

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2314 (Rogers) – As Amended April 16, 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 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.

Additionally, this bill:

- 1) States legislative intent to promote continuity of care and family stability within subsidized childcare programs and imposes several requirements on CDSS supporting this intent.
- 2) Requires CDSS, in administering programs, to utilize fiscal projection methodologies that reasonably account for, among other items, multiyear eligibility periods and cross-fiscal-year enrollment patterns.
- 3) 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.
- 4) 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.
- 5) 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 voluntary temporary transfer of funds (VTT) between providers, and requires CDSS to provide a written response to a submitted request within 30 calendar days of receipt.
- 6) Requires CDSS to maintain publicly accessible information regarding VTT requests, including timelines, aggregate transfer amounts, and general program impacts, consistent with state and federal confidentiality requirements.
- 7) Requires CDSS, by 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.

FISCAL EFFECT:

Ongoing General Fund costs of an unknown amount, but likely in the range of \$3 million to \$6 million for at least 20 staff to implement the requirements of the bill, including changes to the fiscal management of APPs, establishing a process for APPs to submit written requests to the department to transfer funds between providers, obtaining, storing and analyzing data, and providing an annual summary to the Legislature.

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:

California has made significant investments in childcare, 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 childcare 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 CDSS. 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 childcare, [This bill] supports working parents, strengthens providers, and boosts California's economy.

2) **Background. APPs.** 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. 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.

APP contractors may 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. Contractors that fully expend their prior-year funds will generally have a single, current-year contract.

Advocates contend that CDSS' 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.

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, as part of a larger effort to support continuity of care.

VVT Process. 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 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 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.

To support transparency, this bill also 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.

- 3) **Related Legislation.** AB 2258 (Ávila Farías), of this legislative session, requires CDSS to identify on a quarterly basis unspent or projected unexpended subsidized childcare funds and to redirect those funds into a newly created APP Enrollment Fund to enroll additional eligible families. AB 2258 is pending in this committee.

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