





Joint Labor Management Committee Recommendations: Single Rate Structure

JLMC REPORT 2025









December 1, 2025

Jennifer Troia. Director California Department of Social Services 744 P Street Sacramento, CA 95814

Dear Director Troia,

In accordance with the Memorandum of Understanding between the State of California, including the State Department of Social Services and the State Department of Education (State), and the Child Care Providers United-California (CCPU) effective September 22, 2025, through July 1, 2028 (MOU or Agreement), the State and CCPU convened a Joint Labor Management Committee (JLMC) to strive to develop joint recommendations for a single reimbursement rate structure ("the Single Rate Structure" or SRS).

The Agreement provides that no later than November 30, 2025, the JLMC shall submit its joint recommendations to the Director of the Department of Social Services for consideration in collaboration with the Department of Education, and that if the JLMC is unable to arrive at joint recommendations, the recommendations of each respective party shall be submitted.

Included herein are the JLMC's joint recommendations for the Single Rate Structure. Also included are the State's and CCPU's respective recommendations for the Single Rate Structure.

Sincerely,

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Introduction

Pursuant to Article 7.3 of the Memorandum of Understanding (MOU), the State of California, including the State Department of Social Services and the State Department of Education (State), and the Child Care Providers United— California (CCPU) convened a JLMC to strive to develop joint recommendations for a single child care reimbursement rate structure (the "Single Rate Structure"). The JLMC convened no less than once per month, on October 1 and 22, and November 5, 19, and 25, 2025.

During these meetings, the State and CCPU exchanged ideas and questions as the JLMC strove to develop joint recommendations. They also exchanged recommendations in writing. On certain matters, the JLMC was able to arrive at joint recommendations, while on others, it was unable to arrive at joint recommendations. The JLMC therefore agreed that both joint recommendations and the recommendations of each respective party will be submitted to the Director of the Department of Social Services.

- Joint Recommendations: The joint recommendations at which the JLMC was able to arrive are reflected in this section.
- State Recommendations: Where the parties did not reach consensus, the recommendations contained in this document reflect the State's recommendation *only* and are clearly noted as such.
- CCPU Recommendations: Where the parties did not reach consensus, the
 recommendations contained in this document reflect the CCPU's recommendation only
 and are clearly noted as such.

Note: To the extent certain segments within the State Recommendations and CCPU Recommendations also reflect Joint Recommendations, they are notated in bold underline font within the respective State Recommendations and CCPU Recommendations sections. These segments are identical to the information located within the Joint Recommendations section of this report.

Per the JLMC's charge, these recommendations are hereby submitted to the Director of the Department of Social Services for consideration in collaboration with the Department of Education.

Joint Recommendations of the JLMC

The State and CCPU arrived at the following joint recommendations:

Recommended SRS Proration Policy

The JLMC recommends the following proration policy: For the purpose of determining hours of care in a week, the week begins on Sunday at midnight and ends on Saturday at 11:59pm.

Non-Traditional Hours (NTH)¹ Enhanced Rate

To receive an enhanced NTH rate for a child, the JLMC recommends the following:

- The contractor would document the certified hours for need and identify how many hours a child may need services during NTH on the Notice of Action and/or Child Care Voucher/Certificate.
- Non-Traditional Hours are as follows:
 - o 6:00 p.m-7:00 a.m. on any given day of the week; or
 - o from Saturday 6:00 a.m. to 7:00am Monday
- Contingent on² continuation of reimbursement based on certified need (MOU Article 7.5), the State will provide families with an NTH reimbursement based on certified schedules for children with set schedule, payable to providers.

State Rate Setting Principles

- All programs that serve the same age of children and have the same program requirements receive the same reimbursement, regardless of program contract.
- Target rate increases to rates furthest from the cost of care. This approach will
 close the largest gaps between the current reimbursement rates and the
 Alternative Methodology cost of care.

¹ CCPU uses the term extended hours for this enhanced rate. See separate CCPU recommendation.

² CCPU has an additional recommendation on who is included in this recommendation. See separate CCPU recommendation

Recommended Single Rate Structure (SRS) Age Groupings

The JLMC's goal is to use age groupings that are simpler and are uniformly applied across State departments, similarly aged children, and classroom/program licensed settings.

The JLMC recommends the following age groupings and rate structure:

- Children under the age of two years will be reimbursed with the infant rate.
- Two-year-olds will be reimbursed with the toddler rate.
- Three-year-olds through six-year-olds who are not yet enrolled in first grade will be reimbursed with the preschool rate.
- Six-year-olds enrolled in 1st grade and older will use the school-age rate.

Enhanced Rate Structure Overview

Under the Single Rate Structure, the JLMC recommends that a family's reimbursement rate, payable to providers, is for all enhanced rates that apply to the specified services delivered.

Inclusion Enhanced Rate

Documentation of Eligibility³

To receive an enhanced inclusion rate for a child, the JLMC recommends a requirement that families provide documentation of a current Individualized Family Service Plan (IFSP), Individual Educational Plan (IEP), or Department of Developmental Services regional center Individual Program Plan (IPP), which may be unsigned if the family did not consent to the services or the establishment of an IFSP, IEP, or IPP is still pending; an active Section 504 Plan, and/or an active Incidental Medical Services (IMS) plan in the child's file.

The JLMC recommends that there will be no need to demonstrate a specific financial impact in caring for the eligible children.

³ CCPU has an additional recommendation on documentation of eligibility. See separate CCPU recommendation

State Recommendations

Overview of State-Only Recommendations for the Single Rate Structure

Pursuant to subdivision (I) of Section 10227.6 of the Welfare and Institutions Code, as amended (AB 120, 2023) and Section (A) of Article 7.3 of the Agreement, base rates shall vary based on all of the following:

- Geography
- Type of Care Setting
- Regulatory Requirements
- Time Categories
- Child Age

Pursuant to Section (F) of Article 7.3 of the Agreement, the Single Rate Structure will be comprised of base rates and enhanced rates for non-traditional hours and inclusion.

The State's recommendations build on these identified aspects of the Single Rate Structure. The recommendations further define:

- 1. Base rate variation for Child Age (Age Groups)
- Base rate variation for Time Categories through recommendations on proration of the Part Time and Full Time Weekly Time Categories as described in Section (C) of Article 7.3 and in Article 7.4 of the Agreement. (Proration)
- 3. Base rate variation for Type of Care Setting and Regulatory Requirements through recommendations on rate setting principles (Rate Setting Principle)
- 4. An enhanced rate for inclusion (Enhanced Inclusion)
- 5. An enhanced rate for non-traditional hours (Non-Traditional Hours)

Note: Segments on which there was consensus are notated in **bold underline** font within the *State Recommendation* section. These segments are identical to the information located within the *Joint Recommendation* section of this report.

Age Groups

The following supports State recommendations with respect to defining the age groupings for the purposes of use in rate setting and which rates would be set for each of the age groupings.

Recommended SRS Age Groupings

The State's goal is to use age groupings that are simpler and are uniformly applied across State departments, similarly aged children, and classroom/program licensed settings.

The State recommends the following age groupings and rate structure:

- Children under the age of two years will be reimbursed with the infant rate.
- Two-year-olds will be reimbursed with the toddler rate.
- Three-year-olds through six-year-olds who are not yet enrolled in first grade will be reimbursed with the preschool rate.
- Six-year-olds enrolled in 1st grade and older will use the school-age rate.

Proration

The following policy recommendation supports State recommendations with respect to prorating the full-time weekly rate to address smaller increments of time that children are certified for care.

Recommended SRS Proration Policy

The State recommends the following proration policy:

- For the purpose of determining hours of care in a week, the week begins on Sunday at midnight and ends on Saturday at 11:59pm.
- The provider will receive an additional enhancement rate in application to the portion of the child's weekly schedule (at least 10% but less than 50%, or 50% or greater) that falls within Non-Traditional Hours (NTH).
- The SRS reimbursement rate will be determined by pro-rating the full-time (FT) weekly amount based on a child's certified hours of care in the following way:
 - o 1-14 certified hours
 - 15-24 certified hours
 - o 25+ certified hours

Rate Setting Principles

The following policy recommendation supports State recommendations with respect to defining the State principles for the purposes of use in rate setting and which rates would be set.

State Recommended SRS Rate Setting Principles:

- 1. Programs with more requirements should be reimbursed at a higher level. This approach compensates at a higher rate those who have more program requirements that cost more to meet. This would result in higher reimbursement rates for Title 5 settings than Title 22 settings due to the higher program requirements, as well as higher reimbursement rates for licensed Family Child Care Home (FCC) providers than for license-exempt Family, Friend, and Neighbor (FFN) providers.
- 2. All programs that serve the same age of children and have the same program requirements receive the same reimbursement, regardless of program contract.
- 3. <u>Target rate increases to rates furthest from the cost of care. This approach will close the largest gaps between the current reimbursement rates and the Alternative Methodology cost of care.</u>
- 4. Base rates are intended to build program capacity to serve all children and cover program costs. Enhanced rates are to cover costs that go above the base rate costs and are child specific. This provides comprehensive capacity building for programs/providers in the base rate and provides additional compensation for enhanced services based on child eligibility.

Enhanced Inclusion

The Agreement includes that the Single Rate Structure will be comprised of base rates and enhanced rates for non-traditional hours and inclusion.

The following policy recommendation supports State recommendations with respect to enhanced rates for inclusion.

Recommended SRS Enhanced Inclusion Policy

<u>Under the Single Rate Structure, the State recommends that a family's reimbursement rate, payable to providers, is for all enhanced rates that apply to the specified services delivered.</u>

The two new enhanced rates under discussion in the JLMC, non-traditional hours and inclusion, will replace related, existing adjustment factors. The enhanced rate for inclusion will specifically replace existing "exceptional needs" and "severely disabled" adjustment factors that apply, in varying amounts and eligibility terms, to the SRR for direct-contract CDSS programs, to the SRR for the California State Preschool Program, and to the RMR.

Documentation of Eligibility:

To receive an enhanced inclusion rate for a child, the State recommends a requirement that families provide documentation of a current Individualized Family Service Plan (IFSP), Individual Educational Plan (IEP), or Department of Developmental Services regional center Individual Program Plan (IPP), which may be unsigned if the family did not consent to the services or the establishment of an IFSP, IEP, or IPP is still pending; an active Section 504 Plan, and/or an active Incidental Medical Services (IMS) plan in the child's file.

The JLMC recommends that there will be no need to demonstrate a specific financial impact in caring for the eligible children.

Non-Traditional Hours

The Agreement includes that the Single Rate Structure will be comprised of base rates and enhanced rates for non-traditional hours (NTH) and inclusion.

The following policy recommendation supports State recommendations with respect to non-traditional hours.

Recommended SRS Enhanced NTH Policy

Under the Single Rate Structure, the State recommends that a family's reimbursement rate, payable to providers, is for all enhanced rates that apply to specified services delivered.

Non-traditional hours will replace related, existing adjustment factors. The enhanced rate for non-traditional hours will, more specifically, replace existing reimbursements for evenings and/or weekend adjustment factors that apply, in varying amounts and eligibility terms, to the RMR for providers who accept subsidy vouchers, or those that participate in the Family Child Care Home Education Networks program.

To receive an enhanced NTH rate for a child, the State recommends the following:

- The contractor would document the certified hours for need and identify how many hours a child may need services during NTH on the Notice of Action and/or Child Care Voucher/Certificate.
- Non-Traditional Hours are as follows:
 - o 6:00 p.m-7:00 a.m. on any given day of the week; or
 - o from Saturday 6:00 a.m. to 7:00am Monday
- Contingent on continuation of reimbursement based on certified need (MOU Article 7.5), the State will provide families with an NTH reimbursement based on certified schedules for children with set schedule, payable to providers.
- For children with variable schedules, NTH reimbursement will be provided if (1) child's certified schedule has NTH hours, and (2) child actually receives NTH services. It's a monthly determination based on attendance records.
- The NTH reimbursement will sit on top of the base rate, meaning providers will receive a
 weekly base rate and, if eligible, an additional incremental amount for NTH services
 provided.
- The NTH reimbursement amount would vary based on what percentage of certified hours for children with set schedules or actual service hours for children with variable

schedules are in the NTH time period. These NTH percentage categories are listed below. The NTH reimbursement amount would be higher for children that fall in the second "50 percent of more" NTH category than the first "at least 10 percent but less than 50 percent" NTH category.

- At least 10 percent but less than 50 percent of the certified need for a child with set schedules or actual service hours for a child with variable schedules occurs during the NTH time period.
- When 50 percent or more of the certified need for a child with set schedules or actual service hours for a child with variable schedules occurs during the NTH time period.

Conclusion Statement from the State

The State appreciates the strong participation and thoughtful dialogue contributed by all members of the JLMC throughout this process. The recommendations contained in this Report reflect the State's continued commitment to building a Single Rate Structure that is transparent, fair, and capable of implementation, in support of a quality child care and early education system that is sustainable, accessible, and responsive to the needs of children, families, and the child care and early education workforce across California.

CCPU Recommendations

Introduction

This section includes CCPU Recommendations, inclusive of Joint Recommendations of the Joint Labor Management Committee (JLMC), for a Single Rate Structure (SRS). In addition to the Rate Structure Recommendations from the JLMC, CCPU also submits General Rate Recommendations that are essential to include in the structure and timely implementation of the SRS. To the extent that certain CCPU Recommendations also reflect Joint Recommendations of CCPU and the State, they are indicated by **bold underline** within the CCPU Recommendations section and are identical to the information located within the Joint Recommendations section of this report.

General Rate Recommendations⁴

- In order to inform rate setting, the cost of care model must be based on selection points that reflect the real-world cost of care, confirmed by relevant data that includes the lived experience of subsidized family child care providers, as expressed by their democratically elected representatives.
- Choices made by the state or others deciding how to use the cost of care model should use values (also called selection points) that reflect established real-world costs of providing care (e.g., MIT living wage, discretionary benefit costs for providers and assistants they employ, accurate group sizes, etc.).
- Cost of care model outputs inform but do not equal rates or in any way limit rate setting (for example, rates can be set higher than the cost of care outputs).
- Rates as part of the Single Rate Structure will not decrease from current reimbursement rates in accordance with current statute (see WIC 10227.6).
- Base rates are intended to build program capacity to serve all children and cover cost of care. Enhanced rates are to cover costs that go above the base rate costs and are child specific. This provides comprehensive capacity building for programs/providers in the base rate and provides additional compensation for enhanced services based on child eligibility.
- The cost model and its methodology must be updated regularly to ensure it accurately reflects the cost of care. Recommendations to do so follow, at least:
 - 1. In time to inform the state's budget process, annual updates of model inputs from publicly available data sources including but not limited to living wage salary levels from the MIT Living Wage Calculator, current child care salary data from the Bureau of Labor Statistics (or comparable data source), data on costs of health care benefits from the Kaiser Family Foundation, and non-personnel expenses for child care programs from the Provider Cost of Quality Calculator.
 - 2. As required by the triennial federal CCDF plan cycle and in consultation with CCPU as the collective bargaining representative of family child care providers in the state, more holistic updates will happen of the cost model methodology based on stakeholder engagement, targeted data collection (on issues of importance etc.), and regional and statewide assessment of the impact to-date of cost of care implementation on provider stabilization/growth and families' child care choice/access.

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⁴ NOTE: There may be additional Rate Recommendations in addition to those itemized below or included in Joint Recommendations. CCPU retains the right to add, delete, or otherwise modify its Alternative Methodology/Cost of Care Recommendations.

- On or before initial cost of care implementation, private pay rates should be de-linked from subsidy rates to ensure providers receive the full amount of the cost of care rates without being required to raise private pay child care rates.
- To achieve a system that fairly values providers and expands families' access to quality child care, cost of care implementation will continue payment by certified need and shall occur along with prospective pay in 2026.
- All programs that serve the same age of children and have the same program requirements receive the same reimbursement, regardless of program contract.
- Target rate increases to rates furthest from the cost of care. This approach will close the largest gaps between the current reimbursement rates and the Alternative Methodology cost of care.
- Commensurate with our MOU, CCPU and the State will bargain over the rates in the final structure. The single rate structure will become operable upon the parties reaching agreement on the specific rates and that the necessary implementation activities have occurred.

Rate Structure Recommendations

Age Groupings

The state's goal is to use age groupings that are simpler and are uniformly applied across State departments, similarly aged children, and classroom/program licensed settings.

The state proposes the following age groupings and rate structure:

- Children under the age of two years will be reimbursed with the infant rate.
- Two-year-olds will be reimbursed with the toddler rate.
- Three-year-olds through six-year-olds who are not yet enrolled in first grade will be reimbursed with the preschool (PS) rate.
- Six-year-olds enrolled in 1st grade and older will use the school-age (SA) rate.

Time Categories (applies to base reimbursement rate):

For the purpose of determining hours of care in a week, the week begins on Sunday at midnight and ends on Saturday at 11:59pm.

Payment should be issued according to full and part time weekly rates, with an hourly rate to cover care extending beyond full time hours.

- The definition of full and part time is based on a family's number of certified hours of need per child per week and would be set accordingly:
 - o Part time = up to 24.9 hours per week
 - Full time (FT) = 25-40 hours per week
 - Over 40 hours per week = hourly rate to be applied in addition to FT rate (over 40 hours per week)

For families with variable schedules, providers will receive the rate corresponding to the total hours of a family's certified need, up to 40 hours. The hourly rate shall then apply to all weekly hours over 40.

Providers will receive an hourly rate to account for all verified changes to a family's schedule beyond their certified need (e.g., a parent receives mandatory overtime at work resulting in the need for more hours of childcare). Providers will receive at least two weeks notification of changes to a family's certified need.

Enhanced Rate Recommendations

Enhanced Rate Structure Overview

<u>Under the Single Rate Structure, the State proposes that a family's reimbursement rate, payable to providers, is for all enhanced rates that apply to the specified services delivered.</u>

Extended Hours⁵ Rate

To receive an enhanced extended hours rate for a child, we recommend the following:

- The contractor would document the certified hours for need and identify how many hours a child may need services during extended hours on the Notice of Action and/or Child Care Voucher/Certificate.
- Extended Hours are as follows:
 6:00 p.m-7:00 a.m. on any given day of the week; or from Saturday 6:00 a.m. to
 7:00am Monday
- Contingent on continuation of reimbursement based on certified need (MOU
 Article 7.5), the State will provide families with an extended hours reimbursement
 based on certified schedules for children with set schedule, payable to providers.

 CCPU adds children with variable schedules and all certified hours to this joint
 recommendation.

For hours of certified need (inclusive of variable schedules) between 6pm and 7am Monday through Friday, and for all hours of certified need on Saturday and Sunday, payments will be equal to 125% of the base subsidy payment rate pro-rated to the time within the extended hours period.

The extended hours reimbursement is in addition to the base rate, meaning providers will receive a weekly base rate and, if eligible based on certified need, an additional incremental amount for extended hours services provided.

Inclusion Enhanced Rate

<u>Documentation of Eligibility: To receive an enhanced inclusion rate for a child, the State recommends a requirement that families provide documentation of an current</u>

⁵ The State refers to extended hours as non-traditional. CCPU believes the term extended hours better defines care provided in hours outside of 7am-6pm on weekdays and uses that term instead. Where content of recommendations is the same despite different terminology used, those recommendations are bolded and underlined to denote joint recommendation.

Individualized Family Service Plan (IFSP), Individual Educational Plan (IEP), or Department of Developmental Services regional center Individual Program Plan (IPP), which may be unsigned if the family did not consent to the services or the establishment of an IFSP, IEP, or IPP is still pending; an active Section 504 Plan, and/or an active Incidental Medical Services (IMS) plan in the child's file. In addition, CCPU recommends that children who are in FFN settings and have medical necessary needs that would require an IMS plan if in licensed care, those FFN providers and the families they are serving will be supported by the payment agency to complete an IMS form (or a form with similar content) and thus qualify for the inclusion enhanced rate.

For children with exceptional needs, payment will be equal to 130% of the base subsidy payment rate for exceptional needs and 160% of the base rate for severely disabled. If the child's IFSP, IPP, IEP, 504 or IMS plan documents a need for higher-cost support based on the needs of the child (e.g., a 1:1 aide) a provider will be reimbursed for these costs in addition to the enhanced rate.

If the child's special needs assessment is made after certification, the enhanced rate shall automatically apply once the plan (delineated above) is on file. The enhanced rate shall be retroactive to either the date when the referral was made that led to a confirmed assess/plan being enacted or the date when eligibility was granted, whichever is earlier.

Providers would receive the enhanced rate automatically once any qualifying plan is on file with the relevant agency (e.g., AP contractor, LEA, CalWORKS contractor). Agencies must check with families during re/certification for any plans that qualify for the enhanced rate and ensure the plan is submitted to them as part of the certification process.

During initial subsidy intake and recertification, the agency will ensure that parents are informed of existing resources for special needs children and how those resources can be accessed, including those that provide additional support within a child care setting. The state will ensure that providers are informed of both the legal obligations serving children and how to access necessary support.

Transportation Reimbursement

Payment for transportation should occur in two ways: as an increase to the provider's reimbursable hours to compensate for the time spent transporting children to and from care; and by allowing providers to claim mileage at the current IRS rate in order to offset the costs of fuel, insurance, and vehicle wear and tear.

- Increase to certified need:
 - A family's hours of certified need determination should include an assessment of transportation requirements and include up to thirty (30) minutes per trip to account for the provider's travel time. Provision should be made to allow for

updates to transportation needs concurrent with changes to certified need. Providers must confirm that they can meet a family's transportation needs prior to acceptance into their childcare.

• Milage reimbursement:

- In accordance with the California Department of Human Resources (CalHR) and California Department of Social Services (CDSS) policy and mileage payment rates published by the Internal Revenue Service, all providers shall be paid for all miles driven for subsidized family child care activities for children with a certified transportation need. The mileage payment rate shall be adjusted to the current IRS rate. The current personal vehicle milage rate is \$0.70 per mile, effective January 1, 2025.
- Monthly attendance and timesheets will include a record of daily miles driven for families receiving transportation.

Conclusion Statement from CCPU

Rates based on the Alternative Methodology, and informed by the Cost of Care, are intended to increase positive outcomes for children, families, and the ECE workforce by setting rates that are informed by the actual cost to deliver services rather than the price that parents can afford to pay as evidenced by the market rates. We cannot join the State on their other recommendations because they did not align with or further the mission of Cost of Care. Most importantly, and in addition to immediately implementing the Joint Recommendations of the JLMC and moving forward in incorporating the CCPU Recommendations, CCPU continues to emphasize the urgency of the parties to reach agreement on the specific rates and that other necessary implementation activities occur in a timely manner, including but not limited to: updates to impacted State, contractor, agency, and county payment, administrative, and data automation systems; issuance of written State program guidance; required modifications to State contracts, fiscal handbook, funding terms and conditions, program forms, and fiscal and contract monitoring and audit procedures; and State staff, contractors, agencies, and counties trainings.