2025-26 California State Budget Avoids Major Cuts to Core ECE and Family Wellbeing Programs and Services

By

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After a fiscally unpredictable start to 2025 with a looming deficit to close and fluctuating financial markets the California State Legislature enacted all significant budget bills including the initial 2025 Budget Act, SB 101, AB 102 Budget Bill Jr., SB 120 Early Care and Education Trailer Bill, and AB 118 Human Services Trailer Bill. The final budget provided long-term solutions to close its projected $12 Billion deficit while avoiding major cuts to core early care and learning and family well-being programs and services. Funding levels for CCRC's core services and programs remain stable, however funding for child care voucher slots did not increase, thereby leaving our agency to tend to its growing waitlist for child care services.

The most significant ongoing cut to children's programs in this budget included a $30 million reduction to the Emergency Child Care Bridge Program, leaving it with a total ongoing funding level of $63.7 million annually. The budget was finalized before the Child Care Providers United Union (CCPU) reached a tentative agreement for their new MOU with the state and before the final Alternative Methodology rate setting process has been accomplished for the single rate structure for all subsidized child care providers. As such, any increases in child care provider rates were made by adding percentage increases to ongoing rate enhancements, not to the base rate itself.

Notably, the current budget does not factor in the impact of the recently passed federal budget cuts in the reconciliation package titled H.R. 1, which will heavily impact the health, food and economic security of thousands of Californians. The Newsom Administration promises continued monitoring and evaluation of the impacts of the federal measure and anticipates working with the State Legislature to make any needed changes to the current budget.

Key investments for ECE and family well-being programs in the 25-26 state budget include:

Family Well-being Budget Package Updates

- **Diaper Initiative: $7.4 million** for the diaper bank network for diaper and wipe distribution to low-income families.
- **Family Urgent Response System (FURS)** funding reduced by $9 million, ongoing. Approximately $22 million ($21 million General Fund) remains to support the system.
- **CalFresh Program**: $52 million one-time funds, total GF allocation $60 million.
- **Summer Electronic Benefits Transfer (SUN Bucks):** $21.9 million ongoing for student summer food access and requires annual student eligibility determinations.

Child Care Access

- **$7.3 billion commitment in funding to state subsidized child care programs**
  - Maintains goal commitment to reach 200,000 total child care slots by 2028
  - Provides $1.618 million to APP, CCTR, CMIG to maintain existing slot expansion efforts of 146,000 total slots.
- **Transitional Kindergarten**: Provides an additional $2.1 billion funding for the final year of Universal Transitional Kindergarten (UTK) implementation, including $1.2 billion ongoing for 10:1 UTK child -to-staff ratios. UTK will be universally available to all 4-year-olds at the start of the next school year.

Child Care Provider Payments

- **Cost of Care Plus Stipend**: Extends child care providers cost of care plus rate to **June 30, 2026** per child/per month stipends will be equal to current rate plus an increase of 1.3% to the stipend rate. **($70 Million General Fund and $19.3 Million Prop 98 for CDE based programs)**
- Maintains **$44.8 million** in 2025-26 funding to Alternative Payment Programs for **Care Cost Plus Payment administration**.
- **Child Care Provider Base Rates**: **Decrease of $60.7 million** General Fund to reflect the one-year suspension of the child care cost-of-living adjustment.
- Maintains $70 million General Fund funding to Alternative Payment Programs for **CCPU MOU administration**, dues collection.

- **$88 million** to adopt ongoing **payments to providers based on certified need**—not daily attendance—in preparation for the transition next summer to prospective payments.

Child Care Provider Reimbursement Rate Reform– Progress Towards a Single Rate Structure

- **Prospective Payment:** Provides $128.2 million in the Budget Year, for local assistance for child care contractors to pay child care providers for their services prospectively, based on enrollment not attendance.
- **Single Rate Structure Codification**: Requires CDSS to provide written updates through July 1, 2027 regarding how the department proposes to structure child care per the single rate structure in future years and the use of funds consistent with legislative reporting requirements
- Extends the timeframe for the Alternative Rate Methodology from January 1, 2026, to January 1, 2027.

2025 CCPU MOU

As of this time, CCPU has reached a tentative agreement with the state. CCPU members have until September 22, 2025 to vote to ratify the agreement. The tentative agreement includes:

- $37 million ongoing, per year in Cost-of-Living Adjustments
- $90 million one-time stabilization payments (stipends)
- $80 million ongoing, per-year retirement funding
- $100 million ongoing, per-year health care funding
- $15 million ongoing, per-year for training and continuing education
- Ability to re-negotiate rate increases if the legislature allocates more money in future budgets
- Significant progress on rate reform structure and a commitment to move to prospective pay
- Continuing payment by enrollment