



What is Happening With Child Care Provider Rate Reform in California?

March, 2026 | *Laura Pryor and Kristin Schumacher*

Why is California changing the way it pays child care providers?

Child Care is a Broken Market

Child care is a “broken market,” meaning families cannot afford to pay what child care actually costs, and providers cannot survive being paid what families can afford. For decades, California has paid many child care providers based on how much families can pay, shortchanging providers serving families with low incomes.

The cost of providing child care far exceeds California’s subsidy rates



Source: Child Care Providers United

How are providers currently paid?

Providers participating in publicly funded child care are paid in two ways: by accepting vouchers from families or by contracting with the state. Each has different licensing standards. Voucher providers are paid based on the Regional Market Rate (RMR), which varies by location, age, and license. Contracted providers are paid the Standard Reimbursement Rate (SRR), adjusted for the child’s age or disability status.

New rate structure determines pay using the state’s estimate of the cost of care

The state has committed to paying providers based on the cost of care, otherwise known as the “alternative methodology.” The alternative methodology will be used to set new provider rates, though it’s unclear when the new rates will take effect. The new rate structure is referred to as the “single rate structure.” In other words, the state will use the cost of care estimates from the alternative methodology to determine how much to pay providers through a “rate setting process.”

Glossary

Rate Reform: The general phrase used to name the process California is going through to improve the way it pays child care providers for providing publicly funded care.

Alternative Methodology: The tool California is using to determine how much it costs providers and programs to provide care and education services.

Cost of Care: The state’s estimated costs of providing early care and education services. In other words, the “cost of care” amounts are the results produced from the alternative methodology.

Single Rate Structure: The new, simplified system for paying California’s providers based on the alternative methodology process. The single rate structure will replace the Standard Reimbursement Rate and Regional Market Rate.

How can state decisionmakers support next steps with improving provider pay?

Stalled progress on creating a new rate structure

The state completed the alternative methodology in summer 2025 and, with [Child Care Providers United](#) (CCPU), released [recommendations](#) for a single rate structure. The 2026-27 budget has no set timeline or new resources to implement it, so provider pay remains far below the cost of care.

Challenges with the alternative methodology

Besides slow progress, the alternative methodology could lead to inequities. The cost of care estimates claim that the state — for some providers in certain counties — is already paying providers more than the cost of care, which is likely not true, raising concerns such as:

- The regions that counties have been grouped within are based on a methodology that replicates existing inequities in the system; and
- The alternative methodology estimates school-age cost of care at 60% of full-time care, which does not align with the needs of families requiring full-time care for school-age children (i.e., for families that work during non-school hours, such as hospitality or food service).

The state should provide transparency and update the alternative methodology

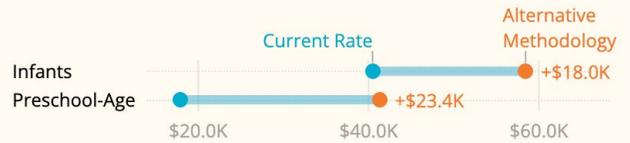
State leaders can align with CCPU to improve the alternative methodology, specifically by adopting the following CCPU recommendations:

- Regularly update the alternative methodology to use the most up-to-date information, adjusting regional groupings as needed based on new data.
- Establish cost of care estimates that reflect providers' real world expenses.
- Commit to not decreasing current reimbursement rates in accordance with current statute (see [WIC 10227.6](#)).

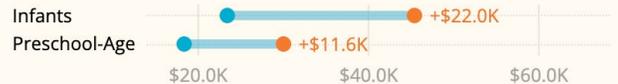
Providers in Los Angeles are paid far below the state's estimated cost of providing child care

Annual payment rates for subsidized child care centers in Los Angeles County as of January 1, 2026

Contract-Based Providers



Voucher-Based Providers



Note: Data reflect the annual payment rates for full-time care effective on January 1, 2026, which are based on the higher value of either the Standard Reimbursement Rate or the 75th percentile of the 2018 Regional Market Rate Survey and the cost of care plus rate add-on. The alternative methodology rates reflect a cost estimation model submitted to the federal government by the California Department of Social Services to support an alternative rate-setting methodology.

Source: Budget Center analysis of data from the California Department of Education and California Department of Social Services.

Balance the true cost of care with rates that provide fair and just pay for providers and make child care accessible to all Californians



Source: Child Care Providers United

