Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 1981
Author: Aguiar-Curry (D), et al.
Amended: 6/10/26 in Senate
Vote: 27 - Urgency

SENATE HUMAN SERVICES COMMITTEE: 4-0, 6/15/26
AYES: Becker, Ochoa Bogh, Laird, Pérez
NO VOTE RECORDED: Weber Pierson

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 74-0, 4/23/26 (Consent) - See last page for vote

SUBJECT: Subsidized childcare: reimbursement rates: reporting

SOURCE: Child Care Providers United
SEIU California State Council
United Domestic Workers/AFSCME Local 3930

DIGEST: This bill (1) revises requirements for the California Department of Social Services (CDSS) to provide updates to the Legislature regarding the implementation of reimbursement rates for subsidized child care based on the alternative methodology; (2) adopts several recommendations in the Single Rate Structure report.

ANALYSIS:

Existing Law:

1) Establishes the Child Care and Development Services Act to provide a comprehensive, coordinated, and cost-effective system of child care and development services for children from infancy to 13 years of age and their parents, including a full range of supervision, health, and support services

through full- and part-time programs. (Welfare and Institutions Code [WIC] § 10207 et seq.)

2) Establishes the Building a Better Early Care and Education System Act to promote quality, access, and stability in the early care and education system by authorizing an appropriate unit of family child care providers to choose a provider organization to act as their unit's representative on all matters specified under the Act. (WIC § 10420 et seq.)

3) States it is the intent of the Legislature to use an alternative methodology, as defined, to inform the setting of reimbursement rates for subsidized child care. Provides that reimbursement rates are subject to agreement and codification by the Legislature. (WIC §10227.6(a) and (b))

4) Requires CDSS, in collaboration with the California Department of Education, to develop and conduct an alternative methodology. Establishes a timeline for the development of an alternative methodology, including reporting requirements. (WIC § 10227.6)

This Bill:

1) Makes various findings and declarations.

2) Strikes the sunset date of July 1, 2027, for CDSS to provide quarterly updates on the implementation of the new reimbursement rates set under the alternative methodology and extends the requirement until the new reimbursement rates set under the alternative methodology are fully implemented.

3) Requires CDSS to provide the Chairperson of the Joint Legislative Budget Committee, rather than the Legislature, with CDSS' anticipated timeline for transitioning from the rates that are in effect on July 1, 2025, to the new rates if the new reimbursement rates do not take effect on July 1, 2025.

4) Adds that it is the intent of the Legislature for CDSS to use values or selection points that reflect the actual, established costs of providing care when updating the alternative methodology, as required by the triennial federal Child Care Development Fund plan.

5) Requires CDSS, when establishing new reimbursement rates using an alternative methodology, to the extent it is consistent with the Child Care and Development Fund state plan, to do all of the following:

a) Vary rates based on geographic regions; provider type; time considerations; and child age; as specified.

b) Include an extended hours care rate, enhanced inclusion rate, and an enhanced transportation rate, as specified.

c) 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.

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

6) Requires reimbursement rates established under the alternative methodology to be implemented with regards to family child care providers within 90 days of the state and the provider organization representing those providers reaching agreement on the rates.

7) Requires reimbursement rates established under the alternative methodology to not be reduced below the amounts in effect on the effective date of this bill.

8) States this act is an urgency statue necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect.

Background

Purpose of the Bill. According to the author, "Child care providers are the backbone of our early education system and a critical part of California's economy, yet too many of these mostly women- and minority-owned small businesses are barely scraping by. AB 1981 is about ensuring providers are paid based on the true cost of delivering care. This bill ensures continued transparency and accountability by requiring ongoing quarterly updates from CDSS on the transition to the new reimbursement rate system until it is fully implemented.

"After nearly two decades of unfulfilled commitments to reform child care rates, the Legislature deserves clear accountability and transparency from the Administration on when these changes will finally take effect. Paying providers fairly will help stabilize the child care workforce, keep providers' doors open, and ensure families can access the care they need. This is especially critical as the federal government implements the work requirements included in H.R. 1, and other policies that raise the cost of living for California families. Now more than ever, working parents need reliable child care to remain employed and support their families."

Subsidized Child Care. 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 largest subsidized child care programs are General Child Care, Alternative Payment, CalWORKs Child Care, and the California State Preschool Program.

General Child Care provides care through contracted centers and family child care home education networks. Alternative Payment provides vouchers to families, which they can use to obtain child care at a center, family child care home, or from a license-exempt provider. Families are income eligible for General Child Care or Alternative Payment if their household income is below 85% of the State Median Income, depending on family size. In 2025–26, a family of four is income eligible if their annual family income is at or below $108,237.

CalWORKs Child Care provides vouchers for families to use at a center, family child care home, or with a license-exempt provider. Families are eligible for CalWORKs Child Care from when they are enrolled in CalWORKs until 24 months after a family has been off cash aid. CalWORKs is organized into three stages. Stage 1 and Stage 2 are considered entitlement programs, meaning anyone who is eligible and has a qualifying need must receive services. Stage 3 Child Care is dependent on the availability of funding and is not an entitlement program.

The California State Preschool Program provides care for three- and four-year-olds at local educational agencies and some community-based centers. Current law additionally allows California State Preschool Programs to serve two-year-olds through June 30, 2027. Families are eligible for the California State Preschool Program if their income based on family size falls below 100% of the State Median Income. In 2025–26, a family of four is income eligible if their annual family income is at or below $127,338. California State Preschool Programs are under the purview of the Senate Education Committee.

History of Reimbursement Rate Reform. AB 131 (Committee on Budget, Chapter 116, Statutes of 2021) established the state's efforts to move to a single reimbursement rate structure. The first was a Joint Labor Management Committee, established between the State and Child Care Providers United (CCPU), the family child care providers union. The Joint Labor Management Committee was tasked with developing recommendations for a single reimbursement rate structure that addresses quality standards for equity and accessibility. The second effort was the Rate and Quality Stakeholder Workgroup, established by CDSS in consultation with the California Department of Education. The Workgroup was tasked with assessing the methodology for establishing reimbursement rates and the existing quality standards for child care and preschool programs. AB 131 also increased rates for all contractors.

AB 116 (Committee on Budget, Chapter 41, Statutes of 2023) required CDSS, in consultation with the California Department of Education, to develop and conduct an alternative methodology for setting reimbursement rates. CDSS contracted with Prenatal to Five Fiscal Strategies to assist in designing and implementing an alternative methodology process. SB 140 (Committee on Budget and Fiscal Review, Chapter 193, Statutes of 2023) added a timeline for adoption of a new alternative methodology, requiring CDSS to submit information on the alternative methodology to the federal Administration for Children and Families in the Child Care and Development Fund state plan by July 1, 2024. Additionally, the timeline in SB 140 required CDSS to provide the Legislature with an outline for planned implementation of the single rate structure utilizing the alternative methodology within 60 days of federal approval, upon which the Legislature shall have 30 days to review and provide feedback for implementation of these policies.

SB 163 (Committee on Budget and Fiscal Review, Chapter 73, Statutes of 2024) required CDSS to provide the Assembly and Senate Budget Committees with a report that outlines the implementation components for the approved single rate structure, including the department's plan to set new reimbursement rates under the alternative methodology by no later than July 1, 2025, and the estimated costs and estimated timelines associated with implementation. SB 163 required CDSS to provide quarterly updates on implementation, including any changes to the information provided in the report. SB 163 provided that the Governor and Legislature shall, by no later than July 1, 2025, establish reimbursement rates based on the alternative methodology, and if new reimbursement rates do not take effect, CDSS shall provide the Legislature with a timeline for transitioning from the rates in effect on July 1, 2025, to the new rates.

SB 120 (Committee on Budget and Fiscal Review, Chapter 13, Statutes of 2025) revised the sunset date for quarterly updates on the implementation of the new reimbursement rates to July 1, 2027, and stated the intent of the Legislature to cease using a regional market rate survey and instead use an alternative methodology beginning July 1, 2025. In December 2025, the Joint Labor Management Committee published a final report with joint recommendations for a single rate structure. The final report additionally included State recommendations and CCPU recommendations that were not jointly agreed upon. This bill would adopt several of these recommendations, including both joint recommendations and CCPU recommendations. The recommendations to be adopted through this bill include varying rates based on defined geographic regions, varying rates based on provider type, varying rates based on time-of-day considerations, varying rates based on child age considerations, including an extended hours rate, including an enhanced inclusion rate, and including an enhanced transportation rate.

According to the July 2025 Update to the Report to the Legislature on Implementation of the Single Rate Structure, 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. However, this timeline is subject to change based on various factors, such as implementation of the Joint Labor Management Committee joint recommendations, which will require statutory changes. Further, the Memorandum of Understanding between the State and CCPU states that a single rate structure will become operable upon the parties reaching agreement on the specific rates. This bill would extend the sunset for quarterly updates on the implementation of new reimbursement rates until the new rates are fully implemented.

Related/Prior Legislation

SB 120 (Committee on Budget and Fiscal Review, Chapter 13, Statutes of 2025), a budget trailer bill, revised the sunset date for quarterly updates on the implementation of the new reimbursement rates to July 1, 2027, and stated the intent of the Legislature to cease using a regional market rate survey and instead use an alternative methodology beginning July 1, 2025, among other things.

SB 163 (Committee on Budget and Fiscal Review, Chapter 73, Statutes of 2024), a budget trailer bill, required CDSS to publish a report that outlines the implementation timeline for the approved single rate structure, including a plan to set new reimbursement rates under the alternative methodology by no later than July 1, 2025, and required CDSS to provide quarterly updates on implementation. SB 163 provided that the Governor and Legislature shall, by no later than July 1, 2025, establish reimbursement rates based on the alternative methodology, and if new reimbursement rates do not take effect, CDSS shall provide the Legislature with a timeline for transitioning from the rates in effect on July 1, 2025, to the new rates.

SB 140 (Committee on Budget and Fiscal Review, Chapter 193, Statutes of 2023), a budget trailer bill, established various intermediate deadlines toward the submission of the Child Care and Development Fund state plan with necessary information to support use of a single rate structure utilizing the alternative methodology.

AB 116 (Committee on Budget, Chapter 41, Statutes of 2023), a budget trailer bill, stated the intent of the Legislature to utilize an alternative methodology, as defined, to inform the setting of reimbursement rates for subsidized child care. AB 116 required CDSS, in collaboration with the California Department of Education, to develop and conduct an alternative methodology.

AB 131 (Committee on Budget, Chapter 116, Statutes of 2021), a budget trailer bill, transferred administration of child care and development programs from the California Department of Education to CDSS. AB 131 also established the Joint Labor Management Committee and Rate and Quality Stakeholder Workgroup, among other things.

AB 378 (Limón, Chapter 385, Statutes of 2019) authorized family childcare home providers to form, join, and participate in the activities of a provider organization (union) of their own choosing for the purpose of representing them and bargaining on matters regarding the terms and conditions of their employment.

Comments

This bill seeks to continue transparent communication to the Legislature regarding the transition to a new single rate structure by extending quarterly reporting requirements until new rates are implemented. This bill would adopt several single rate structure recommendations published in the Joint Labor Management Committee's final report to codify rate-setting principles in preparation of reimbursement rate negotiations—to determine the actual percentages and/or dollar amounts to be paid—and implementation of the new rate structure. While the report was published by the Joint Labor Management Committee, comprised of representatives from CDSS, the California Department of Education, and CCPU, the report included joint recommendations, State recommendations, and CCPU recommendations. This bill would adopt several joint recommendations as well as several CCPU recommendations. The communication and proactive implementation goals of this bill seem to align with the Legislature's years-long efforts to adopt a single rate structure using an alternative methodology.

[NOTE: See the Senate Human Services Committee analysis for additional background on this bill.]

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, "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."

SUPPORT: (Verified 8/13/26)

Child Care Providers United (Sponsor)
SEIU California State Council (Sponsor)
United Domestic Workers/AFSCME Local 3930 (Sponsor)
American Federation of State, County and Municipal Employees, Afl-cio
Beverly Hills Synagogue
Black Ece
CA Legislative Women's Caucus
California Child Care Resource and Referral Network
Child Action
Child Care Alliance of Los Angeles
Child Care Law Center
Democrats for Israel Los Angeles
Early Edge California
Etsy
Everychild California
First 5 California
Hadassah, the Women's Zionist of America, INC.
Hillel of San Diego
Jcc/federation of San Luis Obispo
Jcrc Bay Area
Jcrc Santa Barbara County
Jewish California (formerly Jpac)
Jewish Center for Justice
Jewish Council for Public Affairs
Jewish Democratic Club of Marin
Jewish Family Service of San Diego
Jewish Family Service of the Desert
Jewish Family Services of Silicon Valley
Jewish Federation Bay Area
Jewish Federation of Greater Santa Barbara
Jewish Federation of Orange County
Jewish Federation of the Desert
Jewish Federation of the Greater San Gabriel and Pomona Valleys
Jewish Partisan Educational Foundation

Jfcs East Bay
Jfcs Long Beach and Orange County
Jvs Bay Area
Jvs Socal
Los Angeles County
Los Angeles Unified School District
National Council of Jewish Women -sf
Unidosus

OPPOSITION: (Verified 8/13/26)

None received

ASSEMBLY FLOOR: 74-0, 4/23/26
AYES: Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Solache, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wilson, Zbur, Rivas
NO VOTE RECORDED: Addis, Hadwick, Celeste Rodriguez, Sharp-Collins, Soria, Wicks

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8/14/26 13:45:29

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