

Date of Hearing: April 9, 2019

ASSEMBLY COMMITTEE ON HUMAN SERVICES

Eloise Gómez Reyes, Chair

AB 452 (Mullin) – As Amended March 21, 2019

SUBJECT: Childcare: facilities: grants

SUMMARY: Establishes the “California Childcare Facilities Grant Fund” to replace the Child Care Facilities Revolving Fund and to supply grants to providers of publicly-funded child care for the improvement, acquisition, or construction of facilities to house programs for infants and toddlers. Specifically, **this bill:**

- 1) Makes a number of Legislative findings and declarations related to infant and toddler child care, including: that it can be prohibitively expensive for families; that there is a scarcity of publicly funded care in California; the positive impacts that child care can have on a young child’s learning, development, and health; the positive impacts that such care can have on parents’ job stability and earnings and, in turn, on the economy in general; and that providing funding for facilities that house infant and toddler child care programs will leverage federal and state funds and promote expansion and greater access to high-quality programs for California families.
- 2) Deletes language in current law which establishes the Child Care Facilities Revolving Fund (CCFRF) in the State Treasury to provide funding for loans for improving existing buildings for purposes of licensure for child care and development services and for the purchase of new relocatable child care facilities for lease to local educational agencies and contracting agencies that provide child care and development services and, further, deletes language in current law establishing requirements and authorizations related to administration, uses, and oversight of the Child Care Facilities Revolving Fund, as specified.
- 3) Establishes the “California Childcare Facilities Grant Fund” in the State Treasury and requires, upon appropriation by the Legislature, the California Department of Education (CDE) to administer the California Childcare Facilities Grant Program for the purpose of awarding grants of up to \$1 million to local educational agencies that provide child care pursuant to the California School Age Families Education Program, Head Start or Early Head Start grantees that will serve infants and toddlers, or state-subsidized child care program providers to fund any of the following in order to meet licensing, health, and safety standards required to serve infants and toddlers in a child care setting:
 - a) Renovation, repair, or modernization of facilities and spaces;
 - b) Purchase of portable classrooms that meet, or will be renovated to meet, licensing, health, and safety standards; and
 - c) Construction of new buildings that meet licensing, health, and safety standards.
- 4) Authorizes family child care home education networks to be eligible for the grants made available pursuant to provisions of this bill, but limits the use of those grants to child care facility expansions and safety repairs, as prescribed by CDE.

- 5) Requires CDE to ensure that the process to apply for a grant is simple, and requires an application for a grant to at least include a description of the project for which grant funds will be expended.
- 6) Requires priority for a grant to be given for the support of programs that serve infants and toddlers.
- 7) Authorizes a grantee to fund a project completely from grant funds or in combination with other state, federal, or private funding sources.
- 8) Prohibits a grantee from being required to contract with CDE in order to be eligible for funding pursuant to provisions of this bill, but requires the grantee to be a recipient of public funds.
- 9) Requires funds in the California Childcare Facilities Grant Fund to be used only for grants established pursuant to the provisions of this bill, and prohibits such funds from being diverted to fund other programs.
- 10) States Legislative intent that annual allocations to the California Childcare Facilities Grant Program take into consideration unmet need from the previous fiscal year's qualifying applications, alongside estimated need for the coming fiscal year.
- 11) Requires the Superintendent, by August 1st of each fiscal year, to submit a report with specified information on applicants for, grantees awarded, uses of, and outcomes seen as a result of California Childcare Facilities Grant Fund moneys to CDE and the Legislative Analyst's Office.
- 12) Requires all moneys in the Child Care Facilities Revolving Fund as of December 31, 2019, to be transferred to the California Childcare Facilities Grant Fund, and requires local educational agencies and contracting agencies using facilities purchased with Child Care Facilities Revolving Fund moneys prior to December 31, 2019, to continue to be charged a leasing fee per current law, as specified, and further, requires the Superintendent to deposit all revenue derived from lease payments or renovation or repair loan payments into the California Childcare Facilities Grant Fund.

EXISTING LAW:

- 1) Establishes the "Child Care and Development Services Act" to provide child care and development services as part of a coordinated, comprehensive, and cost-effective system serving children from birth to 13 years old and their parents including a full range of supervision, health, and support services through full- and part-time programs. (Education Code [EDC] Section 8200 *et seq.*)
- 2) Defines "child care and development services" to mean services designed to meet a wide variety of children's and families' needs while parents and guardians are working, in training, seeking employment, incapacitated, or in need of respite and states that these services may include direct care and supervision, instructional activities, resource and referral programs, and alternative payment arrangements. (EDC 8208 (j))

- 3) States the intent of the Legislature that all families have access to child care and development services, through resource and referral where appropriate, and regardless of demographic background or special needs, and that families are provided the opportunity to attain financial stability through employment, while maximizing growth and development of their children, and enhancing their parenting skills through participation in child care and development programs. (EDC 8202)
- 4) Requires families to meet certain criteria in order to be eligible for federal and state subsidized child development services, including that a family must be either a current aid recipient, income eligible, homeless, or one whose children are recipients of protective services or have been identified as being, or at risk of being, abused, or neglected, as specified. (EDC 8263)
- 5) Requires the Superintendent of Public Instruction to administer general child care and development programs to include, among other things as specified, age- and developmentally-appropriate activities, supervision, parenting education and involvement, and nutrition. Further allows such programs to be designed to meet child-related needs identified by parents or guardians, as specified. (EDC 8240 and 8241)
- 6) Authorizes, in order to provide for maximum parental choice, alternative payment programs to serve identifiable geographic areas and to include: a subsidy (voucher) that follows the family from one provider to another within a given alternative payment program; choices, whenever possible, among hours of service, as specified; and, child care and development services according to parental choice, including use of family day care homes, general center based programs, and other state-funded programs, as specified. (EDC 8220 *et seq.*)
- 7) Requires the Superintendent of Public Instruction to implement a plan that establishes reasonable standards and assigned reimbursement rates for child care and development services, to vary by length of program year and hours of service, and establishes amounts for, and provides for an annual cost-of-living adjustment to, the standard reimbursement rate for contracted providers. (EDC 8265)
- 8) Provides for the establishment of regional market rate ceilings for voucher-based child care and states Legislative intent that child care providers be reimbursed at the 85th percentile of the most recent regional market rate survey. (EDC 8222, 8357)
- 9) Establishes the Child Care Facilities Revolving Fund in the State Treasury to provide funding for loans for improving existing buildings for purposes of licensure for child and development services and for the purchase of new relocatable child care facilities for lease to local educational agencies and contracting agencies that provide child care and development services, and establishes requirements and authorizations related to administration, uses, and oversight of the Child Care Facilities Revolving Fund, as specified. (EDC 8278.3)

FISCAL EFFECT: Unknown

COMMENTS:

Subsidized child care and development: Paying for child care can place significant financial stress on many families, particularly those with lower incomes. The average cost in California of child care in a family child care home for an infant in 2014 was \$8,462 (\$705 per month). The

average annual cost for an infant in child care centers in 2014 was \$13,327 (\$1,111 per month). The state's subsidized child care system offers services to families with parents or guardians who are working, in training, seeking employment, experiencing homelessness, incapacitated, or in need of respite. Generally, families are eligible for subsidized child care if they meet income-related and other requirements, such as having a need related to work, training, or education, and having children who are under 13 years old (or under 22 years old if they have exceptional needs). Parents are currently income-eligible if they earn incomes less than 70% of the most recent state median income (SMI) when first applying – up to \$54,027 per year for a family of 3, and less than 85% of the most recent SMI – up to \$65,604 per year for a family of 3 – when renewing eligibility. Beginning on July 1 of this year, as a result of the adoption of AB 2626 (Mullin), Chapter 945, Statutes of 2018, all families – whether applying for or renewing their eligibility for subsidized child care – can have incomes less than 85% of the SMI to qualify.

Subsidized child care can be obtained through three main types of providers, depending on which program is being used. These types of providers include licensed child care centers, licensed family child care homes, and license-exempt providers (for example, family members, neighbors, or friends).

The three main subsidized child care programs are:

- California Work Opportunity and Responsibility to Kids (CalWORKs) child care, for parents who receive or have received CalWORKs. CalWORKs child care can be provided in either centers, family child care homes, or license-exempt settings and is paid for using vouchers;
- Alternative Payment Programs (APPs), which offers families vouchers that allow them to choose their own child care in either centers, family child care homes, or license-exempt settings; and,
- General Child Care, which is provided through contracted centers and family child care home networks that are administered through private or public agencies and offer child care, education, and development services.

For eligible three- and four-year-olds, the state also offers California state preschool programs (CSPPs), which provide services that include developmentally appropriate curriculum, parent education, meals and snacks, and referral to social and health services for families. CSPPs operate on either a part-day or full-day basis and can be offered in a number of different settings, including child care centers, family child care network homes, school districts, or county offices of education. Teachers in CSPPs must have a Child Development Teacher Permit, including 24 units in early childhood education and/or child development and 16 general education units.

Access to subsidized child care: In Fiscal Year (FY) 2018-19, there are approximately 210,000 subsidized child care slots offered across the various programs, including:

- 137,000 CalWORKs slots;
- 45,000 Alternative Payment slots; and,
- 28,000 General Child Care slots.

Additionally, for FY 2018-19, there are approximately:

- 170,000 CSPP (103,000 part-day and 67,000 full-day) slots; and,
- 90,000 Transitional Kindergarten slots.

The state's current capacity to provide adequate affordable child care services is far below what is required to meet families' needs across California. A January 2019 analysis by the California Budget and Policy Center found that, in 2017, only 1 in 9 children who were eligible for subsidized child care and development programs in California were actually enrolled in a program capable of meeting their family's needs for more than a couple hours per day and throughout the entirety of the year. Analyzing federal survey data, the California Budget and Policy Center determined that approximately 2 million California children from birth through 12 years of age were eligible for subsidized child care in 2017, yet only 228,100 were able to participate in full-day, year-round programs. The California Budget and Policy Center concluded that, along with wage stagnation and its impacts on families' incomes, "This mismatch between eligibility for care and available spaces largely reflects inadequate state and federal funding."

Focusing on the supply of care of infants and toddlers, a June 2018 article in EdSource stated that, "Statewide, less than 14 percent of infants and toddlers who qualify for subsidized child care actually receive it. The shortage of child care for infants and toddlers is creating a crisis for working families, especially low-income families, advocates say. Despite economic gains in recent years, California has the highest number of children living in poverty among all states."

Child Care Facilities Revolving Fund: AB 1578 (Migden), Chapter 299, Statutes of 1997, established the CCFRF, which can be used for either: a) renovating, repairing, or improving an existing building so that it may be licensed to provide early education and support services; or, b) purchasing new relocatable facilities that school districts and contracting agencies can use for providing early education and support services. Child care agencies can apply for up to \$420,000 per relocatable building; typically, such a building consists of three 12-foot by 40-foot modules.

When the Fund was first established in 1997, it was appropriated almost \$179 million. This amount has been reduced over time; by 2013, the allocation for the Fund was under \$20 million. However, there was an addition of \$20.6 million in 2014 for the California Renovation and Repair Loan program – SB 858 (Senate Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2014, established that augmentations to the Child Care Facilities Revolving Fund made in the Budget Act of 2014 be used for renovation or repair of existing facilities or new relocatable child care facilities that provided state preschool programs.

According to the CCFRF's 2017-18 Annual Report, "Due to the revolving nature of the CCFRF, the program is continuously replenished by loan repayments received from participating agencies in addition to the annual Budget Act appropriations. Over the past 20 years, the loan repayments have facilitated the CDE commitment of approximately \$165.7 million in facilities funding to child care agencies through an application process."

Since its implementation in FY 1997-98, CDE has received 1,177 applications to fund child care facilities projects. CDE currently has 122 executed contracts with participating agencies with the capacity to serve 12,598.

Need for this bill: This bill seeks to replace the California Child Care Facilities Revolving Fund, a loan program, with the California Child Care Facilities Grant Fund to invest in permanent structures to help increase the number and capacity of child care centers and family child care homes providing subsidized child care and development services to infants and toddlers. According to the author, “One of the fundamental causes for the shortage of quality child care in California is the issue of facilities. Building a child care center that meets all state and local ordinances requires funding and technical expertise that most childcare providers are unable to access. As a state, it is in our best interest to provide safe facilities for programs that serve our children so administrators and teachers can focus on providing high-quality care that meets their developmental needs.”

Recommended amendments: The goal of this bill is an important one: to increase the state’s capacity to provide subsidized child care and development services to infants and toddlers through increasing and improving child care center and family day care home inventory. However, as currently written, this bill leaves some concerning questions unaddressed – namely: How can the Legislature be assured that this investment in the supply of subsidized spaces for infants and toddlers will be upheld by the grantee through a continued commitment to offer subsidized slots? Also, how will providers of center-based care who lease, versus own, the buildings in which they operate be able to benefit from this program? Lastly, what access will the Legislature have to data on outcomes of this investment for purposes of oversight, expansion, and, if necessary, adoption of adjustments to the program? To address these questions, ***committee staff recommends the following amendments:***

Delete lines 28 through 39 on page 6, and delete pages 7 and 8 of the bill.

After line 27 on page 6 of the bill, insert the following:

(a) The California Child Care Facilities Grant Fund is hereby established in the State Treasury to be used for the purposes described in this section.

(b) The department shall develop and administer the California Child Care Facilities Grant Program to, upon appropriation from the Legislature for this purpose, use moneys from the fund described in subdivision (a) to support both of the following:

(1) The construction of new child care centers that serve children in state-subsidized child care and development programs.

(2) The renovation, repair, and modernization of family child care homes that serve children in state-subsidized child care and development programs.

(c) The department shall ensure that the program developed pursuant to paragraph (1) subdivision (b) does all of the following:

(1) Awards grants of up to \$1,000,000 for the construction of licensed child care facilities that make at least fifty percent of their slots available for subsidized child care for a period of no less than ten years. Grants shall be targeted towards communities with the most

need, as defined by the department in consultation with local child care and development planning councils.

(2) Uses a simple application process.

(3) Prioritizes provider applicants that either:

(A) Serve infants and toddlers.

(B) Are recovering from disasters.

(4) Allows, in order to avoid disadvantaging providers who prefer to rent, non-provider entities such as developers to partner with providers to apply for grants.

(5) Includes a mechanism for recouping grant moneys spent on projects that do not make at least fifty percent of their slots available for subsidized child care for at least ten years.

(6) Offers technical assistance to applicants prior to being awarded a grant that includes, but is not limited to, project development support and financial expertise, including assistance with coordinating financing from multiple sources.

(7) Requires grantees to report, on an annual basis for the first ten years of operation in the newly constructed facility, the following:

(i) The total number of children served, by age.

(ii) The total number of children served who received subsidized child care, by age.

(iii) The total number of children with exceptional needs served.

(d) The department shall ensure that the program developed pursuant to paragraph (2) subdivision (b) does all of the following:

(1) Awards grants of up to \$50,000 for the renovation, repair, or modernization of licensed family child care homes that make at least fifty percent of their slots available for subsidized child care for a period of no less than five years. Grants shall be targeted towards communities with the most need, as defined by the department in consultation with local child care and development planning councils.

(2) Uses a simple application process.

(3) Prioritizes provider applicants that either:

(A) Serve infants and toddlers.

(B) Are recovering from disasters.

(4) Includes a mechanism for recouping grant moneys spent on projects that do not make at least fifty percent of their slots available for subsidized child care for at least five years, and provides for hardship waivers to recoupment requirements.

(5) Offers technical assistance to applicants prior to being awarded a grant that includes, but is not limited to, project development support and financial expertise, including assistance with coordinating financing from multiple sources.

(6) Requires grantees to report, on an annual basis for the first five years of operation after completion of renovation, repair, or modernization, the following:

(i) The total number of children served, by age.

(ii) The total number of children served who received subsidized child care, by age.

(iii) The total number of children with exceptional needs served.

(e) The department shall annually collect and aggregate the data required in paragraph (7) of subdivision (c) and paragraph (6) of subdivision (d) and report this information to the Legislature by December 31st of each year.

(f) For purposes of this section, “state-subsidized child care development programs” and “subsidized child care” includes all of the following:

(1) A local educational agency that provides childcare 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).

(2) A Head Start or Early Head Start grantee that will use grant funds for projects that serve infants and toddlers.

(3) A state-subsidized childcare program provider.

(4) A family childcare home education network provider.

Double referral: This bill will be referred to the Assembly Education Committee should it pass out of this committee.

RELATED AND PRIOR LEGISLATION:

AB 167 (Rubio) of 2019 establishes the “California Partnership for Infants and Toddlers” to provide grants to child care and development programs and family child care home education networks that meet federal Head Start standards, and states Legislative intent to provide funds to serve an additional 20,000 infants and toddlers from birth to three years of age with high-quality child care. AB 167 is set to be heard in the Assembly Human Services Committee on April 9, 2019.

AB 194 (Reyes) of 2019 requires, upon appropriation, \$1 billion to be put towards improving eligible children’s and families’ access to subsidized child care services. AB 194 is set to be heard in the Assembly Human Services Committee on April 9, 2019.

AB 2398 (Mullin) of 2018 would have increased from 10 to 20 years the amount of time after which a Child Care Facilities Revolving Fund loan would have to be repaid, and would have clarified that the report the Superintendent is required to submit to the Department of Finance and the Legislative Analyst’s Office regarding the Fund and loans must include information

regarding loans provided for renovation or repair. AB 2398 was held in the Assembly Human Services Committee.

AB 2302 (Mullin) of 2014 would have authorized the term of a loan provided under the Child Care Facilities Revolving Fund to be 10 years or a different term as established by regulations. AB 2302 was held on the Assembly Appropriations Committee's suspense file.

SB 858 (Senate Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2014, established that augmentations to the Child Care Facilities Revolving Fund made in the Budget Act of 2014 be used for renovation or repair of existing facilities or new relocatable child care facilities that provide state preschool programs.

AB 932 (Torlakson) of 2009 would have expanded the purposes of the Child Care Facilities Revolving Loan Fund to authorize funds to be used for purchase, site development, construction, and expansion of licensed child care facilities and would have specified that one of the Fund's purposes is loan administration. AB 932 was held on the Assembly Appropriations Committee's suspense file.

AB 1578 (Migden), Chapter 299, Statutes of 1997, established the Child Care Facilities Revolving Fund.

REGISTERED SUPPORT / OPPOSITION:

Support

California Coalition for Early Learning
California Head Start
Disability Rights California
Early Edge California
EveryChild California
First 5 California
Office of the Riverside County Superintendent of Schools
Riverside County Public K-12 School District Superintendents

Opposition

None on file

Analysis Prepared by: Daphne Hunt / HUM. S. / (916) 319-2089