

Date of Hearing: April 9, 2024

ASSEMBLY COMMITTEE ON HUMAN SERVICES

Alex Lee, Chair

AB 2774 (Grayson) – As Amended March 21, 2024

SUBJECT: Childcare for Working Families Act

SUMMARY: Establishes the “Childcare for Working Families Task Force”, convened by the Governor’s Office of Business and Economic Development (GO-Biz), to recommend strategies addressing challenges in accessing affordable, flexible, quality childcare. Specifically, **this bill:**

- 1) Establishes the “Childcare for Working Families Task Force” for the purpose of recommending future comprehensive strategies aimed at addressing challenges faced by working families in accessing flexible, affordable, and quality childcare options.
- 2) Requires the task force to be invited and convened by GO-Biz. Requires the office to ensure that the task force consists of stakeholders that focus on family and child well-being, in furtherance of the goals of supporting working families with childcare options, including all of the following:
 - a) Representatives from among the state agencies responsible for health and human services, economic and workforce development, and education;
 - b) State and local community organizations that work with and advocate for children and families;
 - c) Representatives from labor and business, including a representative from the private childcare sector; and,
 - d) Researchers with subject matter and economic development expertise.
- 3) Requires the office to assist the task force in carrying out its duties to the extent that funding is available. Permits the office to use its existing resources to absorb its costs for implementing this article.
- 4) Establishes the “Childcare for Working Families Fund” to receive moneys from nongovernment sources to support the implementation of this article. All moneys in the fund are available, upon appropriation, to the office for purposes of this article.
- 5) Requires the Department of Finance to develop a standardized agreement to allow for the voluntary donation to the fund by any person, educational institution, corporation or other business entity, or organization.
- 6) Requires the task force to submit a report to the Administration and the Legislature. Requires the report to be completed by no later than January 1, 2026, and shall include all of the following:
 - a) The success achieved over the eight-year period prior to completion of the report for each program and service determined by the task force to be of the highest importance in

supporting working families with childcare options and recommendations that may build on that success;

- b) An analysis of existing care gaps and unmet needs among working families for accessing flexible, affordable, and quality childcare options;
 - c) A specific set of near-term, intermediate-term, and long-term benchmarks that can be used to measure the state's progress toward the goal of supporting working families with childcare options; and,
 - d) Considering the needs and priorities for services, recommendations intended to address challenges faced by working families in accessing flexible, affordable, and quality childcare options.
- 7) Makes this bill inoperative on July 1, 2026, and, repeals the bill on January 1, 2027.

EXISTING LAW:

- 1) Establishes the “Child Care and Development Services Act” to provide childcare and development services as part of a coordinated, comprehensive, and cost-effective system serving children from birth to 13 years old and their parents including a full range of supervision, health, and support services through full- and part-time programs. (Welfare and Institutions Code [WIC] § 10207 *et seq.*)
- 2) Establishes the “California Child Day Care Facilities Act” to provide a comprehensive, quality system for licensing child daycare facilities to ensure that working families have access to healthy and safe childcare providers and that childcare programs contribute positively to a child's emotional, cognitive, and educational development, and are able to respond to, and provide for, the unique characteristics and needs of children. (Health and Safety Code [HSC] § 1596.70 *et seq.*)
- 3) Makes legislative findings and declarations that recognize the significance of early childhood education investments and its impact on life outcomes. Further finds that the importance of a competent and diverse workforce and sustainable funding for subsidized access to quality programs. (WIC § 10213(a))
- 4) States the legislative intent that all families have access to childcare and development services, through resource and referral where appropriate, and regardless of demographic background or special needs, and that families are provided the opportunity to attain financial stability through employment, while maximizing growth and development of their children and enhancing their parenting skills through participation in childcare and development programs. (WIC § 10207.5)
- 5) Defines “childcare and development services” to mean services designed to meet a wide variety of children's and families' needs while parents and guardians are working, in training, seeking employment, incapacitated, or in need of respite and states that these services may include direct care supervision, instructional activities, resource and referral programs, and alternative payment arrangements. (WIC § 10213.5(j))

- 6) Requires the Secretary of California Health and Human Services Agency (CalHHS), in concurrence with the executive director of the State Board of Education, and in consultation with the Superintendent of Public Instruction, or each respective designees to enter into a contract with one or more nongovernmental research entities to review existing research and data and to conduct research on priority areas of study to be compiled into a report, or series of reports, released on a continuing basis and to be completed on or before October 1, 2020, as specified. (WIC § 10213(b))
- 7) Requires the report specified in 4) above, formally known as the Master Plan for Early Learning and Care, to be designed to support and incorporate relevant components of the 2019 California Assembly Blue Ribbon Commission (BRC) on Early Childhood Education Final Report, and is intended to be used to develop a master plan to ensure comprehensive, quality and affordable childcare and universal preschool or children from birth to school age. (WIC § 10213(c))

FISCAL EFFECT: Unknown, this bill has not been analyzed by a fiscal committee.

COMMENTS:

Background: *Subsidized Childcare.* California’s subsidized childcare is made up of a complex system of programs serving children from birth through 13 years of age, funded through a mix of federal and state dollars, and administered through a mixed delivery system by local educational agencies, community-based providers, and family childcare providers. Some of the subsidized childcare programs includes, but is not limited to:

- California Work Opportunity and Responsibility to Kids (CalWORKs), which provides childcare in three “stages” to families receiving CalWORKs benefits, but also to families who are transitioning from or are no longer receiving CalWORKs aid;
- Alternative Payment Program, which provides vouchers to help enroll eligible families for subsidized childcare in licensed centers, family childcare homes, or license-exempt settings and pays for those services directly to the childcare provider selected by the family.
- Migrant Alternative Payment Program, which issues vouchers to eligible migrant families that can be used to purchase childcare and development services throughout California’s Central Valley for children from birth through 12 years of age and for older children with exceptional needs.
- General Child Care and Development, which provide developmentally, culturally, and linguistically appropriate curriculum to children from birth through 12 years of age as well as older children with exceptional needs in centers and family childcare home education networks.
- Family Childcare Home Education Networks (CFCC) provide childcare and development services in family childcare home settings for children from birth through 12 years of age and older children with exceptional needs. CFCC also provides an educational component that is developmentally, culturally, and linguistically appropriate for the children served.

In fiscal year 2022-23, most children enrolled in subsidized childcare and development programs received care through licensed family childcare homes (158,959), centers (124,708), and license-

exempt settings (82,704). The total number of children served in a subsidized childcare program in 2022-23 was approximately 250,000 children.

Inequitable Access to Childcare. Research has shown that early care and education have a significant effect on children's emotional, developmental, and academic growth, and promote parental employment and family self-sufficiency. While various options exist for childcare, ranging from daycare centers to family childcare homes, there are notable disparities in affordability, availability, flexibility, and quality across different regions.

Many working families encounter hurdles in securing childcare that aligns with their needs and schedules. Affordability stands as a significant barrier, with childcare costs often representing a substantial portion of a family's budget, particularly for low-income and middle-income households. According to a February 2020 report published by Equitable Growth, infant childcare at centers or licensed homes costs an average of \$9,000 to \$12,000 per year across the United States. In California, a two-parent household with an infant paid 16.7% of income for center-based care and was ranked the least affordable state for center-based infant care in the nation in 2020. These high childcare costs accrue during a period when parents are at the lowest earning years of their careers and when the financing mechanisms of grants and low-interest loans are unavailable. As a result, the high cost of childcare can strain family finances, forcing some parents to make difficult choices between meeting basic needs and accessing quality care for their children.

The issue of availability compounds the challenges, with many families facing limited options due to insufficient childcare facilities, particularly in rural and underserved areas. This is especially pertinent for children with disabilities who need access to specialized childcare facilities or facilities with approved fire clearances necessary to enroll this population of children. Additionally, the prevalence of long waitlists for subsidized childcare programs further exacerbates this issue. A 2024 report titled "*California's Child Care System Serves Only a Fraction of Eligible Children*" by the California Budget and Policy Center noted that only one in nine of California's children eligible for childcare actually received services in 2022. In other words, of the 2,161,000 children eligible for subsidized care, only 231,400 were enrolled, leaving approximately 1.9 million children and their families without viable options, perpetuating inequities in childcare access. Consequently, working parents face the daunting task of balancing employment responsibilities with caregiving duties, which may not always meet safety or developmental standards. Many parents report leaving their jobs, not taking a job, or making significant changes to their jobs due to problems with childcare. While the number of new subsidized childcare spaces has increased – 146,000 new spaces were added since 2021-22 – the number of new slots has not kept pace with the growing demand. The 2024-25 Budget aims to increase the number of funded slots to 200,000 by 2026-27; however, there is no clear plan to fund the remaining 54,000.

Flexibility in childcare arrangements also presents a considerable challenge for working families, especially for those with non-traditional work hours, irregular schedules, or for those who work multiple jobs. Limited availability of childcare during evenings, weekends, and overnight hours can pose significant obstacles for parents who work outside of 9-to-5 schedules, forcing them to seek alternative, often less reliable childcare solutions. Drop-in childcare centers offer an alternate childcare model for children and families who have unpredictable schedules and need last-minute childcare; however, these types of facilities have recently begun requiring parents to submit a physician's assessment upon the child's admission. This requirement assumes that

working parents have established insurance, the ability to take days off work to obtain the physician's assessment, and sufficient funds to pay the co-pay, consequently resulting in drop-in daycare centers turning away hundreds of families in need of urgent care per day. AB 772 (Jackson), of the current legislative session, is attempting to rectify accessibility by exempting drop-in daycare centers from the requirement.

Lastly, the quality of childcare options is a concern for many working families. Ensuring that childcare environments are safe, nurturing, and developmentally appropriate is paramount, yet not all families have access to high-quality care that meets these standards. According to a 2019 policy brief published by HealthAffairs, center-based care, on average, tends to provide higher quality care than home-based or informal arrangements. However, it is also more expensive and difficult to find, especially for infants and toddlers. Additionally, children from higher-income families are also more likely to be enrolled in center-based settings, with 57% of children in households at or above the poverty line attending such care, in contrast to 50% of children from households below the federal poverty line. Even when children from lower-income families do attend centers, studies indicate that these facilities typically provide lower-quality care than those attended by their higher-income peers. Differences in income levels are a driver for exacerbating disparities in accessing quality care, leading to unequal opportunities for children even before they enter childcare.

Assembly Blue Ribbon Commission on Early Childhood Education. The California Assembly BRC on Early Childhood Education issued a final report in 2019 laying out broad systemic proposals and detailed recommendations for improving the early care and education system. The report states, "We must build a coherent early care and education administration system that includes inclusive governance structure integrated funding streams and accountable coordination of all programs with effective and linked county or regional level bodies." One of the seven key areas focuses on access for children and families. Recommendations outlined include, but are not limited to the following:

- Have families at or below the State Median Income pay no more than 7% of their income on early care and education for children under 6 years of age, regardless of whether they have access to subsidized childcare, the state preschool program, or a federally funded program;
- Increase equity and eradicate systemic barriers by prioritizing investments for children and families most at risk;
- Develop a whole family approach, so that our system does not result in one child in a family receiving services while other eligible children in the family do not due to their age or other factors;
- Expand early care and education programs that provide care during nontraditional hours and that are responsive to flexible schedules;
- Recognize assets of dual-language learners (DLL), increase language access and cultural competence, remove systemic barriers due to cultural and linguistic bias, and expand investments in professional development opportunities to support all DLL children;

- Ensure culturally appropriate and fair intake processes referral systems that clearly recognize parental choice, culturally responsible outreach, and inclusion of tribal populations, tribal child care, and tribal communities; and,
- Encourage family friendly workplaces including paid sick leave.

Master Plan for Early Learning and Care. CalHHS released the Master Plan for Early Learning and Care (Master Plan) in December 2020 to create a roadmap and develop recommendations for expanding and improving California’s early learning and care system over the next five to ten years. The Master Plan builds upon the Assembly BRC’s report that access to high-quality early learning and care improves outcomes for all children and families, and helps address racial and economic inequities. Within the Master Plan were recommendations to address accessibility in early learning and care programs. Among the solutions includes, but is not limited to:

- Remove barriers to service by providing streamlined eligibility, such as extending periods of childcare assistance to high-risk groups, provide streamlined eligibility across programs that share similar eligibility criteria like Medi-Cal, CalWORKs, CalFresh and subsidized childcare, and, allow temporary eligibility while paperwork is in process; and,
- Expand supply for early learning and care facilities, which is challenging due to lack of adequate funding, gaining fire clearance, finding an available site, and finding an architect with experience in designing childcare facilities.

This bill builds upon the BRC report and Master Plan by establishing and convening the Childcare for Working Families Task Force, which serves as a focal point for developing comprehensive strategies and solutions to address the childcare affordability and accessibility crisis. The author reports that there has not been a thorough assessment to see if our state’s efforts have moved the needle for working families concerning childcare. The author further reports that there is a great need for a new task force to take a comprehensive assessment of the current economic realities of California families, especially in the post-COVID era.

Comprising representatives from diverse sectors, including government agencies, community organizations, labor, business, and research, the task force is poised to leverage collective expertise and insights to drive meaningful change in early care. This bill also introduces the creation of the “Childcare for Working Families Fund”, designed to receive non-governmental contributions to support the implementation of childcare initiatives. This funding mechanism reflects a recognition of the importance of leveraging public-private partnerships and community resources to bolster the state’s childcare infrastructure and services. Lastly, this bill mandates the development of standardized agreements to facilitate voluntary donations to the fund by nongovernmental entities, such as individuals, educational institutions, corporations, and other business entities.

Author’s Statement: According to the Author, “California’s children need a safe space to learn and grow while parents are at work, and childcare is an essential component for the livelihood of workers and communities. Although California has made some progress, our state’s childcare system must continue to prioritize investments in order to build a comprehensive, high-quality system that is accessible and affordable to all.

“[This bill] will seek to address the challenges that working families face in accessing flexible, affordable, and quality childcare options. Specifically, the bill will establish the Childcare for Working Families Task Force to recommend comprehensive strategies and solutions in order to address our state’s childcare affordability crisis.”

Equity Implications: Vulnerable communities, such as low-income families, single-parents, and immigrants often face barriers in accessing high-quality childcare. Lack of access to affordable quality childcare can hinder children's early development and academic success and poses a significant obstacle to employment, particularly for mothers who often bear the disproportionate burden of caregiving responsibilities when childcare is unattainable or unaffordable, perpetuating cycles of inequity and inequality.

This bill aims to tackle these challenges encountered by working families in accessing affordable, flexible, and quality childcare options by establishing the Childcare for Working Families Task Force to develop comprehensive strategies and solutions that address the affordability and accessibility crisis facing our state's childcare system.

Policy Considerations: This bill requires a task force that addresses challenges faced by working families in accessing flexible, affordable, and quality childcare options. The composition of the taskforce includes representatives from state agencies, community organizations, labor and business, the private childcare sector, and researchers, but does not include representatives from the nonprofit childcare sector or family childcare home providers.

Proposed Committee Amendments: In order to address the above policy considerations, the Committee proposed the author take the following amendments:

On page 3, in lines 32 and 33, strike out “a representative” and insert “representatives”

On page 3, in line 33, after “private” insert “and nonprofit”

On page 3, in line 33, strike out “sector” and insert “sectors”

On page 3, between lines 35 and 36, insert “family childcare homes providers”

Double referral: Should this bill pass out of this Committee, it will be referred to the Assembly Committee on Jobs, Economic Development, and the Economy.

RELATED OR PRIOR LEGISLATION:

AB 2581 (Reyes) of 2020, would have created a the Department of Early Child Development within CalHHS focused on early childhood development and would have established an interagency workgroup to ensure there is no disruption in programming during the transfer of programs to the new department. *AB 2581 was referred to the Senate Education Committee but was not set for a hearing.*

SB 75 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2019, established the “Early Childhood Policy Council” to advise the Governor, the Legislature, and the Superintendent of Public Instruction on statewide early learning and care policy, building on the

work of the state’s Master Plan for Early Learning and Care and the 2019 California Blue Ribbon Commission on Early Childhood Education Final Report.

AB 114 (Committee on Budget), Chapter 413, Statutes of 2019, established the “Early Childhood Policy Council” to advise the Governor, the Legislature, and the Superintendent of Public Instruction on statewide early learning and care policy, building on the work of the state’s Master Plan for Early Learning and Care and the 2019 California Blue Ribbon Commission on Early Childhood Education Final Report.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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