

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: June 17, 2024

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso *ST*
Chief Legislative Analyst

Council File No. 23-0002-S134
Assignment No. 24-06-0397

SUBJECT: Resolution (Soto-Martínez – Rodriguez) to SUPPORT legislative and/or administrative action to update child care subsidy rates in California.

CLA RECOMMENDATION: Adopt Resolution (Soto-Martínez – Rodriguez) to include in the City’s 2023-2024 State Legislative Program, SUPPORT for any legislative and/or administrative action that would ensure the development, funding, and implementation of the State’s new alternative methodology to update child care subsidy rates in California.

SUMMARY

Resolution (Soto-Martínez – Rodriguez), introduced on May 21, 2024, advises that high-quality child care programs facilitate the healthy development of young children, reduce poverty by increasing workforce participation and family stability, and stimulate the economy. The Motion further reports that there are only enough licensed child care slots in Los Angeles to serve four percent of the City’s infant and toddler population, and almost 60 percent of families live in child care deserts, where there are three times the number of children as there are licensed slots. The Motion states that a historic lack of public investment in child care has resulted in unaffordable costs and insufficient availability, especially in low-income areas. Further, child care providers are struggling with staffing shortages, rising operational costs, and poverty-level wages, as the State’s child care subsidy rates have not kept up with the actual operating costs of child care.

In 2023, Child Care Providers United, a California child care provider union, entered into a contract with the State to develop an alternative methodology for determining subsidy reimbursement rates for child care providers. The State agreed to a new methodology, but must include the methodology in the Child Care Development Fund plan to be submitted to the Federal Administration for Children and Families by July 1, 2024. The Motion reports that there is concern among unions and early care and education advocates that the Governor’s administration and State legislature may deprioritize child care reimbursement reform amid a budget deficit and competing priorities for funding. The Motion advises that a failure by the State to implement the new methodology will result in further destabilization of child care infrastructure in and beyond Los Angeles. The Resolution therefore requests that the City support any legislative and/or administrative action that would ensure the development, funding, and implementation of the State’s new alternative methodology to increase child care subsidy rates in California.

BACKGROUND

Child care reimbursement rates in California have historically been based on regional market rates for child care. Advocates have argued that this market rate approach has measured what families can afford to pay, rather than assessing child care providers’ actual costs of providing high-quality care. In 2023, the

California Department of Social Services, the State agency that administers childcare and development services for children up to 13 years of age, worked with national experts to design and implement an alternative methodology for State reimbursements to be based on a cost-of-care model. A statewide Cost of Care Survey was conducted and input sessions were held to ensure an accurate representation of all communities. Further, the State and Child Care Providers United established a committee to create a single reimbursement rate structure to address quality standards for equity and accessibility for all child care providers. This committee allows child care providers to provide input on the true cost of care as well as negotiate rates.

New rates must be submitted in the Child Care Development Fund plan to the Federal Administration for Children and Families by July 1, 2024 for the new methodology to be implemented. Failure by the State to submit the new methodology by July 1, 2024 will delay any increases to subsidized child care reimbursement rates to 2027, the next opportunity the State has to submit a new plan to the federal government.

Implementation of the alternative methodology would also require additional funding from the State to cover the increased subsidy rates. Inasmuch as the State is managing a budget deficit of \$44.9 billion, the Governor's May Revision included significant spending cuts and reductions to programs and services, including efforts to expand child care access.

DEPARTMENTS NOTIFIED

Community Investment for Families Department



Susan Oh
Analyst

Attachment: Resolution (Soto-Martínez – Rodriguez)