

1990

CHILD CARE FACILITIES FINANCING ACT OF 1990

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CHILD CARE FACILITIES FINANCING ACT OF 1990 California Proposition 151 (1990).
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Official Title and Summary

CHILD CARE FACILITIES FINANCING ACT OF 1990

- This act provides for a bond issue of thirty million dollars (\$30,000,000) to provide funds for child care facilities.

Final Votes Cast by the Legislature on SB 78 (Proposition 151)

Assembly: Ayes 54	Senate: Ayes 28
Noes 20	Noes 6

Analysis by the Legislative Analyst

Background

Numerous public and private organizations in California provide child care. Some of these organizations receive state funds to cover the operating costs of providing subsidized child care to low-income children and children with particular needs (such as disabled or abused and neglected children). The other organizations do not receive state funds to cover their *operating* costs.

In the past five years, the state has allocated \$44 million in federal funds for *capital outlay* costs related to child care. These funds have been used for grants and loans to provide portable facilities, renovate buildings, and make capital outlay improvements to facilities used by public and private organizations that provide state-subsidized child care. The organizations that do not provide state-subsidized child care have not been eligible for these child care capital outlay funds.

Proposal

This measure authorizes the state to sell \$30 million in general obligation bonds for child care capital outlay loans. General obligation bonds are backed by the state, meaning that the state is obligated to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. These revenues come primarily from the state personal income, corporate, and sales taxes.

The bond money would be used to make capital outlay loans to state and local government agencies and to private nonsectarian for-profit and non-profit organizations that provide child care. The loan funds would be used to construct, acquire, renovate, and equip child care facilities. To the extent permitted by both the United States and California Constitutions, church-affiliated child care facilities or other sectarian organizations would also be eligible for the loans as long as they are (1) open to any child, (2) do not provide religious instruction in the child care program, and (3) do not use the child care program facility in any manner to foster religion. The money *could not* be used to make loans to family day care providers (who generally

provide child care in their homes).

The measure requires applicants to include specified information on their loan applications, including:

- A commitment to provide matching funds in an amount equal to 15 percent of the total amount requested. (This requirement, however, could be waived for public agencies that would serve populations with significant unmet needs for child care, if they are unable to provide the required matching funds.)
- Documentation that the planned child care facility meets all state licensing requirements or is exempt from state licensing requirements.

The measure also requires that:

- A recipient of a loan to construct a new building shall assure that the building will be used for child care for at least 15 years after construction is completed;
- A recipient of a loan to purchase an existing building shall assure that the building will be used for child care for at least 10 years after the building is acquired; and
- A recipient of a loan to renovate an existing facility shall assure that the renovated facility will be used for child care for periods ranging from 3 to 10 years, depending on the dollar amount of the loan awarded.

The state would be entitled to recapture some of the money awarded for the construction of new buildings or the purchase of existing buildings if the loan recipients do not actually use the constructed or acquired facilities for 15 or 10 years, respectively, for child care purposes.

This measure also establishes a nine-member Child Care Facilities Authority, composed of various state officials and public members appointed by the Legislature and the Governor. The authority would decide how to spend the bond money.

In reviewing loan applications, the authority would be required to consider several factors, including whether the proposed child care facilities would serve a population with significant unmet need for child care. The authority would also be required to ensure that:

- The bond money is distributed proportionally to all geographic areas of the state;
- At least 30 percent of the funds shall be available to private non-profit agencies; and
- At least 20 percent of the funds shall be available to private for-profit agencies.

Fiscal Effect

Direct Costs of Paying Off the Bonds. The state would receive loan repayments under the child care facilities loan program discussed above. These repayments, however, would be used to make *additional* loans, and not to repay the general obligation bonds. As a result, the state's General Fund would be responsible for the principal and interest payments on the bonds, which typically would be paid off over a period of about 20 years.

Generally, the interest on bonds issued by the state is exempt from both federal and state taxes. While the interest on these bonds would be exempt from state taxes, it is not clear whether the state would issue the bonds as federally taxable bonds or as federally tax-exempt bonds. This will depend on decisions about issuing the bonds made by the State Treasurer's Office in conjunction with the Child Care Facilities Authority.

If the bonds are subject to federal taxes, the interest rate on these bonds would be higher than on most other state bonds. If the authorized bonds are sold at an interest rate of 9.5 percent, the state General Fund cost would be about \$60 million to pay off both the principal

(\$30 million) and the interest (\$30 million). The average payment would be about \$2.5 million per year.

If the bonds are not subject to federal taxes, and all of the bonds authorized by this measure are sold at an interest rate of 7.5 percent, the state General Fund cost would be about \$55 million to pay off both the principal (\$30 million) and the interest (\$25 million). The average payment for principal and interest would be about \$2.3 million per year.

Costs to Administer the Program. The Child Care Facilities Authority may use up to \$3 million of the bond proceeds to pay the costs of administering the program. To the degree feasible, the authority is required to charge loan recipients a surcharge sufficient to recover the costs of program administration. The annual costs for administering the program cannot be estimated.

Costs to Local Governments. To the extent that local governments (including school districts) receive child care facilities loans, they would incur loan repayment costs. The measure provides that repayments shall be based on the principal and interest costs of the general obligation bonds, plus administrative costs. Because it is not known what proportion of the bond proceeds would be allocated to local government agencies, the exact magnitude of these costs cannot be estimated. The local governments may be able to use the child care fees charged to parents to cover part or all of their loan repayment costs.

For text of Proposition 151 see page 77

Argument in Favor of Proposition 151

The number of children in California is growing rapidly. Throughout the state, we have close to eight million children, with more being born everyday. Because many of these children have working parents, child care must be arranged for at least part of the day while their parents are at work.

Most of us know at least one parent who has had problems finding suitable, affordable child care. Often, the child care that is chosen is not what the parent prefers, usually because the type of care the parent wants is too expensive or simply is not available.

By our estimates, 1.5 to 2.5 million children in California need child care outside the home. Only 25 percent of them are in child care that is licensed to meet health and safety standards, and less than 10 percent of them are in care that is directly subsidized.

With the cost of living increasing every year, most families find it necessary for both parents to work just to provide the basic necessities. This adds to the stress on parents who must juggle the demands of work with those of parenting. For a single parent, the problems are multiplied.

This is the current situation in California:

- There are approximately 3 million children under the age of six in the state.
- Of these, 60 to 70 percent have working mothers.

Although many of these parents would prefer to stay at home and care for their children, economic necessity is forcing them into the labor force. This means that some form of child care is

needed for a good part of the day. For young children in their critical formative years, the type of care they receive can affect their development and achievement later in life.

Parents should feel comfortable that the care their children are receiving from others is safe and meets the needs of their children. With so few affordable, quality child care spaces available, however, this is often a problem.

PROPOSITION 151 WILL HELP INCREASE THE CHILD CARE CHOICES OF PARENTS by underwriting low-interest loans to start or expand child care centers. Employers, individuals, and others may apply for the loans. The funds will be used to construct new child care centers, to renovate buildings to convert them into child care facilities, or to expand existing centers. Providers who serve areas where there is a critical need for child care will receive priority for the loans.

WE URGE YOUR "YES" VOTE ON BEHALF OF CALIFORNIA'S CHILDREN.

DIANE E. WATSON, Ph.D.

Chairperson, Senate Committee on Health and Human Services

SENATOR ROBERT PRESLEY

Chairman, Senate Select Committee on Children and Youth

REBECCA Q. MORGAN

Chair, Senate Select Committee on Infant and Child Care and Development

Rebuttal to Argument in Favor of Proposition 151

WARNING! PROPOSITION 151 WAS PLACED ON THE BALLOT BY THE LEGISLATURE SIXTY-FIVE DAYS AFTER THE STATUTORY DEADLINE! VOTE AGAINST IT FOR THIS REASON, IF FOR NO OTHER.

PROPOSITION 151 IS A DIRECT BUSINESS SUBSIDY! Prop. 151 does not provide direct help for parents.

DO YOU REALLY WANT THE INCOMPETENT TAKING CARE OF YOUR CHILDREN? Prop. 151 will provide low interest loans to people who probably haven't displayed sufficient competence to raise funds through regular financial channels. And concerning those competent individuals and businesses who may simply see this bond issue as a way to save themselves money, you should ask yourselves, **WHY SHOULD TAXPAYERS PAY HIGH BOND INTEREST SO SOME BUSINESS PEOPLE CAN MAKE MORE MONEY THROUGH THE AVAILABILITY OF A SPECIAL PRIVILEGE LOW INTEREST LOAN?**

PROP. 151 AND THE OTHER BOND ISSUES IN THIS PAMPHLET WILL SUBSTANTIALLY RAISE THE BOND PAYMENTS OF THE STATE AND REQUIRE FURTHER

INCREASES IN STATE TAXES! Proponents of Prop. 151 note that the cost of living is increasing. This is because the percentage of personal income consumed by California taxes is now larger than ever. **THE THINKING BEHIND PROP. 151 IS THE CAUSE OF THIS PROBLEM.**

PROPOSITION 151 WILL NOT DECREASE THE COST OF CHILDCARE! We have seen in Sweden and other places which have instituted childcare subsidies that **THE REAL COST** of childcare has increased dramatically.

DON'T BE SEDUCED BY THIS OFFER OF A FREE LUNCH!

VOTE NO ON PROPOSITION 151.

PEGGY CHRISTENSEN

Medical Technical Consultant

JOHN VERNON

Immediate Past Chairman, Libertarian Party of California

GAIL LIGHTFOOT

Childcare Coordinator for Abused Children

Argument Against Proposition 151

PROPOSITION 151 IS A WOLF IN SHEEP'S CLOTHING!

\$30 million seems like such a small amount, especially when considered alongside bond issues of a billion dollars. But great oaks from little acorns grow. Most people will not remember that it was once said—and believed—that the Federal Income Tax would never exceed 10%.

We should consider the Swedish experience before launching into state-provided child care. In 1986 Ingemar Stahl, Distinguished Professor of Economics at Lund University in Sweden and member of the Nobel Committee, reported that the Swedish childcare subsidy was \$10,000 per child per year. No doubt it is more today. This compares to the free market cost in America of \$2,000 to \$7,000 per year. At 7% of the Swedish budget, childcare in Sweden is a major portion of the social welfare system, which produces a Swedish government deficit which is larger on a per capita basis than its American counterpart. Sweden does this while spending half as much per capita on defense.

Government provided childcare is also a major reason why the average Swede pays over 50% of his income in taxes, with tax rates as high as 88%.

PROPOSITION 151 PLAYS A CRUEL TRICK ON CHILDREN!

Is it loving to borrow massively so that government can do for children what it is assumed parents will not or cannot do for them, only to burden these same children with the debt which is the result of that borrowing? This is the fact of the situation which Prop. 151 legislates.

PROPOSITION 151 CONSTITUTES THE ABDICATION OF PERSONAL AND PARENTAL RESPONSIBILITY!

Government cannot and should not do everything. Prop. 151 is one more evidence of the abdication of individual and parental responsibility which afflicts America.

Advocates of government-provided childcare want to become the Nannie of your children. Remember, this is the same government which sets earthquake standards, and then builds structures which in the 1971 Sylmar and 1989 San Francisco earthquakes caused the greatest number of deaths by their collapse. Do you really want these bunglers involved in the provision of such an important item as childcare?

THERE IS A BETTER WAY!

Tax credits or tax deductions for working parents would provide necessary assistance in the area of childcare, without involving the government in its actual provision and operation. Instead, Prop. 151 proposes more government interference, more dependency and more state maternalism/paternalism.

VOTE NO ON PROPOSITION 151!

WARNING TO THE PUBLIC!

Prop. 151 and eight other propositions in this ballot pamphlet were placed on the ballot by the Legislature and Governor a full SIXTY-FIVE DAYS after the statutory deadline for putting measures on the ballot. Since the ballot pamphlet had already been at the printer for over two weeks, the Legislature must spend at least \$10 million in additional money just to print and mail this supplemental ballot pamphlet. **OPPONENTS OF THESE MEASURES OUTSIDE THE ASSEMBLY WERE GIVEN NO OPPORTUNITY TO VIEW THE ACTUAL TEXT OF ANY OF THE NINE PROPOSED BOND ISSUES!**

VOTE NO ON PROPOSITION 151!

GAIL LIGHTFOOT

Childcare Coordinator for Abused Children

PEGGY CHRISTENSEN

Mother

JOHN VERNON

Immediate Past Chairman, Libertarian Party of California

Rebuttal to Argument Against Proposition 151

THE OPPONENTS OF PROPOSITION 151 ARE PLAYING A CRUEL TRICK ON CHILDREN AND VOTERS.

They are completely misrepresenting what Proposition 151 would do. They want to confuse voters by raising irrelevant arguments and playing on people's fears of government and "big brother."

Here are the *correct* facts about Proposition 151:

- The interest on the bonds will be repaid by the loan recipients, not the taxpayers.
- The child care centers will be built and operated by the loan recipients, not the government.
- More child care centers will be available to help parents meet their responsibility of ensuring safe, good-quality care for their children.
- If we don't increase the availability of child care, tax credits and tax deductions will not help working parents. You can't use a tax credit when you're on a waiting list for child care.
- Everyone—including opponents—had ample opportunity

to review the text of this bond measure. Except for a recent reduction in the dollar amount, the stated purpose and use of these bond funds have been publicly available for nearly one year.

Join the community groups, businesses, schools, charitable organizations, children's advocates, cities, and women's groups in support of child care by **VOTING YES ON PROPOSITION 151.**

DIANE E. WATSON, Ph.D.

Chairperson, Senate Committee on Health and Human Services

SENATOR ROBERT PRESLEY

Chairman, Senate Select Committee on Children and Youth

REBECCA Q. MORGAN

Chair, Senate Select Committee on Infant and Child Care and Development

Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Governor, the Controller, the Treasurer, and the Director of Finance, or their designated representatives. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the Official Council of California is designated the "board."

23823. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the actions specified in Section 23811 and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

23824. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

23825. Notwithstanding Section 13340, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out the provisions of Section 23826, appropriated without regard to fiscal years.

23826. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest those moneys would have earned in the Pooled Money Investment Account, from money received from the sale of bonds for the purpose of carrying out this chapter.

23826.5. The board may request the Pooled Money Investment Board

to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out the provisions of this chapter. The amount of the request shall not exceed the amount of the unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. The board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

23827. All money deposited in the fund which is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

23828. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. Approval by the electors of the state for the issuance of the bonds shall include the approval of the issuance of any bonds issued to refund any bonds originally issued or any previously issued refunding bonds.

23829.5. Notwithstanding any provision of this chapter or the State General Obligation Bond Law as set forth in Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer shall be authorized to maintain separate accounts for the investment of bond proceeds and the investment earnings on such proceeds, and the Treasurer shall be authorized to use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or to take any other action with respect to the investment and use of bond proceeds required or desirable under federal law so as to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

23829. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

Proposition 151: Text of Proposed Law

This law proposed by Senate Bill 78 (Statutes of 1990, Ch. 922) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Chapter 2.9 (commencing with Section 1499) is added to Division 2 of the Health and Safety Code, to read:

CHAPTER 2.9. CHILD CARE FACILITIES FINANCING ACT OF 1990

Article 1. General Provisions

1499. This chapter shall be known and may be cited as the Child Care Facilities Financing Act of 1990.

1499.01. It is the intent of the Legislature in submitting the Child Care Facilities Financing Act to the voters, that funds from the sale of bonds under this act be used to expand the capacity for child care services in licensed child care facilities. Expansion of licensed capacity may be accomplished through construction, acquisition, or conversion of an existing structure from its present use to use as a child care facility, or expansion of an existing child care facility in order to serve additional children.

The Legislature finds that there is a need for 1.5 to 2.5 million child care spaces in the state. With only 500,000 licensed child care spaces, this indicates a need for an additional one to two million child care spaces in the state.

In addition to the overall unmet need for child care serving all children, the Legislature further finds that there is significant unmet need for child care services among special populations of children, including abused and neglected children, handicapped children, children from low-income families, children who are sick, and children of non-parent families.

1499.01.5. Before or after approval by the voters, Articles 1 and 2 may be modified with full force and effect by a lawfully enacted act.

1499.02. Unless the context otherwise requires, the definitions contained in this article shall govern the construction of this chapter.

1499.04. "Acquiring" means obtaining ownership of an existing

facility in fee simple or by lease for 10 years or more for use as a child care facility.

1499.06. "Altering" or "renovating" means making modifications to an existing facility which are necessary for expansion of existing capacity in a child care facility or conversion of a building to child care use, including restoration, repair, expansion, and all related physical improvements.

1499.08. "Authority" means the Child Care Facilities Authority.

1499.10. "Bond" means a state general obligation bond issued pursuant to this chapter adopting the State General Obligation Bond Law.

1499.12. "Bond fund" means the Child Care Facilities Bond Fund created pursuant to Section 1499.25.

1499.14. "Child day care facility" means a facility which provides nonmedical care to children under 18 years of age in need of personal services, supervision, or assistance essential for either sustaining the activities of daily living or for the protection of the individual on less than a 24-hour basis. "Child day care facility," includes, but is not limited to, day care centers as defined in Section 1596.76. For purposes of this act, "child day care facility" does not include family day care homes, as defined in Section 1596.78.

1499.16. "Committee" means the Child Care Facilities Finance Committee created pursuant to Section 1499.54.

1499.18. "Constructing" means building a new facility, including the costs of land acquisition and architectural and engineering fees.

1499.20. "Equipment" means tangible personal property having a useful life of more than one year and an acquisition cost of three hundred dollars (\$300) or more.

1499.22. "Nonprofit" means an institution or organization which is owned or operated by one or more corporations or associations with no part of the net earnings benefiting any private shareholder or individual.

Article 2. Child Care Program

1499.25. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the Child Care Facilities Bond Fund, which is hereby created. The fund is hereby appropriated to the Controller, without regard to fiscal years, for allocation, upon the

request of the Child Care Facilities Authority for the purposes specified in this chapter.

1499.27. There is hereby created in state government, the Child Care Facilities Authority. The authority shall consist of nine members as follows:

- (a) The State Director of Social Services.
- (b) The Superintendent of Public Instruction.
- (c) A representative of the Child Development Program Advisory Committee.
- (d) Two members appointed by the Senate Rules Committee, one of whom shall be either a child care provider or an individual who is knowledgeable about child care programs, and the other of whom shall be either an architect or an individual who is knowledgeable about the architectural design and development of child care facilities.
- (e) Two members appointed by the Speaker of the Assembly, one of whom shall be either a child care provider or an individual who is knowledgeable about child care programs, and the other of whom shall be either an architect or an individual who is knowledgeable about the architectural design and development of child care facilities.
- (f) Two members appointed by the Governor, one of whom shall be either a child care provider or an individual who is knowledgeable about child care programs, and the other of whom shall be either an architect or an individual who is knowledgeable about the architectural design and development of child care facilities.

The terms of the appointed members shall be four years. Members of the authority shall serve without compensation, but the authority may reimburse its members for necessary expenses incurred in the discharge of their duties. The authority shall appoint an executive director, who shall not be a member of the authority, and who shall serve at the pleasure of the authority. The executive director shall receive such compensation as shall be fixed by the authority.

1499.29. The authority shall make loans from funds derived from bonds issued pursuant to this chapter to public or private nonprofit agencies or other entities for the purpose of acquiring, renovating, constructing, and purchasing of equipment for child care facilities. The authority shall adopt guidelines concerning the terms and conditions for the repayment of loans made to eligible applicants under this chapter. The terms and conditions may include a requirement that a loan be secured by a trust deed or a lien equal in priority as a tax lien. In the case of a lien, the authority may, by resolution adopted prior to issuance of bonds under this chapter, covenant for the benefit of bondholders, the state, or both, to commence and diligently prosecute to completion any foreclosure action regarding delinquent installments of any repayment of loans issued pursuant to this chapter. The resolution may specify a deadline for commencement of the foreclosure action and other terms and conditions as the authority may determine to be reasonable regarding the foreclosure action. The terms and conditions shall include a requirement that the loan principal and interest repaid shall be sufficient to cover the principal of, and interest on, the bonds, and any administrative costs incurred in issuing the bonds, and any surcharge determined by the authority to be necessary or desirable.

1499.30. The authority may use funds in the bond fund to make any payments required as a result of these guarantees or reserve funds commitments, or may borrow funds from the Pooled Money Investment Account for this purpose as authorized in this chapter. The authority shall not make guarantees or reserve commitments pursuant to this chapter to pay out more than the amount of bonds approved for issuance by the finance committee, nor shall its guarantee or reserve commitments constitute an obligation on the part of the authority, the State of California, or any of its political subdivisions, to levy any tax or pay any amount beyond this limit.

1499.30.5. The authority may use money in the bond fund to pay for the cost of administering the program created by this chapter, not to exceed three million dollars (\$3,000,000). The authority shall, to the degree feasible, charge loan recipients a surcharge sufficient to eventually recover those amounts advanced for administration, and these recovered amounts shall be placed in the bond fund.

1499.31. (a) Eligible applicants for funding under this chapter include units of local government, nonsectarian profit or nonprofit private agencies or organizations, and state agencies.

(b) To the extent permitted by both the United States and California Constitutions, a church-affiliated child care facility or other sectarian organization shall be eligible to receive loans under this chapter if all of the following conditions are satisfied:

- (1) The child care facility funded by the funds loaned is open to any child, regardless of the child's religious beliefs or any other factors related to religion.
- (2) No religious instruction is included in the child care program.
- (3) The facility where the child care program is located is not utilized in any manner to foster religion.

1499.33. (a) A recipient of a contract for the acquisition of a

facility to be used as a child care facility shall assure that the facility shall be used for that purpose for at least 10 years from the date of acquisition.

(b) A recipient of a contract for the renovation of an existing facility to be used as a child care facility shall assure the authority that the facility shall be used for that purpose for the following periods:

(1) Not less than three years from the date the contract terminates where the amount of the contract does not exceed thirty thousand dollars (\$30,000).

(2) If the contract exceeds thirty thousand dollars (\$30,000), the fixed period of time shall increase one year for each additional ten thousand dollars (\$10,000) or part thereof, to a maximum of seventy-five thousand dollars (\$75,000).

(3) For contracts which exceed seventy-five thousand dollars (\$75,000), the fixed period of time shall not be less than 10 years.

(c) A recipient of a contract for the construction of a facility to be used as a child care facility shall assure the authority the facility shall be used for that purpose for at least 15 years after completion of construction.

1499.35. (a) The state shall be entitled to recapture a portion of bond funds from the owner of a facility, if within 10 years after acquisition or 15 years after completion of construction, the facility is no longer used for child care activities.

(b) The amount recovered shall be that proportion of the current value of the facility equal to the proportion of bond funds contributed to the original cost. The current value of the facility shall be determined by an agreement between the owner of the facility and the state, or by an action in the court in the jurisdiction in which the facility is located.

1499.37. The authority shall secure the advice of child care resource and referral agencies on the development of estimates of unmet need by geographic area and by special populations, including children in one-parent families, children in low-income families, handicapped children, children with teenage parents, children who are or are at risk of being abused or neglected, sick children, and children in need of emergency or respite care. The authority shall issue guidelines for applicants which shall be consistent with the criteria developed by the authority in consultation with child care resource and referral agencies.

The authority shall review and evaluate proposals for funding from each applicant.

1499.39. Proposals shall do all of the following:

- (a) Document the need for a child care facility, or expansion, equipment purchase in order to expand licensed capacity.
- (b) Contain a written commitment from applicants that child care services shall be provided in the child care facility.
- (c) Contain a match for funding equal to 15 percent of the total amount requested. The authority may waive this matching requirement for public agencies upon verifying that the applicant is unable to secure the required match and that the proposal would provide services to a population with significant unmet needs.
- (d) Document the cost effectiveness of the proposal.
- (e) Document that the applicant's proposal cannot be funded through any other source of state funds for child care capital outlay.
- (f) Document that the planned facility shall comply with all laws and regulations applicable to child care facilities provided for pursuant to Chapter 3.4 (commencing with Section 1596.70) and Chapter 3.5 (commencing with Section 1596.90).
- (g) Demonstrate to the satisfaction of the authority that it will have sufficient revenues to pay the principal and interest on the loan and to maintain the operation of the child care facility.

1499.41. The authority shall rank the proposals. In ranking the proposals, the authority shall utilize all of the following criteria:

- (a) Those planned facilities which are both structurally sound and appropriately designed for use by children.
- (b) Those applicants most qualified to operate a child care program.
- (c) The extent to which a facility would serve a population with significant unmet need.

1499.43. The authority shall consider any protest or objection regarding a proposed loan, whether submitted before or after the loan is made. However, the protest shall be filed within the time period established in the request for proposals made pursuant to Section 1499.37. All protests or objections shall be filed in writing. The protesting party shall be notified in writing of the final decisions on the protest, and the notification shall set forth the rationale upon which the decision is based.

Child Day Care Facilities Bond Fund allocations shall be made in such a manner as to provide proportional benefit to all geographic areas of the state. The proportional benefit shall be based on number of persons under the age of 14 and estimates of unmet need for child care.

Funds not utilized by a geographic area shall be reallocated to other areas with the highest documented need for child care services.

The authority shall allocate funds to assure that at least 30 percent shall be available to private nonprofit agencies and at least 20 percent shall be available to other private agencies.

Article 3. Fiscal Provisions Concerning General Obligation Bonds

1499.50. Bonds in the total amount of thirty million dollars (\$30,000,000), in addition to the amount of any refunding bonds, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter, including any subsequent amendment pursuant to Section 1499.01.5, and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds shall, when sold, be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

1499.52. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

1499.54. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Child Care Finance Committee is hereby created. For purposes of this chapter, the Child Care Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Treasurer, the Controller, the Director of Finance, and the Superintendent of Public Instruction or their designated representatives. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the Child Care Facilities Authority is designated the "board."

1499.56. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the actions specified in Section 1499.29, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be sold at any one time.

1499.58. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds maturing each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

1499.60. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out the provisions of Section 1499.66, appropriated without regard to fiscal years.

1499.64. All money deposited in the fund pursuant to any provision of law requiring repayments to the state for assistance financed by proceeds of the bonds authorized by this chapter shall be available for

transfer to the General Fund. When transferred to the General Fund, this money shall be applied as a reimbursement to the General Fund on account of principal and interest on the bonds which have been paid from the General Fund.

1499.66. For purposes of carrying out this chapter, the Director of Finance may, pursuant to appropriate authority in each annual Budget Act, authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund and shall be disbursed by the authority in accordance with this chapter. All money deposited in the fund which is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest. Any moneys made available to the board under this section shall be returned by the board to the General Fund, together with interest in the amount those moneys would have earned in the Pooled Money Investment Account, from the sale of bonds sold for the purpose of carrying out this chapter.

1499.67. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out this chapter. The amount of the loan shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. The board shall execute any documents pertaining to obtaining and repaying the loan that may be required by the Pooled Money Investment Board. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

1499.68. All proceeds from the sale of bonds, except those derived from premiums and accrued interest, shall be available for the purpose provided in Sections 1499.29 and 1499.30 but shall not be available for transfer to the General Fund to pay principal and interest on bonds. The money in the fund may be expended only as provided in this chapter.

1499.69. Any bonds issued and sold pursuant to this chapter may be refunded by the issuance of refunding bonds in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 2 of Title 2 of the Government Code. Approval by the electors of the state for the issuance of bonds includes the approval of the issuance of any bonds issued to refund any bonds originally issued or any previously issued refunding bonds.

1499.70. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

1499.71. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), with regard to the proceeds from the sale of bonds authorized by this chapter that are subject to investment under Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code, the Treasurer may maintain a separate account for investment earnings, order the payment of those earnings to comply with any rebate requirement applicable under federal law, and otherwise direct the use and investment of those proceeds so as to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.