April 7, 2025

CHILD CARE AND STATE PRESCHOOL RATE REFORM

QUARTERLY UPDATE TO THE JANUARY 2025 IMPLEMENTATION REPORT

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

In collaboration with the California Department of Education

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1. Legislative Mandate

Welfare and Institutions Code (WIC) Section 10227.6(g), excerpted below, requires regular reporting by the California Department of Social Services (CDSS) to the Legislature on progress towards implementing new reimbursement rates set under the alternative methodology. This report satisfies the quarterly reporting requirement in WIC Section 10227.6 (g)(2).

(g) (1) Within 60 days of federal approval of the single rate structure utilizing the alternative methodology in the state plan, the department, in collaboration with the State Department of Education, shall provide the Assembly Committee on Budget, the Senate Committee on Budget and Fiscal Review, and the Legislative Analyst's Office with a report that outlines the implementation components for the approved single rate structure. For a period of 30 days, the Legislature shall have the opportunity to review and provide feedback regarding draft guidance for implementation of policies. The report shall include all of the following:

The department's plan to set new reimbursement rates under the alternative methodology by no later than July 1, 2025.

The estimated costs and estimated timelines associated with the implementation components of the approved single rate structure, including, but not limited to, state operations resources, technology and infrastructure changes, and any regulatory or statutory changes necessary to implement the approved single rate structure.

(2) The department shall, from October 1, 2024, to January 1, 2026, inclusive, provide the Assembly Committee on Budget, the Senate Committee on Budget and Fiscal Review, and the Legislative Analyst's Office with quarterly updates on the implementation of the new reimbursement rates set under the alternative methodology. The quarterly updates shall include any changes to the information provided in the report described in paragraph (1).

2. Executive Summary

This Rate Reform Quarterly Update is published pursuant to the legislative mandate contained in WIC Section 10227.6 (g)(2). It provides this first update to a report provided to the Legislature on January 7, 2025, entitled *Implementation of the Single Rate Structure for Subsidized Child Care and Preschool*. Readers of this report may find it useful to first review the January 2025 report for additional context. That foundational report, the quarterly rate reform updates and other key documents related to rate reform are posted on CDSS' Rate Reform and Quality website.

This report contains updates on:

- The alternative methodology timeline and progress.
- Rate reform implementation activities, including data systems readiness and development of revised policy on the reimbursement of indirect and support services costs.

- The rate reform implementation timeline.
- Rate reform cost estimates.

The next quarterly update will be submitted to the Legislature and posted online in July 2025.

3. Introduction

The State's current approach to setting reimbursement rates is based on private market rates, which may differ from the cost to provide care. The market-based approach is inequitable in that it calculates rates inconsistently across program types, is constrained by the price families are able to pay, and is not in alignment with program requirements. In recent years, the vision of moving to a single reimbursement rate structure informed by a cost-based methodology and encompassing the entirety of the mixed-delivery system has been broadly endorsed by the child care and development and early learning field, the State Legislature and multiple advisory and decision-making bodies, including the Governor's Master Plan for Early Learning and Care, the Rate and Quality Workgroup (RQWG), and the Rate and Quality Systems Structure Review Joint Labor Management Committee (JLMC), and the Rate and Quality Advisory Panel (RQAP).

The California Department of Social Services secured pre-approval from the federal Administration for Children and Families (ACF) to update its rate assessment using an alternative methodology in August 2023. Since that time, the State has partnered with the child care and development and preschool field and other interest holders to conduct a cost study and develop a cost estimation tool to inform rate setting. The ACF requires that the State set rates informed by the alternative methodology no later than July 1, 2025.

This is the second Quarterly Report on rate reform published pursuant to the legislative mandate described in Section 1. It provides the first update to a report provided to the Legislature on January 7, 2025, entitled *Implementation of the Single Rate Structure for Subsidized Child Care and Preschool*. Readers of this report may find it useful to first review the January 2025 report for additional context. That foundational report, the quarterly rate reform updates and other key documents related to rate reform are posted on CDSS' Rate Reform and Quality website.

4. Updates on Alternative Methodology Timeline and Progress

The following infographic provides a high-level timeline of key phases and milestones associated with the development of California's alternative methodology and cost estimation model.

CDSS
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

California Alternative Methodology

Process and timeline for moving to subsidized child care reimbursement rates based on a single rate structure

March – August 2023

Federal Pre-Approval

State obtained required pre-approval from federal Administration for Children and Families (ACF) to use proposed alternative methodology.

July – October 2023

Data Collection

State conducted data collection process, including surveys, focus groups, and ad hoc sessions.

Winter 2023 – Spring 2024

Cost Model Development

State used data to develop a dynamic cost estimation tool. Using information from the tool, a Joint Labor Management Committee has worked to define the elements of the base rate and enhanced rates to inform the single rate structure.

July 1, 2024

State Submits Information

State submits to ACF necessary information to support use of single rate structure utilizing alternative methodology.

Fall 2024 – Summer 2025

Rate Setting and Planning*

Following ACF approval, rate setting and implementation planning through negotiations between the State and Child Care Providers United (CCPU) union and state budget development process.

Public Engagement continues throughout the alternative methodology process

- Rate & Quality Workgroup and Advisory Panel
- Early Childhood Policy Council
- State Plan hearings

Find out more! Go to:
https://www.cdss.ca.gov/inforesources/child-care-and-development/rate-reform-and-quality

* ACF requires the State to set payment rates based on the alternative methodology no later than July 1, 2025. Rates will take effect when any other activities reasonably necessary to implementation have occurred, such as regulatory and policy guidance, training for contractors, and updates to contracts and necessary data systems.

The State is currently in the final phase of the process, which entails rate setting and planning for implementation of the new rate structure. The key milestone date in this phase is July 1, 2025, the federal deadline for setting rates informed by the alternative methodology process.

As noted in the January 2025 *Implementation Report,* ACF approved California's 2025-2027 Child Care and Development Fund (CCDF) State Plan on November 8, 2024. Since that time, the State has continued to make progress towards defining a single rate structure informed by alternative methodology.

Rate setting for center-based programs will be finalized in partnership with the State Legislature through the FY 2025-26 budget development process. For family child care providers, rate setting is planned to occur through the bargaining process currently in progress between Child Care Providers United (CCPU) and the State, and would be subject to ratification by the Legislature. With the release of the Governor's Budget on January 10, 2025, the budget development process was initiated. The State and CCPU opened negotiations in December 2024, and those negotiations are ongoing.

Consistent with federal guidance, the State has conducted regular public engagement throughout the alternative methodology process. The Rate and Quality Advisory Panel (RQAP) is a body of subject matter experts charged with providing advice to the State on the alternative methodology and the transition to a Single Rate Structure.

During the May 8, 2024 and December 11, 2024 RQAP meeting, CDSS presented the State's proposed rate element definitions for center-based programs, which were informed by the 2023 cost study and interest holder feedback and developed in consultation with the California Department of Education (CDE). In most instances, center-based definitions are consistent with the definitions that the Joint Labor Management Committee (JLMC) recommended in March 2024 for family child care providers represented by CCPU. Some differences exist between the recommended center-based definitions and the JLMC-recommended definitions for family child care providers because family homes and centers are subject to different requirements. The full set of proposed rate element definitions for all settings and programs, as presented at the December 2024 RQAP meeting, can be found on the Rate Reform and Quality webpage. Below is a summary of key feedback on center definitions provided by interest holders during the December 2024 RQAP meeting.

- *Enhanced rate for extended hours of care.* Comments included feedback on additional costs associated with providing weekend care, including smaller group sizes and the necessity of paying staff overtime.
- *Base and enhanced rates for inclusion.* Comments included feedback on the importance of recognizing and compensating for care provided to children with disabilities even when those needs are not reflected in an Individualized Education Program (IEP) or other official documentation; the concern that current State statute that defines children who are eligible for the exceptional needs adjustment factor as those with an active IEP or Individualized Family Service Plan (IFSP) as too restrictive; and that providers should have access to consult

with qualified experts to support early childhood mental health and inclusionary practices.

- *Training rate element.* One comment was made about the importance of providers being able to access training and support leading to college credits.
- *Dual language rate element.* Comments included the feedback that the proposed change in nomenclature from “dual language supports” to “multi-lingual language supports” as a step in the right direction to acknowledge and support multi-lingual children, families, and their providers.
- *Rate elements for discretionary benefits such as paid time off and health coverage.* Comments included feedback on that “discretionary benefits” should be considered mandatory rather than discretionary and that the cost of retirement benefits should be covered in the rate model.

At the March 6, 2025 RQAP meeting, CDSS provided a detailed overview of the content of the January 2025 *Implementation Report.* Comments from panelists and the public focused primarily on the urgency of moving forward with rate setting and implementation of rates that are based on the alternative methodology.

In addition to the March 2025 RQAP meeting, CDSS and CDE will continue to receive and review feedback provided by interest holders throughout the 2025-26 budget development process. The Department may also convene special RQAP meetings between now and the next scheduled June 2025 RQAP meeting to share and receive feedback on substantive updates. Overall, as the State makes its way through the alternative methodology process, the Administration will balance feedback from a variety of interest holders through different spaces regarding base and enhanced rate elements with the alternative methodology’s underlying intent of capturing the cost of care given current health and safety and program requirements.

5. Update on Rate Reform Implementation Activities

DATA SYSTEMS READINESS ACTIVITIES

As noted in the January 2025 *Implementation Report*, a technical workplan for making the data system modifications necessary to implement rate reform cannot be detailed until reimbursement rates informed by the new single rate structure are finalized by the Administration in partnership with the Legislature.

State Data Systems

During the reporting quarter, CDSS and CDE continued to assess to what extent and how quickly the new rate structure can be implemented within existing State data systems, given currently available information. The departments are also exploring interim automation solutions should implementation in legacy systems prove infeasible due to the age and limitations of those systems.

As of November 2024, CDSS and CDE now manage their own separate Child Development Management Information Systems (CDMIS). The CDMIS is a web-based system used to collect contractor site information such as address, license number, program directors, and contact information as well as monthly enrollment and attendance data. As the State makes progress towards finalizing the alternative methodology and new single rate structure, the two departments will track the need for and feasibility of making changes to CDMIS (such as the collection of new information). Additionally, CDSS and CDE will coordinate on the implementation of any cross-Department changes across their respective CDMIS applications.

As previously reported, the long-term plan is for the new rate structure for child care and development programs to be administered by CDSS in the California Supporting Providers and Reaching Kids (CalSPARK) system. CalSPARK is a technology solution that will improve CDSS' capacity to administer child care programs by replacing legacy applications such as the CDMIS. The Department and its contracted vendor continue to work on the Project Approval Lifecycle (PAL) process. The current focus is on finalization of PAL Stages 2 and documentation of PAL Stage 3. The purpose of Stage 2 of the PAL process is to understand the needs of the new system and to complete market research to understand available solutions in the marketplace. Stage 2 includes the creation of the project budget and high-level timeline for solution implementation. PAL Stage 2 is anticipated to be approved by May 2025. PAL Stage 3 documentation includes creation of the procurement package and solicitation activities. According to the PAL Stage 2 high-level timeline, CalSPARK solutioning is expected to begin July 2027 and take 2.5 years, with a tentative implementation date at the end of December 2029.

The CDE is currently reviewing which existing data system or combination of systems i.e. California Preschool Accounting Reporting Information System (CPARIS), CDMIS, or California Preschool Data Collection (CAPSDAC), is most appropriate for implementing the new rate structure in the long term. In part, this decision will need to be made based on the design of the new rate system. In the meantime, CDE continues to work to roll out implementation of CAPSDAC data collection system, which houses State preschool data from county offices of education, school districts, and charter schools, due to the legislative requirements of AB 22 (Chapter 901, Statutes of 2022), and has effectively replaced the use of the CDMIS and Preschool Language Information System (PLIS) for the California State Preschool Program (CSPP) with reporting by county offices of education, school districts, and charter schools. CAPSDAC, or CAPSDAC 1.0, began collecting child, staff, and classroom information fields in July 2024. Updates to CAPSDAC have been ongoing per user feedback. Currently, a more significant update to CAPSDAC, or what will be known as CAPSDAC 2.0, is estimated to be ready for launch by December 2025 to further align CSPP data collection with data collected for TK-12 children in the California Longitudinal Pupil Achievement Data System (CALPADS). As mentioned in the January 2025 *Implementation Report*, if further development of CAPSDAC, outside of current AB 22 legislation requirements, is needed to meet the changes of rate reform in California, then it will require statutory changes.

State Partner Data Systems

In addition to ongoing assessment of its own systems, over the past three months, the State continued to gather information to better understand the time and resources that

State partners, including State contractors and counties, will need to implement changes to their data systems. Below is a summary of key takeaways, which will continue to evolve as the overall automation assessment continues.

In late 2024, CDSS initiated a survey of its child care and development contractors which sought some basic information about the costs an agency would typically incur to make both minor and major modifications to its data systems. Minor modifications might include adding or deleting a data field, or limited reprogramming, whereas major modifications might include significant reprogramming or adding an entirely new functionality. Sixty-five out of the eighty-five CDSS contractors who issue payments to providers responded to at least some of these questions.

The utility of this data is limited given that fewer than half of survey respondents offered a cost estimate and given that only a subset of State Preschool programs were included in the survey. Based on the data gathered, however, it appears the threshold for minor versus major modifications to a contractor's data system is $10,000, with $10,000 or less being the average estimate for minor changes and anything above $10,000 being the average estimate for major changes. The range of cost estimates provided for major changes was wide, ranging from $125 to $130,000 per contractor.

The majority of contractors who responded to the survey advised that it will take up to one year to update their systems to accommodate rate reform, and nine percent of contractors indicated that it could take over a year.

In December 2024, CDSS attended a meeting of the County Welfare Directors Association's (CWDA) Child Care Subcommittee to update county representatives on rate reform and solicit feedback on county-specific considerations. Counties are responsible for administering the CalWORKs Stage 1 Child Care program and the Emergency Child Care Bridge Program for Foster Children, which provide funding for child care subsidies for over 150,000 children in low-income and at-risk families.

County representatives highlighted the importance of allowing sufficient time to implement the necessary automation changes to the California Statewide Automated Welfare System (CalSAWS) system, which most counties use to directly administer the CalWORKs Stage One child care program, and to train staff and contractors on the changes. The amount of time that will be considered "sufficient" will depend on the complexity of the changes required for rate reform. Counties cautioned that an insufficient runway to program automation changes and train staff could put counties into the position of having to implement data manually, resulting in increased workload and possible benefit delays and reducing the accuracy of data in CalSAWS. These implementation considerations also apply State systems automation changes. County representatives also noted that their child care contractors use different systems that also have to be reprogrammed and require contractor training, and that the cost to do so would be borne by the counties.

In addition to the system considerations, counties flagged the administrative requirements at the local level to amend contracts. This process requires several months to be placed on the agenda and secure county board of supervisors' approval to amend contracts with their providers to reflect increased costs, mandate contractor system upgrades to conform with the new rate structure, outline the new data collection requirements, including but not limited to the reimbursement rates themselves. The State will continue to assess how the alternative methodology will impact the counties, CalSAWS, and state/county contractor systems.

DEVELOPMENT OF POLICY ON INDIRECT AND SUPPORT SERVICES

The January 2025 Implementation Report highlighted the State's intention to reform its policies for reimbursing program contractors, child care providers, and state preschool programs for costs associated with supporting administration of child care and preschool programs and related provider and family support services functions. At the December 2024 RQAP meeting, the State gathered feedback on this topic from panelists and the public. Interest holders urged the State to clearly and consistently define indirect expenses and support services as distinct cost categories and to offer training on how to claim these costs appropriately. Participants emphasized that the standard 15 percent administrative rate is insufficient to address the workload associated with activities such as reporting and documentation. Another participant flagged concerns related to the current method of indirect and support service reimbursement for Family Child Care Home Education Network (FCCHEN) care settings. They noted that the state needs to align FCCHEN funding sources and requirements to ensure similar reimbursement and treatment in FCCHEN care settings across the state and program contracts.

In January 2025 and February 2025, CDSS hosted a series of focus groups and conversations with State contractors to help inform revisions to reimbursement rates for indirect and support services. Focus group participants were organized by contract type in order to differentiate feedback on the current reimbursement approach, which varies by contract type. Topics of discussion included the definition of indirect activities, the definition of support service activities, what constitutes adequate funding for these activities, and considerations in moving to a cost per child allocation for indirect and support services that is distinct from the reimbursement rate for direct child care and preschool services. As part of its policy development process, CDSS also analyzed prior proposals that attempted to make improvements to the indirect and support services cost structure. The CDSS is still in the process of assessing indirect and support service costs and the overall reimbursement structure.

6. Update on Rate Reform Implementation Timeline

As noted in Section 4 of this report, California's alternative methodology process is now in its final phase: Rate Setting and Implementation. The infographic below provides a high-level timeline for the remaining milestones in this phase. The timeline has been updated since publication of the January 2025 *Implementation Report.*

RATE SETTING AND IMPLEMENTATION PHASE

FY 24-25	FY 25-26			After FY 25-26	FY 29-30
April – June 2025 Ongoing bargaining with represented family child care providers May 14: May Revise released June 15: Statutory deadline to adopt the budget	**July 1, 2025** Complete alternative methodology and cost of care calculation Finalize design of Single Rate Structure Set rates informed by alternative methodology	**FY 25-26** Statute requires that reimbursement rates effective July 1, 2025 do not fall below the current reimbursement rates, inclusive of the Cost of Care Plus monthly payments	**At Least Six Months From Rate Setting** Earliest date by which transitional rates informed by alternative methodology that require little to no automation changes can take effect	**TBD** Payments under the Single Rate Structure that require significant automation changes take effect **FY 26-27** Set quality enhanced rates	**FY 29-30** Anticipated date by which permanent automation solutions to support ongoing implementation of the Single Rate Structure will be in place
1	2	3	4	5	6

Many necessary implementation activities cannot begin in earnest until the final rate structure is determined and rates are set. Rate setting is dependent on the final 2025-26 budget package, inclusive of any agreement reached between the State and family child care providers, which is subject to legislative approval. The Administration will provide any available updates regarding the implementation of rates informed by the alternative methodology at the Governor's May Revision.

The Administration will continue to assess potential technology solutions that can be used to implement single rate structure as soon as possible. Overall, while CDSS does not currently know exactly when the single rate structure will be fully automated, these permanent and ongoing automation changes may take more than one year to complete.

However, rate setting is not dependent on the timeline to fully automate the single rate structure. Any transitional rates informed by the alternative methodology that require little to no automation changes may take effect as early as six months following final rate setting decision. At least six months is anticipated to be needed because while little to no automation changes would be required, other fiscal and program readiness activities need to occur. For example, funds need to be appropriated within the approved budget and made available to the Departments for expenditure; Departments need to issue program guidance to the field; revise contractor allocations, if needed; and provide adequate notice to the field to automate any changes. After funds are transmitted by Departments to child care and development and state preschool contractors, they must in turn issue payments to providers.

Below are more detailed high-level implementation takeaways, many of which were discussed in detail in the January 2025 *Implementation Report* remain relevant:

- **July 1, 2025 is the date by which the State aims to complete the alternative methodology and finalize the design of the single rate structure, including selection point values.** Selection point values and the design of the single rate structure will be established by CDSS, in collaboration with CDE. It will be presented for public comment at a future RQAP meeting. The proposed selection point values for centers will be shared publicly with the RQAP, and the Legislature will also receive this information as soon as it becomes available.
- **A period of time will be required before the new single rate structure informed by the alternative methodology can be implemented.** Assuming that the alternative methodology process and single rate structure are finalized by the July 1, 2025, federal deadline for rate setting, it will not be feasible for the new rates based on the single rate structure to take effect on that same date given the program activities and automation changes that will still need to occur both at the State and the local level. Statute requires that reimbursement rates effective July 1, 2025 do not fall below the current reimbursement rates, inclusive of the Cost of Care Plus monthly payments. The Administration is committed to complying with the statutory requirements related to the reimbursement floor established in the 2024 Budget Act.

- **Limitations in the ability to modify current automation systems will impact the implementation approach and timeline.** Based on what is known about the limitations of existing data systems, negotiated changes that require little to no modification to existing State or State partner data systems may be executed relatively quickly (i.e., as soon as six months following rate setting) and within existing systems automation resources. However, changes that require more significant modifications to existing state data systems, extensive retooling of state program contractor and county data systems, and/or significant changes to the type of data that must be gathered to calculate reimbursement rates under the single rate structure will require additional time and resources. This is due in part to existing automation systems being antiquated and not allowing for many system changes. How much additional time is needed to make more significant modifications is still being assessed.

Given the above, key considerations for the period of time prior to the automation and implementation of the new single rate structure include the following:

- The State's ability to set rates informed by the alternative methodology is *not* dependent on the timeline to automate the new rate structure.
- As noted in the January 2025 *Implementation Report,* significant updates to contracts that impact data collection and payment calculations are best made at the start of a new fiscal year because mid-year changes will be disruptive to program contractors and State reporting and payment processes. It follows that significant automation changes can be implemented no sooner than July 1, 2026, and could take longer depending on the complexity of what is negotiated.
- Any transitional rates informed by the alternative methodology that require little to no automation changes may take effect as early as six months following final rate setting decision.
- By law, as stated in WIC 10227.6 (h), "any temporary reimbursement rates established as part of the transition timeline shall be, at minimum, equivalent to the reimbursement rates established pursuant to" current law, inclusive of the monthly Cost of Care Plus rates."
- Additionally, the State will continue to assess potential technology solutions, including legacy system alternatives and workarounds that can be used to phase in the single rate structure as soon as possible while more permanent and ongoing automation changes are made.

Given that the alternative methodology process is still underway, the high-level implementation timeline depicted above, and the bulleted points highlighted in this section, are subject to change. As more information becomes available, the Department will provide the Legislature with a more specific and feasible implementation timeline. Under the provisions of WIC 10227.6(i), if new reimbursement rates informed by the cost of care under alternative methodology do not take effect on July 1, 2025, CDSS is required to provide the Legislature with a timeline for transitioning to such rates.

7. Update on Rate Reform Cost Estimates

The January 2025 *Implementation Report* identified major categories of costs associated with the implementation components of the new single rate structure, such as Department-level personnel costs and start-up system automation costs. The total cost of care will depend on the specific selection point values, which are still being developed, but the magnitude of costs associated with 100 percent of total cost of care is anticipated to be in the tens of billions of dollars range. This section provides a summary of significant State preschool and child care rate investments made in recent years. These continued investments serve as a strong foundation as the State continues to make progress in the rate setting and implementation phase. As a part of the normal budget development process, the Administration monitors evolving fiscal conditions and will make necessary adjustments to the Budget through the May Revision, at which time a clearer view of the State's fiscal condition will be available. These updated fiscal assessments will need to be taken into account during the rate setting and implementation phase.

RATE REFORM BUILDS UPON SIGNIFICANT RATE INVESTMENTS

The State's decision to move from a market-based to a cost-based methodology for rate setting reflects the widely shared acknowledgement that current reimbursement rates based on regional market do not align with the cost of providing care. While more work remains to be done, the Governor and Legislature have made significant progress in increasing reimbursement rates since 2017. Significant investments from recent years are summarized in Table 1 below.

Table 1: Historical Reimbursement Rate Investments

Fiscal Year	Regional Market Rate (RMR) Investments	Standard Reimbursement Rate (SRR) Investments
FY 2016-17	January 1, 2017 – RMR Ceilings increased to 75th percentile of the 2014 RMR Survey or the RMR ceiling that existed on Dec 31, 2016, whichever is greater.	• CDSS SRR increased to \$40.20 • CSPP SRR increased to \$40.45
FY 2017-18	January 1, 2018 – RMR Ceilings increased to 75th percentile of the 2016 RMR Survey or the RMR ceiling that existed on Dec 31, 2017, whichever is greater.	• CDSS SRR increased to \$45.44 • CSPP SRR increased to \$45.73
FY 2018-19		• CDSS SRR increased to \$47.98 • CSPP SRR increased to \$48.28
FY 2019-20		• CDSS SRR increased to \$49.54 • CSPP SRR increased to \$49.85

Fiscal Year	Regional Market Rate (RMR) Investments	Standard Reimbursement Rate (SRR) Investments
FY 2020-21	Over $1 Billion in federal COVID-19 relief funds were passed through the state to providers in the form of temporary child care rate supplements and stipends.	Same as RMR investments
FY 2021-22 [1]	January 1, 2022 – RMR Ceilings increased to 75th percentile of the 2018 RMR Survey or the RMR ceiling that existed on Dec 31, 2021, whichever is greater.	• CDSS SRR increased to $51.55 • CSPP SRR increased to $51.87 • Beginning January 1, 2022 direct service contractors can receive the SRR or RMR daily equivalent rate, whichever is greater. • For information on the effect on county specific rates please see: CDSS Rates - CCB 22-18 CSPP Rates – MB 22-01
FY 2022-23		• CDSS SRR increased to $54.93 • CSPP SRR increased to $55.27 • For CDSS and CSPP direct contract programs receiving the RMR, there were no increases.
FY 2023-24 and FY 2024-25	As a result of the agreement between CCPU and the State for family child care providers and SB 140 (Chapter 193, Statutes of 2023), the following additional rate payments were provided: o Transitional, one-time payments in November 2023 to family child care providers and in Spring of 2024 to centers. Payment amounts varied by setting type. o Monthly, per-child payments beginning January 1, 2024. Payment amounts varied by setting type and region.	Same as RMR investments

[1] Federal COVID Relief Funds received in FY 2020-21, were used for Child Care Stipends and Supplemental payments through FY 2022-23.

Fiscal Year	Regional Market Rate (RMR) Investments	Standard Reimbursement Rate (SRR) Investments
2025-26 Governor's Budget	Statute requires that reimbursement rates effective July 1, 2025 do not fall below the current reimbursement rates, inclusive of the Cost of Care Plus monthly payments.	Same as RMR investments

These investments provided payment stability to contractors and providers during the COVID-19 pandemic, and helped reimbursement rates to keep pace with statewide inflation.[2] According to a State analysis of current payment levels (inclusive of base rates and Cost of Care Plus monthly payment amounts), current Title 22 payment levels for vouchered programs across all age groups and all setting types fall between the 77th and 99th percentiles of the 2018 Regional Market Rate (RMR) survey and current Title 5 payment levels for direct service programs range from the 82nd percentile to above the 99th percentile. Progress to date provides a solid foundation on which to build as the State transitions to an alternative methodology approach that uses the cost of care to inform rates.

8. Conclusion

California is now at the final phase of the alternative methodology process that was pre-approved in August 2023. The CDSS and CDE are fully engaged in planning for implementation of the new single rate structure, a much-anticipated reform that will help drive system improvements that enhance equity, improve access to care and improve outcomes for children, families.

This report satisfies the quarterly reporting requirement at WIC Section 10227.6(g)(2). The CDSS is statutorily required to continue providing quarterly updates to the Legislature on the implementation of new reimbursement rates set under the alternative methodology through January 2026. The next report will be submitted in July 2025. All reports will be publicly posted on CDSS' Rate and Quality Website.

[2] In order to take advantage of timing flexibilities related to the CCDF Plan submission in July 2024, ACF required that states implementing the alternative methodology demonstrate that current payment rates reported in the CCDF Plan submission were adjusted to account for inflation. California met this requirement by demonstrating that statewide average rate increases from January 1, 2022 to December 31, 2023 met or exceeded the 11% statewide inflation rate for that same period across all setting types and age groups.