

The 2021-22 California Spending Plan

Child Care and Preschool

Provides \$8.7 Billion for Child Care and Preschool Programs. Of this amount, \$2.8 billion is for preschool and Transitional Kindergarten programs, \$3.7 billion is for other child development programs, and \$2.2 billion is for support programs. As Figure 1 shows, the *2021-22 Budget Act* increases these programs by a total of \$3.1 billion (55 percent) from the revised 2020-21 level. More detail on the Proposition 98 preschool and Transitional Kindergarten augmentations are described in the [Proposition 98 and K-12 Education](#) spending plan post.

Figure 1

Child Care and Preschool Budget

(Dollars in Millions)

	2019-20 Revised ^a	2020-21 Revised ^a	2021-22 Enacted	Change From 2020-21	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	\$367	\$486	\$366	-\$120	-24.7%
Stage 2 ^b	536	560	402	-158	-28.3
Stage 3	539	663	705	43	6.4
Subtotals	(\$1,443)	(\$1,709)	(\$1,473)	(-\$236)	(-13.8%)
Non-CalWORKs Child Care					
Alternative Payment Program	\$536	\$820	\$1,304	\$483	58.9%
General Child Care ^c	522	526	785	259	49.2

Bridge program for foster children	54	58	54	-4	-6.5
Migrant Child Care	45	45	67	22	48.3
Care for Children With Severe Disabilities	2	2	2	— ^d	3.9
Subtotals	(\$1,158)	(\$1,451)	(\$2,212)	(\$761)	(52.4%)
Preschool Programs^e					
State Preschool ^f	\$1,431	\$1,277	\$1,856	\$578	45.3%
Transitional Kindergarten ^g	872	862	920	58	6.8
Preschool QRIS Grant	50	50	50	—	—
Subtotals	(\$2,353)	(\$2,189)	(\$2,826)	(\$637)	(29.1%)
Support Programs	\$284	\$194	\$2,189	\$1,994	1027.4%
Totals	\$5,239	\$5,544	\$8,699	\$3,156	56.9%

Funding

Proposition 98 General Fund	\$1,846	\$1,700	\$2,445	\$745	43.8%
Non-Proposition 98 General Fund	1,986	1,945	3,058	1,113	57.2
Proposition 64 Special Fund	80	146	235	89	60.8
Federal	1,326	1,753	2,962	1,209	69.0

^aReflects Department of Social Services' revised Stage 1 estimates, Department of Finance's revised estimates for Stage 2 and Stage 3, and budget appropriations for all other programs.

^bDoes not include \$9.6 million provided to community colleges for certain child care services.

^cGeneral Child Care funding for State Preschool wraparound care shown in State Preschool.

^dLess than \$500,000.

^eSome CalWORKs and non-CalWORKs child care providers use their funding to offer preschool.

^fIncludes \$1.2 million each year used for a family literacy program offered at certain State Preschool sites.

^gReflects preliminary LAO estimates in 2020-21 and 2021-22 as enrollment data are not yet publicly available.

QRIS = Quality Rating and Improvement System.

Provides Significant Increase for Child Care and Preschool Slots. The budget package includes \$783 million in 2021-22 (\$1.6 billion ongoing) across state and federal fund sources to provide additional slots for child care. Slots will be spread across the Alternative Payment Program, General Child Care, and Migrant Child Care. The Legislature and Governor further agreed to add 80,000 child care slots from 2022-23 through 2025-26, which is anticipated to cost an additional \$1 billion General Fund by 2026-27. The 2021-22 budget package also provides \$130 million Proposition 98

General Fund to increase State Preschool slots for school districts and county offices of education.

Increases Rates for Child Care and Preschool Programs. The budget package provides \$604 million in 2021-22 (\$1.1 billion ongoing) across several fund sources to increase rates for child care and preschool providers. Starting July 1, 2021, direct contract providers will receive a 4.05 percent cost-of-living adjustment. On January 1, 2022, all child care and preschool providers will move to the 75th percentile of the 2018 regional market rate survey (or stay at their current rate if it is higher). The budget package also includes \$413 million one time to allocate temporary supplemental rates to providers from January 1, 2022 through December 31, 2023. The funding methodology and other implementation details are to be determined by the Department of Social Services (DSS) and Child Care Providers United–California (the union representing family child care home and license-exempt providers).

Establishes Two Rate Working Groups. Trailer bill legislation establishes two workgroups to make recommendations for implementing a single child care reimbursement rate structure. First, DSS, in consultation with the California Department of Education (CDE), is to convene a workgroup to assess the methodology for establishing a new reimbursement rate and quality standards. The workgroup is to include a range of child care stakeholders and must provide recommendations by August 15, 2022. The workgroup's recommendations are to include a definition of child care workforce competencies and suggestions for how to align these competencies to a new rate structure. Second, the state and Child Care Providers United–California shall establish a Joint Labor Management Committee that will make recommendations for a single reimbursement rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children. The budget includes \$20 million for DSS to hire a contractor that would assist the Joint Labor Management Committee. This committee is to provide its recommendations to the Department of Finance by November 15, 2022, to inform the Governor's 2023-24 budget proposal.

Makes \$1.7 Billion in One-time Augmentations, Primarily Using Federal Relief Funding. These augmentations are shown in Figure 2. The two largest augmentation, totaling \$790 million, are related to the expansion of Transitional Kindergarten and State Preschool at school sites. Most of the remaining funding is intended to provide

additional funding to child care and State Preschool providers to assist with pandemic-related issues.

Figure 2

One-Time Child Care and Preschool Augmentations

(In Millions)

Preschool, TK, and full-day kindergarten facilities	\$490
State Preschool and TK planning and implementation grants	300
Child care facilities	250
Stipends for subsidized providers	206
Stipends for licensed providers	177
Voucher reimbursement flexibility	74
Family fee waivers	72
Training partnership fund for family child care providers	40
Paid non-operation days	33
Child Care Initiative Project	25
Rate reform working group	20
Resource and Referral	20
California Inclusion and Behavior Consultation	11
Preschool learning foundations update	10
Shortfall for temporary voucher slots	7
Incentive to increase family child care capacity	3
Total	\$1,737

TK = Transitional Kindergarten.

Provides Several State Operations Increases. The budget package includes various increases in state operations for CDE and DSS to administer child care and preschool programs. Most notably, the budget provides an additional 74 positions and \$9.8 million General Fund for DSS as part of the transition of most child care programs from CDE. The budget also provides an increase of 83 positions and \$12.6 million to backfill positions at CDE to ensure the department has sufficient staff to administer State Preschool and various school nutrition programs. The budget also includes two major one-time augmentations for state operations:

- \$15 million one-time General Fund—\$9 million for DSS and \$6 million for CDE—to contract for the implementation of a direct deposit system for payments to child care and preschool contractors.
- \$10 million one-time General Fund to support access to the MyChildCarePlan.org website for counties and resource and referral agencies through 2022-23, with a subsequent transition of the services to DSS.

Provides a State Reimbursement for Meals Served Through the Child and Adult Care Food Program (CACFP). The budget package includes \$15 million General Fund to provide a state reimbursement rate for CACFP meals administered by nonpublic school entities (in addition to federal reimbursement). This action conforms with the state rate currently provided for CACFP meals served by public school entities.