



Memorandum

TO: NEIGHBORHOOD SERVICES AND EDUCATION COMMITTEE **FROM:** Emily Lam

SUBJECT: Child Care Policy Opportunities Status Report

DATE: February 2, 2026

Approved

Date:

2/5/2026

RECOMMENDATION

Accept a status report on potential opportunities for the City to improve provision of childcare to its residents.

BACKGROUND

As part of action on the City Council Focus Area Semi-Annual Status Report at the September 30, 2025 City Council meeting, the Council directed staff to bring a report to the February Neighborhood Services and Education (NSE) Committee meeting outlining categories of work that the City could undertake to improve access to childcare. This report responds to that direction.

ANALYSIS

1. Approaches in Other Jurisdictions

Developed nations have pursued different strategies on provision of childcare. Many European nations provide substantial childcare subsidies to their citizens, thereby reducing costs to individuals. In the United States, federal government investment in childcare is comparatively modest, which means that individuals in the United States tend to bear higher out of pocket costs. As the cost of childcare continues to rise, state and local governments are increasingly considering ways to improve affordability. To provide a broader policy context, this section provides summaries of a few sample programs being implemented by other state and local governments.

- **California:** In the 2025-2026 school year, California is in the final phase of implementing universal transitional kindergarten, which provides early education to children who turn 4 by September 1st. Programs are provided through local school districts and are free for all age-eligible children.
- **San Francisco:** On June 5, 2018, San Francisco voters passed Proposition C, a commercial rent tax, that generates approximately \$180 million a year to support provision of childcare. San Francisco uses this funding along with other sources to subsidize childcare for families up to 150% of area median income, provide training to support program quality, invest in improvements to existing childcare facilities, support construction of new facilities, and provide compensation increases for childcare workers to improve care quality and reduce turnover. San Francisco's subsidized system currently serves over 9,000 children.
- **New Mexico:** As of November 2025, New Mexico became the first state in the nation to provide universal subsidized childcare. Formerly the state provided fully subsidized care to families up to 400% of the federal poverty level, but now full subsidies are available to all families regardless of income. Costs for this program are anticipated to increase from \$445 million in the current fiscal year to \$730 million in 2029 as enrollment increases. These costs are funded in part by a fund established with taxes on oil and gas extraction on public lands.
- **Michigan:** Michigan's Tri-Share program is a workforce development initiative where the state partners with employers to each contribute one third of an employee's childcare costs, while the employee contributes the final third, resulting in a subsidy to the employee of 66%. Employees must work for a participating employer and earn between 200% and 400% of the federal poverty level to qualify for this program. In 2025, 297 employers participated in this program and it served 1,044 children.

2. City Efforts and Opportunities

This section both provides a summary of the childcare efforts that the City is currently undertaking and notes opportunities for additional efforts.

2.1 Provision of Childcare at City Facilities

The Parks, Recreation and Neighborhood Services (PRNS) Department runs several programs that assist San José families with childcare, including the following:

- **San José Recreation Preschool (SJRP):** During the 2024–2025 school year, SJRP offered 15 preschool classes serving children ages 3-5 across 10 community centers and 1 park. Classes are three hours per day, four days per week and operate September through June. This program served a total of 211

unduplicated participants in 2024-2025. Enrollment has declined in recent years, likely due to the implementation of universal transitional kindergarten, which provides a free alternative in an overlapping age range.

- **Recreation of City Kids (R.O.C.K.) Afterschool Program:** This affordable afterschool program offers a safe environment for homework assistance, enrichment and recreation. It is available Monday through Friday on school campuses and City of San José facilities from the time school is dismissed until 6 p.m., except school holidays, breaks, and in-service days. Each program follows the academic calendar of its corresponding school district.
- **Camp San José:** Campers participate in a summer day camp experience combining summer camp traditions with enrichment and educational activities. The program is available at multiple locations throughout San José and runs weekly camps Monday – Friday, 8 a.m. - 6 p.m. for youth ages 5 –12.
- **Camp San Jose Jr:** This summer camp serves children ages 3-5 and combines camp traditions with enrichment and educational activities. Camp San Jose Jr. is available at multiple locations city-wide and runs weekly camps Monday – Friday, 9 a.m. – 12 p.m.
- **Break Camps:** This program offers week-long break camps for children ages 5-12, providing a mix of games, sports, arts & crafts, and educational activities during the Fall, Winter and Spring break periods. Break Camps are offered out of various community centers city-wide from 8 a.m. – 6 p.m. Break Camps follow the academic calendar of its corresponding school district.

It's important to note that these programs are not licensed childcare. They benefit from an exemption under section 1596.792 of the California Health and Safety Code, which allows cities and other government agencies to operate recreation programs without a childcare license subject to certain restrictions. Most notably, given that SJRP serves children under 4 years and 9 months, it can only operate 12 hours per week under the license exemption, while licensed programs can provide full time care.

Moving to licensed care would be a significant change to the existing PRNS service model. A licensed program would impose new requirements both on the physical layout and amenities at program sites and on the operational and staffing model used to deliver the program. Site requirements could include construction of bathrooms, fenced outdoor play spaces, building modifications, or other improvements. The Santa Clara County Office of Education recently conducted a preliminary site feasibility study for providing licensed care at the Edenvale Community Center. That study is attached to this memorandum as an example of the types of site alterations that may be required. Funding would be necessary to accomplish site improvements. The attached feasibility study estimates site improvement costs for Edenvale at \$2.5 to \$3 million.

Licensed care would also require new staffing and operational models. If provided in-house with City staff, the City would need to hire appropriately credentialed staff, potentially requiring the creation of new job classifications. Alternatively, the City could

attempt to contract out operation to a licensed childcare provider. The City has some experience with this model. Kidango, a childcare provider, currently operates a childcare program at the City’s Meadowfair Center through the Neighborhood Center Partner Program.

It's important to note that operation of a licensed childcare program at a community center could entail trade-offs with other activities at the center. Community centers are typically multi-use facilities. Depending on the operational model, licensed care could require dedicated space that would displace other activities, resulting in the reduction of overall public recreation opportunities serving children, teens, active adults and seniors at the same facility.

Developing licensed care opportunities is not currently part of staff’s work plan. Pursuing this option would require additional staff resources to pursue the work as well as capital funding to construct any necessary improvements. If these resources were allocated, next steps would include identifying a viable site, scoping necessary site improvements, and developing an operational model.

2.2 Subsidies

Given that the cost of childcare is the primary barrier to access for many families, subsidized care is a common strategy for increasing childcare access. The City currently subsidizes care on a limited basis by providing scholarships for the PRNS programs discussed in the previous section. During the 2024–2025 school year, PRNS awarded full scholarships to qualifying working families. See the breakdown below:

Season	Program	Ages	Unduplicated Participants	Scholarship Support
School Year	SJRP	3yrs-5yrs	40	\$137,790
School Year	R.O.C.K.	5yrs-12yrs	149	\$413,702
Summer	CampSJ	5yrs-12yrs	330	\$405,504
Summer	CampSJ Jr.	3yrs-5yrs	77	\$50,330
Fall, Winter & Spring	Break Camps	5yrs-12yrs	333	\$91,156
		TOTALS	929	\$1,098,482

This financial support removed barriers for families who may not otherwise have been able to participate. PRNS believes that scholarships are a valuable tool to increase access to City programs. Increasing scholarship access would be a way to remove barriers to programs the City currently operates.

As discussed in section 1, there are examples of jurisdictions implementing broad-based subsidy programs that either apply universally or have qualification criteria, such

as by income. Such programs often develop partnerships with a network of private providers who accept reimbursement directly from the jurisdiction, allowing them to provide care to qualifying families at no cost or reduced cost. Subsidies can also include support for childcare providers or workers to develop a robust ecosystem. For example, San Francisco pairs its subsidies to families with support for childcare facility improvements and wage support for childcare workers to expand availability and retain a high-quality workforce. Such broad-based programs require significant resources. As mentioned above, San Francisco's program relies primarily on a tax that generates around \$180 million a year.

2.3 Funding for Co-Location with Affordable Housing

As part of approval of the 2022-2023 Operating Budget, the City Council allocated \$900,000 to support the development of childcare facilities in the ground floor retail spaces of new City-funded affordable housing developments. The Library and Housing Department coordinate to expend these funds. To date it has supported development of childcare space in one project, the Tamien Station Apartments, which has recently been completed. Funding remains for additional projects.

2.4 Zoning Code

The San José Zoning Code sets out land use regulations for day care centers in San Jose. Day care centers are an allowed use in most zoning districts with the approval of a Special Use Permit (SUP). An SUP is a discretionary land use approval that is initially decided at the Director's Hearing and can be appealed to the Planning Commission. Centers that are co-located with schools and religious assembly uses do not need an SUP. They are allowed by right without a public hearing. State-licensed family day care homes that provide childcare within a residence are also permitted by right without an SUP. An SUP requires additional time and expense for an applicant, so being able to proceed by right makes a day care center project somewhat easier.

In 2025, the State Legislature passed and the Governor signed AB 752, a new state law that requires local jurisdictions to allow day care centers co-located with multifamily housing as a by right use. This means that San Jose can no longer require SUPs for day care centers co-located in this way. Planning, Building and Code Enforcement (PBCE) staff must now bring forward a Zoning Code amendment to implement this law. Staff anticipates bringing this amendment to City Council by June 2026.

PBCE staff believes that there may be some additional opportunity to allow centers to move forward without an SUP; however, additional loosening of regulations needs to be balanced with ensuring that day care centers are compatible with surrounding uses and do not create problems for neighbors. Proposed day care centers can sometimes cause concerns from surrounding residents, such as concerns with how cars will stack during pick-up and drop-off operations. If regulations are further loosened, it would be

important to set careful criteria for when additional centers would be allowed by right and where the City would retain discretionary approvals when needed to ensure compatibility.

Additional amendments to day care center regulations beyond those required for compliance with AB 752 are not currently part of PBCE's ordinance work plan. That work plan is currently focused on critical state law compliance efforts and mandatory Housing Element programs. If the Council wished to direct this work it would not be able to commence for at least a year, and Council would need to consider tradeoffs with other ordinance priorities.

2.5 Training and Business Development

The City undertakes a number of efforts to support businesses and individuals in providing high-quality child care. Those efforts are summarized below.

- **Friends, Family, and Neighbors Network Program:** The Library's Friends, Family, and Neighbors Network Program provides support and training to individuals who care for other people's children, including grandparents, relatives, friends, neighbors, babysitters, or nannies. Support can include providing a community of caregivers, computer and internet training, child development workshops, and more. Through the adoption of the 2025-2026 Adopted Operating Budget, this program will be eliminated effective July 1, 2026 as a cost savings measure in the General Fund. Additional information on this program will be provided through a separate item on this agenda.
- **Boost Program:** In 2024-2025, the City awarded \$1.048 million in Community Development Block Grant (CDBG) funds to Upwards to implement the Boost Program. The program provides comprehensive technical assistance and business support to low- and moderate-income home daycare owners in San Jose over a 12-month period. Participants receive individualized professional guidance to help build sustainable operational models, increase capacity, and broaden economic opportunities. In 2024-2025, the BOOST Program served 131 daycare owners in San Jose. These providers created 39 new childcare jobs, comprising both full-time and part-time employment and 48% of participants reported a 20% increase in gross revenue by the end of the program. An additional \$1.048 million in CDBG funds, administered by the Housing Department, has been awarded to this program for 2025-2026.

As described above, the City has been active in providing training and business support programs. Other cities are also active in this area—San Francisco's program has a training component. There is an opportunity to provide beneficial services in this area if resources are available.

In addition to these targeted programs, general support for small businesses provided through the Office of Economic Development and Cultural Affairs is available to childcare providers as it is to other businesses. It's important to note, however, that federal Workforce Innovation Opportunity Act funds, administered through work2future to provide workforce training, cannot be used to fund childcare training, as it does not align with the priority sectors established for this funding by the Department of Labor.

2.6 Children and Youth Services Master Plan Implementation

Implementation of the Children and Youth Services Master Plan provides an opportunity to connect residents with existing resources and enhance interjurisdictional cooperation. In particular:

- Childcare services are a component of the no wrong door approach to building an integrated system of care. When implemented at the two demonstration sites, the no wrong door approach will help to connect residents to childcare assistance opportunities that they may not otherwise have been aware of.
- Implementation of the Children and Youth Services Master Plan is also an opportunity to increase coordination. In 2026, PRNS staff has convened an internal working group composed of City staff to align and coordinate internal resources. As an example, staff is pursuing training for City staff on the no wrong door approach.

Staff will continue to report out on Children and Youth Services Master Plan efforts through the bimonthly verbal reports that have been added to the NSE work plan and through a written status report in the fall.

3. Efforts by Other Agencies

Several other agencies in Santa Clara County are implementing programs and providing leadership on childcare issues. As part of preparation of this report, City staff met with staff from the below agencies to learn about the scope of their efforts.

3.1 Office of Children and Families Policy

The Office of Children and Families Policy (OCFP) is an office within the Santa Clara County Social Services Agency that aims to amplify the most critical needs of children and families in Santa Clara County and to provide data and evidence-based recommendations for sound policies, programs, and systems coordination. Below is a summary of efforts currently underway at OCFP related to childcare.

- In March of 2026, OCFP will present to the Board of Supervisors on the disposition of American Rescue Plan Act funds allocated by the County to

support provision of childcare and will also make forward-looking policy recommendations for County efforts in this area.

- OCFP is commencing development of a childcare blueprint project that will bring together experts in the childcare field with vulnerable populations in need of childcare who intersect with other County services, such as foster youth, immigrants and migrant workers. The report will aim to identify short and long-term childcare solutions for these populations. As part of development of the blueprint, the City will be represented on the County's childcare advisory group.
- Finally, OCFP is a collaborative partner with the City in implementation of the Children and Youth Services Master Plan.

3.2 Santa Clara County Office of Education

The Santa Clara County Office of Education operates a number of programs to connect residents with licensed childcare, support childcare providers and train childcare professionals, including the following:

- Operates the Childcare Resources and Referrals Program, which provides a portal that lists all licensed childcare providers in the County and serves to connect County residents to childcare opportunities.
- Provides support to family childcare home providers in starting and expanding their businesses, including assistance obtaining a license and health and safety training.
- Supports training and professional development for childcare professionals.

3.3 First 5

First 5 has operated or piloted a number of programs to improve childcare access and quality, including the following:

- The Quality Matters Initiative, a partnership with the County Office of Education, focuses on increasing the quality of early learning and care settings through investments in early education professionals who work in both center-based and home-based environments.
- The Early Learning Apprenticeship Program, which allows participants to earn their Associate Teacher permit and complete 1,000 hours in an early learning setting. This program is now being transitioned to the Santa Clara County Office of Education.
- The Shared Services Alliance, which provides in-home childcare owners with back-office business support.
- The Transitional Kindergarten Equity Initiative, which helps to train early educators to support the implementation of universal transitional kindergarten in California.

4. Process for Revising Focus Areas

As part of the City Council's deliberation on the Focus Area Semi-Annual Status Report at the September 30, 2025 City Council meeting, questions arose as to whether it would be possible to include provision of childcare as a goal in one of the City's Focus Areas. Given the importance of aligning Focus Areas with adequate resources, changes to the Focus Areas can be directed by the City Council through the budget process.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, the Parks, Recreation and Neighborhood Services Department, and the Library Department, and the Housing Department.

/s/
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and Intergovernmental Relations

For questions, please contact Peter Hamilton, Assistant to the City Manager, Office of Administration, Policy and Intergovernmental Relations, at peter.hamilton@sanjoseca.gov.

ATTACHMENT

Childcare Facility Preliminary Assessment of Feasibility