

Date of Hearing: June 2, 2020

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Lorena Gonzalez, Chair
AB 2883 (Quirk-Silva) – As Introduced February 21, 2020

Policy Committee: Human Services Vote: 8 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill makes changes to the California Child Care and Developmental Services Act regarding administrative and payment processes for Alternative Payment Program (APP) agencies. Specifically, this bill:

- 1) Requires APPs reimburse childcare providers for the maximum certified hours of families with variable schedules or accessing part-time services, rather than for actual days and hours of a child's attendance, as is currently required.
- 2) Deletes provisions prohibiting licensed childcare providers from increasing their rates for subsidized childcare more than once per year and requiring providers to supply the APP and resource and referral agency with information on rate changes.
- 3) Deletes the requirement that an APP verify provider rates at least once per year by randomly selecting 10% of licensed childcare providers serving subsidized families.
- 4) Deletes the requirement that the California Department of Education (CDE) develop regulations for addressing discrepancies in provider rate levels, as specified.
- 5) Requires APPs to provide notice to a childcare provider of any change of hours issued to a family, as well as the effective date of the change, on the same day the notice is issued to the family (rather than 14 days prior, as will be required July 1, 2020.)
- 6) Recasts the maximum reserve fund balance for alternative payment model and certificate childcare contracts by allowing APPs and certificate childcare programs to retain up to 15% (instead of the current 2%) of their earned allowable contract (administration and support services portion) in a reserve account.

FISCAL EFFECT:

- 1) Estimated costs to CDE in the tens of millions of dollars (GF) annually to pay providers at maximum certified hours for children enrolled with variable schedules. CDE indicates it lacks sufficient data to determine an exact cost, but using information provided by the California Alternative Payment Program Association (CAPPA) determined the cost ranges between \$9.4 and \$61.7 million annually.
- 2) No costs to the California Department of Social Services (CDSS) to reimburse providers for authorized hours of care, rather than actual hours of care, under the CalWORKs Stage One

childcare program. CDSS indicates that under the current subsidized child care governance structure, these costs are borne by CDE.

- 3) Unknown potential costs (GF) from deleting the authorization for licensed child care providers to alter rates for subsidized children only once per year. CDE indicates there is insufficient data on individual provider rates to determine a cost estimate, but notes an increase in a provider's rate will not exceed the reimbursement rate ceiling in existing law.
- 4) Estimated annual cost savings of approximately \$950,000 (GF) due to eliminating the 14-day provider notice requirements. This notice requirement is not effective until July 1, 2020, so the state has yet to incur costs related to this requirement. However, the estimated annual cost is \$950,000 and this bill eliminates that cost.
- 5) No state costs associated with increasing the reserve account maximum limits for APP contractors. This requirement would not result in a need for additional funds above the current budget act appropriations.

COMMENTS:

- 1) **Purpose.** This bill seeks to improve access to and the viability of child care providers by making several changes related to APPs. According to the author, "Family child care business owners that support California's subsidized working families with access to child care and early learning opportunities deserve to be treated the same way as private child care business owners."
- 2) **Background.** California's subsidized child care system is designed to provide assistance to parents and guardians who are working, in training, seeking employment, incapacitated, or in need of respite. This child care is available through a number of programs. Parents participating in CalWORKs, as well as families transitioning from and no longer receiving CalWORKs aid, can be eligible for child care, which is offered in three "stages." CDSS administers Stage One, and CDE administers Stage Two and Stage Three. CDE also administers non-CalWORKs child care.
- 3) **Alternative Payment Programs.** APPs are local government agencies or nonprofit organizations that assist families in arranging child care services and make payments directly to the child care provider selected by a family. CDE currently contracts with 76 APP agencies to administer several child care programs. These programs receive state and federal funds to provide a variety of supports and payment services that enable eligible low-income families to access subsidized child care using vouchers.

Child care vouchers can be used at a licensed center, a family child care home or a license-exempt child care provider who meets certain criteria. According to the Legislative Analyst's Office, in fiscal year 2019-20, there were 54,340 Alternative Payment voucher slots serving non-CalWORKs children and families, a 21% increase from the prior year.

- 4) **Variable Schedules.** When a child care provider accepts a voucher for a child from a family that is authorized with a variable work schedule, the provider is reimbursed only for the actual time that a child shows up for care. A provider therefore may be reimbursed for less than the amount for which they accepted a voucher. With private pay child care, a family pays for their child's "slot," regardless if the child shows up or not. Advocates note this bill

would bring parity to providers accepting subsidized child care by reimbursing them for the full authorized amount and not according to how many hours a child receives care.

5) Prior Legislation.

AB 603 (Quirk Silva), Chapter 706, Statutes of 2017, requires an APP to establish electronic banking for child care providers and to send notice to a provider of changes in specified factors related to child care services and rates.

AB 1106 (Weber), Chapter 716, Statutes of 2017, requires an APP be given at least 36 months to expend allocated funds, and excludes the basic allowance for housing provided to military personnel from counting as income when determining eligibility for child care programs.

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