

ASSEMBLY THIRD READING  
AB 92 (Reyes and McCarty)  
As Amended April 29, 2021  
Majority vote

## SUMMARY

Makes changes to the amount of the family fee collected for preschool and childcare and development services and waives the family fee until October 31, 2022.

### Major Provisions

- 1) Changes the amount of a family's monthly income that family fees cannot exceed from 10% to 1%.
- 2) Requires 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 family income is at or above 75% of the state median income.
- 3) Requires the State Department of Education (CDE) to create 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.
- 4) Requires CDE's report to be provided to the Governor, and to the budget and policy committees of both houses of the Legislature, and recommendations to be adopted by the lead agency prior to the date that the federal government's allowance for the state to waive family fees for all families expires.
- 5) States that families with an adjusted monthly family income below 75% of the state median family income shall not be charged or assessed a family fee.
- 6) Provides that, to provide relief to the thousands of families enduring the challenges of the COVID-19 pandemic and as permissible under the federal Consolidated Appropriations Act, 2021, family fees shall be waived for all families until October 31, 2022.
- 7) Provides that neither the reduction in family fees collected nor the waiving of cost of waiving family fees shall be absorbed by direct service contractors or family childcare providers, including family childcare home providers participating in a family childcare home education network and alternative payment program (APP) providers. Further, provides that the number of childcare vouchers and contracted spaces shall also not be reduced on account of any reduction in the collection of family fees or on account of the family fee waiver.
- 8) Makes technical changes.

## COMMENTS

*Subsidized child care:* 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 California Work Opportunity and Responsibility to Kids (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." The Department of Social Services (CDSS) administers Stage 1, and CDE administers Stages 2 and 3. CDE also administers non-CalWORKs childcare. The largest programs are: General Child Care, which includes contracted centers and family child care homes; the California State Preschool Program, which provides developmentally, culturally, and linguistically appropriate curriculum to eligible three- and four-year olds; and, APPs, which provide vouchers that can be used to obtain child care in a center, family child care home, or from a license-exempt provider.

Certain eligibility and prioritization rules apply to subsidized childcare in California. Families are eligible for non-CalWORKs subsidized childcare if they meet at least one requirement in each of two areas: eligibility and need. First, they must meet one of the eligibility criteria, which are currently receiving aid, being income-eligible, being homeless, or having children who are recipients of protective services or who have been identified as being, or at risk of being, abused, neglected, or exploited. Secondly, the family must meet one of the "need" requirements which are either the child has to have been identified by a legal, medical, or social services agency or emergency shelter as being a recipient of protective services or being (or at risk of being) abused, neglected or exploited; or, the parents need to be employed or seeking employment, engaged in vocational training, seeking permanent housing for family stability, or incapacitated.

*Family fees:* The cost of childcare is often a large burden on a family's income. The United States Department of Health and Human Services deems early care and education affordable for families if it consumes 7% or less of a family's income. According to a 2019 article from the Economic Policy Institute, in California, the typical family must spend 25% of their income to obtain center-based care for an infant. Some families receiving subsidized childcare are required to pay a share of their childcare costs, known as family fees. These fees do not apply to families receiving CalWORKs cash aid, safety net families, or sanctioned families. Each family pays a single fee based on their income relative to their family size. The maximum family fee is 10% of the family's income.

Subsidizing childcare is a way to alleviate the economic burden of child care and facilitate employment opportunities for families. A 2016 article from the United States (U.S.) Health and Human Services Agency found a positive correlation between increasing childcare expenditures and higher employment rates of potentially eligible mothers. The article states that, "One of the primary motivations for public investment in early care and education is its potential to increase parental employment. Indeed, economic theory and empirical evidence suggest that such support can improve parental labor force participation rates, particularly by bringing more mothers into the workforce."

*Family fee waivers:* On April 4, 2020, the Governor signed Executive Order N-45-20 enacted in SB 820 (Budget and Fiscal Review Committee), Chapter 110, Statutes of 2020, to facilitate child care for children of essential critical infrastructure workers by waiving certain programmatic and administrative requirements in response to the COVID-19 pandemic. Amongst the provisions was a waiver of family fees for all subsidized children in July and August 2020. Additionally, SB 820 included a waiver of family fees, from September 1, 2020, to June 30, 2021, for families when all children in the family enrolled in subsidized early learning and care programs remain at home—either for distance learning services when the facility is closed, when all currently enrolled children are not able to receive in-person services due to a public health order, or for families sheltering-in-place due to COVID-19.

*Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021*: Public Law 116-260, named the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, appropriated \$10 billion through the Child Care and Development Block Grant (CCDBG) to prevent, prepare for, and respond to the COVID-19 pandemic. The funding is to be used to supplement State, Territory, and Tribal general revenue funds for child care assistance for low-income families within the United States and assistance to child care providers. CRRSA also provided some additional flexibilities for the use of those funds. The CRRSA funds may be used for costs of providing relief from copayments and tuition payments for families and for paying that portion of the child care provider's cost ordinarily paid through family copayments. These funds provide continued payments and assistance to child care providers in the case of decreased enrollment or closures related to coronavirus and assure they are able to remain open or reopen as appropriate and applicable.

*Need for this bill*: In 2020 and continuing into 2021, across the state, throughout the nation, and around the world, the global COVID-19 pandemic has had drastic effects on public health and the economy. In addition to the over 500,000 lives lost to COVID-19 in the U.S., many individuals have also experienced unemployment, as well as food and housing insecurity resulting from reduced employment opportunities. This bill would waive family fees for families receiving subsidized child care, to ease the economic burden of child care during the COVID-19 pandemic. Additionally, this bill would reduce the maximum family fee that a family would have to pay for subsidized child care, further alleviating the economic strain of child care.

#### **According to the Author**

"The COVID-19 pandemic has only heightened the need for affordable child care 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 child care to working families, this bill will benefit the economic recovery of the state by helping parents remain in the workforce and achieve economic stability"

#### **Arguments in Support**

The American Association of University Women, a co-sponsor for this bill, writes, "[This bill] will bring reason and sensibility to our current subsidized child care system by significantly reducing the family fee in scale to a family's income... We also appreciate that [this bill] prohibits the reduction in family fees from being absorbed by childcare providers, and also, prohibits the reduction in the number of child care vouchers available to families. The approach in this bill to solving the problem of unaffordable family fees is innovative, and so greatly appreciated."

#### **Arguments in Opposition**

None on file

## FISCAL COMMENTS

According to the Assembly Appropriations Committee on May 12, 2021:

- 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 this 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 state median income (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.)

## VOTES

### ASM HUMAN SERVICES: 8-0-0

**YES:** Calderon, Davies, Arambula, Choi, Gipson, Stone, Villapudua, Ward

### ASM EDUCATION: 7-0-0

**YES:** O'Donnell, Kiley, Bennett, Megan Dahle, Lee, McCarty, Quirk-Silva

### ASM APPROPRIATIONS: 16-0-0

**YES:** Lorena Gonzalez, Bigelow, Calderon, Carrillo, Chau, Megan Dahle, Davies, Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Holden, Luz Rivas

## UPDATED

VERSION: April 29, 2021

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