

SENATE BILL REPORT

2SHB 1777

As Reported by Senate Committee On:
Ways & Means, March 31, 2017

Title: An act relating to financing early learning facilities to support the needed expansion of early learning classrooms across Washington.

Brief Description: Concerning the financing of early learning facilities.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Kagi, Johnson, Doglio, Dent, Ryu, MacEwen, Senn, Farrell, Nealey, Ortiz-Self, McBride, Macri, Fey, Slatter and Jinkins).

Brief History: Passed House: 3/08/17, 84-13.

Committee Activity: Ways & Means: 3/30/17, 3/31/17 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

- Creates the Early Learning Facilities Revolving Account (ELFRA), the Early Learning Facilities Development Account (ELFDA), and the Early Learning Facilities Taxable Bond Development Account (ELFTBDA) to provide grants and loans for the planning, renovation, purchase, and construction of early learning facilities.
- Establishes prioritized criteria for grant and loan funding provided to school districts and other eligible organizations.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Ranker, Ranking Minority Member; Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Bailey, Becker, Carlyle, Conway, Darneille, Fain, Keiser, Pedersen, Rivers, Warnick and Zeiger.

Minority Report: Do not pass.

Signed by Senator Padden.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: That it be referred without recommendation.

Signed by Senators Hasegawa and Schoesler.

Staff: Maria Hovde (786-7474)

Background: Department of Commerce (COM). The COM administers programs intended to promote community and economic development. For example, the COM manages the Community Development Block Grant program, which provides federal grant funds to small counties, cities and towns for public facilities, community facilities, microenterprise, and affordable housing projects.

Department of Early Learning (DEL). The DEL implements state early learning policy and oversees various programs serving young children, including the Early Childhood Education and Assistance Program (ECEAP) and the Working Connections Child Care (WCCC) program. The Early Start Act of 2015 established an entitlement for ECEAP for all eligible children starting in the 2020-21 academic year.

Licensed ECEAP providers and WCCC providers who receive state subsidy are required to participate in the DEL's Early Achievers quality rating and improvement system. Early Achievers is a common set of standards to measure and improve the quality of early learning and child care. Participants advance through program levels based on criteria including child outcomes, facility curriculum and learning environment, professional development, and family engagement and partnership.

Community Development Financial Institutions Fund (CDFI fund). The CDFI fund is a program of the United States Department of the Treasury. The CDFI fund certifies nongovernmental entities and tribal governments who operate banks, credit unions, loan funds, and venture capital funds to provide underserved communities with access to affordable financial services.

Certified organizations are eligible to apply for technical assistance, training, and financial assistance awards from the CDFI fund. Organizations must have a primary mission of promoting community development, provide both financial and educational services, and serve and maintain accountability to one or more defined target markets.

Summary of Amended Bill: Early Learning Facilities Grant or Loan Program Accounts. The Early Learning Facilities Revolving Account (ELFRA), the Early Learning Facilities Development Account (ELFDA), and the Early Learning Facilities Taxable Bond Development Account (ELFTBDA) are established, which are to be overseen by the COM. Funds from these accounts must be distributed as state grants or loans to match private and other public funding. Eligible projects include the planning, renovation, purchase, and construction of early learning facilities to provide classroom space for the ECEAP and the WCCC. Revenues to the accounts must consist of appropriations, grant and loan repayments, and any other source. However, only tax-exempt bond proceeds may be deposited into ELFDA and only taxable bond proceeds may be deposited in the ELFTBDA.

State funds may not be committed until private match funds are secured. When determining the level of required match, the COM must consider the financial needs of the applicant and the economic conditions of the location of the proposed facility.

Any recipient of a grant or loan must own or secure a long-term lease for the project site and commit to using the funded facility for preschool or childcare for 10 or 20 years, depending on the amount of funding received.

Recipients must commit to being an active participant in good standing with Early Achievers. If the recipient ceases to be in good standing with Early Achievers, the grant or loan must be repaid to the ELFRA.

Project Prioritization. The COM must convene a committee of early learning facilities experts to develop a prioritization methodology for project selection. When developing the prioritization methodology, the committee must consider projects that:

- add ECEAP slots in areas with the highest unmet need;
- benefit low-income children;
- are located in low-income neighborhoods;
- provide more access to ECEAP as a ratio of children eligible to participate;
- are geographically disbursed relative to statewide need;
- include new or renovated kitchen facilities equipped to support the use of from scratch, modified scratch, or other cooking methods to enhance student nutrition;
- provide the most full-day equivalent ECEAP slots for the least construction costs per slot;
- balance mixed-use development and rural locations; and
- maximize resources available from the state with funding from other public and private organizations, including the use of state lands or facilities.

Grants and Loans to Eligible Organizations. Beginning August 1, 2017, the COM may contract with at least one nongovernmental private-public partnership certified by the CDFI fund to award funds from the ELFRA, the ELFDA, or the ELFTBDA to eligible organizations. The private-public partnership must demonstrate an ability to raise funds for early learning construction projects and must report annually to the COM on projects funded through the ELFRA.

The term eligible organizations include ECEAP providers, WCCC providers who are eligible to receive state subsidies, licensed early learning centers not currently participating in ECEAP but intending to participate, developers of housing and community facilities, community and technical colleges, educational service districts, local governments, and federally recognized tribes.

Eligible organizations may receive grants or loans in amounts up to:

- \$10,000 for facility predesign and feasibility planning;
- \$100,000 for minor renovation or repairs; and
- \$800,000 to create, purchase, or expand early learning facilities.

Grants and Loans to School Districts. Beginning August 1, 2017, the COM must implement and administer grants or loans from the ELFRA, the ELFDA, or the ELFTBDA to school

districts. School districts may receive grants or loans in amounts up to \$800,000 to purchase, construct, or expand early learning facilities.

The COM must submit a ranked and prioritized list of early learning facilities projects and proposed purchases for school districts to the Office of Financial Management and the Legislature by September 15, 2017.

Licensing Standards Review. The DEL must consult with stakeholders to review existing facility licensing standards to eliminate potential licensing barriers while ensuring the health and safety of children in early learning programs. Standards to be reviewed include, but are not limited to, plumbing, fixture, and playground equipment standards. The DEL must create a process to preapprove projects under existing licensing standards and the licensing standards accepted in the preapproval are the licensing standards that must be met upon project completion.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Changes the entitlement date in the intent section for ECEAP from 2021 to 2023.
- Requires the DEL to create a process to preapprove projects under existing licensing standards and the licensing standards accepted in the preapproval are the licensing standards that must be met upon project completion.
- Creates the ELFDA and the ELFTBDA, in addition to the ELFRA:
 - only tax-exempt bond proceeds may be deposited into the ELFDA and expenditures from the account must be used to provide state matching funds for early learning facilities grants;
 - only taxable bond proceeds may be deposited into the ELFTBDA and expenditures from the account must be used to provide state matching funds for early learning facilities loans and grants;
 - expenditures from all three accounts are subject to appropriation and the allotment process; and
 - specifies that proceeds into the three accounts may be used for purchase as well as planning, renovation, and construction of early learning facilities.
- Changes from a requirement to a permission that the COM contract with one or more nongovernmental private-public partnerships that are certified by the CDFI fund.
- Allows one or more nongovernmental private-public partnerships that are certified by the CDFI fund to administer loans as well as grants.
- Permits the COM to allow the application of an eligible organization without the involvement of a CDFI if one is not reasonably available to the location of the proposed facility or if the eligible organization has sufficient ability and capacity to proceed without a CDFI.
- Removes the requirement that eligible organizations be nonprofit and allows all WCCC providers receiving state subsidy to be eligible.
- Clarifies that the COM's and the CDFI's administrative amounts are 4 percent of expenditures in any two fiscal years.
- Gives preference in the housing trust fund to projects that include an early learning facility.
- Removes the null and void clause.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony on Second Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The biggest barrier to ECEAP expansion is the lack of facilities. This bill will provide access to grants and loans and technical assistance to facilitate the expansion.

Persons Testifying: PRO: Melissa Johnson, Washington State Association of Headstart & ECEAP; Marie Sullivan, Pasco School District.

Persons Signed In To Testify But Not Testifying: No one.