

**Introduced by Senator Leyva**

January 22, 2021

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An act to amend Sections 8266.1, 8357, and 8447 of, and to amend, repeal, and add Sections 8265 and 8265.5 of, the Education Code, relating to early childhood education.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 246, as introduced, Leyva. Early childhood education: reimbursement rates.

(1) The Child Care and Development Services Act establishes a system of childcare and development services for children up to 13 years of age. Existing law, until July 1, 2021, requires the Superintendent of Public Instruction to implement a plan establishing assigned reimbursement rates to be paid by the state to provider agencies for the provision of those services. Commencing July 1, 2021, existing law transfers specified childcare programs, responsibilities, services, and systems, including those programs and duties described below, from the State Department of Education and the Superintendent to the State Department of Social Services. Existing law requires the Superintendent to implement a plan that establishes reasonable standards and assigned reimbursement rates, which vary with the length of the program year and the hours of service. Existing law requires the reimbursement system to be submitted to the Joint Legislative Budget Committee.

This bill would require the Superintendent to implement a reimbursement system plan that establishes reasonable standards and assigned reimbursement rates that would vary with additional factors, including a quality adjustment factor to address the cost of staffing ratios. By November 10, 2022, and annually thereafter, the bill would require the reimbursement system plan, including methodology and

standards, to be submitted to the Joint Legislative Budget Committee. The bill would require that plan to include a formula for annually adjusting reimbursement rates. By July 1, 2022, and annually thereafter, the bill would require the department to establish a reimbursement rate target for each contracting agency that meets specific quality standards based on specified elements, including quality adjustment factors for the age range of children proposed to be served by the contracting agency. The bill would make these provisions subject to an appropriation by the Legislature.

(2) Existing law establishes adjustment factors for a provider agency's reported child days of enrollment in order to reflect the additional expense of serving specified children, including an adjustment factor for infants and toddlers who are 0 to 36 months and are served in a child daycare center or family childcare home.

As of July 1, 2022, this bill would delete the above-described adjustment factor and would make conforming changes.

(3) Existing law requires reimbursement rates to be adjusted by specified adjustment factors for childcare and development programs, and, for childcare and development providers serving children for less than 4 hours per day, requires the reimbursement factor to be 55% of the standard reimbursement rate.

This bill would instead require the above-described reimbursement factor to be 50% of the standard reimbursement rate.

(4) Existing law requires the cost of childcare services to be governed by regional market rates, and requires the regional market rate ceilings to be established at the 75th percentile of the 2016 regional market survey for that region or the regional market rate ceiling that existed in that region on December 31, 2017, whichever is greater. Existing law prohibits reimbursement to license-exempt childcare providers from exceeding 70% of the family childcare home rate.

Subject to an appropriation by the Legislature, for the 2022 calendar year, this bill would instead require the regional market rate ceilings to be established at the 75th percentile of the 2018 regional market survey for that region or the regional market rate ceiling that existed in that region on December 31, 2017, whichever is greater. Subject to an appropriation by the Legislature, commencing January 1, 2023, and annually thereafter, the bill would require the annual regional market ceilings to be established at the 85th percentile of the 2018 regional market survey for that region or the regional market rate ceiling that existed in that region on December 31, 2017, whichever is greater. The

bill would provide that if there is no appropriation, the existing formula to establish a regional market rate ceiling would apply. Subject to an appropriation by the Legislature, commencing January 1, 2023, and annually thereafter, the bill instead would prohibit reimbursement to license-exempt childcare providers from exceeding 70% of the commensurate rate for both full-time and part-time care.

(5) The act requires the department to contract with local contracting agencies for alternative payment programs for services provided throughout the state. Existing law requires alternative payment childcare systems to be subject to the rates established in the regional market rate survey of childcare providers for provider payments. Existing law requires the department to contract to conduct and complete a regional market rate survey no more than once every 2 years.

This bill would require the department to update the regional market rate survey methodology to include specified factors, including age ranges and hours of service.

Upon an appropriation in the annual Budget Act, the bill would require the department to create the Quality Counts California Pilot Reimbursement Program intended to allow childcare providers to receive higher reimbursement rates. The bill would require the department to select up to 5 alternative payment childcare systems to participate in the pilot program.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1        SECTION 1. Section 8265 of the Education Code is amended  
2 to read:

3        8265. (a) The Superintendent shall implement a plan that  
4 establishes reasonable standards and assigned reimbursement rates,  
5 which vary with the length of the program year and the hours of  
6 service.

7        (1) Parent fees shall be used to pay reasonable and necessary  
8 costs for providing additional services.

9        (2) When establishing standards and assigned reimbursement  
10 rates, the Superintendent shall confer with applicant agencies.

11       (3) The reimbursement system, including standards and rates,  
12 shall be submitted to the Joint Legislative Budget Committee.

1       (4) The Superintendent may establish any regulations he or she  
2 *the Superintendent* deems advisable concerning conditions of  
3 service and hours of enrollment for children in the programs.

4       (b) Commencing July 1, 2018, the standard reimbursement rate  
5 shall be eleven thousand nine hundred ninety-five dollars (\$11,995)  
6 and, commencing with the 2019–20 fiscal year, shall be increased  
7 by the cost-of-living adjustment granted by the Legislature annually  
8 pursuant to Section 42238.15. Commencing July 1, 2018, the  
9 full-day state preschool reimbursement rate shall be twelve  
10 thousand seventy dollars (\$12,070) and, commencing with the  
11 2019–20 fiscal year, shall be increased by the cost-of-living  
12 adjustment granted by the Legislature annually pursuant to Section  
13 42238.15.

14      (c) The plan shall require agencies having an assigned  
15 reimbursement rate above the current year standard reimbursement  
16 rate to reduce costs on an incremental basis to achieve the standard  
17 reimbursement rate.

18      (d) (1) The plan shall provide for adjusting reimbursement on  
19 a case-by-case basis, in order to maintain service levels for agencies  
20 currently at a rate less than the standard reimbursement rate.  
21 Assigned reimbursement rates shall be increased only on the basis  
22 of one or more of the following:

23       (A) Loss of program resources from other sources.

24       (B) Need of an agency to pay the same ~~child care~~ *childcare* rates as those prevailing in the local community.

25       (C) Increased costs directly attributable to new or different  
26 regulations.

27       (D) Documented increased costs necessary to maintain the prior  
28 year's level of service and ensure the continuation of threatened  
29 programs.

30       (2) ~~Child care~~ *Childcare* agencies funded at the lowest rates  
31 shall be given first priority for increases.

32       (e) The plan shall provide for expansion of child development  
33 programs at no more than the standard reimbursement rate for that  
34 fiscal year.

35       (f) The Superintendent may reduce the percentage of reduction  
36 for a public agency that satisfies any of the following:

37        (1) Serves more than 400 children.

38        (2) Has in effect a collective bargaining agreement.

1       (3) Has other extenuating circumstances that apply, as  
2 determined by the Superintendent.

3       (g) Upon an appropriation in the annual Budget Act or another  
4 act for the express purpose of implementing Section 8265 of the  
5 Education Code, as added by Section 2 of the act that added this  
6 subdivision, this section shall become inoperative and shall be  
7 repealed January 1 of the following year.

8       SEC. 2. Section 8265 is added to the Education Code, to read:

9       8265. (a) The Superintendent shall implement a reimbursement  
10 system plan that establishes reasonable standards and assigned  
11 reimbursement rates, which vary with the regional reimbursement  
12 ceiling adopted pursuant to Section 8357, a quality adjustment  
13 factor to address the cost of staffing ratios pursuant to Section  
14 8264.8, the length of the program year, the hours of service, and  
15 any additional adjustment factors as described under Section  
16 8265.5.

17       (1) Parent fees shall be used to pay reasonable and necessary  
18 costs for providing additional services.

19       (2) When establishing standards and assigned reimbursement  
20 rates, the Superintendent shall confer with applicant agencies.

21       (3) By November 10, 2022, and annually thereafter, the  
22 reimbursement system plan, including methodology, standards,  
23 county rate targets as established by the Superintendent pursuant  
24 to this section, and the total statewide funding amount necessary  
25 to reach annual rate targets for all agencies shall be submitted to  
26 the Joint Legislative Budget Committee.

27       (4) The Superintendent may establish any regulations the  
28 Superintendent deems advisable concerning conditions of service  
29 and hours of enrollment for children in the programs.

30       (b) Commencing July 1, 2018, the standard reimbursement rate  
31 shall be eleven thousand nine hundred ninety-five dollars (\$11,995)  
32 and, commencing with the 2019–20 fiscal year, shall be annually  
33 increased by the cost-of-living adjustment granted by the  
34 Legislature pursuant to Section 42238.15. Commencing July 1,  
35 2018, the full-day state preschool reimbursement rate shall be  
36 twelve thousand seventy dollars (\$12,070) and, commencing with  
37 the 2019–20 fiscal year, shall be annually increased by the  
38 cost-of-living adjustment granted by the Legislature pursuant to  
39 Section 42238.15.

1       (c) The reimbursement system plan shall require agencies having  
2 an assigned reimbursement rate above the current year standard  
3 reimbursement rate to reduce costs on an incremental basis to  
4 achieve the standard reimbursement rate.

5       (d) (1) The reimbursement system plan shall provide for  
6 adjusting reimbursement on a case-by-case basis, in order to  
7 maintain service levels for agencies. Assigned reimbursement rates  
8 shall be increased only on the basis of one or more of the following:

9           (A) Loss of program resources from other sources.

10          (B) Need of an agency to pay the same childcare rates as those  
11 prevailing in the local community.

12          (C) Increased costs directly attributable to new or different  
13 regulations.

14          (D) Documented increased costs necessary to maintain the prior  
15 year's level of service and ensure the continuation of threatened  
16 programs.

17          (2) Childcare agencies funded at the lowest rates shall be given  
18 first priority for increases.

19          (e) The reimbursement system plan shall provide for expansion  
20 of child development programs at no more than the standard  
21 reimbursement rate for that fiscal year.

22          (f) The Superintendent may reduce the percentage of reduction  
23 for a public agency that satisfies any of the following:

24           (1) Serves more than 400 children.

25           (2) Has in effect a collective bargaining agreement.

26           (3) Has other extenuating circumstances that apply, as  
27 determined by the Superintendent.

28          (g) (1) Notwithstanding Section 8265.5, on or before July 1,  
29 2022, and annually thereafter, the department shall establish a  
30 reimbursement rate target for each contracting agency that meets  
31 quality standards pursuant to Sections 8203, 8208, 8244, 8261,  
32 8264.7, 8360, and 8360.1, and any regulations adopted thereunder,  
33 based on all of the following elements:

34           (A) The regional market rate ceilings for the contracting  
35 agency's county, as applicable, pursuant to Section 8357.

36           (B) The quality adjustment factor for the age range of children  
37 proposed to be served by the contracting agency, as a multiplier,  
38 specified in paragraph (3).

39           (C) The program year and hours of service reimbursement factor  
40 pursuant to Section 8266.1, if applicable.

1       (D) Additional adjustment factors for special circumstances or  
2 services, as described under Section 8265.5, if applicable.

3       (2) A contracting agency's rate target shall not be less than that  
4 agency's 2022 rate, by age range, pursuant to Section 8265.5.

5       (3) The department, in order to meet the costs of providing  
6 quality standards pursuant to Sections 8203, 8208, 8244, 8261,  
7 8264.7, 8360, and 8360.1, and any regulations adopted thereunder  
8 beyond those calculated in the regional market rate survey, shall  
9 establish quality adjustment factors for all of the following age  
10 ranges:

11      (A) For infants who are zero to 18 months of age, the adjustment  
12 factor shall be 1.23.

13      (B) For toddlers who are 18 to 36 months of age, the adjustment  
14 factor shall be 1.23.

15      (C) For preschoolers who are 36 months to six years of age, the  
16 adjustment factor shall be 1.23.

17      (D) For schoolage children who are six years of age and older,  
18 the adjustment factor shall be 1.03.

19       (4) The reimbursement system plan shall include a formula for  
20 annually adjusting reimbursement rates for each agency, based on  
21 all of the following:

22      (A) The annual Budget Act funding allocated for standard  
23 reimbursement rate increases pursuant to this section.

24      (B) An equitable distribution of standard reimbursement rate  
25 increases to agencies, by county, as an equal percentage of the  
26 county outstanding rate target, for purposes of meeting the targets  
27 identified pursuant to this subdivision.

28      (C) Funding allocated for cost-of-living adjustments, if  
29 applicable.

30       (h) This section shall become operative on or after July 1, 2022,  
31 upon an appropriation in the annual Budget Act or another act for  
32 the express purpose of implementing this section.

33       SEC. 3. Section 8265.5 of the Education Code is amended to  
34 read:

35       8265.5. (a) In order to reflect the additional expense of serving  
36 children who meet any of the criteria outlined in subdivision (c),  
37 the provider agency's reported child days of enrollment for these  
38 children shall be multiplied by the adjustment factors listed below.

39       (b) (1) Except as provided in paragraph (2), the adjustment  
40 factors described in subdivision (c) shall apply to a state preschool

1 program and those programs for which assigned reimbursement  
2 rates are at or below the standard reimbursement rate. In addition,  
3 the adjustment factors shall apply to those programs for which  
4 assigned reimbursement rates are above the standard reimbursement  
5 rate, but the reimbursement rate, as adjusted, shall not exceed the  
6 adjusted standard reimbursement rate. The adjustment factors shall  
7 apply to those state preschool programs for which assigned  
8 reimbursement rates are above the state preschool reimbursement  
9 rate, but the reimbursement rate, as adjusted, shall not exceed the  
10 adjusted state preschool reimbursement rate.

11 (2) The adjustment factors described in paragraphs (5) and (6)  
12 of subdivision (c) shall apply only for full-day preschool programs  
13 and those part-day preschool programs for which assigned  
14 reimbursement rates are at or below the standard reimbursement  
15 rate.

16 (c) Notwithstanding any other law, commencing January 1,  
17 2019, the adjustment factors shall be as follows:

18 (1) For infants who are 0 to 18 months of age and are served in  
19 a child daycare center or a family childcare home, the adjustment  
20 factor shall be 2.44.

21 (2) For toddlers who are 18 to 36 months of age and are served  
22 in a child daycare center or a family childcare home, the adjustment  
23 factor shall be 1.8.

24 (3) For children with exceptional needs who are 0 to 21 years  
25 of age, the adjustment factor shall be 1.54.

26 (4) For severely disabled children who are 0 to 21 years of age,  
27 the adjustment factor shall be 1.93.

28 (5) For children at risk of neglect, abuse, or exploitation who  
29 are 0 to 14 years of age, the adjustment factor shall be 1.1.

30 (6) For limited-English-speaking and non-English-speaking  
31 children who are two years of age through kindergarten age, the  
32 adjustment factor shall be 1.1.

33 (7) For children who are served in a California state preschool  
34 program, infants and toddlers who are 0 to 36 months of age and  
35 are served in general childcare and development programs, or  
36 children who are 0 to 5 years of age and are served in a family  
37 childcare home education network setting funded by a general  
38 childcare and development program, where early childhood mental  
39 health consultation services are provided, pursuant to Section  
40 8265.2, the adjustment factor shall be 1.05.

1       (d) Use of the adjustment factors shall not increase the provider  
2 agency's total annual allocation.

3       (e) (1) Days of enrollment for children who meet more than  
4 one of the criteria outlined in paragraphs (1) to (6), inclusive, of  
5 subdivision (c) shall not be reported under more than one of the  
6 categories specified in those paragraphs.

7       (2) Notwithstanding paragraph (1), for children for whom an  
8 adjustment factor is applied pursuant to any of paragraphs (1) to  
9 (6), inclusive, of subdivision (c), and who are additionally eligible  
10 for the adjustment factor established in paragraph (7) of subdivision  
11 (c), reported child days of enrollment shall be multiplied by the  
12 sum of the applicable adjustment factor under paragraphs (1) to  
13 (6), inclusive, of subdivision (c) and 0.05.

14       (f) The difference between the reimbursement resulting from  
15 the use of the adjustment factors outlined in subdivision (c) and  
16 the reimbursement that would otherwise be received by a provider  
17 in the absence of the adjustment factors shall be used for special  
18 and appropriate services for each child for whom an adjustment  
19 factor is claimed.

20       (g) *This section shall become inoperative on July 1, 2022, and,  
21 as of January 1, 2023, is repealed.*

22       SEC. 4. Section 8265.5 is added to the Education Code, to  
23 read:

24       8265.5. (a) In order to reflect the additional expense of serving  
25 children who meet any of the criteria outlined in subdivision (b),  
26 the provider agency's reported child days of enrollment for these  
27 children shall be multiplied by the adjustment factors listed below.

28       (b) Notwithstanding any other law, the adjustment factors shall  
29 be as follows:

30       (1) For children with exceptional needs who are 0 to 21 years  
31 of age, the adjustment factor shall be 1.54.

32       (2) For severely disabled children who are 0 to 21 years of age,  
33 the adjustment factor shall be 1.93.

34       (3) For children at risk of neglect, abuse, or exploitation who  
35 are 0 to 14 years of age, the adjustment factor shall be 1.1.

36       (4) For limited-English-speaking and non-English-speaking  
37 children who are two years of age through kindergarten age, the  
38 adjustment factor shall be 1.1.

39       (5) For children who are served in a California state preschool  
40 program, infants and toddlers who are 0 to 36 months of age and

1 are served in general childcare and development programs, or  
2 children who are 0 to 5 years of age and are served in a family  
3 childcare home education network setting funded by a general  
4 childcare and development program, where early childhood mental  
5 health consultation services are provided, pursuant to Section  
6 8265.2, the adjustment factor shall be 1.05.

7 (c) Use of the adjustment factors shall not increase the provider  
8 agency's total annual allocation.

9 (d) (1) Days of enrollment for children who meet more than  
10 one of the criteria outlined in paragraphs (1) to (4), inclusive, of  
11 subdivision (b) shall not be reported under more than one of the  
12 categories specified in those paragraphs.

13 (2) Notwithstanding paragraph (1), for children for whom an  
14 adjustment factor is applied pursuant to any of paragraphs (1) to  
15 (4), inclusive, of subdivision (b), and who are additionally eligible  
16 for the adjustment factor established in paragraph (5) of subdivision  
17 (b), reported child days of enrollment shall be multiplied by the  
18 sum of the applicable adjustment factor under paragraphs (1) to  
19 (4), inclusive, of subdivision (b) and 0.05.

20 (e) The difference between the reimbursement resulting from  
21 the use of the adjustment factors outlined in subdivision (b) and  
22 the reimbursement that would otherwise be received by a provider  
23 in the absence of the adjustment factors shall be used for special  
24 and appropriate services for each child for whom an adjustment  
25 factor is claimed.

26 (f) This section shall become operative on July 1, 2022.

27 SEC. 5. Section 8266.1 of the Education Code is amended to  
28 read:

29 8266.1. Commencing with the 1995–96 fiscal year and each  
30 fiscal year thereafter, for—the purposes of this chapter,  
31 reimbursement rates shall be adjusted by the following  
32 reimbursement factors for childcare and development programs  
33 with a standard reimbursement rate, but shall not apply to the  
34 ~~Resourcene and Referral Programs~~ *resource and referral programs*  
35 set forth in Article 2 (commencing with Section 8210), the  
36 ~~Alternative Payment Programs~~ *alternative payment programs* set  
37 forth in Article 3 (commencing with Section 8220), the part-day  
38 California state preschool programs set forth in Article 7  
39 (commencing with Section 8235), the schoolage community  
40 childcare services programs set forth in Article 22 (commencing

1 with Section 8460), or to the schoolage parent and infant  
2 development programs:

3 (a) For childcare and development providers serving children  
4 for less than four hours per day, the reimbursement factor is 55 50  
5 percent of the standard reimbursement rate.

6 (b) For childcare and development program providers serving  
7 children for not less than four hours per day, and less than six and  
8 one-half hours per day, the reimbursement factor is 75 percent of  
9 the standard reimbursement rate. For *childcare and development*  
10 *program* providers operating under Article 15.5 (commencing with  
11 Section 8350) and serving children for not less than four hours per  
12 day, and less than seven hours per day, the reimbursement factor  
13 is 75 percent of the standard reimbursement rate.

14 (c) For childcare and development program providers serving  
15 children for not less than six and one-half hours per day, and less  
16 than 10 and one-half hours per day, the reimbursement factor is  
17 100 percent of the standard reimbursement rate. For *childcare and*  
18 *development program* providers operating under Article 15.5  
19 (commencing with Section 8350) and serving children for not less  
20 than seven hours per day, and less than 10 hours per day, the  
21 reimbursement factor is 100 percent of the standard reimbursement  
22 rate.

23 (d) For childcare and development program providers serving  
24 children for 10 and one-half hours or more per day, the  
25 reimbursement factor is 118 percent of the standard reimbursement  
26 rate.

27 SEC. 6. Section 8357 of the Education Code is amended to  
28 read:

29 8357. (a) The cost of ~~child care~~ *childcare* services provided  
30 under this article shall be governed by regional market rates.  
31 Recipients of ~~child care~~ *childcare* services provided pursuant to  
32 this article shall be allowed to choose the ~~child care~~ *childcare*  
33 services of licensed ~~child care providers or child care providers~~  
34 ~~who are, by law, childcare providers or childcare providers who,~~  
35 ~~by law, are~~ not required to be licensed, and the cost of that ~~child~~  
36 ~~care~~ *childcare* shall be reimbursed by counties or agencies that  
37 contract with the department if the cost is within the regional  
38 market rate. For purposes of this section, “regional market rate”  
39 means care costing no more than 1.5 market standard deviations  
40 above the mean cost of care for that region. It is the intent of the

1 Legislature to reimburse ~~child care~~ childcare providers at the 85th  
2 percentile of the most recent regional market rate survey.

3 (b) (1) The regional market rate ceilings shall be established  
4 at the greater of either of the following:

5 (1)

6 (A) The 75th percentile of the 2016 regional market rate survey  
7 for that region.

8 (2)

9 (B) The regional market rate ceiling that existed in that region  
10 on December 31, 2017.

11 (2) *Upon an appropriation by the Legislature for the express  
12 purpose of this paragraph, and during the 2022 calendar year,  
13 the 2022 regional market rate ceilings shall be established at the  
14 greater of the 75th percentile of the 2018 regional market survey  
15 for that region or the regional market rate ceiling that existed in  
16 that region on December 31, 2017.*

17 (3) *Upon an appropriation by the Legislature for the express  
18 purpose of this paragraph, commencing January 1, 2023, and  
19 annually thereafter, the regional market rate ceilings shall be  
20 established at the 85th percentile of the 2018 regional market  
21 survey for that region or the regional market rate ceiling that  
22 existed in that region on December 31, 2017, whichever is greater.*

23 (4) *Notwithstanding paragraphs (2) and (3), and if there is no  
24 appropriation, the regional market rate ceilings shall be  
25 established pursuant to paragraph (1).*

26 (c) (1) Reimbursement to license-exempt ~~child care~~ childcare  
27 providers shall not exceed 70 percent of the family ~~child care~~  
28 childcare home rate established pursuant to subdivision (b).

29 (2) *Notwithstanding any other law, upon an appropriation by  
30 the Legislature for the express purpose of this paragraph,  
31 commencing January 1, 2023, and annually thereafter,  
32 license-exempt childcare providers shall not exceed 70 percent of  
33 the commensurate rate, including hourly, daily, weekly, and  
34 monthly, for both full-time and part-time care established pursuant  
35 to subdivision (b).*

36 (d) Reimbursement to ~~child care~~ childcare providers shall not  
37 exceed the fee charged to private clients for the same service.

38 (e) Reimbursement shall not be made for ~~child care~~ childcare  
39 services when care is provided by parents, legal guardians, or  
40 members of the assistance unit.

1     (f) A ~~child care~~ *childcare* provider located on an Indian  
2 reservation or rancheria and exempted from state licensing  
3 requirements shall meet applicable tribal standards.

4     (g) For purposes of this section, “reimbursement” means a direct  
5 payment to the provider of ~~child care~~ *childcare* services, including  
6 license-exempt providers. If care is provided in the home of the  
7 recipient, payment may be made to the parent as the employer,  
8 and the parent shall be informed of ~~his or her~~ *their* concomitant  
9 legal and financial reporting requirements. To allow time for the  
10 development of the administrative systems necessary to issue direct  
11 payments to providers, for a period not to exceed six months from  
12 the effective date of this article, a county or an alternative payment  
13 agency contracting with the department may reimburse the cost  
14 of ~~child care~~ *childcare* services through a direct payment to a  
15 recipient of aid rather than to the ~~child care~~ *childcare* provider.

16    (h) Counties and alternative payment programs shall not be  
17 bound by the rate limits described in subdivisions (a) and (b), when  
18 there are, in the region, no more than two ~~child care~~ *childcare*  
19 providers of the type needed by the recipient of ~~child care~~ *childcare*  
20 services provided under this article.

21    (i) (1) Notwithstanding any other law, reimbursements to ~~child~~  
22 *childcare* providers based upon a daily rate may only be  
23 authorized under either of the following circumstances:

24      (A) A family has an unscheduled but documented need of six  
25 hours or more per occurrence, such as the parent’s need to work  
26 on a regularly scheduled day off, that exceeds the certified need  
27 for ~~child care~~ *childcare*.

28      (B) A family has a documented need of six hours or more per  
29 day that exceeds no more than 14 days per month. ~~In no event shall~~  
30 ~~reimbursements to a provider~~ *Reimbursements to a childcare*  
31 *provider* based on the daily rate over one month’s time *shall not*  
32 exceed the *childcare* provider’s equivalent full-time monthly rate  
33 or applicable monthly ceiling.

34      (2) This subdivision shall not limit *childcare* providers from  
35 being reimbursed for services using a weekly or monthly rate,  
36 pursuant to subdivision (c) of Section 8222.

37      SEC. 7. Section 8447 of the Education Code is amended to  
38 read:

39      8447. (a) The Legislature hereby finds and declares that greater  
40 efficiencies may be achieved in the execution of state subsidized

1 child care *childcare* and development program contracts with  
2 public and private agencies by the timely approval of contract  
3 provisions by the Department of Finance, the Department of  
4 General Services, and the department *department*, and by  
5 authorizing the department to establish a multiyear application,  
6 contract expenditure, and service review as may be necessary  
7 review, as may be necessary, to provide timely service while  
8 preserving audit and oversight functions to protect the public  
9 welfare.

10 (b) (1) The Department of Finance and the Department of  
11 General Services shall approve or disapprove annual contract  
12 funding terms and conditions, including both family fee schedules  
13 and regional market rate schedules that are required to be adhered  
14 to by contract, and contract face sheets submitted by the department  
15 not more than 30 working days from the date of submission, unless  
16 unresolved conflicts remain between the Department of Finance,  
17 the department, and the Department of General Services. The  
18 department shall resolve conflicts within an additional 30 working  
19 day time period. Contracts and funding terms and conditions shall  
20 be issued to child care *childcare* contractors no later than June 1.  
21 Applications for new child care *childcare* funding shall be issued  
22 not more than 45 working days after the effective date of authorized  
23 new allocations of child care *childcare* moneys.

24 (2) Notwithstanding paragraph (1), the department shall  
25 implement the regional market rate schedules based upon the  
26 county aggregates, as specified in Section 8357 and the annual  
27 Budget Act.

28 (3) It is the intent of the Legislature to fully fund the third stage  
29 of child care *childcare* for former CalWORKs recipients.

30 (c) With respect to subdivision (b), it is the intent of the  
31 Legislature that the Department of Finance annually review  
32 contract funding terms and conditions for the primary purpose of  
33 ensuring consistency between child care *childcare* contracts and  
34 the child care *childcare* budget. This review shall include  
35 evaluating any proposed changes to contract language or other  
36 fiscal documents to which the contractor is required to adhere,  
37 including those changes to terms or conditions that authorize higher  
38 reimbursement rates, modify related adjustment factors, modify  
39 administrative or other service allowances, or diminish fee revenues  
40 otherwise available for services, to determine if the change is

1 necessary or has the potential effect of reducing the number of  
2 full-time equivalent children that may be served.

3 (d) Alternative payment-~~child care~~ *childcare* systems, as set  
4 forth in Article 3 (commencing with Section 8220), shall be subject  
5 to the rates established in the Regional Market Rate Survey of  
6 California Child Care Providers for provider payments. The  
7 department shall contract to conduct and complete a regional  
8 market rate survey no more frequently than once every two years,  
9 consistent with federal regulations, with a goal of completion by  
10 March 1. *Providers, pursuant to subdivision (g), for provider*  
11 *payments.*

12 (e) By March 1 of each year, the Department of Finance shall  
13 provide to the department the state median income amount for a  
14 four-person household in California using the methodology  
15 provided in subdivision (c) of Section 8263.1. The department  
16 shall adjust its fee schedule for-~~child care~~ *childcare* providers to  
17 reflect this updated state median income; however, no income, and  
18 changes based on revisions to the state median income amount  
19 shall *not* be implemented midyear.

20 (f) Notwithstanding the June 1 date specified in subdivision (b),  
21 changes to the regional market rate schedules and fee schedules  
22 may be made at any other time to reflect the availability of accurate  
23 data necessary for their completion, provided these documents  
24 receive the approval of the Department of Finance. The Department  
25 of Finance shall review the changes within 30 working days of  
26 submission and the department shall resolve conflicts within an  
27 additional 30 working day period. Contractors shall be given  
28 adequate notice before the effective date of the approved schedules.  
29 It is the intent of the Legislature that contracts for services not be  
30 delayed by the timing of the availability of accurate data needed  
31 to update these schedules.

32 (g) (1) *The department shall contract to conduct and complete*  
33 *a regional market rate survey no more frequently than once every*  
34 *two years, with a goal of completion by March 1.*

35 (2) *The department shall update the regional market rate survey*  
36 *methodology to include both of the following:*

37 (A) *Age ranges and hours of service ranges pursuant to Section*  
38 *8265.*

1       (B) *Direction for the survey to mitigate the impact of contractors  
2 located in deep-poverty census tracts on the market profile or  
3 county rate.*

4       (h) *Upon an appropriation made for the purposes of this  
5 subdivision in the annual Budget Act, the department shall create  
6 a Quality Counts California Pilot Reimbursement Program. It is  
7 the intent of the Legislature that the pilot program allow childcare  
8 providers subject to rates under this section to receive higher  
9 reimbursement rates, consistent with Section 8265, and to meet  
10 higher quality standards for child development, consistent with  
11 Sections 8203, 8208, 8244, 8261, 8264.7, 8360, and 8360.1, and  
12 any regulations adopted thereunder.*

13      (1) *The department shall establish and measure quality  
14 standards consistent with Sections 8203, 8208, 8244, 8261, 8264.7,  
15 8360, and 8360.1, and any regulations adopted thereunder, for  
16 childcare providers participating in the pilot program. These  
17 quality standards shall be met for pilot participation.*

18      (2) *The department shall select up to five alternative payment  
19 program childcare systems, as set forth in Article 3 (commencing  
20 with Section 8220), to participate in the pilot program. The  
21 department shall select alternative payment program childcare  
22 systems to participate that represent the broad geographic diversity  
23 of the state.*

24      (3) *Each alternative payment program childcare system selected  
25 by the department to participate in the pilot program shall allow  
26 licensed childcare providers serving at least a majority of children  
27 receiving subsidized childcare services pursuant to Article 3  
28 (commencing with Section 8220) and Article 15.5 (commencing  
29 with Section 8350) to participate.*