

Date of Hearing: July 1, 2025

ASSEMBLY COMMITTEE ON HUMAN SERVICES

Alex Lee, Chair

SB 792 (Arreguín) – As Amended June 23, 2025

SENATE VOTE: 37-0

SUBJECT: Childcare

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). Clarifies that for reimbursement purposes, “attendance” includes excused absences for medical and educational appointments, and days when a provider is required to hold a child’s space while the family is presumed to have abandoned care or is appealing disenrollment. Extends family fee exemptions from 12 to 24 months for children referred for, or at risk of, receiving child protective services. 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.
- 4) Clarifies that for reimbursement purposes, “attendance” includes excused absences by children because of medical and educational appointments.
- 5) Specifies that for the purposes of reimbursement, a contractor may claim attendance for days that the contractor or provider is required to hold a space for a child during the period that a family is assumed to have abandoned care or is engaging in the appeal process based on disenrollment for abandoning care.
- 6) Extends family fee exemptions for families with children who are referred in writing by a legal, medical, or social services agency for receiving child protective services due to neglect or abuse, or who are at risk of neglect or abuse from 12 to 24 months.

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)
- 8) Defines “attendance” to mean the number of children present at a childcare and development facility. For reimbursement purposes, includes excused absences by children because of illness, quarantine, illness or quarantine of their family, family emergency, or to spend time with a parent or other relative as required by a court of law, or that is clearly in the best interest of the child. (WIC § 10213.5(e))
- 9) Describes “abandonment of care” as when a family has not been in communication with the provider for seven consecutive calendar days and has not notified the provider of the reason the family is not using services. Further requires the contractor to attempt to contact the parent through a variety of communication methods, document all communication attempts, and inform the parent in these communications that failure to communicate may result in termination of childcare services. Requires the contractor to issue a notice of action to disenroll the family on the basis of abandonment of care when there has been no

communication with the provider or contractor for a total of 30 consecutive calendar days. (6 California Code of Regulations § 18066.5)

- 10) Requires a family, except as provided in state law, upon establishing initial eligibility or ongoing eligibility for childcare services to be considered to meet all eligibility and need requirements for those services for not less than 24 months, to receive those services for not less than 24 months having their eligibility or need recertified, and to not be required to report changes to income or other changes for at least 24 months. (WIC § 10271(h))
- 11) Requires family fees to be assessed at initial enrollment and reassessed at update of certification or recertification. (WIC § 10290(g))
- 12) Authorizes a family that receives services pursuant to children who are referred in writing by a legal, medical, or social services agency for receiving child protective services due to neglect or abuse, or who are at risk of neglect or abuse to be exempt from family fees for up to 12 months. (WIC § 10291(a))

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, the February 21, 2025, 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 (CSPP), 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.

Abandonment of Care Excused Absences. Under the Child Care and Development Fund, federal regulations guide states in ensuring program integrity within subsidized childcare systems. Specifically, it requires Lead Agencies, such as CDSS, to implement safeguards that prevent improper payments, reduce administrative errors, and maintain accountability in program administration. A key component of this regulation is the recommendation that states establish

clear policies regarding child absences, particularly to differentiate between excused and unexcused absences.

In California's subsidized childcare system, providers are reimbursed based on children's attendance rather than enrollment. This model ensures that public funds are directed toward active care, but it also creates vulnerabilities when families experience disruptions that temporarily affect attendance. While the state has outlined certain categories of excused absences that qualify for reimbursement—such as illness, under quarantine, family emergencies, or visiting a parent or relative under court order or in the best interest of the child—there remains a significant gap when it comes to periods of non-communication, also referred to as “abandonment of care.”

Under current regulations, if a family stops communicating with a childcare provider for seven consecutive days, the provider is required to attempt to contact the family using various methods, including at least one written communication. If the family does not respond, the provider is still required to hold the child's space for a full 30 calendar days before issuing a Notice of Action for disenrollment. During this 30-day window, the child remains enrolled, and the provider is obligated to maintain the vacancy—without statutory authority guaranteeing reimbursement for that time.

Currently, reimbursement during this period is permitted under the Child Care Providers United-California Memorandum of Understanding, which allows contractors to be reimbursed based on enrollment rather than attendance, and to obtain reimbursement during the 30-day period of non-communication. However, this agreement is set to expire on June 30, 2025. Without legislative action to codify this flexibility, contractors and providers may be left uncompensated for holding spaces during mandatory abandonment timelines, which could result in financial losses, program instability, and reduced willingness to serve high-need populations.

Additionally, as mentioned earlier, certain absences are considered “excused” and eligible for reimbursement. According to CDSS, contractors are required to adopt reasonable, written policies that define what constitutes an excused absence under categories such as “family emergency” and “in the best interest of the child.” These policies must align with state guidelines, and CDSS plays an oversight role to ensure consistency and fairness. Each contractor's assigned CDSS Child Care Consultant reviews these policies, typically during the agency's triennial monitoring review. If a policy appears unreasonable—for example, overly restrictive or out of alignment with best practice—the consultant provides technical assistance to help the contractor revise it. For reference, a reasonable policy might define transportation-related emergencies as excused for up to three days per year, or allow up to two weeks of excused absence in the event of a death in the family. Contractors are encouraged to submit any policy changes to their CDSS consultant as they arise so they can receive timely feedback and support.

While these categories provide a basic framework for handling child absences, they do not fully reflect the range of valid and necessary reasons families may miss care—particularly when it comes to essential appointments that support a child's health and development. Currently, absences for routine medical checkups, dental visits, and educational assessments, such as those related to an Individualized Education Program or Individualized Family Service Plan are not explicitly listed as excused in statute. This means families must rely on a limited pool of 10 allotted “best interest days” for these types of excused absences. Once those days are exhausted,

additional absences are treated as unexcused. If a family accumulates 30 consecutive unexcused days, the family is then considered to have abandoned care and the child may be disenrolled from care, even when there may be cases where it is in the best interest of the child to be absent. This creates difficulties in which families must choose between attending critical medical or educational appointments or maintaining their child's access to early care and education.

This bill aims to provide statutory authority for reimbursing childcare providers during the 30-day period when a family is nonresponsive and care is considered abandoned, in case current reimbursement flexibilities expire after June 30, 2025. *This bill* also expands the definition of excused absences to include essential medical and educational appointments, which aligns with federal regulations.

Family Fees. California's subsidized childcare programs assess family fees as a flat monthly contribution toward the cost of care, based on the family's size, adjusted monthly income, and certified hours of need. These fees are required for most families receiving childcare and development services unless they fall into specific exempt categories. One such exemption applies to families whose children are recipients of child welfare services or have been identified as abused, neglected, or at risk of abuse or neglect. These families often face significant instability, and temporary relief from family fees helps ensure continued access to childcare during difficult circumstances.

State law currently authorizes a 12-month exemption from family fees for these families. However, this timeframe is not aligned with the broader eligibility framework outlined in statute, which establishes a 24-month continuous eligibility for subsidized care. This 24-month eligibility rule was adopted to reduce administrative burdens and create greater stability for families, allowing them to receive services without the need to report changes or recertify eligibility during that time. The 12-month fee waiver, however, forces families to re-engage with the system midway through their eligibility period, often requiring unnecessary paperwork and increasing the risk of administrative error or service disruption.

This misalignment between the family fee schedule and eligibility period creates confusion for families and childcare administrators alike. It also undermines the intent of the 24-month continuous eligibility policy by inserting a point of reevaluation that may lead to inadvertent disenrollment or payment obligations that families are ill-equipped to manage. In practice, it results in higher administrative costs for providers and state agencies, while placing added stress on families already navigating child welfare involvement.

This bill aims to extend the family fee exemption period from 12 months to 24 months for families in which children have experienced abuse or neglect and who are recipients of child welfare services, and for families in which children are at risk of being neglected or abused, upon written referral from a legal, medical, or social services agency, bringing it into alignment with the established eligibility period for these families.

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. SB 792 will also add medical and educational appointments to the list of reasons for absences that are allowed for provider reimbursement, and authorizes the child care provider to be reimbursed for days that the provider is required to hold a space for a child. This will continue to bring child care services to more working families with young children, which helps children and their families to thrive."

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.

Additionally, *this bill* impacts low-income families, children involved in the child welfare system, and historically marginalized communities. By expanding the definition of excused absences, aligning the family fee exemption period with the 24-month eligibility timeline, and codifying provider reimbursement during periods of non-communication, *this bill* seeks to addresses structural barriers that have long contributed to unequal access to stable childcare.

For families receiving child protective services or those at risk of abuse or neglect, *this bill* offers much needed-financial and administrative relief by extending the fee exemption to match the full eligibility period. This may reduce the burdens of navigating the recertification process and promote greater continuity of care by ensuring that bureaucratic hurdles do not further disrupt children experiencing trauma or instability. *This bill* also recognizes that families may need to temporarily miss care or attend to essential medical or educational appointments, which are especially common among families with children with disabilities or complex health conditions, who are often from communities of color and face compounded barriers to access. Additionally, codifying reimbursement during periods of non-communication ensures providers, especially those in underserved areas, can continue serving high-need families without financial loss.

RELATED AND PRIOR LEGISLATION:

AB 1528 (Assembly Committee on Human Services) of the current legislative session, clarifies that for reimbursement purposes, "attendance" includes excused absences for medical and educational appointments, and days when a provider is required to hold a child's space while the family is presumed to have abandoned care or is appealing disenrollment. Extends family fee exemptions from 12 to 24 months for children referred for or at risk of receiving child protective services. *AB 1528 was set for hearing in the Senate Human Services Committee and was canceled at the request of the author.*

AB 2381 (Bonta) of 2024, would have required as of July 1, 2025, a CSPP contractor be reimbursed based upon the lesser of the contract amount, the net costs to operate the program, or the reimbursement rate multiplied by the number of children enrolled. *AB 2381 was vetoed by Governor Newsom.*

AB 1808 (Nguyen), Chapter 356, Statutes of 2024, aligned CalWORKs eligibility period for families with other subsidized childcare programs at 24 months.

SB 1047 (Limón), Chapter 923, Statutes of 2022, expanded, from 12 months to 24 months, the period of a family's eligibility after establishing initial eligibility for state preschool and subsidized child care and development programs, and expanded priority for eligibility, enrollment, and services to include families who receive specified human services benefits.

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
First 5 California
Oakland Unified School District
Silicon Valley Community Foundation
UnidosUS

Opposition

None on file.

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