

January 31, 2025

To: The Honorable Gavin Newsom
Governor, State of California

The Honorable Scott Wiener, Chair
Senate Budget & Fiscal Review Committee

The Honorable Jesse Gabriel, Chair
Assembly Budget Committee

RE: Impact of 2025-26 Proposed Budget on family child care providers, families & community-based partners

On behalf of Thriving Families CA (TFC), we are concerned the January 2025-26 Proposed Budgetⁱ includes no immediate funding to support family child care businesses or releasing promised child care slots.

For over 47-years, our Community-Based Programs (CBOs) and Alternative Payment Programs (APPs) have promoted parental choice in selection of child care that meets both the nurturing and learning needs of the child as well as the working needs of parents. Based on the complex demand for services from parents who come through our doors, our CBOs have evolved to also connecting families to food programs, housing, health care, mental & behavioral health, transportation, and other critical services to lift families up from poverty to self-sufficiency. Our programs have evolved from child care as parental work support into multidimensional programs that support both the working and living needs of families, while ensuring a stable continuity of care for babies, toddlers and children. Impacting two generations, the ultimate goal of our programs is to break the current cycle of poverty for families and children while supporting our earliest of learners in achieving long-term educational outcomes and economic stability.

Our CBOs are on the front lines supporting families. When the 2024 Budget Actⁱⁱ was enacted, we voiced our strong concerns that failure to increase payments to family child care providers that covers the actual cost of providing child care would result in a continued exodus and closure of child care businesses throughout the state or would reduce the access for poor families to higher quality licensed settings. Based on input from our CBOs, a shift has been seen wherein counties are reporting more than 65 percent of subsidized child care is being provided by a license-exempt provider.ⁱⁱⁱ It is hugely important on this note to lift up that license-exempt care is quality care. However, it should not be the only accessible option for impoverished families.

Breaking down the above in more detail, according to the December 2024 Community Care Licensing Division Report^{iv}, on page 4 references a “Dec 2023 to Dec 2024 Change in Capacity Heat Map Child Care Program.” On that page, geographically it shows that nearly half the state experienced a loss of -9.9 percent to -0.1 percent. What the licensed report does not show you is that in many of the areas where there is a loss of licensed capacity, for families that rely on a state voucher to help pay for child care, they have lost all access to **licensed** child care as they simply no longer exist.

Unfortunately, what also must now be factored in to this letter, are the January Los Angeles fires and their impact on the capacity of child care. Prior to the fires, LA was already experiencing a loss of child care capacity of -9.9

percent to -0.1 percent from 2023. As of January 25, 2025, it has been reported that more than 300 child-care facilities remain closed^v with “37 child-care facilities were reported destroyed in the fires; 21 were child-care centers, and 16 were family child-care homes. An additional 284 were non-operational because of ash, debris, power outages or a lack of potable water, according the California Department of Social Services.” Not captured in the numbers above are the homes of license-exempt child care providers who overwhelming care for the poorest of families.

Now, in looking at the actual subsidized reimbursement ceilings paid to family child care providers, in 2025, California is reimbursing them based on data collected in 2017 but put into effect as the 2018 Regional Market Rate (RMR) Reimbursement Ceilings^{vi}. In 2017, California’s minimum wage was \$10.50 per hour.^{vii} If we overlay the existing 2018 RMR payments reimbursed against California’s 2025 minimum wage, then family child care providers are reimbursed at roughly \$3.00 - \$8.00 per hour. On this note, it is concerning that the only comparison we can use for this industry is minimum wage.

It was understood that in last year’s enacted budget and continued in the 2025-26 Proposed Budget is ongoing Cost of Care – Monthly Payments^{viii} (see below chart) for providers and centers. Candidly, these amounts simply are not enough to keep the doors open of our child care businesses.

Region	Licensed Family Child Care Providers	License-Exempt Providers	Centers
Central	\$140	\$98	\$140
Northern	\$141	\$99	\$141
Southern	\$160	\$112	\$160
Los Angeles	\$171	\$119	\$171
Bay Area	\$211	\$148	\$211

In August 2023, the federal Administration for Children and Families (ACF) pre-approved California’s proposal to set rates using a cost-based alternative methodology approach, which will allow the State to set rates that are informed by the actual cost to deliver services rather than the price that parents can afford to pay as evidenced by market rates.^{ix} However, as of this writing, and in review of the Child Care and Development (CCDF) Plan for California, FFY 2025-2027^x and the January 7, 2025 CDSS Report to the Legislature^{xi} on this topic, new rates for California’s child care workforce will not be realized before 2027.

To help support child care businesses keep their doors open until such time as a new rate structure is put in place, the 2025-26 budget must continue to include the above Cost of Care monthly payments with a cost of living adjustment and/or additional ongoing stipends.

The 2025-26 Proposed Budget includes \$7.1 billion (\$4.6 billion General Fund) for DSS administered child care and development programs. It is silent on funding of any new child care slots. Therefore, we believe the existing multi-year promise started 2021-22 of funding 200,000 within three years but pushed out in the 2024 Budget Act until 2027-28 is still in place. It should be noted here that in the 2024 Budget Act, the number of new slots to be realized was 206,800.

Although appreciative of new slots, even if all of the 206,800 were realized in this current budget, California is losing ground on helping struggling families. This number must be increased at a minimum 10-fold. As reported from the California Budget & Policy Center, “California continues to face significant levels of poverty, with the state once again having the highest poverty rate in the nation, [according to a new Budget Center analysis](#) of [newly released data](#) by the United States Census Bureau. Despite some recovery from the economic impacts of the pandemic, California’s poverty rate in 2023 remained alarmingly high at 18.9%, with approximately

7.3 million state residents unable to meet basic needs — a population larger than California’s four largest cities combined: Los Angeles, San Diego, San Jose, and San Francisco.”^{xii}

Families struggling to survive must have accessible and stable child care. Further, child care must be available to parents outside of 9-5 or school hours. Parents need access to child care 24-hours per day/7-days per week.

California is the 5th largest economy in the world. We succeeded in reaching that height by our ingenuity, our out-of-the box thinking and making impactful investments in our future. Our future depends on parents able to work and children nurtured and educated. We look forward to working with you on solutions.

Thank you for your consideration of the above. If you have any questions or need additional information, please let me know.

Sincerely,



Denyne Micheletti, CEO

CC: The Honorable Gavin Newsom, Governor
SEN Budget & Fiscal Review Committee Members
ASM Budget Committee Members
Members, Legislative Women’s Caucus
Joe Stephenshaw, Department of Finance
Erin Gabel, Assembly Budget Committee
Elizabeth Schmidt, Senate Budget Committee
Mareva Brown, Office of President Pro Tempore Toni Atkins
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Sarah Burtner, Department of Finance
Kelsy Castillo, Office of Assembly Speaker Rivas
Richard Figueroa, Office of the Governor
Nichole Murillo, Office of the Governor
Stephen Propheter, California Department of Education
Jennifer Troia, California Department of Social Services
Lupe Jaime-Mileham, EdD, California Department of Social Services

ⁱ [DOF 2025-26 Proposed Budget](#)

ⁱⁱ AB 107 https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB107

ⁱⁱⁱ [Do I Need a License? | Child Care Licensing](#)

^{iv} [Capacity Heat Maps for the Internet](#)

^v [L.A. fires jolt child-care industry; families, providers sent scrambling - Los Angeles Times](#)

^{vi} [Reimbursement Ceilings for Subsidized Child Care - Child Development \(California Dept of Social Services\)](#)

^{vii} [California Minimum Wage](#)

^{viii} [Provider Payments](#)

^{ix} [Implementation of the Single Rate Structure for Subsidized Child Care and Preschool - Report to the Legislature](#)

^x [Child Care and Development Fund \(CCDF\) Plan for State/Territory \(FFY 2025 - 2027\)](#)

^{xi} [Implementation of the Single Rate Structure for Subsidized Child Care and Preschool - Report to the Legislature](#)

^{xii} [New Census Data Show California Poverty Soared to Alarming High Levels in 2023 - California Budget and Policy Center](#)