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## Capital Budget Committee

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### HB 2195

**Brief Description:** Strengthening the early learning facilities grant and loan program by revising criteria and providing resources to the Ruth LeCocq Kagi early learning facilities development account.

**Sponsors:** Representatives Callan, Eslick, Senn, Chopp, Ramel, Paul, Reeves, Ormsby, Hackney, Reed, Fosse, Doglio, Goodman and Davis.

**Brief Summary of Bill**

- Removes the grant and loan award limits within the Early Learning Facilities (ELF) program.
- Prioritizes applications for ELF construction, renovation, purchase, or repair grants or loans to facilities that are ready for construction.
- Changes the capital gains tax revenue distribution formula.

**Hearing Date:** 1/18/24

**Staff:** Kelci Karl-Robinson (786-7116).

**Background:**

Early Learning Facilities Program.

The Department of Commerce (Commerce) administers the Early Learning Facilities (ELF) program, which provides grants and loans to eligible organizations to plan, renovate, purchase, and construct early learning facilities. Eligible organizations include providers of Working Connections Child Care (WCCC), Early Childhood Education and Assistance Program (ECEAP) contractors, developers of housing and community facilities, community and technical colleges, educational service districts, local governments, federally recognized tribes, and religiously

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affiliated entities. In the 2023-25 biennium, grants and loans are limited to the following amounts:

- \$21,605 for facility predesign, feasibility planning, and project development;
- \$216,052 for minor renovation or repairs of existing early learning facilities; and
- \$2.5 million to create, purchase, or expand early learning facilities.

School districts may also receive grants or loans to purchase, construct, or renovate early learning classrooms up to \$1 million.

Generally, state funding for capital projects is to be disbursed in proportion to nonstate matching funds. For the last two fiscal biennia, state capital budgets have authorized early learning facilities collocated with affordable or supporting housing developments to receive reimbursement for state ELF awards regardless of the proportionate share of nonstate funding.

The ELF program is funded from the Ruth LeCocq Kagi Early Learning Facilities Revolving Account and the Ruth LeCocq Kagi Early Learning Facilities Development Account.

#### Capital Gains Tax Revenue.

An annual state capital gains tax is imposed on the sale or other voluntary exchange of long-term capital assets by individuals. Each fiscal year, the first \$500 million collected in capital gains tax revenue is distributed to the Education Legacy Trust Account (ELTA), which may be used for K-12, early learning, higher education and other educational improvement purposes. The \$500 million is adjusted annually for inflation and then the remainder is deposited into the Common School Construction Fund, which is to be used for the construction of school facilities.

#### **Summary of Bill:**

##### Early Learning Facilities Program.

ELF program grant or loan limits are removed effective July 1, 2025. Grant or loan awards for ELF construction, renovation, purchase, or repair grants are prioritized to facilities that are ready for construction. Translation services are added as an eligible administrative cost. ELF program facilities collocated with housing developments are allowed to receive state funding for up to 90 percent of the project cost, regardless of the proportionate match amount. The department may adopt rules, instead of must adopt rules, to implement the ELF program.

##### Capital Gains Tax Revenue.

Beginning July 1, 2024, after the first \$500 million, adjusted for inflation, is deposited into the ELTA, the remaining capital gains tax revenue is distributed in the following manner: 25 percent to the Ruth LeCocq Kagi Early Learning Facilities Development Account and 75 percent to the Common School Construction Fund.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains multiple effective dates.