
SENATE COMMITTEE ON HUMAN SERVICES

Senator Becker, Chair
2025 - 2026 Regular

Bill No: AB 2258
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Consultant: Diana Dominguez
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Fiscal: Yes

Subject: Early childhood education and childcare: alternative payment programs

SUMMARY

This bill would establish the Alternative Payment Program Enrollment Fund. This bill would require the California Department of Social Services (CDSS) to identify unspent or projected unspent moneys from subsidized child care and development programs and redirect or deposit those moneys into the Alternative Payment Program Enrollment Fund. This bill would require CDSS to spend that money to enroll additional eligible families.

ABSTRACT

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 [WIC] 10207 et seq.*)
- 2) Defines “alternative payments” as including payments that are made by one child care agency to another agency or child care provider for the provision of child care and development services, as well as payments that are made by an agency to a parent for the parent to purchase child care and development services. (*WIC 10213.5*)
- 3) Defines “alternative payment program” (APP) as a local government agency or nonprofit organization that has contracted with CDSS to provide alternative payments and to provide support services to parents and providers. (*WIC 10213.5(b)*)
- 4) Authorizes, upon the approval of CDSS, appropriated funds to be used for APPs to allow for maximum parental choice. To provide for maximum parental choice, APPs may include the following:
 - a. A subsidy that follows the family from one provider to another.

- b. Choices, whenever possible, among hours of service including before and after school, evenings, weekends, and split shifts.
 - c. Child care and development services according to parental choice, including use of family child care homes, general center based programs, and other state-funded programs, as specified, excluding state preschool programs. (*WIC 10225*)
- 5) Provides that an APP shall have no less than 12 months, and no more than 24 months, to expend funds in any fiscal year. Provides that this does not apply to CalWORKs Stage Two and Stage Three services. (*WIC 10225.5(d)*)
- 6) Defines “maximum reimbursable amount” as the total dollar amount of a contract. Provides that reimbursement from the State shall not exceed the maximum reimbursable amount. (*5 California Code of Regulations 18013(o)*)
- 7) Requires CDSS to promote full utilization of child care and development funds and match available unused funds with identified service needs. Requires CDSS to arrange interagency adjustments between different contractors with the same type of contract when both agencies mutually agree to a temporary transfer of funds for the balance of the fiscal year. Requires CDSS to establish timelines for intra-agency contract fund transfers. (*WIC 10330.5*)
- 8) Requires CDSS to establish a contract classification system for purposes of identifying, monitoring, and providing technical assistance to contractors including a clear contract, provisional contract, and conditional contract, as specified. (*WIC 10397(a)*)
- 9) Provides that agencies with conditional status shall receive technical assistance from the Child Care and Development Division of CDSS. Provides that technical assistance shall be provided to any contracting agency making a written request to its assigned consultant or administrator within 60 days of the request. (*WIC 10397(b-c)*)
- 10) Authorizes a contractor to be placed on conditional contract status if a contractor demonstrates fiscal or programmatic noncompliance during the contract period, as specified. Provides that the contractor shall receive notice and may request an administrative review of the proposed action. Provides that, if the contract is placed on conditional status during the last 90 days of the contract period and the contractor is offered continued funding, the contract for the subsequent contract period will also be on conditional status. (*5 CCR 18304*)
- 11) Provides that a conditional status contract shall contain a Conditional Status Addendum explaining the contract conditions, including the specific items of noncompliance that the contractor must correct and the time period within which the contractor must complete the corrections, among others. Requires a contractor on conditional status to submit monthly enrollment and attendance reports. Provides that a contractor shall remain on conditional status until the contractor has corrected deficiencies and/or has met requirements identified in the Addendum. (*5 CCR 18305–18307*)
- 12) Provides that a family shall be considered to meet all eligibility and need requirements for child care services, upon establishing initial or ongoing eligibility, for not less than 24

months, shall receive those services for not less than 24 months before having their eligibility or need recertified, and shall not be required to report changes to income or other changes for at least 24 months. (*WIC 10271(h)*)

- 13) Clarifies the minimum 12-month eligibility requirement applies when children are newly added to families already participating in the subsidy program. Encourages Child Care and Development Fund Lead Agencies to align eligibility periods to the new child's eligibility period. (*45 Code of Federal Regulations 98.21(d) and 98.16(h)*)
- 14) Defines “displace families” as the disenrollment of families in order to reduce service levels due to insufficient funding or inability of a contractor to operate one or more sites because of incomplete renovations due to natural disasters, as specified. (*5 CCR 18078(e); WIC 10286.5*)
- 15) Establishes local child care and development planning councils (Local Planning Councils) to provide a forum for the identification of local priorities for child care and the development of policies to meet the needs identified within those priorities. (*WIC 10485*)
- 16) Provides that, during a period of liquidation of encumbrances, whenever the Department of Finance determines the purpose for which the appropriation was made is completed and a portion of the appropriation is deemed not necessary, that portion shall, upon order of the Department of Finance, revert to and become a part of the fund from which the appropriation was made. (*Government Code 16304.1*)
- 17) Requires moneys to first be set aside from all state revenues to be applied by the state for support of the public school system and public institutions of higher education. This is known as the Proposition 98 minimum guarantee. (*California Constitution, Article XVI, Section 8*)
- 18) Establishes in the General Fund the Proposition 98 Reversion Account. Requires the Legislature, from time to time, to transfer into the Proposition 98 Reversion Account moneys previously appropriated, as specified, that have not been disbursed or otherwise encumbered for the purposes for which they were appropriated. Provides that moneys that are appropriated under the Proposition 98 minimum funding obligation that would otherwise revert to the unexpended balance of the General Fund shall instead be deposited in the Proposition 98 Reversion Account. (*Education Code 41207.5*)

This Bill:

- 1) Finds and declares that unspent child care funds represent missed opportunities to serve eligible families and maximizing the use of all currently appropriated funds is an essential first step toward achieving universal access to child care in California.
- 2) States it is the intent of the Legislature to do all of the following:
 - a. Prioritize continuity of care for children and families, including maintaining care placements across eligibility periods and minimizing disruptions due to administrative processes.

- b. Ensure that California's child care system operates as a coordinated, responsive infrastructure that meets families where they are and eliminates barriers to access.
 - c. Ensure that all appropriated child care funds are fully utilized to serve eligible families and that systems are aligned to maximize enrollment, continuity of care, and timely access to services.
- 3) Requires CDSS, in consultation with contractors, no less than quarterly, to identify unspent or projected unspent moneys from all subsidized child care and development programs administered pursuant to Division 9 of the Welfare and Institutions Code, including, but not limited to:
 - a. General Child Care and Development programs.
 - b. Migrant Child Care programs.
 - c. CalWORKs Child Care programs, including Stages One, Two, and Three.
 - d. Any other state- or federally funded subsidized child care programs.
- 4) Requires CDSS, in consultation with contractors, to the maximum extent permitted by federal and state law, to redirect and deposit the unspent or unexpended moneys to the Alternative Payment Program Enrollment Fund (APP Enrollment Fund).
- 5) Provides that, notwithstanding Section 13340 of the Government Code, all moneys in the APP Enrollment Fund are continuously appropriated, without regard to fiscal years, to CDSS for the purpose of enrolling additional eligible families in APPs.
- 6) Requires CDSS to expend moneys in the APP Enrollment Fund in a manner that prioritizes all of the following:
 - a. Contractors with demonstrated capacity to enroll additional families.
 - b. Enrollment of families currently on waitlists or in the eligibility determination process.
 - c. Continuity of care for children, including maintaining placements for siblings and preventing disruptions in care.
- 7) Requires CDSS to establish a streamlined and timely process for the transfer or redirection of moneys, including improvements to or expansion of existing Voluntary Temporary Transfer processes, to ensure that moneys are fully utilized within the applicable fiscal period.
- 8) Prohibits redirected moneys from being subject to administrative delays that would prevent their timely obligation or expenditure.
- 9) Requires CDSS to notify each local child care and development planning council (Local Planning Council), whenever moneys are identified as unspent or projected to remain unexpended, and are subject to transfer or redirection pursuant to this bill. Requires the

notification to identify the applicable subsidized child care and development program and the amount of moneys subject to transfer or redirection.

- 10) Provides that nothing in this bill shall be construed to reduce or eliminate funding allocations for existing contracts. Provides that this bill is intended solely to maximize the utilization of moneys that would otherwise remain unspent.
- 11) Provides that, notwithstanding any other provision of this bill, funds used to meet the Proposition 98 minimum funding obligation shall not be subject to identification, transfer, redirection, deposit, or expenditure pursuant to this bill.

FISCAL IMPACT

According to the Assembly Appropriations Committee:

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.

BACKGROUND AND DISCUSSION

Purpose of the Bill:

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.

"APP contractors serve as the primary delivery system for voucher-based childcare and are uniquely positioned to rapidly enroll families, support parental choice, and deploy available funding efficiently. AB 2258 addresses the gap between funding and subsidized childcare by requiring the Department of Social Services to identify unspent funds across all childcare programs and redirect those funds, where allowable, to APP contractors for immediate use."

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. As of July 2021, CDSS administers child care and development programs. CDSS administers both voucher-based programs and direct contract programs, also known as Title 5 programs.

Voucher-based programs provide vouchers for families to obtain care at a licensed child care center, licensed family child care home, or from a license-exempt provider (Family, Friend, and Neighbor). Voucher-based programs include Alternative Payment, Migrant Alternative Payment, CalWORKs Child Care (Stage One, Two, and Three), and the Emergency Child Care Bridge Program for Foster Children. Voucher-based programs are subject to Title 22 health and safety requirements.

Direct contract programs are contracted directly with the state for a fixed number of child care slots in a licensed child care center or a network of family child care homes. Direct contract programs administered by CDSS include General Child Care and Development (General Child Care), Migrant Child Care and Development, Child Care and Development Services for Children with Severe Disabilities, and Family Child Care Home Education Networks. Direct contract programs are subject to Title 22 and Title 5, which requires more stringent child-to-adult ratios and staff qualifications than Title 22.

Families are income eligible for subsidized child care 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. Certain programs have additional eligibility requirements. For example, the Migrant Alternative Payment and Migrant Child Care and Development programs serve migrant families, CalWORKs serves CalWORKs recipients, the Emergency Child Care Bridge Program for Foster Children serves resource families regardless of income, and the Child Care and Development Services for Children with Severe Disabilities Program serves children with exceptional needs up to 21 years of age regardless of income.

Funding for Subsidized Child Care Slots

CalWORKs Stage One and Stage Two are considered entitlement programs, meaning anyone who is eligible and has a qualifying need must receive services. All other subsidized child care programs are dependent on the availability of funding. Despite recent historic investments in California's subsidized child care system, the state has more children eligible for subsidized child care than it has the funding to serve. According to the California Budget and Policy Center, only 16% of children eligible for CDSS child care programs receive care.¹ In 2024, 349,000 children were enrolled in CDSS child care programs, and over 1.7 million were eligible but not enrolled².

California's subsidized child care system was subject to significant cuts following the Great Recession. These cuts were achieved by shifting child care funding to the state preschool program, reducing funding for CalWORKs Stage One and Stage Three, excluding child care

¹ <https://calbudgetcenter.org/resources/understanding-californias-1-8-million-gap-in-publicly-funded-child-care/>

² *Ibid.*

from Proposition 98, and elimination of slot funding^{3,4}. The 2011 Budget Act eliminated funding for 35,500 slots and the 2012 Budget Act eliminated funding for 10,500 slots. According to the Legislative Analyst's Office, savings from eliminated child care funding would be achieved through attrition (and not enrolling new families into those slots), and, to the degree necessary, by disenrolling currently served children from higher-income families (reverse income priority)⁵. The Legislature applied across-the-board reductions to CalWORKs Stage Three, Alternative Payment, General Child Care, and migrant child care programs⁶.

Since 2013, the state has worked to restore the number of child care slots to pre-recession levels. This has been achieved by a combination of restored child care slots, expansion of the California State Preschool Program, and the rollout of universal Transitional Kindergarten. As part of the 2021 Budget Act, Governor Newsom and the Legislature agreed to increase the number of child care slots by 206,800 across voucher programs and General Child Care by 2025–26. Prior to the 2021 Budget Act, the state funded approximately 100,000 non-CalWORKs child care slots. The slot expansion proposal would triple the number of child care slots in non-CalWORKs (non-entitlement) programs over a five-year period.

The state's child care system was not able to fill slots as quickly as funding was made available, resulting in unspent funding. Because of this, the 2023 and 2024 Budget Acts included partial delays and codified a revised slot expansion plan, subject to appropriation, to be fully phased in by 2027–28. These delays generated savings, meaning funding appropriated for slots went back to the General Fund. These savings included a projected \$136 million in 2023–24, \$371.6 million in 2024–25, \$690.1 million in 2025–26, and \$1.24 billion in 2026–27.^{7,8} As opposed to the reduction in slot funding following the Great Recession, these slots were unfulfilled, so the number of families served did not decrease and no families were disenrolled. As of April 2026, about 130,000 expansion slots have been funded.

This bill would require CDSS to identify unspent or projected unspent moneys from all subsidized child care and development programs on a quarterly basis, and to redirect and deposit those moneys into the APP Enrollment Fund, which would be established by this bill. This bill would provide that all moneys in the APP Enrollment Fund are continuously appropriated, without regard to fiscal years, to CDSS for the purpose of enrolling additional eligible families in Alternative Payment.

Solutions to Unspent Child Care Funding

Unspent child care funding is not a new occurrence. According to an analysis of the 2008–09 Governor's Budget by the Legislative Analyst's Office, at least \$200 million of appropriated child care and development funding was unspent from the previous five fiscal years⁹. This funding was carried over to fund future years of service. At this time, child care programs were

³ https://calbudgetcenter.org/app/uploads/120327_ChildCare_KeyFacts.pdf

⁴ https://lao.ca.gov/reports/2011/bud/spend_plan/spend_plan_081211.pdf

⁵ https://lao.ca.gov/reports/2012/bud/spending_plan/spending-plan-091312.aspx#childcare

⁶ *Ibid.*

⁷ https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/_Final%20Actions%20Report_2023_II.pdf

⁸ <https://sbud.senate.ca.gov/system/files/2024-10/final-actions-report-a-summary-of-the-2024-budget-act.pdf>

⁹ https://lao.ca.gov/2008/spend_plan/spending_plan_08-09.pdf

funded primarily through Proposition 98 and federal funds¹⁰. Proposition 98, established by voters in 1988, requires the state to calculate an annual minimum guarantee for school and community college funding. Importantly, Education Code 41207.5 allows Proposition 98 moneys that have not been disbursed or encumbered to be reverted back to the Proposition 98 Reversion Account rather than the General Fund.

Beginning in 2011–12, all child care programs received state funding from the General Fund due to being removed from the Proposition 98 minimum guarantee. This changed how unspent child care funding was handled. Under Government Code 16304.1, if the Department of Finance deems that a portion of an appropriation is unnecessary, that portion shall be returned to the fund from which the appropriation was made. This meant that unspent child care funding would now revert back to the General Fund and would no longer be earmarked for education spending. This bill seeks to mirror how child care funding was reverted prior to 2011–12 by redirecting unspent child care moneys into a new APP Enrollment Fund, as established by this bill. This bill would continuously appropriate all moneys in the APP Enrollment Fund, without regard to fiscal years, to CDSS for the purpose of enrolling additional eligible families in Alternative Payment.

Voluntary Temporary Transfer of Funds (VTT)

The VTT process was established as a result of chronic child care carryover issues to allow for the transfer of funds between over-earning and under-earning contractors within the same contract type. Over-earning a contract means the contractor has expended, or is projected to expend, more dollars than they are contracted for. Conversely, under-earning a contract means the contractor has expended, or is projected to expend, fewer dollars than they are contracted for. The VTT process allows under-earning contractors to voluntarily and temporarily relinquish funds to another contractor to cover expenses in excess of their contract funding. Contract types that are eligible to participate in VTT include Alternative Payment, Migrant Alternative Payment, General Child Care, Migrant Child Care and Development, Child Care and Development Services for Children with Severe Disabilities, and Family Child Care Home Education Networks. Factors such as area birth rate, availability and cost of child care services (for voucher programs), attrition, facility construction and renovation, Fire Marshal approval, and staffing may affect a contractor's ability to earn its contract. A contractor's ability to earn its contract may fluctuate from year to year.

The VTT process is facilitated by Local Planning Councils and CDSS and is meant to redirect child care funding that would otherwise go unspent. VTTs may only be processed within the same contract type. Similarly, this bill seeks to create a process to require CDSS to redirect unspent child care moneys from all child care programs into a new, singular fund established in the State Treasury. From these moneys, this bill would only require appropriations to be made to APPs for the purpose of enrolling additional families in Alternative Payment.

By definition, VTT funding is temporary. The VTT process cannot be used to permanently increase a contractor's contract funding. While an infusion of funding would benefit an APP receiving VTT funding in the short-term, that APP is expected to absorb associated ongoing costs within their next year's contract funding. Ideally, APPs should not rely on the VTT process

¹⁰ https://lao.ca.gov/analysis_2009/education/ed_anl09002.aspx

for funding in future years, as this would assume that another APP would continuously relinquish funding.

This bill does not specify whether appropriations from the APP Enrollment Fund would be one-time or ongoing. However, the APP Enrollment Fund's goal of enrolling additional families implies that moneys would go toward slots, which are an ongoing cost. Once a family is enrolled for a child care slot, they may recertify for services after each 24-month period so long as the family remains income eligible and the child remains age eligible. A family may be disenrolled from services for various reasons, such as if they falsify information, abandon services, or do not provide information during the recertification window. A family may also be disenrolled, or displaced, if there is an unavailability of program funds, as seen following the Great Recession. Disenrollment of families is not ideal, as it would add significant financial burden and create added stress.

Related/Prior Legislation:

AB 2314 (Rogers) would establish a new VTT process for APPs. AB 2314 would require CDSS to respond to a VTT request within 30 calendar days of receipt by either approving, conditionally approving, or denying the request. AB 2314 would specify that a VTT request may only be denied under certain circumstances. AB 2314 is scheduled to be heard by this committee on June 29, 2026.

SB 163 (Committee on Budget and Fiscal Review, Chapter 73, Statutes of 2024), a budget trailer bill, codified the plan for the state to fund over 200,000 new child care slots above 2020–21 slot levels by Fiscal Year 2027–28. Required slot levels to be maintained according to the expansion plan in 2028–29 and each fiscal year thereafter.

AB 107 (Gabriel, Chapter 22, Statutes of 2024), a budget trailer bill, enacted a two-year pause on the expansion of subsidized child care slots, to resume in 2026. AB 107 also reduced General Child Care funding to only the estimated number of awarded slots, resulting in \$1.0 billion in savings over two years.

AB 131 (Committee on Budget, Chapter 116, Statutes of 2021), a budget trailer bill, transferred child care programs and authority from the California Department of Education to the CDSS. Among other things, AB 131 provided \$403 million in the 2021–22 fiscal year and \$336 million for the 2022–23 fiscal year for the expansion of child care slots.

AB 1808 (Committee on Budget, Chapter 32, Statutes of 2018), a budget trailer bill, authorized an APP to have no less than 12 months, and no more than 24 months, to expend funds allocated to that program in any fiscal year, except for CalWORKs Stage Two and Stage Three programs. AB 1808 required the Superintendent to develop a process to implement multiyear APP contracts.

AB 1106 (Weber, Chapter 716, Statutes of 2017) authorized an APP to have no less than 36 months to expend funds allocated to that program in any fiscal year, except for CalWORKs Stage Two and Stage Three programs. AB 1106 required the Superintendent of State Instruction to develop a process to implement multiyear APP contracts.

SB 1016 (Committee on Budget and Fiscal Review, Chapter 38, Statutes of 2012), a budget trailer bill, required families to be disenrolled from subsidized child care services, effective July 1, 2012, in reverse priority order.

AB 114 (Committee on Budget, Chapter 43, Statutes of 2011), a budget trailer bill, required families to be disenrolled from subsidized child care services, effective July 1, 2011, in reverse priority order.

COMMENTS

This bill seeks to keep unspent child care funding within the child care system. Prior to 2011, unspent child care funding could informally be carried over for future spending, however, this is no longer the case. Although the VTT process exists to redirect funding that would potentially be unspent, it may only be used within the same contract type. This bill would establish an APP Enrollment Fund in the State Treasury to capture unspent funding across all child care programs and redirect those moneys to enroll families in Alternative Payment vouchers.

This bill poses two main concerns. First is the concern that all unspent child care funding would be funneled solely to Alternative Payment. Although Alternative Payment vouchers may be used at child care centers, family child care homes, and license-exempt providers, vouchers cannot be used for direct-contract programs, including Title 5 centers. When the Legislature funds new slots, it allocates a specific number to Alternative Payment and to General Child Care, which are the major non-CalWORKs programs. By directing all unspent child care funding to Alternative Payment, this bill seems to bypass the Legislature's intent of funding both programs as part of a mixed delivery model. Further, this bill would broadly revert unspent funding from all child care programs. This includes CalWORKs Stage One and Stage Two, which are entitlement programs that are budgeted based on projected caseload rather than a set amount of funding.

The second concern is that the bill would create a fiscal cliff. The bill seems to establish an ongoing funding commitment from an uncertain funding source. Alternative Payment is not an entitlement program, meaning the number of slots or vouchers is limited to federal and state funding made available through the state budget. Under this bill, if funding is not required to be one-time, APPs could become reliant on receiving additional out-of-contract funding to avoid disenrolling families. This could result in a portion of contract funding from other programs to be permanently diverted for use by APPs, therefore decreasing the ability of other programs to be able to serve their community needs. If other contracts were to fully utilize their funding, it is unclear where moneys for slots funded by the APP Enrollment Fund would come from. As the General Fund continues to face a structural deficit, it is possible this could result in the need to disenroll families. The state has projected reversions of hundreds of millions of dollars in unspent child care funding. This would equate to thousands of families. Even if the bill were to specify that appropriations from the APP Enrollment Fund are one-time, it is unlikely that any APP could absorb that much spending into their contract, or put otherwise, absorb that many families into their slot allocation.

This bill asserts that unspent child care funds represent missed opportunities to serve eligible families and seeks to increase access to child care by giving more families vouchers. However, this does not address the availability of child care facilities and providers—the supply side of the issue. The former Deputy Cabinet Secretary for New Mexico's Early Childhood Education and

Care Department, wrote, “Vouchers put money in families’ hands, but they don’t build buildings, train teachers, or navigate the process of licensing and opening a new business.”¹¹ While vouchers are an important component of the mixed delivery system and encourage parent choice, they cannot be the only spending priority.

This bill seeks to implement a structural change in how the state budgets for child care programs. This bill would capture unspent child care funding in a new APP Enrollment Fund rather than revert funding back to the General Fund. This bill would appropriate funding from the APP Enrollment Fund exclusively to Alternative Payment vouchers. There are several unanswered questions about the potential implementation of this bill, such as whether funding would be prioritized within the county of origin, how and which contractors would be consulted, whether the Legislature would maintain oversight of how funds are spent, and how an uncertain funding source could pay for slots, which are an ongoing cost.

SUPPORT/OPPOSITION

Arguments in Support:

According to Thriving Families California Foundation, “Each year, child care dollars appropriated by the Legislature go unspent and ultimately revert to the General Fund while eligible children and families remain on waiting lists. AB 2258 ensures that when child care dollars cannot be utilized within the original contract structure, those funds remain available to help families access the care that best meets their needs rather than reverting unused to the General Fund. Before any funds would ever be available under AB 2258, the California Department of Social Services already has the authority through the Voluntary Temporary Transfer (VTT) process to move projected unspent dollars from contractors that cannot fully utilize their funding to contractors that can serve additional children. AB 2258 does not replace or interfere with VTT. Rather, it addresses the narrow circumstance in which funds remain projected to go unspent even after existing transfer opportunities have been exhausted. When those dollars are redirected through Alternative Payment Programs, families gain the ability to choose the care setting that best meets their needs. Those choices may include licensed child care centers, family child care homes, license-exempt providers, or other eligible care arrangements. In this way, AB 2258 strengthens California's mixed-delivery system and advances equity by ensuring that unspent child care funds remain available to support the full spectrum of providers serving families throughout the state. The bill does not favor one provider type over another; it empowers families to make the choice that works best for them. The need for this solution is substantial. During a prior budget hearing, the Legislative Analyst's Office identified approximately \$450 million in unspent General Child Care funding. These dollars were not left unused because families did not need care. Rather, they reflect the realities of administering child care programs within annual fiscal and contracting structures. If those funds had been available for redeployment, California could have served approximately 20,000 to 33,000 additional children.”

Arguments in Opposition:

¹¹ <https://www.vox.com/the-highlight/489750/universal-child-care-new-mexico-demand-supply>

According to EveryChild California, “AB 2258 takes money from several DSS programs, but only benefits one. First, AB 2258 identifies unspent or projected unexpended funds from multiple DSS-administered subsidized child care and development programs, including general child care, migrant child care, CalWORKs child care Stages 1, 2, and 3, and other state- or federally funded subsidized child care programs. However, the bill redirects those dollars only into the Alternative Payment Program Enrollment Fund and continuously appropriates the money for the purpose of enrolling additional eligible families in alternative payment programs. If the source of funds is broader than APPs, the reinvestment mechanism should also be broader than APPs. California has an established mixed-delivery commitment - this bill does not align with that commitment. Second, the bill moves in the opposite direction of the state’s broader rate-reform and mixed-delivery alignment goals. California is in the process of moving toward a more consistent reimbursement structure across child care and State Preschool providers. A reinvestment mechanism that privileges one delivery model risks deepening program silos at the exact moment the state is trying to align reimbursement, stabilize providers, and support families across the full early learning and care system. As written, this bill increases inequity. Third, an AP-only structure is not sufficient in supply-constrained communities. Vouchers are important, but a voucher cannot create a child care slot where no slot exists. Families in child care deserts and other constrained communities depend on actual child care infrastructure, including centers, direct-service contractors, family child care home education networks, migrant care, and other subsidized settings. Center-based infrastructure is especially important because centers hold larger licensed capacity, meaning the opening or closure of even a small number of centers can substantially affect the availability of child care spaces in a community. If AB 2258 is intended to maximize enrollment and timely access, it should allow redirected funds to support the full infrastructure needed to make care available.”

PRIOR VOTES

Assembly Floor:	78 - 0
Assembly Appropriations Committee:	15 - 0
Assembly Human Services Committee:	6 - 0

POSITIONS

Support:

Thriving Families California (TFC)

Oppose:

EveryChild California

-- END --