

AMENDED IN ASSEMBLY APRIL 1, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2107**

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**Introduced by Assembly Members Gorell and Olsen**

February 20, 2014

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*An act to add and repeal Article 7.5 (commencing with Section 8239.5) of Chapter 2 of Part 6 of Division 1 of Title 1 of the Education Code, and to add and repeal Sections 17053.87 and 23687 of the Revenue and Taxation Code, relating to preschool funding, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2107, as amended, Gorell. Preschool: privately funded pilot program: tax credits.

*Existing law, the Child Care and Development Services Act, administered by the State Department of Education, requires the Superintendent of Public Instruction to administer child care and development programs that offer a full range of services for eligible children from infancy to 13 years of age. The act requires the department to contract with local contracting agencies to provide for alternative payment programs, and authorizes alternative payment programs for services provided in licensed day care centers and family day care homes and for other types of programs that conform to applicable law.*

*This bill would, until January 1, 2020, authorize the department, as part of a pilot program, to accept monetary contributions made to the California Preschool Investment Fund, which this bill would create, by a person for purposes of preschool education, as provided. The money in the fund would be continuously appropriated to the*

department, thereby making an appropriation. The bill would require the department to disburse the money to an alternative payment provider. The bill would require the money to be only used to support specified families who reside in, and use, a preschool located in, a county determined by the department to participate in the pilot program, as provided, in the form of a subsidy for preschool services. The bill would require participating counties to report to the department's Early Education & Support Division regarding the county's assessment of how the pilot program is performing and a list of preschools that were used by families who receive the subsidy. The bill would require any money remaining in the fund after January 1, 2020, to be transferred to any other state fund identified by the department that provides funding for increased access to preschool programs for low-income children.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws.

This bill, under both laws, for taxable years beginning on or after January 1, 2015, and before January 1, 2019, would allow a credit equal to 40% of the amount contributed by the taxpayer during the taxable year to the California Preschool Investment Fund. The bill would limit the aggregate amount of credit allowed under both laws to \$\_\_\_\_ or less and would require the State Department of Education to establish a procedure for a person to obtain from the department a receipt indicating specified information, including the amount of monetary contributions made, to be retained for purposes of the tax credits allowed under these provisions.

~~Existing law, the Child Care and Development Services Act, administered by the State Department of Education, requires the Superintendent of Public Instruction to administer child care and development programs that offer a full range of services for eligible children from infancy to 13 years of age. Existing law requires school districts with early primary programs to provide educational continuity from preschool through kindergarten and grades 1 to 3, inclusive, by accomplishing certain goals, including establishing connections with public preschools programs, as provided.~~

~~This bill would state that it is the intent of the Legislature to enact legislation that would do certain things, including establishing a pilot program for high-quality, investor funded preschool education in the County of Ventura in which private entities may invest, in exchange for state tax credits, in high-quality preschool programs aimed specifically at intergenerational low-income and English learner pupils.~~

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: ~~no~~  
yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Article 7.5 (commencing with Section 8239.5) is  
2     added to Part 6 of Division 1 of Title 1 of the Education Code, to  
3     read:

4  
5     Article 7.5 California Preschool Investment Pilot Program

6  
7     8239.5. The Legislature finds and declares that by providing  
8     an additional source of funding, the state can expand the number  
9     of preschool slots and the number of subsidies provided to help  
10    reduce the waitlist for parents seeking prekindergarten child care  
11    assistance.

12    8239.6. For purposes of this article, the following terms have  
13    the following meanings:

- 14    (a) "Department" means the State Department of Education.  
15    (b) "Fund" means the California Preschool Investment Fund.  
16    (c) "Person" means an individual, partnership, corporation,  
17    limited liability company, association, or other group, however  
18    organized.  
19    (d) "Program" means the five-county investor funded preschool  
20    pilot program.

21    8239.7. (a) No later than June 1, 2015, a county may apply  
22    to the department for consideration of inclusion in the program.

23    (b) No later than September 1, 2015, the department shall  
24    determine, pursuant to subdivision (c), the five counties that shall  
25    be included in the program. When making this determination, the  
26    department shall ensure that urban, suburban, and rural counties  
27    are represented in the program.

28    (c) The department shall make the determination of which five  
29    counties shall be included in the program by giving priority to  
30    counties that meet any of the following factors:

- 31    (1) The length of the county's waitlist of individuals seeking  
32    public child care assistance.  
33    (2) The ability to increase the number of preschool slots  
34    available to children in the county.

1 (3) Whether the county received federal Race to the Top funds,  
2 authorized under the federal American Recovery and Reinvestment  
3 Act of 2009 (Public Law 111-5), with favorable consideration  
4 going to the counties that did not receive the funds.

5 8239.8. (a) (1) The department may accept monetary  
6 contributions made by a person for funding the purposes of this  
7 article. The California Preschool Investment Fund is hereby  
8 created in the State Treasury to receive any monetary contributions  
9 made.

10 (2) The department shall establish a procedure for a person to  
11 make monetary contributions to the fund and for a person to obtain  
12 from the department a receipt that indicates the amount of  
13 monetary contributions made by that person. The receipt shall  
14 also contain, at minimum, the date the monetary contribution was  
15 made and the name of the person who made the contribution. The  
16 receipt shall be retained by the person for purposes of an income  
17 tax credit the person may be allowed pursuant to Sections 17053.87  
18 and 23687 of the Revenue and Taxation Code.

19 (3) Notwithstanding Section 13340 of the Government Code,  
20 the money in the fund are continuously appropriated, without  
21 regard to fiscal year, to the department for the purposes of this  
22 article.

23 (b) The department shall annually disburse the funds to an  
24 alternative payment provider. The alternative payment provider  
25 shall disburse the money pursuant to Article 3 (commencing with  
26 Section 8220). The money shall be only used to support families  
27 who reside in, and use a preschool located in, one of the five  
28 counties participating in the program, in the form of a subsidy for  
29 preschool services. Notwithstanding the eligibility criteria  
30 established pursuant to Section 8263, priority shall be given to  
31 families who meet all of the following conditions:

32 (1) The family has at least one child who is four years of age.

33 (2) The family has at least one working parent.

34 (3) The family's adjusted monthly income is set at or below 70  
35 percent of the state median income, adjusted for family size, and  
36 adjusted annually.

37 8239.9. A county selected to participate in the program  
38 pursuant to Section 8239.7 shall annually report to the  
39 department's Early Education & Support Division. The report  
40 shall contain the county's assessment of how the program is

1 performing and a list of preschools that were used by families who  
2 receive the subsidy pursuant to Section 8239.8

3 8239.10. (a) This article shall remain in effect only until  
4 January 1, 2020, and as of that date is repealed, unless a later  
5 enacted statute, that is enacted before January 1, 2020, deletes or  
6 extends that date.

7 (b) Any moneys remaining in the fund as of January 1, 2020,  
8 shall be transferred to any other state fund identified by the  
9 department that provides funding for increased access to preschool  
10 programs for low-income children.

11 SEC. 2. Section 17053.87 is added to the Revenue and Taxation  
12 Code, to read:

13 17053.87. (a) For taxable years beginning on or after January  
14 1, 2015, and before January 1, 2019, there shall be allowed as a  
15 credit against the "net tax," as defined in Section 17039, an  
16 amount equal to 40 percent of the amount contributed by the  
17 taxpayer during the taxable year to the California Preschool  
18 Investment Fund, created by Section 8239.8 of the Education Code.

19 (b) A credit shall only be allowed if the taxpayer has received  
20 a receipt from the State Department of Education pursuant to  
21 Section 8239.8 of the Education Code that indicates that the  
22 taxpayer has made a contribution to the California Preschool  
23 Investment Fund. The taxpayer shall provide the receipt upon  
24 request to the Franchise Tax Board.

25 (c) (1) In the case where the credit allowed by this section  
26 exceeds the "net tax," the excess may be carried over to reduce  
27 the "net tax" in the following year, and succeeding four years if  
28 necessary, until the credit is exhausted.

29 (2) A deduction otherwise allowed under this part for any  
30 amount contributed by the taxpayer upon which the credit is based  
31 shall be reduced by the amount of the credit allowed in subdivision  
32 (a).

33 (d) Credit under this section shall be allowed only for credits  
34 claimed on a timely filed original return of the taxpayer.

35 (e) (1) The Franchise Tax Board may prescribe rules,  
36 guidelines, or procedures necessary or appropriate to carry out  
37 the purposes of this section.

38 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of  
39 Division 3 of Title 2 of the Government Code does not apply to  
40 any standard, criterion, procedure, determination, rule, notice, or

1 guideline established or issued by the Franchise Tax Board  
2 pursuant to this section.

3 (f) The aggregate amount of credit that may be allowed pursuant  
4 to this section and Section 23687 shall not exceed \_\_\_\_ dollars  
5 (\$\_\_\_\_\_).

6 (g) This section shall be repealed on December 1, 2019.

7 SEC. 3. Section 23687 is added to the Revenue and Taxation  
8 Code, to read:

9 23687. (a) For taxable years beginning on or after January  
10 1, 2015, and before January 1, 2019, there shall be allowed as a  
11 credit against the “tax,” as defined in Section 23036, an amount  
12 equal to 40 percent of the amount contributed by the taxpayer  
13 during the taxable year to the California Preschool Investment  
14 Fund, created by Section 8239.8 of the Education Code.

15 (b) A credit shall only be allowed if the taxpayer has received  
16 a receipt from the State Department of Education pursuant to  
17 Section 8239.8 of the Education Code that indicates that the  
18 taxpayer has made a contribution to the California Preschool  
19 Investment Fund. The taxpayer shall provide the receipt upon  
20 request to the Franchise Tax Board.

21 (c) (1) In the case where the credit allowed by this section  
22 exceeds the “tax,” the excess may be carried over to reduce the  
23 “tax” in the following year, and succeeding four years if necessary,  
24 until the credit is exhausted.

25 (2) A deduction otherwise allowed under this part for any  
26 amount contributed by the taxpayer upon which the credit is based  
27 shall be reduced by the amount of the credit allowed in subdivision  
28 (a).

29 (d) Credit under this section shall be allowed only for credits  
30 claimed on a timely filed original return of the taxpayer.

31 (e) (1) The Franchise Tax Board may prescribe rules,  
32 guidelines, or procedures necessary or appropriate to carry out  
33 the purposes of this section.

34 (2) Chapter 3.5 (commencing with Section 11340) of Part 1 of  
35 Division 3 of Title 2 of the Government Code does not apply to  
36 any standard, criterion, procedure, determination, rule, notice, or  
37 guideline established or issued by the Franchise Tax Board  
38 pursuant to this section.

1 (f) *The aggregate amount of credit that may be allowed pursuant*  
2 *to this section and Section 17053.87 shall not exceed \_\_\_\_ dollars*  
3 *(\$\_\_\_\_).*

4 (g) *This section shall be repealed on December 1, 2019.*

5 ~~SECTION 1. It is the intent of the Legislature to enact~~  
6 ~~legislation that would do all of the following:~~

7 ~~(a) Establish a pilot program for high-quality, investor-funded~~  
8 ~~preschool education in the County of Ventura in which private~~  
9 ~~entities, either business or individuals, may invest in high-quality~~  
10 ~~preschool programs aimed specifically at intergenerational~~  
11 ~~low-income and English learner pupils, to run for a designated~~  
12 ~~period of time.~~

13 ~~(b) Require the County of Ventura to be responsible for~~  
14 ~~compiling and studying data to determine the program's~~  
15 ~~effectiveness.~~

16 ~~(c) Provide state tax credits to the investors of the preschool~~  
17 ~~programs.~~