olds and Latent Classes 4 and 5 for the 6+ year olds)	
Care and Supervision* Paid to the caregiver	$3,490
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$700
Immediate Needs County or contracted provider coordinate services	$1,000
FFA Admin (for youth placed in an FFA)* *Recruitment, retention, approval, training, etc.*	$2,634

Tier 3 (ages 0-5) (4.5% of children and youth) (Latent Class 4 for 0 – 5-year-olds)	
Care and Supervision* Paid to the caregiver	$6,296
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$900
Immediate Needs County or contracted provider coordinate services	$1,500
FFA Admin (for youth placed in an FFA)* *Recruitment, retention, approval, training, etc.*	$2,634

Tier 3+ (ages 6+) (2.5% of children and youth) (Latent Class 6 and 6a for 6+ year olds)	
Care and Supervision* Paid to the caregiver	$6,296
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$900
Immediate Needs County or contracted provider coordinate services	$4,100
FFA/STRTP Admin (for youth placed in an FFA or an STRTP)* *Recruitment, retention, approval, training, etc.*	$7,213

*Components of the rate that will receive a California Necessities Index increase.

Source: CDSS

Key Components of the Tiered Rate Structure. The Child and Adolescent Needs and Strengths Tool (CANS) is a validated functional assessment tool which assesses well-being, identifies a range of social and behavioral healthcare needs, supports care coordination and collaborative decision-making, and monitors outcomes of individuals, providers, and systems. It has been implemented statewide since 2018. The Tiered Rate Structure is based on a child's identified needs and strengths as identified by the CANS assessment, not the child's placement type. Within each Tier, a child is eligible for the following rate components:

- **Care and Supervision**: funds basic care and supervision of a child (such as clothing, food, transportation).

- **Strengths Building**: a new component of foster care rates that support enrichment activities, promote supportive social connections, and provide opportunities to develop skills. Use of Strengths Building funds will be determined by the child and family but may include activities such as sports, arts, music, and other extracurricular activities.

- **Immediate Needs:** a new component of foster care rates that support a child's immediate needs, with services provided by qualified providers. This includes the implementation of high-fidelity wraparound services.

The Tiered Rate Structure also includes an administrative rate component for foster care providers.

CDSS has identified three major implementation phases for the Tiered Rate Structure:

1. The Planning Phase: August 2024 – June 2025
2. The Preparation Phase: July 2025 – June 2026
3. The Early Implementation Phase: July 2026 – June 2027

Planning Phase. CDSS has taken the following steps as part of the planning phase:

- *The Child and Adolescent Needs and Strengths (CANS) and Child and Family Teams (CFT) Fidelity.* The team has engaged with a wide variety of stakeholders across the child welfare system to inform the CANS Policy and Fidelity implementation guidance. This includes the CFT CANS Statewide Forum, the CFT CANS Steering Committee, CQI & Fidelity Workgroup for CFT & CANS. CDSS also held listening sessions with Child and Family Team (CFT) facilitators, CANS Completers, child welfare social workers, probation officers, contract managers, juvenile court judges and attorneys, training partners, parents, resource parents and caregivers, and youth. In January of 2025, CDSS held a listening session for Tribes and Tribal Communities.

  The CANS Policy All County Letter (ACL) was released on February 18, 2025, after stakeholder and tribal feedback. The CANS Fidelity requirements will begin in July 2025, and some fidelity tools will be implemented into practice through a phased approach to allow time for necessary training and staff hiring.

- *Care and Supervision.* The Tiered Rate Structure statute mandates CDSS to establish the specific conditions in which a child who receives adoption and guardianship benefits may receive a rate that exceeds Tier 1 Care and Supervision but does not exceed Tier 2 Care and Supervision. CDSS kicked off a working group to inform those specific conditions in January. Informed by this feedback, the team will work to establish the specific conditions.

- *The Strengths Building Program.* The Strengths Building Program implementation team at CDSS held three listening sessions in November and December 2024 to gather feedback to inform the Request for Information (RFI) for the Spending Plan Manager. Session one focused on ensuring the Spending Plan Manager selected is aware of the expectations of tribal communities and that the Spending Plan Manager will have an understanding of culturally relevant enrichment activities that Tribal youth might be interested in. Session two gathered feedback on the need for more support or mentoring, whether transportation should be offered at the state or regional level, what outreach services should be developed to inform families about available resources, how CDSS can combine both permanent and natural supports, and how to create a program for children aged 0-5. Session three summarized key takeaways from the other sessions and allowed stakeholders to elaborate on past recommendations, including their vision of how this would look. CDSS is preparing to release the RFI for the Spending Plan Manager for the Strengths Building Program.

- *The Immediate Needs Program.* The Tiered Rate Structure statute mandates CDSS to conduct an analysis of the Immediate Needs of children in Tier 2, 3, and 3+ and the types of services necessary to address those needs, reasonable administration and operational activities necessary for providers to address those needs, and a cost analysis of those services. In the fall of 2024, CDSS held two listening sessions to inform the Scope of Work being developed for the contractor to conduct this analysis. One listening session was held with stakeholders and one listening session was held with Tribes. Informed by these listening sessions, CDSS drafted the scope of work for this analysis. CDSS is working with the Public Consulting Group (PCG) to conduct this analysis.

CDSS kicked off an Immediate Needs Working group in January 2025. This working group is seeking input from stakeholders to inform the development of the Immediate Needs Program. In March, CDSS convened a working group with Tribes on the Immediate Needs Program.

- *High-fidelity Wraparound Services.* Lastly, the Tiered Rate Structure statute requires CDSS to publish guidance on the implementation of high-fidelity wraparound services, which must also address reducing administrative and programmatic burdens and duplication and promote consistent procedures statewide. To obtain feedback on opportunities to reduce administrative and programmatic burdens within the Immediate Needs Program, CDSS is coordinating a listening session to inform the development of this guidance.

- *Automation of the Tiered Rate Structure.* The All County Letter (ACL) for automation of the Tiered Rate Structure within CalSAWS was released on December 23, 2024. The ACL provides a high-level overview of the Tiered Rate Structure (TRS) as a whole and instructions for CalSAWS on which components within the TRS will need to be automated within CalSAWS. CDSS has a monthly working group with the CalSAWS team on the automation of the Tiered Structure within CalSAWS.

Provider Implementation Questions and Concerns. According to the California Alliance of Child and Family Services, "currently, there is confusion about which services, supports, and resources should be funded under each component of the rate structure. Clarifying these distinctions is essential to ensuring each component is used appropriately to prevent funding gaps and support services that are critical to youth healing. Additionally, significant clarifications and concrete mechanisms are needed regarding the implementation plan for the Immediate Needs component of the rate structure." The Alliance recommends a number of implementation components, including: using Immediate Needs funding for services that are not Medi-Cal billable, streamlining certification for presumptive Immediate Needs providers, and establishing a statewide contract for those providers, increasing the administrative component of rates, streamlining a pathway for presumptive Immediate Needs Providers to become high-fidelity wraparound providers, developing a centralized purchasing model for immediate needs providers, and designating certain program types as presumptive immediate needs providers.

Tiered Rate Structure Costs. The chart on the following page, provided by the Department of Finance, provides a summary of the multi-year costs associated with the Tiered Rate Structure.

Tiered Rate Structure Multiyear[1] (000s)

(000s)

FY 2024-25

Funding	Total	Federal	State	County
Automation	$ 5,062	$ 2,531	$ 2,531	$ -
Total	$ 5,062	$ 2,531	$ 2,531	$ -

FY 2025-26

Funding	Total	Federal	State	County
Automation	$ 15,514	$ 4,702	$ 10,812	$ -
County Administration	$ 1,655	$ 438	$ 1,217	$ -
State Operations	$ 1,784	$ -	$ 1,784	$ -
Total	$ 18,953	$ 5,140	$ 13,813	$ -

FY 2026-27

Funding	Total	Federal	State	County
County Administration	$ 1,655	$ 438	$ 1,217	$ -
State Operations	$ 1,734	$ -	$ 1,734	$ -
Total	$ 3,389	$ 438	$ 2,951	$ -

*Reflects 0% caseload intake.

FY 2027-28

Funding	Total	Federal	State	County
Care and Supervision[2]	$ 120,632	$ 56,265	$ 53,942	$ 10,425
Strength Building	$ 171,898	$ 7,592	$ 164,306	$ -
Immediate Needs	$ 120,950	$ -	$ 120,950	$ -
County Administration	$ 25,510	$ 6,760	$ 18,750	$ -
State Operations	$ 1,734	$ -	$ 1,734	$ -
Total	$ 440,724	$ 70,617	$ 359,682	$ 10,425

*Reflects 50% caseload intake year 1.

FY 2028-29

Funding	Total	Federal	State	County
Care and Supervision	$ 204,194	$ 93,295	$ 94,694	$ 16,205
Strength Building	$ 257,847	$ 11,388	$ 246,459	$ -
Immediate Needs	$ 181,425	$ -	$ 181,425	$ -
County Administration	$ 37,438	$ 9,920	$ 27,517	$ -
State Operations	$ 1,734	$ -	$ 1,734	$ -
Total	$ 682,638	$ 114,604	$ 551,829	$ 16,205

*Reflects 75% caseload intake year 2.

FY 2029-30

Funding	Total	Federal	State	County
Care and Supervision	$ 295,391	$ 132,756	$ 140,301	$ 22,335
Strength Building	$ 343,797	$ 15,184	$ 328,612	$ -
Immediate Needs	$ 241,900	$ -	$ 241,900	$ -
County Administration	$ 49,365	$ 13,081	$ 36,284	$ -
State Operations	$ 1,734	$ -	$ 1,734	$ -
Total	$ 932,187	$ 161,021	$ 748,831	$ 22,335

*Reflects 100% caseload intake year 3.

[1]The multiyear reflects DSS costs for the Tiered Rate Structure and does not include DHCS limited-term costs of $400,000 General Fund and $400,000 federal funds annually from FY 2024-25 through FY 2026-27.

[2]Care and Supervision costs are inclusive of Provider Administration.

BH CONNECT. BH-CONNECT is a federal Medicaid waiver demonstration project that allows the state to use Medi-Cal funding for enhanced community-based behavioral health care services, including early intervention to prevent entry into the child welfare system.[8] The Department of Health Care Services (DHCS) is the lead entity for BH-CONNECT; however, CDSS is coordinating with DHCS on provisions that affect eligible children in foster care. This includes "activity funds" for children in foster care with behavioral health conditions, for activities such as sports, music and art, and therapeutic summer camps, if those activities meet specified criteria regarding improving health outcomes. CDSS reports that the two departments (CDSS and DHCS) are working together on a joint Request for Information (RFI) for a third-party vendor for both the BH-CONNECT activity stipends and the Strengths Building Program under the Tiered Rate Structure.

In addition to activity funds, CDSS is implementing additional activities in support of the BH-CONNECT waiver. This includes child and family team (CFT) meetings for family maintenance cases (cases in which there is an allegation of maltreatment but the child welfare agency determines the youth is able to remain safely at home with interventions). Implementation also includes joint home visits, in which child welfare social workers will partner with specialty mental health workers following substantiated maltreatment allegations.[9]

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of the Governor's proposed 2025-26 budget for child welfare programs.

2. Please provide a brief status update on the department's implementation of the Tiered Rate Structure for foster care, effective July 1, 2027. How will the Tiered Rate Structure improve outcomes and reduce disparities for children in foster care? How is the Administration working with stakeholders to address implementation questions and concerns about the Tiered Rate Structure?

3. Please describe the department's work to define and implement high-fidelity wraparound in conjunction with the implementation of the Tiered Rate Structure.

4. How is the department working with the Department of Health Care Services to integrate the Strengths Building Program under the Tiered Rate Structure with the activity stipends under the BH-CONNECT waiver?

[8] LAO: The 2025-26 Budget: Child Welfare, February 13, 2025.
[9] LAO

Issue #7: Foster Family Agency Closures

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Jennifer Troia, Director, California Department of Social Services (CDSS)
- Brittany Lucas, Chief Financial Officer, Redwood Community Services

Background: Foster Family Agencies. Foster Family Agencies (FFAs) recruit, retain, and train foster families to become resource families for children in foster care. While some resource families work directly with county child welfare agencies, many counties contract with FFAs to provide resource families for children in foster care, including nearly 100 percent of Intensive Services Foster Care (ISFC) families, which are families trained to support high-needs children in a home-based setting. FFAs often specialize in serving medically fragile children, LGBTQ+ youth, older youth, and children with high support needs. FFAs not only provide foster care placements, but an array of services for families involved in the child welfare system, such as parenting classes, substance use disorder counseling, mental health services, and other resources.

There are approximately 220 FFAs in California providing homes for approximately 7,400 children in foster care, or about one fifth of the state's total foster care caseload.

FFA Insurance Crisis. In August 2024, the Nonprofit Insurance Alliance of California (NIAC), which provided insurance coverage to 90 percent of FFAs, announced its decision to non-renew existing FFA insurance policies. According to the California Alliance for Child and Family Services (CA Alliance), as a result of the NIAC decision, FFAs are now seeking insurance from non-admitted insurers whose premium costs are unregulated by the California Department of Insurance, leading to higher insurance costs for FFAs.

The CA Alliance worked with CDSS to survey FFAs to understand the impacts of the insurance crisis in February 2025. Among the 36 FFAs that responded, 28 reported that their costs of insurance increased by 139 percent, and 30 percent of FFAs reported they would not be able to afford these increased insurance costs by next year and are at risk of closure. FFAs have reported using reserves as a short-term solution to pay for insurance premiums, but have emphasized that the current foster care rates do not support their increased insurance costs.

Foster Family Agency Closures. According to CDSS, in the wake of the NIAC decision, eight FFAs have closed their doors, and a ninth FFA will have closed by the end of March 2025.

According to CDSS, 49 resource families home to 61 children have been administratively transferred to either other FFAs or come directly under the county. This means that the children whose FFA closed have been able to remain in their current placement. However, CDSS has acknowledged that transferring FFA homes to other FFAs or directly under county control is not a long-term solution. Counties do not have capacity to absorb all FFA homes or replace the work they do to recruit, retain, and train qualified and specialized foster families.

AB 2496 (Pellerin), Chapter 403, Statutes, of 2024, streamlined the process for transferring homes between FFAs and counties, which has facilitated the ability of the 61 children mentioned above to remain in their current homes. AB 2496 also requires CDSS to work with stakeholders on options for making insurance available to FFAs. CDSS has been meeting routinely with the

Department of Insurance, counties, FFAs, insurance associations, and other stakeholders, consistent with AB 2496.

The CA Alliance has requested two-year funding to address increased costs borne by FFAs to stay open amid the insurance crisis, until the new Tiered Rate Structure takes effect on July 1, 2027. When the Tiered Rate Structure takes effect, FFAs will receive an annual COLA to their administrative costs which will provide greater sustainability than the current interim foster care rates.

Subcommittee Staff Comment and Recommendation – Hold Open. The Governor's proposed 2025-26 budget does not include funding to keep up with FFAs' increased administrative costs or other solutions to prevent further closures that jeopardize the stability of vulnerable children in foster care.

Questions. The Subcommittee requests the Administration respond to the following:

1. As a result of the foster family agency (FAA) insurance crisis, how many foster family agencies have closed? How many total foster homes and individual children in foster care have been administratively transferred to (A) other foster family agencies, or (B) counties? How is the department ensuring that children are receiving the same services they were receiving before the foster family agency supporting their home closed? Have any foster homes providing Intensive Services Foster Care been affected? Can the wave of foster family agency closures continue to be absorbed by counties and other FFAs? What are the impacts to children in foster care if foster family agencies continue to close?

2. Please respond to provider concerns that the current interim foster care rates are insufficient to cover the care and supervision of children receiving foster care through foster family agencies, given their increased costs. What immediate and long-term solutions are being worked on together with the Department of Insurance and other stakeholders?

Issue #8: Child Welfare Services – California Automated Response and Engagement System

Budget Change Proposal – Governor's Budget. The Office of Technology and Solutions Integration (OTSI) requests a total of $256.5 million ($129.9 million General Fund, $125.6 million federal funds, and $940,000 reimbursements) in 2025-26; three new, permanent positions for CDSS; provisional language to increase project expenditure up to an additional $47.3 million ($23.6 million General Fund) following contract negotiations, up to an additional $45.6 million ($22.8 million General Fund) utilizing prior year savings; and an increase in expenditure authority for OTSI of $150.1 million for the Health and Human Services Automation Fund, to continue the CWS-CARES project.

According to the LAO, "CWS-CARES remains the costliest and longest running IT project still in the state's current IT portfolio."[10] The CWS-CARES project was originally approved in January 2013. Since project inception, the total approved baseline cost for this project is $1.7 billion ($850 million General Fund).

Important child welfare reforms rely on successful roll-out of CWS-CARES. The Tiered Rate Structure (covered in Issue #6), needs to be automated in CWS-CARES. Additionally, implementation of the Families First Prevention Services Act (FFPSA), which allows states to claim federal funding for prevention services, also hinges on the successful implementation of CWS-CARES, because this federal law requires tracking of per-child prevention spending (which is not available in the state's current child welfare IT system.)

According to OTSI, CWS-CARES will launch statewide in October 2026, replacing the current IT system. The second version (V2) will launch April 2028.

Background on CWS-CARES. CWS-CARES is a statewide case management and data solution for child welfare services to replace the state's current child welfare case management system, known as CWS/CMS. The replacement of the current CWS/CMS system is needed to meet federal requirements. According to OTSI, CWS-CARES will:

- Allow key members of the Child and Family Team (CFT) to have direct access to enter information or access shared information to support case plan and service delivery.

- Allow children and their families to be at the center of decision making by providing families with direct access to help them have access to key information and communicate with their worker.

- Provide timelier service delivery and enable social workers to spend less time doing data entry and more time working directly with families.

- Increase process and system efficiency, resiliency, quality, and maintainability across the state.

- Track cost at the individual level (a step towards tracking dollars to outcomes by person and by program).

[10] LAO, "The 2025-26 Budget: CWS-CARES," March 5, 2025.

- Support achievement of the Comprehensive Child Welfare Information System (CCWIS) certification requirements to maintain federal financial participation (FFP) funding and avoid large state repayments and federal non-compliance penalties.

According to OTSI, funding to continue the CWS-CARES project is necessary to improve the quality and overall effectiveness of statewide child welfare delivery while also meeting CCWIS regulations that secure retention of federal funding. The existing CWS/CMS system was initially implemented in 1997 and is not compliant with the CCWIS federal and state laws, regulations, or policies.

This project will deliver the core CWS-CARES solution through two versions: CWS-CARES Version 1 (V1) and CWS-CARES Version 2 (V2). The CWS-CARES V2 extends the functionality of the CWS-CARES V1 with data-intensive features supporting CCWIS compliance and continuation of interfaces, and external systems.

The following chart, provided by the LAO, demonstrates how CWS-CARES project plans have changed, costs have grown, and completion dates have changed:

CWS-CARES IT Project Plans Officially Updated Six Times

Project Plan	Total Cost (In Millions)	Completion Date
FSR	$392.7	September 2017
SPR 1	449.0	April 2019
SPR 2	420.8	December 2019
SPR 3	420.8[a]	December 2023
SPR 4	911.4	July 2025
SPR 5	911.4[a]	July 2025[a]
SPR 6	1,711.0	October 2026[c]

[a]No updates to project cost included in SPRs 3 and 5.

[b]No update to project completion date in SPR 5.

[c]Completion date is for CWS-CARES V1. Completion date of CWS-CARES V2 is April 2028.

CWS-CARES = Child Welfare Services-California Automated Response and Engagement System; IT = information technology; FSR = Feasibility Study Report; SPR = Special Project Report; V1 = version 1; and V2 = version 2.

Source: LAO

Production Pilot Scheduled for 2026-27. According to the LAO, "prior to completion of CWS-CARES V1 in October 2026, the project plans to conduct a production pilot with at least three counties over four to six weeks. During this production pilot, these counties will use CWS-CARES V1 for child welfare program activities, and report defects or deficiencies to the project team. After a two-week stabilization period following the production pilot (which assumes there are no severe system defects or deficiencies), the project will launch CWS-CARES V1 statewide."[11]

Loss of Federal Financial Participation (FFP). According to the LAO, "to receive federal funds for CWS-CARES IT project costs, the state must submit project planning documents for approval by the federal ACF. Once ACF approves the state's planning documents, the project is eligible for FFP of 50 percent for all CCWIS-related planning, development, and implementation costs (that is, a CCWIS claiming status). Over the past year, however, ACF determined that the project is no longer eligible for CCWIS claiming status primarily because of its failure to make progress according to the schedule it submitted to ACF. The project's current non-CCWIS claiming status now extends back to the beginning of federal fiscal year 2024 (beginning October 1, 2023), and will continue to reduce FFP for CWS-CARES IT project costs from 50 percent to 26.5 percent until ACF returns the project to its CCWIS claiming status and potentially allows retroactive claiming of costs at the higher FFP. Additional General Fund needed to cover the 23.5 percentage point reduction in FFP is expected to total $49.6 million in 2024-25."[12]

The federal ACF will conduct a virtual project review in May 2025, after which ACF will re-assess the project's progress and potentially allow retroactive claiming of costs at the higher FFP. This budget proposal assumes that CCWIS claiming status (and thus the higher FFP) will be restored following the May ACF review; however, the state will likely not know until sometime in July whether ACF has decided to restore FFP.

Transition to Holistic Design. To address rework identified in user testing, and mitigate potential project risks, in 2024 OTSI transitioned the project to a new "holistic design" approach. According to the LAO, the holistic design approach "incorporates additional milestone design review focused on understanding how program processes work from start to finish under different scenarios. The additional design review incorporates user feedback, and looks across child welfare service areas to identify milestone interdependencies prior to their development."[13] The transition to holistic design has not affected the project's completion date of October 2026; however it has pushed certain project milestones and testing to later in the project's life, compressing the project time line.

Project Underspent Appropriations in 2023-24 and 2024-25. According to the LAO, the CWS-CARES project underspent its 2023-24 appropriation by $45 million (24 percent) as is projected to underspend its 2024-25 appropriation by $30.4 million (14 percent.) Across cumulative one-time project costs of $1.2 billion, $417.7 was spent as of January 2025. The LAO chart on the following page details actual spending of 2023 and 2024 Budget Act appropriations.

[11] LAO
[12] LAO
[13] LAO

CWS-CARES IT Project Continues to Underspend Its Appropriations

(In Millions)

Budget Item	Budget	Expenditures			Percent of Budget
		Actual	Projected	Total	
2023-24[a]					
Contract Services	$122.0	$95.2	$8.0	$103.2	85%
OE&E[b]	27.2	19.6	1.2	$20.8	76
CCP Costs	23.0	5.2	—	$5.2	23
Personal Services	14.1	12.1	—	$12.1	86
Totals	**$186.3**	**$132.1**	**$9.2**	**$141.3**	**76%**
2024-25[a]					
Contract Services	$134.7	$27.1	$82.3	$109.4	81%
OE&E[b]	29.5	5.8	20.7	$26.5	90
CCP Costs	30.8	1.5	29.3	$30.8	100
Personal Services	15.9	4.4	9.2	$13.6	86
Totals	**$210.8**	**$38.9**	**$141.5**	**$180.3**	**86%**

[a]The expenditure tables combine DSS local assistance funding and OTSI expenditure authority for comparative purposes.

[b]The OE&E budget item includes data center services, enterprise services, hardware and software, training, and travel.

CWS-CARES = Child Welfare Services-California Automated Response and Engagement System; IT = information technology; OE&E = operating expenses and equipment; CCP = Core Constituent Participation; DSS = Department of Social Services; and OTSI = Office of Technology and Solutions Integration.

Source: LAO

Staffing and Resources Request. OTSI requests $256.5 million ($129.9 million General Fund) in 2025-26 to continue the CWS-CARES project. In addition, OTSI and CDSS propose provisional budget bill language to do the following:

- Allow the Department of Finance (DOF) to augment the project's appropriation by up to $47.3 million ($23.7 million General Fund) after completion of vendor contract negotiations.

- Allow DOF, in consultation with the California Department of Technology, to augment the project's appropriation by up to $45.6 million ($22.8 million General Fund) using prior year project savings. This augmentation requires DOF to consider whether the project is making satisfactory progress towards completion of milestones, incorporation of end user feedback, progress towards user adoption; and provide 30-day written notification of the

Joint Legislative Budget Committee (JLBC) that confirms DOF's consideration of satisfactory progress before any augmentation is authorized.[14]

The LAO figure provided below includes a high-level of project costs proposed in 2025-26. This includes the $256.5 million request in addition to most of the $92.9 million in requested provisional augmentations:

Proposed 2025-26 CWS-CARES IT Project Costs

(In Millions)

Budget Item	Proposed Cost[a]
Contract Services	$208.9
OE&E[b]	73.3
CCP Costs	35.5
Chaptered Legislation[c]	15.0
Personal Services	15.3
Total	**$347.9**

[a]The proposed costs table combines DSS local assistance funding and OTSI expenditure authority for comparative purposes.

[b]The OE&E budget item includes data center services, enterprise services, hardware and software, training, and travel.

[c]Chapter 46 of 2024 (AB 161, Committee on Budget) and Chapter 780 of 2022 (AB 2309, Friedman).

CWS-CARES = Child Welfare Services-California Automated Response and Engagement System; IT = information technology; OE&E = operating expenses and equipment; CCP = Core Constituent Participation; DSS = Department of Social Services; and OTSI = Office of Technology and Solutions Integration

Source: LAO

LAO Recommendations. The LAO has offered the Legislature a series of recommendations to improve oversight and more precisely budget for CWS-CARES project costs. The overall effect of the LAO's recommendations would be the same total amount of funding, but with more funding

[14] LAO

contingent on project progress. The LAO's recommendations include the following (included in the chart below and subsequent bullet points):

Recommended Funding Changes Simplify Appropriations and Make More Funding Based on Project Progress

(In Millions)

Funding	Total Funds	General Fund
2025-26 Governor's Budget Proposal		
Appropriation	$256.5	$129.9
Allowable Augmentations	92.9	46.4
Proposed Grand Total	**$349.3**	**$176.4**
Appropriation/Reappropriation Recommendations		
2025-26 Governor's Budget Proposal - Appropriation	$256.5	$129.9
Recommended Funding Changes	**-$71.2**	**-$35.8**
-10 Percent for Historical Underspending[a]	-25.7	-13.0
-2023-24 Prior Year Savings Amount[a]	-45.6	-22.8
Recommended Appropriation Subtotal	**($185.3)**	**($94.1)**
2023-24 Prior Year Savings Reappropriation	$45.6	$22.8
Recommended Appropriation + Reappropriation Subtotal	**($230.9)**	**($116.9)**
Allowable Augmentation Recommendations[b]		
2025-26 Governor's Budget Proposal - Allowable Augmentations[c]	$92.9	$46.4
Recommended Funding Changes	**$25.7**	**$13.0**
+10 Percent from Historical Underspending[a]	25.7	13.0
Recommended Allowable Augmentation Subtotal	**($118.5)**	**($59.4)**
Recommended Grand Total	**$349.4**	**$176.3**

[a]These changes are non-add items that sum up to the recommended funding changes line.

[b]In addition to the recommended funding changes, all allowable augmentations would be based on the determination of satisfactory progress in placeholder provisional budget bill language.

[c]Includes additional funding of same amount as prior-year savings.

- Reduce the requested appropriation and re-appropriate prior year savings in 2025-26. This would make the total appropriation $185.2 million ($94.1 million General Fund) with a re-appropriation of $45.6 million ($22.8 million General Fund) in 2025-26.

- Subtract $25.7 million ($13 million General Fund) (10 percent) to reflect the project's historical underspending, and make that funding available contingent on demonstration of satisfactory progress.

- Subtract $45.6 million ($22.8 million General Fund) from prior year savings, proposed by the Administration as a provisional augmentation, and instead re-appropriate that amount to cover project costs in 2025-26.

- Reject proposed provisional budget bill language to augment the project's appropriation by up to $47.3 million ($23.7 million General Fund) after completion of vendor contract negotiations, and by up to $45.6 million ($22.8 million General Fund) using prior year savings. The LAO notes that "prior year savings should instead be used to cover budget year costs in the requested 2025-26 appropriation. Additional vendor funding after contract negotiations should instead be added to placeholder provisional budget bill language on condition of, at a minimum, the determination of satisfactory progress."

- Instead, adopt placeholder provisional budget bill language with up to $118.5 million ($59.4 million General Fund) in additional funds available based on the determination of satisfactory progress. This amount is based on the two provisional components mentioned above, plus an additional share of total project costs to account for historical underspending.

- Adopt placeholder provisional budget bill language to include JLBC notification regarding the ACF determination regarding the project's CCWIS claiming status and any associated General Fund impacts, and any other potential changes or delays in the project schedule or scope.[15]

Subcommittee Staff Comment and Recommendation – Hold Open. The Legislature may wish to consider the LAO's recommendations in order to improve oversight over this project.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of this proposal and summarize the decision to move the CWS-CARES project to a holistic design approach.

2. Please describe the reduction of federal financial participation for this project in 2024. What is the process and timeline for restoring full federal financial participation, both retroactively and prospectively? The proposed appropriation assumes full federal financial participation will be restored over summer 2025. How will the Administration address increased General Fund costs if full federal financial participation does not materialize?

3. What factors led to the projected underspending of $45 million in 2023-24 and $30.4 million in 2024-25? How does the 2025-26 proposal avoid overestimating actual project costs, unlike the past two budget proposals?

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Issue #9: Child Welfare Budget Change Proposals

Governor's Budget – Child Welfare Budget Change Proposals. The Governor's proposed 2025-26 budget contains the following three budget change proposals for child welfare under CDSS:

1. **First Phase of Foster Care Tiered Rate Structure State Operations.** CDSS requests $1.8 million General Fund in 2025-26 and $1.7 million General Fund ongoing for nine permanent positions to support the first phase of implementation of the Tiered Rate Structure.

2. **Ongoing Funding for Foster Care Placement Services.** CDSS requests $1.2 million General Fund in 2025-26 and $1.2 million General Fund ongoing to make six limited-term positions permanent, to continue the workload associated with developing a Congregate Care Continuous Quality Improvement framework.

3. **California HOPE for Children Trust Account.** CDSS requests $374,000 General Fund in 2025-26 and $364,000 General Fund ongoing and two positions to implement SB 242 (Skinner), Chapter 1010, Statutes of 2024, related to the HOPE program for foster youth.

All three proposals are summarized below.

<u>First Phase of Foster Care Tiered Rate Structure State Operations</u>

Background: Tiered Rate Structure. AB 161 (Committee on Budget), Chapter 46, Statutes of 2024, establishes the Tiered Rate Structure for foster care payments, effective July 1, 2027. The Tiered Rate Structure contains three separate tiers and bases a foster care payments on a child's assessed level of need, identified via the Child and Adolescent Needs and Strengths (CANS) assessment. The Tiered Rate Structure contains three key components of the rate: Care and Supervision, Strengths Building and Maintenance, and Immediate Needs. More background on the Tiered Rate Structure is included in Issue #6 of this agenda.

A child or youth's CANS assessment plays a pivotal role within the Tiered Rate Structure. CANS results dictate a child's tier, and thus fidelity to the CANS assessment is crucial to the implementation of the Tiered Rate Structure. CDSS will need to increase CANS completion rates and to enhance fidelity to the CANS assessment. In addition, AB 161 requires the inclusion of those with lived experience, including Tribal Representatives, in the development of the Tiered Rate Structure.

According to CDSS, current staffing levels are not able to absorb the workload associated with implementing the Tiered Rate Structure and to fully develop and coordinate the engagement of lived experts.

Staffing and Resources Request. CDSS requests nine permanent positions to implement the first phase of the Tiered Rate Structure. These positions will be responsible for the following:

Two Associate Governmental Program Analysts, two health program specialists, two research and data specialists, and one staff services manager.

- Support with coordination, technical assistance, and preparation of the necessary materials for legislative reporting requirements.

- Use behavioral health expertise and the CANS Fidelity tool to assess whether a county is administering the CANS assessment in a way that adequately informs what a child or youth's tier (and thus rate) would be.

- Extract the necessary data to inform the overall analysis of CANS assessment completion rates, utilization of the fidelity tool within counties, and more.

- Serve as the manager of the unit. This manager will assist in delegating tasks assigned to the unit, triaging competing priorities, and coordinating the workflow.

Two Staff Services Manager Specialists.

- Initiate, develop and manage contract agreements with entities and Tribes equipped to support and facilitate partnership with those with lived experience.

- Train and support CDSS staff and stakeholders on appropriate engagement with lived experts, making sure they are full partners and consulted from the outset.

CDSS states that having additional CDSS staff to review statewide and county-level CANS data and to utilize the CANS fidelity tool, which will be developed between August of 2024 and July of 2025, will allow CDSS to measure CANS completion rates, fidelity to the CANS, and more. With this data, CDSS staff will be able to build necessary trainings and technical assistance materials to improve CANS completion rates and enhance fidelity. The inclusion of lived experts makes sure the creation of training, delivery of technical assistance and development of relevant guidance is reflective of the needs of the children and families served. Utilization of continuous quality improvement strategies in collaboration with lived experts will allow for evaluation of outcomes associated with the Tiered Rate Structure, measuring impact and effectiveness. This is key to the successful implementation of the new Tiered Rate structure.

According to CDSS, the department will not be able to absorb the necessary workload to develop and implement the permanent Tiered Rate Structure on July 1, 2027, without these additional positions.

<u>Ongoing Funding for Foster Care Placement Services</u>

Background: Continuum of Care Reform and AB 2083 System of Care. According to CDSS, following the enactment of Continuum of Care Reform (CCR), data shows a successful decrease in the number of youths experiencing congregate care and an increase in family placements; however, the length of stay for youth who experience congregate care has remained high, and too many youths experience long stays in congregate care, inconsistent with state and federal policy. Further, data analysis continues to reflect some younger children experiencing lengthy stays in congregate care and remaining in such settings through adolescence. CDSS states that in the past 13 months, 3,708 distinct youth had 8,952 placements in a congregate care setting. Placement data reports from the Child Welfare Services/Case Management System (CWS/CMS) show that 43 percent of children who were in Short-Term Residential Therapeutic Programs (STRTPs) between March 1, 2023, and March 31, 2024, have been in those settings for one or more years, in total, since the start of their current placement episode, which is contrary to the intent of AB 403 (Stone), Chapter 773, Statutes of 2015 and the federal Families First Prevention Services Act Part IV.

CDSS states that the recent data supports the need for CDSS to conduct continued oversight of the usage of congregate care settings and provide support related to alternatives. Youth who experience stays in congregate care settings often have co-occurring disorders and complex needs. The system of care has faced challenges in responding to the needs of such youth, which can often result in placement instability. When youth with complex needs experience such instability, this may result in extended stays in shelters or in some cases, in unauthorized unlicensed settings. There has been an increase in lawsuits brought against counties due to unlicensed care and overstays in shelter settings. CDSS responsiveness to these lawsuits has required substantial data analysis and technical assistance responses. In addition, county child welfare, probation, residential providers, and local system of care agencies continue to request significant levels of assistance from CDSS regarding serving such youth with complex needs.

AB 2083 (Cooley), Chapter 815, Statutes of 2018, requires a joint interagency resolution team, in consultation with county agencies, service providers, and advocates for children and resource families, to develop and submit recommendations to the Legislature addressing any identified gaps in placement types or availability, needed services to children and resource families, or other identified issues for children and youth in foster care who have experienced severe trauma.

As a part of the joint interagency resolution team, CDSS must have the resources to provide ongoing technical support and assistance to counties as each county is required to implement a Memorandum of Understanding (MOU) pursuant to AB 2083. According to CDSS, siloed practices in planning and services cause gaps and inefficiencies in how systems assess and respond to the needs of children and families, adding to the trauma that children and families experience, and can minimize the positive impacts of each individual system. These silos also lead to ongoing structural gaps in the network/service continuum (including placement settings) that each system provides, and impede the ability of each individual system to adapt and respond to structural gaps in the overall system of care. Thus, providing technical assistance to counties around the implementation and development of their MOUs is critical. CDSS recognizes the need for continued implementation efforts to support the intended level of change and successful outcomes for children. This includes the need for a reduction in the number children entering congregate settings, as well as the increased need to make sure the entire system of care is situated in a way that can respond to the complex needs of these youth.

Staffing and Resource Request. CDSS requests permanent position authority and $1.2 million General Fund in 2025-26, and $1.2 million General Fund ongoing to convert six limited-term positions set to expire on June 30, 2025 previously approved in the 2022 Budget Act to continue critical work associated with increased data-informed oversight, accountability, and continuous quality improvement for the child welfare continuum. The requested resources will focus on the following:

- Increased oversight of foster care placements in congregate care facilities and unlicensed care.

- Oversight related to disproportionality in the continuum of care.

- Continuing effective implementation of AB 2083, which provides critical accountability for local agencies to develop and collaborate within their continuum of care.

CDSS requests position authority for two Staff Services Managers, one Associate Governmental Program Analyst, and three Health Program Specialists. The requested resources will allow CDSS to continue to provide guidance to counties and other stakeholders regarding STRTP standards, develop and respond to county self-assessments, and develop and implement tools to measure the quality of services provided by counties and congregate care providers.

The positions responsible for this workload also provide highly complex project management of cross-divisional coordination with respect to county-specific engagement and multi-agency deliverables. This supports effective use of state resources, including effectively linking subject matter expertise and actionable interventions that support state efforts to comply with federal and state law.

The ongoing implementation of the Continuous Quality Improvement (CQI) Framework, as well as the ability to provide support to counties, congregate care providers, and system partners related to youth with unmet complex needs will require the continuation of funding of the positions listed in this proposal. The requested resources will:

- Support all wide-scale projects of the division, including project management, development, and implementation of a deliverable driven framework for implementation and ongoing support of broad System of Care efforts.

- Provide independent technical assistance while navigating complex data and highly sensitive matters across the systems of care, including a thorough understanding of specialty mental health services.

- Provide oversight, leadership, and day-to-day support and supervision for the collection, analysis, and use of data around technical assistance, youth with complex needs, and CQI.

- Oversee non-technical tasks, including project oversight of policy and program implementation related to the CQI Framework, organizing, and coordinating requests related to unlicensed care, and creating briefing documents and responses for high level, sensitive assignments.

CDSS states that with ongoing permanent funding and position authority, the department can continue to systematically review and respond to the data while proactively engaging with counties to improve care and support for youth, which also prevents litigation.

California HOPE for Children Trust Account

Background: SB 242. SB 242 (Skinner), Chapter 1010, Statutes of 2024, established the HOPE Program and creates trust accounts for children who meet certain eligibility criteria, including children in foster care whose reunification services have been terminated.

According to CDSS, the current Child Welfare System, Child Welfare System/Case Management System (CWS/CMS), does not have the functionality necessary to meet the requirements of SB 242, and requires two additional staff to: (1) routinely flag eligibility for the HOPE program, (2) generate an account number, and (3) transmit information to relevant parties. CWS/CMS is currently scheduled to be decommissioned starting in November 2026 and replaced by Child Welfare Services California Automated Response and Engagement System (CWS-CARES). The subset of the data flow that can be automated will be developed for CWS CARES. However, the tasks of identifying eligible children, assigning HOPE Account numbers, transferring authorized information to the State Treasurer's Office, and creating reports for eligibility communication and outreach will require ongoing manual workarounds.

Staffing and Resource Request. CDSS requests permanent ongoing authority and $374,000 General Fund in 2025-26 and $364,000 General Fund ongoing for one Research Data Specialist and one Associate Governmental Program Analyst to implement SB 242.

CDSS states that these two positions are needed to provide the State Treasurer's Office with the required information on eligible children in a way that protects confidentiality and minimizes administrative burden in accordance with SB 242. Information that would be reported to the State Treasurer's Office on a regular basis includes, but is not limited to: (1) the numbers of eligible children, (2) dates eligibility began and ended, and (3) a unique HOPE account number assigned to each eligible child. To be eligible, a child must have been subject to a foster care order for at least 18 months and family reunification services have been terminated. Youth who enter foster care after age 16 do not need to meet the 18-month requirement.

According to CDSS, SB 242 requires the setup of a careful flow of information between CDSS and the State Treasurer's Office that protects confidentiality of foster youth. CDSS will create a monthly report of eligible children for the Treasurer's Office that identifies children with a newly created "HOPE Account" number. Using that number, and other non-confidential data points regarding their time in care, the Treasurer's Office will set up the accounts. CDSS will develop a process to assist eligible children in activating their accounts. The requested positions will be responsible for the following activities:

- *The research data specialist* will develop and implement a new methodology to extract the required data from CWS/CMS without violating confidentiality laws until CWS-CARES is operational and has implemented the required automation to assume this workload.

- *The analyst position* will develop and implement policy guidance on this new program. CDSS anticipates there will be an ongoing need for substantial technical assistance and verifications of eligible children.

CDSS states that without these positions, CDSS will not be able to absorb the workload and provide this information within necessary timeframes.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of the three budget change proposals included in this issue: (1) First Phase of Foster Care Tiered Rate Structure State Operations, (2) Ongoing Funding for Foster Care Placement Services, and (3) California HOPE for Children Trust Account.

NOT FOR PRESENTATION

Issue #10: Proposals for Investment

Proposals for Investment. The Subcommittee has received the following proposals for investment:

- **Critical Bridge Funding Needed to Prevent Collapse of 220 Foster Family Agencies that Serve 1 in 5 Foster Youth in California.** The California Alliance of Child and Family Services (California Alliance) proposes $47 million General Fund one-time over two years to stabilize California's 220 Foster Family Agencies (FFAs) and protect placements for the more than 7,400 foster youth they serve. If approved, $36.1 million would support FFA administrative costs due to the current FFA insurance crisis, and $10.6 million would provide a cost-of-living adjustment (COLA) for FFAs. The Alliance proposes that the $47 million General Fund over two years would include $39.6 million in 2025-26 ($36.1 million in administrative costs related to insurance, and $3.3 million COLA), and $7.1 million in 2026-27 for a COLA to allow FFAs to continue operating until the Tiered Rate Structure takes effect on July 1, 2027.

  According to the California Alliance, "FFAs across the state are facing an insurance crisis that will jeopardize placements and finding permanent homes for youth in their care. In August 2024, The Nonprofit Insurance Alliance of California (NIAC) that provided coverage to 90 percent of FFAs in California, announced that they would have to stop renewing liability coverage policies. Although limited alternate insurance options are emerging for some FFAs to continue operating and retain coverage in the short-term, these options are significantly more expensive and unsustainable in the long run. While the Insurance Commissioner called for admitted insurers to step up and offer FFAs coverage, not a single state-admitted insurer has joined the market to help insure agencies. FFAs cannot operate without liability insurance, as it is essential for mitigating risk, ensuring financial stability, providing safe and reliable care for children and families, and a requirement of county contracts. Many of the non-admitted state insurers who were willing to offer liability coverage to FFAs are significantly more expensive with often lower levels of coverage, making them an unsustainable long-term solution for agencies."

  The California Alliance further states that "Without insurance coverage, FFAs will continue to downsize and close, which would overwhelm the understaffed county child welfare system and jeopardize placements and quality of care. These exorbitant insurance costs add even more financial distress on already underfunded and understaffed FFAs. The insurance crisis is already impacting agencies financially, with one agency reporting that they had to resort to reducing staff salaries to make up for the costs as 'hours and payment rates have been reduced to social workers to try and offset insurance hikes. Such reduction of hours can directly affect quality foster care services to both resource parents and foster consumers.'"

  In addition to support to address the immediate-term impacts of the insurance crisis, the $47 million requests includes $10.6 million for a COLA. According to the California

Alliance, "CDSS plans to implement the Tiered Rate Structure in 2027, after its originally scheduled launch in 2025. This structure will introduce, for the first time, an annual COLA to the FFA administrative rate, tied to the California Necessities Index (CNI)… This one-time bridge funding will help bridge the gap between 2025 and 2027 for FFAs to pay their staff a competitive wage until finalized child welfare rates are established in 2027 in accordance with the new tiered rate structure."

- **California Success, Opportunity, and Academic Resilience (SOAR) Guaranteed Income Program.** A coalition of organizations including Economic Security Project Action, End Poverty in California, United for a Guaranteed Income, Young Invincible, Santa Clara County, What We All Deserve, and United Way California, Capitol Region request $44 million General Fund one-time in 2025-26 to fund the first year of the CalSOAR Guaranteed Income Program contemplated in pending legislation, SB 33 (Cortese). According to this coalition, "the CalSOAR Guaranteed Income Program would serve high school seniors in California experiencing homelessness. Following the current California Guaranteed Income Pilot Program framework, the program would provide exiting 12th-grade high school students experiencing homelessness with monthly, unconditional cash payments during the critical transition period between high school graduation and postsecondary education or employment. Funding would be passed through the Department of Social Services on a population-based formula to counties that opt-in." This request is associated with pending legislation, SB 33 (Cortese).

- **One-time Investment in Renovations for Permanent, Year-Round Camp Experience for Foster Youth.** Happy Trails for Kids requests $2.4 million General Fund one-time to make various renovations to a newly acquired facility. According to Happy Trails for Kids, "this budget request – which would help Happy Trails open the doors at a permanent camp site in time to welcome campers for the 2025 summer season – seeks to provide foster youth with happy and healthy childhood experiences, learn from and connect to mentors (camp counselors) with lived experience, and give campers a sense of belonging. Further, the permanent camp site will permit Happy Trails to greatly expand its annual offerings, meaning that the organization will be able to (1) welcome foster kids from across the state to the overnight camp experience and other extracurricular activities and (2) increase employment and housing opportunities for camp counselors – the majority of whom have lived foster care experience… Happy Trails is entering a new and transformative chapter in its evolution. A long-time renter, the organization recently was deeded by the County of Los Angeles a 135-acre site in Acton, situated in the unincorporated part of the county near the Antelope Valley. While the possibilities now available to Happy Trails are limitless, considerable work must be undertaken to reimagine the venue and make it "camper ready" for the 2026 season."

- **Child Care Emergency Preparedness.** The California Child Care Resource & Referral Network request $20.5 million General Fund ongoing to support child care resource and referral agencies to support disaster assistance. According to the California Child Care Resource & Referral Network, "currently, federal law requires the state to have a State Emergency Plan, with the Child Care Disaster Plan serving as an annex to that broader plan. The Child Care Disaster Plan outlines the roles and responsibilities of key state agencies to support the childcare infrastructure to provide childcare services to children and families affected by disasters. The recent devastating wildfires in Los Angeles are only the latest example of the growing frequency and intensity of catastrophes in the state. They are also the latest example of how Child Care Resource and Referral agencies were called upon to assist the state and respond to local needs. With at least one agency serving each of California's 58 counties, these organizations play a vital role in ensuring child care providers and families receive the necessary support during crises. The state's Child Care Disaster Plan, written in 2016, recognizes the need for these agencies in disaster response and recovery. However, despite their designated and important role, California Childcare Resource and Referral agencies are not currently equipped with the necessary resources to fully implement and coordinate their responsibilities." This request is associated with pending legislation, AB 1471 (Soria).