SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1981 (Aguiar-Curry) - Subsidized childcare: reimbursement rates: reporting

Version: June 10, 2026	**Policy Vote:** HUMAN S. 4 - 0
Urgency: Yes	**Mandate:** No
Hearing Date: June 29, 2026	**Consultant:** Agnes Lee

Bill Summary: AB 1981, an urgency measure, would specify requirements for rate reimbursements for subsidized child care programs.

Fiscal Impact: Unknown, potential ongoing General Fund costs for child care reimbursement rates to the extent the bill's provisions would impact the development of the new rate structure required under current law.

Background:

Subsidized Child Care System. California's subsidized child care system is designed to provide assistance for income eligible parents and guardians who are working, in training, seeking employment, incapacitated, or in need of respite. The state's subsidized child care programs include General Child Care, Alternative Payment, CalWORKs Child Care, and the California State Preschool Program.

Alternative Methodology for Child Care Reimbursement Rates. Current law states the intent of the Legislature, beginning July 1, 2025, to cease using a regional market rate survey, and instead use an alternative methodology, as defined, for the purpose of informing the setting of future childcare rates. Current law requires the Governor and the Legislature to, by no later than July 1, 2025, establish reimbursement rates based on the alternative methodology. If the new reimbursement rates established do not take effect on July 1, 2025, the CDSS must provide the Legislature with a timeline for transitioning from the rates that are in effect on July 1, 2025, to the new rates. Current law requires CDSS to, from October 1, 2024, to July 1, 2027, provide the Assembly Committee on Budget, the Senate Committee on Budget and Fiscal Review, and the Legislative Analyst's Office with quarterly updates on the implementation of the new reimbursement rates set under the alternative methodology. According to the July 2025 update to the Legislature, CDSS projects that, upon finalization of a single rate structure, a minimum of two years will be needed to complete the necessary automation and program implementation activities required to implement the new structure.

Proposed Law: Specific provisions of the bill would:

- Extend the timeline for quarterly updates to the Legislature to until the new reimbursement rates set under the alternative methodology are fully implemented.

- Require CDSS, when establishing new reimbursement rates using an alternative methodology, to do all of the following:

    - Vary rates based on specified geographic regions.

  - Vary rates, at a minimum, based on whether the childcare provider is a license-exempt childcare provider, a licensed family daycare home, or a daycare center.

  - Vary rates, at a minimum, based on specified time category considerations.

  - Vary rates, at a minimum, based on specified child age considerations.

  - Include an extended hours care rate that is equal to 125 percent of the base rate.

  - Include an enhanced inclusion rate for children who have an individualized family service plan, individual program plan, individualized education program, a plan pursuant to the federal Rehabilitation Act as specified, or an active incidental medical services plan, as specified.

  - Include an enhanced transportation reimbursement rate for the cost to childcare providers of transporting children to and from care, as specified.

  - Ensure that the reimbursement rates permit reimbursement for a specific child to include all rate enhancements for which the child is eligible, and does not limit the number of rate enhancements that can be provided for a specific child.

  - Ensure that reimbursement rates are based on families' certified need, as specified.

- Require that reimbursement rates established under the alternative methodology be implemented with regards to family childcare providers within 90 days of the state and the provider organization representing those providers reaching agreement on the rates.

- Contain an urgency clause.

Staff Comments: The CDSS is currently in the process of working towards implementing the alternative methodology for purposes of determining reimbursement rates and the actual costs for the new single rate structure are yet to be determined. The cost impacts due to the bill's provisions are indeterminate since it is unknown to what extent the provisions would impact the outcome of the final reimbursement rates under the single rate structure.

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