

HOUSE BILL REPORT

E2SHB 1777

As Passed House:
June 29, 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:

Committee Activity:

Early Learning & Human Services: 2/7/17, 2/8/17 [DPS];
Capital Budget: 2/17/17, 2/23/17 [DP2S(w/o sub ELHS)].

Floor Activity:

Passed House: 3/8/17, 84-13.

First Special Session

Floor Activity:

Passed House: 5/2/17, 79-13.

Second Special Session

Floor Activity:

Passed House: 5/25/17, 79-15.

Third Special Session

Floor Activity:

Passed House: 6/29/17, 79-15.

Brief Summary of Engrossed Second Substitute Bill

- Establishes the Early Learning Facilities Revolving Account and the Early Learning Facilities Development Account in the state treasury.
- Creates the Early Learning Facilities Grants and Loan Program for school districts and other eligible organizations to provide funds for the planning, renovation, purchase, and construction of early learning facilities.

HOUSE COMMITTEE ON EARLY LEARNING & HUMAN SERVICES

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Kagi, Chair; Senn, Vice Chair; Dent, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Frame, Goodman, Griffey, Kilduff, Klippert, Lovick, Muri and Ortiz-Self.

Minority Report: Without recommendation. Signed by 1 member: Representative McCaslin.

Staff: Dawn Eychaner (786-7135).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Early Learning & Human Services. Signed by 15 members: Representatives Tharinger, Chair; Doglio, Vice Chair; Peterson, Vice Chair; Smith, Assistant Ranking Minority Member; Johnson, Kraft, Macri, Morris, Reeves, Riccelli, Ryu, Sells, Steele, Stonier and J. Walsh.

Minority Report: Do not pass. Signed by 2 members: Representatives Dye and Koster.

Minority Report: Without recommendation. Signed by 2 members: Representatives DeBolt, Ranking Minority Member; MacEwen.

Staff: Christine Thomas (786-7142).

Background:

Department of Commerce.

The Department of Commerce (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.

The Department of Early Learning (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 and WCCC providers 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.

The Community Development Financial Institutions Fund (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. Many CDFI fund-certified organizations offer financing with terms more favorable than financing available through traditional lenders.

Housing Trust Fund.

The Housing Trust Fund (HTF) is administered by the COM and provides funding to help low-income households meet basic housing needs. Assistance from the HTF is distributed through a competitive grant process to eligible organizations for projects serving individuals and families with special needs or incomes below 80 percent of the area median income.

Summary of Engrossed Second Substitute Bill:

Early Learning Facilities Grants and Loans.

The Early Learning Facilities Revolving Account (ELFRA) and the Early Learning Facilities Development Account (ELFDA) are established in the state treasury and are overseen by the COM. The Early Learning Facilities Grant and Loan Program (ELFGLP) is created and is administered by the COM.

The ELFRA may receive revenues from appropriations, grant and loan repayments, taxable bond proceeds, and any other source. The ELFDA may receive revenues from tax-exempt bond proceeds. Expenditures from both accounts are subject to appropriation and allotment provisions.

Funds from the ELFRA and ELFDA must be distributed through the ELFGLP 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.

State funds for construction, purchase, or renovation may not be committed until private or public match funds are secured. Match funds may consist of cash, equipment, buildings, or like-kind. 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 must be repaid.

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;
- projects that include new or renovated kitchen facilities equipped to support the use of from scratch, modified scratch, or other cooking methods to enhance student nutrition;
- 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.

Early Learning Facilities Grants and Loan Program for Eligible Organizations.

Beginning August 1, 2017, the COM must contract with at least one nongovernmental private-public partnership certified by the CDFI fund to award funds from the ELFRA or ELFDA 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.

An eligible organization may apply for a grant or loan without the involvement of a non-governmental private-public partnership certified by the CDFI if such an entity is not reasonably available to the location of the proposed facility or if the applicant has sufficient capacity to proceed with the project without the involvement of such an entity.

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

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.

Early Learning Facilities Grant and Loan Program for School Districts.

Beginning August 1, 2017, the COM must consult with the Office of the Superintendent of Public Instruction to implement and administer early learning grants and loans 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 December 15, 2017 and by September 15 of each subsequent even-numbered year.

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 by which projects receiving grants or loans from the ELFRA or ELFDA can be preapproved under existing licensing standards related to facility requirements. Licensing standards accepted in the pre-approval are the licensing standards that must be met upon project completion.

Housing Trust Fund.

When selecting projects to receive funding from the HTF, the COM must give preference for projects that include an early learning facility.

Other.

In collaboration with the DEL, the COM must report to the Governor and the Legislature by December 1 of every even-numbered year that follows a biennium in which funding was provided for the ELFGLP. The report must provide an update on the status of the ELFGLP and must include the total amount of funds contracted and a list of projects that were awarded funds.

The COM must adopt rules to implement the ELFGLP.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony (Early Learning & Human Services):

(In support) There is tremendous interest in the private philanthropic world to bring together private and public financing to ensure we have the 400 classrooms we need for required ECEAP slots by the year 2020. The CDFI funds are nimble and have experience helping entities put together financing packages for facilities. The ECEAP has a profound need for facility space and is dependent on expansion of that space. Current investments for all-day kindergarten and reducing K-3 class sizes is impacting available space in school buildings for the ECEAP. About 60 percent of ECEAP space is in public schools and about 40 percent of providers are public school employees. The technical assistance component will assist small providers in putting together financing packages. The CDFI funds are in the best position to leverage available resources to maximize funding. Providers are focused on providing high quality education and don't have expertise in real estate or financing. Consider having funds for school districts go through the school assistance program instead of being administered by the COM. Some communities may not have the capacity to secure the matching funds required.

(Opposed) None.

Staff Summary of Public Testimony (Capital Budget):

(In support) Washington has made a commitment to provide access to the Early Childhood Education Assistance Program (ECEAP) for all eligible children by the 2020-21 academic year to improve children's chance of success. The biggest barrier to attaining the entitlement by 2020-21 is the lack of facilities in the areas of greatest need. An estimated 400 classrooms across the state are needed to provide facilities for early childhood education. The Early Learning Facilities Grant Program takes advantage of philanthropic donors who want to help build these facilities to provide more opportunities to low-income 3 and 4 year olds. Organizations certified by the community development financial institutions fund have the ability to develop projects and technical assistance to bring needed facilities for the younger children. Having this technical assistance is key to moving projects into construction. Some eligible organizations have not sought available operational funds to deliver early childhood education because they lack the facilities needed to deliver the program. School districts play an important role as they deliver a majority of the early childhood education programs across the state. Family childcare providers and other licensed childcare programs are important in supporting the overall system of care of young children as well. The facilities grants should be made available to for-profit as well as nonprofit providers. Some private matching dollars may not be available in smaller rural areas. As the state moves forward with early childhood education programs, consider including eligible ECEAP and Head Start enrollments in the funding formula for the School Construction Assistance Program.

(Opposed) None.

Persons Testifying (Early Learning & Human Services): Representative Kagi, prime sponsor; Mari Taylor, Lake Stevens School Board; David Webster, Opportunity Council; Frank Ordway, Department of Early Learning; Patty Hayes, Seattle & King County Public Health; Robert Butts, Office of the Superintendent of Public Instruction; Melissa Johnson, Washington State Association of Headstart and Early Childhood Education and Assistance Program; Emily Murphy, Children's Alliance; Charlie Brown, Franklin Pierce School District; and Marie Sullivan, Pasco School District.

Persons Testifying (Capital Budget): Representative Kagi, prime sponsor; Melissa Johnson, Washington State Association of Head Start & Early Childhood Education Assistance Program; John Bancroft, Seattle Community Center for Education Results; Alex Hur, Service Employees International Union; Ryan Pricco, Child Care Aware of Washington; and Robert Butts, Office of the Superintendent of Public Instruction.

Persons Signed In To Testify But Not Testifying (Early Learning & Human Services): None.

Persons Signed In To Testify But Not Testifying (Capital Budget): None.