CONCURRENCE IN SENATE AMENDMENTS
AB 1981 (Aguiar-Curry)
As Amended August 27, 2026
2/3 vote. Urgency

SUMMARY

Requires the California Department of Social Services (CDSS), when establishing rates under the single rate structure, to vary them by region, setting, applicable requirements, time category, and four specified age groupings, and include enhanced rates for nonstandard hours and for inclusion of children with disability-related plans. Sets July 1, 2028, as the end date for quarterly implementation reporting, and requires CDSS to identify the remaining policy frameworks by January 10, 2028.

Senate Amendments

1) Add requirements for how CDSS builds the rate structure, in consultation with the Department of Education and to the extent consistent with the approved federal state plan, to vary rates by geographic region, care setting type, regulatory and statutory requirements, time category, and child age; to include an enhanced rate for nonstandard hours and an enhanced inclusion rate for children with disability-related plans; to ensure a child′s rate includes all enhanced rates they qualify for; and to base rates on maximum certified hours rather than attendance.

2) Add definitions for ″nonstandard hours,″ ″base payment rate,″ and ″enhanced rate.″

3) Revise the definition of the alternative methodology from a cost-based rate setting method ″on which to base″ payment rates to one that ″informs″ payment rates.

4) Remove quarterly implementation updates until new rates are fully implemented and replaced with a fixed end date of July 1, 2028.

5) Add a requirement that CDSS identify the remaining foundational policy frameworks of the single rate structure by January 10, 2028, and a requirement that when updating the methodology for the triennial federal plan, CDSS use values reflecting the actual established costs of providing care.

6) Add a detailed content requirement for one quarterly report: the report due by May 14, 2027, must address what it would take to fold the monthly cost of care plus payments into existing contract rates across the listed programs: data system updates, statutory and regulatory changes, and the activities needed for contractors to pay providers through a rate that includes those payments, with estimated timeframes where practicable.

7) Rewrite legislative findings to reframe the bill′s stated purpose from implementing a methodology based on the actual cost of care to codifying a single rate structure informed by the alternative methodology.

8) Authorize implementation by all-county letter, childcare bulletin, or similar written instruction, with the same force and effect as regulations, until regulations are adopted.

9) Add provisions from AB 190 (Gabriel) or SB 190 (Committee on Budget and Fiscal Review) to avoid chaptering out conflicts, add co-authors and make technical changes to include renaming the act the True Cost of Childcare Act.

COMMENTS

Subsidized Childcare. California's subsidized childcare system is established under the Child Care and Development Services Act, intended to provide a coordinated, comprehensive, and cost-effective system of care for children from birth to 13 years of age and their families. Childcare and development services include supervision, health, and support services delivered through full- and part-time programs to meet the needs of families working, in training, seeking employment, incapacitated, or in need of respite.

The system is funded through a combination of federal and state funds and operates through a mixed delivery model, including licensed childcare centers, family childcare homes and license-exempt providers, such as family, friends or neighbors. Major childcare programs include CalWORKs administered through a three-stage system, the CCTR, which provides care through contracted centers and family childcare home education networks, and AAPs, which provide vouchers that allow families to choose care in centers, family childcare homes, or license-exempt settings. California also offers the California State Preschool Program (CSPP) for eligible three- and four-year old children, providing part- or full-day services.

For non-CalWORKs programs, families must meet both eligibility and need requirements, including income below 85% of the state median income ($89,664 for a family of three), participation in certain public assistance programs, or circumstances such as homelessness or child welfare involvement. Families must also demonstrate a qualifying need, such as employment or training. Once deemed eligible, families are authorized for services for at least 24 months without recertification, unless income exceeds the threshold.

Current Rate Structure (RMR and SRR). California has historically used two different reimbursement rates: the RMR and the SRR, which apply differently across the mixed-delivery system.

The RMR is used for voucher-based programs, including APPs and CalWORKs, and is federally funded through the Child Care and Development Block Grant. The RMR is informed by a market rate survey that reflects the prices providers charge families. Rates vary by county, provider type, child age, and hours of care, and providers are reimbursed up to a regional ceiling. Currently, rates are set at the 75th percentile of the 2018 survey or the rate in effect as of December 31, 2021, whichever is greater. While intended to reflect regional variation and support parental choice, the RMR is based on what families can afford, not the actual cost of care.

The SRR, by contrast, is used for direct service programs, including CCTR and CSPP, which is funded through nonfederal funding sources such as Proposition 98 funds and is a statewide rate established through the budget. Unlike the RMR, it does not vary by region and has historically not reflected differences in the cost of care. The current SRR is $54.93 per child per day, with adjustments based on factors such as age and hours of care. In 2021-22, the state allowed direct service providers to receive the higher SRR or RMR.

Both systems have notable limitations. The RMR can undervalue care in low-income communities where market prices are suppressed, while the SRR does not account for regional cost differences. Maintaining two separate rate structures has also led to inconsistences across programs, inequities in provider reimbursement, and administrative complexity. Reimbursement rates have also not kept pace with rising costs and inflation. Family childcare providers report working an average of 64 hours per week, earning $8.77 per hour or less, which contributes to financial instability among providers, with an estimated 17% living in poverty.

Shift to Alternative Methodology and Single Rate Structure. California is transitioning to a cost-based alternative methodology to set reimbursement rates, moving away from the RMR′s price-based approach. This shift is driven by both policy and collective bargaining efforts.

In 2019, AB 378 (Limon), Chapter 385, Statutes of 2019, granted family childcare providers the right to unionize and collectively bargain with the state, leading to the formation of the CCPU. AB 131 (Committee on Budget), Chapter 116, Statutes of 2021, ratified the first agreement between CCPU and the state, required the creation of a JLMC to develop recommendations for an SRS, and provided one-time funding to supplement reimbursement rates for both family childcare and center-based providers and address rate inequities. AB 131 also established the Rate and Quality Workgroup, which found that the RMR system institutionalizes race- and income-based inequities and recommended adopting a cost-based alternative methodology and a unified SRS with base and enhanced rates.

To support this transition, CDSS, in partnership with Prenatal to Five Fiscal Strategies, developed a cost estimation model based on provider data and stakeholder input across all 58 counties[1]. The model aims to estimate the true cost of care by accounting for factors such as staffing, program type, child age, and geographic variation. The JLMC recommendations released in December 2025,[2] emphasized that the model should inform, but not cap, rate-setting and should be regularly updated to reflect evolving costs. Under the proposed SRS, reimbursement rates would be determined using a consistent, cost-informed methodology across programs, with base rates supporting general operations and enhanced rates for factors such as non-traditional hours and inclusion supports.

Following federal approval of the alternative methodology through the CCDF State Plan, CDSS is required to provide CCPU with an implementation plan and engage in further negotiations on rates and funding. CDSS is also required to provide quarterly updates to the Legislature on implementation through July 1, 2027. If rates were not implemented by the statutory deadline of July 1, 2025, CDSS is also required to provide a transition timeline. Currently, the rates are still not implemented. According to CDSS′ January 2026 rate reform update[3], full implementation of the SRS is expected to take at least two additional years and remains contingent on budget decisions, collective bargaining outcomes, and significant data system and administrative changes.

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[1] https://www.sandiegouniontribune.com/wp-content/uploads/sdcdn/ca-cost-of-quality-final-design-sept2022.pdf
[2] https://childcareprovidersunited.org/wp-content/uploads/2025/12/DRAFT-JLMC-Final-Report-SRS-Recommendations_12.1.25_final.pdf
[3] https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/January%20Update%20to%20the%20Report%20to%20the%20Legislature%20on%20Implementation%20of%20the%20Single%20Rate%20Structure.pdf

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. [This bill] 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.″

Arguments in Support

First Five Alameda writes, ″In recent years, the Legislature and Administration have worked to strengthen the child care system by transitioning to a reimbursement structure that reflects providers′ true costs and expanding access through 200,000 new care slots. While the recent agreement with Child Care Providers United moves the state in this direction, important work remains to meet the long-term needs of children, families, and providers. Quality affordable care helps children build social and educational skills to be school-ready and supports parents who work or attend school. Too often, care is hard to find, wait lists are long, and providers are at risk of closing due to low rates—jeopardizing children′s futures, adding stress for parents, and weakening the state′s economy.

″As is sorely needed, [this bill] establishes a single, cost-based reimbursement rate for subsidized childcare, ensuring payments reflect the true-cost of quality care rather than outdated market rates. The bill provides enhanced reimbursement for nonstandard hours and children with special needs, supporting families with diverse needs and promoting inclusion. It guarantees annual cost-of-living adjustments, helping child care providers keep pace with rising expenses and maintain financial stability. By basing rates on actual costs, [this bill] addresses historic underpayment of providers, supporting workforce retention and quality improvement.″

Arguments in Opposition
None on file.

FISCAL COMMENTS

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.″

VOTES:

ASM HUMAN SERVICES: 7-0-0
YES: Lee, Castillo, Gipson, Elhawary, Jackson, Solache, Tangipa

ASM APPROPRIATIONS: 13-0-2
YES: Wicks, Hoover, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Solache, Ta, Tangipa
ABS, ABST OR NV: Muratsuchi, Pellerin

ASSEMBLY FLOOR: 74-0-6
YES: 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
ABS, ABST OR NV: Addis, Hadwick, Celeste Rodriguez, Sharp-Collins, Soria, Wicks

UPDATED

VERSION: June 10, 2026

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