



July 22, 2021

INFORMATION ACTION

SUBJECT: STATE AND FEDERAL BUDGET AND LEGISLATIVE UPDATE

Strategic Plan Priority Area: Child Health

Goal: All children thrive by achieving optimal health prenatal through age 5.

Strategic Plan Priority Area: Child Development

Goal: All children birth through age 5 have high-quality, nurturing environments that ensure their learning readiness.

Strategic Plan Priority Area: Family Functioning

Goal: All families have the knowledge, skills, and resources to support their children's optimal development.

SUMMARY OF THE ISSUE

Since the April 2021 Commission meeting, the Commission's Legislative Advisory Committee (LAC) has recommended positions for the following state legislation, consistent with First 5 California's (F5CA) 2021 Children's Policy Agenda, which is used to analyze all state legislation introduced to date. Attachment A is a list of all state legislation introduced and amended by July 9, 2021, that matched the policy agenda. All legislation and budget positions recommended by the LAC were adopted by the Executive Director and will be tracked by F5CA staff for public letters and public testimony in legislative hearings consistent with the Commission position. All F5CA letters of support are located on F5CA's [webpage](#).

Child Health

AB 4 (Arambula) would provide full-scope Medi-Cal to all income-eligible adults by removing immigration status as an eligibility exclusion.

SB 316 (Eggman) would allow Federally Qualified Health Centers and Rural Health Clinics to authorize reimbursement for a maximum of two visits taking place on the same day at a single location, facilitating clinics' ability to transition patients from primary care visits to behavioral health specialists.

AB 470 (Carrillo) would eliminate the asset limit for Medi-Cal programs serving seniors and persons with disabilities.

Early Learning

AB 865 (Quirk-Silva) would allow for family child care providers and centers to be reimbursed based on a family's maximum certified hours of need and not based on attendance, and require the State make direct deposit of contractor allocations and greater use of electronic communications to best support the needs of families.

AB 1363 (Rivas) would take a first step in capturing key data about Dual Language Learners (DLL) in the California State Preschool Program to guide instruction, build on DLLs' linguistic skills and needs, and support quality early learning.

SB 393 (Hurtado) would align the funding stream for the Migrant Childcare Alternative Payment program with other voucher-based child care programs.

Resilient Families and Communities

SB 65 (Skinner) would re-imagine maternal health in order to improve perinatal outcomes, close racial disparities in maternal and infant mortality and morbidity, and improve data collection and research on socioeconomic factors that contribute to negative birth outcomes.

F5CA Sponsored Legislation

SB 246 (Leyva), co-sponsored by F5CA, the Child Care Resource Center, and EveryChild California, is a reintroduction of F5CA's sponsored rate reform legislation from the 2019–20 legislative session. The bill would establish a single regionalized state reimbursement rate system – called The Child Care Stabilization Formula – for childcare, preschool, and early learning services. The methodology for this formula is based on the recommendations of the rate reform workgroup convened by F5CA last year, and is aligned with the Master Plan for Early Learning and Care's recommendations around reimbursement rate reform.

SB 246 would implement reimbursement rate reform by: 1) increasing reimbursement rates to the 85th percentile of the 2018 Regional Market Rate survey, and 2) requiring the lead agency to develop a new, single rate system for early learning programs. This would ensure that providers and programs are properly compensated for the cost of providing care, that rates are responsive to the state's economic diversity and varying quality standards and regulations, and incentivize quality and participation in quality improvement efforts as a means to improve child outcomes. Through these reforms, California can achieve a more equitable system to support children and families and maximize public benefit.

Senator Leyva's introduction and work on SB 246 proved instrumental in ensuring that the 2021-22 State Budget, as discussed below, would stabilize and strengthen child care access by securing higher wages for providers.

State Budget Update

On June 28, 2021, Governor Newsom signed AB 128, a placeholder budget to meet the constitutional deadline of passing a budget by June 30. At the time, a few outstanding issues remained unresolved between the Governor and the Legislature, including child care. SB 129 represents the negotiated agreement between the Governor and the Legislature. An overview of SB 129 can be found [here](#).

On July 13, 2021, Governor Newsom signed SB 129 into law, legislation that reflects the majority of the 2021–22 state budget agreement. Budget implementation for key F5CA priorities is incorporated in budget trailer bills still moving through the Legislature, notably [AB 131](#), which enacts the Child Care and Development statutory provision of the 2021–22 state budget.

Child Care

This adopted budget and its accompanying trailer bill language includes a number of transformative investments for children and families. Most notably and consistent with F5CA's sponsorship of SB 246, we see significant investments in the child care system, including an increase in provider reimbursement rates to 75% of the 2018 Regional Market Rate and an allocation of one-time federal funds to bring all providers to 85% for the next two years.

A Rate Reform workgroup on the state's reimbursement rate system will be convened by the Department of Social Services (DSS) with stakeholders for recommendations on rate methodology and existing program standards, including licensing standards, quality and environmental standards, and workforce competencies. This workgroup's recommendations will be due to the Legislature and Administration no later than August 15, 2022.

The budget will also add 120,000 new child care slots in 2021-22 and increase this to 200,000 new slots by 2024-25. Funding to waive family fees through 2021-22 is also included, as is \$250M for child care facilities.

Universal Transitional Kindergarten

Moreover, the budget will fund new investments in universal transitional kindergarten. By the 2025-26 school year, all California four-year olds will have an option to attend preschool in the year before kindergarten, including a transitional kindergarten option, as part of a mixed delivery system, in all local school districts.

Up to \$200M will support planning grants for the expansion of pre-kindergarten and kindergarten programs, including transitional kindergarten, kindergarten, Head Start, and preschool programs.

Mental and Physical Health

The budget also makes key investments in the areas of mental and physical health for children and families. This includes, a five-year extension of Medi-Cal eligibility for postpartum individuals to 12 months after birth, as well as the creation of a Medi-Cal dyadic care benefit to improve preventive care for young children and their families, address social-emotional needs, and support maternal mental health.

Furthermore, the budget will create a Children & Youth Behavioral Health Initiative to reimagine mental and behavioral health supports for individuals ages 0-25. It will also invest in screening to support early detection and intervention, provide resources for primary care and behavioral health workers, and training for educators about the impacts of ACEs and toxic stress.

Family Strengthening

The current 60%-70% wage replacement rate for paid family leave is extended in this budget through the end of 2022.

Moreover, \$12B in Golden State Stimulus payments will be funded. This is slated to reach two-thirds of Californians, providing \$600 direct payments to taxpayers who make up to \$75,000 per year and who did not previously receive a payment, as well as extending payments for families with dependents and including undocumented families.

Federal Policy Update

White House Proposals

The American Jobs Plan

On June 24, President Biden agreed to a \$579 billion infrastructure deal with a bipartisan group of senators to provide new investments in transportation projects, broadband internet, electric utilities, waterways, and a down payment to address the impact of climate change. This compromise removes many of President Biden's economic proposals from the original American Jobs Plan, including investments in child care, education, and other social programs, leaving them for a future bill that Democrats would look to pass via reconciliation. Democratic leadership have reiterated they do not intend to pass an infrastructure bill without an accompanying reconciliation bill that addresses the rest of their agenda.

The American Families Plan

On April 28, President Biden unveiled a \$1.8 trillion proposal for federal investments in child care, education, and paid family leave. The American Families Plan makes a total investment of \$425 billion in child care and early learning. The framework outlined in the American Families Plan includes multi-year funds for expanded access to child care. In addition, the Administration proposes universal preschool in a mixed delivery system that includes all child care settings and ensures families can choose the best options for their children. The Plan also provides critical support for the child care workforce, committing to pay parity between Kindergarten educators and child care providers with similar credentials and experience.

The American Families Plan also supports families and communities beyond their needs for child care by creating a national, comprehensive paid family and medical leave program, providing more nutrition assistance for children, extending the expansion of the child tax credit and earned income tax credit, and making higher education more affordable.

Fiscal Year (FY) 2022 Budget

The White House included additional details about how the American Jobs Plan and American Families Plan would be implemented, should they become law, through their FY 2022 Budget. The President's Budget will be sent to Congress where committees will draft budget resolutions to be passed by the House and the Senate.

The FY 2022 Budget includes large increases over current spending, including:

- \$11.7 billion in the first year and a total of \$250 billion over the next 10 years for the proposed Child Care for American Families program to cover the cost of expanding access to affordable, high-quality child care. This includes money to modernize existing facilities and expand the supply of child care.
- An additional \$1 billion for FY 2022, and a total of about \$172 billion over the full 10 years, to cover the cost of a universal preschool program. This would fund preschool for all 3- and 4-year-olds whose families want to participate. The Administration estimates that 110,000 children would participate in the first year, with about five million children attending preschool classes by FY 2031.

Key Legislation

Child Care for Working Families Act (*Introduced in both the Senate and House of Representatives*) – Introduced by Senator Patty Murray (D-WA), Chair of the Senate Health, Education, Labor & Pensions (HELP) Committee and Congressman Bobby Scott (D-VA), Chair of the House Committee on Education and Labor, the Child Care for Working Families Act is a comprehensive proposal that would invest in building an

affordable, accessible, and equitable child care system. This piece of legislation would address some of the most critical challenges currently facing the child care system.

Major components of the bill include:

- Ensuring that no family with a low or moderate income spends more than 7 percent of their income on child care.
- Improving wages for child care educators by ensuring they are paid on par with elementary school teachers who have comparable credentials and experience.
- Establishing quality standards by provider setting (e.g., center-based care, care offered at non-traditional times and home-based care) with required input from families and early educators.
- Increasing the supply of high-quality child care programs.
- Providing funding to states to establish and expand high-quality preschool programs for 3- and 4-year-olds in a mixed delivery system.

Universal Child Care and Early Learning Act (*Introduced in both the Senate and House of Representatives*) – Introduced by Senator Elizabeth Warren (D-MA) and Congressman Mondaire Jones (D-NY), the Universal Child Care and Early Learning Act is another comprehensive proposal with sweeping reforms and investments in the child care and early learning systems. This bill would establish a network of federally supported and locally administered child care programs to ensure every family has access to high-quality and affordable child care despite their employment status.

Major components of the bill include:

- Ensuring no family pays more than 7 percent of their income on child care.
- Setting quality standards for centers and family child care programs based on current U.S. military child care and Head Start program standards.
- Improving salaries of the child care workforce by requiring wages and benefits for child care workers be comparable to those of public school teachers with equivalent credentials.
- Providing preschool curriculum and education services through the network of locally administered child care options.

Child Care is Infrastructure Act (*Introduced in the House of Representatives*) – Introduced by Assistant Speaker Katherine Clark (D-MA), the Child Care is Infrastructure Act invests in child care infrastructure and workforce development.

Major components of the bill include:

- Directing the Department of Health and Human Services to conduct a national needs assessments of child care and early learning facilities to understand the impact of the pandemic and the ongoing needs of facilities.
- Establishing a competitive grant program for states to address necessary renovations of and modifications to child care facilities.
- Creating a student loan repayment program for early childhood educators employed by providers who receive Child Care and Development Block Grant funding.
- Providing scholarships for child care workers to pursue a Childhood Development Associate Credential or an associate's degree.
- Reauthorizing the Child Care Access Means Parents in School (CCAMPIS) grant program, which provides grants to support or establish campus-based child care programs. These grants serve primarily students with low incomes who are enrolled at institutions of higher education.

Building Child Care for a Better Future Act (*Introduced in the Senate*) – Introduced by Senate Finance Committee Chair Ron Wyden (D-OR), along with Senators Elizabeth Warren (D-MA), Sherrod Brown (D-OH), Bob Casey (D-PA) and Tina Smith (D-MN), the Building Child Care for a Better Future Act would allocate mandatory funding, through a permanent increase to the Child Care Entitlement to States program, to build the supply of child care, invest in facility upgrades, and support the child care workforce. Additionally, this program would create a new permanent grant program to improve child care supply, quality, and affordability.

New grant program funding could be used to:

- Recruit child care providers and staff.
- Provide startup funding, technical assistance, and business supports to new providers.
- Build and renovate child care facilities and family child care homes.
- Offer professional development and training for the child care workforce.

- Increase child care workers' total compensation or provide bonuses and retention rewards.

Building an Economy for Families Act (*Proposed but not yet introduced in the House of Representatives*) – Proposed by Chairman Richard Neal (D-MA) of the House Ways and Means Committee, the Building an Economy for Families Act would expand access to high-quality child care and early learning for working families by increasing the permanent mandatory funding for the Child Care Entitlement to States program. The proposal would also make permanent the American Rescue Plan's expansion of the Child and Dependent Care Tax Credit and the Child Tax Credit.

Additional components of the bill include:

- Providing universal paid family and medical leave to all U.S. workers.
- Establishing a Child Care Information Network for parents and caregivers to access real-time data and information about available child care slots in their communities and the benefits available to families to help pay for care.
- Raising the wages of child care workers by creating a new refundable payroll tax credit for child care providers.
- Investing in the infrastructure of child care facilities.

SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION

The Legislative Update is a standing item for Commission discussion.

ATTACHMENTS

A. Legislative Bills of Interest