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WELFARE AND INSTITUTIONS CODE - WIC

DIVISION 9. PUBLIC SOCIAL SERVICES [10000 - 18999.98] (*Division 9 added by Stats. 1965, Ch. 1784.*)

PART 1.8. Child Care and Development Services Act [10207 - 10492.2] (*Part 1.8 added by Stats. 2021, Ch. 116, Sec. 260.*)

CHAPTER 13. Allocations and Expenditures [10300 - 10309.7] (*Chapter 13 added by Stats. 2021, Ch. 116, Sec. 260.*)

10300. (a) The department may reimburse approvable startup costs of child development agencies or facilities in an amount not to exceed 15 percent of the expansion or increase of each agency's total contract amount. Under no circumstances shall reimbursement for startup costs result in an increase in the agency's total contract amount. These funds shall be available for all of the following:

- (1) The employment and orientation of necessary staff.
- (2) The setting up of the program and facility.
- (3) The finalization of rental agreements and the making of necessary deposits.
- (4) The purchase of a reasonable inventory of materials and supplies.
- (5) The purchase of an initial premium for insurance.

(b) Agencies shall submit claims for startup costs with their first quarterly reports.

(c) The Legislature recognizes that allowances for startup costs are necessary for the establishment and stability of new child development programs. Programs initially funded in the 1978–79 fiscal year and 1979–80 fiscal year are included in this section.

(*Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.*)

10300.5. (a) The department and the State Department of Education shall promote full utilization of childcare and development and preschool funds and match available unused funds with identified service needs. The department and the State Department of Education shall attempt to arrange intra-agency adjustments between California state preschool program contracts and general childcare contracts for the same agency and funding allocation. The department and the State Department of Education shall establish timelines for intra-agency contract fund transfers.

(b) The department shall promote full utilization of childcare and development program funds and match available unused funds with identified service needs. Notwithstanding the requirements of Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code, the department shall arrange interagency adjustments between different contractors with the same type of contract when both agencies mutually agree to a temporary transfer of funds for the balance of the fiscal year. The department shall establish timelines for interagency contract fund transfers.

(c) Notwithstanding the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the department and the State Department of Education may implement and administer this section through the issuance of guidance or other written directives, which may include, but is not limited to, establishing timelines for submittal of requests to transfer funds.

(*Amended by Stats. 2023, Ch. 41, Sec. 17. (AB 116) Effective July 10, 2023.*)

10301. (a) The department shall develop a plan and procedures for the allocation of expansion funding balances resulting from the pro rata allocation of expansion for the partial year operations of new agencies.

(b) A plan shall provide for the distribution of such funds among provider agencies whose enrollments include children with special needs and shall limit provider agencies' use of these funds to the purchase of department-approved equipment or materials or one-time-only services, or any of them, that will directly benefit the children with special needs.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10301.5. (a) The Legislature recognizes the shortage of child care and development and preschool facilities which meet state and local health and safety standards, and the lack of other sources of funding for renovations and repairs necessary to upgrade facilities for licensing in order to accommodate major child care and preschool expansion. It is, therefore, the intent of the Legislature that funds be appropriated for the purpose of providing revolving loans with no interest, as provided in Section 10303, to all other types of child care and development and preschool facilities, in order to provide sufficient child care and development and preschool facilities meeting licensing standards to accommodate the level of child care and preschool expansion provided in this chapter.

(b) It is further the intent of the Legislature that funds be appropriated for the state purchase of relocatable child care and development and preschool facilities as provided in Section 10307, for lease to qualifying contracting agencies in geographic areas with no available child care and development or preschool facilities.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10302. Unless specifically exempted by the Legislature, the administrative cost for all state-funded child care and development and preschool programs and all federal programs administered by the state shall not exceed 15 percent of the funds provided for those programs. Eighty-five percent of these funds shall be used to provide direct services in accordance with rules and regulations, or contractual funding terms and conditions prescribed by the department.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10302.5. (a) The department shall establish regulations for the allocation of capital outlay funds provided pursuant to Section 10303 to Section 10304.5, inclusive, to benefit children most needing child care and development or preschool programs. The first priority for all capital outlay shall be given to facilities located in geographic areas with no other available enrollment slots in existing subsidized and nonsubsidized child care and development or preschool facilities. All such capital outlay funding shall be used solely for purposes of renovation and repair of existing buildings.

(b) The department shall establish qualifications for determining the eligibility of contracting agencies and day care homes to apply for capital outlay funds.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10303. The department shall establish a revolving loan fund to provide loans to child care and development or preschool contracting agencies for capital outlay not to exceed 2 percent or two thousand dollars (\$2,000), whichever is greater, of the agency's contract amount. These loans shall be available with no interest and shall be used to renovate and repair child care or preschool facilities to meet state and local health and safety standards.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10304. (a) Repayments on loans made pursuant to Section 10303 shall commence within one year after allocation of the loan to the contracting agency. In lieu of payments by the contracting agency, the department shall annually reduce the agency's contract amount for child care or preschool services by at least the level of normal depreciation allowance on the renovation or repair, calculated by the straight line method of depreciation.

(b) The entire balance of a loan made pursuant to this section shall be payable to the department immediately if the contracting agency ceases operation of services to children subsidized pursuant to this chapter, or if the department fails to renew the agency's contract, or if 10 years have elapsed from the date of the allocation.

(c) The department shall deposit all revenue derived from loan payments made by contracting agencies, or reductions made by the department in agencies' contracts in lieu of payments, into the revolving loan fund for allocation to other contracting agencies for capital outlay projects pursuant to this section.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10304.5. The state shall hold a security interest in all renovations and repairs funded pursuant to Section 10303.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10305. (a) For purposes of this section "department" means the Department of Housing and Community Development.

(b) Subject to appropriation in the annual Budget Act, the Child Care and Development Facilities Loan Guaranty Fund and the Child Care and Development Facilities Direct Loan Fund are hereby established in the State Treasury. The State Department of Social

Services may transfer state funds appropriated for child care and preschool facilities enhancement and the proceeds derived from any future sales of tax-exempt child care and development and preschool facilities bonds into these funds.

(c) Notwithstanding Section 13340 of the Government Code, all moneys in the Child Care and Development Facilities Loan Guaranty Fund and the Child Care and Development Facilities Direct Loan Fund, including any interest on loans made from the fund, or loan repayments to the fund, are hereby continuously appropriated to the department for carrying out the purposes of this section and Section 10305.5, respectively. Any loan repayment or interest resulting from investment or deposit of moneys in these funds shall be deposited in the applicable fund, notwithstanding Section 16305.7 of the Government Code. Moneys in the funds shall not be subject to transfer to any other fund pursuant to Part 2 (commencing with Section 16300) of Division 4 of Title 2 of the Government Code, except the Surplus Money Investment Fund.

(d) (1) Moneys deposited in the Child Care and Development Facilities Loan Guaranty Fund shall be used for the purpose of guaranteeing private sector loans to sole proprietorships, partnerships, proprietary and nonprofit corporations, and local public agencies for the purchase, development, construction, expansion, or improvement of licensed child care and development and preschool facilities, and for the purpose of administering the guarantees of these loans. The loan guarantees shall be made by the department or by a public or private entity approved by the department, in accordance with the priorities established by the department, as described in Section 10305.5. The full faith and credit of the State of California is not pledged to the Child Care and Development Facilities Loan Guaranty Fund and the state is not liable for loan defaults that exceed the amount of funds deposited with the Child Care and Development Facilities Loan Guaranty Fund.

(2) A loan guarantee made pursuant to this section may not exceed 80 percent of the principal and interest amount of a private sector loan guaranteed by the fund and shall be used only to guarantee a private sector loan for the purchase, development, construction, expansion, or improvement of facilities described in Section 10305.5 and for related equipment and fixtures, but shall not be used primarily to refinance an existing loan or for working capital, supplies, or inventory. A loan guarantee for improvements shall be limited to those improvements necessary, as determined by the department, for any of the following purposes:

- (A) To obtain, maintain, renew, expand, or revise a child care license.
- (B) To make necessary health and safety improvements.
- (C) To make seismic improvements.
- (D) To provide access for disabled children.
- (E) To expand upon or preserve existing child care and preschool operations.

(3) The aggregate amount of outstanding loan guarantees shall not exceed four times the amount in the Child Care and Development Facilities Loan Guaranty Fund.

(4) A loan guarantee made pursuant to this section shall be for the term of the loan or 20 years, whichever is less. Security for the guaranteed loan may include a deed of trust, personal guarantees of shareholders and partners in the case of proprietary borrowers, or other reasonably available collateral. These liens may be subordinated to other liens. Default provisions and other terms shall be reasonable and designed to obtain prompt and full repayment of the guaranteed loan by the borrower. Reasonable loan guarantee fees and points may be charged to applicants and borrowers by any public or private entity approved by the department, as described in regulations adopted by the department.

(5) A loan guarantee made pursuant to this section shall only be granted if the applicant agrees to provide child care or preschool in a facility for a period of 20 years or the term of the guaranteed loan, whichever is less.

(6) A loan guarantee made pursuant to this section terminates 120 days after the lender's receipt of notice that the recipient has either ceased making payments or providing child care or preschool in the facility for which the loan was made, or both, unless the lender takes action to accelerate the loan. If a family child care provider ceases to operate, but retains its three-year license, the provider shall give notice to the department and the lending institution of its intention to resume offering child care services or preschool services for the term of its license, or shall provide notice of its intention to cease providing child care or preschool services. The Child Care and Development Facilities Loan Guaranty Fund is not liable for a default occurring after the loan guarantee has ended.

(e) (1) Moneys deposited in the Child Care and Development Facilities Direct Loan Fund shall be used for the purpose of making subordinated loans directly or through a public or private entity approved by the department to sole proprietorships, partnerships, proprietary and nonprofit corporations, and local public agencies for the purchase, development, construction, expansion, or improvement of licensed child care and development or preschool facilities, and for the purpose of administering these loans. Loans shall be made in accordance with the priorities established by the department as set forth in Section 10305.5. The full faith and credit of the State of California is not pledged to the Child Care and Development Facilities Direct Loan Fund and the state is not liable for loan defaults that exceed the amount of funds deposited in the Child Care and Development Facilities Direct Loan Fund.

(2) A loan made pursuant to this section may not exceed 75 percent of the total amount of investment for the purchase, development, expansion, or improvement of eligible child care and development or preschool facilities as described in Section 10305.5 and for related equipment and fixtures, but may not be used primarily to refinance an existing loan, for working capital, for supplies, or for inventory. A loan made pursuant to this section may not exceed 20 percent of the total amount of investment if the same facility is also utilizing a loan guarantee pursuant to subdivision (c). Investment for purposes of this paragraph means the total cost paid or incurred by the applicant in constructing, renovating, or acquiring a facility. A loan for improvements shall be limited to those improvements necessary, as determined by the department, for any of the following purposes:

- (A) To obtain, maintain, renew, expand, or revise a child care license.
- (B) To make necessary health and safety improvements.
- (C) To make seismic improvements.
- (D) To provide access for disabled children.
- (E) To expand upon or preserve existing child care or preschool operations.

(3) The term of a loan made pursuant to this section may not exceed 30 years. Security for the loan may include a deed of trust, personal guarantees of shareholders and partners in the case of proprietary borrowers, or other reasonably available collateral. These liens may be subordinated to other liens. The payment provisions, late charges, and other terms may vary based on the ability of the borrower to repay the loan, but shall be reasonable and designed to obtain prompt and full repayment of the loan by the borrower. A direct loan shall bear simple interest at the rate of 3 percent per annum on the unpaid principal balance. Reasonable loan fees and points may be charged to applicants and borrowers, as described in regulations adopted by the department. The department may permit a loan to be assumed by an otherwise qualified borrower who agrees to continue to provide child care or preschool for the balance of the original term of the loan.

(f) Funds appropriated for the purposes of this section and Section 10305.5 shall be made from funds that are not designated as meeting the state's minimum funding obligation under Section 8 of Article XVI of the California Constitution.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10305.5. (a) For purposes of this section "department" means the Department of Housing and Community Development.

(b) The department shall administer the Child Care and Development Facilities Loan Guaranty Fund and the Child Care and Development Facilities Direct Loan Fund. The department may administer the funds directly, through interagency agreements with other state agencies, through contracts with public or private entities, or through any combination thereof. If the department determines that a public or private entity is capable of making child care and development or preschool facilities loans or loan guarantees, the department may delegate the authority to review and approve those loans or guarantees to the public or private entity. The department is authorized to enter into interagency agreements to carry out the purposes of this section and Section 10305 by utilizing the services of small business financial development corporations established pursuant to Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of the Corporations Code. Toward this end, the department is authorized to transfer funds from the Child Care and Development Facilities Direct Loan Fund to the California Economic Development Grant and Loan Fund established by Section 15327 of the Government Code and to transfer funds from the Child Care and Development Facilities Loan Guaranty Fund to the Small Business Expansion Fund established by Section 14030 of the Corporations Code. Those funds shall be deposited into a Child Care Direct Loan Fund Account and a Child Care Loan Guaranty Fund Account hereby established in the respective funds. Notwithstanding anything to the contrary in Chapter 1 (commencing with Section 15310) of Part 6.7 of Division 3 of Title 2 of the Government Code and Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of the Corporations Code, the funds in these accounts shall be administered in compliance with the requirements of this section and Section 10305.

(c) Eligible applicants for the loan guaranty program and the direct loan program shall include, but not be limited to, sole proprietorships, partnerships, proprietary and nonprofit corporations, and local public agencies that are responsible for contracting with or providing licensed child care and development services, preschool services, or both. Eligible facilities shall include licensed full-day and part-day child care and development facilities, preschool facilities, and licensed large family child care homes as described in Section 1597.465 of the Health and Safety Code, and licensed small family child care homes as described in Section 1597.44 of the Health and Safety Code.

(d) Loan guarantees and direct loans for family child care homes shall not be made for the purpose of purchasing a home or any real property.

(e) The State Department of Social Services shall provide input regarding program priorities that shall be considered in the funding of applications by the department. These priorities shall include, but are not limited to, the following:

- (1) Geographic priorities based on the extent of need for child care and development and preschool supply-building efforts in different parts of the state.

(A) Not less than 30 percent of the loan guarantee and direct loan obligations shall benefit providers located in rural areas, as defined in subparagraph (B). If the amount of qualified applications from rural providers is insufficient to satisfy this requirement, the excess capacity reserved for rural providers may be made available to other qualified applications according to the policies and procedures of the department. The remaining 70 percent of funds shall be available to rural or urban areas and other priorities in accordance with this subdivision.

(B) For purposes of subdivision (a), rural communities are defined by any county with fewer than 400 residents per square mile.

(2) Age priorities based on the extent of need for child care and development or preschool supply-building efforts for children of different age groups.

(3) Income priorities shall include families transitioning to work or other lower income families. For purposes of this section, "lower income" shall have the same meaning as "income eligible" as set forth in Section 10271.5.

(4) Program priorities based on the extent of facilities needs among specific kinds of providers, including those that contract to administer state and federally funded child care and development or preschool programs administered by the State Department of Social Services or the State Department of Education, providers who have lost classrooms due to class size reduction or other state or local initiatives, or providers that need to expand to meet the needs of a child care or preschool initiative for recipients of aid under Chapter 3 (commencing with Section 11200) of Part 3, or any successor program.

(f) The program priorities shall reflect input from representatives of diverse sectors of the child care and development or preschool fields, financial institutions, local planning councils, the Child Development Programs Advisory Committee, and the State Department of Social Services for purposes of identifying communities with high percentages of recipients of aid under Chapter 2 (commencing with Section 11200) of Part 3, or any successor program, who need child care or preschool to meet work requirements. As part of its annual report to the Legislature, required pursuant to Section 50408 of the Health and Safety Code, the department shall assess and report, after consultation with the State Department of Social Services, on the performance, effectiveness, and fiscal standing of the Child Care and Development Facilities Loan Guaranty Fund and the Child Care and Development Facilities Direct Loan Fund. The report shall include information on the number of defaults, the types of facilities in default, and a review of the adequacy of the set-aside for rural areas specified in paragraph (1) of subdivision (e).

(g) The department shall adopt regulations and establish priorities, forms, policies and procedures for implementing and managing the Child Care and Development Facilities Loan Guaranty Fund and the Child Care and Development Facilities Direct Loan Fund and making the loan guarantees and direct loans authorized hereunder consistent with priorities provided by the State Department of Social Services. To the extent feasible, the department shall use applicant fees and points to cover its administrative costs. The department may utilize an amount of money from the Child Care and Development Facilities Loan Guaranty Fund and the Child Care and Development Facilities Direct Loan Fund, as appropriate, for reasonable administrative costs in any given fiscal year. Unless an appropriation for administrative costs is made in the annual Budget Act that exceeds the following limits, administrative expenditures shall not exceed 3 percent of the amount appropriated to each fund in the Budget Act of 1997.

(h) (1) The department shall adopt regulations to efficiently and effectively implement the microenterprise loan program described in this subdivision, including, but not limited to, the following:

(A) Making loans available from the Child Care and Development Facilities Direct Loan Fund to local microenterprise loan funds and other lenders who may relend the funds in appropriate amounts to eligible small family child care home providers described in Section 1597.44 of the Health and Safety Code, large family child care home providers described in Section 1597.465 of the Health and Safety Code, licensed child care and development facilities, and preschool facilities that serve up to 35 children.

(B) Authorizing a specified amount of guarantees of small loans by local microenterprise loan funds and other lenders serving eligible small family child care home providers described in Section 1597.44 of the Health and Safety Code, large family child care home providers described in Section 1597.465 of the Health and Safety Code, licensed child care and development facilities, and preschool facilities that serve up to 35 children.

(2) Notwithstanding anything to the contrary in this section or Section 10305, a loan made pursuant to this subdivision shall not be made for less than five thousand dollars (\$5,000) or for more than fifty thousand dollars (\$50,000) and shall not be subject to the 75-percent investment restriction contained in paragraph (2) of subdivision (e) of Section 10305.

(i) The department may adopt regulations for the purposes of this section as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For the purposes of the Administrative Procedure Act, including Section 11349.6 of the Government Code, the adoption of the regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare, notwithstanding subdivision (e) of Section 11346.1 of the Government Code. Notwithstanding subdivision (e) of Section 11346.1 of the Government Code, any regulation adopted pursuant to this section shall not remain in effect more than 180 days unless the department complies

with all provisions of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, as required by subdivision (e) of Section 11346.1 of the Government Code.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10306. The Child Care and Development Facilities Loan Guaranty Fund, the Child Care and Development Facilities Direct Loan Fund, and the Child Care Loan Guaranty Fund Account in the Small Business Expansion Fund are abolished. All moneys remaining in the Child Care and Development Facilities Loan Guaranty Fund, the Child Care and Development Facilities Direct Loan Fund, and the Child Care Loan Guaranty Fund Account in the Small Business Expansion Fund shall revert to the General Fund. The Department of Housing and Community Development shall deposit all subsequent loan repayments to the Treasurer to the credit of the General Fund. The abolishment of the Child Care and Development Facilities Loan Guaranty Fund, the Child Care and Development Facilities Direct Loan Fund, and the Child Care Loan Guaranty Fund Account in the Small Business Expansion Fund does not terminate any of the following rights, obligations, or authorities, or any provision necessary to carry out those rights, obligations, or authorities:

- (a) The repayment of loans due and payable to the department or the relevant financial company.
- (b) The obligation of the state to pay claims arising from the default of outstanding loans that have been guaranteed.
- (c) Payment to lenders for default of any outstanding guaranteed loans secured by those moneys.
- (d) The resolution of any cost recovery action.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10307. (a) As used in this section:

(1) "Board" means the State Allocation Board.

(2) "Lessee" means a child care and development or preschool contracting agency to whom the board has leased a relocatable facility pursuant to this section.

(b) The board, with the advice of the department, may do all of the following:

(1) Establish any qualifications that it deems will best serve the purposes of this section for determining the eligibility of child care and development or preschool contracting agencies to lease relocatable facilities under this section.

(2) Establish any procedures and policies in connection with the administration of this section that it deems necessary.

(3) Adopt any rules and regulations for the administration of this section requiring such procedure, forms, and information that it may deem necessary.

(4) Have constructed, furnished, equipped, or otherwise require whatever work is necessary to place relocatable child care and development and preschool facilities where needed.

(5) Own, have maintained, and lease relocatable classrooms to qualifying child care and development and preschool contracting agencies.

(c) The board shall lease relocatable facilities to qualifying child care and development and preschool contracting agencies and shall charge rent of one dollar (\$1) per year. The board shall require lessees to undertake all necessary maintenance, repairs, renewal, and replacement to ensure that a project is at all times kept in good repair, working order, and condition. All costs incurred for this purpose shall be borne by the lessee.

(d) The board shall require lessees to insure at their own expense for the benefit of the state, any leased relocatable facility which is the property of the state, against any risks, including liability from the use thereof, in the amounts the board may deem necessary to protect the interest of the state.

(e) The board shall have authority to adopt rules establishing priorities for the acquisition and leasing of facilities to contracting agencies which will most benefit children needing child care and development or preschool programs. The board shall require each lessee to demonstrate that relocatable facilities are utilized solely for operation of child care and development or preschool programs.

(f) No relocatable facilities shall be made available to a contracting agency unless the agency furnishes evidence, satisfactory to the board, that the contracting agency has no other facility available for rental, lease, or purchase in the geographic service area that is economically or otherwise feasible.

(g) The board shall have prepared for its use, performance specifications for relocatable facilities and bids for their construction that can be solicited from more than one responsible bidder. The board shall from time to time solicit bids from, and award to, the lowest responsible competitive bidder, contracts for the construction or purchase of relocatable facilities that have been approved for lease to eligible child care and development or preschool contracting agencies.

(h) If at any time the board determines that a lessee's need for particular relocatable facilities which were made available to the lessee pursuant to this chapter has ceased, the board may take possession of the relocatable facilities and may lease them to other eligible contracting agencies or, if there is no longer a need for the relocatable facilities, the board may dispose of them to public or private parties in the manner it deems to be in the best interests of the state.

(i) Any revenue which is derived from a lease or other disposition of the relocatable facilities pursuant to this section is continuously appropriated to the board for the purposes of this section to fund the purchase of other relocatable facilities for child care and development or preschool programs.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10307.5. (a) In the event that a school district elects to discontinue its contract for child development or preschool services, the facilities owned by the school district and constructed through the provisions of the local tax override for child development or preschool purposes shall be made available to the local contractor whose bid is accepted for continuation of the services.

(b) The rent for such facilities shall not exceed the prevailing rental rate for such facilities.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10308. (a) (1) The Child Care Facilities Revolving Fund is hereby established in the State Treasury to provide funding for loans for the renovation, repair, or improvement of an existing building to make the building suitable for licensure for child care and development or preschool services, and for the purchase of new relocatable child care or preschool facilities for lease to local educational agencies and contracting agencies that provide child care and development or preschool services, pursuant to this chapter. The department may transfer state funds appropriated for child care and preschool facilities into this fund for allocation to local educational agencies and contracting agencies, as specified, for the purchase, transportation, and installation of facilities for replacement and expansion of capacity. Local educational agencies and contracting agencies using facilities purchased by the use of these funds shall be charged a leasing fee, either at a fair market value for those facilities or at an amount sufficient to amortize the cost of purchase and relocation, whichever amount is lower, over a 10-year period. Upon full repayment of the purchase and relocation costs, title shall transfer from the State of California to the local educational agency or contracting agency. Loans for renovation or repair shall be repaid within a period that does not exceed 10 years. The department shall deposit all revenue derived from the lease payments or renovation or repair loan repayments into the Child Care Facilities Revolving Fund.

(2) Notwithstanding Section 13340 of the Government Code, all moneys in the fund, including moneys deposited from lease payments or loan repayments, are continuously appropriated, without regard to fiscal years, to the department for expenditure pursuant to this chapter.

(3) Augmentations to the Child Care Facilities Revolving Fund made in the Budget Act of 2014 shall be used for loans for renovation or repair of existing local educational agency facilities to ensure those facilities meet applicable health and safety standards or the purchase of new relocatable child care and preschool facilities for lease to local educational agencies, for the purpose of expanding access to California state preschool program services pursuant to this chapter.

(b) On or before August 1 of each fiscal year, the department shall submit to the Department of Finance and the Legislative Analyst's Office a report detailing the number of funding requests received and their purpose, the types of agencies that received funding from the Child Care Facilities Revolving Fund, the increased capacity that these facilities generated, a description of the manner in which the facilities are being used, and a projection of the lease payments and loan repayments collected and the funds available for future use.

(c) A local educational agency that provides child care pursuant to the California School Age Families Education Program (Article 7.1 (commencing with Section 54740) of Chapter 9 of Part 29 of Division 4 of Title 2 of the Education Code) is eligible to apply for and receive funding pursuant to this section.

(d) Except as provided in subdivision (b) of former Section 8280 of the Education Code, this section shall become inoperative on January 1, 2020.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10308.5. Each county shall, as a minimum, maintain the level of expenditure for child development services provided by the county during the 1970–71 fiscal year. These funds shall be used exclusively for child development and preschool programs and shall be considered unrestricted funds unless restricted by the county granting the funds.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10308.7. (a) The Legislature recognizes that child care and preschool programs have made valuable contributions towards ensuring that public assistance recipients will be able to accept and maintain employment or employment-related training. Therefore, it is the intent of the Legislature that the department ensure that counties comply with the requirements of Section 10308.5.

(b) The department shall ensure each county's compliance with Section 10308.5 by not issuing funds to a local child care contractor within a county until the department has received written certification from that county that the level of expenditure for child care services provided by the county has been maintained at the 1970–71 fiscal year level pursuant to Section 10308.5. Funding provided by a county to a local child care or preschool contractor shall not adversely affect the reimbursement received by the agency from the department pursuant to Sections 10280, 10281.5, and 10282.5.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10309. The department shall publish the methodology and data used, including county-specific data if such data is used, for the allocation of all child care funds. The department shall make available to the public within 90 days of an allocation, the accounting information for the allocation. It is the intent of the Legislature to expedite the allocation of funds to the field as quickly as possible. Nothing in this section shall create a requirement for a public hearing on the allocation methodology prior to the issuance of a request for proposal.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10309.1. (a) The department shall disburse augmentations to the base allocation for the expansion of child care and development programs to promote equal access to child development services across the state.

(b) The department shall use the formula developed pursuant to subdivision (c) and the priorities identified by local child care and development planning councils, unless those priorities do not meet the requirements of state or federal law, as a guide in disbursing augmentations pursuant to subdivision (a).

(c) The department shall develop a formula for prioritizing the disbursement of augmentations pursuant to this section. The formula shall give priority to allocating funds to underserved areas. The formula shall use the definition of "underserved area" in Section 10213.5 and direct impact indicators of need for child care and development services in the county or subcounty areas. For purposes of this section, "subcounty areas" include, but are not limited to, school districts, census tracts, or ZIP Code areas that are deemed by the department to be most appropriate to the type of program receiving an augmentation. Direct impact indicators of need may include, but are not limited to, the teenage pregnancy rate, the unemployment rate, area household income, or the number or percentage of families receiving public assistance, eligible for Medi-Cal, or eligible for free or reduced-price school meals, and any unique characteristics of the population served by the type of program receiving an augmentation.

(d) To promote equal access to services, the department shall include in guidelines developed for use by local planning councils pursuant to subdivision (d) of Section 10486 guidance on identifying underserved areas and populations within counties. This guidance shall include reference to the direct impact indicators of need described in subdivision (c).

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10309.3. The Legislature finds and declares the following:

(a) There is a serious shortage of quality child day care and preschool facilities throughout the state.

(b) It is in the interest of the state's children and families, and the state's economic growth, to encourage the expansion of existing child day care and preschool facilities by assisting communities and interested government and private entities to finance child day care and preschool facilities.

(c) In addition to regional resource centers described in Provision 7(d) of Item 6110-196-0001 of the Budget Act of 1999, which focus on developing child care capacity in underserved areas of the state, there is a need to access capital for facilities on a systematic basis, especially to use limited public sector funds to leverage a greater private sector role in financing child day care and preschool facilities. The Legislature finds and declares that a financial intermediary could fill this role and support the regional resource centers and other local entities that work with potential providers by functioning as a centralized repository of training, best practices, and expertise on facilities financing.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10309.5. (a) The department shall contract with a nonprofit organization to serve as a financial intermediary. The nonprofit organization shall have staff who have expertise in financing and capital expansion, are knowledgeable about the child care and preschool field, and have the ability to develop and implement a plan to increase the availability of financing to renovate, expand, and construct child day care and preschool facilities, both in day care centers and family child care homes.

(b) The financial intermediary selected by the department shall undertake activities designed to increase funds available from the private and public sectors for the financing of child day care and preschool facilities. These activities shall include, but are not limited

to, all of the following:

- (1) Soliciting capital grants and program-related investments from foundations and corporations.
- (2) Building partnerships with foundations and corporations.
- (3) Developing lending commitments, linked deposits, and other financing programs with conventional financial institutions.
- (4) Coordinating private sources of capital with existing public sector sources of financing for child day care and preschool facilities, including, but not limited to, the Department of Housing and Community Development and the California Infrastructure and Economic Development Bank.
- (5) Coordinating financing efforts with the technical assistance provided by the regional resource centers described in Provision 7(d) of Item 6110-196-0001 of the Budget Act of 1999, and other local entities that work with potential providers.

(c) This section shall only be implemented to the extent that funds are appropriated for this purpose in the annual Budget Act.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)

10309.7. (a) The Legislature recognizes the importance of providing quality child care and preschool services. It is, therefore, the intent of the Legislature to assist counties in improving the retention of qualified child care and preschool employees who work directly with children who receive state-subsidized child care and preschool services.

(b) It is further the intent of the Legislature, in amending this section during the 2009–10 Regular Session, to address the unique challenges of the County of Los Angeles, in which an estimated 60,000 low-income children receive subsidized child care in nonstate-funded child care settings and an additional 50,000 eligible children are waiting for subsidized services.

(c) (1) Except as provided in paragraph (2), the funds appropriated for the purposes of this section by paragraph (11) of Schedule (b) of Item 6110-196-0001 of Section 2.00 of the Budget Act of 2000 (Chapter 52 of the Statutes of 2000), and that are described in subdivision (i) of Provision 7 of that item, and any other funds appropriated for purposes of this section, shall be allocated to local child care and development planning councils based on the percentage of state-subsidized, center-based child care and preschool funds received in that county, and shall be used to address the retention of qualified child care and preschool employees in state-subsidized child care centers and preschools.

(2) Of the funds identified in paragraph (1), funds qualified pursuant to subparagraphs (A) to (C), inclusive, may also be used to address the retention of qualified persons working in licensed child care and preschool programs that serve a majority of children who receive subsidized child care and preschool services pursuant to this chapter, including, but not limited to, family child care homes as defined in Section 1596.78 of the Health and Safety Code. To qualify for use pursuant to this paragraph, the funds shall meet all of the following requirements:

(A) The funds are allocated for use in the County of Los Angeles.

(B) The funds are appropriated in the annual Budget Act.

(C) The funds are unexpended after addressing the retention of qualified child care and preschool employees in state-subsidized child care centers and family child care home education networks.

(d) The department shall develop guidelines for use by local child care and development planning councils in developing county plans for the expenditure of funds allocated pursuant to this section. These guidelines shall be consistent with the department's assessment of the current needs of the subsidized child care and preschool workforce, and shall be subject to the approval of the Department of Finance. Any county plan developed pursuant to these guidelines shall be approved by the department prior to the allocation of funds to the local child care and development planning council.

(e) Funds provided to a county for the purposes of this section shall be used in accordance with the plan approved pursuant to subdivision (d). A county with an approved plan may retain up to 1 percent of the county's total allocation made pursuant to this section for reimbursement of administrative expenses associated with the planning process.

(f) The department shall provide an annual report, no later than April 10 of each year, to the Legislature, the Department of Finance, and the Governor that includes, but is not limited to, a summary of the distribution of the funds by county and a description of the use of the funds.

(Added by Stats. 2021, Ch. 116, Sec. 260. (AB 131) Effective July 23, 2021.)