CALIFORNIA STATE SENATE

COMMITTEE ON BUDGET AND FISCAL REVIEW

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SACRAMENTO, CA 95814

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Nancy Skinner, Chair

Agenda

February 13, 2023

10:00 a.m. – 1021 O Street, Room 1200

California's Early Care and Education Landscape

I. The Role of Child Care in California's Economy and Recent State Investments

- Dr. Lea J.E. Austin, Executive Director, Center for the Study of Child Care Employment, University of California, Berkeley

- Jackie Barocio, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

II. Access to Child Care

- LeShay Burks, Parent Voices

- Miren Algorri, Child Care Providers Union, UDW 3930

- Farooq Azhar, Executive Director, BJ Jordan Child Care Programs

III. Costs of Providing Child Care

- Kim Johnson, California Department of Social Services

- Jackie Barocio, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

- Deborah Corley-Marzett, Child Care Providers Union, SEIU 521

- Dr. Elanna Yalow, Ph.D., M.B.A., Vice Chair and Senior Advisor, KinderCare Learning Companies

- Donna Sneeringer, MPA, Vice President and Chief Strategy Officer, Child Care Resource Center

IV. Public Comment

Informational Hearing

Early Childhood Development Programs

BACKGROUND

Generally, programs in the early care and education system have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

Commencing July 1, 2021, the administration of state child care programs, with the exception of the California State Preschool Program, has transitioned from the Department of Education (CDE) to the Department of Social Services (DSS).

Child Care. California provides child care subsidies to some low-income families, including families participating in CalWORKs. Families who have participated in CalWORKs are statutorily guaranteed child care during “Stage One” (when a family first enters CalWORKs) and “Stage Two” (once a county deems a family “stable,” defined differently by each county). In the past, the state has funded “Stage Three” (two years after a family stops receiving cash aid) entirely while it is not a statutorily guaranteed entitlement program. Families remain in Stage Three until their income surpasses a specified threshold or their child ages out of the program. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation; and (3) children must be under the age of 13.

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year-olds whose family is either on aid, is income eligible (family income may not exceed 100 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

Funding. California provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and 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. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference. Typically, a Title 22 program – referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds Alternative Payment agencies for most voucher programs and county welfare departments who locally administer the CalWORKs Stage 1 program. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts.** 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, DSS or CDE, depending on the type of program. Prior to 2022, these programs received the same reimbursement rate (depending on the age of the child), regardless of where in the state the program was located, known as the Standard Reimbursement Rate. The rate was increased by a statutory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. Beginning in 2022, these programs receive the higher of the current RMR or the Standard Reimbursement Rate (SRR) as part of an effort to transition providers to one rate system. All Title 5 programs also operate through family child care home education networks, which serve children in those programs through family child care homes that are members of the network.

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

Subsidized child care programs are funded by non-Proposition 98 state General Fund and funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act and from federal TANF funds.

Source: Legislative Analyst’s Office

Source: Legislative Analyst's Office

The Legislative Analyst's Office (LAO) estimates that slots, or full-year enrollment in preschool in 2023-24 will be approximately 142,000 for part day state preschool and 69,000 for full-day state preschool. In addition, Department of Finance estimates for Transitional Kindergarten enrollment to be 120,000.

The following table provides funding and enrollment information for DSS-administered child care programs. The table represents full-year enrollment based on available funding in the Governor's proposed 2023-24 budget. CalWORKs Stages 1, 2, and 3 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 Chart [1]

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

VOUCHER-BASED PROGRAMS

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

CalWORKs Stage One
- **Funding:** $520.4 million
- **GF:** 24 percent; **Federal:** 76 percent
- **Enrollment:** 43,031
- **Eligibility:** Begins when family enters the CalWORKs program.

CalWORKs Stage Two
- **Funding: $364.1 million**
- **GF:** 69 percent; **Federal:** 31 percent
- **Enrollment:** 25,786
- **Eligibility:** Begins when family is considered "stable" as defined by County Welfare Departments.

CalWORKs Stage Three
- **Funding: $605.8 million**
- **GF:** 45 percent; **Federal:** 55 percent
- **Enrollment:** 59,009
- **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 incomes out or the child ages out.

Alternative Payment Program (CAPP)
- **Funding: $2.2 billion**
- **GF:** 36 percent; **Federal:** 56 percent
- **Prop. 64 Funds:** 8 percent
- **Enrollment:** 161,332
- **Eligibility:** For non-CalWORKs families that are income eligible and in need of child care services.

Migrant Alternative Payment (CMAP)
- **Funding: $31.6 million**
- **GF:** 83 percent; **Federal:** 17 percent
- **Enrollment:** 3,036
- **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.

Emergency Child Care Bridge
- **Funding: $114.5 million**
- **GF:** 73 percent; **Federal:** 24 percent
- **Prop. 64 Funds:** 3 percent
- **Enrollment:** 5,537
- **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.

FCCH Education Networks (CFCC)
- **Funding: $57.0 million**
- **GF:** 67 percent; **Federal:** 33 percent
- **Enrollment:** 3,816
- **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.

Child Care Subsidy Chart [1] (CONTINUED)

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

DIRECT CONTRACT PROGRAMS

Standard Reimbursement Rate.[2] All programs must meet Title V standards.

General Child Care
- **Funding:** $1.9 billion
- **GF:** 56 percent; **Federal:** 38 percent
- **Prop. 64 Funds:** 6 percent
- **Enrollment:** 78,455
- **Eligibility:** For children birth through 12 years of age, and for youth with exceptional needs under 21 years of age.

Migrant Child Care Centers (CMIG)
- **Funding:** $43.2 million
- **GF:** 97 percent; **CCDF:** 3 percent
- **Enrollment:** 2,226
- **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:** $2.5 million
- **GF:** 99 percent; **Federal:** 1 percent
- **Enrollment:** 111
- **Eligibility:** For children and young adults with severe disabilities under 21 years of age.

Source: Department of Social Services

The following table presents key characteristics of DSS-administered child care programs.

Characteristics of Child Care Programs

Child Care Setting	Centers	Family Child Care Homes	Exempt
Stage One	20%	30%	50%
Stage Two	29%	48%	23%
Stage Three	24%	42%	34%
Alternative Payment (CAPP)	33%	51%	16%
General Child Care (CCTR)	75%	25%	0%
Migrant Child Care	77%	23%	0%

Time In Care	Full-Time	Part-Time
Stage One	56%	44%
Stage Two	86%	14%
Stage Three	80%	20%
Alternative Payment (CAPP)	81%	19%
General Child Care (GCC)	72%	28%
Migrant Child Care	92%	8%

Age of Child	Infant (<2)	Preschool (2-5)	School Age (6+)
Stage One	16%	48%	36%
Stage Two	9%	47%	44%
Stage Three	6%	30%	64%
Alternative Payment (CAPP)	11%	46%	43%
General Child Care (GCC)	17%	44%	39%
Migrant Child Care	20%	72%	8%

Source:

Stage One: Age of Child and Child Care Setting Characteristics are based on Calendar Year 2021 CW 115/115A reports. Time in Care characteristics are based on available FY 2019-20 SAWS Consortia data from Contra Costa, El Dorado, Imperial, Madera, Mendocino, Monterey, Orange, Riverside, San Benito, San Bernardino, San Diego, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Sierra, Sonoma, Stanislaus, Sutter, and Tehama counties.

All other Child Care and Development Programs: Age of Child, Child Care Setting, and Time in Care characteristics are based on available 801 data for all counties from April 2022.

Source: Department of Social Services

Collective Bargaining. In 2019, Governor Newsom signed legislation granting collective-bargaining rights to child care providers in California, allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. In 2021, Child Care Providers United - California (CCPU) and the state negotiated their first Master Contract Agreement. The CCPU represents both voucher and direct contract providers that are family child care homes, or license-exempt home providers. The 2021-22 budget included ratification of the CCPU - California bargaining contracts, which included rate increases, provider stipends, hold harmless policies, and a variety of other supports. In addition, the contracts included a process for continuing conversations through Joint Labor Management Committees on a single reimbursement rate system, and other provider needs such as retirement, and healthcare, among other topics. The CCPU is currently in negotiations with the Administration for a contract beginning in Fiscal Year 2023-24.

Recent Rate Reform Efforts. Pursuant to the 2021-22 budget, DSS, in consultation with CDE, convened a Rate Reform and Quality Workgroup to assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs, informed by evidence-based elements that best support child development and positive child outcomes. This workgroup included CCPU, teacher and administrator representatives of state-funded center-based contractors for both preschool and infant-toddler settings, child development experts, parent representatives, a Head Start representative, an alternative payment program agency representative, and representatives of the Administration.

DSS convened a series of meetings of the Rate and Quality Workgroup between January and August of 2022. The workgroup produced their final report on August 15, 2022. The vision of the workgroup is "a Single Reimbursement Rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children." The workgroup identified four core recommendations, which are detailed in the full report:

1. Ensure equity is foundational to all change. Work toward equity as an outcome and implement equity as a process.

2. Replace the current methodology of using a market price survey to set rates with an alternative methodology, which uses cost estimates/models to set base rates to compensate early learning and care programs. The costs of care for meeting current state requirements will become the basis of the reimbursement rate, including wage scales that set a living wage floor.

3. Create a single rate structure that specifies base rates and that is designed to address historical inequities. This structure should specify separate base rates for Family, Friend, and Neighbor care and Home-Based and Center-Based early learning and care and should differentiate base rates for meeting different sets of state standards.

4. Continuously evaluate the rate-setting methodology to address equity and adjust for changing conditions and rising costs.

Additionally, the Rate and Quality Workgroup recommended a three-stage implementation process:

Stage 1. Increase reimbursement rates immediately, even before an alternative methodology can be implemented. Simultaneously, obtain federal approval for an alternative methodology and state change to delink subsidy rates from those charged to private pay families.

Stage 2. Implement a federally approved alternative methodology to set base rates that are informed by the cost of providing early learning and care services. Do not increase requirements on early learning and care programs and educators until the new base rate using the alternative methodology is fully funded.

Stage 3. Continuously evaluate the new alternative methodology and base rate and make appropriate changes and broader system investments.

In addition, the Rate and Quality Workgroup delivered a study recommending a cost estimation model to calculate the cost of child care in California, which could form the foundation of the alternative methodology. The cost estimation model included a series of default scenarios, informed by a series of variables and cost drivers aligned with the Workgroup's recommendations, for each provider type: child care center, small family child care home, large family child care home, and family, friend, and neighbor care.

While detailed information is not yet available, the LAO is currently reviewing the costs were the state to move to such a model, which are likely to be in the low tens of billions of dollars at full implementation.

In November 2022, the Joint Labor Management Committee (JLMC) presented their recommendations for a single rate reimbursement structure to the Administration. The JLMC recommends moving away from the current structure that relies on the RMR and towards a single rate structure that reflects the actual cost of care. This single rate will be based on (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 alternative methodology will include a base rate that providers receive for meeting current statutory and regulatory program standards, depending on program type.

PREVIOUS BUDGET ACTIONS

The 2021-22 budget package included significant investments in early care and early education:

- **Additional Slots.** The budget package included approximately $783 million in 2021-22 ($1.6 billion ongoing) across state and federal fund sources to provide additional 120,000 slots for child care (inclusive of essential worker slots). Slots are to be spread across the Alternative Payment Program, General Child Care, and Migrant Child Care. The budget package included a multi-year agreement to add 80,000 child care slots by 2025-26 for a total of 200,000 additional child care slots. Slots added in 2021-22 included Alternative Payment slots scheduled to be released in October 2021 (actual release was late November 2021) and General Child Care slots added in April 2022, with the full-year costs to be annualized in the 2022-23 Budget Act.

- **Increased Rates for Child Care and Preschool Programs.** The budget package provided $604 million in 2021-22 ($1.1 billion ongoing) across several fund sources to increase rates for child care and preschool providers. Starting July 1, 2021, direct contract providers received a 4.05 percent cost-of-living adjustment. Effective January 1, 2022, all child care and preschool provider rates were adjusted to the higher of their current rate or the equivalent of the 75th percentile of the 2018 regional market rate survey rate as determined by the DSS (or by CDE for California State Preschool Programs.)

- **Supplemental Rate Funding for Providers.** The budget package included one-time funding available to allocate temporary supplemental rates to providers from January 1, 2022 through December 31, 2023. The funding methodology and other implementation details are to be determined by DSS and Child Care Providers United–California (the union representing family child care home and license-exempt providers). This package includes:

    - $289 million in one-time funds for CCPU providers.

    - $188 million in one-time funding for center-based providers.

    - $27.5 million in one-time funding for administrative costs for providing supplemental payments. (Added in SB 116, (Committee on Budget and Fiscal Review), Chapter 5, Statutes of 2022).

    - $47.7 million in one-time funding (including administrative costs) for non-CCPU voucher providers. (Added in SB 115 (Skinner), Chapter 2, Statutes of 2022).

- **Infrastructure Grants.** The budget package included $250 million one-time funding for the Child Care and Development Infrastructure Grants Program to expand access to child care and development and preschool opportunities for children up to five years of age by providing resources to build new facilities or retrofit, renovate, repair, or expand existing facilities, with a focus on child care deserts.

- **Universal Transitional Kindergarten.** The budget expanded the Transitional Kindergarten Program beginning in the 2022-23 school year, and achieves Universal Transitional Kindergarten eligibility by 2025-26. For each school year during the period of 2022-23 through 2025-26, the Transitional Kindergarten Program enrollment date is extended two months later, with the final year extending the enrollment date by three months such that a child who has their fourth birthday by September 1st shall be admitted to a Transitional Kindergarten Program. The budget specifies that age eligibility for a transitional kindergarten program does not impact family eligibility for other child care and preschool programs, and authorizes California State Preschool Programs to offer wraparound childcare services for eligible transitional kindergarten and kindergarten programs. Funding to support the transition to Universal Transitional Kindergarten includes:

    - $490 million in one-time General Fund for the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program. Grant funds may be used to construct new school facilities or retrofit existing school facilities for the purpose of providing transitional kindergarten classrooms, full-day kindergarten classrooms, or preschool classrooms.

- $300 million in one-time Proposition 98 for the California Pre-Kindergarten Planning and Implementation Grant Program. Of the total, $200 million is for costs associated with creating or expanding California state preschool programs or transitional kindergarten programs and $100 million is provided to increase the number of highly qualified teachers and administrators available to serve California state preschool programs and transitional kindergarten pupils.

The 2022-23 budget included the following investments in child care and early education:

- **Child Care Rates and Slots**. The budget implemented the 2021-22 budget agreement and included an increase of $1.09 billion to annualize the 2021-22 Budget Act's 120,000 new slots and further increase child care program access to 145,000 slots, with the continued goal from the 2021-22 Budget Act to serve 200,000 more children by 2025-26. In addition, the budget included $413 million to annualize current year increases in child care funding rates, from the 2021-22 Budget Act. The budget included cost-of-living adjustments to the Standard Reimbursement Rate of $136 million General Fund for child care programs.

- **Additional Child Care Investments:**

  - $100.2 million General Fund for CCPU agreements for providing health care and other benefits.

  - $100.5 million Federal Funds for child care facility renovation and repair.

  - $136 million one-time federal funds to extend family fee waivers through 2022-23 and extend hold harmless policies.

  - $354 million in remaining federal funds for child care stipends.

  - $20 million in one-time General Fund for Alternative Payment Program administrative needs.

  - $2 million General Fund for alternative care and 16 additional non-operative days for state subsidized child care programs.

- **California State Preschool Program (CSPP).** The budget provided $172.34 million ongoing General Fund, and $314 million ongoing Proposition 98, for increases in rates for the CSPP to provide a 1.8 adjustment factor for three year olds, a 2.4 factor for students with exceptional needs, and 1.1 factor for mental health services. In addition, the following adjustments were included for preschool:

  - $33.2 million General Fund and $67 million Proposition 98 General Fund for CSPP for an SRR COLA.

- $21.6 million one-time ($10.8 million General Fund and $10.8 million Proposition 98 General Fund) for the cost of family fee waivers for 2022-23.

- $250 million one-time, to the Inclusive Early Education Expansion Program at the Department of Education.

- Adds 10 percent California State Preschool set-aside for inclusive education, beginning in 2024. The inclusive preschool set-aside will begin at five percent in 2022-23 and phase in through 2024-25.

- Trailer bill language expands eligibility for California State Preschool to families at the state median income.

- $18.3 million General Fund for the first year of a three-year planning process to support Universal Preschool.

- **Universal Transitional Kindergarten.** Consistent with the 2021-22 Budget Act, the expansion of the Transitional Kindergarten Program began in the 2022-23 school year with the extension of enrollment data by two additional months. The budget rebenched the Proposition 98 Guarantee to accommodate enrollment increases, which is estimated to be $611 million Proposition 98 General Fund. The budget also reduced the adult-to-student ratio for transitional kindergarten consistent with the 2021 Budget Act, at an estimated cost of $383 million Proposition 98 General Fund. Additionally, the budget included the following additional investments to support transitional kindergarten:

  - $300 million additional one-time Proposition 98 General Fund for additional Pre-Kindergarten Planning and Implementation Grants.

  - $650 million General Fund more for the Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facility Program.

GOVERNOR'S PROPOSAL

Child Care. The Governor's proposed 2023-24 budget includes $6.6 billion ($2.7 billion General Fund) for child care programs, which annualizes ongoing investments in rates made in past budget acts, but makes no new investments in rate increases.

- **Cost-of-Living Adjustment (COLA).** The proposed budget includes $301.7 million General Fund for Child Care and Development Programs and $1.5 million for the Child and Adult Care Food Program to support an 8.13 percent COLA.

- **Child Care Slots.** The Governor proposed to delay the implementation of 20,000 child care slots, slowing California's progress towards the goal of 200,000 new subsidized child care slots.

- **Child Care Rates.** The January proposal expresses intent to develop a single rate reimbursement structure for child care programs. This rate structure will be informed by recommendations of the Joint Labor Management Committee (JLMC), consisting of the state and Child Care Providers United (CCPU), and the Rate and Quality Workgroup convened by DSS. The budget also expresses intent to continue to work with CCPU to negotiate a successor agreement to the current agreement expiring June 30, 2023.

State Preschool Program. Consistent with the 2022 Budget Act, the budget proposes $64.5 million Proposition 98 General Fund and $51.8 million General Fund to continue a multi-year plan to ramp up the inclusivity adjustments for the State Preschool Program. 2023-24 will be the second year of the three-year ramp up process, and students with disabilities will be required to make up at least 7.5 percent of State Preschool Program providers' enrollment.

Transitional Kindergarten. The 2022 Budget Act provided $614 million to support the first year of expanded eligibility for transitional kindergarten, in addition to $383 million to add one additional certificated or classified staff person to transitional kindergarten classrooms to meet ratio requirements. The budget revises these estimates from $614 million to $604 million for expanded access, and $383 million to $337 million for the additional certificated or classified staff. The budget also proposes to include $690 million to implement the second year of transitional kindergarten, and $165 million to support the addition of certificated or classified staff in transitional kindergarten classrooms. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

ISSUES FOR CONSIDERATION

Interconnected Child Care Issues. While child care primarily impacts the family receiving care and the provider serving that family, the issue crosses over into many other policy areas. For example, for many women, entering the workforce is dependent on child care options that allow them to work outside of the home at a cost that makes the choice to work economically and socially feasible for that family. Child care may also offer other benefits that impact society at large, allowing parents to pursue education or career training, or support other, often elderly family members in need. In many cases, child care options may offer additional education and health benefits for a child's development and can connect families to additional supports and services that they may need. Unlike traditional K-12 education, child care is often relied upon to be flexible to meet family needs – offering care during non-traditional hours or on a part-time basis. The Legislature may wish to consider the impact of a stable child care system across multiple policy areas.

Child Care Rates. The top issue for child care providers continues to be reimbursement rates. Stakeholders note that while many providers saw increases in rates as of January 1, 2022, as a result of the 2021-22 budget, the actual costs of providing care and the rising impacts of inflation continue to outstrip reimbursement rate funding across much of the state. Higher rates allow providers to retain and pay their workforce, cover administrative and other fixed costs, increase quality of care, and support expansion to meet family and state needs. In order to continue stabilizing providers in the face of rising costs, one-time stipends were provided using federal American Rescue Plan Act funds. Rates are an issue currently subject to CCPU collective bargaining; however, for the stability of the system, rates need to support non-CCPU providers as well. Without continued stipends, rate increases are necessary to maintain progress in funding providers.

Workforce Issues. Child care providers, similar to various other low-wage industries, report continued issues with staffing. Providers note difficulties hiring and retaining qualified staff, making it more difficult for the industry to recover from the pandemic. The child care industry faces additional pressures due to significant expansions in the K-12 education space – the expansion of transitional kindergarten to all four-year-olds and the creation of the Education Learning Opportunity Program (ELOP), a statewide afterschool program. Both of these expansions require significant increases in staff that require similar or related experience as the child care workforce. The Legislature may wish to continue to monitor the ability of providers to hire staff and consider ways to streamline requirements and the impact of other policies such as rate increases, to allow for higher wages.

Family Fees. As part of the ongoing pandemic response, the state waived family fees through the 2021-22 fiscal year and again through 2022-23 and backfilled the cost to providers. This policy provided additional support to low-income families as pandemic-related health and economic costs impacted families. Stakeholders have been requesting changes to the family fee structure for some time to limit the impact to low-income families. Families enrolled in child care will face an increase in costs when family fees return in 2023-24. The Legislature may wish to consider whether changes are needed in the family fee structure before the reinstatement that will otherwise take place July 1, 2023.