

SENATE BILL REPORT

SB 5753

As Reported by Senate Committee On:
Ways & Means, February 24, 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: Senators Zeiger, Rolfes, Billig, Braun, Warnick, Hunt and Walsh.

Brief History:

Committee Activity: Ways & Means: 2/16/17, 2/22/17, 2/24/17 [DPS, DNP, w/oRec].

Brief Summary of Substitute Bill

- Creates the Early Learning Facilities Revolving Account (ELFRA) within the Department of Commerce (COM) to provide grants and loans for the planning, renovation, and construction of early learning facilities.
- Establishes prioritized criteria for ELFRA awards to school districts and eligible organizations.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5753 be substituted therefor, and the substitute bill do pass.

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

Minority Report: Do not pass.

Signed by Senator Hasegawa.

Minority Report: That it be referred without recommendation.

Signed by Senator Honeyford, Vice Chair, Capital Budget .

Staff: Maria Hovde (786-7474)

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.

Background: Department of Commerce (COM). 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 providers and WCCC providers who receive a 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. The Community Development Financial Institutions Fund (CDFI fund) is a program of the U.S. Department of the Treasury. The CDFI fund certifies non-governmental entities and tribal governments who operate banks, credit unions, loan funds, and venture capital funds to provide underserved communities with access to 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 Bill (First Substitute): Early Learning Facilities Revolving Account. The Early Learning Facilities Revolving Account (ELFRA) is established and is overseen by the COM. The ELFRA funds must be distributed as state grants or loans to match private and other public funding. In determining the level of match required, COM shall take into consideration the financial need of the applicant and the economic conditions of the location of the proposed facility. Eligible projects include the planning, renovation, and construction of early learning facilities to provide classroom space for ECEAP and WCCC. The ELFRA may receive revenues from appropriations, grant and loan repayments, and any other source.

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.

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 to eligible organizations. COM may allow the application of an eligible organization to be considered without the involvement of a private-public partnership certified by the CDFI fund 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 one. 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.

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, and federally recognized tribes.

Eligible organizations may receive grant 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 or expand early learning facilities.

Beginning July 1, 2018, these amounts must be increased annually by the United States Implicit Price Deflator for state and local government construction provided by the Office of Financial Management (OFM).

Grants and Loans to School Districts. Beginning August 1, 2017, the COM must implement and administer grants or loans from the ELFRA to school districts. School districts may receive grants or loans in amounts up to \$800,000 to create or expand early learning facilities. Beginning July 1, 2018, this amount must be increased annually by the United States Implicit Price Deflator for state and local government construction provided by the OFM.

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

Project Prioritization. The COM must convene a committee of early learning facilities experts to develop a prioritization methodology for project selection. The committee must be comprised of no less than one representative each from the DEL, the Washington State Housing Finance Commission, an organization certified by the CDFI, and the Office of the Superintendent of Public Instruction. 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;
- 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.

Housing Trust Fund. For projects that are funded via the Housing Trust Fund, preference shall be given for projects that include an early learning facility.

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. The DEL must create a process by which projects for eligible organizations and school districts receiving grants or loans from the ELFRA can be preapproved under existing licensing standards related to facility requirements. The licensing standards accepted in the preapproval are the licensing standards that must be met upon project completion.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- 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.
- Clarifies that the DEL's administrative amounts are 4 percent of expenditures.
- Requires the DEL to take into consideration the financial need of the applicant and the economic conditions of the location of the proposed facility in determining the level of match required.
- Changes from a requirement to a permission that the DEL contract with one or more nongovernmental private-public partnerships that are certified by the Community Development Financial Institutions (CDFI) fund.
- Permits the DEL 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 Working Connections Child Care (WCCC) providers receiving state subsidy to be eligible.
- Gives preference to projects that include an early learning facility in the housing trust fund program.
- 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.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: We need to lay a foundation for full funding for ECEAP. Developing a program to match local or private dollars is a good approach. We need more slots and facilities for child care. Family home providers are a

large piece of child care in the state, especially in rural areas, so they need to be included in this bill. The kinds of renovations that are needed for family home providers would not necessarily be considered as an improvement on residential property value. Only 44 percent of our kids are arriving to school kindergarten ready, and ECEAP is one of the strongest solutions to ensuring children are prepared for school. Barriers to expansion include lack of facilities and costs for renovation. ECEAP is in 36 of 39 counties and in 9 of those 36 counties, they are serving less than 40 percent of kids who are eligible; only serving approximately 30 percent of eligible children in ECEAP. More than 60 percent of ECEAP classrooms are in school facilities. This bill will help school districts, especially those with high needs, to build early learning facilities.

Persons Testifying: PRO: Alex Hur, SEIU 925; David Foster, Washington State Alliance of YMCAs; Marcia Fromhold, Educational Service District 112; Kristin Wiggins, ReadyNation / State Director; Suzie Hanson, WA Federation of Federation of Independent Schools; Suzanne Boursaw, Lower Columbia College Head Start and ECEAP.

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