

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2258 (Ávila Farías) – As Amended April 14, 2026

Policy Committee: Human Services

Vote: 6 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill requires the California Department of Social Services (CDSS) to identify on a quarterly basis unspent or projected unexpended subsidized childcare funds and, to the maximum extent permitted by law, redirect those funds into a newly created Alternative Payment Program (APP) Enrollment Fund to enroll additional eligible families.

Specifically, this bill:

- 1) Requires CDSS to, at least quarterly, identify unspent or projected unexpended moneys from all administered subsidized childcare and development programs, and to redirect and deposit the identified unspent or unexpended moneys to the APP Enrollment Fund, newly created in the State Treasury, to be continuously appropriated to CDSS for the purpose of enrolling additional eligible families in APPs.
- 2) Requires CDSS to expend moneys in the APP Enrollment Fund according to specified priorities.
- 3) Requires CDSS to establish a streamlined and timely process for the transfer or redirection of moneys, including improvements to existing voluntary temporary transfer of funds (VTT) processes, to ensure moneys are fully utilized within the applicable fiscal period.
- 4) Prohibits moneys redirected from being subject to administrative delays that would prevent their timely obligation or expenditure.
- 5) Provides that these provisions are intended solely to maximize the utilization of moneys that would otherwise remain unspent.

**FISCAL EFFECT:**

Ongoing General Fund costs of an unknown amount, but potentially in the low millions of dollars annually to CDSS for approximately eight to 10 staff to implement the requirements of the bill, including identifying unspent moneys in multiple funds, establishing a streamlined process for redirecting those funds and spending the funds according to specified criteria. These tasks will likely require close monitoring of the transfers and coordination with multiple other offices.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

**COMMENTS:**1) **Purpose.** According to the author:

About 1.8 million income-eligible children in California do not have access to subsidized childcare. California has made significant public investments in subsidized childcare and early learning programs. However, a portion of these funds remain unspent each year due to administrative barriers, time misalignments, and structural inefficiencies across programs. Unspent childcare funds represent missed opportunities to serve eligible families and maximizing the use of previously appropriated funds is a cost-neutral first step toward achieving universal access to childcare in California. [This bill] addresses the gap between funding and subsidized childcare by requiring CDSS to identify unspent funds across all childcare programs and redirect those funds, where allowable, to APP contractors for immediate use.

2) **Background.** APPs are one of California's primary delivery systems for subsidized childcare and are administered through contracts between CDSS and local alternative payment agencies, many of which are community-based organizations. APPs provide vouchers that allow families to choose their own childcare provider, including licensed childcare centers, family childcare homes, and license-exempt providers.

Providers are reimbursed based on authorized hours of care and applicable reimbursement rate rules, and APPs receive funding for both services and administrative costs. APPs also manage countywide centralized eligibility lists, enroll families from waitlists, and track caseload and expenditure data for the state. Agencies are required to report monthly data to CDSS on expenditures, unit costs, and family fees, which the state uses to monitor how allocated funds are used and to inform decisions about redistributing or allocating additional funding.

The VTT process is facilitated by the Child Care and Development Division of CDSS, which allows childcare contractors with unspent funds to temporarily transfer those funds to contractors able to fully utilize additional funding in order to maximize the use of appropriate childcare funds.

Advocates state the VTT process is administratively complex, lacks clear timelines, relies on outdated structures, and does not support timely reallocation of funds. As a result, some agencies underspend available funding while others are over-enrolled and unable to serve additional families, and funds are not consistently directed to areas with the greatest need.

This bill creates a proactive and systemic process to identify and redirect unspent funds to enroll additional families and improve timely fund use.

3) **Related Legislation.** AB 2314 (Rogers), of this legislative session, requires CDSS to prioritize full and timely expenditure of childcare funds allocated to APPs, and authorizes funding transfers to maximize utilization of appropriated funds. AB 2314 is pending in this committee.

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