California Department of Education

Report to the Governor, Legislature, and the Legislative Analyst's Office: Child Care Facilities Revolving Fund 2010–11 Annual Report

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California Department of Education

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Executive Summary

On or before August 1 of each fiscal year (FY), 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 (CCFRF), 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 collected and the funds available for future use is required per Section 8278.3(b) of the California *Education Code (EC).*

Since the inception of the CCFRF program in FY 1997–98, the California Department of Education (CDE) has received 1,155 applications for funding of child care facilities projects.[1] Currently, the CDE has 345 executed contracts with participating agencies for the funding of new relocatable buildings. Overall, these relocatable buildings have the potential to increase capacity and serve approximately 26,086 children in California.

Due to the revolving nature of the CCFRF, the program fund balances fluctuate annually based on loan repayments received from participating agencies. In FY 2010–11, the CDE received $6.4 million[2] in repayments to the CCFRF. Over the last 13 fiscal years, the Budget Act appropriations as well as the additional loan repayments have facilitated the CDE's commitment of approximately $126.4 million in facilities funding to child care agencies through an application process to the CCFRF.

The CCFRF began FY 2010–11 with an initial available fund balance of approximately $24.4 million. In FY 2010–11, the CDE received no new applications for funding requests under the CCFRF.

In FY 2010–11, the Budget Act allocated $5 million from the CCFRF balance for use on a one-time basis for the necessary renovations and repairs of facilities. The CDE awarded the full $5 million to 27 First Priority and 125 Round 1 Facilities Renovation and Repair (FRR) applicants. Each of the applicants also received a portion of the $2.5 million federal American Recovery and Reinvestment Act funds. The amount of FRR funds requested exceeded the allocated FRR funds; therefore, 45 FRR applicants did not receive FRR funding.

You will find this report on the CDE's Child Care Facilities Revolving Fund General Application FY 2011–12 Web page at http://www.cde.ca.gov/sp/cd/op/ccfrf.asp. If you need a copy of this report, please contact Alice Ludwig, Associate Governmental Program Analyst, Child Development Division, by phone at 916-327-0197 or by e-mail at aludwig@cde.ca.gov.

[1] This year's application total was revised based on a verification of data.

[2] Projected as of June 2011; the final figures for FY 2010–11 are not yet available.

Program Summary

Chapter 299, Statutes of 1997, established California *Education Code* (*EC*) Section 8278.3 to provide funding under the Child Care Facilities Revolving Fund (CCFRF). This funding is designated for the purchase of new relocatable child care facilities for lease to school districts and contracting agencies that provide child care and development services. Chapter 1058, Statutes of 2000, expanded use of the CCFRF to include renovation, repair, or improvement of existing buildings to make them suitable for licensure for child care and development services. The California Department of Education (CDE) administers the CCFRF program in accordance with *EC* Section 8278.3.

From the inception of the program in fiscal year (FY) 1997–98, the CCFRF was appropriated a total of $178.7 million through the annual Budget Act. However, beginning in 2002, funding to the program has been reduced. The table below illustrates the reductions:

Budget Act	**Funding Reduction**	**Funding Addition**	**Total Allocation for the CCFRF**
Chapter 444, Statutes of 2002	$42 million		$136.7 million
Chapter 4, Statutes of 2003	$28 million		$108.7 million
Chapter 208, Statutes of 2004	$13.2 million		$95.5 million
Chapter 38, Statutes of 2005	$10 million		$85.5 million
Chapter 47, Statutes of 2006	$5 million		$80.5 million
Chapter 79, Statutes of 2006		$50 million (Addition for Prekindergarten and Family Literacy Program)	$130.5 million
Chapter 2, Statutes of 2007	$25 million		$72.8 million
Chapter 171, Statutes of 2007	$32.7 million		$97.8 million
Chapter 268–269, Statutes of 2008	$13 million		$59.8 million
Chapter 1, Statutes of 2009	$5 million		$54.8 million
Chapter 712, Statutes of 2010	$20 million		$34.8 million

In FY 2010–11, the Budget Act also allocated $5 million from the CCFRF balance for use on a one-time basis for the necessary renovations and repairs of facilities.

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 last 13 fiscal years, the additional loan repayments have facilitated the CDE's commitment of approximately $126.4 million in facilities funding to child care agencies through an application process to the CCFRF. Currently, the CDE

has 375 executed contracts with participating agencies. These relocatable buildings will serve approximately 26,086 children in California.

Based on the CDE's year-end statement, the CCFRF began FY 2010–11 with an initial available fund balance of approximately $24.4 million. In FY 2010–11, the CDE received no new applications. The program fund balances fluctuate yearly based on loan repayments received from participating agencies. In FY 2010–11, the CDE received $6.4 million[3] in repayments to the CCFRF.

Since the inception of the CCFRF program in FY 1997–98, the CDE has received a total of 1,155 applications. Of this number, 565 applications, or 49 percent, were determined to be ineligible or the applicants voluntarily withdrew from program participation. A total of 30 applications, or 2.5 percent, are projects either in the planning or construction phase, while 560 applications, or 48.5 percent, reflect completed projects. Of the completed projects, 215 agencies have fulfilled their loan repayment obligations, and 345 agencies are currently making lease repayments to the CDE.

Local educational agencies (school districts and county offices of education) comprise 48.9 percent of the participants in the CCFRF, while private child care providers comprise 43.2 percent of the total. Other public agencies comprise 7.9 percent of all program participants.

The children served in CCFRF facilities participate in the CDE's Child Development Division (CDD) programs, as described in the Program Administration section on page 4 of this report. The largest group to be served under the CCFRF is infants and school-age children (71.7 percent). The second largest group is preschool children (16.5 percent), followed by migrant children (11.8 percent). The most frequently cited reason for need of a child care facility was due to child care program expansion, followed by class size reduction and replacement of facilities for health and safety reasons.

Program Overview

EC Section 8278.3 provides the CCFRF funding for (1) the renovation, repair, or improvement of an existing building to make the building suitable for licensure for child care and development services; and (2) the purchase of new relocatable child care facilities for lease to school districts and contracting agencies that provide child care and development services.

Child care agencies may apply for up to $210,000 for each typical size relocatable building under the CCFRF. Please see Multiple Classroom Building Allowance (MCBA) referenced below for detail. Agencies participating in the CCFRF are responsible for the

[3] Projected as of June 2011; the final figures for FY 2010–11 are not yet available

design, which must be inspected and approved for structural safety by the Division of the State Architect or the local building department.

In September 2001, the CDE implemented the MCBA under the CCFRF. Under the original application, a basic building typically consists of three 12- by 40-foot modules. The MCBA provides applicant agencies additional funds depending upon the number of additional modules added to the size of a basic building. The enhanced building efficiently provides increased capacity to serve additional eligible children. The CDE authorizes a maximum of $70,000 in program funding for each additional module. For example, an enhanced building consisting of five 12- by 40-foot modules would be eligible to receive up to $350,000 in CCFRF funds ($210,000 for a typical three-module relocatable building plus two additional modules at $70,000 each).

Summary of the General Facilities Application Process

When funding is available, applications are processed using the General Facilities Application procedures. Eligible applicants must be currently providing CDE-subsidized child care and development program services. They must also certify the need for the facility based on (1) class size reduction or other displacement; (2) program expansion; or (3) existing facilities that need to be replaced because they are substandard or present a health and safety hazard. These applications are accepted continuously by the CDD and are funded on a first-come, first-serve basis.

Approved applications are funded in two phases based on project costs or up to the program's maximum allowance: (1) the initial funding at 60 percent, and (2) the final funding at 40 percent. Agencies begin making lease repayments to the CDE 180 days after the final funding has been released. In accordance with *EC* Section 8278.3, payments are amortized over 10 years without interest. Upon full repayment, title shall transfer from the State of California to the child care agency. Lease payments received are redirected into the CCFRF, which is continuously appropriated without regard to fiscal year.

2010–11 Program Funding

In FY 2010–11, the Budget Act allocated $5 million from the CCFRF balance for use on a one-time basis for the necessary renovations and repairs of facilities.

Program Administration

The CDD is responsible for administering the CCFRF program. CDD programs serve (1) infants and toddlers, (2) preschool children, and (3) school-age children.

The CDD determines the CCFRF eligibility of applicant agencies and advances funds to approved program participants. To be eligible, applicants must be a provider of state-subsidized child care and development services for CDE programs, as required by *EC* Section 8278.3. The CDD also monitors the progress of building projects and provides technical assistance and guidance to program participants regarding facilities-related issues.

Program Data

The following sections provide data, as required by *EC* Section 8278.3, to the Department of Finance and the Legislative Analyst's Office. The data reflect program activity that occurred during FY 2010–11.

A. Funding Requests Received for CCFRF During FY 2010–11

Application Process	Number of Applications Received	Total Funding Requested
General Facilities Application	0	$0
Total	**0**	**$0**

In FY 2006–07, the CCFRF set aside a one-time Special Facilities Application Process for the expansion of the State Preschool Program for the Prekindergarten and Family Literacy Program services, and we received 40 applications.

In FY 2007–08 and 2008–09, respectively, the CDE had expansion funding available for the State Preschool and General Child Care and Development programs that resulted in another 42 applications being processed by the CCFRF program.

We believe the decline in applications received in FY 2010–11 resulted from the absence of funding for the expansion of the child care and development programs along with the current economic budget crisis.

B. Purpose and Need for CCFRF Facilities During FY 2010–11

Reason Needed	Number of Applications Received	Percent of Total
Class Size Reduction and Other Displacement	0	0.0%
Program Expansion	0	0.0%
Replacement (Health and Safety)	0	0.0%
Total	**0**	**100.0%**

C. Types of Agencies Requesting CCFRF Applications During FY 2010–11

Type of Agencies	Number of Applications Received	Percent of Total
Local Educational Agencies	0	0.0%
Other Public Agencies	0	0.0%
Private Child Care Agencies	0	0.0%
Total	**0**	**100.0%**

D. Projected Increase in Capacity for Delivery of Child Care Services in FY 2010–11

Type of Program	Number of Children to Be Served	Percent of Total
California State Preschool	0	0.0 %
General Child Care and Development	0	0.0%
Migrant Child Care and Development	0	0.0%
California School Age Families Education	0	0.0%
Child Care and Development Services for Children with Exceptional Needs	0	0.0%
Total	**0**	**100.0%**

E. Projection of Lease Repayments

During FY 2010–11, the CDE received $6.4 million[4] in lease repayments from program participants. As of the end of FY 2010–11, a total of96 CCFRF contracts with completed projects were repaid in full by the participating agencies. This reduces the number of completed projects in the active repayment process to 345 for FY 2010–11. The table on page 7 presents a projection of $16.3 million in lease repayments over the next five years that the CDE will collect and make available for future program use.

[4] Projected as of June 2011; the final figures for FY 2010–11 are not yet available.

The time between completion of a project and the commencement of payments can be up to 36 months. Agencies with staff experienced in planning and installing relocatable buildings may move through the timeline more quickly. Program participants may also experience project delays that exceed this timeline. The two most frequent causes for project delays are problems in securing an appropriate site and obtaining the necessary inspections and approvals from the Division of the State Architect or the local building department.

Five-Year Projection of Lease Repayments

Fiscal Year	Number of Projects with Repayments Due	Total Annual Repayments
2011–12	345	$4.6 million
2012–13	321	$4.4 million
2013–14	222	$3.4 million
2014–15	149	$2.4 million
2015–16	107	$1.5 million
Total		**$16.3 million**