



SUMMARY

AB 2476 ensures that childcare providers receiving payment through California’s Alternative Payment Program (CAPP) receive payment prior to providing services.

BACKGROUND

The Child Care and Development Division (CCDD), within the Department of Social Services (CDSS), administers six different voucher-based childcare programs. These programs provide vouchers for families to use at licensed childcare centers, licensed family childcare homes, or for license-exempt childcare, and allow families to choose the type of care their children receive. CAPP is one of these programs, and uses both federal and state funding to provide vouchers for eligible low-income families for childcare services while a parent or parents are working, in training, or seeking employment. Alternative Payment Program (APP) agencies, contracted through CDSS, help families enrolled in CalWORKs childcare or CAPP to arrange childcare services and make payments for those services directly to the childcare provider selected by the family. These voucher-based payments can cover the entire cost of services or a partial amount.

EXISTING LAW

Current law requires local agencies who reimburse childcare providers through CAPP to develop, implement, and publish a plan to ensure timely payment. Payments to a subsidized childcare provider are typically made up to 30 days following the date that the childcare was provided. However, federal law requires childcare providers to be paid within 21 calendar days after submitting required documentation, like attendance records or invoices.

On April 18, 2023, President Biden issued an Executive Order directing the Department of Health and Human Services (HHS) to advance policies that reduce childcare costs for families and improve provider payment policies. On March 1, 2024, HHS published a final rule to make regulatory changes to the Child Care and Development Fund (CCDF), effective April 30, 2024. The CCDF is a federal and state partnership program that provides over \$5 billion in federal funding authorized under the Child Care and

Development Block Grant Act (CCDBG) to states, territories, and tribes. CCDF must be used to provide financial assistance to low-income families for childcare. As part of the final rule, states, territories, and tribes administering CCDF must use private-pay practices that account for childcare fixed costs by paying in advance of or at the beginning of the delivery of services.

PROBLEM

Between 2019 and 2021, California lost more than 1,100 licensed childcare facilities and nearly 19,000 licensed childcare spaces. Based on this data, licensed spaces are available for around 1 in 4 children aged 0 to 12 with working parents. Shortages of licensed childcare spaces vary by community but are typically largest in low-income communities. Payment policies in California’s subsidized childcare market have exacerbated these already present inequities in access to childcare.

Childcare providers require private payers to pay for services up-front, before the care is provided, to cover their monthly expenses like payroll and rent. These providers often use the cost for each childcare spot to forecast revenues and expenditures, and financially plan for the future. There is therefore a financial disincentive for childcare providers to accept CAPP vouchers, as payment will not be received until after the care has already been provided.

SOLUTION

AB 2476 stabilizes operations for childcare providers by guaranteeing payment at the start of the month for childcare services subsidized by CAPP vouchers. A prospective payment policy helps childcare providers remain open, and incentivizes them to accept CAPP vouchers, increasing access to childcare for low-income families.

SUPPORT

- Thriving Families California (Sponsor)

FOR MORE INFORMATION

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