HOUSE BILL REPORT
HB 2195

As Reported by House Committee On:
Capital Budget

Title: An act relating to 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.

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 History:
Committee Activity:
Capital Budget: 1/18/24, 2/2/24 [DPS].

Brief Summary of Substitute 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.
- Adds facilities owned by school districts in which preschool or before-and-after school care programs are operated by school districts or their contractor as an eligible use of the Common School Construction Fund (CSCF).
- Authorizes transfers and appropriations from the CSCF to the Ruth LeCocq ELF Development Account for purposes of funding school district facilities serving preschool or before-and-after school care programs.

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

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Tharinger, Chair; Callan, Vice Chair; Hackney, Vice Chair; Alvarado, Bateman, Eslick, Farivar, Fosse, Kloba, Morgan, Orwall, Peterson, Reed, Rule, Shavers and Stearns.

Minority Report: Do not pass. Signed by 9 members: Representatives Abbarno, Ranking Minority Member; McClintock, Assistant Ranking Minority Member; Steele, Assistant Ranking Minority Member; Cheney, Christian, Dye, Kretz, Maycumber and Sandlin.

Minority Report: Without recommendation. Signed by 2 members: Representatives Mosbrucker and Waters.

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 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.

Common School Construction Fund.
The Common School Construction Fund may be used exclusively for financing construction of facilities for common schools. The revenue sources for the fund include the sale or appropriation of timber and other crops from school and state land, rentals and other revenue derived from land and other property devoted to the fund, federal grants, and investment earnings.

In addition, 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 kindergarten through grade 12 (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.

Summary of Substitute 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.

Common School Construction Fund.
For Common School Construction Fund (CSCF) purposes, the term "common schools" includes facilities owned by school districts in which programs are operated by a school district or its contractor to serve preschool-age students and students in before-and-after school care, as statutorily authorized. The ELF Development Account is authorized to receive transfers and appropriations from the CSCF for purposes of funding school district facilities serving preschool or before-and-after school care programs.

A severability clause is added.

Substitute Bill Compared to Original Bill:

The substitute bill removes the redistribution of the capital gains tax revenue from the CSCF to the ELF Development Account in the original bill. Facilities that are owned by school districts in which preschool or before-and-after school care programs are operated by school districts or their contractor is added as an eligible use of the CSCF. The ELF Development Account is authorized to receive transfers and appropriations from the CSCF for purposes of funding school district facilities serving preschool or before-and-after school care programs. A severability clause is added.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 3, 2024.

Effective Date of Substitute Bill: The bill contains multiple effective dates. Please see the bill.

Staff Summary of Public Testimony:

(In support) As the child care and early learning demands grow in the state, revenue streams are needed to build facilities to meet the demand. The ELF program is targeted to the ECEAP and the WCCC program. The intent is not to create competition between early learning and K-12, but instead to integrate and braid educational outcomes. The ELF program was established in 2017 to address the child care crisis. Since its inception, the program has created or maintained over 17,000 early learning slots in both urban and rural communities. The legislature has committed to serving all eligible ECEAP children by 2027 and facilities are needed to meet that goal. The child care industry supports all other industries in the state; if child care isn't working for families, families can't work for Washington. Even with consistent appropriations from the legislature, the need outweighs the resources. The bill removes the award caps and makes the minor renovation grant program permanent. Early learning facilities collocated with affordable housing development is a growing sector that help create a vibrant economy, stable families and well-prepared children. The technical change in how collocated facilities access ELF funding will save thousands of dollars in loan interest costs. This will be comparable to the Housing Trust Fund program, which allows developers to access funding up front. It is difficult for child care providers to access private lending, because they do not have large profit margins. The $1 million ELF grant award wasn't enough to complete the construction project and there is a need for a larger grant amount, particularly in larger projects. High quality, early education results in higher rates of high school and college graduation. A dedicated revenue source will assist in the construction of more high quality, early learning facilities.

(Other) The program is worthwhile, but the bill redirects funds from school capital programs that need a consistent funding source. The lack of child care for employees is one of the top ten challenges facing employers. Rural and urban areas lack access to high quality, child care. The removal of the ELF award cap will improve access. However, a stable, reliable funding source is needed.

(Opposed) Investments in early learning provide educational benefits and promote the healthy development of a child's social and emotional needs. The bill would provide increased access to early learning to the detriment to K-12 students and teachers. The School Construction Assistance Program provides a third of capital resources to serve K-12 students and provides zero resources to districts that are unable to pass a bond or levy. The majority of schools are not prepared for future seismic events. Many schools suffer from health issues, such as lead contamination, mold and other hazards. The legislature should provide sufficient capital funding to K-12 schools.

Persons Testifying: (In support) Representative Lisa Callan, prime sponsor; Genevieve Stokes, Child Care Aware of Washington; Ruth Kagi; Kerra Bower, Little Scholars Development Center and Raze Development; Melissa Denlinger, Happy Feet Academy; Joel Ing, Edge Developers; and Susan Yang, Denise Louie Education Center.

(Opposed) Tyler Muench, Office of Superintendent of Public Instruction.

(Other) Mike Hoover, Washington State School Directors' Association; and Amy Anderson, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.