

# ASSEMBLY MEMBER McCARTY

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## AB 125 (McCarty) Early Childhood Education: Reimbursement Rates

**Sponsor:** First 5 California

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**As Introduced:** 12/3/18

### SUMMARY

AB 125 would establish a single regionalized state reimbursement rate system – called The Child Care Stabilization Formula – for child care, preschool, and early learning services.

### ISSUE

California has a mixed delivery system that provides child care, preschool, and early learning services for the state's youngest learners. California is strengthened by its ability to provide parents with a choice when it comes to selecting the early learning experiences that are most appropriate for their children and their families.

The Standard Reimbursement Rate (SRR) does not cover the true cost of providing care across different economic regions of the state. In all areas of the state, and some significantly more than others, the SRR is lower than the true cost of providing care (as measured by the Regional Market Rate (RMR) survey), which further limits access.

However, California currently has two different and unaligned systems for reimbursing early learning services: child care providers meeting Title 22 standards are reimbursed using a RMR that accounts for geographic economic cost factors, while state-contracted early learning centers that meet Title 5 standards, in addition to Title 22 standards, are reimbursed at a flat SRR. This unaligned, two-system approach limits access, fails to maximize program quality, and is forcing many child care providers out of business in California.

Low reimbursement rates result in an early childhood education (ECE) teacher shortage and

contribute to excessive turnover as ECE teachers leave the profession. These issues also contribute to a limited supply of early education and child care opportunities for children.

### SOLUTION

To address the problems of a bifurcated rate system, reimbursement should be streamlined and expended in a way that:

- 1) Compensates teachers and programs for the cost of providing care;
- 2) Is responsive to the economic diversity of California;
- 3) Recognizes the costs of meeting varying quality standards, regulations, and contracting burdens; and
- 4) Incentivizes quality and participation in research-based quality improvement efforts as a means to improve child outcomes.

AB 125, The Child Care Stabilization Formula, would establish a single regionalized state reimbursement rate system for child care, preschool, and early learning services that would achieve these four goals. Through these reforms, California can achieve a more equitable system to support children and families and maximize public benefit.

### COMPANION BILLS

AB 123 (McCarty) – Pre-K for All

AB 124 (McCarty) – Preschool Facilities Bond Act of 2020

### SUPPORT

First 5 California (sponsor)

Child Care Resource Center

EveryChild California

First 5 Los Angeles