

GOVERNOR'S VETO
AB 92 (Reyes and McCarty)
As Enrolled September 1, 2022
2/3 vote

SUMMARY

Makes changes to the amount of the family fee collected for preschool and childcare and development services and prohibits providers from absorbing any reduction in pay due to waivers or reductions in family fees.

Senate amendments:

- 1) Deleted provisions related to waiving family fees through October 31, 2022.
- 2) Deleted provisions requiring the creation of a workgroup and a corresponding report.
- 3) Provided that all California State Preschool programs (CSPPs) and childcare providers paid with childcare subsidies, as specified, shall not absorb any reduction in pay for the contracted space or voucher on account of any waiver of or reduction in family fees.
- 4) Provided that starting July 1, 2023, subject on an appropriation for these purposes, the revised fee schedule shall apply.
- 5) Made technical changes.

As passed by the Assembly, this bill:

- 1) Changed the amount of a family's monthly income that family fees cannot exceed from 10% to 1%.
- 2) Required 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) Required 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) Required 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) Stated 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) Provided 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) Provided 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, provided 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) Made technical changes.

Governor's Veto Message

This bill would make changes to the family fee schedule for the California State Preschool Program and child care and development services. This bill would change the current family fee schedule by prohibiting family fees from exceeding 1 percent of a family's monthly income and exempting families with an adjusted monthly income below 75 percent of the state median family income from paying a family fee.

The author's advocacy for California's working families is commendable. Like the author, expanding access to high quality early learning and care programs for babies and toddlers is a priority of my Administration. That's why the 2022 Budget Act included significant investments in preschool and childcare including family fee waivers for the 2022-23 fiscal year, an income threshold increase for the State preschool program from 85 percent to 100 percent of state median income, and funding to allow providers to stay open even if enrollment is down due to COVID-19.

While the intent of this bill is consistent with our previous budget actions, it creates costs in the tens of millions of dollars not currently accounted for in the state's fiscal plan. With our state facing lower-than-expected revenues over the first few months of this fiscal year, it is important to remain disciplined when it comes to spending, particularly spending that is ongoing. We must prioritize existing obligations and priorities, including education, health care, public safety and safety-net programs.

The Legislature sent measures with potential costs of well over \$20 billion in

one-time spending commitments and more than \$10 billion in ongoing commitments not accounted for in the state budget. Bills with significant fiscal impact, such as this measure, should be considered and accounted for as part of the annual budget process. For these reasons, I cannot sign this bill.

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."

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

Head Start California writes, "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 child care 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 child care. By increasing the affordability of child care to working families, this bill will benefit the economic recovery of the state by helping parents, especially women of color, remain in the workforce and achieve economic stability."

Arguments in Opposition

None on file

FISCAL COMMENTS

According to the Senate Appropriations Committee on August 11, 2022, "The bill's provisions would be subject to an appropriation. The Department of Social Services (DSS) estimates ongoing General Fund costs of approximately \$134.2 million to restrict family fees from exceeding 1% of the family's monthly income and prohibit families with an adjusted monthly family income below 75% of the state median family income from being assessed a family fee. This estimate assumes that the monthly family fees assessed under this bill's criteria based on October 2021 enrollment would be \$69,000 per month, with annual family fees at \$1.75 million based on full enrollment of funded slots across the programs. The full year cost to waive family fees would be \$135.97 million."

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

ASSEMBLY FLOOR: 78-0-0

YES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Burke, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Frazier, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

SENATE FLOOR: 33-0-7

YES: Allen, Archuleta, Atkins, Becker, Bradford, Caballero, Cortese, Dodd, Durazo, Eggman, Glazer, Gonzalez, Hertzberg, Hueso, Hurtado, Kamlager, Laird, Leyva, Limón, McGuire, Min, Newman, Nielsen, Ochoa Bogh, Pan, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wieckowski, Wiener

ABS, ABST OR NV: Bates, Borgeas, Dahle, Grove, Jones, Melendez, Wilk

ASSEMBLY FLOOR: 79-0-1

YES: Aguiar-Curry, Alvarez, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Mia Bonta, Bryan, Calderon, Carrillo, Cervantes, Chen, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Mike Fong, Fong, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Gray, Grayson, Haney, Holden, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, McKinnor, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wilson, Wood, Rendon

ABS, ABST OR NV: Irwin

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