Date of Hearing: April 23, 2026

ASSEMBLY COMMITTEE ON HUMAN SERVICES
Alex Lee, Chair
AB 2314 (Rogers) – As Amended April 16, 2026

SUBJECT: Childcare: alternative payment program: report

SUMMARY: Requires the California Department of Social Services (CDSS) to prioritize the full and timely expenditures of state- and federal childcare and development funds allocated to Alternative Payment Programs (APPs), including prioritizing expenditures within the county of origin and documenting efforts to maximize local enrollment before approving out-of-county transfers. Requires CDSS to conduct periodic fiscal reviews, evaluate contractor requests for allocation adjustments, expenditure projections, over-enrollment or voluntary temporary transfer of funds (VTT), and respond within 30 days with a written determination and explanation, providing a copy to the local childcare planning council (LPC) where the requester is located. Requires CDSS to provide an annual summary of funds allocated, expended and unexpended. Specifically, **this bill**:

1) Requires CDSS to prioritize the full and timely expenditure of state- and federal childcare and development funds allocated to APPs, consistent with federal and state law.

2) Requires CDSS, to the greatest extent practicable, prioritize expenditure of funds allocated to APPs within the county or jurisdiction for which the funds were originally allocated before approving transfers outside the county of origin.

3) Requires CDSS, prior to transferring funds allocated to APPs outside the county of origin, to determine that reasonable efforts to maximize enrollment and expenditures within that county have been undertaken and documented.

4) Requires CDSS to consult with contractors and relevant stakeholders to develop guidance that supports enrollment maximization, fiscal alignment, and continuity of care in APPs.

5) States legislative intent to promote continuity of care and family stability within subsidized childcare programs.

6) Provides that, if a family is certified for services through an APP and remains within its eligibility period, including a 24-month eligibility period, if applicable, the addition of a newly eligible child, including, but not limited to, a newborn child, shall not result solely from enrollment balancing in any of the following occurring:

    a) Disenrollment of the family;

    b) Transfer of the family to another contractor; or,

    c) Separation of siblings receiving services.

7) Prohibits CDSS, to promote continuity of care and minimize disruption to children and families, from moving or reassigning a family to a different contractor or service area if the family is actively enrolled and receiving services through an APP, unless both the current contractor and the proposed receiving contractor mutually agree in writing to the transfer.

8) Requires CDSS to ensure that fiscal monitoring and enrollment practices of APPs do not require the separation of siblings or disruption of services if the family remains eligible and sufficient funds have been allocated.

9) Requires CDSS, in administering programs, to utilize fiscal projection methodologies that reasonably account for all of the following:

   a) Multiyear eligibility periods;

   b) Cross-fiscal-year enrollment patterns;

   c) Reasonable attrition assumptions; and,

   d) Families in the eligibility determination or certification process who are anticipated to begin services.

10) Permits CDSS, to promote fiscal stability and full utilization of appropriated funds, to authorize the use of unexpended funds for APPs in a subsequent fiscal year if those funds are reasonably attributable to families who were certified for services in the prior fiscal year but had not yet begun receiving care.

11) Provides that these provisions shall not be construed to require expenditures in excess of appropriated funds or in conflict with state or federal law.

12) Requires CDSS to conduct periodic fiscal reviews during each fiscal year to identify projected over-expenditures and under-expenditures in APPs and to ensure full and timely utilization of appropriated funds, consistent with state law.

13) Authorizes a contractor, county, or other authorized APP to submit a written request at any time during the fiscal year regarding allocation adjustments, expenditure projections, documented over-enrollment, or VTT between providers.

14) Requires CDSS, in evaluating submitted requests to consider projected expenditures, enrollment levels, and the objective of maximizing utilization of appropriated funds consistent with state and federal law.

15) Requires CDSS to provide a written response to a submitted request within 30 calendar days of receipt and to send a copy of its response to the LPC in which the requester is located. Requires the written response to include CDSS' determination and a general explanation of the basis for that determination. Requires CDSS to take one of the following actions in response to the request:

   a) Approve the funding transfer request, as submitted, and allocate and make available the transferred funds within the same fiscal year for which the request was made;

   b) Conditionally approve the funding transfer request, with the final dollar amount to be determined upon verification, through caseload reports or other documentation demonstrating over-enrollment or projected service obligations, that the transfer is justified. Requires CDSS, upon verification, to allocate and make available the approved transferred funds within the fiscal year in which the over-enrollment or projected service obligation justifying the transfer occurred; or,

c) Deny the funding transfer request. Requires the funding transfer request to only be denied if verified documentation demonstrates that over-enrollment or projected service obligations did not occur during the fiscal year for which the request was made.

16) Prohibits approved fund transfers from being deferred, delayed, or reallocated to a subsequent fiscal year if the documented over-enrollment, service obligation, or allowable expenditure occurred during the fiscal year for which the request was submitted.

17) Prohibits CDSS from recapturing, reducing, or otherwise penalizing a contractor's allocation for a fiscal year due to administrative processing delays attributable to CDSS, including delays in reviewing requests, issuing determinations, or processing allocation adjustments or VTT.

18) Prohibits administrative or procedural delays by CDSS from serving as the basis for denying a funding transfer request that is otherwise supported by timely and sufficient documentation.

19) Requires CDSS to maintain publicly accessible information regarding voluntary funding transfer requests, including timelines, aggregate transfer amounts, and general program impacts, consistent with state and federal confidentiality requirements.

20) Requires CDSS to consult with statewide networks of APP contractors and other childcare and development stakeholders to promote transparency, fiscal alignment, and continuity of services.

21) Authorizes CDSS, notwithstanding the rulemaking provisions of the Administrative Procedure Act, to implement and administer these provisions by all-county letters, childcare bulletins, or similar written instructions until regulations are adopted.

22) Provides that these provisions shall not be construed to require expenditures in excess of amounts appropriated or in conflict with state or federal law.

23) Requires CDSS, notwithstanding Government Code Section 10231.5, on or before September 1 of each year, to provide to the Legislature and the Department of Finance, and to publish on its internet website, a summary of childcare and development funds allocated and expended during the prior fiscal year.

24) Requires the summary to include, to the extent information is available through existing reporting systems, all of the following:

a) Total funds allocated statewide, by program type;

b) Total funds expended statewide, by program type; and,

c) Total unexpended funds statewide, by program type;

25) Authorizes CDSS to utilize existing fiscal reports or publicly available documents to satisfy the requirements of these provisions.

26) Requires the summary to be submitted in compliance with Government Code Section 9795 and posted on CDSS' internet website.

27) Provides that these provisions do not require the creation of a new data system.

28) Makes the following findings and declarations:

a) California has made historic investments in subsidized childcare and early learning to support working families, promote continuity of care, and strengthen the state's economy;

b) Ensuring that appropriated childcare and development funds are fully and effectively utilized is critical to advancing the Legislature's intent and serving eligible families;

c) Voucher-based childcare programs operate across fiscal years and include multiyear eligibility periods that require appropriate fiscal modeling and fiscal coordination;

d) Families in the eligibility determination and certification process represent anticipated service obligations that must be reasonably considered in fiscal planning;

e) Continuity of care, including maintaining siblings within the same contractor when eligible, promotes stability for children and administrative efficiency for the state; and,

f) Transparent and timely fiscal review, including VTT processes, supports responsible stewardship of public funds.

EXISTING LAW:

1) Establishes the Child Care and Development Services Act to provide childcare and development services as part of a coordinated, comprehensive, and cost-effective system serving children from birth 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) States legislative intent that all families have access to childcare and development services, through resource and referral where appropriate, and regardless of demographic background or special needs, and that families are provided the opportunity to attain financial stability through employment, while maximizing growth and development of their children and enhancing their parenting skills through participation in childcare and development programs. (WIC § 10207.5)

3) Defines "childcare and development services" to mean services designed to meet a wide variety of children and families' needs while parents and guardians are working, in training, seeking employment, incapacitated, or in need of respite. These services may include direct care and supervision, instructional activities, resource and referral programs, and alternative payment arrangements. (WIC § 10213.5(j))

4) Defines "alternative payment program" as a local government agency or nonprofit organization that has contracted with CDSS, as specified, to provide alternative payments and to provide support services to parents and providers. (WIC § 10213.5(b))

5) Provides that an APP shall have between 12 and 24 months to expend allocated funds in any fiscal year, requires CDSS to develop a process implementing this timeframe, and

exempts California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 2 and 3 childcare contracts from these provisions. (WIC § 10225.5(d))

6) Requires an APP, including agencies administering migrant childcare and development programs, to report monthly to CDSS on childcare caseloads in both alternative payment and migrant programs, including county-level caseload data, expenditures, unit costs, family fees, and any additional variables requested by CDSS to inform any additional state allocations to these programs and support emergency response. (WIC § 10234)

7) Requires CDSS and the California Department of Education (CDE) to maximize the use of childcare funds by facilitating both intra-agency and interagency transfers of unused funds to meet service needs, and authorizes implementation through guidance, including timelines for submitting transfer requests. (WIC § 10300.5)

8) Declares legislative intent that LPCs provide a forum for the identification of local priorities for childcare and the development of policies to meet the needs identified within those priorities. (WIC § 10485(a))

9) Requires an LPC, upon approval by the county board of supervisors and the county superintendent of schools, to annually submit to CDSS and CDE by May 30 the county childcare priorities based on a comprehensive needs assessment conducted at least every five years that evaluates supply, demand, cost, and market rates, including subsidized and unsubsidized families, waitlists, vulnerable populations, income, language, geography, and age cohorts; and, to document findings, solicit public input through at least one hearing, develop a countywide childcare plan, periodically review state-funded programs, collaborate with providers and stakeholders, design a system to consolidate waiting lists if none exists, coordinate part-day programs with full-day care, obtain local approval prior to submission, and designate up to two representatives to participate in state proposal review processes outside their jurisdiction. (WIC § 10486(b))

10) Requires CDSS to allocate funding within each county in accordance with the priorities identified by the LPC of that county and submitted to CDSS, unless the priorities do not meet the requirements of state or federal law. (WIC § 10486(e))

FISCAL EFFECT: Unknown, this bill has not been analyzed by a fiscal committee.

COMMENTS:

Background: *Subsidized Childcare*. California's subsidized childcare system, established under the Child Care and Development Services Act, is intended to provide a coordinated, comprehensive, and cost-effective system of care for children from birth to 13 years of age. Services include supervision, health, and support services delivered through full- and part-time programs for families who are 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 that includes licensed childcare centers, family childcare homes and license-exempt providers, such as family, friends or neighbors. Major programs include CalWORKs administered through a three-stage system, general childcare and development programs (CCTR), which provides care through contracted centers and family childcare home education networks, and APPs, 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 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 at or below 85% of the state median income, which is $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 enrolled, families are authorized for services for at least 24 months without recertification, unless income exceeds the threshold.

According to the California Budget & Policy Center, approximately 1.8 million children eligible for subsidized childcare are not enrolled, largely due to limited childcare slots and insufficient funding, leaving tens of thousands of families on long waiting lists and unable to access affordable care.[1] While prior commitments aimed to expand childcare access to more than 200,000 children, the state has indefinitely paused funding for planning expansions that would have added about 129,800 new slots. The Governor's 2026-27 Budget does not propose additional slot increases.

Alternative Payment Programs are one of California' 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 utilized and to inform decisions regarding the redistribution or allocation of additional funding. As of 2025-26, approximately 70 APPs serve 161,332 children.

Local Childcare Planning Councils were legislatively created in 1991, following the federal establishment of the Child Care and Development Block Grant program to ensure local voices influence how these funds are allocated. Each county in California has an LPC established to identify local childcare priorities and develop policies to address those needs. State law requires the county board of supervisors and county superintendent of schools to appoint members to these councils, ensuring balanced representation with equal parts of consumers, childcare providers, public agency representatives, community representatives, and discretionary appointees.

LPCs are responsible for conducting comprehensive childcare needs assessments at least every five years, developing countywide childcare plans, and establishing zip-code level priorities to

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

guide the allocation of state and federal childcare funding. They also maintain or support centralized eligibility lists, which track family demand and waitlists for subsidized care, and provide key data on gaps between supply and need. LPCs also facilitate the VTT process by identifying contractors with unspent funds and those with capacity to enroll additional families, and by supporting the local matching and transfer of funds.[2]

The Voluntary Temporary Transfer of Funds process is facilitated by the Child Care and Development Division of CDSS, which allows childcare contractors with unspent funds ("under-earning") to temporarily transfer those funds to contractors that are able to fully utilize additional funding ("over-earning"), in order to maximize the use of appropriate childcare funds. The following contract types are eligible to participate in the VTT process: CCTR, Migrant Childcare Programs, Family Child Care Home Education Networks, Severely Handicapped Programs, and APPs.[3]

The VTT process is a collaborative process involving state-funded childcare contractors, LPCs, Program Quality and Improvement (PQI) Consultants, CDSS Fiscal Analysts, and the CDSS LPC Liaison. Under this process, CDSS requires each LPC to establish a local, fair, and transparent policy to govern the temporary transfer of contract funds pursuant to state law requiring CDSS and CDE to maximize the use of childcare funds by facilitating both intra-agency and interagency transfers of unused funds to meet service needs.

Each LPC designates a coordinator, either an individual or a subcommittee, to administer the process. If a subcommittee is formed, it must operate without financial or personal conflicts of interest and is responsible for developing procedures to facilitate transfer requests. The LPC convenes meetings of state-funded contractors within the county to explain the VTT process, timelines, and eligibility requirements. While participating is voluntary, contractors may identify themselves as under-earning or over-earning and indicate the amount of funding they are able to release or are prepared to accept.

Once contractors express interest, LPC coordinators consult with PQI Consultants and CDSS Fiscal Analysts to assess contractor standing and verify fiscal capacity. Transfers are limited to the same contract types (e.g. CCTR to CCTR), and receiving contractors must demonstrate the ability to exceed their current contract earnings within existing licensed capacity and be prepared to immediately enroll additional children or already be over-earning.

After eligibility is confirmed, LPCs attempt to match under- and over-earning contractors within the county. If no local match is available, LPCs coordinate with CDSS to identify potential matches across counties. Once a match is identified, contractors compile formal documentation indicating their agreement to release or accept funds, along with a cover letter that requests review of the submitted documents. These requests are then submitted electronically by the LPC to the PQI Consultant and CDSS Fiscal Analyst typically between November 1 through November 15 and April 15 through April 30, although CDSS may process additional requests between November 1 and April 30 on an as-needed basis.

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[2] https://www.cdss.ca.gov/Portals/9/CCDD/Contractor-Resources/CLPC%20Program%20Requirements%20FY%2025.26.docx
[3] https://www.cdss.ca.gov/inforesources/child-care-and-development/quality-improvement-initiatives/local-child-care-and-development-planning-councils/local-planning-council-forms/vtt-guidance

After CDSS receives the request to transfer funds, the department reviews all submitted documentation to ensure the request is complete and evaluates whether the proposed transfer amount aligns with each participating agency's projected service earnings and allowable reimbursable costs. CDSS retains sole authority to approve, modify, or deny all VTT requests. Upon review, CDSS notifies the LPC of the determination. If the agreement is modified, CDSS provides the opportunity to agree before the contract modification is finalized. When the request is approved or modified, CDSS issues contract amendments and fiscal adjustments to participating agencies. In cases where funds are released, the transferring contractor must execute and return contract amendments before funds can be reallocated to the receiving contractor. If a request is denied, CDSS provides written justification to the affected agencies. The fiscal handbook and statute do not specify a timeline for CDSS to respond to contractor requests for funding adjustments, which may result in decisions and access to care being delayed and a reduced ability for contractors to respond to real-time service needs.

Advocates state that 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 requires CDSS to prioritize the full and timely use of childcare funds in APPs and strengthen fiscal oversight to maximize enrollment and reduce underspending. *This bill* requires CDSS to prioritize spending within the county of origin and document efforts to fully utilize funds locally before approving out-of-county transfers.

Furthermore, *this bill* authorizes contractors to submit written requests directly at any time for allocation adjustments, expenditure projections, documented over-enrollment, or VTT and requires CDSS to respond within 30 days with a written determination and explanation, and to provide a copy to the LPC where the requester is located. *This bill* further prohibits delays, denials, or penalties tied to administrative processing issues and ensures approved funds are made available within the same fiscal year. *This bill* further requires CDSS to maintain publicly accessible information on fund transfers, consult with stakeholders, and provide annual reports to the Legislature and Department of Finance and on its website on allocated, expended, and unexpended childcare funds.

Nuances for Alternative Payment Program Contracts. According to CDSS' 2024 Childcare Fiscal Handbook,[4] APP contracts have multiyear contracts and ongoing contract adjustments based on actual expenditures and caseload in order to maximize the use of childcare funds. State law allows APP contractors up to 24 months to expend funds allocated in a given fiscal year, allowing unspent funds from a prior fiscal year to be carried over and utilized in a subsequent year through a contract amendment. As a result, contractors may have two active contracts at the same time: a prior-year contract that has been extended into a second-year and a current-year contract. Contractors that fully expend their prior-year funds will generally have a single, current-year contract.

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[4] https://www.cdss.ca.gov/Portals/9/CCDD/FiscalResources/Fiscal%20Handbook/FY%2023-24%20Child%20Care%20Fiscal%20Handbook_APU%20Approved.pdf?ver=2024-04-02-133439-770

Additionally, CDSS continuously monitors contractor expenditures and caseload data to determine whether agencies are on track to fully utilize their funding. Based on this information, CDSS may increase contract amounts for agencies that are able to serve families or reduce funding for agencies that are projected to under-earn to better align funding with demand. These adjustments rely on contract-reported data and require administrative processes, including projections, documentation, and contract amendments.

Advocates contend that fiscal processes are largely structured around single fiscal-year assumptions, resulting in contractors having to project enrollment months in advance, account for families who are approved but not yet enrolled, and manage demand across fiscal years. Advocates further note that without fiscal tools that align with these multiyear timelines, contractors face planning challenges and risk both over-enrollment and under-enrollment. Furthermore, while the state budget takes effect on July 1, funding is often not distributed to contractors until several months into the fiscal year. As a result, contracts must either enroll families without confirmed funding or delay enrollment despite having approved capacity, which can lead to under-enrollment early in year and reduce the efficiency of service delivery.

This bill requires CDSS to adopt improved fiscal projection methodologies that account for multiyear eligibility, cross-year enrollment, and families in the certification pipeline, and authorizes the use of unexpended funds across fiscal years when tied to anticipated services obligations. *This bill* also aims to promote continuity of care by prohibiting disenrollment, contractor transfers, or sibling separation for eligible families due solely to enrollment balancing and prohibits CDSS from reassigning families without mutual agreement between the current and receiving contractors or implementing fiscal practices that disrupt services.

Author's Statement: According to the Author, "California has made significant investments in child care, yet there are families still waiting while funds go unspent or are delayed in reaching care. Currently, only 16% of eligible children are enrolled in publicly funded child care programs through CDSS. [This bill] ensures that every dollar appropriated is used efficiently by creating a clear, timely process for transferring funds where they are most needed and requiring transparent, written responses from the California Department of Social Services. This bill strengthens fiscal oversight to prevent resources from sitting idle and ensures funding decisions reflect real-time demand. It also protects families from unnecessary disenrollment, contractor transfers, or sibling separation, promoting stability and continuity of care. By improving access to reliable child care, [This bill] supports working parents, strengthens providers, and boosts California's economy."

Equity Implications: *This bill* may improve the availability and accessibility of childcare services for vulnerable communities, as families served through APPs are low-income. By promoting continuity of care and reducing administration disruptions, such as disenrollment, contractor transfers, and sibling separation, *this bill* may help stabilize care arrangements for families with the least flexibility. *This bill's* focus on fiscal alignment and administrative efficiency may also increase the number of families served, particularly given that only 16% of eligible children are currently enrolled in subsidized childcare. Because children of color are disproportionately eligible for subsidized childcare, improving access and utilization may help mitigate existing racial and ethnic disparities in childcare access. Additionally, prioritizing funding within the county of origin and requiring more transparent, timely fiscal decision-making may further promote equitable distribution of resources.

Arguments in Support: Child Care Resource Center writes, "[This bill] takes important steps to modernize California's subsidized child care system by better aligning enrollment, funding, and fiscal oversight—ensuring that limited state and federal dollars are deployed efficiently to serve eligible families. With over 2 million eligible children still waiting for access, even small inefficiencies in funding alignment can result in thousands of missed opportunities to serve families.

"California's voucher-based child care system is a critical support for working families, particularly those working nontraditional hours. It is also a key support for employers, who rely on consistent child care availability to maintain a stable and reliable workforce. However, misalignment between enrollment demand and fiscal structures can delay access to care—even when funding is available elsewhere in the system. When care is inaccessible, parents are often forced to reduce hours, miss work, or leave jobs altogether—disrupting both family stability and the employers who depend on a reliable workforce.

"As a community-based organization, our ability to serve families depends on how effectively funding flows through the system. When dollars are delayed or constrained by administrative barriers, fewer families can be enrolled—even when need is urgent. [This bill] helps address these challenges by aligning funding with real-time demand and prioritizing the full utilization of appropriated funds, allowing more families to be served without delay.

"The bill also improves transparency and accountability in fund allocation and expenditures while supporting continuity of care so children can remain with their providers and siblings. Importantly, [this bill] does not require additional appropriations, but instead ensures that existing funds are used more effectively to reach families faster."

Arguments in Opposition: None on file.

RELATED AND PRIOR LEGISLATION:

AB 2258 (Ávila Farías) of the current legislative session, requires 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 and continuously appropriated APP Enrollment Fund to enroll additional eligible families. *AB 2258 is set to be heard by the Assembly Committee on Human Services on April 23, 2026.*

AB 131 (Committee on Budget), Chapter 116, Statutes of 2021, required an APP to have no less than 24 months to expend allocated funds in any fiscal year, required CDSS to develop a contracting process enabling this expenditure timeframe, and stipulated that the APP spending timeframe does not apply to CalWORKs Stages 2 and 3 childcare contracts.

AB 1106 (Weber), Chapter 716, Statutes of 2017, required an APP to have no less than 36 months to expend allocated funds in any fiscal year, required the Superintendent of Public Instruction to develop a contracting process enabling this expenditure timeframe, and stipulated that the APP spending timeframe does not apply to CalWORKs Stages 2 and 3 childcare contracts.

REGISTERED SUPPORT / OPPOSITION:

Support

4Cs of Alameda County
Catalyst Family INC.
Central Valley Children's Services Network
Child Action
Child Care Resource Center
Child Development Associates
Del Norte Child Care Council
Family Resource Center
GLIDE Foundation
Marin Child Care Council
North Coast Opportunities
Sierra Nevada Children's Services
Thriving Families CA Foundation
Valley Oak Children's Services, INC.

Opposition

None on file.

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