
SENATE COMMITTEE ON EDUCATION

Senator Sasha Renée Pérez, Chair

2025 - 2026 Regular

Bill No:	SB 1110	Hearing Date:	April 22, 2026
Author:	Becker		
Version:	April 13, 2026		
Urgency:	No	Fiscal:	Yes
Consultant:	Michelle Nguyen		

Subject: Early learning and care: rates.

SUMMARY

This bill makes changes to the reimbursement formula for alternative payment programs (APPs) administered by the California Department of Social Services (CDSS). This bill adds definitions for indirect administrative costs and direct program and support costs for APPs and direct contract childcare programs administered by CDSS and the California State Preschool Program (CSPP), administered by the California Department of Education (CDE).

BACKGROUND

Existing law:

Preschool Programs

- 1) Establishes the Early Education Act to provide an inclusive and cost-effective preschool program that provides high quality learning experiences, coordinated services, and referrals for families to access health and social-emotional support services through full- and part-day programs. (Education Code (EC) § 8200 et seq.)
- 2) Defines “California State Preschool Program” as educational programs that offer part-day, full-day, or both, for eligible two-, three-, and four-year-old children, and commencing July 1, 2027, these programs will be for eligible three- and four-year-old children only and will no longer be available to two-year-old children. Provides that these programs may be offered by a public, private, or proprietary agency, and operated in childcare centers or family childcare homes operating through a family childcare home education network. Requires the Superintendent of Public Instruction to administer all CSPP programs. (EC § 8205 and EC § 8207)
- 3) Requires, commencing July 1, 2025, and through June 30, 2026, that if a CSPP is open and operating in accordance with its approved program calendar and remains open and providing services to certified children throughout the program year, contract reimbursement shall be based on the lesser of the following: a) the maximum reimbursable amount stated in the contract, or b) net reimbursable program costs. (EC § 8245.5)

- 4) Requires, commencing July 1, 2026, the contract reimbursement for the CSPP to be based on the lesser of the following: a) the maximum reimbursable amount stated in the contract, b) net reimbursable program costs, and c) the product of the adjusted child days of enrollment for certified children multiplied by the specified contract rate. (EC § 8245.5)
- 5) Requires, commencing January 1, 2023, and through July 1, 2028, that reimbursement for full-day and part-day CSPP family childcare home education network providers be based on the maximum certified hours of care for all families, regardless of attendance, less any allowable administrative expenses withheld by the contractor. (EC § 8245.5)

Child Care and Development Programs

- 6) Establishes the Child Care and Development Services Act to provide a comprehensive, coordinated, and cost-effective system of childcare 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 Code (WIC) § 10207 et seq.)
- 7) Defines “alternative payment program” 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)
- 8) Requires reimbursement for APPs to include the cost of childcare paid to childcare providers, plus the administrative and support services costs of the APP, and that the total cost for administration and support services shall not exceed 17.5% of the total contract amount. (WIC § 10229)
- 9) Requires, commencing July 1, 2025, and through June 30, 2026, that if direct contract childcare programs is open and operating in accordance with its approved program calendar and remains open and providing services to certified children throughout the program year, the contract reimbursement shall be based on the lesser of the following: a) the maximum reimbursable amount stated in the contract, or b) net reimbursable program costs. (WIC § 10280)
- 10) Requires, commencing July 1, 2026, reimbursement for direct contract childcare programs to be based on the lesser of the following: a) the maximum reimbursable amount stated in the contract; b) net reimbursable program costs; c) the product of the adjusted child days of enrollment for certified children times the specified contract rate. (WIC § 10280)
- 11) Requires, commencing July 1, 2025, and through June 30, 2026, that reimbursement for family childcare home education network providers funded through direct contract childcare programs, as specified, be 100% of reimbursement based on the family’s certified need for services at the maximum authorized hours of care, less any allowable administrative expenses withheld by the contractor. (WIC § 10280)

Preschool Programs and Child Care Programs

- 12) Provides that, unless specifically exempted by the Legislature, the administrative cost for all state-funded childcare and preschool programs and all federal programs administered by the state shall not exceed 15% of the funds provided for those programs. (EC § 8258 and WIC § 10302)
- 13) Defines “indirect de minimis” as an indirect cost rate of up to 15% for recipients and subrecipients that do not have a current federal negotiated indirect cost rate. (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart E, § 200.414)
- 14) Defines “administrative costs” as costs incurred for administrative activities where neither the family, the child, nor the service providers for APPs and family childcare homes directly benefit from the activity. (California Code of Regulations (CCR), Title 5, §18013)
- 15) Defines “indirect cost” as an expense that benefits the operations of the entire organization but cannot be assigned to specific programs or activities. (CCR, Title 5, § 18013)
- 16) Defines “family childcare home education network” as an entity organized under law that contracts with CDE or CDSS to make payments to licensed family childcare home providers and to provide educational and support services to those providers and to children and families eligible for CSPP or state-subsidized childcare and development services. (EC § 8205 and WIC § 10213.5)

ANALYSIS

This bill:

- 1) Defines “indirect administrative costs” for both preschool programs and childcare and development programs as the general costs related to the day-to-day function of the program and the indirect de minimis expenses incurred by the agency in the administration of the program. These costs include, but are not limited to: a) staff payroll and benefits; b) conducting internal and external program audits; c) managing facilities, human resources, and information technology; d) communication with the state, providers, and the union; e) work relating to accounting and invoicing, grants and contract management, and required reporting; and f) researching and evaluating programs.
- 2) Defines “direct program and support costs” for both preschool programs and childcare and development programs as the costs of running the center-based program. These costs include, but are not limited to: a) outreach and enrollment of families; b) conducting family needs assessments and connecting families to community resources; c) providing ongoing individualized case management; d) monitoring and improving the quality of program delivery; e) collecting childcare attendance records and calculating and processing monthly payments; f) maintaining childcare documents; g) providing technical assistance to families and providers; and h) hearing parental appeals.

- 3) Revises the reimbursement formula for APPs by doing the following:
 - a) Adds direct program and support costs of the APPs as eligible for reimbursement, and renames “administrative and support services costs” to “indirect administrative costs”.
 - b) Strikes the provision prohibiting the total cost for administration and support services from exceeding 17.5% of the total contract amount and instead provides that the indirect administrative costs shall not exceed 15% of the maximum reimbursable amount.
 - c) Provides that the combined costs of indirect administrative costs and direct program and support costs shall not exceed 25% of the maximum reimbursable amount of the contract.
 - d) Provides that, if 25% of the maximum reimbursable amount of the contract falls below \$300,000, the minimum reimbursement for the combined total costs of indirect administrative costs and direct program and support costs shall be \$300,000, which would be adjusted annually for inflation using the California Consumer Price Index.
 - e) Removes a reference to administrative costs, including costs associated with the dissemination of information on developmental screenings.

STAFF COMMENTS

- 1) ***Need for this bill.*** According to the author, “recent changes and new requirements in the last decade have significantly increased the operational burden of contractors and centers—reducing their ability to focus on the children and families they serve. When the state provided one-time stipends and pandemic relief funding, contractors were often reimbursed below statutory rates, even as they took on expanded responsibilities. ... Contractors must now implement five new payments, with all but one being one-time in nature, and with a variety of separate reimbursement amounts for contractors—ranging from no reimbursement to 10% rate on the care cost plus stipends along with a flat \$70 million administrative fee for Child Care Providers United (CCPU) union services. ... SB 1110 will build a more stable and robust childcare subsidy system.”
- 2) ***Adds definitions for cost categories for preschool programs and childcare and development programs.*** This bill was double referred to the Senate Human Services Committee and the Senate Education Committee. This bill adds definitions for two types of costs incurred by preschool programs and childcare and development programs:
 - a) “Indirect administrative costs” means general costs related to the day-to-day function and indirect costs incurred in the administration of the program. These costs include, but are not limited to: staff payroll and benefits; managing facilities, human resources, and information technology; and

conducting accounts payable and receivable, grants and contract management, invoicing, and required reporting.

- b) “Direct program and support costs” as costs of running the center-based program that are not considered indirect administrative costs. These costs include, but are not limited to: outreach, recruitment, and enrollment of families; providing individualized, ongoing case management; and collecting childcare attendance records and calculating and processing monthly payments.

This bill intends to clearly categorize expenses as business-related (“indirect administrative costs”) or program-related (“direct program and support costs”) for purposes of revising reimbursement for APP agencies (described below in #3). This bill does not utilize these definitions to make changes to providers who directly contract with the state, including CSPP providers. *This committee may wish to consider the following regarding these definitions:*

- a) *The definition for “direct program and support costs” for preschool programs uses the phrase “center-based program” when describing preschool programs. However, CSPP may be operated in either childcare centers or family childcare homes operating through a family childcare home educational network, so including the phrase “center-based program” for preschool providers creates confusion. For future amendments, staff recommends striking this phrase from the definition for “direct program and support costs” for preschool programs.*
- b) *This bill inserts the definitions for “indirect administrative costs” and “direct program and support costs” in the Education Code for preschool providers, but this bill does not make amendments that reference indirect administrative costs or direct program and support costs for preschool providers, nor did it do so in prior versions of this bill. If future amendments do not include these definitions to make substantive changes to CSPP, staff recommends removing these definitions from the Education Code.*
- 3) **Bill increases reimbursement for APP agencies.** Current law provides that reimbursement for APP agencies includes the cost of childcare paid to providers, plus the administrative and support services costs of the APP agencies. For administrative and support services costs specifically, current law requires that reimbursement for these costs of the APP not exceed 17.5% of the total contract. Since 2006, the percentage reimbursement for administrative and support services has decreased over time. Prior to 2006, the limit for administrative and support services costs was 23.4567% of the contract amount; this dropped to 20% in 2006, 19% in 2008, and then 17.5% in 2010.

This bill revises the reimbursement for APP agencies to include the cost of childcare paid to providers, plus the *indirect administrative costs and direct program and support costs* for the APP agencies. This bill requires that indirect administrative costs not exceed 15% of the maximum reimbursable contract amount, and that the combined costs of indirect administrative costs and direct program and support costs not exceed 25% of the maximum reimbursable contract

amount. Because current law already requires indirect administrative costs to be 15% or less, this bill does not effectively increase allowable funding on administrative costs. However, this bill does increase allowable funding on direct program support costs from effectively at least 2.5% to at least 10%. According to the Senate Human Services Committee analysis on this bill, “while the rate APPs receive has remained stagnant since 2010, the dollar amount APP agencies receive has increased due to recent investments in APP voucher slots, funding to issue additional provider stipends, and funding to perform administrative support for the CCPU.”

This bill also makes changes to the minimum reimbursement for APP agencies. If reimbursement for APP agencies (i.e., the reimbursement received for indirect administrative costs and direct program and support costs) is below \$300,000, this bill requires the minimum reimbursement for APP agencies to be \$300,000, and for this amount to be adjusted annually for inflation using the California Consumer Price Index. In effect, this bill increases the reimbursement amount available to APP agencies by providing a minimum of \$300,000 for APP agencies. This guaranteed funding is intended to provide stability for APP agencies and be particularly valuable for small APP agencies experiencing fluctuations in reimbursement. According to CDSS, there would be approximately 20 APP agencies that would be entitled to a \$300,000 minimum reimbursement, though they acknowledged that number may vary every year.

4) ***Recent author’s amendments removed sections related to the 2025 Budget Act agreement.*** The 2025 Budget Act made changes to hold harmless provisions for both CSPP and direct contract-based childcare programs. Specifically:

- a) Commencing July 1, 2025, and through June 30, 2026, if a program is open and operating in accordance with its approved calendar and remains open and providing services to certified children throughout the program year, the contract reimbursement for these programs shall be the lesser of a) the maximum reimbursable amount stated in the contract, and b) net reimbursable program costs. (The most recent hold harmless provision for these programs preceding the 2025 Budget Act was not exactly the same but very similar.)
- b) Commencing July 1, 2026, the contract reimbursement for these programs shall be the lesser of a) the maximum reimbursable amount stated in the contract, b) net reimbursable program costs, and c) the product of adjusted child days of enrollment for certified children times the specified contract rate.

Prior versions of this bill made changes that deviated from the 2025 budget agreement. Prior versions primarily made changes to the hold harmless provisions commencing July 1, 2026, to establish that CSPP and direct contract-based childcare programs maintaining at least 85% of its enrollment would receive their maximum reimbursable amount, and programs not maintaining 85% of programs would receive the lesser of a) net reimbursable program costs or b) the product of the adjusted child days of enrollment for certified children times the specific

contract rate. The author's recent amendments remove these changes to the 2025 Budget Act.

5) ***Prior and Related Legislation.***

SB 151 (Committee on Budget and Fiscal Review, Chapter 108, Statutes of 2025), a budget trailer bill, ratifies the agreement reached between the State of California and CCPU on August 7, 2025, and includes parity provisions for unrepresented center-based providers. The bill extends payment based on maximum hours of care, regardless of attendance, for voucher-based childcare and preschool programs through July 1, 2028; extends monthly per-child cost of care plus rate supplements for all subsidized providers; requires CDSS and CDE to provide all subsidized childcare providers with a one-time, per-child stabilization payment; and requires CDSS and CDE to provide childcare contractors with a 5% administrative fee for processing both the one-time cost of care plus payments and the one-time, per-child stabilization payments.

SB 120 (Committee on Budget and Fiscal Review, Chapter 13, Statutes of 2025), a budget trailer bill, authorizes the continuation of Cost of Care Plus rate payments to childcare centers. SB 120 also extends the hold harmless policy for direct contract programs for one final year, and requires, commencing July 1, 2026, direct contract programs to be reimbursed based on enrollment.

SB 140 (Committee on Budget and Fiscal Review, Chapter 193, Statutes of 2023), a budget trailer bill, ratifies the agreement reached between the State of California and CCPU on June 30, 2023, and includes parity provisions for unrepresented center-based providers. The bill allocates funding to CDSS and CDE to provide a monthly Cost of Care Plus rate per child to all subsidized childcare providers and provides for administrative funding to APP agencies to process monthly cost of care rates.

AB 131 (Committee on Budget, Chapter 116, Statutes of 2021), a budget trailer bill, transfers childcare program and authority from CDE to CDSS.

AB 378 (Limón, Chapter 385, Statutes of 2019) authorizes family childcare providers, defined as licensed family childcare home operators or license-exempt providers who participate in a state-funded early care and education program, to form, join, and participate in the activities of a labor organization that represents them for the purpose of bargaining on matters related to the terms and conditions of their employment.

SB 98 (Committee on Budget and Fiscal Review, Chapter 24, Statutes of 2020) establishes the Early Childhood Development Act of 2020 to authorize the transfer of childcare and development programs administered by CDE to CDSS, effective July 1, 2021. SB 98 also establishes the first "hold harmless" policy to reimburse direct contract preschool and childcare programs to be reimbursed at 100% of the contract maximum reimbursable amount or net reimbursable program costs, whichever is less, from July 1, 2020, to June 30, 2021, based on a program's operating status, as specified.

AB 540 (Mullin, 2017) would have increased the total cost for administration and support services to 17.6% of the total APP contract amount. *AB 540 died in the Assembly Human Services Committee.*

AB 188 (Cristina Garcia, 2015) would have reimbursed APP agencies for making eligibility determinations at a rate of 3% of the total contract amount, in addition to the 17.5% for administration and support services. *AB 188 died on the Assembly Appropriations Committee suspense file.*

AB 1610 (Committee on Budget, Chapter 724, Statutes of 2010), a budget trailer bill, reduces the total cost for administration and support services to 17.5% of the total APP contract amount.

AB 1279 (Committee on Budget, Chapter 759, Statutes of 2008), a budget trailer bill, reduces the total cost for administration and support services to 19% of the total APP contract amount. Prior to this change, statute set the administration and support services rate at 23.4567% of the direct cost-of-care payments to childcare providers. However, both the 2006 and 2007 Budget Acts capped the rate at 20%.

SUPPORT

Child Action (co-sponsor)
 Child Care Alliance of Los Angeles (co-sponsor)
 Child Care Resource Center (co-sponsor)
 Crystal Stairs, Inc. (co-sponsor)
 Every Child California (co-sponsor)
 Mexican American Opportunity Foundation (co-sponsor)
 Thriving Families California (co-sponsor)
 Alameda County Office of Education
 California Association for the Education of Young Children
 California Child Care Resource and Referral Network
 Children Now
 Children's Paradise
 Community Bridges
 Fresno County Office of Education
 Kern County Superintendent of Schools Office
 Kidango
 Los Angeles Unified School District
 Mendocino County Office of Education
 Options for Learning
 San Francisco Child Care Planning & Advisory Council
 Silicon Valley Community Foundation
 Thermalito Union Elementary Preschool
 YMCA of San Diego County
 One Individual

OPPOSITION

None received