Senate Budget and Fiscal Review—John Laird, Chair

SUBCOMMITTEE NO. 3 Agenda

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

Thursday, April 23, 2026
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Freeman

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

5180 CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

Issue 1: Child Care Budget Overview

Governor's Budget—Child Care and Development. The Governor's 2026-27 budget includes $6.8 billion ($5.1 billion General Fund) for CDSS child care programs. The following chart, provided by the Legislative Analyst's Office (LAO), summarizes the total child care budget. Note the LAO chart includes funding for the Child and Adult Care Food Program ($721.32 million in 2026-27, consisting primarily of federal funds), which accounts for the difference between the CDSS child care total fund amount ($6.8 billion) compared to the LAO child care total fund amount in the chart below ($7.5 billion).

Child Care Budget

(Dollars in Millions)

	2024-25 Revised[a]	2025-26 Revised[b]	2026-27 Proposed[c]	Change From 2025-26 Amount	Change From 2025-26 Percent
Expenditures					
CalWORKs Child Care					
Stage 1	$614	$615	$630	$15	2%
Stage 2[d]	549	598	620	22	4
Stage 3	537	581	609	27	5
Subtotals	**($1,700)**	**($1,794)**	**($1,859)**	**($65)**	**(4%)**
Non-CalWORKs Child Care					
Alternative Payment Program	$1,990	$2,058	$2,058	—	—
General Child Care[e]	1,495	1,510	1,487	-$23	-2%
Bridge program for foster children	107	62	62	—	—
Migrant Child Care	79	79	79	—	—
Care for Children With Severe Disabilities	2	2	2	—	—
Subtotals	($3,672)	($3,711)	($3,688)	($23)	(-1%)
Support Programs	**$2,161[f]**	**$1,825[g]**	**$1,934[h]**	**$109**	**6%**
Totals	**$7,533**	**$7,330**	**$7,481**	**$150**	**2%**
Funding					
Proposition 98 General Fund[i]	$2	$1	$1	$0.04	4%
Non-Proposition 98 General Fund	4,450	4901	5,075.50	175	4
Proposition 64 Special Fund	639	$199	184	-14	-7
Federal	2,442	2,230	2,220	-10	—

[a]Reflects 2025-26 May Revision estimates with LAO adjustments.

[b]Reflects *2026-27 Governor's Budget* estimates with LAO adjustments.

[c]Reflects *2026-27 Governor's Budget* with LAO adjustments.

[d]Does not include $4.4 million provided to community colleges for certain child care services.

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

[f]Includes cost estimates for quality programs, child care infrastructure, Child and Adult Care Food Program, CCPU Training Fund, CCPU Retirement Benefit Trust, CCPU Health Benefit Fund, accounts payable, whole child community equity, court cases and costs associated with 2023-24 MOU and parity agreement.

[g]Includes cost estimates for quality programs, child care infrastructure, Child and Adult Care Food Program, accounts payable, prospective pay, reimbursement based on certified need, rate reform support, administrative support, and whole child community equity. The budget authorizes the Department of Finance to increase spending by up to $195 million on CCPU funds for retirement, health, and training.

[h]Includes cost estimates for quality programs, child care infrastructure, Child and Adult Care Food Program, accounts payable, prospective pay, reimbursement based on certified need, administrative support, low income investment fund, whole child community equity, and the child care COLA. The budget authorizes the Department of Finance to increase spending by up to $195 million on CCPU funds for retirement, health, and training.

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

The Governor's revised child care budget for 2025-26 includes $6.6 billion ($4.9 billion General Fund) in 2025-26, which reflects a net decrease of $61.4 million ($28.1 million General Fund increase) from the Budget Act of 2025. The decrease reflects lower than previously projected caseload and lower cost per case in CalWORKs Stages One and Two, partially offset by a higher than previously projected caseload for Cost of Care Plus and One-Time Stabilization Payments, and a higher than previously projected caseload in CalWORKs Stage Three.

The Governor's proposed budget for 2026-27 includes $6.8 billion ($5.1 billion General Fund) in 2026-27, which reflects a net increase of $71.6 million ($209.7 million General Fund increase) from the Budget Act of 2025. The increase reflects a 2.41 percent COLA, one-time infrastructure funding to support communities impacted by fires, higher projected caseload associated with Cost of Care Plus payments, and a higher projected caseload in CalWORKs Stage Three, partially offset by lower than previously projected caseload in CalWORKs Stage Two and the year over year reduction for one-time stabilization payments associated with the renewed California Child Care Providers Union (CCPU) Memorandum of Understanding (MOU).

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 must 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 ($93,418 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 direct 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 centers, family child care homes, 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.

- **Direct 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). 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]	Funded Slots
CalWORKs Child Care	Provides subsidized child care services to current and former CalWORKs families. Slots are available for all eligible children.	160,414
California Alternative Payment Program	Provides subsidized child care vouchers to eligible working families. Slots are limited to budget appropriation.	170,495
General Child Care	Directly contracts with center-based and licensed family child care providers to serve working families eligible for subsidized care. Slots are limited to budget appropriation.	61,048
Family Child Care	Directly contracts with consortia of licensed family child care providers to serve working families eligible for subsidized care. Slots are limited to budget appropriation.	3,400
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 to budget appropriation.	5,054
Care for Children With Severe Disabilities	Provides additional access to child care services for children under the age of 21 years and with exceptional needs.[c] Program is located in the San Francisco Bay Area. Slots are limited to budget appropriation.	80
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]	3,245

[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 $93,418 annually in 2025-26 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 ($5.1 billion in 2026-27), with a substantial portion of costs also covered by federal Child Care and Development Fund (CCDF) ($1.5 billion in 2026-27). 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.

The following pages summarize child care slots and funding across the various CDSS child care programs. The budget funds about 243,322 children across non-CalWORKs child care programs (direct contract and voucher-based programs), and 160,414 children in CalWORKs child care.

Child Care Subsidy Summary[1]

Programs serve income eligible families that are at or below 85 percent of State Median Income.

Voucher-Based Programs

Regional Market Rate. Families may choose any licensed or licensed-exempt provider.

CalWORKs Stage One

Funding: $626.2 million (33 percent GF, 67 percent Federal)
Number of Children Funded: 53,241
Eligibility: Begins when family enters the CalWORKs program.

CalWORKs Stage Two

Funding: $619.9million (87 percent GF, 13 percent Federal)
Number of Children Funded: 53,097
Eligibility: Begins when family is considered "stable" as defined by County Welfare Departments.

CalWORKs Stage Three

Funding: $608.7 million (56 percent GF, 44 percent Federal)
Number of Children Funded: 54,076
Eligibility: Begins 24 months after family stops receiving cash aid. Family may remain in Stage Three, to the extent that funding is available until the family income exceeds the eligibility ceiling or the child ages out.

CAPP

Funding: $2.1 billion (76 percent GF, 16 percent Federal, 8 percent Prop 64 Funds)
Number of Children Funded: 170,495
Eligibility: For non-CalWORKs families that are income eligible and in need of child care services.

CMAP

Funding: $37.2 million (85 percent GF, 15 percent Federal)
Number of Children Funded: 3,200
Eligibility: For children of migrant agricultural worker families who are birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

[1] Represents full-year enrollment based on available funding for FY 2026-27. CalWORKs Stages One, Two, and Three enrollment is based on projected caseload. All other programs display a funded enrollment amount which estimates the number of full-time equivalent children that could be enrolled in the program.

Child Care Subsidy Summary

Voucher-Based Programs (Continued)

Emergency Child Care Bridge

Funding: $62.3 million (86 percent GF, 8 percent Federal, 6 percent Prop 64 Funds)
Number of Children Funded: 3,245
Eligibility: For children in the foster care system birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

Direct Service Programs

Standard Reimbursement Rate.[1] All programs must meet Title V standards.

CFCC

Funding: $54.4 million (72 percent GF, 28 percent Federal)
Number of Children Funded: 3,400
Eligibility: This program provides services through a Family Child Care Home Education Network for children birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

CCTR

Funding: $1.4 billion (80 percent GF, 20 percent Federal)
Number of Children Funded: 61,048
Eligibility: For children birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

CMIG

Funding: $36.1 million (100 percent GF)
Number of Children Funded: 1,854
Eligibility: For children of migrant agricultural worker families who are birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

Child Care for Children with Severe Disabilities

Funding: $1.9 million (100 percent GF)
Number of Children Funded: 80
Eligibility: For children and young adults with severe disabilities under 21 years of age.

[1] Beginning January 2022, Direct Service programs will be reimbursed at the greater of the Standard Reimbursement Rate or the converted daily Regional Market Rate in the county.

All programs above are administered by CDSS effective July 1, 2021. Funding for indirect services (including Resource and Referral and Health and Safety) is not included. Total funding, funding ratios, and caseload is based on the 2026-27 Governor's Budget. In addition to the programs listed here Preschool, After-School Programs, and California Community Colleges Child Care also serve children in state subsidized care.

Governor's Budget includes $98 million reduction in federal and Proposition 64 funds, resulting in elimination of 4,200 general child care slots. The Governor's Budget includes a total of $98 million in reductions to the General Child Care (direct contract) programs in 2026-27 across two fund sources:

- **Decline of $75.3 million federal CCDF funds.** First, a decline in federal CCDF funds, driven by a recalculation of the federal CCDF formula, results in a $75.3 million reduction to General Child Care in both the revised 2025-26 budget and the proposed 2026-27 budget. The Governor's Budget eliminates 3,200 funded general child care slots associated with this decline.

- **Decline of $22.7 million Proposition 64 funds.** Second, a decline in Proposition 64 revenues designated for child care programs results in a $22.7 million reduction to General Child Care in 2026-27. The Governor's budget eliminates 967 funded general child care slots associated with this decline.

Some general child care slots awarded in 2024 and earlier have not been filled. Since 2021, the state has added funding for approximately 130,000 new subsidized child care slots as part of a multi-year slot expansion plan (See Issue #2 for more detail on the slot expansion plan). While slots for voucher-based programs can be filled relatively quickly, it takes more time for CDSS to award, contract, and fill slots for the General Child Care (direct contract) program. There are several reasons this takes time. On the front end, CDSS must develop a request for applications, review applications, and award funding on a competitive basis, before finalizing and executing a contract. After tentative awards have been issued, contract execution can be delayed as providers navigate issues such as securing a facility (renting a site, expanding or renovating an existing site, or constructing a new site altogether); local permitting; fire marshal clearance; acquiring a state license; and hiring and training teachers and other staff before enrollment can begin; among other things. Whereas a voucher slot can be added by taking the voucher to any eligible provider of the family's choice, adding slots for the General Child Care program often involves the development of new classrooms and facilities, which is a lengthier endeavor.

CDSS estimates that contracts for about 10,000 General Child Care slots have not been executed; about 5,000 from the 2024 slot expansion which added approximately 11,000 General Child Care slots, and about 5,000 from prior expansions.

As a result of contracts that have not been executed, the LAO estimates that "in 2024-25, $446 million in General Child Care funding went unspent. Although total unspent funding for 2025-26 is not yet available, as of January 2026, approximately $170 million in funding from the most recent slot expansion has not yet been contracted. Some of these slots will likely be contracted by July, but the state is likely to have additional unspent funds for 2025-26."[1]

Because about 10,000 funded General Child Care slots have not yet been filled, the 4,200 slots proposed for elimination in the Governor's Budget would not result in any children being disenrolled from child care programs. However, it would mean reduced funded capacity for subsidized child care in the state and a backsliding of the 130,000 new child care slots the state has added since 2021.

The 2024 Budget Act included trailer bill language to streamline contracting for existing General Child Care providers to take up newly added slots. CDSS implemented this provision in October 2024 to

[1] LAO, "The 2026-27 Budget: Child Care and State Preschool," March 19, 2026.

distribute 1,133 unawarded General Child Care slots and will continue using the streamlined process moving forward to decrease the administrative burden on contractors.

Governor's Budget includes proposal to spend $11.5 million Proposition 64 funds for child care facilities impacted by recent wildfires. The Governor's Budget proposes $11.5 million in one-time Proposition 64 funding to provide infrastructure grants to licensed child care providers impacted by recent wildfires. These Proposition 64 funds would be redirected from the California Natural Resources Agency on a one-time basis. CDSS anticipates that these funds would support repairs for about 400 licensed providers that were impacted by recent wildfires. The Governor's Budget does not propose trailer bill or budget bill language associated with this investment; as a result key details such as grant amounts, provider eligibility, and timelines for distributing infrastructure grants are not available.

Child care "hold harmless" reimbursement policy sunsets on July 1, 2026 for General Child Care. Since the COVID-19 public health emergency, child care providers have received reimbursement flexibility, known as the "hold harmless" policy. For voucher-based programs, this means reimbursement is based on a child's enrollment, similar to the private market. For direct contract programs (General Child Care), this policy allows providers to receive the lesser of their reimbursable program costs or the maximum reimbursable amount under their contract. (Prior to the pandemic, providers across both program types were reimbursed based on actual attendance).

The 2025 Budget Act included trailer bill language that sunsets the hold harmless policy effective July 1, 2026 for direct contract programs (including General Child Care and the California State Preschool Program). For these direct contract programs, effective July 1, 2026, programs will be reimbursed based on the number of children enrolled. Voucher-based programs will continue to be reimbursed based on a child's maximum authorized hours of care through July 1, 2028, pursuant to the MOU between the state and CCPU.

Child care "prospective pay" policy unlikely to be implemented. The 2025 Budget Act included $21.9 million General Fund in 2025-26 and $43.8 million General Fund in 2026-27, in addition to $8.2 million for one-time automation costs, for child care contactors to implement a new federal requirement to pay child care providers prospectively (at the beginning of the month, similar to private pay families). Additionally, the 2025 Budget Act included $582,000 and six positions in 2025-26 and $1.1 and six positions in 2026-27 and ongoing for state operations to support local implementation of prospective pay.

ACF announced intent to rescind the federal prospective pay policy in January 2026. In light of uncertainty around final federal requirements, CDSS has not spent any of the funding associated with the prospective pay policy and is awaiting federal guidance. In order to implement prospective pay, the costs to the state would exceed the technical and administrative resources appropriated in the 2025 Budget Act, because the state would need to account for an ongoing upfront payment of rates to all providers in the initial month of implementation. CDSS estimates this cost to range anywhere from $1-2 billion, a cost which is not included in the Governor's Budget.

Final 2025 Budget Act included three-year agreement with CCPU. As part of the final 2025 Budget Act, the Legislature ratified the three-year agreement reached between the state and CCPU on August 7, 2025. Trailer bill extended monthly per-child rate supplements, known as cost of care plus, for all subsidized child care and preschool providers, adjusted by the COLA approved in the 2025 Budget Act.

In addition, trailer bill required CDSS and CDE to provide all subsidized providers with a one-time stabilization payment of $300 per child for license-exempt family child care providers and $431 per child for small and large family child care providers, center-based providers, and California State Preschool Program (CSPP) providers. Additionally, trailer bill language required the state to make a single contribution to three CCPU funds to maintain the balances of those funds, from July 1, 2025 through July 1, 2028, as follows: $15 million to the CCPU Training Partnership Fund; $80 million to the CCPU Retirement Trust; and an amount based on provider enrollment for the CCPU Workers Health Care Fund. Total costs of the MOU and parity agreement are $1.5 billion ($1.28 billion General Fund, $217.6 million Proposition 98) in 2025-26 and $1.3 billion ($1.1 billion General Fund, $180.57 million Proposition 98) for the duration of the three-year agreement. Across both CDSS and CDE programs and inclusive of all CCPU-represented and non-represented providers in 2025-26, costs are distributed as follows: $203.7 million for one-time stabilization payments; $945.4 million for the continuation of cost of care plus monthly rate supplements; $82.8 million for the COLA to the cost of care plus monthly rate supplements; $100 million for the CCPU Health Benefits Trust; $80 million for the CCPU Retirement Benefits Trust; and $15 million for the CCPU Training Fund. Administrative costs for implementation include $6.7 million for administration of one-time stabilization payments; $61.4 million for administration of the cost of care plus rate supplements; $930,000 for administration of the COLA; and $1.1 million for CDSS and CDE state operations.

Emergency Child Care Bridge. The 2025 Budget Act included a reversion of $30 million General Fund estimated to be unspent in 2024-25, and a reduction of $30 million General Fund in 2025-26 and ongoing, to the Emergency Child Care Bridge program, which funds child care slots for children in foster care on an emergency basis. The budget retained $57.2 million General Fund for the Emergency Child Care Bridge program. As a result of this reduction to Emergency Child Care Bridge, four counties experienced a shortfall in program funding. While CDSS was able to reallocate funds mid-year to redistribute unspent funds across counties, one county (Santa Barbara) paused new enrollments in the program for seven months in 2025-26.

Federal child care CCDF "freeze." In January 2026, the federal Health and Human Services Agency sent a letter unlawfully "freezing" access to approximately $5 billion in federal funds for child care, CalWORKs, and the Social Services Block Grant under false and unsubstantiated allegations. This action jeopardized about $1.1 billion in federal CCDF block grant funds. This federal action is currently subject to a preliminary injunction.

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide an overview of the Governor's proposed 2026-27 budget for CDSS child care and development programs, including the proposal to spend Proposition 64 funds on child care facilities impacted by recent wildfires.

2. What is the Administration's rationale for the Governor's budget proposal to eliminate approximately 4,200 funded General Child Care slots?

3. Please explain why some General Child Care slots funded in prior years have not been entered into contracts. What are common reasons why providers experience delays that prevent contracts from being finalized? What program changes would assist providers and CDSS to ensure funds designated for child care slots do not go unspent?

Issue 2: California's Commitment to Expand Child Care

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

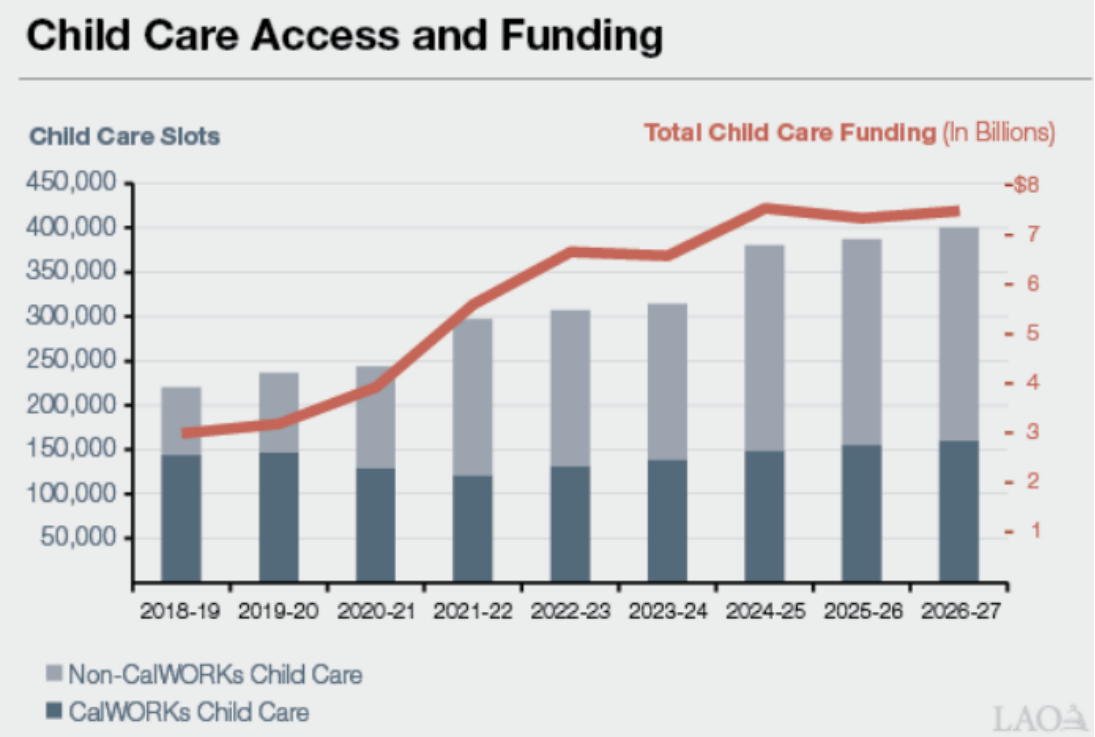
- Claire Ramsey and Lupe Jaime-Mileham, CDSS
- Tony Jordan, Executive Director, Child & Family Services, Stanislaus County Office of Education
- TerrieAnne Shanks and Mary Ignatius, Parent Voices California
- Laura Pryor, Research Director, California Budget & Policy Center

Background: Five Years of Historic Child Care Expansion. Over the last five years, the state has embarked upon a historic expansion of subsidized child care for low-income families. Some key achievements of the last five years include:

- Investment in CDSS child care has increased from a total of $3.5 billion in 2020 to $6.8 billion in 2026.
- The state has funded new subsidized child care slots for 130,000 low-income children.[2]
- Non-CalWORKs child care slots have increased by 113.8 percent.[3]
- CalWORKs child care caseload has increased by over 31,000 (23.9 percent).
- Family fees have been overhauled, with the vast majority of families in the system paying no family fee at all.
- Reimbursement rates for child care providers increased by about 20 percent in 2023 alone.
- The state granted collective bargaining rights to family child care providers and has entered into three agreements with the Child Care Providers Union (CCPU).
- The state and CCPU established the first-in-the-nation retirement fund for child care providers.
- The state provided $350 million to renovate and expand child care facilities.

[2] The Governor's Budget proposes eliminating 4,200 of these slots, as described in Issue #1.
[3] LAO, "The 2026-27 Budget: Child Care and State Preschool," March 19, 2026.

The figure below, provided by the LAO, demonstrates the significant expansion of child care access and funding since 2018-19:



Two Key Commitments to Expand Child Care are Incomplete. Over this time period, the Legislature and Administration committed to two key goals to improve access to child care (1) a goal to add 206,800 new subsidized slots; and (2) a goal to overhaul the way the state pays child care providers by moving towards a single rate structure based on the cost of care. A status update on each goal is provided below.

(1) The state's goal to add 206,800 new child care slots.

Slot Expansion Plan. Prior to the 2021 Budget Act, the state funded approximately 100,000 non-CalWORKs child care slots. As part of the 2021 Budget Act, the Governor and the Legislature agreed to increase the number of child care slots by 206,800 across voucher programs and General Child Care. The 2023 and 2024 Budget Acts included partial delays, but the 2024 Budget Act codified a revised slot expansion plan, subject to appropriation, to be fully phased in by 2027-28. About 130,000 slots have been funded under this plan.

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

Governor's 2026-27 Budget moves state backward on slot expansion. The Governor's proposed 2026-27 budget:

- Does not propose any funding for the 44,000 subsidized slots that would be funded in 2026-27 according to the statutory slot expansion plan.

- Eliminates funding for approximately 4,200 slots (see Issue #1 for detail on this proposal).

It would cost the state approximately $336 million 2026-27 and $636 million ongoing (reflecting a full year of implementation) to fund the 44,000 new subsidized slots.

(2) The state's goal to transition to a single rate structure based on the cost of care.

Child Care Rate Reform. 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 fragmented market-based rate model to single rate structure intended to capture the "cost of care." A single rate structure would include a uniform base rate that varies based on factors such as child age, region, provider license type; with enhanced rates for services such as special needs. Today, some child care providers are reimbursed based on the Standard Reimbursement Rate (SRR) and other providers are reimbursed based on the Regional Market Rate (RMR), with all providers receiving monthly per-child rate supplements pursuant to the state's MOU with CCPU.

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.

In November 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 "alternative methodology." CDSS worked with stakeholders and a contractor to develop a cost-

estimation model – essentially a tool used to estimate the actual costs of providing child care rather than the historical practice of rate-setting, which involved surveying regional rates paid in the private market.

The full cost estimation model, available on CDSS's website,[4] was completed in June 2025. As a result, the CCDF 2025-2027 State Plan uses an alternative methodology as a new benchmark to assess rates currently in effect, rather than using the market rate survey for this purpose as in prior state plans. While CDSS completed the important step of developing a cost-estimation model using an alternative methodology, this step itself did not set actual implementation of a single rate structure into motion.

The 2024 Budget Act included trailer bill language to codify federal commitments that CDSS 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 alternative methodology 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. In addition, the 2023 and 2024 Budget Act outlined a series of reporting requirements to provide the Legislature with an understanding of the costs and timelines associated with the single rate structure.

2025 Budget Act and CCPU MOU. In August 2025, the state and CCPU reached a new three-year agreement. This MOU includes the continuation of monthly per-child rate supplements known as cost of care plus; one-time stabilization payments for all subsidized providers; and continued allocations for CCPU health, retirement, and training funds. It includes parity across the monthly rate supplements and one-time stabilization payments for center-based providers not represented by CCPU, as well as administrative costs to implement the agreement.

The MOU also called for a Joint Labor Management Committee (JLMC) to develop joint recommendations for a single rate structure that "will be comprised of base rates and enhanced rates for non-traditional hours and inclusion" and informed by the cost-based alternative methodology by no later than November 30, 2025. The MOU states that a single rate structure will become operable upon the parties reaching agreement on the specific rates and when the necessary implementation activities have occurred, including but not limited to: updates to impacted state, contractor, agency, and county payment, administrative, and data automation systems; issuance of written state program guidance; required modifications to state contracts, fiscal handbook, funding terms and conditions, program forms, and fiscal and contract monitoring and audit procedures; and state staff, contractors, agencies, and counties trainings.

Funding to Automate the Single Rate Structure. The 2025 Budget Act also appropriated $21.8 million in federal funds for CDSS to initiate necessary automation activities for the single rate structure. CDSS has not reported spending any of these funds to date.

In a July 2025 report to the Legislature, CDSS estimated that a minimum of two years would be needed to complete the necessary automation and program implementation activities required to implement the new structure, but noted that "this timeline is subject to change based on the exact scale and magnitude of necessary automation changes, sufficient state resources, and setting specific single rate structure rate levels."[5]

[4] https://www.cdss.ca.gov/inforesources/child-care-and-development/rate-reform-and-quality

[5] Child Care and State Preschool Rate Reform: January 2026 Quarterly Update, CDSS in collaboration with CDE, January 27, 2026.

Single Rate Structure Costs. The chart below, provided as part of the July implementation update, reflects the total direct services costs associated with 100 percent of the state's cost-estimation model for CDSS child care and CDE state preschool programs:

Percent of Cost of Care Covered by Current Investment Levels (in billions)

Rate Elements	Current Investment (2025-26 Budget Act)	Total Cost of Care	Percent of Cost of Care Funded by Current Investment	Difference Between Current Investment and Cost of Care
Base Rate Elements	$7.4	$12.2	61%	$4.8
Enhanced Rate Elements	$0.4	$6.6	6%	$6.2
Funding for Direct Service Rates ONLY	***$7.8***	***$18.7***	***41%***	***$11.0***

Note: As of June 1, 2025.

1. Current Investments are based on settings proportion of current rate cost using the Alternative Methodology cost model.
2. Total Cost of Care is based on settings proportion of total proposed costs using the Alternative Methodology cost model.
3. Enhanced rate element row is the sum of the alternative non-traditional hours, enhances inclusion, and transportation rate outputs.
4. The Current Investment column includes the adjustment factors used in today's rate system.

As reflected in the table, the State's current total investment in direct services rates for subsidized child care and development and state preschool programs is $7.8 billion for 2025-26. The total annual direct services cost of care as determined through the alternative methodology process is $18.7 billion, a difference of $11 billion. These costs do not include indirect support service or administrative costs.

JLMC Report. Pursuant to the 2025 MOU, CDSS, CDE, and CCPU convened a JLMC to develop recommendations related to the single rate structure. The JLMC report, which is available on CDSS's website,[6] includes joint recommendations between the state and CCPU. Key elements of the joint recommendations include the following:

- All programs that serve the same age of children and have the same program requirements receive the same reimbursement, regardless of program contract.

- Target rate increases to rates furthest from the cost of care. This approach will close the largest gaps between the current reimbursement rates and the Alternative Methodology cost of care.

[6] https://www.cdss.ca.gov/inforesources/child-care-and-development/rate-reform-and-quality

- Children 0-2 will be reimbursed with the infant rate, two-year olds will be reimbursed with the toddler rate, children 3-6 will be reimbursed with the preschool rate, and children enrolled in first grade and older will be reimbursed with the school-age rate.

The JLMC report also includes some recommendations that were not agreed upon by both parties, including the following recommendations, among others, that represent state-only recommendations:

- Programs with more requirements should be reimbursed at a higher level. This approach compensates at a higher rate those who have more program requirements that cost more to meet. This would result in higher reimbursement rates for Title 5 settings than Title 22 settings due to the higher program requirements, as well as higher reimbursement rates for licensed Family Child Care Home (FCC) providers than for license-exempt Family, Friend, and Neighbor (FFN) providers.

- The two new enhanced rates under discussion in the JLMC, non-traditional hours and inclusion, will replace related, existing adjustment factors. The enhanced rate for inclusion will specifically replace existing "exceptional needs" and "severely disabled" adjustment factors that apply, in varying amounts and eligibility terms, to the SRR for direct-contract CDSS programs, to the SRR for the California State Preschool Program, and to the RMR.

Disparities between General Child Care and State Preschool Program. CDSS and CDE have noted in quarterly reports to the Legislature that under a single rate structure, both the California State Preschool Program (CSPP) operated by CDE and General Child Care operated by CDSS are anticipated to be reimbursed under the same Title 5 rate categories. This is because General Child Care and CSPP are generally subject to the same Title 5 requirements. The CSPP currently has a higher standard statewide SRR reimbursement rate than General Child Care. The July report notes that "in transitioning to a single rate structure, it will need to be decided how the current mismatch between CSPP and CCTR rates will be aligned."

In addition to higher reimbursement rates than General Child Care, CSPP also has statutory multipliers, known as "adjustment factors" that increase reimbursement for children in certain categories, such as child age or disability. In part to buffer the CSPP program against the loss of four-year olds due to the expansion of transitional kindergarten (TK), in 2022-23 the state created a new CSPP adjustment factor of 1.8 for all three-year olds and expanded disability-based adjustment factors. However, equivalent changes were not made for General Child Care programs operated by CDSS, which generally adhere to the same licensing standards under Title 5 as CSPP. This means that a program serving a three-year old using CSPP funds could be reimbursed over 1.8 times the rate to serve the same child in a General Child Care program, depending on the region.

The Administration has stated that under the single rate structure, all adjustment factors would be replaced by more uniform base rate and rate enhancements, standardized across programs that have the same requirements. In the meantime, however, these disparities across program types persist. The LAO has estimated that costs to bring adjustment factors for CDSS General Child Care up to the level of CSPP would range from $88 - $131 million.

Next step for the single rate structure is unclear. While the state completed the MOU requirement to develop recommendations for a single rate structure through the JLMC process, the recommendations in

the JLMC are largely conceptual and do not include suggested actual final rate amounts or a concrete plan or timeline to phase in new rates. The Administration has stated that final rate-setting will take place through collective bargaining with CCPU; however the current three-year agreement is in effect until July 2028.

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide a summary of progress over the last several years to expand access to child care, including the following: (A) a description of progress to date on the child care slot expansion and (B) a description of progress towards changing the way the state pays for child care, including the Administration's plans and timeline to implement the single rate structure.

2. What challenges does the Administration face in achieving the goals of the child care slot expansion and child care rate reform?

3. How can the state maximize existing child care funding to ensure that all funded child care spaces are filled?

Issue 3: Child Care Cost of Living Adjustment

Budget and Trailer Bill Language Proposal – Governor's Budget. The Governor's Budget proposes $89.1 million General Fund for a 2.41 percent cost-of-living adjustment (COLA) for all subsidized child care providers in 2026-27. The Governor's Budget also proposes trailer bill language specifying that the COLA will be issued to providers in 2026-27 in the form of an increase to the cost of care plus monthly per-child rate supplements.

Background – Child Care COLA. The state provides an annual COLA to child care providers, the same rate applied to K-12 education programs, based on a formula outlined in statute.

Historically, the statutory COLA applied to direct contract providers funded on the Standard Reimbursement Rate (SRR), and for voucher-based programs, the COLA was applied as an increase to total program funding, rather than an automatic adjustment to provider rates. In 2021-22, the state shifted funding methodologies for direct contract programs, allowing direct contract providers to be reimbursed based on the Regional Market Rate (RMR) if the RMR in their region is higher than the SRR. As of 2024-25, providers in 42 counties (largely lower cost counties) were reimbursed based on the SRR. As a result of this shift, the statutory COLA that remained only applied to those direct contract providers who remained on the SRR. This created an uneven COLA structure in which some direct contract providers, usually those in lower cost counties, were eligible for a COLA and other direct contractors were not. For voucher-based providers, the COLA meant an increase in overall program funding, but was not directly attached to provider rate increases.[7]

In the 2023 and 2025 Governor's Budget proposals, the Administration proposed suspending the statutory child care COLA. Instead, the final budget acts repurposed the funding associated with the statutory COLA in different ways:

- In the 2023 Budget Act, the state redirected funding associated with the statutory COLA to partially cover the costs of the monthly cost of care plus payments for 2023-24 and 2024-25.

- In the 2025 Budget Act, the state redirected funding associated with the statutory COLA to uniformly increase the amount of the monthly per-child supplements for 2025-26.

- Also in the 2025 Budget Act, the Legislature enacted trailer bill language that modified the way the statutory COLA is applied in the future. Starting July 1, 2026, the COLA is required to be provided to all subsidized child care and preschool providers as a minimum annual rate increase.

Budget and Trailer Bill Language Proposal. For 2026-27, CDSS proposes to apply the COLA as a percentage increase to the monthly per-child cost of care plus rate supplements. The proposed trailer bill language:

[7] For more background on the statutory COLA, see The 2025-26 Budget: Child Care and State Preschool, Legislative Analyst's Office, March 28 2025.

- Outlines the methodology for calculating the 2026-27 COLA as a percentage increase to the monthly per-child cost of care plus rate supplements.

- Pauses application of the prior COLA to SRR increases.

The Administration states that calculating the COLA in this manner ensures that funds go directly towards provider rates, based on consistent factors such as region and provider type, which ensures a rate increase for all child care programs and is consistent with the new COLA requirement adopted in the 2025 Budget Act.

As adjusted in the 2025 Budget Act, current cost of care plus rate supplements range from $107 to $230 per child per month. These rate supplements vary based on region and license type, but not on other factors such as child age. The LAO estimates that the $89.1 million COLA will result in a nearly 11 percent increase to these monthly per-child rate supplements.

In order to apply the statutory COLA as an increase to the monthly per-child rate supplements in the 2025 Budget Act, the amount that would have been generated by the prior SRR-based formula ($61.8 million General Fund) was repurposed and distributed across all providers. For 2026-27, the Governor's Budget calculates the COLA amount by applying the 2.41 percent COLA to all CDSS child care programs and then adjusting monthly per-child rate supplements based on those totals.

The Governor's Budget inadvertently left out CalWORKs Child Care programs and the Emergency Child Care Bridge program from this calculation and will adjust at May Revision to incorporate the COLA for these programs. The LAO estimates that this correction would increase the cost of the Governor's proposal by about $45 million.[8]

Different COLA Calculation for State Preschool. The LAO has pointed out that the Governor's Budget proposal would calculate the COLA differently across CDSS child care programs and the California State Preschool Program (CSPP) operated by the California Department of Education (CDE). The LAO notes that "the state would calculate the increases separately for child care programs administered by CDSS, LEA State Preschool providers, and non-LEA State Preschool providers…this approach would result in different monthly cost of care plus payments for these three groups of providers. These differences are primarily driven by differences in per-child funding rates across programs. This approach runs counter to the state's overall goal of transitioning to a single reimbursement rate structure that provides the same rates based on specific criteria, such as child age groupings and regional costs. It is also counter to the approach taken in 2025-26 to provide a uniform increase to monthly cost of care plus payments for all providers."

[8] Legislative Analyst's Office, *the 2026-27 Budget: Child Care and State Preschool,* March 19 2026.

Governor's Proposal Creates Disparities in Cost of Care Plus Payments

Rates for Licensed Providers

Provider Type	2025-26 Rates	LAO Estimates of Proposal
Child Care	$152-$230	$177-$268
State Preschool (LEA)	152-230	181-274
State Preschool (Non-LEA)	152-230	184-278

Notes: Cost of Care Plus rates vary by region.

LEA = local education agency.

Source: Legislative Analyst's Office

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide an overview of the Governor's budget and trailer bill language proposal for the child care COLA.

Issue 4: Child Care Alternative Methodology Survey

Trailer Bill Language – Governor's Budget. The Governor's Budget proposes trailer bill language to clarify CDSS's intent to use an alternative methodology rather than a market rate survey to inform child care rate setting, and to move the frequency of updating rate-setting surveys from two years to three years.

Background. Federal regulations require states to use either a market rate survey or a pre-approved alternative methodology to establish provider payment rates. The methodology and results of either process is detailed in the triennial Child Care and Development (CCDF) State Plan that is submitted to the federal Administration for the Children and Families (ACF) for approval.

Until 2024, California used a market rate survey to fulfill this federal requirement. In 2024, CDSS gained federal pre-approval to use an alternative methodology to set child care rates as part of the state's focus on rate reform. As a result, the CCDF 2025-2027 State Plan uses an alternative methodology as a new benchmark to assess rates currently in effect, rather than using the market rate survey for this purpose as in prior state plans. As a practical matter, however, rates paid to providers are still set at the 75th percentile of the Regional Market Rate, plus the monthly per-child flat rate supplements known as cost of care plus.

Proposed Trailer Bill Language. The proposed trailer bill language:

- States that if an alternative methodology is used to inform the setting of reimbursement rates for subsidized childcare, CDSS shall contract to develop and conduct an alternative methodology to set reimbursement rates, no less than every three years.

- Retains the requirement that CDSS conduct a regional market rate survey, only in the event that CDSS does not use an alternative methodology, but modifies the frequency of the market rate survey from every two years to every three years.

CDSS states that the current requirement to conduct a market rate survey every two years no longer aligns with either (A) the federal triennial CCDF State Plan timeline or (B) the state's intent to use an alternative methodology to set child care reimbursement rates.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that as the state moves towards an alternative methodology cost model for setting child care rates, it is reasonable that CDSS no longer dedicate resources to concurrently conducting market rate surveys. Subcommittee staff also notes that "using an alternative methodology" as benchmark for assessing rate adequacy for purposes of completing State Plan requirements is different from materially changing the rates that providers are paid. In the absence of an Administration proposal to implement a single rate structure based on the alternative methodology, the state would use an alternative methodology to survey and assess rates that as a practical matter are still set according to the Regional Market Rate.

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

1. Please provide an overview of this trailer bill language proposal.

Issue 5: Licensed Family Daycare Homes Temporary Absences

Trailer Bill Language – Governor's Budget. The Governor's Budget proposes trailer bill language to clarify flexibilities for family child care licensees to be temporarily absent from the facility while ensuring health and safety standards are met. The proposed trailer bill language modifies the limitation that the licensee may be absent from up to 20 percent of operating hours per "day" to 20 percent of operating hours per "month."

Background. Current regulations limit a family child care home licensee to being temporarily absent from the home no more the 20 percent of the hours the facility is providing care per day. CDSS notes that this timeframe is insufficient for licensees who may need to participate in full-day activities such as professional development and training, medical appointments, or jury duty. Current law does not authorize CDSS to waive the regulatory limitation.

Proposed Trailer Bill Language. The proposed trailer bill includes the following changes:

- Allows a licensee to occasionally be temporarily absent from a family child care home during its hours of operation for no more than 20 percent of the home's operating hours in any calendar month, instead of 20 percent of the operating hours in a day.

- Requires a licensee to arrange for a substitute adult to provide care and supervision for children if the family child care home operates during the temporary absence.

- Allows CDSS to waive these requirements on an individual basis if the waiver is reasonable and necessary and not detrimental to the health and safety of any child in care.

- Requires, prior to a substitute adult's initial presence in the family child care home, the substitute adult to: (1) obtain criminal record clearance; (2) complete specified health and safety trainings including pediatric first aid, CPR, and preventative health; and (3) be immunized according to existing health and safety requirements.

- Requires a family child care home to provide prior written notice to families regarding any temporary absence of the licensee, with exceptions for emergencies.

- Requires a family child care home to report a temporary absence of the licensee to CDSS and to maintain documentation of compliance with the temporary absence policy.

- Makes conforming changes to existing licensing requirements to clarify training requirements of substitute providers.

- Allows CDSS to implement this requirement through letters or written instructions until regulations are adopted.

CDSS states that changing the temporary absence requirement from no more than 20 hours per day to no more than 20 hours per month will allow licensees to participate in various activities such as ongoing

training to maintain licensure, professional development, medical appointments, and jury duty. This will ensure that licensees provide safeguards for substitute care and provide adequate communication with families when a licensee is absent.

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide an overview of this proposal.

Issue 6: Defining Excessive Unexplained Absences

Trailer Bill Language – Governor's Budget. The Governor's Budget proposes trailer bill language to define "excessive unexplained absences" for purposes of CDSS subsidized child care programs.

Background. Existing law defines "attendance" for CDSS child care programs as the number of children present at a child care facility. For purposes of reimbursement, the definition of "attendance" includes excused absences by children because of illness, quarantine, illness or quarantine of their parent, family emergency, medical and educational appointments, or to spend time with a parent or other relative as required by a court of law or that is clearly in the best interest of the child.

Federal regulations generally establish a 12-mont determination and redetermination period for subsidized child care (Code of Federal Regulations, Title 45 (45 CFR) section 98.21(a)(1)). These regulations provide an exception to that general rule in the case of excessive unexplained absences. To use this option, the state must define the number of unexplained absences it considers excessive.

Currently, CDSS allows disenrollment from programs based on a demonstration of "abandonment of care." Establishing abandonment of care requires a provider to notify the contractor if a family has not been in communication with the provider for seven consecutive calendar days and has not notified the provider of the reason for non-use of services. The contractor is then required to attempt to contact the parent through various communication methods. If there is no communication for 30 consecutive calendar days, the contractor may issue a notice of action to disenroll the family, which can lead to the termination of child care services.

SB 1047 (Limón) Chapter 923, Statutes of 202, and AB 1808 (Stephanie Nguyen), Chapter 356, Statutes of 2024, extended eligibility for CDSS child care programs to 24-month periods. CDSS states that while this change ensures eligible families maintain access to these subsidies, it is also critical to pair the 24-month eligibility policy with clarifying policy related to unexplained absences to ensure full utilization of subsidies.

Proposed Trailer Bill Language. This trailer bill adds a statutory definition of "excessive unexplained absences" to mean "absences that are not considered "excused" under existing law and exceed 30 consecutive or nonconsecutive days within a 12-month interval during the period of time between determinations and redeterminations. The trailer bill allows CDSS to implement this definition through written instructions until regulations are adopted, no later than July 1, 2030.

Contractors have reported to CDSS that the term "consecutive" in the current standard for abandonment of care limits their ability to respond in some situations when a family is not regularly utilizing care. Defining "excessive unexplained absences" and establishing a mechanism for disenrollment of families with excessive absences, similar to other states, will ensure child care subsidies are being fully utilized.

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide an overview of this proposal.

Issue 7: Child Care Family Fee Deductions

Trailer Bill Language – Governor's Budget. The Governor's Budget proposes trailer bill language to codify that child care contractors shall reimburse subsidized child care providers for the full amount of the certificate or voucher without deducting family fees to align with current federal requirements.

Background. In 2024, the Administration for Children and Families (ACF) updated federal regulations (45 Code of Federal Regulations (45 CFR), Part 98), related to the Child Care and Development Fund (CCDF) 2024 Final Rule. As a result of this rule, CDSS is required to demonstrate that it has established payment practices applicable to all CCDF providers that ensure the total payment received by CCDF child care providers are not reduced by the determination of affordable family fees.

Due to changes enacted in the 2023 Budget Act, most families receiving subsidized child care do not pay any family fees. Families below 75 percent of state median income pay no fee for subsidized child care and families at or above 75 percent state median income pay fees capped at one percent of monthly income.

For the subset of families who are required to pay family fees, contractor collection practices may vary. Currently, some voucher-based child care contractors may collect family fees from families, while other contractors may deduct the family fee from the reimbursement paid to the family's provider, who then collects a fee from the family directly to make their reimbursement whole. To come into compliance with the 2024 federal Final Rule, this practice needs to be uniform – with the contractors collecting applicable family fees and fully reimbursing providers.

Proposed Trailer Bill. The proposed trailer bill states that beginning July 1, 2026, contractors shall reimburse subsidized child care providers for the full amount of the certificate or voucher without deducting family fees and shall collect family fees.

Agency Concerns. Some contractors that operate child care voucher programs, specifically the Riverside County Office of Education, state that their practice for many years has been to deduct the family fee from provider reimbursement and then require the provider to collect the family fee directly from the family. They are concerned that the implementation date of July 1, 2026 is not enough time to establish payment procedures and practices to comply with this requirement, and have requested a one-year extension for implementation.

Subcommittee Staff Comment and Recommendation Hold Open.

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

1. Please provide an overview of this proposal.

2. Please address concerns raised by some child care contractors about the timeline to implement this proposed change.

Issue 8: Early Childhood Policy Council

Budget Change Proposals – Governor's Budget. The Governor's Budget includes two proposals related to the Early Childhood Policy Council:

1. The California Health and Human Services Agency (CalHHS) requests a reappropriation of $617,000 General Fund to use for the Early Childhood Policy Council through June 30, 2028.

2. CDSS requests $185,000 General Fund in 2026-27 and $181,000 in 2027-28 and ongoing for the equivalent of one position to implement additional responsibilities of the Early Childhood Policy Council pursuant to AB 563 (Jackson), Chapter 268, Statutes of 2025.

Background: Early Childhood Policy Council. The Early Childhood Policy Council (ECPC) was established under the Child Care and Development Services Act to advise the Governor, the Legislature, and CDSS on statewide early learning and care policy. This includes the planning, implementation, and evaluation of the State's Master Plan for Early Learning and Care and the 2019 California Assembly Blue Ribbon Commission on Early Childhood Education Final Report. The ECPC is also federally mandated in the Code of Federal Regulations section 98.15(b). Existing law allows up to $300,000 to be used by CalHHS for costs to provide staff for the 27-member council and its committees.

The 2025 Budget Act reappropriated approximately $752,000 General Fund for the ECPC from prior years until June 30, 2026.

Reappropriation Request. The Governor's Budget proposes to re-appropriate $617,000 General Fund from prior years until June 30, 2028. This is a modification to the re-appropriation provided in the 2025 Budget Act: the total amount of the re-appropriation is adjusted downward, and the request is for a two-year extension. According to CalHHS, "upon reconciling actual expenditures for fiscal year 2024-25, there is approximately $617,000 General Fund available from prior years that CalHHS requests to reappropriate until June 30, 2028 to provide continued support for child care programs, children, and families."

CalHHS states that requested reappropriation funding will be designated for a contractor who will provide meeting assistance, coordinate travel assistance and stipends, develop mid-year and annual reports, and track ECPC and committee member service. With approval of this resource, the ECPC, including its Parent and Workforce Advisory Committees, can continue to convene meetings to discuss and provide recommendations on all aspects of the state's early childhood system.

CDSS notes that one reason for the amount of available unspent funding available to re-appropriate from prior years is because the ECPC is required to provide stipends for members of the council who may need child care or compensation for lost time while attending ECPC public meetings. The use of these funds varies based on whether members choose to attend meetings in person and require stipends as a result. The department notes that the use of stipends has increased as in-person attendance has recovered from the COVID-19 pandemic.

AB 563 Request. AB 563 requires additional details to be included in the ECPC annual report to the Legislature. Specifically, AB 563 requires the ECPC annual report to include the following: successes, challenges, and gaps in the state's childhood education systems; and recommendations to facilitate

advancing the state's vision for children, families, and communities. The bill also requires the ECPC to develop policy proposals and budget requests directly for the Legislature to consider related to child care facility needs, workforce needs, and family access.

Currently CDSS does not have any staff dedicated solely to supporting the work of ECPC and instead uses a contractor for meeting facilitation, translation, and other support.

CDSS states that the department does not have the resources to support the additional reporting work required by this legislation. CDSS requests $185,000 General Fund in 2026-27 and $181,000 General Fund in 2027-28 and ongoing for the equivalent of one Analyst II to conduct the work required by AB 563. This position will track, analyze, evaluate, and report on trends and implications based on available research and data, including state and federal legislation and regulations. The position will also be responsible for establishing and managing the contract workload that includes budgets, reports, and proposals, as well as managing the ECPC inbox and website.

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide an overview of the two items including in this issue (1) ECPC reappropriation request and (2) resources to implement AB 563.

Issue 9: Child Care and Development Division Staffing and Support

Budget Change Proposal – Governor's Budget. CDSS requests $2.3 million federal Child Care and Development Fund (CCDF) in 2026-27 and $2.2 million federal CCDF in 2027-28 and ongoing to support 11 positions within the Child Care and Development Division to support overall growth in child care programs and improve fiscal operations.

Background. Over the past four years, CDSS's Child Care and Development Division has experienced substantial growth in both state and federal funding and staffing. According to CDSS, several support divisions within CDSS have not seen similar increases in staff and are currently operating at full capacity. Additionally, CDSS states that the Child Care and Development Division itself needs more resources to effectively process funding applications and handle suspension and expulsion appeals.

The 2025 Budget Act approved an Administration proposal to increase federal expenditure authority by $6.4 million in 2025-26 and $6.2 million ongoing for 33 federally funded permanent positions to provide policy, program, and administrative support to child care and development programs. The 2024 Budget Act approved an Administration proposal for $7.9 million in federal fund authority for 41 positions to provide policy, program, and administrative support to CDSS child care programs.

Resource Request. The requested $2.3 million in federal CCDF funds would support a total of 11 positions (including permanent position authority for three positions) across various CDSS operations for support related to child care programs.

Table A: CDSS Staffing and Support Request

Resource Request	Personnel Years
Analyst II – Funding Applications and Appeals Section (FAAS)	1.0 PY
Subtotal Child Care and Development (CCDD) Position Equivalents	**1.0 PY**
Senior Accounting Officer (Specialist) – AFSB	1.0 PY
Accounting Administrator I Specialist - AFSB	1.0 PY
Analyst II – HRSB	1.0 PY
Supervisor I – HRSB	1.0 PY
Personnel Specialist – HRSB	2.0 PY
Research Data Specialist I – RADD	1.0 PY
Subtotal Support Divisions Position Equivalents	**7.0 PY**
Attorney IV – Legal Division (ITAL Branch)	1.0 PY
Attorney IV – Legal Division (FAB Branch)	1.0 PY
Legal Secretary – Legal Division (LOB Branch)	1.0 PY
Subtotal Support Divisions Permanent, Authorized Support Positions	**3.0 PY**
Total Positions (authorized and position equivalents)	**11.0 PY**

CDSS has identified workload needs related to child care across the following activities:

Accounting and Fiscal Systems Branch. The Accounting and Fiscal Systems Branch provides accurate and timely financial reporting to federal and state compliance agencies for the department's child care programs. These functions support fiscal integrity and reduce the risk of fraud and inaccurate payments. With the implementation of the Cost of Care Plus initiative, the Branch is now responsible for administering a new and more complex payment structure that operates outside of traditional contract payments. This shift requires additional specialized staffing to avoid backlogs and maintain timely reconciliations.

- *Resource Request:* Two positions to efficiently manage non-standard contract payments and prevent delays in reimbursing childcare contractors and providers. These positions will perform professional accounting duties, prepare federal reports, support audit readiness and accuracy, and review expenditures. Without additional positions, the increased workload resulting from child care programs and the Cost of Care Plus initiatives will heighten the risk of payment backlogs, operational disruptions, and non-compliance with federal and state regulations.

Legal Division. Currently, two Information Technology & Administrative Litigation attorneys devote 50 percent of their time to supporting audit appeals from CDSS's child care programs. The number of audit appeals has tripled from three in 2022-23 to 12 in 2023-24, with 10 appeals already filed in the first 10 months of 2024-25. CDSS states that to manage growing demands in case management, audit compliance, and appeals due to the increase in child care contractors, an additional attorney is needed to support audits and identify any improper or fraudulent use of funds.

The Legal Division's Family and Adult Programs Policy & Litigation Branch provides critical legal support to child care programs, including compliance guidance, regulation development, and defense in audit and fraud cases. However, rapid child care funding expansion, a 30 percent increase in child care contractors, and rising audit appeals have exceeded current legal capacity. CDSS states that without a dedicated attorney, key initiatives—like timely regulation adoption and audit dispute resolution—are hindered. Additional legal staffing is essential to maintain program integrity, compliance, and fiscal accountability, which will support robust program oversight and prevent fraud.

CDSS further states that deficiencies in clerical support directly impact the Division's ability to provide comprehensive and timely legal services. "The current ratio of assignments in the Policy Branches is approximately one Secretary to every 15 Attorneys and Paralegal staff. The Legal Division's three Policy Branches consist of nearly 90 positions, including those requested in this proposal. There are currently four Legal Secretaries providing support to the Policy Branches, and the workload is becoming unsustainable. The establishment of the requested Legal Secretary position will provide essential coverage in areas lacking in legal clerical support and reducing ratio deficits."

- *Resource Request:* Two Attorney IVs to manage the escalating volume of audit appeals and one Legal Secretary to reduce the risk of delayed resolutions, procedural backlogs, and potential noncompliance issues.

Human Resource Services Branch. CDSS states that the Human Resource Services Branch is facing severe and growing capacity challenges across its core functions of payroll, benefits, disability

management, labor relations, personnel administration, and training. The Child Care and Development Division has grown by over 100 positions over the course of the last four years, however a corresponding increase in human resources has not occurred. This gap in staffing has resulted in operational delays, compliance risks, and elevated error rates. The Personnel Bureau is responsible for recruitment, examinations, appointments, performance management, reorganizations, and audit responses. Staffing shortages have created significant bottlenecks that hinder timely workforce expansion, delay service delivery, and increase the risk of negative audit outcomes.

- *Resource Request:* Four Human Resources positions for CDSS to effectively support hiring, onboarding, and compliance functions specific to child care programs. Delays in filling vacancies directly impact program execution and contribute to increased staff turnover. Insufficient HR staffing also raises the risk of noncompliance with CalHR and State Personnel Board mandates, exposing the Department to potential corrective action, audit findings, and diminished internal service quality.

Research, Automation, and Data Division. The Research, Automation and Data Division is integral to the department's ability to deliver reliable, timely, and actionable data to inform decision-making, measure child care program effectiveness, and respond to evolving policy demands. This Division requires additional staffing capacity in critical functions such as analyzing child care program data for oversight bodies and federal compliance, including to identify the improper use of funding, and operationalizing the data systems goals contained within the Master Plan for Early Learning and Care.

- *Resource Request:* One Research Data Specialist to manage the growing volume, complexity, and urgency of child care–related data analysis and reporting requirements.

Funding Applications and Appeals Section. The Continued Funding Applications process supports the renewal of contracts for existing child care agencies. CDSS is tasked with releasing a streamlined application for current child care contractors, the number of which has increased from 369 to 491 (25 percent) since 2021. CDSS states that the integration of Prospective Pay will require an earlier release date of the Continued Funding Application and a tighter due date to ensure contracts are executed and payments are issued prior to July 1, significantly increasing workload beyond current staffing capacity in the Funding Application and Appeals Section. CDSS notes that for the last four years, staff have been temporarily reassigned for Continued Funding Applications.

CDSS is also tasked with implementing and facilitating an appeals process for suspensions and expulsions of children ages 0-5, which creates an increase in workload to facilitate the state-level appeals process and communicate with parents and providers. The Appeals Unit must facilitate an expedited timeline to ensure (1) children and families have consistent care based on their needs and (2) contractors and providers are provided programmatic guidance in real time to align their suspension and expulsion policies.

- *Resource Request:* One Analyst II to process Continued Funding Applications for nearly 500 child care contractors, ensure timely contract renewals in compliance with federal requirements, and provide subject matter expertise. The Analyst II position equivalent will also support implementation of the suspension and expulsion appeals process for children ages 0–5. Delays or errors in any of these critical functions could impede provider participation, delay payments, and compromise children's access to child care.

CDSS states that projected outcomes of these positions include enhanced technical assistance and program guidance to the child care field, enhanced fiscal operations resulting in fewer errors and audit findings and increased program integrity, and improved human resources and legal support to the CDSS Child Care and Development Division.

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Microsimulation models or longitudinal/cross-sectional studies conducted developed or updated annually	N/A	6	6	4	4	4
External Audit Consultations/ Investigation Consultations/ Other Legal Consultations	N/A	219	219 +	219 +	219 +	219 +
Litigation Hearings and Appeals	N/A	36	36 +	36 +	36 +	36 +
Review, Analyze, Draft Regulations and Legal Opinions, and provide other Program Support	N/A	161	161+	161+	161+	161+
Training materials that need updating	N/A	10	10	11	12	12
Continued funding applications	485	485	514*	543	572	601
CCTR expansion applications	0*	150	150	150	150	150
Request for personnel action processed	755	1415	2287	2550	2850	3000
Staff assigned to each Personnel Specialist roster	300-400	350	300	25020	200	180
Review reconciliation of various ledgers, including FI$CAL, against SCO balances to ensure all payments and receipts clear and posted to the correct detail level	312	312	322	332	342	352

*Subject to availability of funds and number of expansion slots.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that across the 2024 and 2025 Budget Acts, the Legislature approved Administration proposals to increase federal CCDF authority by approximately $14 million and 74 positions for CDSS state operations related to the child care expansion, which appear reasonable in light of the roughly doubling of the size of CDSS child care programs since 2020. The Governor's proposed 2026-27 budget moves the state in the opposite direction – proposing to eliminate funding for approximately 4,200 child care spaces, and citing a decline in federal CCDF funds as the rationale.

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

1. Please provide a brief overview of this proposal.

2. Please explain why more resources are needed for CDSS state operations related to the child care expansion when the Governor's budget proposes to reduce funding for General Child Care by approximately $98 million, representing approximately 4,200 slots.

Issue 10: Child Welfare Budget Overview

Governor's Budget – Child Welfare. The Governor's proposed 2026-27 budget includes $10.4 billion ($1 billion General Fund) for children and family services programs.

Child welfare is funded mainly through federal funds ($3.7 billion) and realigned county funds ($5.32 billion). Approximately $1 billion General Fund supports child welfare, as shown in the LAO chart below:

Governor's Budget Local Assistance Funding for Child Welfare

Includes Child Welfare Services, Foster Care, AAP, KinGAP, and ARC (In Millions)

	Total	Federal	State	County	Reimbursement
2026-27 proposed expenditures	$10,435	$3,683	$1,065	$5,326	$361
2025-26 revised estimates	10,130	3,531	1,127	5,159	312
Change From 2024-25 to 2025-26	**$305**	**$151**	**($62)**	**$167**	**$49**

Notes: Includes associated automation costs, Emergency Child Care Bridge, and Bringing Families Home.

AAP = Adoption Assistance Program; KinGAP = Kinship Guardianship Assistance Payment Program; and ARC = Approved Relative Caregiver Program.

Source: LAO

According to the LAO, "Although state funding is proposed to decrease, total funding for child welfare programs—including federal and local funding sources—is projected to increase from the current to the budget year by around $300 million (shown above). The net total increase is driven by assumed growth in ongoing program expenditures, such as higher projected federal and county expenditures for child welfare programs that were realigned in 2011."[9]

The drivers of the year-to-year total funding net increase are displayed in the LAO chart on the following page.

[9] LAO, The 2026-27 Budget: Child Welfare, March 3, 2026.

Changes in Local Assistance Funding for Child Welfare at 2026 Governor's Budget

(In Millions)

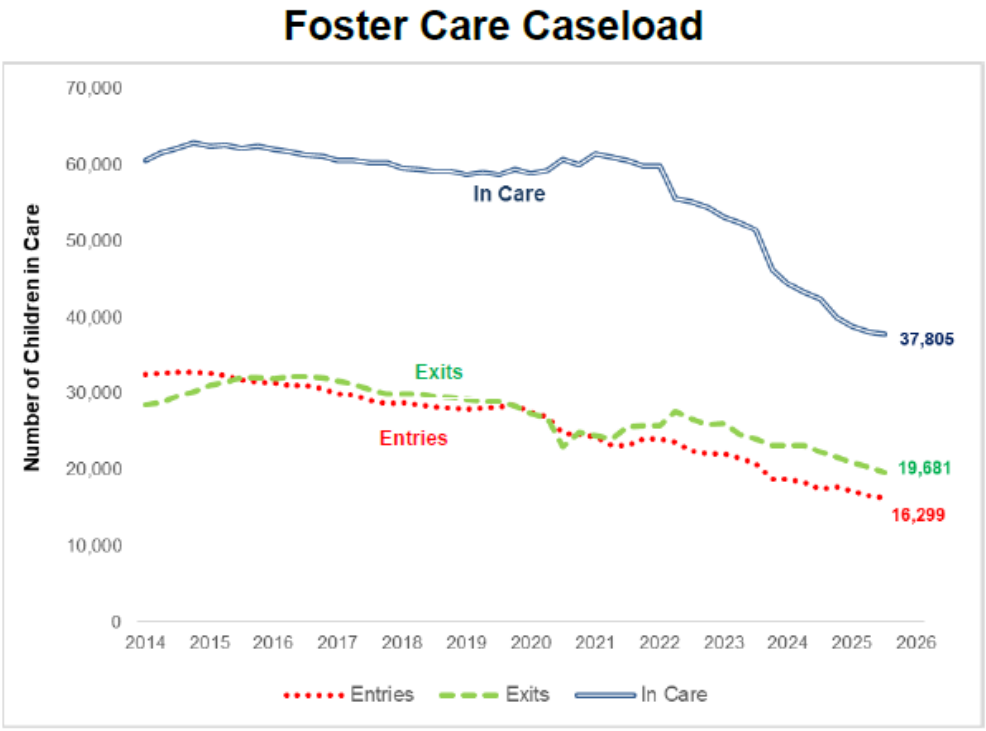
Item	Changes From 2025-26 Revised Estimates to 2026-27 Proposed Spending		Description
	Total Funds	General Fund	
Expiration of one-time augmentation for Bringing Families Home	-$81	-$81	One-time augmentation for BFH. Funding available for three years, through June 30, 2028.
Expiration of one-time augmentation for FFAs	-32	-23	One-time augmentation for FFAs to mitigate closures in response to the insurance issue.
Expiration of one-time CCR reconciliations for 2021-22 and 2022-23	-28	-28	One-time costs for CCR reconciliations for prior years. Estimated CCR reconciliation for 2023-24 is expected to be included as part of the 2026 May Revision proposal.
Expiration of one-time costs for initial Tiered Rate Structure automation (CalSAWS and CWS-CARES)	-14	-9	One-time initial automation funding to prepare the state payment system and the new state child welfare case management system for implementation of the permanent foster care rate structure.
BH-CONNECT implementation	-2	-1	Reflects updated estimates for Family Maintenance cases receiving CFT meetings.
CWS-CARES project increase	126	63	Revised OTSI spending plan. This brings total CWS-CARES costs to around $2 billion through 2026-27.
Net changes in CCR costs for Home-Based Family Care Rates	17	11	Higher projected costs for foster care, Kin-GAP, ARC, and AAP payments under CCR (an increase of about 4 percent in 2026-27 relative to 2025-26). This increase is the net change reflecting higher monthly payments to caregivers due to the annual COLA (projected to be 3.42 percent in 2025-26), partially offset by caseload trends—which are projected to be lower for foster care and ARC and roughly flat for AAP and KinGAP.
2011 Realignment (FC, AAP, CWS, Adoptions, Child Abuse Prevention)	278	—	Projected increases in county and federal expenditures under 2011 realignment. This is an increase of about 3 percent in 2026-27 relative to 2025-26.
Other net changes	39	6	Net effect of all other estimated expenditure changes across programs, such as non-CCR increases to Kin-Gap.
Total Net Change	**$305**	**-$62**	

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

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 2026-27 budget projects the following child welfare caseloads:

- 27,104 children with emergency response cases in response to maltreatment allegations.
- 11,425 children receiving family maintenance services to help keep children safely at home.
- 11,863 children in Family Reunification, receiving time-limited services in temporary foster care to prevent or remedy neglect, abuse, or exploitation when a child cannot safely remain at home.
- 36,042 children in foster care for whom the child welfare system is working toward permanent placement.
- 85,280 adopted children receiving assistance through the Adoption Assistance Program (AAP) and 16,675 children in the Kinship Guardian Assistance (Kin-GAP) program.

The Governor's proposed 2026-27 budget does not contain any new child welfare proposals.



Source: Center for Social Services Research, School of Social Welfare, UC Berkeley; entries and exits are from July 2024 through June 2025; caseload is point in time for July 2025.

The foster care caseload in on a multi-year decline, as displayed in the chart above.

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.[10]

[10] 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.

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 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.

CARES Project. 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 the CalHHS Office of Technology and Systems Integration (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 access to key information and communication with their social workers.

- 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).

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

The existing CWS/CMS system was initially implemented in 1997 and is not compliant with the CCWIS federal and state laws, regulations, or policies. According to OTSI, CWS-CARES will launch statewide in October 2026, replacing the current IT system. The second version (V2) will launch in April 2028.

The 2025 Budget Act included $185.3 million ($94.1 million General Fund) in 2025-26 and re-appropriated $45.6 million ($22.8 million General Fund) unspent from the 2023 Budget Act, for a total of $230.9 million ($116.9 million General Fund) to continue the design, development, and implementation activities for the CWS-CARES project. Expenditure of these funds is contingent upon continued project approval from the Department of Technology. In addition, budget bill language authorized the Department of Finance to augment the appropriation by up to $118.5 million ($59.4 million General Fund) based on satisfactory project progress.

In the fall of 2025, ACF did not approve California's annual planning update, causing the CARES project to make several significant changes in advance of the anticipated October 2026 launch. Among other things, the federal government rejected the state's plan to conduct a production pilot with a few counties prior to the launch. Instead, the state will create a production simulation environment for users in all counties to be trained in the new CARES system and identify any defects or deficiencies prior to the October 2026 launch.

The total estimated cost (including federal funds) of the CARES project over the multi-year lifetime of the project is $1.7 billion. The Governor's Budget does not propose any changes to the CARES project budget; however the Department of Finance has indicated that the May Revision will include an updated budget change proposal for the CWS-CARES project.

Important child welfare reforms rely on successful roll-out of CWS-CARES. The Tiered Rate Structure (covered in Issue #11), 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.)

2025 Budget Act. In addition to funding for CWS-CARES, the 2025 Budget Act included the following significant changes to the child welfare budget:

- **Foster Family Agency Bridge Funding.** The 2025 Budget Act included one-time funding of $31.5 million ($23 million General Fund) for foster family agencies to mitigate the increased costs of liability insurance, using criteria and a methodology determined by CDSS in consultation with child welfare stakeholders. This funding is available for encumbrance and expenditure through June 30, 2027

- **Foster Care Tiered Rate Structure.** The 2025 Budget Act made implementation of the Foster Care Tiered Rate Structure, scheduled for July 1, 2027, subject to appropriation**.** The 2025 Budget Act also included $3.7 million ($2.5 million General Fund) and 16 positions to support the first phase of implementation of the Foster Care Tiered Rate Structure.

- **Child and Adolescent Needs and Strengths Fidelity and Training.** The 2025 Budget Act included $2.9 million ($2.1 million General Fund) ongoing to support the implementation of the Tiered Rate Structure by integrating the California Integrated Practice-Child and Adolescent Needs and Strengths (IP-CANS) and Child and Family Team (CFT) Fidelity Plans. Funding will facilitate the development, training, and implementation of system-level and case-level fidelity

tools, including the County Practice and Implementation Profile and CFT Observation Tool, to monitor and improve practice quality.

- **Family Urgent Response System (FURS)**. The 2025 Budget Act reverted up to $9 million General Fund estimated to be unspent in both 2023-24 and 2024-25 and reduces FURS funding by $9 million General Fund in 2025-26 to align with recent program spending. This maintains $21 million General Fund ongoing for FURS, which provides 24/7 mobile response to children in foster care.

- **Mandated Reporter Training.** The 2025 Budget Act appropriated $600,000 General Fund in 2025-26, $300,000 General Fund in 2026-27, $5.6 million General Fund in 2027-28, and $1 million General Fund in 2028- 29 for the development and use of a standardized curriculum for mandated reporters. Corresponding trailer bill language requires CDSS, with input from child welfare stakeholders, to develop a standardized curriculum for mandated reporters by July 1, 2027.

Foster Family Agency Insurance Crisis. 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.

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.

To date, 25 FFAs representing roughly 250 homes with placements closed across 2024 and 2025. According to CDSS, no placement disruptions occurred as all homes were ported to another FFA or county.

In response to the wave of FFA closures, the Legislature provided temporary bridge funding in the 2025 Budget Act for foster family agencies to mitigate the increased costs of liability insurance, available for expenditure through June 30, 2027. In fall 2025, CDSS approved a total of 119 requests from FFAs totaling $20 million and is in the process of awarding the remaining $7.5 million through a second round of applications for renewals that are due in 2026. According to CDSS, the funding awarded in 2025-26 will only cover one year of increased FFA liability costs. CDSS estimates that it would take at least $13 million to make FFAs whole for 2026 insurance renewals.

According to the California Alliance of Child and Family Services, the bridge funding allocated in 2025-26 prevented additional FFA closures. However liability insurance costs remain elevated and FFAs are in need of additional support in 2026-27 absent a long-term solution to the FFA insurance crisis. (See Issue #16 for a stakeholder proposal to fund an additional one-time FFA bridge for 2026-27).

Expiration of one-time funding for child welfare from prior years. The 2021 and 2022 Budget Acts provided a total of $100 million in one-time General Fund to counties to augment county child welfare Emergency Response programs, which respond to reports of child abuse and neglect. These one-time funds have been nearly fully expended and expire June 30, 2026 (See Issue #16 for a stakeholder proposal to continue to augment county Emergency Response operations on a one-time basis).

The 2022 and 2023 Budget Acts provided counties with flexible, time limited resources to strengthen family-based placements and prevent placement disruption, known as Flexible Family Support funds. According to the County Welfare Directors Association, counties have used Flexible Family Support funds to stabilize new kin placements and remove practical placement barriers (such as beds and furnishings, smoke alarms, repairs, and pool fences) and to maintain sibling and family connections through transportation and travel supports. This funding also sunsets on June 30, 2026; counties have proposed a no-cost two-year extension to enable counties to continue to spend Flexible Family Support funds as a bridge to the implementation of the Tiered Rates Structure.

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide an overview of the Governor's proposed 2026-27 budget for child welfare programs.

2. Is the reduction to FURS included in the 2025 Budget Act having any impact on local FURS operations?

3. Please describe the department's implementation of bridge funding for FFAs provided in the 2025 Budget Act. In the absence of an additional augmentation in 2026-27, does CDSS anticipate more FFAs to close as temporary funding expires?

4. Please provide a brief update on the CWS-CARES project, including recent changes regarding training and production simulation, and how these changes will impact the October 2026 go-live for the project.

Issue 11: Foster Care Tiered Rate Structure Implementation

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

- David Swanson-Hollinger and Angie Schwartz, CDSS
- Vanessa Spagnoli, Director of California Policy, Casey Family Programs
- Carlos Marquez, Executive Director, County Welfare Directors Association
- Chantel Johnson, Directing Advocate, and Kristina Tanner, Special Projects Coordinator, Youth Law Center

Foster Care Tiered Rates Structure. The 2024 Budget Act established a new permanent rate structure for children in foster care, effective July 1, 2027, as the final step in a decade-long reform of the child welfare system. The new permanent rate structure, known as the Tiered Rate Structure, bases foster care payments on the strengths and needs of the child, regardless of their placement setting. This is a significant change from historic rate structures, which have provided one rate for children in family care settings and a separate rate for children placed in congregate settings. 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.

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 and then 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. However under the Tiered Rate Structure, the CANS assessment will provide the data to determine a child's identified needs and strengths, which will lead to a child's placement within a specific rate tier. 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 critical needs, with services provided by qualified providers, including behavioral health treatment. This includes the implementation of a high-fidelity wraparound program, which will be designed to identify and fund specific therapeutic interventions for each child, regardless of where the child is living.

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

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.

Background: Continuum of Care Reform (CCR). Significant research documents the poor outcomes of children and youth in congregate care, such as higher re-entry rates into foster care, low high school graduation rates, and increased risk of arrest. The placement of children in group care settings has been increasingly viewed as a temporary treatment option to be used only in instances where emergency or crisis treatment is warranted. To address this, the Legislature passed a series of legislation enacting the "Continuum of Care Reform" (CCR) framework for state and local governments, beginning in 2012. CCR implemented child-and-family centered reforms to avoid placing children into group care whose treatment needs did not warrant specialized treatment and instead developed a continuum of integrated child welfare and behavioral health supports designed to reduce trauma and increase stability for children and youth in foster care. These policy reforms have reduced the numbers of children and youth in congregate care placements, shortened the during of those stays generally from years to months, and increased the numbers of children growing up in relative and home-based placements.

Key components of CCR include: reducing unnecessary and lengthy placements in congregate care settings; improving outcomes when children are placed in congregate care by ensuring appropriate services are provided; increasing the proportion of children in foster care who are placed with relatives; streamlining caregiver approval for resource families; using the Child and Family Team (CFT) meeting approach to support stable placements, individualized services, and long-term permanency; and the use of the Integrated Practice Child and Adolescent Needs and Strengths (IP-CANS) to support collaborative decision-making and service planning.

Between 2017 and 2023, the number of youth placements in congregate care facilities decreased by 70 percent, in alignment with the goals of CCR, and a higher proportion of children are being cared for in

home-based settings.[11] The use of congregate care in California continues to decline. The number of children and youth experiencing any length of stay in a Short-Term Residential Therapeutic Program (STRTP) decreased from 5,000 children in 2017 to approximately 1,500 in 2025.[12]

These state reforms were mirrored a short time later by Congress, which enacted the Families First Prevention Services Act (FFPSA) in 2018. FFPSA is intended to achieve similar goals by enhancing support services for families to help children remain at home, requiring additional oversight of children placed into facilities, and reducing the duration of institutional stays.

CCR established an interim foster care rate structure which has been in effect since 2017. The interim rate structure includes four "levels of care" for children and youth placed in home-based family settings (with each level representing higher complexity of caring for the child), and a flat rate for children placed in STRTPs. CCR required the development of a permanent rate structure by 2022; this date was later extended to 2025. The Legislature and Governor adopted the Tiered Rate Structure as part of the 2024 Budget Act to fulfill this requirement. The Tiered Rate Structure will take effect July 1, 2027, subject to appropriation.

A fundamental component of the Tiered Rate Structure is that rates will be based on the individual needs of each child rather than where the child is placed. This will provide children and youth in family settings with the same level of funding as those in short-term residential treatment facilities to support care and supervision, strengths building, and immediate needs at the child's assessed level of need.

Tiered Rate Structure Implementation Update. CDSS is working with partners, including the Department of Health Care Services (DHCS), counties, foster care providers, youth, and child welfare stakeholders, to implement the various components of the Tiered Rate Structure in advance of the July 1, 2027 implementation date.

Care and Supervision. The Tiered Rate Structure breaks funding associated with basic care and supervision of children and youth into a separate component of the rate structure, which represents an increase to the uniform "level of care" rates in effect today. The rates for Care and Supervision (paid to the caregiver) range from $1,788 per month for a child in Tier 1 to $6,296 per month for a child in Tier 3+ (representing the highest level of complexity and care needs). Administrative rates paid to foster care providers, such as FFAs, for activities such as caregiver recruitment, retention, approval, and training are separate monthly from the base Care and Supervision rate component.

Strengths Building Program. The Strengths Building Program is designed to facilitate positive childhood experiences, tailored to a child's needs, to help children develop strength and personal resiliency, lessen the impact of traumatic childhood experiences, and support permanent long-term stability. The Tiered Rate Structure establishes explicit monthly funding for strengths building activities (such as sports, arts, music, and other extracurricular activities), directed by the child or non-minor dependent with support from the Child and Family Team (CFT).

[11] CDSS, Continuum of Care Reform Oversight Report, March 2024.

[12] https://public.tableau.com/app/profile/california.department.of.social.services.dashboard.design/viz/CCRDashboard_17060562329960/STRTPPlacements

CDSS has contracted with Public Partnerships LLC and is working to finalize their duties as the Financial Management Coordinator for the Strengths Building Program. Informed by stakeholder working groups convened in the Spring of 2025, CDSS released programmatic guidance for stakeholder review for the Strengths Building Program. This includes a Standard of Care Framework (including guidance on how the CFT can assist with dispute resolution); examples of allowable activities (not meant to be an all-inclusive list); and Spending Plan templates and instructions, stratified by age.

Immediate Needs Program. The Immediate Needs Program is designed to provide an array of integrated services and supports to children assessed in Tiers 2, 3, and 3+ to address circumstances that interfere with the child's age and developmentally appropriate behavioral or emotional functioning.

CDSS was required by statute to conduct an analysis by January 2026 of the identified needs of children and non-minor dependents in Tiers 2, 3, and 3+; the types of services necessary to address those needs; factors related to the need for additional supervision; reasonable administration and operational activities necessary for providers to address those needs; and a cost analysis of those services. CDSS convened an expert panel to translate the IP-CANS data into a deeper understanding of the unmet needs of children in Tiers 2, 3, and 3+ and to make specific service recommendations related to those needs.

Through this analysis, CDSS and the expert panel identified High Fidelity Wraparound services as an essential model for the Immediate Needs program. The "Wraparound Immediate Needs Program" (WIN) is intended to increase coordination and better leverage existing services while filling critical gaps when traditional funding streams are not available.

The analysis recommended that for children in Tiers 2 and 3, the Immediate Needs program should build upon the Medi-Cal High Fidelity Wraparound reimbursement model by adding critical supports including a family specialist, a youth peer partner, capability for 24/7 crisis triage, more intensive and tailored assessments, and flexible funds of approximately $100 per month.

For children in Tier 3+ with the most intensive needs, the analysis recommends incorporating all Tier 2 services plus intensive stabilization supports and individualized therapy. CDSS found that the highest intensity Tier 3+ cases require enhanced staffing ratios to support the youth and family (whether in a family setting or in an STRTP) including enhanced Family Specialist caseloads and Youth Partner ratios, agency capacity for overnight in-home support, specialized family finding activities, and flexible funds up to $400 monthly.

CDSS's analysis found that the Care and Supervision and Administration components of the Tier 3+ rate are aligned with basic minimum licensing standards for Short-Term Residential Therapeutic Programs (STRTPs) and are sufficient to fund reasonable administrative and operational activities for the STRTP care setting. The full report is available on the CDSS website.[13]

High Fidelity Wraparound and Immediate Needs. CDSS intends to utilize California's High-Fidelity Wraparound Model for Tiers 2, 3, and 3+ of the Immediate Needs Program. The High Fidelity Wraparound model uses a team approach to address a child's needs across systems by bringing together

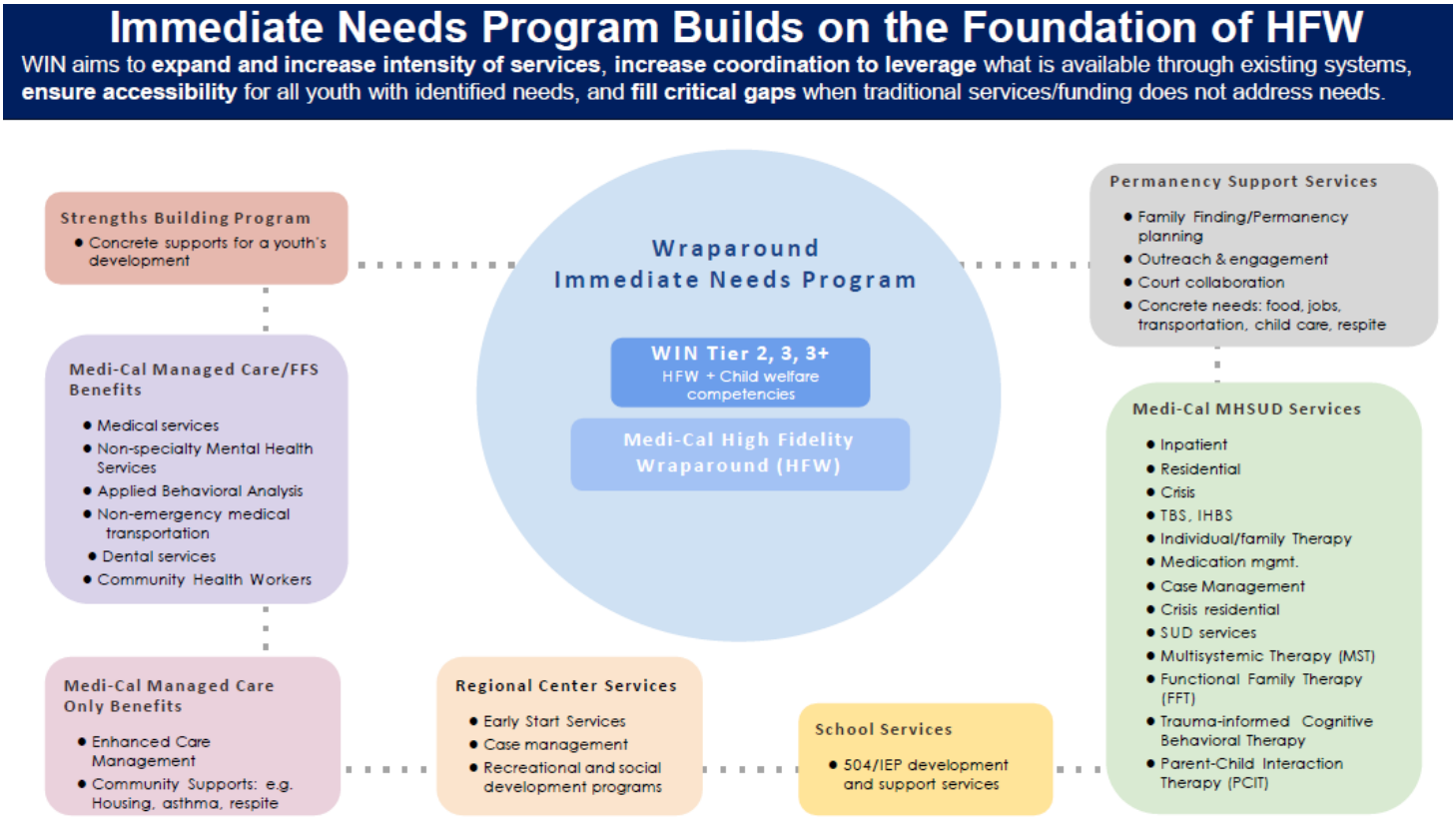
[13] https://www.cdss.ca.gov/inforesources/cdss-programs/foster-care/foster-care-audits-and-rates/foster-care-rate-reform-proposal/overview-documents-on-the-tiered-foster-care-rate-structure

community-based supports, natural supports, relevant system representatives, and professionals to create a cohesive, individualized plan. It is designed to integrate:

- Medi-Cal covered services
- Specialized competencies in child welfare and behavioral health
- Specified non-Medi-Cal covered supports essential to stabilization and permanency.

In March 2026, CDSS and DHCS released a Request for Information for a third-party administrator for the Immediate Needs Program to serve as an administrative and fiscal intermediary for the "Wraparound Immediate Needs" Program. CDSS and DHCS have also published joint guidance on Aftercare Services Utilizing California's High Fidelity Wraparound Model.

The chart below, provided by CDSS, displays the department's plan for the Immediate Needs Program to be integrated with Medi-Cal High Fidelity Wraparound services.



CANS and CFT Fidelity. CANS assessments and Child and Family Team Meetings (CFTs) are foundational elements of the Tiered Rate Structure that are used both to determine a child's needs and Tier, and to provide a collaborative approach to the planning and delivery of services.

The 2025 Budget Act included $2.9 million ($2.1 million General Fund) ongoing to support the implementation of the Tiered Rate Structure by integrating the California Integrated Practice-Child and Adolescent Needs and Strengths (IP-CANS) and Child and Family Team (CFT) Fidelity Plans.

With this funding, CDSS has hired a CANS Fidelity Unit and has expanded training and technical assistance to counties. Additionally, CDSS has published guidance outlining fidelity tools that need to be utilized to support the CANS and CFTs and is focused on achieving a 90 percent completion rate by the end of 2026.

Tiered Rate Structure Costs. The chart below, 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	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -

FY 2025-26

Funding	Total	Federal	State	County
Automation[2]	$ 20,576	$ 7,233	$ 13,343	$ -
County Administration	$ 2,918	$ 773	$ 2,145	$ -
State Operations	$ 3,675	$ 1,103	$ 2,572	$ -
Total	$ 27,169	$ 9,109	$ 18,060	$ -

FY 2026-27

Funding	Total	Federal	State	County
County Administration	$ 3,103	$ 822	$ 2,281	$ -
State Operations	$ 3,579	$ 1,074	$ 2,505	$ -
Total	$ 6,682	$ 1,896	$ 4,786	$ -

*Reflects 0% caseload intake.

FY 2027-28

Funding	Total	Federal	State	County
Care and Supervision[3]	$ 98,920	$ 50,208	$ 37,575	$ 11,138
Strength Building	$ 155,907	$ 6,886	$ 149,021	$ -
Immediate Needs	$ 138,449	$ 6,428	$ 132,021	$ -
County Administration	$ 26,648	$ 7,061	$ 19,587	$ -
State Operations	$ 3,579	$ 1,074	$ 2,505	$ -
Total	$ 423,503	$ 71,657	$ 340,709	$ 11,138

*Reflects 50% caseload intake year 1.

FY 2028-29

Funding	Total	Federal	State	County
Care and Supervision	$ 170,160	$ 84,016	$ 68,746	$ 17,397
Strength Building	$ 233,860	$ 10,329	$ 223,532	$ -
Immediate Needs	$ 207,673	$ 9,642	$ 198,031	$ -
County Administration	$ 38,421	$ 10,181	$ 28,240	$ -
State Operations	$ 3,246	$ 974	$ 2,272	$ -
Total	$ 653,361	$ 115,143	$ 520,821	$ 17,397

*Reflects 75% caseload intake year 2.

FY 2029-30

Funding	Total	Federal	State	County
Care and Supervision	$ 248,522	$ 120,359	$ 104,057	$ 24,105
Strength Building	$ 311,814	$ 13,772	$ 298,042	$ -
Immediate Needs	$ 276,898	$ 12,856	$ 264,042	$ -
County Administration	$ 50,193	$ 13,301	$ 36,892	$ -
State Operations	$ 3,246	$ 974	$ 2,272	$ -
Total	$ 890,672	$ 161,262	$ 705,305	$ 24,105

*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]Automation funding includes reappropriated dollars from FY 2024-25.
[3]Care and Supervision costs are inclusive of Provider Administration.

Provider Concerns. The California Alliance of Child and Family Services has raised concerns regarding the January 2026 cost analysis and the financial assumptions used to arrive at the conclusion that rates to STRTP providers under the Tiered Rate Structure are aligned with basic minimum licensing standards. These providers have also expressed concerns that funding for Immediate Needs will require providers to obtain Wraparound Immediate Needs (WIN) certification, which CDSS has indicated will incorporate full High Fidelity Wrapround (HFW) certification requirements, including Medi-Cal certification.

Subcommittee Staff Comment and Recommendation – Informational Item.

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

1. Please provide an overview of the Foster Care Tiered Rate Structure and how it differs from current interim level of care rates. How will implementation of Tiered Rate Structure enable children and youth in foster care to receive the support and care they need to thrive within families? How will TRS improve child and youth outcomes and how will these outcomes be tracked?

2. How is CDSS using resources approved in the 2025 Budget Act to prepare for full implementation of the Tiered Rate Structure, including improving CANS and CFT timeliness as well as training and technical assistance for counties?

3. Please summarize the progress the state has made in implementing the foundation for each component of Tiered Rate Structure: Care and Supervision, Strengths Building, and Immediate Needs. What are the key milestones and activities that will occur in the next one year to prepare for full implementation? How is CDSS ensuring there is capacity in the field to implement new components such as High-Fidelity Wrap for every child in Tiers 2 and 3+?

Issue 12: Child Welfare Training Program Shift

Budget Change Proposal – Governor's Budget. CDSS requests to shift $947,000 ($568,000 General Fund and $379,000 federal funds) in 2026-27 and $925,000 ($555,000 General Fund and $370,000 federal funds) in 2027-28 and ongoing from local assistance to state operations to fund the equivalent of five positions. These positions would establish a training unit to develop and implement additional training for county social workers and supervisors to meet state training requirements and come into compliance with federal standards. This proposal has no net impact on the General Fund.

Background. The Administration for Children and Families (ACF) has identified child welfare worker training as an area needing improvement in both prior and current rounds of California's Children and Family Services Review. To avoid inadequate findings and fiscal penalties of a minimum of $18 million by the end of the state's current Program Improvement Plan cycle (June 2, 2027), the state must update the existing infrastructure of the training program. Continued non-conformity will result in withholding of federal funds.

CDSS is responsible for 19 federally mandated Performance Improvement Plan activities, which encompass: 1) staff and provider training, 2) statewide quality assurance, and 3) foster/adoptive parent recruitment and retention. CDSS states that they currently lack sufficient staffing to meet these demands within the required timelines. Key drivers of this increased workload include training on case planning and case management; training on the new California Automated Response and Engagement System (CARES), trainings for Child and Adolescent Needs and Strengths (CANS) assessments and Child and Family Teams (CFTs); and additional responsibilities under the federal Indian Child Welfare Act (ICWA) and Family First Prevention Services.

Proposal to Shift Resources from Local Assistance to State Operations. CDSS requests to shift existing funds for Child Welfare Training from local assistance to state operations to support one Supervisor I and four Analyst positions. These positions will establish a training unit to effectively address the expanded training requirements of the California's Child Welfare Training Program.

CDSS staff manage contracts, vendors, projects, and administrative duties to deliver pre-service and initial training to county child welfare workers and juvenile probation officers. Training is not a realigned activity, and many counties lack staff development offices and internal training capacity. As a result, these counties rely entirely on CDSS's managed training contracts to provide social workers and probation placement officers with the knowledge, skills, and values to complete their job duties. The lack of consistent county training resources has created disparities in service delivery and undermines the state's ability to support a consistent, well-prepared child welfare workforce.

In the absence of program-specific training subject matter experts, CDSS staff are directed to support other program areas by contributing to training-related workload. This includes providing technical assistance, attending meetings and workgroups, and supporting contract and vendor management.

Core functions of the requested resources include:

1. Development and implementation of statewide Emergency Response training.

2. Development and implementation of statewide ICWA refresher course training.

3. Development and execution of a Workforce Study contract.

4. Development and implementation of statewide Motivational Interviewing training.

5. Initial training series revised to fully integrate ICWA.

6. Alignment of training programs for county child welfare, judicial staff, and foster parents.

7. Development and implementation of a pilot program for training on Reflective Supervision.

8. Development and implementation of statewide-standardized Quality Caseworker Visit training.

9. Development and implementation of a Staff Mentoring Program.

10. Development of a contract for Safe and Together training for social workers and partner agencies.

For these core functions CDSS will identify internal and external subject matter experts and stakeholders, develop contractor scope of work(s), and form workgroups to develop curriculum. Additionally, staff will implement training, participate in evaluation activities to ensure continuous quality improvement, update training materials, and provide oversight of contractor deliverables.

CDSS states that this shift will result in the following outcomes:

1. *Improved Statewide Training Compliance*:
    a. Development and implementation of ICWA-compliant training for social workers, managers, and directors.
    b. Timely development and implementation of a standardized curricula for Emergency Response, Hotline, Intake, and Screening.
    c. Meet federally mandated Performance Improvement Plan goals, including the statewide rollout of Motivational Interviewing.

2. *Enhanced Workforce Development:*
    a. Transition from pre-service and initial training to comprehensive workforce development, equipping child welfare staff with the skills for long-term career growth and success.
    b. Address training inequities across counties, particularly in those lacking staff development offices.
    c. Implement Reflective Supervisions and mentoring programs to improve worker retention.

3. *Increased Efficiency and Capacity:*
    a. Dedicated staff to liaise with other CDSS programs developing training initiatives.
    b. Improve coordination with other CDSS programs to meet emerging statewide mandates.

4. *Improved Metrics:*

a. Improved coordination with CDSS program partners will increase efficiency and reduce delays associated with implementing new mandates. Accountability will be tracked through measurable improvements in:
    i. Timeliness: Reduced delays in training implementation for statewide mandates and initiatives.
    ii. Quality: Higher adherence to state and federal training standards, resulting in better-prepared child welfare staff.
    iii. Equity: Equal access to comprehensive training across all counties, regardless of local resources.

CDSS will measure success through reduced implementation delays, training compliance rates, and expanded training access across all counties. Outcomes will be tracked annually via internal reporting, contract deliverables, stakeholder feedback, and the federally required Annual Progress and Services Review report.

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide an overview of this proposal and the intended outcomes of shifting these resources from local assistance to state operations.

Issue 13: Adoption Assistance Program

Trailer Bill Language – Governor's Budget. The Governor's Budget proposes trailer bill language to clarify the use of Adoption Assistance Program (AAP) payments for in-state out-of-home placements and Wraparound Services.

Background. In 2020 and 2021, California ended the practice of sending some children and youth in foster care to out-of-state facilities as a result of serious concerns around abuse, neglect, and a child fatality at one of these out-of-state facilities.

However, the same restrictions on out-of-state facilities were not made for adoptive families whose adopted children receive AAP payments from the state. As a result, the 2024 Budget Act included trailer bill language in AB 118 (Committee on Budget), Chapter 7, Statutes of 2025 and SB 146 (Committee on Budget and Fiscal Review), Chapter 107, Statutes of 2025, to restrict the use of AAP payments for placements of adopted children in out-of-state residential treatment facilities. Specifically, AB 118 and SB 146 restricted the use of AAP payments for placement in an out-of-state residential treatment facility to only those adopted children whose parent(s) live in the state outside of California in which the facility is located. The legislation further established parameters governing the authorization of AAP payments for families who meet this criteria, including that the facility be licensed, in good standing, eligible for federal funds, and designated as a qualified residential treatment program.

The 2025 Budget Act required county adoption agencies to report specified information about adopted children in out-of-state facilities. Additionally, trailer bill language requires CDSS to engage child welfare advocates, county child welfare agencies, tribes, and interested stakeholders to update policies regarding the use of AAP for in-home wraparound and in-state out-of-home placements and provide proposed statutory changes to the Legislature no later than February 1, 2026. This proposal is a result of that statutory requirement.

Wraparound Services. Wraparound Services are currently an optional statewide program administered by counties. CDSS recently released guidance to address the authority that allows AAP payments to cover the costs of Wraparound Services and the expectation that Wraparound Services are aligned with the California Wraparound Standards. The proposed statutory changes would provide formal authority for the use of AAP payments for services that meet California Wraparound Standards.

Additionally, AAP payments may cover the costs of in-state out-of-home placement for AAP eligible children. However, the current statute does not clearly define which facilities and providers qualify as eligible out-of-home placement. This has created a variety of interpretations by the counties, adoptive parents, county appeal specialists, and administrative law judges. This proposed trailer bill would provide standardized guidance to counties on how AAP payments may be administered to various facilities and providers based on the child's need. The trailer bill would also specify the determination process and requirements that must be met to allow AAP to fund a child's placement.

Proposed Trailer Bill Language. The proposed trailer bill language makes the following changes:

1. *Authorizes the use of AAP payments for wraparound services.*

a. Authorizes the use of AAP payments for wraparound services in lieu of an out-of-home placement if the responsible public agency has confirmed that the wraparound services are necessary for the temporary resolution of the mental health, behavioral health, or emotional health needs of the child and related to a condition that existed before the adoptive placement.
b. Authorizes the use of AAP payments for wraparound services if the services are justified by a specific condition for up to 12 months. Allows for additional authorizations for payment for wraparound based on the continued need to resolve a specific condition, with consecutive authorizations assessed after each 12-month period.
c. Restricts the use of AAP payments for wraparound services to only those providers who meet California wraparound standards and provider certification requirements, as defined.
d. Until June 30, 2027, restricts the AAP rate paid on behalf of a child receiving wraparound services in lieu of an out-of-home placement from exceeding the rate paid for a foster care placement in an STRTP. Beginning July 1, 2027, conforms AAP payment rates to the Foster Care Tiered Rates Structure, restricting AAP payments from exceeding the Tier 3+ rates for Care and Supervision, Immediate Needs, and administration.
e. Establishes that the designation of a wraparound services provider shall by made by the adoptive family, after consultation with the responsible public agency. Establishes that wraparound service contracts are between the adoptive parents and the wraparound services provider, and the adoptive parents are private pay consumers.
f. Requires the wraparound services provider to provide verification to the adoptive parents documenting that the services meet California standards, or similar requirements if the family resides in another state.
g. Allows CDSS to implement these requirements through written instructions until the adoption of regulations, no later than January 1, 2030.

2. *Authorizes the use of AAP payments for short-term residential therapeutic programs (STRTPs).*

a. Authorizes AAP payments to be used on behalf of an eligible child in an in-state STRTP if the responsible public agency has confirmed that the STRTP is necessary for the temporary resolution of the mental health, behavioral health, or emotional health needs of the child and related to a condition that existed before the adoptive placement.
b. Authorizes the use of AAP payments for an STRTP if the placement is justified by a specific condition, for up to 12 months. Allows payment to continue for an additional 60 days for the purpose of transitioning the child home.
c. Until June 30, 2027, restricts the AAP rate paid on behalf of a child in an STRTP from exceeding the rate paid for a foster care placement in an STRTP. Beginning July 1, 2027, conforms AAP payment rates to the Foster Care Tiered Rates Structure, restricting AAP payments from exceeding the Tier 3+ rates for Care and Supervision, Immediate Needs, and administration.
d. Establishes that the designation of the placement facility shall be made by the adoptive parents, after consultation with the responsible public agency. Establishes that placement in an STRTP shall only be made as part of a plan for the return of the child to the adoptive family and the adoptive parents shall actively participate in the reunification plan.
e. Establishes that a child is eligible for AAP payments to be made for wraparound services following discharge from an STRTP.

f. Allows CDSS to implement these requirements through written instructions until the adoption of regulations, no later than January 1, 2030.

County Concerns. The County Welfare Directors Association (CWDA) has expressed concerns that the hard cap of 12 months for residential treatment for in-state STRTPs may be insufficient for some adopted youth. CWDA states that "…while the majority of stays are less than the 18 months currently provided in state law, for some youth, their level of need is acute, their needs are complex, and those adoptive youth often exhibit highly acute physical and/or sexually assaultive behaviors that put their adoptive families, including any young children in the home, at risk." CWDA further states that regarding authorization for wraparound services, the requirements for adoptive families to designate a wraparound provider and prove that the provider meets state standards could create delay and unnecessary administrative barriers.

Concerns and request for budget action regarding implementation of 2025 Budget Act out-of-state change. CWDA and the Youth Law Center have expressed concerns regarding transitions for adopted children who are in the process of transitioning home as a result of the 2025 Budget Act's restriction on the use of AAP payments for children in out-of-state residential facilities. CWDA and YLC jointly recommend budget and trailer bill action in this budget to improve care for adoptive families with highly acute complex care needs.

Pursuant to the 2025 Budget Act reporting requirements on children in out-of-state facilities paid for by AAP, CDSS reported that 202 children were placed in an out-of-state facility paid for by AAP as of July 1, 2025. As of October, this number dropped to 161 as some children have returned to California (the legislation required this practice to be phased out as applicable adoptive agreements expired.)

According to CWDA and Youth Law Center:

> "County placing agencies have reported that some adoptive families have struggled greatly with finding in-state intensive services to meet their adoptive child's needs as they have returned…CDSS has reported that approximately 50 families have children with such complex needs that they are seeking additional support from state and county agencies to assist them with identifying services and supports to transition their adoptive child safely back to California.
>
> Many adoptive families turned to out-of-state residential facilities not out of preference, but out of desperation after being unable to access the services their children needed earlier and in less restrictive settings. Families often believed these placements were safe and appropriate because the use of AAP funding was permitted by the state.
>
> However, many of these facilities – particularly in Utah – have well-documented histories of abuse and harm to children. As a result, many youth are now returning to California having not received the support needed to address the issues that led to placement, and in some cases with additional trauma resulting from their experiences in these settings.
>
> Youth are returning now, and many families are being left to navigate complex behavioral health and services needs without coordinated support during this transition. Because the state funded these placements through AAP, the state now has a responsibility to ensure that youth and families

are adequately supported as they transition home, and to understand and address the system gaps that led to these placements."

CWDA and Youth Law Center urge the Legislature and Administration to take action in order to (1) support youth and families currently transitioning home; (2) identify and address the root causes that led to out-of-state placements; and (3) build a system of care that ensures families receive effective support before reaching a crisis.

CWDA and Youth Law Center propose trailer bill and budget bill language as follows:

1. **Direct Services and Transition Supports to Adoptive Families:** Require CDSS to ensure adoptive families have access to coordinated, intensive transition support. The proposed trailer bill language would require CDSS to directly, or through contract with one or more service providers, ensure that adoptive families receive:
    a. Case management and service coordination.
    b. Assistance accessing needed services such as high fidelity wraparound and other intensive in-home services.
    c. Linkage to specialized behavioral health care.
    d. Access to individualized services necessary to safely support youth in family settings.

    This component includes proposed budget bill language to redirect $5 million in unspent Complex Care Capacity Building funds from the 2021 Budget Act (which expire in June 2026) and unspent 2023-24 and 2024-25 Child Specific funding.

2. **Access to Disability-based Advocacy:** Require placing agencies to refer adoptive families to appropriate legal services and advocacy resources to support them with independent advocacy to ensure children receive the services to which they are entitled including Medicaid-funded services, behavioral health care, educational services, and developmental services. Given that adoptive children and youth with behavioral health needs are entitled to Medicaid-funded services through managed care plans and developmental programs, but face significant barriers accessing services across multiple systems, access to legal services is critical to help families navigate any barriers in accessing such services.

3. **Root Cause Analysis, Outcome Tracking, and Addressing Service Gaps:** This component would require CDSS to:
    a. Conduct case reviews to determine the reasons why out-of-state placement was necessary, identify what services were unavailable and when earlier intervention could have prevented escalation.
    b. Engage directly with involved youth and adoptive families to understand their experiences.
    c. Track outcomes for youth returning to California, including tracking progress in addressing service gaps.
    d. Report to the Legislature on strategies to address identified service gaps.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff recommends the Subcommittee request technical assistance from the Administration on the joint proposal from CWDA and Youth Law Center to address critical support needs for adoptive families.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal and the Administration's work with stakeholders to develop standards relating to the use of AAP for wraparound services and in-state residential services.

2. Please describe the state's engagement with families whose children are transitioning home as a result of the 2025 restriction on AAP payments for out-of-state residential facilities. What supports are available to these families and how are CDSS and counties working to coordinate services and supports for these families?

Issue 14: Child Welfare Chaptered Legislation

Budget Change Proposals – Governor's Budget. The Governor's Budget includes two budget change proposals to implement chaptered legislation relating to child welfare:

1. **Independent Adoption Program – SB 450 (Menjivar) Chapter 757, Statutes of 2025.** CDSS requests two-year limited-term funding of $355,000 General Fund in 2026-27 and $326,000 General Fund in 2027-28 to support two positions to implement SB 450.

2. **Foster Care Transition Planning – AB 896 (Elhawary) Chapter 564, Statutes of 2025.** CDSS requests one-time General Fund of $300,000 in 2026-27 to update, print, and distribute the Foster Youth Bill of Rights to reflect children and youth rights related to transition planning.

SB 450 Proposal

Background: SB 450. SB 450 expands California's jurisdiction for adoption proceedings, including confirmatory adoptions, for families who either never lived in California or who no longer live in California, if the adopted child was born in California. This legislation was intended to address the legal risks facing the parental rights of LGBTQ+ families, including those who have relocated outside of the state, given the wave of federal and state rollbacks of LGBTQ+ rights nationally.

With the expansion of court jurisdiction from SB 450, CDSS anticipates an increase in the number of independent adoption petitions requiring investigation and case management. To meet these needs, CDSS is requesting resources to support the additional workload associated with adoption investigations and related administration functions on a two-year limited-term basis to allow data on increased workload to be collected to support any ongoing resource needs.

Resource Request: SB 450. CDSS requests funding for one Adoption Specialist and one Office Technician for two years to assist with implementing SB 450. CDSS states that these two positions will support timely adoption investigations for the anticipated increase in adoption investigations and related administration functions due to the enactment of SB 450. This will ensure that adoption services are not delayed and that clerical support associated with adoption investigations, including processing court documents and critical data entry, will be met. While the volume of new adoption cases is unknown, historical averages indicate that one full-time Adoption Specialist manages approximately 40 independent adoptions.

AB 896 Proposal

Background: AB 896. AB 896 places requirements on county placement agencies to ensure transition plans are created and implemented whenever a child or youth in foster care must change placements.

Resource Request: AB 896. CDSS requests one-time funding of $300,000 in 2026-27 to update, print, and distribute the Foster Youth Bill of Rights to reflect the rights of children and youth in foster care to transition plans under AB 896.

The CDSS Office of Foster Care Ombudsperson (OFCO) is mandated to develop and distribute age and developmentally appropriate materials explaining the Foster Youth Bill of Rights and to disseminate the Foster Youth Bill of Rights to counties and licensed children's residential facilities statewide. County social workers and probation officers are mandated to provide each child and non-minor dependent with a copy of their rights at removal, each subsequent placement change, and every six months thereafter. Licensed foster care providers are similarly required to inform foster youth of their personal rights and to post the Foster Youth Bill of Rights in each facility, using the publications developed by the CDSS OFCO.

With the $300,000 General Fund requested in 2026-27, the CDSS Foster Care Ombudsperson will make updates to the language and design of Youth Bill of Rights materials, engage stakeholders and tribes on modifications to final materials, translate materials, and then publish and distribute new materials by January 2028.

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 proposals to implement child welfare chaptered legislation included in this issue.

Issue 15: CDSS Immigration and Refugee Programs

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

- Eliana Kaimowitz, CDSS
- Bruno Huizar, Policy Manager, California Immigrant Policy Center
- Frances Dávila, Manager of Community Advocacy, Acacia Center for Justice

Governor's Budget– Immigration Legal Services Funding. The Governor's 2026-27 budget contains $75 million to maintain funding for ongoing immigration legal services programs. Since 2015-16, the state has provided some level of funding for pro bono immigration legal services, education, and outreach through qualified nonprofit organizations. CDSS also develops programs and administers funding to provide critical assistance to immigrants during emergency situations. Immigration services funding is administered through the CDSS Office of Equity division.

The primary immigration legal services program is the Immigration Services Funding (ISF) program, commonly known as the "One California," program, which has a budget of $45 million General Fund per year. In addition, CDSS administers more specialized legal services programs that serve holders of Temporary Protected Status, students at California Community Colleges and the California State University, and unaccompanied minors (known as Youth Legal Services), as well as capacity and equity initiatives. Together, these programs compose the overall $75 million annual baseline for immigration legal services programs administered by CDSS.

CDSS has also administered immigration-related funding for certain one-time or emergency programs, such as the Rapid Response Program, which generally provides shelter services at the southern border.

Background: One California Program/ Immigration Services Funding. Under the One California program, qualified nonprofit organizations provide the following legal services to immigrants with varying immigration status/categories: immigration consultations, application assistance, and full scope direct representation for immigration benefits and remedies including, but not limited to, Naturalization, Deferred Action for Childhood Arrivals (DACA), U Visas, Violence Against Women Act (VAWA) self-petitions, and Asylum, and Removal Defense.

The department's core services are the Immigration Services Funding (ISF) provider network and Removal Defense (RD) program. CDSS funds 85 ISF organizations to provide free immigration legal services and to conduct education and outreach activities in immigrant communities. These organizations also provide services across an additional 77 extension offices and/or subgrantees. Overall, ISF services are offered at 162 service locations. Currently the ISF providers have a three-year service agreement that began January 1, 2024, and ends on June 30, 2027.

The Removal Defense program provides legal representation to individuals currently in or facing removal proceedings. The Removal Defense program is supported with an average annual allocation of $10 million from the ongoing ISF and TPS/UUM funding. Currently the Removal Defense providers have a three-year service agreement that began October 1, 2022, and ends on June 30, 2025.

Capacity building. CDSS has made investments to various regions including the Central Valley, Central Coast, Northern regions via specific capacity initiatives and within ongoing legal service programs. These

regions have historically been underfunded due to a variety of reasons, namely remote geographic location and lack of immigration services providers who meet experience qualifications to provide complex legal services. The department has recognized these barriers and invested in these regions in recent years, highlighting the efforts to increase legal service capacity and expand resources to hard-to-reach individuals.

Region	Ongoing Legal Programs	Equity and Capacity Initiatives	Total
Central Coast	$5,321,687	$1,540,699	$6,862,386
Central Valley	$7,502,831	$4,103,164	$11,605,995
Northern	$1,996,909	$3,960,613	$5,957,522

Immigration Legal Fellowship Program. Additionally, the department implemented an Immigration Legal Fellowship Program (ILFP) aimed to increase the number of removal defense attorneys and the capacity of nonprofit organizations to provide removal defense services in the Central Coast, Central Valley, and Inland Empire regions. These fellowships provide intensive removal defense training and mentoring, as well as practical experience serving rural communities. These efforts help ensure there is quality representation for Californians throughout each region of the State.

Fiscal Year	General Fund	Purpose
2019-20	$4.7 million	Funding for first two years of the first fellowship cohort.
2022-23	$10 million	Funding for third year for the first fellowship cohort, and the second fellowship cohort.

In 2022-23, the department allocated $27 million General Fund one-time to expand immigration legal service capacity across California, known as the Immigration Legal Services Support Project (ILSSP). The project allowed existing immigration legal services providers to hire and train new attorneys and other individuals who can become accredited representatives with the United States Department of Justice Office of Legal Access Programs, thus increasing the capacity of California's network of community-based organizations delivering legal services to immigrants. Applicants requested a total of $38.6 million in funding for these positions, approximately $11 million more funding than CDSS allocated for the program, demonstrating a high need for expanding immigration legal service capacity across the state. A total of 103 new Department of Justice candidates and 33 new Immigration attorneys were hired throughout the regions, and over 7,000 clients received direct legal assistance from these staff. This program expired on June 30, 2025.

Capacity constraints. As the demand for pro bono immigration legal services continues to grow, CDSS conducted a needs assessment to seek information on how to improve immigration legal service delivery and 83 percent of the respondents indicated the highest need was for more staffing, specifically for attorneys and DOJ Accredited Representatives.

Children's Holistic Immigration Representation Project (CHIRP). In 2022-23, the Children's Holistic Immigration Representation Project (CHIRP), was created in response to an increase of unaccompanied undocumented minors (UUMs) released to sponsors in California. CHIRP provides holistic legal advocacy

for unaccompanied children, with an emphasis on trauma-informed intervention to ensure that unaccompanied minors have both legal services and appropriate care. Each youth is assigned a fully integrated team that includes an attorney and a social services staff member (either a social worker or a case manager) to accompany them throughout the case. CHIRP was funded with $13.6 million General Fund for a two-year project in 2022-23 and was extended with $10 million from the Budget Act of 2025. Since the inception of CHIRP, nearly 1,100 children from 31 counties received holistic legal representation between September 2022 and December 2025.

Rapid Response Program. The Rapid Response program is operated through grants or contracts to entities that provide critical assistance to immigrants, primarily for humanitarian response at the southern border and for natural disaster response. This program has been funded with one-time funding in the 2021, 2022, and 2023 Budget Acts. The 2024 Budget Act re-appropriated unspent funding from prior years to sustain critical sheltering services at the border.

2025 Budget Act. The 2025 Budget Act included the following augmentations to CDSS legal services programs:

- **Special Session supplement for One California Program.** As part of the 2025 special session, SBX1-2 (Wiener and Gabriel) Chapter 4, Statutes of 2025, added an additional $10 million to the One California/Immigration Services Funding program for the 2024-25 fiscal year to respond to the increased need for immigration legal services. This funding has been allocated to the Youth Legal Services program, allowing this program to serve approximately 960 youth clients annually, as well as to initiate a new program focused on removal defense for individuals in immigration detention known as the Detained Representation Program (DRP). In July 2025, CDSS issued grants totaling over $5 million to 14 nonprofits providing detained representation services.

- **General Augmentation to the baseline One California Program.** The final 2025 Budget Act included an additional $15 million General Fund one-time to augment the baseline One California program.

- **CHIRP.** The final 2025 Budget Act included $10 million General Fund one-time to continue the CHIRP program.

Beginning in 2025, CDSS used flexibility within the One California program to create a new "regional network hub" model for immigrant families. The Hubs were developed to increase communication, coordination, and technical capacity through impacted regions of California in response to federal immigration policy changes for the benefit of immigrant families to access the qualified assistance they need across local partners. The hubs are centralized under the Immigrant Legal Resource Center with 11 regional sub-grantees. Services began on June 1, 2025, and will continue through July 1, 2027.

Federal immigration issues. Immigration policy is set by the federal government; the state does not control immigration policy. However, federal immigration actions impact Californians and immigration legal services providers and the state are responding to rapidly evolving federal actions. According to CDSS, some key areas of concern include the following:

- The federal government has revoked federal policies that protected sensitive locations, resulting in immigration enforcement operations at locations such as churches, schools, and hospitals.

- Executive actions have prohibited work authorization documents for individuals who are unlawfully residing in the US even if they have a pending immigration application.

- Unaccompanied Undocumented Minors (UUM) already face challenges with navigating the federal immigration system and will experience mental health instability due to further isolation, fears of deportation, and separation from sponsors/family members. They are at increased risk of exploitation such as trafficking.

- The federal government allocates and administers funding for refugee resettlement. As a result of recent federal executive orders, the U.S. State Department issued stop work orders to all national Resettlement Agencies (RAs) directing them to immediately cease providing services to refugee and Special Immigrant Visa (SIV) holder newcomers through the Reception & Placement (R&P) program. The work order required a four-month pause beginning January 27, 2025, in services and supports. The stop-work order led some of the local RAs across the state to reduce/furlough their staffing.

- Newly arrived refugees and SIVs rely on the R&P services that the RAs provide for their essential initial support which includes housing, furniture, clothing, food, English classes, case management, referrals, enrolling children in schools, getting them IDs, SSNs, transportation, job placement, and other key social services designed to integrate refugees in the community and place them on a path to self-sufficiency in the U.S.

- Through Executive Orders, Directives from Agencies and public statements, the federal Administration is making changes to migration management measures that were established in previous administrations, eliminating certain humanitarian protections and leaving hundreds of thousands without the ability to apply for relief and putting them at risk of removal from the United States. These measures include:

    - Termination of the Uniting for Ukraine (U4U) and Cuban, Haitian, Nicaraguan, Venezuelan (CHNV) parole programs In addition, the parole status of individuals previously admitted through these and other parole programs may potentially be at risk per a recent Department of Homeland Security memo. CHNV, U4U and other parolees whose status is revoked would reportedly be placed in removal proceedings if they have failed to apply for, or obtain, another immigration status such as asylum or Temporary Protected Status (TPS).

    - Revocation of 2023 Designation of Temporary Protected Status (TPS) for Venezuelans: current beneficiaries of the 2023 TPS Designation will lapse on April 2, 2025, while the 2021 Venezuela TPS designation will remain valid for through Sept. 10, 2025.

    - Recent federal executive orders call for the review of TPS country designations, so addition country designation revocations are anticipated.

Subcommittee Staff Comment and Recommendation – Hold Open.

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

1. Please provide an update on implementation of the following immigration legal services programs investments:
    a. $10 million One CA from the 2025 Special Session
    b. $15 million One CA from the 2025 Budget Act
    c. $10 million CHIRP from the 2025 Budget Act

2. What immediate and emerging needs are CDSS and immigration legal services contractors seeing for immigration legal services given the unprecedented ramp up in deportations and raids by the federal government? How have programs adapted to meet these needs?

3. What constraints limit the capacity of legal services programs and what strategies to build capacity have been effective in the past?

ISSUES FOR NON-PRESENTATION

Issue 16: Stakeholder Proposals for Investment

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

1. **Critical bridge funding to prevent collapse of foster family agencies serving 1 in 5 foster youth in California.** The California Alliance of Child and Family Services proposes $30 million ($21.9 million General Fund) one-time in 2026-27 to stabilize foster family agencies (FFAs) experiencing unprecedented increases in liability insurance.

   According to the California Alliance of Child and Family Services, "FFAs continue to face significant financial strain due to the ongoing liability insurance crisis. Since October 2024, 28 FFA site closures have been reported to the California Department of Social Services (CDSS). We are deeply grateful to the Legislature and Administration for last year's $31.5 million allocation, which has helped prevent additional closures. However, liability insurance costs remain elevated. Without additional bridge funding, we anticipate renewed instability and potential closures. This $30 million request would provide necessary short-term relief while we continue working in partnership with the Administration to advance long-term solutions to the insurance crisis and ensure placement stability for children and youth these organizations care for."

2. **Emergency Response Stabilization to Support Child Welfare Frontline Services.** The County Welfare Directors Association (CWDA) proposes $20 million General Fund one-time in 2026-27 to maintain and expand child welfare Emergency Response staffing capacity, including social workers, supervisors, and support staff.

   According to CWDA, "Emergency Response programs are on the frontline of the child welfare system and are facing a funding cliff as $100 million in prior one–time investments expire in June 2026. At the same time, counties are experiencing workforce instability, increasing case complexity (e.g., severe abuse and neglect), and rising external pressures such as federal safety net reductions. Without continued funding, counties risk delayed investigations, higher caseloads, and reduced ability to connect families to preventative services."

3. **Bolster One CA/ California's Deportation Defense Programs: Keep California Families Together and Defend Due Process.** A coalition of organizations including California Immigrant Policy Center (CIPC), Central American Resource Center - Los Angeles (CARECEN-LA), Immigrant Defenders Law Center, Immigrant Legal Resource Center (ILRC), Immigrant Legal Defense (ILD), Services, Immigrant Rights and Education Network (SIREN), and Vera Institute of Justice request $40 million General Fund ongoing to increase state funding for One California/ Deportation Defense Programs ensuring that children, individuals and families across California have access to legal services and representation to defend their legal rights, prevent family separation, and access immigration relief.

According to this coalition, "Since June 2025, federal agents, including ICE and Border Patrol, have arrested more than 10,000 Californians[14] during mass raids and indiscriminate arrests conducted on public streets, at workplaces, private properties, and in sensitive locations across Los Angeles—along with thousands more across Southern California, the Central Coast, and other regions of the state. Additionally, federal agents have arrested thousands of people as they were attending court hearings and immigration appointments[15] across Sacramento, the Bay Area, the Central Valley, the Central Coast, Los Angeles, the Inland Empire, Orange County, and San Diego. Families have been held without food, water, medical care, or access to an attorney… Currently, 32 percent of Californians detained by ICE and facing deportation do not have legal counsel to protect their rights or help them navigate complex legal proceedings[16]… Additional state funding for immigration legal services will increase the availability of legal resources for individuals, including children and families at risk of arrest, detention, deportation and family separation."

4. **Children's Holistic Immigration Representation Project (CHIRP).** The Acacia Center for Justice proposes $15 million General Fund one-time in 2026-27 for the CHIRP program, which provides integrated social and legal services to unaccompanied minors across California.

   According to the Acacia Center for Justice, "Since its inception in September 2022, [CHIRP] has provided legal representation to more than 1,100 unaccompanied children and case management support in education, mental health, medical, food access, and housing assistance. Advocates are seeking funding in the 2026-27 budget in the amount of $15 million for one year of funding to maintain the program and ensure a continuum of services beyond June 2026… Recent federal actions have sought to expedite deportation proceedings for children, limit procedural safeguards, and reduce federal case management and post-release support services. In this context, access to qualified legal representation and trauma-informed services often serves as the primary mechanism to ensure children can navigate complex legal processes safely and in compliance with the law."

5. **Immigration Counsel Access Pilot.** The Acacia Center for Justice proposes $5 million General Fund one-time in 2026-27 for a pilot program to expand legal support for individuals in immigration court proceedings and for those who are at imminent risk of detention.

   According to the Acacia Center for Justice, "The Immigration Counsel Access Pilot is a critical statewide initiative aimed at ensuring a basic standard of due process for unrepresented individuals in immigration court. It will operate at select immigration courts through an Attorney of the Day model and expand community-based legal support through coordinated screening, referral, and limited-scope legal assistance. It will expand access to habeas relief by building a coordinated, mentored network of legal advocates able to file strong, timely petitions for release from immigration detention facilities."

[14] Marc Cota-Robles, "DHS claims 10,000 people arrested in LA since immigration raids began," ABC 7 News, https://abc7.com/post/dhs-claims-10000-people-arrested-los-angeles-immigration-raids-began/18277237

[15] Jay Barman, "Federal Judge Orders Homeland Security to Stop Arresting Immigrants at Courts In Northern California," https://sfist.com/2025/12/23/federal-judge-orders-homeland-security-to-stop-arresting-immigrants

[16] Vera Institute of Justice, Immigration Court Legal Representation Dashboard

6. **Immigration Legal Fellowship Project.** Immigration Defense Advocates proposes $2.4 million General Fund ongoing to continue an existing pilot program designed to address a shortage of qualified and trained immigration attorneys able to provide removal defense in underserved regions. This proposal is associated with pending legislation (SB 1194).

   According to Immigration Defense Advocates, "current law does not address a basic problem in immigration proceedings: people facing deportation generally have no guaranteed right to appointed counsel, even though the consequences can include detention, family separation, and removal to dangerous conditions. As a result, access to representation depends largely on whether nonprofit legal providers have the staff and expertise to take these cases. In many parts of California, especially rural and underserved regions, that capacity is limited or absent. The problem is not just funding in abstract, but a shortage of trained removal defense attorneys and organizations able to provide consistent, high-quality representation. This deficiency is especially serious in regions such as the Central Valley, Central Coast, and Inland Empire, where immigrant communities are large but legal services remain scarce…When federal enforcement surges, these gaps become even more harmful, leaving behind communities with too little legal support when the need is greatest. This program seeks to remedy that deficiency by strengthening long-term legal workforce capacity and expanding access to immigration representation in underserved communities."

7. **Housing and Disability Advocacy Program (HDAP) Street Medicine Augmentation to Mitigate H.R. 1 Impacts.** The Corporation for Supportive Housing proposes $15 million General Fund one-time in 2026-27 for three year grants to local HDAP programs to contract with street medicine teams to assist unsheltered homeless in applying for and securing federal disability benefits.

   According to the Corporation for Supportive Housing, **"**While HDAP is an effective program, the program focuses resources on county and legal services staff who assist people seeking help applying for SSI. Many Californians who are unsheltered with disabilities may never walk into an office seeking help or respond to an outreach worker they meet for the first time. Many are distrustful of social service providers based on negative experience or have limited means of transportation. Moreover, leaving behind their belongings to get to an office for frequent follow-up appointments is perilous for most…Counties would use this HDAP augmentation to contract with street medicine teams (in counties without street medicine teams, counties could funnel dollars to recuperative care and eligibility workers). These teams would assist patients in applying for and securing SSI. Teams would receive intensive training, technical assistance, and staff to help patients complete the paperwork, documentation, and representation requirements to obtain SSI."

8. **Reauthorization of the Stop the Hate Program.** The AAPI Equity Alliance proposes $90 million General Fund over three years to reauthorize the Stop the Hate Program administered by CDSS.

   According to the AAPI Equity Alliance, "In 2021, the CA API Legislative Caucus led the passage of a historic investment to combat hate in California through the API Equity Budget. This funding, over three fiscal years, included $110 million for Stop the Hate, which built an infrastructure of 180 community-based organizations that enables California to respond to hate where and when it happens. In 2023, the Legislature augmented the program by $40 million. Unfortunately, hate continues to exist and rise, especially given the policies of the federal government."