

## SUBCOMMITTEE NO. 3

## Agenda

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Senator Caroline Menjivar, Chair  
Senator Susan Talamantes Eggman, Ph.D.  
Senator Shannon Grove  
Senator Richard D. Roth



Wednesday, May 17, 2023  
9:00 am  
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

### PART B

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### PUBLIC COMMENT

Public Testimony Phone number: 877-226-8163

Access Code: 7362834

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**5180 DEPARTMENT OF SOCIAL SERVICES – CHILD CARE****Issue 1: Overview of the May Revision – CDSS Child Care**

**Governor’s May Revision—Child Care.** The 2023 May Revision includes \$5.6 billion (\$1.9 billion General Fund) for child care and development in 2022-23, which reflects a net decrease of \$801.2 million (\$608.8 million General Fund decrease) from the 2023-24 Governor’s Budget. The net decrease reflects adjustments to align with actual contract needs as well as a decline in CalWORKs Stage 2 and 3 caseloads.

**CHILD CARE AND DEVELOPMENT**

Funding (millions)	2023-24 Governor’s Budget FY 2022-23	2023-24 Governor’s Budget FY 2023-24	2023 May Revision FY 2022-23	2023 May Revision FY 2023-24	FY 2022-23 Change from Governor’s Budget	FY 2023-24 Change from Governor’s Budget	May Revision Year-to-Year Change
Total*	\$6,422.8	\$5,894.7	\$5,621.6	\$5,823.5	-\$801.2	-\$71.2	\$201.9
Federal	3,587.0	2,890.5	3,394.6	2,622.4	-192.4	-268.0	-772.2
State	2,543.4	2,711.9	1,934.6	2,954.7	-608.8	242.8	1,020.1

\*Total includes Proposition 64 Funds.

Source: CDSS

For direct service programs currently paid through the Standard Reimbursement Rate (SRR), the 2022-23 SRR is \$54.93. Counties receive the greater of the SRR or the calculated Regional Market Rate (RMR) daily equivalent rate. Direct Service programs remain funded according to the SRR in all but sixteen counties in 2022-23, which are paid at an RMR equivalent rate. For voucher-based programs and direct service programs paid at an RMR equivalent rate, reimbursement levels are currently at the 75th percentile of the 2018 RMR survey.

The 2023 May Revision includes \$5.8 billion (\$2.9 billion General Fund) in 2023-24 for child care and development programs, which is a net decrease of \$71.2 million (\$242.8 million General Fund increase) from the 2023-24 Governor’s Budget. The net decrease reflects a decline in CalWORKs Stage 2 and 3 caseloads and a reduction in Cost-of-Living Adjustment funding for direct service programs based on the application to contracts that serve counties on the SRR, offset by a General Fund increase due to the availability of one-time Federal COVID Relief funding in 2023-24.

**Early Action Package.** The May Revision reflects the recent early action package that allows CDSS to use \$29.4 million in available federal funds to continue to waive family fees from July 1, 2023 to September 30, 2023, and authorizes CDSS to use roughly \$169.2 million in available federal funds to provide temporary stipends to state-subsidized child care providers.

**Collective Bargaining.** The State continues to work with Child Care Providers United – California (CCPU) to negotiate a successor agreement to the current agreement expiring June 30, 2023.

**Projected Current Year Savings for General Child Care Program.** The May Revision reflects anticipated one-time 2022-23 savings of \$588 million General Fund from the 2022 Budget Act, but

preserves expenditure authority should expenditures increase. These projected savings are based on estimated General Child Care expenditures that will go into contract by the end of fiscal year 2022-23.

**Cost-of-Living Adjustment (COLA).** The May Revision includes \$183.3 million General Fund for Child Care and Development Programs and \$840,000 for the Child and Adult Care Food Program to reflect a statutory COLA of 8.22 percent.

**Preschool Development Grant Reimbursement Authority.** The May Revision requests increased reimbursement authority of \$892,000 one-time for CDSS to assist the California Health and Human Services Agency with the administration of the federal Preschool Development Grant.

**Staff Recommendation.** Hold Open.

**Questions.** The Subcommittee requests CDSS respond to the following:

1. Please provide a brief overview of the Governor's May Revision proposals for CDSS child care.
2. Please describe the projected current year savings in the general child care program.
3. Please provide an update on the status of unspent federal relief funds for child care, including ARPA funds, in the child care budget.

**Issue 2: Use of an Alternative Methodology for Child Care and Development Programs**

**Trailer Bill Language—Governor’s May Revision.** This proposal would amend various references to the regional market rate survey within the Welfare and Institutions Code (WIC) to allow the California Department of Social Services (CDSS) to proceed with developing an alternative methodology in accordance with rate reform recommendations made by the rate and quality stakeholder workgroup and the Joint Labor Management Committee (JLMC) consisting of the State and Child Care Providers United Union – California (CCPU). These amendments are necessary as existing statutes preclude CDSS from being able to adopt an alternative methodology in lieu of use of the market rate survey, in accordance with the allowance under federal regulations.

**Background.** Consistent with the current memorandum of understanding between the state and CCPU, and the requirements of Chapter 116, Statutes of 2021 (AB 131), the JLMC consisting of the State and CCPU presented a single rate reimbursement structure to the Department of Finance on November 14, 2022. The JLMC’s joint presentation was informed by a stakeholder workgroup convened by CDSS, in consultation with the California Department of Education (CDE), in the summer and fall of 2022. The presented approach toward a future single rate structure consists of (1) an alternative methodology that considers a cost estimation model; (2) base rates; (3) incentives/enhancement rate-setting metrics; and (4) evaluation of the rate structure. The State will rely on the presented approach as it continues to develop a single rate structure.

**Use of an Alternative Methodology.** This proposal will amend existing statutes that require the State to conduct a market rate survey to set reimbursement rates for subsidized child care, while allowing the department to continue using the existing rate structure until an alternative methodology is developed and approved by the federal Administration for Children and Families (ACF). In doing so, this proposal lays the groundwork to move toward a single rate structure.

**Staff Recommendation.** Hold Open.

**Questions.** The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.
2. What is the department’s timeframe to move toward a single rate structure?

**Issue 3: Public Records Act (PRA) Exemption for CCPU Collective Bargaining**

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**Trailer Bill Language – Governor’s May Revision.** This trailer bill language proposal would provide a Public Records Act (PRA) exemption for collective bargaining related to child care.

**Background.** Chapter 385, Statutes of 2019 (AB 378) authorized family childcare providers to form, join, and participate in the activities of an exclusive representative, as defined to collectively bargain for family childcare providers on matters related to child care subsidy programs. Chapter 116, Statutes of 2021 (AB 131) moved statute from the Education Code to Welfare and Institutions Code to effectuate the transition of child care and development programs from the California Department of Education to the Department of Social Services. Chapter 614, Statutes of 2021 (AB 473) reorganized the Public Records Act.

**PRA Exemption for CCPU Collective Bargaining.** According to CDSS, AB 473 did not take into account that AB 131 moved statute from Education Code to the Welfare and Institutions Code, and the Public Records Act (PRA) exemption for collective bargaining related to child care was not updated, and Government Code section 7928.405 should be amended to reference the correct statute that appropriately provides the PRA exemption for collective bargaining related to child care.

**Staff Recommendation.** Hold Open.

**Questions.** The Subcommittee requests CDSS respond to the following:

1. Please provide a brief overview of this proposal.