



CECILIA AGUIAR-CURRY
Assembly Majority Leader, District 4



FACT SHEET

AB 1981 – The True Cost of Child Care Act

SUMMARY

Under existing law, the California Department of Social Services (CDSS) must set childcare reimbursement rates based on the true cost of care and establish an implementation timeline. AB 1981 strengthens this requirement by mandating CDSS submit a definitive reimbursement timeline to the legislature by January 31, 2027, and update it annually to ensure accountability, fair provider compensation, and expanded access to affordable childcare.

BACKGROUND

Childcare is critical to California’s workforce and economy. Research shows public investments in childcare generate strong returns by increasing maternal labor force participation and supporting children’s development. Yet, childcare remains unaffordable and scarce, with families often spending 20 to 30 percent of their income—far exceeding the federal benchmark of 7 percent. Lacking reliable and affordable options, many parents—especially mothers—reduce hours or leave the workforce entirely.

At the same time, reimbursement rates often fail to cover the true cost of providing safe, high-quality care with fairly paid staff. Licensed infant care costs about 40 percent more than subsidies or family payments cover. Nearly all providers—98 percent women and over 70 percent women of color—earn less than \$16 per hour and rarely receive benefits, fueling high turnover and limiting available slots. Often earning less and holding lower-paid positions, providers of color are disproportionately impacted, deepening inequities in access and compensation.

For years, providers, parents, advocates, the legislature, and the Legislative Women’s Caucus have worked to address these challenges. In 2019, Governor Newsom signed AB 378 (Limon), allowing family childcare providers to unionize through the Child Care Providers

United (CCPU), which continues to advocate for higher rates and health benefits for all providers.

In 2023, the state eliminated family fees for households earning below 75 percent of the State Median Income and expanded subsidies and childcare slots. Most recently, California committed to reforming reimbursement rates through an Alternative Methodology process led by CDSS to assess and implement rates based on the true cost of care.

PROBLEM

CDSS, in coordination with the California Department of Education, sets reimbursement rates and standards for subsidized childcare and development services. Current law required the administration to establish the new rates using the Alternative Methodology by July 1, 2025. Because the rates were not implemented by that date, CDSS must now provide the legislature with a transition timeline, but the law does not specify when that timeline must be submitted.

THIS BILL

AB 1981 requires CDSS submit a timeline for transitioning to the new reimbursement rates by January 31, 2027, and update it annually until rate implementation is complete. By establishing a clear and accountable process, the bill advances rates that reflect the true cost of care and helps stabilize the childcare workforce. As HR 1 imposes new work requirements for federal social safety net programs, reliable childcare is increasingly critical to helping families maintain eligibility and avoid deeper poverty.

SUPPORT

Child Care Provider United (CCPU)
SEIU Local 99
SEIU Local 521
United Domestic Workers (UDW)/AFSCME Local 3930



CECILIA AGUIAR-CURRY
Assembly Majority Leader, District 4



FACT SHEET

AB 1981 – The True Cost of Child Care Act

CONTACT

Shannon Flores, Legislative Director
Office of Majority Leader Cecilia Aguiar-Curry
E: shannon.flores@asm.ca.gov | P: (916) 319-2004