

Date of Hearing: May 12, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 92 (Reyes) – As Amended April 29, 2021

Policy Committee:	Human Services	Vote:	8 - 0
	Education		7 - 0

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

**SUMMARY:**

This bill requires the “lead agency” to establish a fee schedule for families using preschool and childcare and development services, and requires that family fees be waived for all families until October 31, 2022.

The bill does not define “lead agency.” However, the Budget Act of 2020 transitions responsibility for certain childcare and development programs from the California Department of Education (CDE) to the California Department of Social Services (CDSS), effective July 1, 2021. For purposes of this bill it is assumed CDSS will be the “lead agency,” but it is likely their duties will be shared with CDE during the transition. Specifically, this bill:

- 1) Requires child care family fees be waived for all families until October 31, 2022, due to the COVID-19 pandemic. Prohibits the cost of waiving family fees from being absorbed by the direct service contractors of family childcare providers, including family childcare home providers participating in a family childcare home education network (FCCHEN) and alternative payment program providers (APPs). Prohibits the number of childcare vouchers and contracted spaces from being reduced on account of the family fee waiver.
- 2) Prohibits families with an adjusted monthly family income below 75% of the state median income (SMI) from being assessed a family fee.
- 3) Requires the lead agency to establish a fee schedule for families using preschool and childcare and development services. Requires the revised fees not exceed 1% of a family’s monthly income. As part of this process, requires the following:
  - a) The lead agency to convene a workgroup of parents, childcare providers, advocates, lead agency staff, child development program representatives, and other stakeholders to develop an equitable fee schedule for families whose adjusted monthly income is at or above 75% of the state median income (SMI). Requires recommendations be adopted by the lead agency prior to the date the federal government’s allowance for the state to waive family fees for all families expires. Requires the lead agency to first submit the adjusted fee schedule to the Department of Finance (DOF) for approval.
  - b) The State Department of Education (CDE) to compile a report that includes the proposed fee schedule, the names and association of the workgroup participants, and the criteria used to develop the fee schedule and provide the report to the Governor and to the budget and policy committees of both houses of the legislature.

- c) Prohibits the reduction in family fees collected from being absorbed by the direct service contractors or family childcare providers, including family childcare home providers participating in a FCCHEN and APPs. Requires the number of childcare vouchers and contracted spaces not be reduced due to any reduction in the collection of family fees.

#### FISCAL EFFECT:

- 1) Estimated costs of \$33.8 million (General Fund (GF) and federal funds) in fiscal year (FY) 2021-22, to waive family fees for all families from January 1, 2022, (when the bill would go into effect) until June 30, 2022.
- 2) Estimated costs of \$67.9 million (GF and federal funds) in FY 2022-23, to waive fees for all families from July 1, 2022, through October 31, 2022, waive fees for families with incomes below 75% of SMI starting in November 2022, and reduce fees for families with incomes between 75% and 85% of SMI starting in November 2022.
- 3) Estimated costs of \$67.7 million (GF and federal funds) in FY 2023-24, and annually thereafter, to exempt all families with incomes up to 75% of SMI and reduce fees for families required to pay fees.
- 4) CDE estimates annual administrative costs of \$279,000 (GF) in fiscal year (FY) 2021-22 and \$125,000 (GF) ongoing, for staffing and operating expenses to perform duties to implement the provisions in this bill. This workload includes convening and co-leading a workgroup with CDSS to establish a new family fee schedule, developing a recommendations report in collaboration with CDSS and promulgating regulations, among other tasks.

(A proposal to waive family fees through at least October 31, 2024, is being considered in the legislative budget process.)

#### COMMENTS:

- 1) **Purpose.** This bill intends to reduce family fees charged for subsidized childcare in order to increase affordability of childcare and early childhood education to low-income families. According to the author:

The COVID-19 pandemic has only heightened the need for affordable childcare for families and communities of color, who are a significant part of California's essential workforce. In light of the public health crisis and economic recession, parents need affordable childcare now more than ever in order to continue providing for their families. [This bill] will create an equitable sliding scale for family fees that will alleviate the burden on working families struggling to pay for childcare and early childhood education services. By increasing the affordability of childcare to working families, this bill will benefit the economic recovery of the state by helping parents remain in the workforce and achieve economic stability.

- 2) **Background.** Existing federal law establishes the Child Care and Development Fund (CCDF), an aggregate of several funding sources that is distributed in block grants by the federal government to the states. The CCDF requires states to establish a sliding fee scale for families that receive childcare services supported by the block grant that provides

affordability, is income based and allows, at the state's discretion, for the family fees to be waived for certain families.

Existing state law requires the Superintendent of Public Instruction (SPI) to establish a flat monthly fee schedule that differentiates between part-time and full-time care for families using preschool and childcare and development services, based on SMI in the past 12 months, adjusted for family size. According to the family fee monthly schedule, effective July 1, 2020, a family of four with a monthly income of approximately \$3,500 will be assessed a \$70 monthly family fee for part-time care, or a \$140 monthly family fee for full-time care. A family of four with a monthly income of approximately \$6,000 will be assessed a \$236 monthly family fee for part-time care, or a \$471 monthly family fee for full-time care. Family fees may not exceed 10% of the family's monthly income, and the SPI must first submit adjusted fee schedules to the state Department of Finance (DOF) for approval. This bill proposes limiting family fees to no more than 1% of family income.

Reimbursement for a subsidized childcare contract is reduced by the amount of family fees collected by families served, as fees collected from families covers a portion of the cost of care. If a contractor is unable to collect all of the family fees, and performs their due diligence to collect any amounts past due, the contractor is allowed to claim the uncollectable amount as a bad debt expense.

- 3) **COVID-19 Pandemic.** SB 820 (Committee on Budget and Fiscal Review), Chapter 110, Statutes of 2020, waived family fees for all subsidized childcare in July and August 2020, and provided additional funds to contractors to augment contracts for fees waived. SB 820 also allows families who were disenrolled, either voluntarily or involuntarily, due to delinquent family fees to re-enroll without the need for additional eligibility documentation, and waives family fees for September 2020 through June 2021, for families where all children in the family enrolled in care remain at home for early learning and care, distance learning or are sheltering-in-place. In order to offset the cost of waived fees for direct service contractors, APPs and FCCHEN providers, \$30 million in federal Coronavirus relief funds were made available.

This bill requires family fees be waived for all families until October 31, 2022, due to the COVID-19 pandemic and prohibits the cost of waiving family fees from being absorbed by providers and prohibits the number of childcare vouchers and contracted spaces from being reduced as a result.