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## SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

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**Bill No:** AB 603 **Hearing Date:** July 5, 2017  
**Author:** Quirk-Silva  
**Version:** May 30, 2017  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Olgalilia Ramirez

**Subject:** Child care: alternative payment programs: child care providers

**NOTE:** This bill has been referred to the Committees on Education and *Human Services*. A "do pass" motion should include referral to the Committee on *Human Services*.

### SUMMARY

This bill requires the California Department of Education (CDE) to provide information to the Legislature regarding cost estimates and system analysis for alternative payment programs (APP) to develop an electronic timesheet process and requires APPs to establish a program of electronic banking for providers and to provide written notice to a child care provider of changes in recipient eligibility.

### BACKGROUND

- 1) Establishes the California Child Care and Developmental Services Act (CCDSA) for the purpose of providing a comprehensive, coordinated, and cost-effective system of child care and development services, as specified, for children from infancy to 13 years of age, and their parents, through full- and part-time programs. (Education Code (EC) § 8200 et seq.)
- 2) States the intent of the Legislature that all families have access to child care and development services, as specified, regardless of ethnic status, cultural background, or special needs, and the intent that subsidized child care and development services be provided to eligible families, to the extent funding is available. (EC § 8202)
- 3) Defines "alternative payments" to include payments made by one child care agency to another agency or provider for the provision of child care and development services, and payments that are made by an agency to a parent for the parent's purchase of child care and development services. (EC § 8208 (a))
- 4) Defines "APP" as a local government agency or nonprofit organization that has contracted with the CDE, as specified, to provide alternative payments and to provide support services to parents and providers. (EC § 8208 (b))
- 5) Authorizes the use of child care and development funds for APPs in order to maximize parental choice in selecting an appropriate child care setting, and established requirements regarding APPs, as specified. (EC § 8220 et seq.)

- 6) Requires California Department of Education (CDE) to contract with local contracting agencies for alternative payment programs (APPs) in order that services can be provided throughout the state, as specified. (EC § 8220.1 (a))
- 7) Requires child care providers authorized to provide services using alternative payments to submit to the APP a monthly attendance record or invoice for each child who received services that contain specified information. (EC § 8221.5)
- 8) Requires families to meet certain criteria in order to be eligible for federal and state subsidized child development services, including that a family must be either a current aid recipient, income eligible, homeless, or one whose children are recipients of protective services or have been identified as being abused, or neglected, as specified. Further requires that families establish need for subsidized child care services which can include that a child has been identified by specified entities as homeless or being, or at risk of being, abused, neglected or exploited, or that the parents are engaged in specified training or employment, seeking employment, seeking permanent housing, or incapacitated. (EC § 8263 (a))
- 9) Grants first priority for federal and state subsidized child development services to children who are recipients of child protective services or who are at risk of being neglected or abused, and grants second priority equally to eligible families who are income eligible with the requirement that families with the lowest gross monthly income in relation to family size are admitted first, as specified. (EC § 8263 (b))

## ANALYSIS

This bill:

- 1) Requires, by January 1, 2019, the CDE to provide information to the Legislature regarding cost estimates and system analysis for APPs to develop an electronic timesheet process for monthly attendance records or invoices, in order for a child care provider to record hours of care for purposes of receiving state subsidies.
- 2) Requires that the information also include an analysis of using the method of a digital signature for both the child care provider and the parent or authorized signatory.
- 3) Requires, by January 1 2019, an APP to establish a program of electronic banking for payments made to licensed or license-exempt child care providers that have a contract with that APP, as specified.
- 4) Authorizes a child care provider to receive payments via electronic banking at the child care provider's option.
- 5) Authorizes the child care provider to allow payment to be directly deposited by an electronic fund transfer into the child care provider's account at the financial institution of his or her choice.

- 6) Specifies that the provision of this bill requiring alternative payment programs (APPs) to establish a program of electronic banking by January 1, 2019, shall not preclude an APP that has such a program prior to that date from requiring child care centers and family day care homes from accepting direct deposit or another form of electronic payment, as specified.
- 7) Requires an APP to include a description of the payment to the child care provider, as specified.
- 8) Requires, commencing July 1, 2019, APPs to provide written notice to a child care provider of a change in eligibility for child care services, as specified.
- 9) Specifies that the written notice provided to a child care provider occur both electronically and mailed, as specified and within 14 days before the effective date and further requires that this notification not be deemed a violation of the parent's confidentiality, as specified.

## STAFF COMMENTS

- 1) ***Need for the bill.*** Current law requires child care providers authorized to provide services using alternative payments to submit to the APP a monthly attendance record or invoice for each child who received services. The sponsors of the bill report, currently providers mail or physically deliver a completed attendance record to an APP monthly for payment. This process often results in late payment from the APP causing the provider financial hardship. Additionally a change in family eligibility status is not always shared with the family child care provider, which could impact the provider's ability to be paid for their services. To avoid this issue many providers limit or completely refrain from caring for children receiving subsidies.

This bill seeks to expedite payment to family child care providers by requiring Alternative Payment Programs to offer direct deposit. This bill would also require APPs to notify family child care providers of changes in a family's eligibility status including change in the hours of care, rates, schedules or an increase or decrease in parent fees.

- 2) **Subsidized child care programs.** State-subsidized child care may be available to families that meet certain eligibility requirements. Families may be eligible for state-subsidized child care through participation in CalWORKs or based on income and need for child care services, including state preschool. Income eligibility for families that are not current recipients of CalWORKs is established at 70 percent of the state median income as calculated in 2007-2008 (\$42,216 for a family of three) or if they are recipients of child protective services and if they can show the need for child care services.

The three main types of subsidized child care programs include: California Work Opportunity and Responsibility to Kids (CalWORKS) child care, APPs and General Child Care. General Child Care offers child care and education/development services through contracted child care centers and family

child care home networks that are administered through public or private agencies, while child care administered by California Work Opportunity and Responsibility to Kids (CalWORKS) and alternative payment programs (APPs) is offered through a voucher system, the voucher can be used at a licensed center, licensed-exempt provider or a family child care home.

- 3) ***Alternative Payment Programs.*** As one of three types of subsidized child care programs, Alternative Payment Programs (APP), are funded with state and federal funds, and offer a variety of child care options for parents, such as license-exempt care, family childcare, and center-based care. AP agencies administer CalWORKs Stage 2, Stage 3, and the APP (i.e. eligible working poor). APPs do not provide direct child care development services, instead, they help families arrange child care services and make “voucher-style” payments for those services directly to the child care provider selected by the family. APPs also collect fees from certain families, ensure families and providers comply with state rules and regulations and create and maintained detailed records about each family and provider. Voucher programs by allowing families to choose a provider increase parental choice and accommodate the individual needs of the family. Operational costs for AP agencies’ are reimbursed through the “administrative and support rate,” which provides them with 17.5 percent of total contract amounts.
- 4) ***Concerns raised by Alternative Payment Programs.*** Concerns have been raised relate to one-time and ongoing funding needed to support technology and infrastructure. However, as a policy it seems reasonable to streamline the payment process of family home care providers and ensure up to date information is provided to them regarding a family’s eligibility status. Presumably, these actions could encourage more providers to enroll voucher-eligible families.
- 5) ***Related and Prior legislation.***

***AB 1106 (Weber, 2017),*** requires an APP to have no less than 36 months to expend allocated funds and excludes all or part of the basic allowance for housing provided to specified military personnel from counting as income for purposes of determining eligibility for child care and development programs. This bill is awaiting hearing in the Assembly Appropriations Committee.

***AB 1712 (Oberholte, Chapter 324, Statutes of 2016)*** authorized child care contractors to use digital signatures and required that those signatures have the same force and effect as manual signatures, as specified.

***AB 271 (Oberholte, Chapter 476, Statutes of 2015)*** expanded the existing authority of APPs and child care providers to use electronic methods for storage of documents or records and use of digital signatures pursuant to current state standards.

## SUPPORT

American Federation of State, County, and Municipal Employee (AFSCME)  
United Domestic Workers/AFSCME Local 3930

California Labor Federation

**OPPOSITION**

None received

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