

ASSEMBLY THIRD READING

AB 2314 (Rogers)

As Amended April 16, 2026

Majority vote

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.

Major Provisions

- 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: disenrollment of the family; transfer of the family to another contractor; or, 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: multiyear eligibility periods; cross-fiscal-year enrollment patterns; reasonable attrition assumptions; and, 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: total funds allocated statewide, by program type; total funds expended statewide, by program type; and, 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.

COMMENTS

Background: *Alternative Payment Programs* 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.

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. 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 guide the allocation of state and federal childcare funding. LPCs 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.¹

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, CMIG, Family Child Care Home Education Networks, Severely Handicapped Programs, and APPs.²

The VTT process is locally coordinated by LPCs, which must adopt fair and transparent policies, designate a coordinator or subcommittee, and convene contractors to identify voluntary participation and available funding. LPCs, in consultation with CDSS, verify fiscal eligibility and ensure transfers occur only within the same contract type and that receiving contractors have the capacity to immediately serve additional children. Matching is first attempted locally, then statewide if needed. Once matched, contractors submit formal documentation through the LPC to CDSS for review.

CDSS has sole authority to approve, modify, or deny transfers, issues contract amendments upon approval, and provides written justification for denials. While the process is designated to optimize utilization of children funds, statutory timelines for CDSS action are not specified, which may contribute to delays in funding adjustments and service delivery.

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.

¹ <https://www.cdss.ca.gov/Portals/9/CCDD/Contractor-Resources/CLPC%20Program%20Requirements%20FY%2025.26.docx>

² <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>

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,³ 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.

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.

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."

³ 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

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.

"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.

FISCAL COMMENTS

According to the Assembly Appropriations Committee on May 13, 2026:

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.

VOTES**ASM HUMAN SERVICES: 6-0-1**

YES: Lee, Calderon, Elhawary, Blanca Rubio, Ahrens, Tangipa

ABS, ABST OR NV: Castillo

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

VERSION: April 16, 2026

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