

Date of Hearing: June 17, 2025

ASSEMBLY COMMITTEE ON HUMAN SERVICES

Alex Lee, Chair

SB 792 (Arreguín) – As Introduced February 21, 2025

SENATE VOTE: 37-0

SUBJECT: Childcare: state median income threshold

SUMMARY: Updates the income cap for California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 3 childcare services, and for disenrollment from subsidized childcare programs, from 70% to 85% of the state median income (SMI). Specifically, **this bill:**

- 1) Updates the income cap for disenrollment from subsidized childcare services from 70% to 85% of the SMI adjusted for family size, except for families whose children are receiving child protective services or at risk of being neglected or abused.
- 2) Updates the income cap for disenrollment from subsidized childcare services for families with the highest income from below 70% to 85% of the SMI, in relation to family size.
- 3) Updates the income cap for persons who received a lump-sum diversion payment or diversion services and former CalWORKs participants to be eligible for the third stage of childcare from 70% to 85% of the SMI.

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 of age and their parents, including a full range of supervision, health, and support services through full- and part-time programs. (Welfare & Institutions Code [WIC] § 10207 *et seq.*)
- 2) Establishes three stages of childcare services through which a CalWORKs aid recipient will pass. States legislative intent that families experience no break in their childcare services due to a transition between the three stages of childcare services. (WIC § 10370(b))
- 3) For purposes of establishing initial income eligibility for childcare and development services, defines the following terms:
 - a) “Income eligible” means that a family’s adjusted monthly income is at or below 85% of the SMI, adjusted for family size.
 - b) “Ongoing income eligible” means that a family’s adjusted monthly income is at or below 85% of the SMI, adjusted for family size. (WIC § 10271.5(a-b))
- 4) Requires the Department of Finance (DOF) to calculate the SMI for various family sizes by using the most recent census data available, as specified. Requires DOF to update its calculations of the SMI for families and provide the updated data to the California

Department of Social Services (CDSS) no later than March 1 of each year. (WIC § 10271.5(c))

- 5) Requires, notwithstanding any other law, families to be disenrolled from subsidized childcare services in the following order:
 - a) Families whose income exceeds 70% of the SMI adjusted for family size, except for families whose children are receiving child protective services or are at risk of being neglected or abused;
 - b) Families with the highest income below 70% of the SMI, in relation to family size;
 - c) Families that have the same income and have been enrolled in childcare services the longest;
 - d) Families that have the same income and have a child with exceptional needs; and,
 - e) Families whose children are receiving child protective services or are at risk of being neglected or abused, regardless of family income. (WIC § 10272(b))
- 6) Specifies that persons who received a lump-sum diversion payment or diversion services and former CalWORKs participants are eligible for Stage 3 childcare services if they have an income that does not exceed 70% of the SMI pursuant to 3) above. (WIC § 10372.5)
- 7) Effective July 1, 2021, transfers responsibility of the following programs, responsibilities, services, and systems from the California Department of Education (CDE) and the Superintendent of Public Instruction to CDSS:
 - a) Alternative payment programs;
 - b) Migrant alternative payment programs;
 - c) CalWORKs Stage 2 childcare;
 - d) CalWORKs Stage 3 childcare;
 - e) General childcare and development programs;
 - f) Migrant childcare and development programs;
 - g) Childcare and development services for children with severe disabilities;
 - h) The Child and Adult Care Food Program;
 - i) Childcare and development facilities capital outlay;
 - j) Responsibility as the lead agency for administration of the Child Care and Development Fund, as specified;
 - k) Responsibility as the lead agency for the Child Care and Development Fund State Plan Early Learning and Care Infrastructure Grant Program;

- l) The Early Learning and Care Workforce Development Grants Program;
- m) The California Head Start State Collaboration Office;
- n) The Early Head Start-Child Care Partnerships Grant from the United States Department of Health and Human Services;
- o) Resource and referral agencies;
- p) Local childcare and development planning councils;
- q) The California Child Care Initiative Project;
- r) Other childcare quality improvement projects;
- s) Any memoranda of understanding and partnerships related to the programs, services, and systems, as specified; and,
- t) The Child Development Management Information System and other related data systems as they pertain to the programs, services, and systems, as specified. (WIC § 10203)

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, the current version of this bill would result in negligible state costs.

COMMENTS:

Background: *Subsidized Childcare.* California's subsidized childcare system is designed to provide assistance to parents and guardians who are working, in training, seeking employment, incapacitated, or in need of respite. California's subsidized childcare is made up of a 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. Parents participating in CalWORKs, as well as families transitioning from and no longer receiving CalWORKs aid, can be eligible for childcare, which is offered in three "stages." The largest programs are: General Child Care, which includes contracted centers and family childcare homes; the California State Preschool Program, which provides developmentally, culturally, and linguistically appropriate curriculum to eligible children who are three- and four-years of age; and, alternative payment programs, which provide vouchers that can be used to obtain childcare in a center, family childcare home, or from a license-exempt provider.

Certain eligibility and prioritization rules apply to subsidized childcare in California. Families qualify for non-CalWORKs subsidized childcare if they satisfy at least one requirement in each of two areas: eligibility and need. First, they must meet one of the eligibility criteria, which includes currently receiving assistance, income eligibility, experiencing homelessness, having children receiving protective services or identified as being at risk of abuse, neglect, or exploitation, or having a household member certified to receive benefits from specified means-tested government programs. Secondly, the family must meet one of the prerequisites for need. This could involve the child being identified by a legal, medical, or social services agency, or residing in an emergency shelter. Alternatively, the parents must either be employed or actively seeking employment, participating in vocational training or educational programs tailored for

English language learners or aimed at achieving a high school diploma or general educational development certificate. They may also be in pursuit of permanent housing for family stability, or be incapacitated. Families eligible for subsidized care must demonstrate an income below 85% of the SMI. Effective July 1, 2024, 85% of the SMI is \$6,593 per month for a family of three, totaling \$79,116 annually.

Once a family is determined eligible for childcare services, either at initial enrollment or during a recertification, they are considered to meet all eligibility and need requirements for at least 24 months. During this 24-month period, the family is entitled to receive services without having to recertify their eligibility or need, and they are not required to report any changes to income or other circumstances, unless their circumstances result in income exceeding the 85% of SMI eligibility threshold. Additionally, state statute requires programs to disenroll families from subsidized childcare when their income exceeds a certain amount.

History of Code Section Inconsistencies. Current law establishes the income eligibility for both initial and ongoing childcare services at 85% of the SMI. This is reflected in current practice and outlined in Child Care Bulletin 24-12, which provides guidance to childcare program directors regarding the revised schedule of income ceilings using 85% of SMI. However, other code sections still list 70% of the SMI as the eligibility threshold and require childcare programs to disenroll families exceeding this limit. This inconsistency stems from the transfer of childcare and development program administration from CDE to CDSS.

- ***AB 99 (Committee on Budget), Chapter 15, Statutes of 2017***, amended Education Code (EDC) 8263.1, which defined initial and ongoing income eligible for purposes of establishing child development services, to raise the cap for ongoing income eligibility from 70% to 85% of the SMI, but it did not change the income cap for disenrollment in EDC 8263.2 or the income eligibility cap for CalWORKs Stage 3 childcare in EDC 8364.
- ***AB 2626 (Mullin), Chapter 945, Statutes of 2018***, amended EDC 8263.1 to increase the initial income eligibility cap from 70% to 85% of the SMI, but again, it did not update the income cap for disenrollment in EDC 8263.2 or for CalWORKs Stage 3 childcare in EDC 8364. Management Bulletin 19-03 provided updated guidance to childcare program directors regarding the revised income ceilings to be used to determine families' income eligibility for early learning and care programs, including changing the initial income eligibility ceiling from 70% to 85% of SMI.
- ***AB 131 (Committee on Budget), Chapter 116, Statutes of 2021***, transferred the administration of childcare and development programs from CDE to CDSS and relocated code sections from EDC to WIC. EDC 8263.1 became WIC 10271.5, EDC 8263.2 became WIC 10272, and EDC 8354 became WIC 10372.5. However, because EDC 8263.2 and 8354 were not updated to align with EDC 8263.1, these inconsistencies were carried over to WIC. Child Care Bulletin 21-05 provided new guidance, which only refers to 85% of the SMI as the income ceiling, omitting any reference to 70%.

This bill aims to align all relevant code sections regarding income eligibility for subsidized childcare services, aligning them with the 85% SMI threshold established in WIC 10271.5 and current practice.

Author's Statement: According to the Author, "Many working families in California rely on subsidized child care when private-pay child care is not affordable, which allows parents and

guardians to achieve stable employment and provide for their children. Specifically, families receive this support through subsidized child care and development programs administered by the California Department of Social Services. Every effort should be made to ensure these vulnerable families can access subsidized child care to prevent the threat of losing employment, and subsequently the ability to afford basic necessities, such as food, clothing, and housing. Unfortunately, due to inconsistencies in statute, families may be erroneously disenrolled from these programs once their income exceeds 70 percent of the state median income (SMI) even though the disenrollment income threshold is 85 percent. This abrupt loss of child care can force parents to reduce work hours, decline job opportunities, or even leave the workforce entirely. This bill correctly identifies the disenrollment mark as 85 percent SMI. By making this adjustment, families can maintain stable child care as they work toward financial independence. It prevents unnecessary disruptions that can negatively impact both parents' employment and children's early learning. This change provides consistency and fairness, ensuring that families do not lose critical support prematurely.”

Equity Implications: *This bill* seeks to align income eligibility thresholds for subsidized childcare programs from 70% to 85% of the SMI, which reflects current practice and builds upon existing policies that already set both initial and ongoing eligibility at this level.

RELATED AND PRIOR LEGISLATION:

AB 131 (Committee on Budget), Chapter 116, Statutes of 2021, see comments above.

AB 2626 (Mullin), Chapter 945, Statutes of 2018, see comments above.

AB 99 (Committee on Budget), Chapter 15, Statutes of 2017, see comments above.

SB 70 (Committee on Budget and Fiscal Review), Chapter 7, Statutes of 2011, among other things, lowered the maximum allowable income to receive subsidized childcare to 70% of SMI from 75%.

REGISTERED SUPPORT / OPPOSITION:

Support

Bananas (Sponsor)
Disability Rights California
First 5 Alameda County
Silicon Valley Community Foundation
UnidosUS

Opposition

None on file.

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