

KAUFMAN LEGAL GROUP
A PROFESSIONAL CORPORATION

August 20, 2015

Direct: (213) 452-6576

VIA HAND DELIVERY

Ms. Ashley Johansson
Initiative Coordinator
Office of the Attorney General
State of California
1300 I Street, Suite 125
Sacramento, CA 94244-2550

RECEIVED

AUG 20 2015

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

**Re: Submission of Amendment to Statewide Initiative Measure
"Lifting Children and Families Out of Poverty Act" Initiative**

Dear Ms. Johansson:

As you know, we serve as counsel for the proponents of the proposed statewide initiative, the "Lifting Children and Families out of Poverty Act." The proponents of the proposed initiative are:

- Jim Mangia
- Martine Singer
- Conway Collis
- Dixon Slingerland

On their behalf, I am enclosing the following documents:

- The amended text of the "Lifting Children and Families Out of Poverty Act" Initiative
- A "redline" document showing the amendments to the previously submitted text of the "Lifting Children and Families Out of Poverty Act" Initiative
- Signed authorizations from each of the proponents of the Initiative for the submission of the amended language of the "Lifting Children and Families Out of Poverty Act" Initiative together with their requests that the State Attorney General's Office prepare a circulating title and summary using the amended language of the Initiative.

August 20, 2015

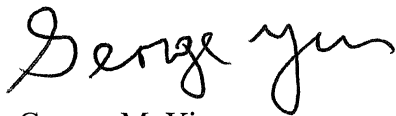
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Please continue to direct all inquiries or correspondence relative to this proposed Initiative to:

Jim Mangia
c/o Stephen Kaufman and George Yin
Kaufman Legal Group
777 S. Figueroa Street, Suite 4050
Los Angeles, CA 90017

If you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink that reads "George Yin". The signature is written in a cursive, flowing style.

George M. Yin
Attorney

Enclosures

August 20, 2015

VIA HAND DELIVERY

Ms. Ashley Johansson
Initiative Coordinator
Office of the Attorney General
1300 I Street
Sacramento, CA 95814-2919

Re: Request for Circulating Title and Summary Based on Amendment to Text of the "Lifting Children and Families Out of Poverty Act"

Dear Ms. Johansson:

On July 16, 2015, the proponents of a proposed statewide initiative known as the "Lifting Children and Families out of Poverty Act" ("Initiative"), submitted a request that the Attorney General prepare a circulating title and summary pursuant to Article II §10(d) of the California Constitution.

Following the conclusion of the public review period set forth in Elections Code section 9002, the proponents have prepared an amendment to the text of the Initiative, and respectfully request that the Attorney General prepare a circulating title and summary using the amended language, as provided for in Section 9002(b).

As one of the proponents of the Initiative, I approve the submission of the amended text to the Initiative and I declare that the amendment is germane to the theme, purpose, and subject of the Initiative.

Sincerely,

Jim Mangia
Proponent


Signature of Proponent

8/17/2015
Date

August 20, 2015

VIA HAND DELIVERY

Ms. Ashley Johansson
Initiative Coordinator
Office of the Attorney General
1300 I Street
Sacramento, CA 95814-2919

**Re: Request for Circulating Title and Summary Based on Amendment to Text
of the "Lifting Children and Families Out of Poverty Act"**

Dear Ms. Johansson:

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Following the conclusion of the public review period set forth in Elections Code section 9002, the proponents have prepared an amendment to the text of the Initiative, and respectfully request that the Attorney General prepare a circulating title and summary using the amended language, as provided for in Section 9002(b).

As one of the proponents of the Initiative, I approve the submission of the amended text to the Initiative and I declare that the amendment is germane to the theme, purpose, and subject of the Initiative.

Sincerely,

Martine Singer
Proponent



Signature of Proponent

8.18.15

Date

August 20, 2015

VIA HAND DELIVERY

Ms. Ashley Johansson
Initiative Coordinator
Office of the Attorney General
1300 I Street
Sacramento, CA 95814-2919

**Re: Request for Circulating Title and Summary Based on Amendment to Text
of the "Lifting Children and Families Out of Poverty Act"**

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Following the conclusion of the public review period set forth in Elections Code section 9002, the proponents have prepared an amendment to the text of the Initiative, and respectfully request that the Attorney General prepare a circulating title and summary using the amended language, as provided for in Section 9002(b).


As one of the proponents of the Initiative, I approve the submission of the amended text to the Initiative and I declare that the amendment is germane to the theme, purpose, and subject of the Initiative.

Sincerely,

Conway Collis
Proponent



Signature of Proponent



Date

August 20, 2015

VIA HAND DELIVERY

Ms. Ashley Johansson
Initiative Coordinator
Office of the Attorney General
1300 I Street
Sacramento, CA 95814-2919

**Re: Request for Circulating Title and Summary Based on Amendment to Text
of the "Lifting Children and Families Out of Poverty Act"**

Dear Ms. Johansson:

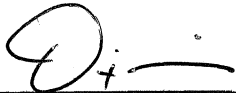
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Following the conclusion of the public review period set forth in Elections Code section 9002, the proponents have prepared an amendment to the text of the Initiative, and respectfully request that the Attorney General prepare a circulating title and summary using the amended language, as provided for in Section 9002(b).

As one of the proponents of the Initiative, I approve the submission of the amended text to the Initiative and I declare that the amendment is germane to the theme, purpose, and subject of the Initiative.

Sincerely,

Dixon Slingerland
Proponent



Signature of Proponent

8/18/15

Date

SECTION I. Title.

This Act shall be known and may be cited as the "Lifting Children and Families out of Poverty Act."

SECTION II. Findings and Declarations.

The people of the State of California find and declare all of the following:

- (a) California has the highest rate of poverty in the nation including 25 percent of children living under the poverty line. Without a comprehensive attack on poverty and its root causes, the future economic stability of California is at risk.
- (b) The high costs of persistent poverty can be seen every day. Our ability to grow the economy and create jobs is damaged by this continued level of high poverty. The economic health of current and future generations depends on immediately implementing proven measures that provide opportunities to move those left behind out of the cycle of poverty.
- (c) Attacking poverty requires an unprecedented investment. There are proven and effective strategies to fight poverty, but to succeed on a large scale they must be fully funded and sustained over a generation. Otherwise, poverty will continue to drain government resources without producing lasting change.
- (d) A sensible and aggressive attack on poverty also requires that we build on existing, but underfunded, initiatives that we know are effective, including the new reforms in healthcare and local school funding. We cannot allow California to slide any further into poverty. That requires a comprehensive plan to create economic opportunity for everyone. Expert analysis finds this approach will save taxpayers money in healthcare and social services, reduce overcrowded jails and prisons, decrease the horror of child abuse, and cut the number of children living in poverty by 50 percent.
- (e) The reality is that California's efforts to reduce poverty have been too few to lift significant numbers of needy families out of the cycle of poverty.
- (f) Reducing poverty in California means attacking its root causes through the implementation of initiatives with a track record of success, such as voluntary early family support services for pregnant women and children up to the age of five, early childhood education, childcare, and after-school and summer programs for children up to the age of twelve, and effective job training efforts.

Targeting high poverty rate communities and neighborhoods and then delivering necessary and coordinated services where at-risk families and individuals live is essential.

We can immediately begin to advance people from dependency to the job market by increasing the use and level of CalWORKS grants and by expanding California's Earned Income Tax Credit for the working poor.

Ensuring California's economy creates jobs and growth over the long term requires that parents and young adults have access to job training that is proven to develop workplace skills for the 21st century economy. California must provide all Californians with the job readiness skills that reward work and increase financial security. Poverty impacts Californians at every income level and harms our competitiveness in a global economy. Helping those mired in poverty to lift themselves into jobs and self-sufficiency benefits all Californians.

(g) How will this plan be paid for?

It will not raise sales or income taxes. It will avoid any additional tax burdens on middle and lower income Californians. Those most at risk should not and cannot bear these costs. Instead, a sensible and fair surcharge on properties with values of over \$3,000,000 will be assessed to pay for this bold anti-poverty initiative, while keeping all Proposition 13 property tax protections against reassessments and limitations in place.

(h) The surcharge enacted by this ballot measure will sunset after twenty years.

SECTION III. Division 121 of the Health and Safety Code is added to read:

Division 121. California Prenatal and Early Childhood Services Program

Section 152000. This division shall be known as and may be cited as the California Prenatal and Early Childhood Services Program.

Section 152001. (a) The department currently conducts programs that provide certain prenatal and early childhood services through in-home visits. These programs receive federal funding through the Maternal, Infant, and Early Childhood Home Visiting Program pursuant to 42 U.S.C. section 711.

(b) This program shall enhance and expand early and childhood services to provide a more comprehensive and innovative array of services and to make the services available to 450,000 families.

(c) To the extent reasonable and consistent with the objectives of this program, the department shall coordinate the services furnished under other programs it administers with the services under this program, and shall coordinate funding among these programs.

(d) In the event some or all of the services funded by this program are in the future a benefit of the Medi-Cal program, the department shall modify the implementation of the program to avoid duplication of services, conserve and use available funds efficiently, and coordinate with the Medi-Cal program, all in furtherance of the goals set forth in this program.

Section 152002. The following definitions shall govern the construction of this division:

(a) "Account" means the Home Visiting Account in the Lifting Children and Families out of Poverty Fund, established pursuant to Section 5951 of the Revenue and Taxation Code.

(b) “Aggregate available funding” means the total funds available for a grant year from the account for purposes of implementing this division. The aggregate available funding for a grant year shall equal the sum of the following:

(1) The amount of funds deposited in the account during the prior fiscal year including interest accrued on the funds in the account, and

(2) Such portion of the funds in the account on the last day of the prior fiscal year, excluding the amounts described in paragraph (1) of this subdivision, that the Director of the department determines is reasonable and necessary to carry out the purposes of the program for the grant year. In making this determination, the Director shall responsibly allocate the funds to ensure resources are available for the ongoing implementation of the program through, and including, fiscal years 2037-38.

(c) “Allocated amount” means the maximum amount of the funds in the account allocated to a county or a county group for a fiscal year.

(d) “Children in families in poverty” means children under the age of 6 who are living with families whose income is less than 138% of the applicable federal poverty line, as defined in subsection (2) of Section 9902 of Title 42 of the United States Code.

(e) “County allocation percentage” for a fiscal year means the ratio of number of children in families in poverty in a county to the statewide aggregate number of children in families in poverty as determined by the department as of January 10 prior to each grant year to apply to that grant year, and shall be based on the most recent data available to the department.

(f) “County group” means two or more counties that elect to participate in the program jointly.

(f) “Department” means the California Department of Public Health.

(g) “Eligible families” means --

(1) either (A) a woman who is pregnant, and the father of the child if the father is available, or (B) a parent or primary caregiver of a child, including grandparents or other relatives of the child, and foster parents, who are serving as the child’s primary caregiver from birth to age 5, inclusive, and including a noncustodial parent who has an ongoing relationship with, and at times provides physical care for, the child; and

(2) who, or whose child or children under age 6 for which he, she, or they are the primary caregiver(s) is or are enrolled in or eligible for Medi-Cal or would be eligible for Medi-Cal if the Medi-Cal program did not have any eligibility requirement based on citizenship or immigration status, as determined by their respective counties of residence, subject to paragraph (6) of subdivision (a) of Section 152008.

(h) “Grant year” means the fiscal year for which grant amounts are being determined.

(i) “Home visiting organization” means a nonprofit, community based organization, or a public entity, including but not limited to a nonprofit or public federally qualified health center, hospital, or community health promoter training program, that meets the qualifications established by the department pursuant to Section 152006, and that has entered into an agreement with a county or a county group to receive grants available under this division, provide the services set forth in Section 152003 and meet other requirements pursuant to this division. A faith-based organization that otherwise meets the definition of and qualifications to be a home visiting organization may be a home visiting organization. A county or an agency of a county may be a home visiting organization for the entire county if the county or county group in which the county participates determines that there is no other qualified organization willing and available to provide the program services in the county. A county or an agency of a county may be a home visiting organization for a portion of the county if the county or county group in which the county participates determines that there is no other qualified organization willing and available to provide the program services in such portion of the county.

(j) “Mobilization and outreach activities” means provider training for home visiting organizations, referral services or outreach to eligible families, which are directly aimed at expanding the pool of organizations that are eligible to be home visiting organizations or utilization of the programs provided by home visiting organizations pursuant to this division. The mobilization and outreach activities will be conducted or arranged for by home visiting organizations that enter into grant agreements with a county or a county group under Section 152008.

(k) “Program” means the California Prenatal and Early Childhood Services Program.

Section 152003. Each home visiting organization receiving a grant from a county under this division shall provide all of the following services through in-home visits to eligible families:

(a) An assessment of family biopsychosocial needs.

(b) Services that promote parental support and child health and development by building long-term relationships with families and optimizing the relationships between parents and children in their home environments, while training parents to improve the safety and habitability of the home environment.

(c) Referrals to additional needed services and medical homes.

Section 152004. Each county or county group shall prioritize the goals set forth in this section for home visiting organizations that best meet the needs of eligible families in the county or county group in consideration of the available resources in the county or county group, except that each county or county group shall grant priority to any application by a participating organization, as that term is defined in subdivision (i) of Section 11000 of the Education Code, with a certification by a lead agency as developed pursuant to subdivision (a) of Section 11004 of the Education Code. Each home visiting organization shall demonstrate its ability to achieve some or all of the following goals to the satisfaction of the county or county group based on the priorities and needs determined by the county or county group:

(a) Improve prenatal, maternal, infant and child health outcomes, as measured by indicators including but not limited to pre-term birth rates, child immunization rates, attachment to a medical home, housing habitability, and reductions in substance abuse and tobacco use.

(b) Prevent incidents of child maltreatment and death.

(c) Prevent entry into the child welfare system.

(d) Improve positive parenting and social and emotional relationship skills.

(e) Improve parental self-sufficiency, including increased access to economic development and training opportunities, employment and educational attainment.

(f) Improve children's readiness to succeed in school.

(g) Improve children's social-emotional, cognitive, and language and physical development.

(h) Perform or receive healthy homes and environmental health assessments, linkages and referrals to improve the health, safety and environmental and structural habitability of the family's residential space.

Section 152005. (a) Home visiting organizations approved by a county or a county group under this program shall be funded from the account, including mobilization and outreach activities and other activities undertaken pursuant to the grant agreements described in Section 152008. The funds shall be allocated among the counties and county groups, if any, based on the county allocation percentage. The county allocation percentages for each county in a county group shall be aggregated for purposes of the allocation of funds under this subdivision to the county group.

(b) Commencing in 2018 and annually thereafter, the following schedule shall apply to the determination of funding for mobilization and outreach activities and funding to the counties for program purposes.

(1) On or before January 10 of each year –

(A) The department shall determine the county allocation percentage for each county for the subsequent grant year; and

(B) The Director of Finance shall submit a written report to the department with an estimate of the aggregate available funding for the program for the subsequent grant year.

(2) On or before February 15 of each year, the department, based on the estimated aggregate available funding reported by the Director of Finance pursuant to subparagraph (B) of paragraph (1), shall determine the following for the subsequent grant year:

(A) An estimate of funding necessary for mobilization and outreach activities, including a description of the proposed mobilization and outreach activities, the amount of funds

to be allocated to each county or county group for the proposed mobilization and outreach activities to be conducted by the home visiting organizations that enter into grant agreements, and the identification of specific amounts to be spent on the mobilization and outreach activities and their intended effects; and

(B) After deducting the amounts described in subparagraph (A) of this paragraph from the estimated aggregate available funding, determine the estimated allocated amount for each county and county group for the subsequent grant year based on the county allocation percentages established by the department pursuant to subparagraph (A) of paragraph (1) of subdivision (b); and

(C) report the county allocation percentages and the estimated allocated amounts determined pursuant to paragraphs (1) and (2) of this subdivision to each county.

(3) On or before April 1 of each year, each county or county group shall submit to the department a funding request that sets forth the amount of funding that the county or county group anticipates it will expend in the subsequent grant year to implement the program. The funding request shall not exceed the county's or county group's estimated allocated amount for the fiscal year established by the department pursuant to subparagraph (B) of paragraph (2) of this subdivision. Any funds that are available to a county or county group under its estimated allocated amount that are not requested by the county or county group shall revert to the account and shall be added to the funds described in paragraph (2) of subdivision (b) of Section 152002 in the calculation of aggregate available funding for the program in the subsequent fiscal years.

(4) On or before August 1 of each fiscal year, the Director of Finance shall submit a written report to the department with the actual aggregate available funding for the program for the grant year that began July 1 of the current fiscal year.

(5) On or before September 1 of each fiscal year, the department shall report to the counties the actual allocated amount for each county or county group for the grant year that began July 1 of the current fiscal year.

(c) The funds allocated to each county or county group pursuant to subdivision (b) shall be transferred to the county or county group in installments from the account based on a schedule developed by the department in consultation with each county and county group. The schedule for a county or county group may be modified by the department, with the concurrence of the county or county group, during the grant year to meet the county's or county group's financial needs in carrying out the provisions of the program. In no event shall the total amount of the funds transferred to a county or county group in a fiscal year exceed the county's or county group's actual allocated amount for the fiscal year.

(d) (1) For each county that is not a part of a county group, the county's department of public health, or, if the county does not have a department of public health, such other department or agency of the county as the county shall designate to implement the program, shall use the amounts transferred to the county pursuant to subdivision (c) solely for mobilization and outreach activities in such amounts as are approved by the Department and to award grants to home visiting organizations in accordance with the provisions of this division.

(2) The agency or other organization designated by a county group to implement the program in accordance with section 152010 shall use the amounts transferred to the county group pursuant to subdivision (c) solely for mobilization and outreach activities in such amounts as are approved by the Department and to award grants to home visiting organizations in accordance with the provisions of this division.

Section 152006. (a) On or before January 1, 2018, the department shall establish by regulation the qualifications for an organization seeking approval to be a home visiting organization, and the individuals utilized by a home visiting organization to conduct home visits under this division. In developing the qualifications, the department shall accommodate those models of providing services that the department determines are likely to be effective to accomplishing the purposes of this program. Such models shall include, but not be limited to:

(1) Nurse-Family Partnerships or similar models that involve nurse-home visits.

(2) Promotores de Salud, Community Health Workers, and similar models that involve home visits by trained and qualified community members.

(3) In-home health and personal caregiver programs.

(4) Other evidence-based home delivery models approved by federal Department of Health and Human Services under the Maternal, Infant and Early Childhood Home Visiting program.

(b) The Department shall consult with stakeholders prior to the promulgation of proposed regulations to establish qualifications pursuant to this section. Such stakeholders shall include but not be limited to the local or national Nurse-Family Partnership organizations and the California Health Workforce Alliance, Promotores de Salud/Community Health Worker training programs and in-home health and personal caregiver programs.

(c) The department shall review and consider revising the qualifications established under this section periodically, but at least every two years. In considering revisions to the qualifications, the department shall consider data or other information available to the department concerning the efficacy of particular models and organizations to accomplish the goals of the program, including the goals established by the counties under Section 152004.

Section 152007. Each county or county group shall have the discretion to select the home visiting organizations that meet the qualifications for a home visiting organization under this division to which it may award grants and the amounts of those grants. In exercising its discretion, each county and county group shall consider at least the following factors:

(a) The ability of the home visiting organization to accomplish the purposes of this program, based on the prioritization of goals established by the county or county group pursuant to Section 152004 .

(b) The qualifications, training, and background of the personnel utilized by the home visiting organization to conduct home visits, based on the qualifications established by the department pursuant to subdivision (a) of Section 152006.

(c) The needs of eligible families in the county, or in the case of a county group the counties that are part of the county group, as determined by the county or county group pursuant to Section 152004.

(d) The history, experience, expertise, and previous effectiveness of the home visiting organization in providing in-home services to children in poverty.

(e) The ability of the home visiting organization to gather and report data relating to the evidence-based indicators established by the department pursuant to Section 152009, and to otherwise develop and report information to evaluate the effectiveness of its program.

(f) The ability and willingness of the home visiting organization to cooperate with other community organizations serving the children in families in poverty.

Section 152008. Each county or county group shall enter into a grant agreement with each home visiting organization that it selects to receive a grant under this division.

(a) The grant agreement shall include terms that address the following, in addition to other terms as may be required by law or that the county or county group determines to be appropriate:

(1) Specify in detail the services to be provided by the home visiting organization.

(2) Set forth the maximum amount of the grant to the home visiting organization, the timing of the grant payments, and the conditions precedent to receiving the grant payments. If the grant agreement is entered into based on the estimated allocated amount for the county or the county group, the grant agreement shall provide that the amount of the grant is provisional, and subject to adjustment based on the actual allocated amount for the county or the county group reported by the department pursuant to paragraph (5) of subdivision (b) of Section 152005.

(3) Provide the county or county group with the right to review the home visiting organization's books and records to ensure compliance with the grant agreement.

(4) Require the home visiting organization to gather data concerning the evidence-based indicators established by the department pursuant to Section 152009, and to report such data to the county or county group as set forth in the grant agreement, but no less frequently than semi-annually.

(5) Limit funding to the amount of available funds.

(6) The delegation, if any, to the home visiting organization of the county's or county group's responsibility to determine whether a family is an eligible family.

(b) A county or county group may enter into a grant agreement with a home visiting organization that has a term that is more than one year in duration, so long as the grant agreement provides that the maximum amount of the grant to the home visiting organization in a subsequent fiscal year is subject to adjustment based on the actual allocated amount to the county or county group in a subsequent fiscal year.

(c) A county may enter into a separate grant agreement with a home visiting organization to perform mobilization and outreach activities. Alternatively, mobilization and outreach activities and the other activities to be performed by the home visiting organization under the program may be covered by a single grant agreement.

(d) Any grant funds that are not expended by a home visiting organization pursuant to the grant agreement or required to pay liabilities incurred under the grant agreement prior to the termination or expiration of its grant agreement with a county or county group shall be remitted to the department, which shall cause the funds to be deposited in the account and treated as funds described in paragraph (2) of subdivision (b) of Section 152002 in the calculation of the aggregate available funding for the program in the subsequent fiscal years.

(e) Agreements entered into under this division shall be exempt from the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code, and any associated policies, procedures or regulations under those provisions.

Section 152009. (a) The department, in consultation with stakeholders, shall by regulation establish evidence-based indicators to measure progress toward the achievement of the purposes of the program.

(b) On or before October 15 of each year commencing fiscal year 2019-20, each county or county group receiving funding under this division shall issue a written report on the county's or county group's implementation of the program and progress towards the achievement of the goals of the program. The report shall include the evidence-based indicators established by the department pursuant to subdivision (a). The report shall set forth the manner in which the funds were expended, including the home visiting organizations receiving grants and the amount of the grants received and expended by each home visiting organization, as well as the numbers of families and children receiving services. The report shall also include data on both a county-wide basis and separately by each home visiting organization. The department may at its discretion withhold a portion of funding or all funding under this division from a county or county group that does not submit a timely report until such time as a complete report is submitted to the department.

(c) The department shall on or before January 1 of 2020, and each year thereafter issue a report that consolidates, summarizes, analyzes and comments on the annual reports submitted by the counties and county groups pursuant to subdivision (b) for the preceding grant year. The report shall include data concerning the evidence-based indicators established by the department pursuant to subdivision (a), the aggregate expenditures made under the program, the populations served, and the progress toward accomplishing the goals of the program. The report shall also set forth the manner in which funds for mobilization and outreach activities were spent

during the preceding grant year, and the impact of those mobilization and outreach activities. The report shall be posted on the department's website and transmitted to the Governor, Legislature, and each county or county group.

Section 152010. Two or more counties may elect to participate in the program jointly and form a county group. A county group shall have the authority to enter into grant agreements pursuant to section 152008 that shall be binding on the county group, to receive funding under Section 152005, and to engage in such other acts as the county or county group determines are appropriate for the implementation of the program and as are consistent with this division and any implementing regulations adopted by the department. In order to form a county group, the counties that are part of the group must enter into a written agreement that is approved by the Department and addresses such matters and contains such terms as the Department may require, including, but not limited to, the following:

(a) The manner in which decisions will be made by the county group relating to the program.

(b) The agency or other organization that will be responsible for the implementation of the program in and for the counties in the county group and the authority of such agency or organization.

Section 152011. The Department may promulgate and adopt regulations to implement and interpret this division.

SECTION IV. Part 9.7 is added to Division 1 of Title 1 of the Education Code to read:

Part 9.7. Education for California Children Program

Section 14800. This part shall be known as and may be cited as the Education for California Children Program.

Section 14801. The following definitions shall govern the construction of this part:

(a) "Account" means the Early Childhood Education Account in the Lifting Children and Families out of Poverty Fund established pursuant to Section 5951 of the Revenue and Taxation Code.

(b) "Alternative payment program" means the program established pursuant to Article 3 (commencing with Section 8220) of Chapter 2 of Part 6 of Division 1 of this Title.

(c) "California state preschool program" means the program established pursuant to Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of this Title.

(d) "Child care and development services for children with special needs" means the program established pursuant to Article 9 (commencing with Section 8250) of Chapter 2 of Part 6 of Division 1 of this Title.

(e) “Child care and preschool programs” means the alternative payment program, the California state preschool program, child care and development services for children with special needs, the California School Age Families Education Program, child care provided by the California School Age Families Education Program, child care for recipients of CalWORKS program, family child care home education networks, general child care and development, migrant child care, and such other similar programs as determined by the Superintendent.

(f) “Child care programs” means the alternative payment program, child care and development services for children with special needs, the California School Age Families Education Program, child care provided by the California School Age Families Education Program, child care for recipients of CalWORKS program, family child care home education networks, general child care and development, migrant child care, and such other similar programs as determined by the Superintendent.

(g) “Child care for recipients of CalWORKS program” means the program established pursuant to Article 15.5 (commencing with Section 8350) of Chapter 2 of Part 6 of Division 1 of this Title.

(h) “Child care or preschool center” means an infant/toddler center or a preschool.

(i) “Child care provided by the California School Age Families Education Program” means those child care services provided pursuant to Article 7.1 (commencing with Section 54740) of Chapter 9 of Part 29 of Division 4 of Title 2.

(j) “Department” means the California Department of Education.

(k) “Early learning quality rating and improvement system” or “QRIS” shall have the meaning as in paragraph (1) of subdivision (b) of Section 8203.1.

(l) “Family child care home education networks” means the program established pursuant to Article 8.5 (commencing with Section 8245) of Chapter 2 of Part 6 of Division 1 of this Title.

(m) “Federal poverty line” shall have the same meaning as it is defined in subsection (2) of Section 9902 of Title 42 of the United States Code.

(n) “General child care and development” means the program established pursuant to Article 8 (commencing with Section 8240) of Chapter 2 of Part 6 of Division 1 of this Title.

(o) “Infant/toddler center” means a child care center providing group infant and/or toddler care pursuant to subchapter 2 of Chapter 1 of Division 12 of Title 22 of the California Code of Regulations, that participates in one or more programs described in subdivision (e).

(p) “Infant/toddler family care homes” means a small family child care home or large family child care home, as each is defined in subdivision (f) of Section 102352 of Title 22 of the California Code of Regulations, that participates in one or more programs described in subdivision (e).

(q) “Local consortium” shall have the meaning in paragraph (2) of subdivision (b) of Section 8203.1.

(r) “Migrant child care” means the program established by Article 6 (commencing with Section 8230) of Chapter 2 of Part 6 of Division 1 of this Title.

(s) “Preschool” shall mean a grantee in the California state preschool program.

(t) “Program” means the Education for California Children Program established pursuant to this part.

Section 14802. (a) There is hereby established in the account the Education for California Children Subaccount, the Quality Rating and Improvement Enhancement Subaccount, and the Start-up Programs Subaccount.

(1) Funding from the Education for California Children Subaccount shall be available only for the purposes set forth in Section 14803.

(2) Funding from the Start-up Programs Subaccount shall be available only for the purposes set forth in Section 14804.

(3) Funding from the Quality Rating and Improvement Enhancement Subaccount shall be available only to provide QRIS block grants pursuant to Section 8203.1.

(b) There is hereby allocated from the account to the Start-up Programs Subaccount the amount of \$2,125,200,000 for the purposes set forth in Section 14804. The first \$1,087,500,000 of the allocation authorized by this subdivision shall be funded by deposits to the account during fiscal year 2017-18 pursuant to subparagraph (B) of paragraph (5) of subdivision (e) of section 5951 of the Revenue and Taxation Code. The remaining \$1,037,700,000 of the allocation authorized by this subdivision shall be funded by deposits to the account during fiscal year 2018-19 pursuant to subparagraph (B) of paragraph (5) of subdivision (e) of section 5951 of the Revenue and Taxation Code.

(c) For fiscal year 2017-18 through fiscal year 2036-37, inclusive, to the extent funds are available in the account, there is hereby allocated from the account to the Quality Rating and Improvement Enhancement Subaccount an amount equal to ten percent (10%) of the total state and federal funds spent in the prior fiscal year for child care and preschool programs for all QRIS participating agencies, as that term is defined in paragraph (3) of subdivision (b) of Section 8203.1, in the State, as determined by the Superintendent, for the purposes set forth in Section 8203.1.

(d) For fiscal year 2017-18 through and fiscal year 2037-38, inclusive, to the extent funds are available in the account, all remaining funds in the account after the allocations to the Start-Up Programs Subaccount and the Quality Rating and Improvement Enhancement Subaccount described in subdivisions (b) and (c), respectively, shall be deposited in the Education for California Children Subaccount, for the purposes set forth in Section 14803 and in accordance with the allocation of the funds made pursuant to Section 14803.

Section 14803. (a) The funds in the Education for California Children Subaccount shall be allocated to meet the priorities in subdivisions (b) through (d) in the order of priority in which they are written. Each priority must be funded to the fullest extent possible, as determined by the Superintendent, taking into account factors including, without limitation, demand, available providers, and geographic distribution of providers, prior to funding the next priority. If funding in the Education for California Children Subaccount is insufficient to fund a priority in its entirety, it may be funded to the extent funds are available. The funds in the Education for California Children Subaccount shall be responsibly allocated to ensure resources are available for ongoing programs through, and including, fiscal years 2037-38.

(b) The first priority for the funds in the Education for California Children Subaccount shall be to fulfill the expansions of the California state preschool program described in paragraphs (1) through (3) in the order in which they are written. With respect to funds allocated from the Education for California Children Subaccount only, the priorities established in Section 8236 shall not apply. The priorities established in Section 8236 shall continue to apply in full force with respect to California state preschool program services funded other than from the Education for California Children Subaccount.

(1) The funds from the Education for California Children Subaccount may be expended to supplement funding for the California state preschool program provided by sources other than the Education for California Children Subaccount to expand the California state preschool program by the number of slots that the department determines would need to be added to the California state preschool program as funded other than from the Education for California Children Subaccount to provide full day preschool for all children in families with income below the federal poverty line who meet the age requirements for the California state preschool program and who will enroll in a full day preschool program, regardless of whether the child resides in a Promise Zone or whether the child meets other requirements for the California state preschool program as funded other than from the Education for California Children Subaccount. This includes supplemental funding that may be required to transform half day preschool slots to full day preschool slots for children in families with income below the federal poverty line who meet the age requirements for the California state preschool program.

(2) The funds from the Education for California Children Subaccount may be expended to supplement funding for the California state preschool program provided by sources other than the Education for California Children Subaccount to expand the California state preschool program by the number of slots that the department determines would need to be added to the California state preschool program as funded other than from the Education for California Children Subaccount to provide half day preschool for all children in families with income below the federal poverty line who meet the age requirements for the California state preschool program and who will enroll in a half day preschool program, regardless of whether the child resides in a Promise Zone or whether the child meets other requirements for the California state preschool program as funded other than from the Education for California Children Subaccount.

(3) The funds from the Education for California Children Subaccount may be expended to supplement funding for the California state preschool program provided by sources other than the Education for California Children Subaccount to expand the California state

preschool program by the number of slots that the department determines would need to be added to the California state preschool program as funded other than from the Education for California Children Subaccount to provide full or half day preschool; subject to demand, for all children who meet the age requirements for the California state preschool program residing in California Promise Zones, designated pursuant to title 4, or such other geographic area(s) as the department may designate based on the department's determination that the local public elementary school(s) serving that geographic area have rates of high participation rates of free lunch pursuant to Section 49550, regardless of whether the child meets other requirements for the California state preschool program or whether the child is in a family with income below the federal poverty line.

(c) The second priority for the funds from the Education for California Children Subaccount shall be to expand child care programs by supplementing funding for child care programs provided by sources other than the Education for California Children Subaccount to expand child care programs by the number of slots that the department determines would need to be added to the child care programs as funded other than from the Education for California Children Subaccount to accommodate all children who are too young to qualify for the California state preschool program in families with income below the federal poverty line, regardless of whether the child meets other requirements for the applicable child care program.

(d)(1) The third priority for the funds from the Education for California Children Subaccount shall be to provide supplemental payments to grant awardees under Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of this title who are awardees during the fiscal year in which supplemental awards under this subdivision are made if the department determines that:

(A) Over 75% of the students attending the school receive free lunch pursuant to Section 49550. The department may adjust the threshold percentage for students receiving free lunch under this provision based on available funding and demand so long as such new threshold percentage is uniformly applied to schools throughout the state and that award recipients continue to receive three-year grants;

(B) The administrator of the program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of this title establishes minimum qualifications to ensure that all staff members who directly supervise pupils during the educational and literacy element of the program meet the qualifications for a teaching credential issued by the Commission on Teacher Credentialing or other qualifications that the Superintendent may establish; and

(C) The program provides an amount of cash or in-kind local funds equal to not less than one-third of the total additional grant funded by the Education for California Children Subaccount as authorized by this subdivision. The supplemental grant amounts funded by the Education for California Children Subaccount shall not be considered in the total grant described in paragraph (7) of subdivision (a) of Section 8483.7. Facilities or space usage may fulfill not more than 25 percent of the required local contribution under this subparagraph.

(2) For grant awardees that establish an after school program eligible for a three-year after school grant pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of this title and meet the criteria in paragraph (1), the Superintendent may make additional payments funded from by the Education for California Children Subaccount to the grant awardees in addition to the payments the grant awardees may receive under Section 8483.7 funded from sources other than the Education for California Children Subaccount equal to the difference between: (i) the total after school amount for which a site is eligible pursuant to subparagraph (C) of paragraph (1) of subdivision (a) of Section 8483.7 as determined by the Superintendent based on a formula of \$13.28 per pupil per day for pupils under age 12 served by the program, which rate shall be adjusted annually for cost of living by the Superintendent; and (ii) the total after school amount for which a site is eligible pursuant to subparagraph (C) of paragraph (1) of subdivision (a) of Section 8483.7 without regard to funding from the Education for California Children Subaccount. The maximum total after school grant awards described in subdivision (a) of Section 8483.7 shall not apply to the supplemental grant amounts authorized under this subdivision; and

(3) For grant awardees that establish a program eligible to receive a summer grant pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of this title and meet the criteria in paragraph (1), the Superintendent may make additional payments funded from by the Education for California Children Subaccount to the grant awardees in addition to the payments the grant awardees may receive under Section 8483.7 funded from sources other than the Education for California Children Subaccount equal to the difference between: (i) the summer grant amount for which a site is eligible pursuant to paragraph (5) of subdivision (a) of Section 8483.7 as determined by the Superintendent based on a formula of \$4.43 per pupil per hour under age 12, which rate shall be adjusted annually for cost of living by the Superintendent, for up to 120 hours per pupil served by the program; and (ii) the total summer grant amount for which a site is eligible pursuant to paragraph (5) of subdivision (a) of Section 8483.7 without regard to funding from the Education for California Children Subaccount. The maximum total school grant awards described in paragraph (5) of subdivision (a) of Section 8483.7 shall not apply to the supplemental grant amounts authorized under this subdivision.

(4) The Superintendent may adjust the supplemental grant awards authorized by this subdivision to the extent funding is available for the purposes of this subdivision. The Superintendent may further adjust the supplemental grant awards authorized by this subdivision to a specific awardee if it determines that the awardee's estimate of pupils to be served does not reflect the number of pupils the awardee is able to serve.

(e) For fiscal years 2017-18 through 2037-38, inclusive, the allocations of funds in the Education for California Children Subaccount shall be allocated, as follows:

(1) On or before January 10 of each year preceding the commencement of each fiscal year, the Superintendent shall propose allocations of the funds in the Education for California Children Subaccount for the fiscal year for the priorities described in subdivisions (b) through (d), inclusive, based on his/her assessment as to the extent to which such objectives and priorities may be met in the following fiscal year.

(2) On or before May 14, the Superintendent shall revise, and the Board of Education shall approve, the allocations of the funds in the account to the Education for California Children Subaccount.

(3) If, on or before June 30, an enrolled Budget Act for the following fiscal year adopts the allocations of the funds in the Education for California Children Subaccount, and all sub-subaccounts therein consistent with the priorities in this section, those allocations shall become effective on July 1 of the fiscal year.

(4) If, on or before June 30, an enrolled Budget Act for the following fiscal year does not adopt allocations of the funds in the Education for California Children Subaccount consistent with the priorities in this section, the proposed and approved allocations pursuant to paragraph (2) shall become effective on July 1 of the same year.

(f) Any funds in the Education for California Children Subaccount not allocated pursuant to this subdivision shall remain in the account for use in later fiscal years. Any funds remaining in the Education for California Children Subaccount on June 30 of a fiscal year shall be available for allocation during later fiscal years through and including fiscal year 2038-39. Any funds remaining in the Education for California Children Subaccount on June 30, 2039 shall be transferred to the account.

Section 14804.(a) There shall be created in the Start-up Programs Subaccount the following sub-subaccounts:

- (1) The Child Care Revolving Loan Sub-Subaccount;
- (2) The Planning and Implementation Grant Sub-Subaccount;
- (3) The Facilities Grant Sub-Subaccount;
- (4) The Child Care Development Grant and Loan Assumption Sub-Subaccount; and
- (5) The Community College Child Care and Early Learning Training Sub-Subaccount.

(b)(1) The department shall propose, and the State Board of Education shall adopt, regulations governing how loans may be made from funds in the Child Care Revolving Loan Sub-Subaccount based on the structure of the loans from the Charter School Revolving Loan Fund established in Section 41365. Loans from the Child Care Revolving Loan Sub-Subaccount shall be made to child care or preschool centers for five year terms, without interest. Loans may be made commencing in fiscal year 2017-18 through fiscal year 2036-37, inclusive. Payments on the loans from the Child Care Revolving Loan Sub-Subaccount shall be deposited back to the Child Care Revolving Loan Sub-Subaccount to be used for additional loans pursuant to this subdivision.

(2) The amount of \$750,000,000 shall be deposited in the Child Care Revolving Loan Sub-Subaccount for the child care loans authorized by this subdivision. The first \$500,000,000 shall be funded by deposits to the Start-up Programs Subaccount during fiscal year 2017-18. The

remaining \$250,000,000 shall be funded by deposits to the Start-up Programs Subaccount during fiscal year 2018-19.

(c)(1) The department shall propose, and the State Board of Education shall adopt, regulations establishing a planning and implementation grant program for infant/toddler family care homes, family child care home education networks, infant/toddler centers, and preschools based on the structure through which the department implemented the federal charter school planning and implementation grants as described in 78 Federal Register 35001 (June 11, 2013). Each planning and implementation grant authorized by this subdivision shall be three years in duration, unless the regulations adopted by this paragraph specify otherwise, and may be commenced no later than the last day of fiscal year 2021-22. The maximum grants under the planning and implementation grant program shall be \$4,500 for each infant/toddler family care home grantee or family child care home added to a family child care home education network, \$15,000 for each infant/toddler center grantee and \$45,000 for each preschool grantee. The department shall permit each planning and implementation grantee to expend no more than one-third of the grant award for planning purposes.

(2) The amount of \$220,000,000 shall be deposited in the Planning and Implementation Grant Sub-Subaccount for the purposes of implementing the planning and implementation grant program authorized by this subdivision from deposits to the Start-up Programs Subaccount during fiscal year 2017-18. Any amounts remaining in the Planning and Implementation Grant Sub-Subaccount on December 31, 2025, shall be returned to the account and shall be allocated pursuant to Section 14802.

(d)(1) The department shall propose, and the State Board of Education shall adopt, regulations establishing a facilities grant program for new child care or preschool centers based on the structure of the Charter School Facility Grant Program established by Section 47614.5. Each facilities grant authorized by this subdivision shall be five years in duration, unless the regulations adopted by this paragraph specify otherwise, and may be commenced no later than the last day of fiscal year 2021-22. The maximum grants under the facilities grant program shall be \$750 per child reimbursement earned in the first three years of operation; \$500 per child reimbursement earned in the fourth year of operation; and \$250 per child reimbursement earned in the fifth year of operation.

(2) The amount of \$240,000,000 shall be deposited in the Facility Grant Sub-Subaccount for the purposes of implementing the facilities grant program authorized by this subdivision from deposits to the Start-up Programs Subaccount during fiscal year 2017-18. Any amounts remaining in the Facility Grant Sub-Subaccount on December 31, 2027, shall be returned to the account and shall be allocated pursuant to Section 14802.

(e)(1) The California Student Aid Commission shall adopt regulations establishing a child development grant program to provide up to an aggregate 150,000 grants of up to \$2,000 per grantee to community college students and up to an aggregate 25,000 grants of up to \$5,000 for undergraduate students based on the structure and criteria of the Child Development Teacher and Supervisor Grant Program established by Article 7 (commencing with Section 69620) of Chapter 2 of Part 42 of Division 5 of Title 3. Only students who pursue a child development permit or a child development credential and plan to work for a child care or preschool center or

infant/toddler family care home shall be eligible for the grants authorized by this paragraph. Participants may not concurrently receive benefits from the grant program authorized by this paragraph and from the assumption of loan program authorized by paragraph (B). The California Student Aid Commission may make grants under this subparagraph during fiscal years 2017-18 through 2023-24, inclusive. The child development grant program authorized under this paragraph shall be funded by the Child Care Development Grant and Loan Assumption Sub-Subaccount. Any grant payments returned by a participant for failure to meet the work requirement established by the California Student Aid Commission shall be returned to the Child Care Development Grant and Loan Assumption Sub-Subaccount if returned prior to December 31, 2030, or to the account if returned after December 31, 2030. Any grant payments returned by a participant to the account shall be allocated pursuant to Section 14802.

(2) The California Student Aid Commission shall adopt regulations establishing an assumption program of loans for education based on the structure and criteria of the Assumption Programs of Loans for Education established pursuant to Article 5 (commencing with Section 69612) of Chapter 2 of Part 42 of Division 5 of Title 3 for individuals who pursue a child development permit or a child development credential. The California Student Aid Commission may enter into loan assumption agreements under this subparagraph commencing fiscal years 2017-18 through 2023-24, inclusive. The maximum payment amounts for loan forgiveness under the program authorized by this paragraph shall be the following at the end of each year of work at a child care or preschool center or infant/toddler family care home:

(A) For a child care provider with a child development teacher permit, child development master teacher permit, child development site supervisor permit, or child development program director permit: \$2,000 at the end of the first year; \$3,000 at the end of each of the second through fourth years.

(B) For a child care provider with a child development associate teacher permit or a child development credential: \$1,000 at the end of the first year; and \$1,500 at the end of each of the second through fourth years.

The assumption program of loans for education authorized under this paragraph shall be funded by the Child Care Development Grant and Loan Assumption Sub-Subaccount.

(2) The amount of \$540,000,000 shall be deposited in the Child Care Development Grant and Loan Assumption Sub-Subaccount for the purposes of implementing the expansions authorized by this subdivision. The first \$65,000,000 shall be funded by deposits to the Start-up Programs Subaccount during fiscal year 2017-18. The remaining \$475,000,000 shall be funded by deposits to the Start-up Programs Subaccount during fiscal year 2018-19. Any amounts remaining in the Child Care Development Grant and Loan Assumption Sub-Subaccount on December 31, 2030, shall be returned to the account and shall be allocated pursuant to Section 14802.

(f)(1) The California Community Colleges shall use the funds in the Community College Child Care and Early Learning Training Sub-Subaccount to expand the offering of child care and early learning course offerings to serve up to the following targets:

(A) An additional 8,000 full-time equivalent students during fiscal year 2017-18, compared to the number of students served for the year prior to the enactment of the program;

(B) An additional 15,000 full-time equivalent students during fiscal year 2018-19, compared to the number of students served for the year prior to the enactment of the program; and

(C) An additional 25,000 full-time equivalent students annually for each fiscal year 2019-20 through 2023-24, inclusive, compared to the number of students served for the year prior to the enactment of the program.

(2) The amount of \$375,200,000 shall be deposited in the Community College Child Care and Early Learning Training Sub-Subaccount for the purposes of providing the expanded child care and early learning course offerings authorized by this subdivision. The first \$62,500,000 shall be funded by deposits to the Start-up Programs Subaccount during fiscal year 2017-18. The remaining \$312,700,000 shall be funded by deposits to the Start-up Programs Subaccount during fiscal year 2018-19 and shall be used by the California Community Colleges in fiscal years 2018-19 through 2023-24 to expand course offerings. Any amounts remaining in the Community College Child Care and Early Learning Training Sub-Subaccount on December 31, 2024, shall be returned to the account and shall be allocated pursuant to Section 14802.

Section 14805. (a) The department, in consultation with stakeholders, shall by regulation establish evidence-based indicators to measure progress toward the achievement of the purposes of the program, including, but not limited to:

(1) Indicators collected, calculated or reported by local consortia receiving funding pursuant to Section 8203.1;

(2) Indicators to be collected, calculated or reported by grant awardees pursuant to Section 14803;

(3) Indicators to be collected, calculated or reported by loan awardees pursuant to subdivision (b) of Section 14804; and

(4) Indicators to be collected, calculated or reported by grant awardees pursuant to subdivisions (c) and (d) of Section 14804.

(b) On or before October 15 of each year commencing fiscal year 2019-20, the following entities shall submit data, in a form established by the department, related to the evidence-based indicators established by the department pursuant to subdivision (a) for the prior fiscal year and any other such data as the department may require:

(1) local consortia receiving funding pursuant to Section 8203.1;

(2) grant awardees pursuant to Section 14803;

(3) loan awardees pursuant to subdivision (b) of Section 14804; and

(4) grant awardees pursuant to subdivisions (c) and (d) of Section 14804.

The data submission under this subdivision shall only be required if the entity received funding, grant awards, or loans from the program in the prior fiscal year.

(c) The department shall on or before December 31 of 2019, and each year thereafter issue a written report on the implementation of the program and progress towards the achievement of the program's goals. This written report will also consolidate, summarize, analyze and comment on the data submitted by the entities pursuant to subdivision (b) for the preceding fiscal year.

(d) The California Student Aid Commission and the California Community Colleges shall on or before December 31 of 2019, and each year thereafter issue a written report on the implementation of the program and progress towards the achievement of the program's goals.

Section 14806. Except where other state agencies have specific authority to adopt regulations to implement programs in this part or where regulations are required to be adopted by the Board of Education in this part, the Board of Education may promulgate and adopt regulations to implement and interpret this part.

SECTION V. Section 8203.1 of the Education Code is amended to read:

(a) The Superintendent shall administer a QRIS block grant, pursuant to an appropriation made for that purpose in the annual Budget Act or to the extent funds are available in the Quality Rating and Improvement Enhancement Subaccount created by Section 14802 for the purposes herein, to be allocated to local consortia for support of local early learning quality rating and improvement systems that increase the number of low-income children in high-quality preschool programs that prepare those children for success in school and life.

(b)(1) For purposes of this section, "early learning quality rating and improvement system" or "QRIS" is defined as a locally determined system for continuous quality improvement based on a tiered rating structure with progressively higher quality standards for each tier that provides supports and incentives for programs, teachers, and administrators to reach higher levels of quality, monitors and evaluates the impacts on child outcomes, and disseminates information to parents and the public about program quality.

(2) For purposes of this section, "local consortium" is defined as a local or regional entity, administered by a lead agency, that convenes a planning body that designs and implements a QRIS. A local consortium shall include representatives from organizations including, but not limited to, all of the following:

- (A) Local educational agencies.
- (B) First 5 county commissions.
- (C) Local postsecondary educational institutions.
- (D) Local child care planning councils.

(E) Local resource and referral agencies.

(F) Other local agencies, including nonprofit organizations, that provide services to children from birth to five years of age, inclusive.

(3) For purposes of this section, a “QRIS participating agency” is defined as a school district, community college district, college or university, county superintendent of schools, county, city, public agency, private nontax-exempt agency, private tax-exempt agency, or other entity that participates in the QRIS and is authorized to provide services pursuant to child care and preschool programs as defined in subdivision (e) of Section 14800.

(34) For purposes of this section, “quality continuum framework” means the tiered rating matrix created and adopted by a local consortium for purposes of implementing a QRIS. The tiered rating matrix shall include three common tiers shared by all participating local consortia. Changes to the common tiers shall be approved and adopted by all participating local consortia.

(c) The QRIS block grant shall build on local consortia and other local QRIS work in existence on or before the operative date of this section.

(d) For the 2014-15 fiscal year, if a county or region has an established local consortium that has adopted a quality continuum framework, the local consortium's lead administering agency shall be provided the first opportunity to apply for a QRIS block grant.

(e) Local consortia shall do all of the following to be eligible for a QRIS block grant:

(1) Implement a QRIS that incorporates evidence-based elements and tools in the quality continuum framework that are tailored to the local conditions and enhanced with local resources.

(2) Set ambitious yet achievable targets for QRIS participating agencies ~~California state preschool program contracting agencies' participation in the QRIS~~ with the goal of achieving the highest common tier, as the tier existed on June 1, 2014, or a higher level of quality as specified by the Superintendent.

(3) Develop an action plan that includes a continuous quality improvement process that is tied to improving child outcomes.

(4) Describe how QRIS block grant funds will be used to increase the number of sites achieving the highest common local tier and to directly support classrooms that have achieved the highest common tier, as that tier existed on June 1, 2014, or a higher level of quality.

(f) The Superintendent, in consultation with the executive director of the state board, shall allocate QRIS block grant funds to local consortia that satisfy the requirements of subdivision (e) based on the ratio of the total number of California state preschool program slots for the child care and preschool programs as defined in subdivision (e) of Section 14800 served by local consortia within the county or region to the total number of slots for the child care and preschool programs as defined in subdivision (e) of Section 14800 served by all local consortia.

(g)(1) ~~Local consortia receiving QRIS block grant funds shall allocate those funds to QRIS participating agencies—contracting agencies of the California state preschool program, as established by Article 7 (commencing with Section 8235), or local educational agencies, for activities that support and improve quality, and assess quality and access. In allocating the QRIS block grant funds, priority shall be given to directly supporting the classrooms of the California state preschool program sites that have achieved the highest common local tier of quality.~~

(2) No more than 20 percent of a local consortium's QRIS block grant funds may be used for assessment and access projects.

(3) Activities that support and improve quality include augmentations to the program reimbursement rates of preschool and child care providers participating in a QRIS that are able to achieve higher quality ratings under the local consortium's QRIS and grants to QRIS participating agencies to be used to support quality improvement efforts that will increase the QRIS rating of the QRIS participating agency in the future.

~~(h) A family child care home education network established pursuant to Section 8245 that provides California state preschool program services shall be eligible for an allocation from a local consortium of QRIS block grant funds for activities that support, improve, and assess quality.~~

SECTION VI. Division 6 is added to the Labor Code to read:

Division 6. Sector Specific Job Training and Tax Credit Program

Section 9200. This division shall be known as and may be cited as the Sector Specific Job Training and Tax Credit Program.

Section 9201. The following definitions shall govern the construction of this division.

(a) “Account” means the Jobs Training Account in the Lifting Children and Families out of Poverty Fund established pursuant to Section 5951 of the Revenue and Taxation Code.

(b) “Aggregate available funding” with respect to a fiscal year means the total funds available for a fiscal year from the account for purposes of implementing the program. The aggregate available funding for a program year shall equal the sum of the following:

(1) The amount of funds deposited in the account during the prior fiscal year including interest accrued on the funds in the account, and

(2) Such portion of the funds in the account on the last day of the prior fiscal year, excluding the amounts described in paragraph (1) of this subdivision, that Go-Biz determines is reasonable and necessary to carry out the purposes of the program for the grant year. In making this determination, Go-Biz shall responsibly allocate the funds to ensure resources are available for the ongoing implementation of the program through, and including, fiscal years 2037-38.

(c) “Eligible participant” means an adult who: (1) is 18 years of age or older; (2) is unemployed or employed but earning a low wage; and (3) whose family income is less than 200

percent of the applicable federal poverty line, as defined in subsection (2) of Section 9902 of Title 42 of the United States Code.

(1) An eligible participant shall be screened by a provider accountable to the regional collaborative to determine that he or she has the ability to complete the training offered of the eligible participant and the potential to meet an employer's needs. The provider performing the screening shall determine whether an eligible participant is interested in the identified job sector as a longer-term career path and whether he or she possesses the basic capabilities needed to benefit from the training and qualify for jobs in that sector.

(2) For purposes of this division, "low wage" means a wage of less than the greater of (a) \$15 per hour as adjusted annually by Go-Biz to reflect the percentage increase or decrease in the average hourly wage in California, or (b) 120% of the minimum lawful hourly wage in the geographic area of the regional collaborative in which an eligible participant resides.

(d) "Go-Biz" means the Governor's Office of Business and Economic Development.

(e) "Job training tax credits" means the tax credits established pursuant to Sections 17060 and 23696 of the Revenue and Taxation Code.

(f) "Program" means the Sector Specific Jobs Training program established pursuant to this division and the related provisions of the Revenue and Taxation Code including, but not limited to, the competitive grant program and job training tax credits.

(g) "Program year" means a fiscal year during which the program is implemented.

(h) "Regional collaborative" means group of two or more of the following: educational institutions, local chambers of commerce, local workforce investment boards, regional occupational centers, organizations that provide apprenticeship opportunities, or nonprofit or government entities that specialize in services for low-income individuals, that are located in a geographic area served by the regional collaborative, and approved by Go-Biz, pursuant to Section 9203.

Section 9202. Contingent upon the availability of funds for the program, Go-Biz shall administer and implement a competitive grant program pursuant to the provisions of this division. The grant program shall be for the development of sector specific job training and business tax incentives that will focus and link workforce preparation strategies for low income adults with the needs of local employers in high growth markets. The purpose of the program shall be to increase employment rates within the targeted population.

Section 9203. Each regional collaborative applying for a grant pursuant to this division shall provide Go-Biz with the following information:

(a) A lead entity that is identified by and accountable to the regional collaborative.

(b) The geographic area served by the regional collaborative. This subdivision shall not preclude a geographic area, in whole or in part, from having more than one regional collaborative.

(c) The structure of the regional collaborative, including governance, decision-making and accountability by the lead entity to the regional collaborative.

(d) The high growth markets, workforce needs and targeted population for which the regional collaborative proposes to use grant funds to increase employment rates.

(e) Other information as may be required by Go-Biz, including the information set forth in Section 9204.

Section 9204. An application by a regional collaborative for grant funds pursuant to this division shall include all of the following:

(a) A plan to conduct a regional assessment of local workforce needs to identify one or a few key sectors in the region with high growth to target for sector specific job training.

(b) A commitment to outreach and partner with local businesses in the identified sector or sectors to develop curricula and strategies for job training.

(c) A plan to coordinate and leverage existing resources and programs to help fund and administer evidence-based educational and job training activities for the identified sectors.

(d) The criteria for eligible participants who would most benefit from the program and have the most potential for success.

(e) A commitment to partner with local nonprofit organizations to help address needs of low-income participants, including but not limited to help with child care, transportation, or a referral for housing or legal services.

(f) A plan to ensure training and job placement of qualified workers in the identified industry sector or sectors.

(g) The development of performance standards and measurable outcomes to monitor the program's effectiveness.

(h) A recommended plan for tax incentives in the form of credits that will be offered to local employers in the identified industry sector or sectors consistent with the provisions of Sections 17060 and 23691 of the Revenue and Taxation Code. Tax incentives shall be provided to local employers for the following:

(1) The employer's engagement with a regional collaborative in the development of sector specific job training strategies and curricula; and

(2) The hiring of qualified eligible participants in part-time or full-time positions who have successfully completed the sector specific job training and preparation services offered by the regional collaborative pursuant to this division.

Section 9205. In addition to using grant funds for the implementation of items listed in Section 9204, a regional collaborative, if approved by Go-Biz, may also use grant funds to provide the following assistance to eligible participants:

(a) Administer pre-employment services, which may include preparing resumes, mock job interviews, development of career plans, and instruction in “soft skills” such as dress and work etiquette.

(b) Provide job retention services, which may include ongoing coaching, assistance with re-employment (if needed), continued contact with employers to assess the performance and advancement opportunities of eligible participants, and guidance on next-step job opportunities and further skills training that could help eligible participants move up career ladders over time.

Section 9206. Each regional collaborative shall report to Go-Biz, on a semi-annual basis, information related to the administration of its grant, including, but not limited to, program participation, funding status, and performance outcomes. The information shall be in a form, time, and manner established by Go-Biz.

Section 9207. The grants awarded by Go-Biz pursuant to this division shall include funds for regional collaboratives to implement Sections 9204, and may include funds for the implementation of Section 9205 as may be approved by Go-Biz.

Section 9208. Go-Biz, in consultation with the California Workforce Investment Board and the Employment Development Department and other state and local entities, shall promulgate regulations to implement and interpret this division. The regulations shall include, without limitation:

(a) Criteria for rating grant applications, including priority to any application by a participating agency, as that term is defined in subdivision (f) of Section 11000, with a certification by a lead agency as developed pursuant to subdivision (a) of Section 11004.

(b) Qualifications for eligible employers to receive a tax credit, pursuant to subdivision (h) of Section 9204.

(c) A formula for determining the amount of tax credits for eligible employers based on levels of engagement with regional collaboratives and employment of qualified workers.

(d) Requirements for regular reporting by the regional collaboratives to Go-Biz on program status and performance outcomes, including but not limited to:

(1) Data received by regional collaboratives, pursuant to Section 9206.

(2) Number of participating eligible recipients statewide receiving services.

(3) Number of participating eligible recipients successfully employed through the program.

(4) Number and amount of tax credits allocated to employers participating in the program through a regional collaborative.

(5) Funding status of the grant received by a regional collaborative for the program.

(e) The process for applying for a grant.

Section 9209. Go-Biz shall enter into grant agreements with each regional collaborative that it selects for grants under this division.

(a) The grant agreement shall include the following terms, in addition to other terms as may be required by law or that Go-Biz determines are reasonable and necessary to carry out the purposes of this division:

(1) The services to be provided by the regional collaborative through its lead entity and other providers contracting with the regional collaborative to provide the services to be funded by the grant.

(2) The maximum amount of the grant to the regional collaborative, the timing of the grant payments and the conditions precedent to receiving the grant payments. If the grant agreement is entered into based on the estimated aggregate available funding for the program, the grant agreement shall provide that the amount of the grant is provisional, and subject to adjustment based on the actual aggregate available funding for the program reported to Go-Biz pursuant to subdivision (c) of Section 9211.

(3) The right of Go-Biz to review the books and records of the regional collaborative, its lead agency and providers contracting with the regional collaborative to provide the services to be funded by the grant.

(4) The reporting obligations of the regional collaborative to Go-Biz, including the report specified in Section 9206.

(5) The grantee's agreement to comply with the regulations adopted by Go-Biz under this division.

(6) The grantee's agreement that funding shall be limited to the funding available under this division.

(b) Go-Biz may enter into a grant agreement with a regional collaborative for a term that is more than one year in duration, so long as the grant agreement provides that the maximum amount of the grant to the regional collaborative in a subsequent fiscal year is subject to adjustment based on the aggregate available funding for the program in a subsequent fiscal year.

(c) Any grant funds that are not expended by a regional collaborative prior to the termination or expiration of its grant agreement with Go-Biz shall be remitted to Go-Biz, which shall cause the funds to be deposited in the account and treated as funds pursuant to paragraph (1) of subdivision (b) of Section 9201 in the calculation of the aggregate available funding for the program in the subsequent fiscal year.

(d) Agreements entered into under this division shall be exempt from the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code, and any associated policies, procedures or regulations under those provisions.

Section 9210. (a) The program, including the job training tax credits, shall be funded from the account. The aggregate available funding shall be used for all of the following:

- (1) For the grants awarded to the regional collaboratives.
- (2) To reimburse the general fund for the costs of the job training tax credits.

(b) Go-Biz shall implement the program so that it becomes operational beginning July 1, 2018.

(c) The amount expended for the program, including grants and job training tax credits, each fiscal year commencing the 2018-19 shall not exceed the aggregate available funding. Go-Biz shall endeavor to expend the full amount of the funds available for the program each year to carry out the purposes of the program, but only to the extent Go-Biz determines that there are regional collaboratives seeking funding that are likely to efficiently and effectively implement the program and satisfy the requirements of this division and such other requirements as Go-Biz establishes by regulation.

Section 9211. Commencing in 2018 and annually thereafter, the following schedule shall apply to the determination of aggregate available funding of grants:

(a) Prior to January 10 of each year, the Director of Finance shall estimate the aggregate available funding for the following fiscal year, and report such estimates in writing to Go-Biz and each house of the Legislature.

(b) Prior to May 15 of each year, the Director of Finance shall update the estimates described in subdivision (a) and report such estimates in writing to Go-Biz and each house of the Legislature.

(c) On or before August 1 of each year, the Director of Finance shall determine the actual aggregate available funding for the then current fiscal year, and report such amount in writing to Go-Biz and each house of the Legislature.

SECTION VII. Section 17060 of the Revenue and Taxation Code is added to read:

Section 17060. (a) For each taxable year beginning on or after January 1, 2017, there shall be a credit against the "tax," as defined in Section 17039, as set forth in this section.

(b) The recipients of the tax credits and the amounts of the credits for a taxable year shall be determined by Go-Biz in accordance with Job Training Program and regulations adopted by Go-Biz to implement that program. The tax credits shall be granted in furtherance of the purposes of the Job Training Program. Each recipient of a tax credit shall, at a minimum:

(1) Be an employer that is engaged with a regional collaborative, as defined in subdivision (h) of Section 9201 of the Labor Code, in the development of sector specific job training strategies and curricula; and

(2) Hire qualified workers in part-time or full time positions who have successfully completed the sector specific job training and preparation services offered by the regional collaborative.

(3) Negotiate and enter into an agreement with Go-Biz which shall include provisions that accomplish all of the following:

(A) Require the recipient to comply with paragraphs (1) and (2);

(B) Provide for the recovery of the tax credits by the Franchise Tax Board in the event the employer does not comply with the agreement; and

(C) Contain such other terms as Go-Biz shall require in furtherance of the Job Training Program.

(d) Go-Biz shall do all of the following:

(1) Negotiate with a taxpayer the terms and conditions of written agreements that provide the credit allowed in this section to the taxpayer;

(2) Inform the Franchise Tax Board of the terms and conditions of proposed written agreements that provide the credit allowed pursuant to this section to a taxpayer; and

(3) Inform the Franchise Tax Board of the amount of any recapture that should be made.

(e) Notwithstanding Section 19542, the Franchise Tax Board shall notify Go-Biz of a possible breach of the written agreement by a taxpayer and provide detailed information regarding the basis for that determination in the event the Franchise Tax Board becomes aware of such breach. This subdivision shall not create an obligation on the part of the Franchise Tax Board to audit the performance of taxpayers under the written agreements.

(f) In the case where the credit allowed under this section exceeds the "tax," as defined in Section 17039, for a taxable year, the excess credit may be carried over to reduce the "tax" in the following taxable year, and succeeding five taxable years, if necessary, until the credit has been exhausted.

(g) Any recapture, in whole or in part, of a credit provided under this section shall be handled in accordance with subdivision (f) of Section 17059.2.

(h) Upon the claiming of the portion of the tax credits established by this section, monies equal to the amounts claimed shall be transferred from the Jobs Training Account in the Lifting Children and Families out of Poverty Fund established pursuant to Section 5951 to the General Fund. In the event of a recapture of any of the tax credits established by this fund, the

amount of the recapture shall be transferred from the General Fund to the Jobs Training Account in the Lifting Children and Families out of Poverty Fund.

(i) For purposes of this section:

(1) Go-Biz means the Governor's Office of Business and Economic Development.

(2) Job Training Program means the Sector Specific Job Training Program established pursuant to Division 6 of the Labor Code.

SECTION VIII. Section 23696 of the Revenue and Taxation Code is added to read:

Section 23696. (a) For each taxable year beginning on or after January 1, 2017, there shall be a credit against the "tax," as defined in Section 23036, as set forth in this section.

(b) The recipients of the tax credits and the amounts of the credits for a taxable year shall be determined by Go-Biz in accordance with Job Training Program and regulations adopted by Go-Biz to implement that program. The tax credits shall be granted in furtherance of the purposes of the Job Training Program. Each recipient of a tax credit shall, at a minimum:

(1) Be an employer that is engaged with a regional collaborative, as defined in subdivision (h) of Section 9201 of the Labor Code, in the development of sector specific job training strategies and curricula; and

(2) Hire qualified workers in part-time or full time positions that have successfully completed the sector specific job training and preparation services offered by the regional collaborative.

(3) Negotiate and enter into an agreement with Go-Biz which shall include provisions that accomplish all of the following:

(A) require the recipient to comply with paragraphs (1) and (2);

(B) provide for the recovery of the tax credits by the Franchise Tax Board in the event the employer does not comply with the agreement; and

(C) contain such other terms as Go-Biz shall require in furtherance of the Job Training Program.

(d) Go-Biz shall do all of the following:

(1) Negotiate with a taxpayer the terms and conditions of written agreements that provide the credit allowed in this section to the taxpayer;

(2) Inform the Franchise Tax Board of the terms and conditions of proposed written agreements that provide the credit allowed pursuant to this section to a taxpayer; and

(3) Inform the Franchise Tax Board of the amount of any recapture that should be made.

(e) Notwithstanding Section 19542, the Franchise Tax Board shall notify Go-Biz of a possible breach of the written agreement by a taxpayer and provide detailed information regarding the basis for that determination.

(f) In the case where the credit allowed under this section exceeds the "tax," as defined in Section 23036, for a taxable year, the excess credit may be carried over to reduce the "tax" in the following taxable year, and succeeding five taxable years, if necessary, until the credit has been exhausted.

(g) Any recapture, in whole or in part, of a credit provided under this section shall be handled in accordance with subdivision (f) of Section 17059.2.

(h) Upon the claiming of the portion of the tax credits established by this section, monies equal to the amounts claimed shall be transferred from the Jobs Training Account in the Lifting Children and Families out of Poverty Fund established pursuant to Section 5951 to the General Fund. In the event of a recapture of any of the tax credits established by this fund, the amount of the recapture shall be transferred from the General Fund to the Jobs Training Account in the Lifting Children and Families out of Poverty Fund.

(i) For purposes of this section:

(1) Go-Biz means the Governor's Office of Business and Economic Development.

(2) Job Training Program means the Sector Specific Job Training Program established pursuant to division 6 of the Labor Code.

SECTION IX. Title 4 is added to the Education Code to read:

Title 4. California Promise Zones

Section 11000. The following definitions shall apply for purposes of this title.

(a) "California Promise Zone" means an eligible geographic area designated as a California Promise Zone by the department pursuant to this title.

(b) "Department" means the California Department of Education.

(c) "Eligible applicant" means any of the following:

(1) A nonprofit organization, including, but not limited to a nonprofit institution of higher learning; a local education agency; a city; a county; an Indian tribe; or a tribal organization, proposing to serve as the lead agency representative of the proposed eligible geographic area that includes an eligible population to be served and in partnership with at least one public elementary or secondary school located within the identified eligible geographic area to be served by the grant program. A faith-based organization that otherwise satisfies the definition of an eligible applicant may be an eligible applicant.

(2) With respect to a federally designated Promise Zone, the lead applicant/lead organization awarded Promise Zone status by the United States Department of Housing and Urban Development; or

(3) With respect to a federally designated Promise Neighborhood, the applicant awarded Promise Neighborhood status by the United States Department of Education.

(d) “Eligible geographic area” means a geographic area with a population of up to 200,000 residents that has a high poverty rate, high unemployment rate, and low high school graduation rate relative to statewide poverty, unemployment and high school graduation rates, respectively, and that contains at least one public elementary or secondary school funded by the department.

(e) “Eligible population” means a population in an eligible geographic area.

(f) “Federally designated Promise Neighborhood” means a promise neighborhood designated by the United States Department of Education as of the date this title becomes effective, as may be listed at www2.ed.gov/programs/promiseneighborhoods/index.html.

(g) “Federally designated Promise Zone” means a promise zone designated by the United States Department of Housing and Urban Development as of the date this title becomes effective, as may be listed at www.hud.gov/promisezones.

(h) “Local education agency” means a school district as defined in Section 41302.5 or a charter school that is deemed a local educational agency pursuant to Section 47641.

(i) “Participating organization” means the lead agency with respect to the application for a California Promise Zone and all other organizations participating in the application, as described in paragraph (2) of subdivision (a) of Section 11002.

(j) “Program” means the California Promise Zones Program.

Section 11001. (a) The program is hereby established to develop a system of up to forty (40) California Promise Zones to support children’s development from cradle to college to career. Participation in this program is voluntary.

(b) The department shall designate up to 40 California Promise Zones on or after July 1, 2017, and before June 30, 2036. The department shall select only eligible applicants that meet eligibility criteria established by the department in accordance with this title, and that have demonstrated to the satisfaction of the department that they will establish a cradle to college and career network of services aimed at improving the health, safety, education and economic development of the eligible geographic area.

(c) The department shall take the lead and work cooperatively with other state and local agencies to implement the provisions of this title. The other state agencies may include the Employment Development Department, Health and Human Services Agency and the departments within that agency, the Department of Business Transportation and Housing, the California Children and Families Commission, the Community College System, the California

State University, the University of California, the Student Aid Commission, California Department of Parks and Recreation, and other agencies and departments of the State as may be designated by the Governor to implement this title. The other state agencies shall work cooperatively with the department to implement this title starting July 1, 2017.

(d) The department shall promulgate and adopt regulations to implement and interpret this title.

Section 11002. The department shall:

(a) Develop an application and application process for eligible applicants to apply for sites to become California Promise Zones no later than December 1, 2017. The application shall include at a minimum all of the following:

(1) A description of the proposed eligible geographic area to be served and the level of distress in that area based on indicators of need and other relevant indicators. The proposed eligible geographic area to be served shall meet all of the following minimum criteria:

(A) Have high poverty rates relative to statewide averages, as specified by the department;

(B) Have high unemployment rates relative to statewide averages, as specified by the department; and

(C) Have low high school graduation rates relative to statewide averages, as specified by the department.

(2) A list of at least all of the following as public agencies and organizations that will participate in or sponsor the programs proposed by the eligible applicant, which shall include, at a minimum:

(A) An organization with expertise in early child development;

(B) A public school or school district serving students residing in the proposed eligible geographic area;

(C) A post-secondary educational institution serving students residing in the proposed eligible geographic area for primary and/or secondary school;

(D) A city in which the geographic area is located in whole or part, unless no area of the proposed eligible geographic area is located in a city;

(E) A county in which the geographic area is located in whole or in part;

(F) An organization representing business and industry;

(G) At least one additional non-profit community based organization; and

(H) A private foundation or other philanthropic partner.

(3) A memorandum of understanding, signed by each proposed participating organization, setting forth the proposed role of each proposed participating organization.

(4) A proposed plan to significantly improve the academic, health and social outcomes of children living in an eligible geographic area and to support the healthy development and well-being of children and youth in the neighborhood by providing a continuum of solutions to address the needs of the neighborhood. The continuum of solutions must be based on the best available evidence.

(5) An analysis of community assets within, or accessible to, the proposed eligible geographic area, including, at a minimum all of the following:

(A) Early learning programs and available programs of home visiting, high-quality child care, Early Head Start programs, Head Start programs, and pre-kindergarten programs;

(B) Community centers, after-school programs and other opportunities for out-of-school time activities;

(C) Transportation;

(D) Parks;

(E) The availability of healthy food options and opportunities for physical activity;

(F) Existing family and student supports;

(G) Businesses and employers located in the community; and

(H) Institutions of higher education.

(6) A description of the process in which to develop, launch, and implement a longitudinal data system that integrates student-level data from multiple sources to measure progress on educational and family and community support indicators for all children in the proposed eligible geographic area.

(b) Establish criteria for the evaluation of applications, which may include whether a California Promise Zone is likely to improve the following indicators:

(1) children residing in the proposed eligible geographic area are ready for kindergarten;

(2) children residing in the proposed eligible geographic area are at or above grade level proficiency according to Common Core-aligned mathematics and English language arts assessments in 3rd through 8th grades and the 11th grade;

(3) high school graduation rate of students residing in the proposed eligible geographic area;

(4) high school A-G completion rates for students residing in the proposed eligible geographic area; and

(5) number and percentage of students residing in the proposed eligible geographic area who graduate with high school diplomas, and obtain postsecondary degrees, vocational certificates, or other industry-recognized certifications or credentials without the need for remediation.

Section 11003. (a) On or before December 1, 2017 and on or before every December 1 thereafter, the department shall post on its internet website the application for an eligible applicant to request California Promise Zone designation for an eligible geographic area starting July 1 of the following fiscal year, the criteria for eligibility established pursuant to subdivision (b) of Section 11002, the number of available California Promise Zone designations and the deadline for applications for designation.

(b) An eligible applicant shall submit an application for a proposed eligible geographic area to be designated as a California Promise Zone starting July 1 of the following fiscal year in a form and containing the information specified by the department. The application shall be submitted on or before January 31 preceding the first fiscal year for which designation is sought.

(c) The department, within 30 days of the department's receipt of an application, shall review the application and advise the eligible applicant in writing whether the application is complete or whether additional information is needed. In the event additional information is needed, the department shall provide the eligible applicant with a detailed written description of such additional information, and the eligible applicant shall have 30 days from the receipt of the request from the department for additional information to provide the additional information. If the additional information is not provided within the 30 day period, the application shall be deemed denied.

(d) The department shall advise the eligible applicant within 30 days of the date of a notice to the eligible applicant that the application is complete, or within 30 days of the receipt of any additional information required by the department, whether the application has been granted or denied. The department shall grant the complete application of the eligible applicant of any federally designated Promise Zone and the eligible applicant of any federally designated Promise Neighborhood if the application is received on or before January 31, 2018. The denial of an application shall not preclude the eligible applicant from submitting a new application in subsequent fiscal years to the extent California Promise Zone designations are available in subsequent fiscal years.

(e) An eligible applicant may appeal the department's determination with respect to an application in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(f) Each eligible geographic area associated with an eligible applicant that has an application granted pursuant to this section shall be designated a California Promise Zone. The California Promise Zone designation shall commence on July 1 of the following fiscal year and

shall continue for a period of ten fiscal years. Commencing in 2018, on or before May 14 of each year, the department shall report to the Legislature each California Promise Zone designated for the first time for the subsequent fiscal year and shall identify all previously designated California Promise Zones.

(g) Each eligible applicant that has an application approved pursuant to this section shall receive a \$500,000.00 grant from the California Promise Zone Account in the Lifting Children and Families out of Poverty Fund established by Section 5951 of the Revenue and Taxation Code during the first fiscal year of its California Promise Zone designation. The grant authorized by this subdivision shall be used by the eligible applicant for purposes consistent with this title. An organization that has received a grant under this subdivision shall not receive an additional grant upon the re-designation of the organization as a Promise Zone under subdivision (h). An applicant that has an application approved for a geographic area pursuant to this section shall not receive a grant if the organization is an organization or an affiliate of an organization that has previously received a grant under this subdivision for substantially the same geographic area, all as determined by the director of the department.

(h)(1) During the tenth year of designation as a California Promise Zone, the lead agency or any other participating organization that agrees to become the lead agency for the California Promise Zone may submit an application to be re-designated as a California Promise Zone for an additional ten years. If the proposed lead agency is an eligible applicant and the application continues to meet the criteria established by the department, the department shall approve the application and provide an extension of the designation as a California Promise Zone for an additional ten fiscal years.

(2) If an application is not submitted pursuant to paragraph (1) to extend the designation of an existing California Promise Zone, or if an application is submitted but is denied, the department may include that designation in the number of available designations described in subdivision (a).

Section 11004. (a) The department shall develop a certification form for a lead agency to certify that a submission by a participating agency for the programs described in subdivisions (b) through (g) is consistent with the goals of the California Promise Zones. The certification may be based in whole or in part on the Certification of Consistency with Promise Zone Goals and Implementation, HUD Form 50153.

(b) An application from a participating organization with a certification by a lead agency as developed pursuant to subdivision (a), shall receive greater recognition, a preference, or bonus points in receiving funding for competitive grants that relate to the participating organization's Promise Zone awarded by the California Children and Families Commission or a county children's and families commission. The department and the California Children and Families Commission shall work collaboratively to implement this subdivision no later than July 1, 2018.

(c)(1) An application from a participating organization with a certification by a lead agency as developed pursuant to subdivision (a), shall receive greater recognition, preference or bonus points in receiving funding for competitive grants related to the participating

organization's Promise Zone, including, but not limited to, grants made under or with respect to the following:

(A) The Afterschool Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1.

(B) California Partnership Academies as set forth in Article 5 (commencing with Section 54690) of Chapter 9 of Part 29 of Title 2.

(C) The Public Schools Accountability Act of 1999 set forth in Chapter 6.1 (commencing with Section 52050) of Part 28 of Title 2.

(D) Grants under the Career Technical Education Pathways Program set forth in Part 52 (commencing with Section 88530) of Title 3.

(2) The department, the California Children and Families Commission California Community College system, the California State University, the University of California, the Student Aid Commission and the Post-Secondary Education Commission shall work collaboratively to implement this subdivision no later than July 1, 2018.

(d) An application from a participating organization with a certification by a lead agency as developed pursuant to subdivision (a), shall receive greater recognition, preference, or bonus points in receiving funding for competitive grants relating to the participating organization's Promise Zone awarded by the Employment Development Department, the California Workforce Investment Board, and the Employment Training Panel, including, but not limited to grants funded by the Employment Training Fund, and workforce development solicitations for proposal. The department, the Employment Development Department, and the California Workforce Investment Board shall work collaboratively to implement this subdivision no later than July 1, 2018.

(e) An application from a participating organization with a certification by a lead agency as developed pursuant to subdivision (a), shall receive greater recognition, preference, or bonus points in receiving funding for competitive grants awarded by the California Department of Parks and Recreation, including, but not limited to funding for the creation of new parks and the development of new recreational activities in the California Promise Zones. The Department, the California Department of State Parks and Recreation shall work collaboratively to implement this subdivision no later than July 1, 2018.

(f) An application from a participating organization with a certification by a lead agency as developed pursuant to subdivision (a), shall receive greater recognition, preference, or bonus points in receiving funding for competitive grants related to the participating organization's funded in whole or in part by the Lifting Children and Families out of Poverty Fund. The department and the departments or other entities awarding or administering such grants shall work collaboratively to implement this subdivision no later than July 1, 2018.

(g) An application from a participating organization with a certification by a lead agency as developed pursuant to subdivision (a), shall receive greater recognition, preference, or bonus points in receiving funding for competitive grants funded in whole or in part by the Cap-

and-Trade program administered through the California Environmental Protection Agency, for, but not limited to funding the creation of environmental related education programs and services for the participating organization's Promise Zone. The department and the Environmental Protection Agency shall work collaboratively to implement this subdivision no later than July 1, 2018.

(h) The department shall work in collaboration with the Health and Human Services Agency and the counties to ensure maximum participation of eligible populations within California Promise Zones in all of the following programs:

(1) Cal Fresh.

(2) Medi-Cal.

(3) Other relevant programs as identified by the Department and the Health and Human Services Agency.

Section 11005. Each approved eligible applicant that receives a grant under this title shall prepare and submit an annual report to the department, at a time and in a form and manner determined by the department, which shall include information about the number and percentage of children, family members, and community members in the eligible geographic area who are served by the programs of the approved eligible applicant, whether served directly by the lead agency or a participating organization, including a description of the number and percentage of children accessing the programs of the approved eligible applicant and the number of family and community members served by the programs of the approved eligible applicant. The information in the report shall include all of the following:

(a) Disaggregated data at population and program levels related to the success of the program in annual growth along program and project indicators as specified by the department.

(b) Information relating to the performance metrics specified by the department.

(c) Other indicators and information that may be required by the department.

SECTION X. Section 11450.026 of the Welfare and Institutions Code is added to read:

11450.026 (a) Notwithstanding any other law, effective July 1, 2018, the maximum aid payments in effect on October 1, 2017, as specified in Section 11450.025, shall be increased in accordance with this section. For purposes of this section, "CalWORKS Account" means the CalWORKS Account in the Lifting Children and Families out of Poverty Fund pursuant to Section 5951 of the Revenue and Taxation Code.

(b) Commencing in 2018 and annually thereafter, on or before January 10 and on or before May 14, the Director of Finance, in consultation with the director, shall do all of the following:

(1) Estimate the amount of funds to be deposited in the CalWORKS Account in the current fiscal year and any unspent amounts remaining in the CalWORKS Account from prior fiscal years.

(2) Use the amount of funds estimated pursuant to paragraph (1) to calculate the percentage increase to the CalWORKS maximum aid payments that could be fully funded for the entirety of the subsequent fiscal year taking into account all additional CalWORKS costs resulting from the increase in the maximum aid payments.

(c) Maximum aid payments shall be increased as calculated pursuant to subdivision (b), effective on July 1 of the following fiscal year.

(d) If the Director of Finance, in consultation with the director, determines during a fiscal year that the sum of the increased maximum aid payments calculated in accordance with subdivision (b) and the other increased CalWORKS costs resulting from the increased aid payments are likely to exceed the amount of funds in the CalWORKS Account on June 30 of the prior fiscal year due to fluctuations in caseload or otherwise, then the remaining maximum aid payments for that fiscal year shall be adjusted so that the sum of the increased aid payments and the other increased CalWORKS costs resulting from the increased aid payments would not exceed the amount of fund in the CalWORKS Account on June 30 of the prior fiscal year. Any such adjustments for the current fiscal year shall only be made prospectively, not retrospectively.

(e) An increase in the aid payments provided in accordance with this section and all additional CalWORKS costs resulting from the increase in the aid payments shall be funded by the monies in the CalWORKS Account, to the extent funds are available in that account.

(f) Notwithstanding section 15200, counties shall not be required to contribute a share of the cost to cover the increases to maximum aid payments made pursuant to this section.

SECTION XI. Section 17052 of the Revenue and Taxation Code is amended to read:

17052. (a) ~~(1)~~ For each taxable year beginning on or after January 1, 2015, there shall be allowed against the "net tax," as defined by Section 17039, an earned income tax credit in an amount equal to the sum of the following:

(1) an amount determined in accordance with Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal income tax purposes for the taxable year, except as otherwise provided in subdivision (b) of this section; and

(2) an amount determined in accordance with subdivision (c) of this section.

(b)(21) (A) The amount of the credit determined under Section 32 of the Internal Revenue Code, relating to earned income, as modified by this subdivision of this section, shall be multiplied by the earned income tax credit adjustment factor for the taxable year.

(B) Unless otherwise specified in the annual Budget Act, the earned income tax credit adjustment factor for a taxable year beginning on or after January 1, 2015, shall be 0 percent.

(C) The earned income tax credit authorized by this subdivision shall only be operative for taxable years for which resources are authorized in the annual Budget Act for the Franchise Tax Board to oversee and audit returns associated with the credit.

~~(b)(12)~~ In lieu of the table prescribed in Section 32(b)(1) of the Internal Revenue Code, relating to percentages, the credit percentage and the phaseout percentage shall be determined as follows:

| In the case of an eligible individual with: | The credit percentage is: | The phaseout percentage is: |
|---|---------------------------|-----------------------------|
| No qualifying children | 7.65% | 7.65% |
| 1 qualifying child | 34% | 34% |
| 2 or more qualifying children | 40% | 40% |

~~(23)~~ (A) In lieu of the table prescribed in Section 32(b)(2)(A) of the Internal Revenue Code, the earned income amount and the phaseout amount shall be determined as follows:

| In the case of an eligible individual with: | The earned income amount is: | The phaseout amount is: |
|---|------------------------------|-------------------------|
| No qualifying children | \$3,290 | \$3,290 |
| 1 qualifying child | \$3,940 | \$4,940 |
| 2 or more qualifying children | \$6,935 | \$6,935 |

(B) Section 32(b)(2)(B) of the Internal Revenue Code, relating to joint returns, shall not apply.

~~(34)~~ Section 32(b)(3)(A) of the Internal Revenue Code, relating to increased percentage for three or more qualifying children, is modified by substituting “the credit percentage and phaseout percentage is 45 percent” for “the credit percentage is 45 percent.”

~~(e)(15)~~ Section 32(c)(1)(A)(ii)(I) of the Internal Revenue Code is modified by substituting “this state” for “the United States.”

~~(26)~~ Section 32(c)(2)(A) of the Internal Revenue Code is modified as follows:

(A) Section 32(c)(2)(A)(i) of the Internal Revenue Code is modified by deleting “plus” and inserting in lieu thereof the following: “and only if such amounts are subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.”

(B) Section 32(c)(2)(A)(ii) of the Internal Revenue Code shall not apply.

(37) Section 32(c)(3)(C) of the Internal Revenue Code, relating to place of abode, is modified by substituting “this state” for “the United States.”

(d8) Section 32(i)(1) of the Internal Revenue Code is modified by substituting “\$3,400” for “\$2,200.”

(e9) In lieu of Section 32(j) of the Internal Revenue Code, relating to inflation adjustments, for taxable years beginning on or after January 1, 2016, the amounts specified in paragraph (2) of subdivision (b) and in subdivision (d) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(c) (1) For each taxable year beginning on or after January 1, 2017 through the taxable year beginning on January 1, 2036, inclusive, the funds in the Earned Income Tax Credit Account in the Lifting Children and Families out of Poverty Fund established by Section 5951 of the Revenue and Taxation Code shall be used to increase the California Earned Income Tax Credit to reduce poverty among California’s poorest working families and individuals. Monies equal to the amounts claimed for the portion of the California Earned Income Tax Credit established by this subdivision for a taxable year prior to the June 30 following the taxable year shall be transferred from the Earned Income Tax Credit Account to the general fund on June 30 following the taxable year. Monies equal to amounts claimed for the portion of the California Earned Income Tax Credit established by this subdivision for a taxable year during each of the four quarters following June 30 following the taxable year shall be transferred from the Earned Income Tax Credit Account to the general fund on the last day of each respective quarter. In the event of a recapture of any of the tax credits established by this subdivision, the amount of the recapture shall be transferred from the General Fund to the Earned Income Tax Credit Account in the Lifting Children and Families out of Poverty Fund and shall be treated as monies deposited in the fiscal year in which they are transferred and may be included in the calculation described in paragraph (2).

(2) On or before December 31 preceding each taxable year for which the portion of the California Earned Tax Credit is authorized, the Franchise Tax Board shall establish the amount of the portion of the California Earned Income Tax Credit established by this subdivision based on a percentage of the amount determined in accordance with Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal income tax purposes for the taxable year, that can be claimed by eligible individuals such that the aggregate portion of the California Earned Income Tax Credit under this subdivision claimed for the applicable tax year by all tax returns will approximately equal but not exceed the monies deposited in the Earned Income Tax Credit Account during the fiscal year that begins on July 1 of the applicable taxable year. In establishing the amount of the portion of the California Earned Income Tax Credit, the Franchise Tax Board shall consider the projected number of tax returns eligible to claim the credit and the projected number of individuals to be represented on tax returns eligible for the credit.

(3) In order to preserve fiscal accountability and predictability, the portion of the California Earned Income Tax Credit established by this subdivision shall be claimed on or before April 15 of the second year following the applicable taxable year. If the revenues in the

Earned Income Tax Credit Account received in a fiscal year are not expended by the following April 15 of the second year following the applicable taxable year, those amounts shall be treated as monies deposited in the fiscal year starting July 1 of the second year following the applicable taxable year and may be included in the calculation described in paragraph (2).

(4) Any amounts remaining in the Earned Income Tax Credit Account on December 31, 2038, shall be returned to the account shall be returned to the Lifting Children and Families out of Poverty Fund authorized by Section 5951 and shall be distributed as monies deposited in the fund during the following fiscal year pursuant to Section 5951.

(fd) If the amount allowable as a credit under this section exceeds the tax liability computed under this part for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the taxpayer.

(ge) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(hf) Notwithstanding any other law, amounts refunded pursuant to this section shall be treated in the same manner as the federal earned income refund for the purpose of determining eligibility to receive benefits under Division 9 (commencing with Section 10000) of the Welfare and Institutions Code or amounts of those benefits.

(ig)(1) For the purpose of implementing the credit allowed by this section for the 2015 taxable year, the Franchise Tax Board shall be exempt from the following:

(A) Special Project Report requirements under State Administrative Manual Sections 4819.36, 4945, and 4945.2.

(B) Special Project Report requirements under Statewide Information Management Manual Section 30.

(C) Section 11.00 of the 2015 Budget Act.

(D) Sections 12101, 12101.5, 12102, and 12102.1 of the Public Contract Code.

(2) The Franchise Tax Board shall formally incorporate the scope, costs, and schedule changes associated with the implementation of the credit allowed by this section in its next anticipated Special Project Report for its Enterprise Data to Revenue Project.

(jh) (1) In accordance with Section 41 of the Revenue and Taxation Code, the purpose of the California Earned Income Tax Credit is to reduce poverty among California's poorest working families and individuals. To measure whether the credit achieves its intended purpose, the Franchise Tax Board shall annually prepare a written report on the following:

(A) The number of tax returns claiming the credit, including the number of tax returns claiming the portion of the credit described in subdivision (b) and the number of tax returns claiming the portion of the credit described in subdivision (c).

(B) The number of individuals represented on tax returns claiming the credit, including the number of individuals represented on tax returns claiming the portion of the credit described in subdivision (b) and the number of individuals represented on tax returns claiming the portion of the credit described in subdivision (c).

(C) The average credit amount on tax returns claiming the credit, including the average credit amount on tax returns claiming the portion of the credit described in subdivision (b) and the average credit amount on tax returns claiming the portion of the credit described in subdivision (c).

(D) The distribution of credits by number of dependents and income ranges for the portion of the credit described in subdivision (b), for the portion of the credit described in subdivision (c) and for the total credit. The income ranges shall encompass the phase-in and phaseout ranges of the credit.

(E) Using data from tax returns claiming the credit, including an estimate of the federal tax credit determined under Section 32 of the Internal Revenue Code, an estimate of: (i) the number of families who are lifted out of deep poverty by the portion of the credit described in subdivision (b), by the portion of the credit described in subdivision (c) and by the total credit; (ii) and an estimate of the number of families who are lifted out of deep poverty by the combination of the credit and the federal tax credit; (iii) an estimate of the number of families who are lifted out of deep poverty by the combination of the portion of the credit described in subdivision (c) and the federal tax credit; (iv) an estimate of the number of families who are lifted out of poverty by the portion of the credit described in subdivision (b), by the portion of the credit described in subdivision (c) and by the total credit; (v) an estimate of the number of families who are lifted out of poverty by the combination of the credit and the federal tax credit; and (vi) an estimate of the number of families who are lifted out of poverty by the combination of the portion of the credit described in subdivision (c) and the federal tax credit. For the purposes of this subdivision, a family is in “deep poverty” if the income of the family is less than 50 percent of the federal poverty threshold and a family is in “poverty” if the income of the family is less than 100 percent of the federal poverty threshold.

(2) The Franchise Tax Board shall provide the written report to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate and Assembly Committees on Appropriations, the Senate Committee on Governance and Finance, the Assembly Committees on Revenue and Taxation, and the Senate and Assembly Committees on Human Services.

(k) The tax credit allowed by this section shall be known as the California Earned Income Tax Credit.

SECTION XII. Section 1 of Article XIII of the California Constitution is amended to read:

Sec. 1. Unless otherwise provided by this Constitution or the laws of the United States:

(a) All property is taxable and, except for the surcharge as enacted by or amended pursuant to the Lifting Children and Families out of Poverty Act, shall be assessed at the same percentage of fair market value. When a value standard other than fair market value is prescribed by this Constitution or by statute authorized by this Constitution, the same percentage shall be applied to determine the assessed value. The value to which the percentage is applied, whether it be the fair market value or not, shall be known for property tax purposes as the full value.

(b) All property so assessed shall be taxed in proportion to its full value.

SECTION XIII. Section 1 of Article XIII A of the California Constitution is amended to read:

(a) The maximum amount of any ad valorem tax on real property shall not exceed One percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to:

(1) ad valorem taxes or special assessments to pay the interest and redemption charges on any of the following:

(1A) Indebtedness approved by the voters prior to July 1, 1978.

(2B) Bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

(3C) Bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters of the district or county, as appropriate, voting on the proposition on or after the effective date of the measure adding this paragraph. This paragraph shall apply only if the proposition approved by the voters and resulting in the bonded indebtedness includes all of the following accountability requirements:

(Ai) A requirement that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3), and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

(Bii) A list of the specific school facilities projects to be funded and certification that the school district board, community college board, or county office of education has evaluated safety, class size reduction, and information technology needs in developing that list.

(Eiii) A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed.

(Div) A requirement that the school district board, community college board, or county office of education conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

(2) A surcharge not to exceed one percent (1%) of the full cash value of real property in excess of three million dollars (\$3,000,000) as enacted by or amended pursuant to the Lifting Children and Families out of Poverty Act. Notwithstanding any other law, such a surcharge shall not be considered: (A) a higher tax or new ad valorem tax on real property for the purposes of this article, (B) a tax, assessment, fee or charge for the purposes of section 3 of Article XIII D of the California Constitution, or (C) General Fund proceeds of taxes, General Fund revenues, or allocated local proceeds of taxes, for the purposes of section 8 of Article XVI of the California Constitution. Appropriations of proceeds of the surcharge shall not be included in "appropriations subject to limitation" purposes of Article XIII B of the California Constitution. No adjustment in the appropriations limit of any entity of government shall be required pursuant to Section 3 of Article XIII B of the California Constitution as a result of revenue being deposited in or appropriated pursuant to the Lifting Children and Families out of Poverty Act.

(c) Notwithstanding any other provisions of law or of this Constitution, school districts, community college districts, and county offices of education may levy a 55 percent vote ad valorem tax pursuant to subdivision (b).

SECTION XIV. Division 1.5 of the Revenue and Taxation Code is added to read:

Division 1.5. Economic Stabilization Surcharge

Section 5950. (a) Notwithstanding any other law, commencing with fiscal year 2017-18 and for each fiscal year thereafter until fiscal year 2036-37, inclusive, a surcharge is hereby imposed on the assessed value of all property in the State subject to the property tax pursuant to Division 1 of this title except property described in subdivision (b), as follows:

(1) Three-tenths of a percent (0.3%) on the portion of the assessed value between the first surcharge threshold and the second surcharge threshold;

(2) Six-tenths of a percent (0.6%) on the portion of the assessed value between the second surcharge threshold and the third surcharge threshold;

(3) Eight-tenths of a percent (0.8%) on the portion of the assessed value in excess of the third surcharge threshold.

(b) The Board of Equalization shall develop and adopt regulations to exempt from the surcharge property used exclusively for rental housing where the total assessed value for the property divided by the number of rental units is less than the maximum per unit rental value, to be effective no later than March 1, 2017. The initial adoption of regulations and one re-adoption of the regulations under this subdivision may be adopted as emergency regulations. If the Board

of Equalization promulgates emergency regulations, the initial emergency regulations and one readoption of those regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare.

(c) Notwithstanding any other law, the surcharge imposed pursuant to subdivision (a) shall be added to the property taxes levied pursuant to Division 1, and shall be collected in the same manner as the property taxes collected pursuant to Division 1. The procedures set forth in Division 1, including, without limitation, with respect to the penalties, interest, costs, other charges or other remedies associated with delinquent payments, shall apply to the collection of the surcharge in the same manner they are applicable to the collection of property taxes pursuant to Division 1.

(d) The surcharges collected pursuant to this section, and any penalties, interest, cost or other charges associated with delinquent payments of the surcharge, shall be deposited in the Lifting Children and Families out of Poverty Fund, as created by Section 5951, when collected.

(e)(1) Except as otherwise specified in the Act, the Controller may promulgate and adopt regulations to implement and interpret this section with respect to the collection of the surcharge.

(2) Except where the Controller has adopted regulations pursuant to paragraph (1), the Board of Equalization may promulgate and adopt regulations to implement and interpret this section.

Section 5951. (a) The Lifting Children and Families out of Poverty Fund, and within that fund, the Home Visiting Account, the Early Childhood Education Account, the Job Training Account, the California Promise Zones Account, the CalWORKS Account, the Earned Income Tax Credit Account, and the Administrative Cost Reimbursement Account, are hereby created in the State Treasury. The monies in the fund and in all accounts, subaccounts and sub-subaccounts within the fund are continuously appropriated without regard to fiscal year for expenditure pursuant to the Act.

(b) Notwithstanding any other law, all monies in the fund, all monies in all accounts of the fund and all monies in all subaccounts of the fund are trust funds established solely to carry out the purposes of the Act and shall be used exclusively for the purposes as set forth in the Act.

(c) All revenues from the surcharge received by the state or state officials pursuant to this division, and any interest and dividends earned on deposits in the fund, shall be retained in the fund for purposes specified in subdivision (e). Any monies remaining in the fund at the end of a fiscal year shall remain in the fund for expenditures in future fiscal years. Except as otherwise state in the Act, any moneys deposited in or allocated to the fund and any of accounts, subaccounts, or sub-subaccounts that are within the fund that are not encumbered or expended within any applicable period prescribed by law shall (together with the accrued interest on the amount) revert to and remain in the respective account for subsequent fiscal periods.

(1) The fund or specific accounts within the fund may accept federal grants or federal matching funds, or gifts, donations, bequests or grants of funds from private sources and public

agencies. Any federal grants or matching funds, or gifts, donations, bequests or grants, shall be directed to the purposes of the Act and shall be deposited in the applicable account of the Act if related to specific programs within the Act or in the fund if related generally to the purposes of the Act.

(2) Funding from state, federal, or other public or private sources that would otherwise be used in the absence of funding available under this Act shall not be reduced or diverted in order to be supplanted by funding available under this Act.

(d) (1) The monies deposited in the fund may be used to reimburse state agencies and counties for the direct costs they actually incur in administering the Act pursuant to this subdivision. The reimbursement under this subdivision shall be the exclusive means by which any of the amounts in the fund may be used by state or local agencies, or counties for the administration of the Act. The reimbursement set forth in this subdivision is intended to fund the costs of any state mandates that may be associated with the Act. Any regulations adopted by any state agency in furtherance of the Act shall not constitute a reimbursable mandate on the counties.

(2) Within the Administrative Cost Reimbursement Account, there shall be created a County Surcharge Administrative Cost Reimbursement Subaccount and a State Agency Administrative Cost Reimbursement Subaccount. The monies in each of these two subaccounts shall be used solely for the purposes and in the manner described in this subdivision.

(A) The funds in the County Surcharge Administrative Cost Reimbursement Subaccount shall be available for administrative costs incurred by counties to implement the Act, such as the administrative costs associated with assessing and collecting the surcharge established by section 5950.

(B) The funds in the State Agency Administrative Cost Reimbursement Subaccount shall be available for administrative costs incurred by state agencies to implement the Act that would not have been incurred but for the implementation of the Act, and shall not include, by way of example, general overhead costs.

(3) As of the date of the enactment of the Act, fifty million dollars (\$50,000,000) of the loan amounts described in subdivision (g) are appropriated from the General Fund to the County Surcharge Administrative Cost Reimbursement Subaccount. On or before January 1, 2017, the fifty million dollars appropriated to the County Surcharge Administrative Cost Reimbursement Subaccount by this paragraph shall be allocated and distributed to each county as determined by the Board of Equalization based on a methodology that reflects each county's relative workload associated with the implementation of the Act through June 30, 2017, by considering factors that may include the size of the property tax roll in each county, the number of parcels on the roll in each county and the number of parcels subject to the surcharge.

(4)(A) For fiscal year 2017-18, the annual Budget Act may allocate an amount not to exceed 0.6% of the projected revenues of the surcharge for fiscal year 2017-18 to the County Surcharge Administrative Cost Reimbursement Subaccount. If the annual Budget Act allocates monies to the County Surcharge Administrative Cost Reimbursement Subaccount, the annual

Budget Act shall further allocate these monies to each county based on a methodology that reflects each county's relative workload associated with the implementation of the Act through June 30, 2018, by considering factors that may include the size of the property tax roll in each county, the number of parcels on the roll in each county and the number of parcels subject to the surcharge.

(B) For fiscal year 2017-18, the annual Budget Act may allocate an amount not to exceed 0.4% of the projected revenues of the surcharge for fiscal year 2017-18 to the State Agency Administrative Cost Reimbursement Subaccount. If the annual Budget Act allocates monies to the State Agency Administrative Cost Reimbursement Subaccount, the annual Budget Act shall further allocate these monies to individual state agencies based on a methodology that reflects each state agency's relative workload associated with the implementation of the Act through June 30, 2018.

(C) Any loan amounts from the General Fund authorized by subdivision (g) that have not been loaned to the Administrative Cost Reimbursement Account or any of its subaccounts during fiscal year 2016-17 may be used to fund the allocations to the County Surcharge Administrative Cost Reimbursement Subaccount and/or the State Agency Administrative Cost Reimbursement Subaccount made in accordance with this paragraph.

(5)(A) For fiscal year 2018-19 through and including fiscal year 2036-37, inclusive, the annual Budget Act may establish an appropriation not to exceed 0.6% of the revenues of the surcharge during the prior fiscal year to the County Surcharge Administrative Cost Reimbursement Subaccount. If the annual Budget Act allocates monies to the County Surcharge Administrative Cost Reimbursement Subaccount, the annual Budget Act shall further allocate these monies to each county based on a methodology that reflects each county's relative workload associated with the implementation of the Act during the applicable fiscal year, by considering factors that may include the size of the property tax roll in each county, the number of parcels on the roll in each county and the number of parcels subject to the surcharge.

(B) For fiscal year 2018-19 through and including fiscal year 2036-37, inclusive, the annual Budget Act may establish an appropriation not to exceed 0.4% of the revenues of the surcharge for during the prior fiscal year to the State Agency Administrative Cost Reimbursement Subaccount. If the annual Budget Act allocates monies to the State Agency Administrative Cost Reimbursement Subaccount, the annual Budget Act shall further allocate these monies to individual state agencies based on a methodology that reflects each state agency's relative workload associated with the implementation of the Act during the applicable fiscal year.

(6)(A) For fiscal year 2037-38, the annual Budget Act may establish an appropriation not to exceed 0.6% of the total amount projected to remain in the fund on July 1, 2037, to the County Surcharge Administrative Cost Reimbursement Subaccount. If the annual Budget Act allocates monies to the County Surcharge Administrative Cost Reimbursement Subaccount, the annual Budget Act shall further allocate these monies to each county based on a methodology that reflects each county's relative workload associated with the implementation of the Act during fiscal year 2037-38, by considering factors that may include the size of the property tax roll in

each county, the number of parcels on the roll in each county and the number of parcels subject to the surcharge.

(B) For fiscal year 2037-38, the annual Budget Act may establish an appropriation not to exceed 0.4% of the total amount projected to remain in the fund on July 1, 2037, to the State Agency Administrative Cost Reimbursement Subaccount. If the annual Budget Act allocates monies to the State Agency Administrative Cost Reimbursement Subaccount, the annual Budget Act shall further allocate these monies to individual state agencies based on a methodology that reflects each state agency's relative workload associated with the implementation of the Act during fiscal year 2037-38.

(e) Monies deposited in the fund during a fiscal year shall be deposited and allocated in the following order of priority. Once a priority has been met in full for a fiscal year, no more payments shall be deposited or allocated to that priority during that fiscal year.

(1) An amount equal to any outstanding monies borrowed from the General Fund pursuant to subdivision (g) plus any interest thereon shall be returned to the General Fund as soon as possible after the surcharge revenues are deposited in the fund.

(2)(A) During fiscal year 2017-18, monies shall be deposited into the Administrative Cost Reimbursement Account equal to any allocation made for any of the subaccounts therein for fiscal years 2016-17 and 2017-18 in accordance with subdivision (d) that were not funded by loans from the General Fund pursuant to subdivision (g). An additional amount equal to 1% of the projected surcharge revenues for 2017-18 shall be deposited in the Administrative Cost Reimbursement Account. Any amounts deposited in the Administrative Cost Reimbursement Account as of July 1, 2018, in excess of the allocation made to the Administrative Cost Reimbursement Account for fiscal year 2018-19 in accordance with subdivision (d) shall be returned to the fund and distributed as monies deposited in the fund during fiscal year 2018-19.

(B) During fiscal years 2018-19 through 2036-37, inclusive, an amount equal to 1% of the projected surcharge revenues for the applicable fiscal year shall be deposited in the Administrative Cost Reimbursement Account. Any amounts deposited in the Administrative Cost Reimbursement Account as of July 1 of the following fiscal year in excess of the allocation made to the Administrative Cost Reimbursement Account for the following fiscal year in accordance with subdivision (d) shall be returned to the fund and distributed as monies deposited in the fund during the following fiscal year.

(3) An amount equal to any reduction in taxes received by the State of California as a result of deductions taken on income tax returns for the surcharges paid pursuant to Section 5950, as determined by the Franchise Tax Board, that have not been reimbursed from the fund to the General Fund shall be deposited in the General Fund.

(4) An amount equal to the product of the number of newly designated California Promise Zones for the applicable fiscal year described in the report to the Legislature mandated by subdivision (f) of Section 11003 of the Education Code for which grants are available under subdivision (g) of Section 11003 of the Education Code and \$500,000 shall be deposited into the California Promise Zone Account.

(5) Any remaining monies after the priorities described in paragraphs (1) through (4), inclusive, have been met shall be deposited and allocated, based on the following percentages:

(A) 15.0% shall be deposited in the Home Visiting Account for the purpose of implementing the Prenatal and Early Childhood Services Program established pursuant to Division 121 (commencing with Section 152000) of the Health and Safety Code).

(B) 57.0% shall be deposited in the Early Childhood Education Account for the purpose of implementing the Education for California Children Program established pursuant to Part 9.7 (commencing with Section 14800) of Division 1 of Title 1 of the Education Code and Section 8203.1 of the Education Code).

(C) 10.0% shall be deposited in the Job Training Account for the purpose of implementing the Sector Specific Job Training and Tax Credit Program established pursuant to Division 6 (commencing with Section 9200) of the Labor Code, and Sections 17060 and 23696.

(D) 8.0% shall be deposited in the CalWORKS Account for the purposes of increasing the maximum aid payment level and funding other increased CalWORKS costs resulting from the increased aid payments pursuant to Section 11450.026 of the Welfare and Institutions Code; and

(E) 10.0% shall be deposited in the Earned Income Tax Credit Account for the purposes of the portion of the California Earned Income Tax Credit established by subdivision (c) of Section 17052, as amended by the Act.

(f) The Controller may use the monies in the fund for cashflow loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code, except that notwithstanding any other provision of law, interest shall be paid on all money transferred from the fund pursuant to this subdivision. Interest payable under this section shall be computed at a rate determined by the Pooled Money Investment Board to be the current earning rate of the fund.

(g) To enable the funding of the Administrative Cost Reimbursement Account until the full collection of the surcharge in fiscal year 2017-18, there is hereby authorized a temporary start-up loan from the General Fund to the Administrative Cost Reimbursement Account to fund the implementation of this Act in an amount not to exceed one hundred million dollars (\$100,000,000) in the aggregate for fiscal years 2016-17 and 2017-18. This subdivision shall not be construed to authorize any transfer that interferes with the carrying out of essential governmental functions funded by the General Fund. All loans pursuant to this appropriation shall be repaid to the General Fund with interest by June 30, 2018, from the first proceeds of the surcharge collected under Section 5950. Interest payable under this section shall be computed at a rate determined by the Pooled Money Investment Board to be the current earning rate of the General Fund. Such repayment shall be deducted from the accounts or subaccounts where the proceeds of the loan were deposited.

(h) For fiscal years 2017-18 and thereafter, the following shall apply:

(1) On or before the beginning of the applicable fiscal year, the Department of Finance shall estimate for the applicable fiscal year:

(A) the sum of the amount that the following monies transferred from the fund reimburse the General Fund for reductions in revenue resulting from the Act for the applicable fiscal year:

(i) the monies transferred from the fund pursuant to paragraph (3) of subdivision (e);

(ii) the monies transferred from the Job Training Account pursuant to subdivision (h) of Section 17060;

(iii) the monies transferred from the Job Training Account pursuant to subdivision (h) of Section 23696; and

(iv) the monies transferred from the Earned Income Tax Credit Account pursuant to paragraph (1) of subdivision (c) of Section 17052.

(B) The amount described in subparagraph (A) for the prior fiscal year.

(C) The amount that would be required to be provided to school districts and community colleges if the amounts calculated in (1) for the applicable fiscal year were considered General Fund proceeds of taxes under the minimum funding guarantee pursuant to Section 8 of Article XVI of the California Constitution.

(2) For the applicable fiscal year, the annual Budget Act shall allocate the estimated amount described in subparagraph (C) of paragraph (1) derived from the funds transferred to the General Fund listed in subparagraph (A) of paragraph (1) to school districts or community colleges in addition to the funds required to be appropriated to school districts or community colleges pursuant to Section 8 of Article XVI of the California Constitution.

(3) If the Department of Finance changes its estimate of the amount described in subparagraph (B) of paragraph (1) for the applicable fiscal year, the annual Budget Act for the fiscal year following the date on which the Department of Finance changes its estimate shall adjust the funds allocated to school districts or community colleges equal to the increase or decrease of the amount of the change by the Department of Finance of its estimate of the amount described in subparagraph (B) of paragraph (1) for the applicable fiscal year.

(4) Nothing in this subdivision shall be interpreted to make any revenues of the surcharge subject to section 8 of Article XVI of the California Constitution.

Section 5952 For purposes of this division, the following definitions shall apply.

(a) The “Act” shall mean the Lifting Children and Families out of Poverty Act.

(b) “First surcharge threshold” means \$3,000,000, adjusted upward each year by the percentage increase, if any, in the California consumer price index, in a manner prescribed by the Board of Equalization.

(c) “Fund” means the Lifting Children and Families out of Poverty Fund.

(d) “Maximum per unit rental value” means \$2,000,000, adjusted upward each year by the percentage increase, if any, in the California consumer price index, in a manner prescribed by the Board of Equalization.

(e) “Second surcharge threshold” means \$5,000,000, adjusted upward each year by the percentage increase, if any, in the California consumer price index, in a manner prescribed by the Board of Equalization.

(f) “State agency” means any office, department, division, bureau, board, commission or agency of the state.

(g) “Surcharge” means the surcharge enacted by section 5950 of the Revenue and Taxation Code.

(h) “Third surcharge threshold” means \$10,000,000, adjusted upward each year by the percentage increase, if any, in the California consumer price index, in a manner prescribed by the Board of Equalization.

(i) Unless the context otherwise requires, division 1 of chapter 1 of part 1 of division 1 shall govern the construction of this division.

SECTION XV. Part 3.8 of the Government Code is added to read:

Part 3.8. Information on Expenditures from the Lifting Children and Families out of Poverty Fund.

Section 13899 (a) Commencing in 2019 and annually thereafter, on or before January 1, the following reports shall be submitted to the Legislature:

(1) The Board of Equalization shall report on the status of implementation of Section XIV of the Act, including, without limitation, the amounts of the surcharge established by Section 5950 of the Revenue and Taxation Code collected and other information as may be determined by the Legislature.

(2) The Department of Public Health shall report on the status of implementation of Section III of the Act, including, without limitation, the information described in subdivision (c) of Section 152009 of the Health and Safety Code and other information as may be determined by the Legislature.

(3) The Department of Education shall report on the status of implementation of Sections IV, V and IX of the Act, including, without limitation, the information described in Section 14805 of the Education Code and information as may be determined by the Legislature.

(4) The Governor’s Office of Business and Economic Development shall report on the status of implementation of Section VI of the Act, including, without limitation, information as may be determined by the Legislature.

(5) The Franchise Tax Board shall report on the status of implementation of Sections VII, VIII and XI of the Act, including, without limitation, the information described in subdivision (h) of Section 17052 of the Revenue and Taxation Code and other information as may be determined by the Legislature.

(6) The Department of Social Services shall report on the status of implementation of Section X of the Act, including, without limitation, information as may be determined by the Legislature.

(b) For purposes of this section, the "Act" shall mean the Lifting Children and Families out of Poverty Act.

SECTION XVI.

This Act shall become inoperative on January 1, 2040. No surcharge pursuant to section XIII shall be required to be paid after that date unless the surcharge was owed during the period in which the Act was operative. Any funds remaining in the Lifting Children and Families out of Poverty Fund as of that date shall be transferred to the General Fund.

SECTION XVII.

This Act is repealed on January 1 of the year following the date on which the Act becomes inoperative.

SECTION XVIII.

If any provision of this Act is held to be unconstitutional or invalid for any reason, such unconstitutionality or invalidity shall not affect the validity of any other provision.

SECTION XIX.

This Act shall become inoperative upon a final judicial determination by the California Supreme Court or any California Court of Appeal that the revenues collected pursuant to the Act that are deposited in the Lifting Children and Families out of Poverty Fund are any of the following: General Fund proceeds of taxes, General Fund revenues, or allocated local proceeds of taxes, each as used in section 8 of Article XVI of the California Constitution.

SECTION XX.

Notwithstanding any other provision of law to the contrary, the provisions of this Act shall be implemented immediately upon its effective date, except as otherwise set forth in this Act.

SECTION XXI.

This Act shall be broadly construed to accomplish its purposes.

SECTION XXII.

Except for the enactment of an increase in state taxation which shall be governed by the vote requirements of other provisions of the California Constitution, or where otherwise specified in the Act, any of the statutory provisions of this Act may be amended by a majority vote of each house of the Legislature to make the programs in Sections I through X of this Act more effective, so long as such amendments are consistent with and further the intent of this Act.