



## AB 596 (Reyes): Child Care Rate Reform and Suspension of Family Fees

### SUMMARY

AB 596 will help early learning and childcare providers and families by transitioning providers to a single cost based reimbursement rate, suspending family fees until an equitable sliding scale for family fees is established, and funding providers using an enrollment based contract earning mechanism.

### BACKGROUND

Childcare is the foundation of the economy. Without affordable and available childcare, parents cannot work. There are currently hundreds of empty early childhood classrooms because providers cannot hire teachers to staff them. Hundreds of family childcare homes have been forced to close due to a lack of sufficient funding. These are funded childcare slots that will not be utilized because of the antiquated cost model despite a huge need for childcare. Parents and caregivers, particularly the most marginalized, are left to make increasingly difficult choices.

California has been subsidizing the true cost of childcare by paying the early learning and childcare workforce low wages and expecting families to pay high family fees for subsidized childcare programs.

Since February 2020, the childcare workforce has lost 88,000 jobs nationally. Childcare workers are some of the lowest paid workers across the country and many have left the profession to find better paying careers. It is essential that California stabilize the childcare sector and reduce costs to low-income families.

Currently, California uses two methodologies for determining reimbursement rates for early learning and care services—the Regional Market Rate (RMR) and the Standard Reimbursement Rate (SRR). The RMR is based on regional cost surveys for Title 22 providers, including voucher-based programs and the SRR is based in statute for Title 5 providers for most direct contract programs.

The SRR does not account for geographic costs and neither rate structure accounts for the actual cost of providing care to children. Efforts to move to one single reimbursement rate structure have not been realized.

In 2021 the Legislature passed AB 131 (Chapter 16, Statutes of 2021) to study rate reform for childcare workers. AB 131 required the State and Child Care Providers United to establish a Joint Labor Management Committee (JLMC) to develop recommendations for a single

reimbursement rate structure by November 2022. AB 131 also required the California Department of Social Services (CDSS) and the State Department of Education (CDE) to establish a working group to assess the existing quality standards for childcare and development and preschool programs and the methodology for establishing reimbursement rates for those programs.

In addition to recommending implementation of a single rate structure for publicly-funded childcare in California, the Rate and Quality Workgroup also recommended increasing affordability by making adjustments to family fee requirements and to the method in which subsidized contractors earn their contract.

In 2022, the State waived family fees for another year. However, the waiver is set to expire in June 2023 and families will begin receiving a monthly bill of up to \$595 at the start of July 2023 unless family fees are suspended for state and federally-funded programs. With limited disposable income, working families struggle to pay high fees and are forced to make difficult decisions about their basic needs.

### **THIS BILL**

AB 596 will require CDSS to apply to the federal Health and Human Services Agency to amend the State's current Child Care and Development Fund State Plan to change reimbursement rates to an alternative methodology to include a cost-based model that is consistent with the recommendations of the CDSS-led Rate and Quality Workgroup report and the JLMC. It also considers the true cost of providing care by considering current

statutory and regulatory requirements, staff salaries, training, supplies, ratios, enrollment levels, facilities, and family engagement. The bill will require that this methodology be updated regularly to account for rising costs in care.

Additionally, it will require CDE and CDSS to suspend family fees until an equitable sliding scale for the payment of family fees is established.

Finally, AB 596 requires that providers are paid based on the number of children enrolled in their programs instead of attendance.

### **SUPPORT**

California Child Care Resource and Referral Network (co-sponsor)  
Child Care Resource Center (co-sponsor)  
Children Now (co-sponsor)  
EveryChild California (co-sponsor)  
Parent Voices (co-sponsor)

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