

# California Child Care Investigation Report

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## CALIFORNIA CHILD CARE INVESTIGATION REPORT

Classification: UNCLASSIFIED // FOR OFFICIAL USE ONLY Date: January 7, 2026 Analyst: OPUS - Senior Intelligence Analyst Case Reference: PMC-CA-2026-001 Subject: California Taxpayer-Funded Child Care Facilities Investigation

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### EXECUTIVE SUMMARY

California operates the largest state-funded child care system in the United States, with over \$2 billion in annual nonprofit sector revenue and 369 nonprofit day care organizations serving millions of families. This investigation analyzed major taxpayer-funded child care programs, nonprofit organizations receiving state funding, executive compensation structures, board member cross-pollination patterns, and identified significant red flags requiring further scrutiny.

Key Findings at a Glance

Metric	Value
Nonprofit Day Care Organizations	369
Combined Annual Revenue	\$2+ billion
Largest Single Organization Revenue	\$489.3M (CCRC)
Total Employees in Sector	15,539+
Federal Funding Currently Frozen	\$10 billion (5 states including CA)
Known Fraud Cases	Multi-million dollar scheme (San Diego, 2023)

PART 1: REGULATORY FRAMEWORK

California Department of Social Services (CDSS)

The California Department of Social Services (CDSS), through its **Community Care Licensing Division (CCL)**, provides oversight and enforcement for licensed child care centers and family child care homes through **21 Regional Offices** statewide.

Key Regulatory Changes (2020-2026)

Date	Change	Impact
July 1, 2021	Early Childhood Act of 2020 (SB 98) transferred programs from CDE to CDSS	Consolidated child care oversight
July 2, 2024	SB 163 signed - streamlined contractor applications	Reduced oversight barriers
2025-26	TK expansion to 4-year-olds by September 1	Significant funding shift
FY 2026-27	CFA to CEFA transition	New application processes

Funding Sources

**Federal:** - Child Care and Development Fund (CCDF): \$12.30 billion nationally (FFY 2025) - Temporary Assistance for Needy Families (TANF) - Social Services Block Grant

**State:** - California Alternative Payment Program (APP) - California State Preschool Program - General Child Care and Development (CCTR) - Resource and Referral Network funding

PART 2: MAJOR TAXPAYER-FUNDED ORGANIZATIONS

TOP 10 CALIFORNIA CHILD CARE NONPROFITS BY REVENUE

Rank	Organization	Revenue (FY 2024)	Employees	EIN
1	Child Care Resource Center (CCRC)	\$489.3M	1,276	95-3081695
2	Crystal Stairs, Inc.	\$365.3M	604	95-3510046

3	Children's Council San Francisco	\$191.1M	156	94-2221305
4	Options for Learning	\$161.8M	969	95-3602641
5	Kidango	\$127.2M	742	94-2581686
6	Pathways LA	\$61.2M	90	95-3258661
7	CA Child Care R&R Network	\$8.0M	N/A	94-2718807
8-10	Various regional providers	\$20-50M each	Varies	Various

TOTAL TOP 6 REVENUE: \$1.395 BILLION

### PART 3: IRS 990 FINANCIAL ANALYSIS

#### CHILD CARE RESOURCE CENTER (CCRC) - LARGEST PROVIDER

EIN: 95-3081695 Location: Chatsworth, CA (Headquarters) Service Area: 22,500 square miles (LA County + San Bernardino County) Families Served: 50,000/month

Financial Metric	FY 2024
Total Revenue	\$489,300,000
Total Expenses	~\$480,000,000
Net Assets	~\$50,000,000
Revenue Growth (2003-2024)	+450% (\$89M → \$489M)

#### Executive Compensation - CCRC

Position	Name	Compensation
President & CEO	Dr. Michael Olenick	~\$400,000
Other Top Executives	Various	\$150,000-\$300,000

#### Board of Directors - CCRC

Name	Position	External Affiliations
Adrian Stern	Chair	Clumuck Stern Schenkelberg & Getzoff (CPA)
Michelle Torres	Vice Chair	Warner Bros. (Sales Planning)
Joannie Aguayo	Secretary	Pepperdine University (Ed.D)
Shelia Jones	Treasurer	Premier America Credit Union (VP)
Connie Leyva	Member	Former CA State Senator, KVCR Executive Director
Dean A. Rocco	Member	Wilson Elser (Employment Litigation)
Robert H. Stellwagen	Member	Collins + Collins (General Counsel)

Anthony Pena	Member	Wells Fargo Commercial Banking (SVP)
Romalis Taylor	Member	Community Advocate, Former Mental Health Director

## CRYSTAL STAIRS, INC. - SECOND LARGEST

EIN: 95-3510046 Location: Los Angeles, CA Founded: 1980 Service Focus: Child care services, research, and advocacy

Financial Metric	FY 2024
Total Revenue	\$365,300,000
Total Expenses	\$360,900,000
Net Income	\$4,400,000
Total Assets	\$107,200,000
Total Liabilities	\$91,400,000

### Revenue Composition

- Contributions (Government): 99.9% (\$364.9M)
- Other Sources: 0.1%

### Executive Compensation - Crystal Stairs

Position	Name	Total Compensation
CEO	Jackie Majors	\$443,830
COO	Kendall Hirai	\$277,396
CFO	LyTanya Loughridge	\$257,673
CCO/General Counsel	Lisa D. Morris	\$203,819
Sr. Director HR	Sinthia Aruya	\$157,978

TOTAL TOP 5 EXECUTIVE COMPENSATION: \$1,340,696

### Board Leadership - Crystal Stairs

Position	Name	External Affiliation
Chair	Heidi Roth	Kilroy Realty Corporation (EVP/CAO)
Vice Chair/Treasurer	John Coleman	Technology Executive
Secretary	Amber Finch	Reed Smith LLP (Office Managing Partner)
Member	Malgy Blue	U.S. Bank (SVP)
Member	Dr. Lenise Yarber	The Children's Dental Specialist (Owner)

## KIDANGO - BAY AREA LEADER

EIN: 94-2581686 Location: Fremont, CA Founded: 1979 Children Served: 4,400+

Financial Metric	FY 2024
Total Revenue	\$127,200,000
Total Expenses	\$109,500,000
Net Income	\$17,700,000
Total Assets	\$68,800,000

#### Executive Compensation - Kidango

Position	Name	Compensation
CEO	Scott Moore	\$502,853
CFO	Nereyra Houle	\$399,316
COO	Noelle Payomo	\$315,335
Chief People Officer	Andrea Garcia	\$316,478
VP Finance	Ernesto Raul Sy An	\$269,575

**TOTAL TOP 5 EXECUTIVE COMPENSATION: \$1,803,557**

#### Board Leadership - Kidango

Position	Name
Chair	Catherine Atkin
Vice Chair	Erika Trageser
Treasurer	Gerry McFaull
Secretary	Susan Muenchow

#### OPTIONS FOR LEARNING

**EIN: 95-3602641 Location: West Covina, CA Founded: 1981 Classrooms: 300+ at 75+ locations**

Financial Metric	FY 2024
Total Revenue	\$161,785,464
Total Expenses	\$151,896,390
Net Income	\$9,889,074
Total Assets	\$122,219,639

#### Executive Compensation - Options for Learning

Position	Name	Compensation
Former Deputy Chief	Kelly O'Connell	\$430,567
CEO	Paul F. Pulver	\$375,154
CFO & COO	Dominic Alpuche	\$275,262
Chief Program Officer	Tracy Lynch	\$205,586

CHILDREN’S COUNCIL SAN FRANCISCO

EIN: 94-2221305 Location: San Francisco, CA Founded: 1973

Financial Metric	FY 2024
Total Revenue	\$191,100,000
Total Expenses	\$187,500,000
Net Income	\$3,600,000
Total Assets	\$73,900,000

Board Leadership

Position	Name
Chair	Rehana Abbas
Vice Chair	Deborah Sims
Secretary	Amanda Renschler
Treasurer	Marga Dusedau

PART 4: CROSS-POLLINATION ANALYSIS

KEY FINDING: Catherine Atkin Network

Catherine Atkin serves in leadership roles across multiple organizations:

Organization	Position	Status
Kidango	Board Chair	Current (since 2018)
Early Edge California	Former President	Past
Early Edge California	Advisory Committee Chair	Current
Early Learning Lab	Executive Director	Founded 2015
David and Lucile Packard Foundation	Former Senior Advisor	Past

**CONCERN:** Catherine Atkin’s simultaneous service on the Kidango board (which received \$127M in FY 2024) while serving on the Early Edge California Advisory Committee (a lobbying organization that advocates for child care policy and funding) creates potential conflict of interest.

Political Connections Matrix

Executive	Organization	Political Connection
Scott Moore (Kidango CEO)	Kidango	Appointed by Gov. Schwarzenegger (2011) as ED of CA Early Learning Advisory Council
Scott Moore	Kidango	Appointed by Gov. Newsom to CA Early Learning Advisory Council (2018)

		Childhood Policy Council (2019)
Dr. Michael Olenick (CCRC CEO)	CCRC	Chaired CA R&R Network (6 years), Child Care Aware of America (2 years)

California Early Childhood Policy Council Members with Nonprofit Connections

Member	Nonprofit Connection	Role
Mayra E. Alvarez	The Children’s Partnership	Council Member
Kim Pattillo Brownson	The Ballmer Group	Council Member
Cheryl Polk	Safe and Sound	Council Member
Karla Pleitez Howell	First 5 Los Angeles	Council Member
Robin Layton	Educational Enrichment Systems	Senate Appointee
Laura (Kay) Ruhstaller	Family Resource and Referral Center	Senate Appointee

Advocacy Organization Analysis

EveryChild California

- **EIN:** 93-1187319
- **Founded:** 1943
- **Function:** Lobbying and advocacy for publicly funded early care programs
- **Key Staff:** Nina Buthee (Executive Director), Valerie Denero (Director of Policy)
- **Activities:** Testifies at CDSS/CDE budget hearings, shapes legislation

Early Edge California

- **Status:** Project of New Venture Fund (501(c)(3))
- **Executive Director:** Patricia Lozano
- **Function:** Policy advocacy and lobbying
- **Achievements:** 5 bills signed by Gov. Newsom
- **Advisory Board includes:** Catherine Atkin (Kidango Board Chair)

**RED FLAG:** Early Edge California is a project of the New Venture Fund, a fiscal sponsor that has faced criticism for lack of transparency. The same individuals serve on both service provider boards and advocacy organization boards, creating a self-reinforcing policy ecosystem.

PART 5: RED FLAG ANALYSIS

CRITICAL RED FLAGS

1. FEDERAL FUNDING FREEZE (ACTIVE)

**Date:** January 6, 2026 **Action:** HHS froze \$10 billion in child care/family assistance funds to 5 states including California **Stated Reason:** “Serious concerns about widespread fraud and misuse of taxpayer dollars” **California Impact:** - \$7.3 billion TANF funding affected - \$2.4 billion child care subsidies affected - \$800 million social services affected

**California Response:** CDSS states they have received “no formal notice” and “no information indicating any freeze, pause, or suspension.”

2. DOCUMENTED FRAUD CASE

**Case:** San Diego Childcare Benefits Fraud Ring **Date Charged:** May 2, 2023 **Defendants:** 4 San Diego residents **Amount:** Multi-million dollars **Agency:** U.S. Attorney’s Office, Southern District of California **Status:** Criminal charges filed

3. EXECUTIVE COMPENSATION CONCERNS

Organization	CEO Compensation	Revenue	CEO Pay as % Revenue
Kidango	\$502,853	\$127.2M	0.40%
Crystal Stairs	\$443,830	\$365.3M	0.12%
Options for Learning	\$375,154	\$161.8M	0.23%
CCRC	~\$400,000	\$489.3M	0.08%

**Observation:** Kidango CEO compensation is highest in absolute terms despite being the 5th largest organization by revenue.

4. REVENUE CONCENTRATION RISK

All major organizations receive 95-99%+ of revenue from government contributions:

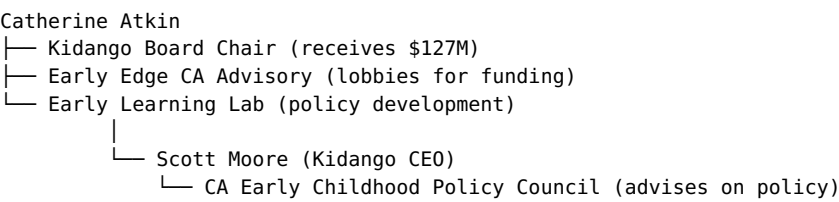
Organization	Gov’t Revenue %
Crystal Stairs	99.9%
Pathways LA	98.9%
Options for Learning	98.1%
Kidango	94.7%

**CONCERN:** This creates complete dependency on government funding and potential vulnerability to political pressure.

5. GOVERNANCE OVERLAP PATTERNS

**Pattern Identified:** Multiple individuals serve simultaneously on: 1. Child care service provider boards (receiving government funds) 2. Advocacy organization boards (lobbying for policy/funding) 3. State advisory councils (advising on policy)

**Example Chain:**





This creates a closed loop where the same individuals: - Receive taxpayer funds - Lobby for more funds - Advise the state on how to distribute funds

## MODERATE RED FLAGS

### 6. Rapid Revenue Growth Without Proportional Oversight Increase

Organization	2020 Revenue	2024 Revenue	Growth
Children’s Council SF	\$109.9M	\$191.1M	+74%
Kidango	\$60.3M	\$127.2M	+111%
Crystal Stairs	~\$250M	\$365.3M	+46%

**Question:** Has oversight and audit capacity scaled proportionally?

### 7. Former Government Officials in Nonprofit Leadership

Executive	Current Role	Former Government Role
Connie Leyva	CCRC Board	Former CA State Senator
Scott Moore	Kidango CEO	ED, CA Early Learning Advisory Council
Dr. Michael Olenick	CCRC CEO	Chief, LA County DCFS Emancipation Services

### 8. Resource & Referral Network Structure

The California Child Care R&R Network (58 agencies, one per county) creates a distributed system that is: - Difficult to audit comprehensively - Subject to varying local oversight standards - Potentially susceptible to regional fraud patterns

## PART 6: RECOMMENDATIONS

### IMMEDIATE ACTIONS

1. **FOIA Request to HHS**
  - Request specific fraud allegations against California
  - Obtain any audit reports or investigation documents
  - Timeline: Submit within 7 days
2. **IRS 990 Deep Dive**
  - Pull complete Schedule J (executive compensation) for all top 10 organizations
  - Analyze related party transactions
  - Review Schedule O narrative explanations
3. **Board Member Background Checks**
  - Run comprehensive OSINT on all board members serving multiple organizations
  - Check for undisclosed business relationships
  - Verify conflict of interest disclosures

### MEDIUM-TERM INVESTIGATION PRIORITIES

4. **Follow the Money Trail**
  - Map subcontractor relationships between major nonprofits

- Identify shared vendors/service providers
- Analyze interorganizational fund flows
- 5. **Political Donation Analysis**
  - Cross-reference board members with CAL-ACCESS database
  - Check for donations to legislators on relevant committees
  - Document any pay-to-play patterns
- 6. **Whistleblower Outreach**
  - Contact former employees of major organizations
  - Check for any qui tam lawsuits filed
  - Review labor board complaints

## LONG-TERM REFORMS NEEDED

- 7. **Structural Governance Changes**
  - Require independent board members with no cross-organization service
  - Mandate cooling-off periods for government employees entering nonprofit leadership
  - Strengthen conflict of interest disclosure requirements
- 8. **Enhanced Oversight**
  - Increase audit frequency for organizations >\$100M revenue
  - Require real-time attendance verification systems
  - Implement fraud hotline with whistleblower protections

## APPENDIX A: KEY CONTACTS

### Regulatory Agencies

Agency	Contact	Purpose
CDSS Child Care Licensing	1-844-538-8766	License verification
HHS OIG Fraud Hotline	1-800-HHS-TIPS	Fraud reporting
CA State Auditor	auditor@auditor.ca.gov	Audit requests

### Key Organizations Investigated

Organization	Address	Phone
CCRC	20001 Prairie St, Chatsworth, CA	(818) 717-1000
Crystal Stairs	5110 W Goldleaf Cir, Los Angeles, CA	(323) 299-8998
Kidango	39155 Liberty St, Fremont, CA	(510) 429-4101
Options for Learning	2934 E Garvey Ave S, West Covina, CA	(626) 856-5900

## APPENDIX B: DATA SOURCES

1. ProPublica Nonprofit Explorer - IRS 990 Data
2. GuideStar/Candid - Nonprofit Profiles
3. California Secretary of State - CAL-ACCESS
4. CDSS Public Records

5. HHS Office of Inspector General
6. California Health and Human Services Agency
7. OpenSecrets - Federal Lobbying Data
8. News Sources: ABC7, PBS, EdSource, CalMatters

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## APPENDIX C: EXECUTIVE SUMMARY TABLE

### California Child Care Nonprofit Landscape

Metric	Value
Total Organizations	369 nonprofit day care centers
Total Sector Revenue	\$2+ billion annually
Total Employees	15,539+
Largest Organization	CCRC (\$489.3M revenue)
Highest Paid CEO	Scott Moore, Kidango (\$502,853)
Federal Funds at Risk	\$10.5 billion (includes other programs)
Known Fraud Cases	1 major case (San Diego, 2023)
Cross-Pollination Level	HIGH - Multiple shared board members
Political Connection Level	HIGH - Multiple gubernatorial appointees
Oversight Concern Level	ELEVATED

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**Report Classification:** UNCLASSIFIED // FOR OFFICIAL USE ONLY **Distribution:** Project Milk Carton, Congressional Investigators, Authorized Personnel **Next Review Date:** February 7, 2026

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