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May 21, 2026

Mr. Joe Stephenshaw, Director  
Department of Finance  
1021 O Street, Suite 3110  
Sacramento, California 95814


Dear Mr. Stephenshaw:

In a letter dated May 5, 2026, you notified the Joint Legislative Budget Committee pursuant to Item 5180-101-0001, Provision 4 in the *2025-26 Budget Act* of your intent to approve a request by the Department of Social Services (DSS) to provide \$216.7 million in increased expenditure authority for Cost of Care Plus payments that are to be disbursed to child care providers in the first quarter of 2026-27.

After my review, I conclude DSS' request does not meet the requirements of Item 5180-101-0001, Provision 4 in the *2025-26 Budget Act*. Provision 4 authorizes the Department of Finance to approve expenditures that are necessary in the 2025-26 fiscal year. You indicated you believe providing this funding is necessary to ensure Cost of Care Plus payments for the first quarter of fiscal year 2026-27 are made in a timely manner. State law, however, does not require Cost of Care Plus payments to be made by a certain date. Additionally, Provision 4 authorizes approvals of increased expenditures that are driven by changes in caseload or payments and generally targets cases where there are changes in federal or state policy. However, the additional expenditures requested by DSS are not due to programmatic changes made to Cost of Care Plus payments or changes in caseload for 2025-26. Rather, the increased authority is driven by an administrative decision to provide payment earlier than what was expected at the time the *2025-26 Budget Act* was adopted. I conclude that increasing spending authority to cover this type of administrative decision is not consistent with the type of changes that Provision 4 was meant to address.

I encourage the administration to limit the use of Provision 4 to instances where (1) the additional funding is necessary in the current year and (2) the need for the additional funding is driven by mid-year changes in federal or state requirements that affect caseload and/or payments. If the administration is interested in modifying the payment schedule for Cost of Care Plus payments moving forward, it could present a proposal to the Legislature as part of the annual budget process.

Sincerely,

A handwritten signature in black ink that reads "John Laird". The signature is written in a cursive, flowing style.

John Laird  
Chair

cc: Members of the Joint Legislative Budget Committee