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**SECOND SUBSTITUTE HOUSE BILL 1777**

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**State of Washington 65th Legislature 2017 Regular Session**

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

AN ACT Relating to financing early learning facilities to support the needed expansion of early learning classrooms across Washington; adding new sections to chapter 43.31 RCW; and creating new sections.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  The legislature finds that there is a significant and critical need for additional early learning facilities to meet the state's commitment to providing high quality early learning opportunities to low-income children, including the legal mandate to provide preschool opportunities through the early childhood education and assistance program to all eligible children by 2021.

The legislature further finds that private and public partnerships and investments are critical to meeting the need for increased classrooms necessary to deliver high quality early learning opportunities to low-income children across Washington.

The legislature intends to provide state financial assistance to leverage local and private resources to enable early childhood education and assistance program contractors and child care providers to expand, remodel, or construct early learning facilities and classrooms necessary to support state-funded early learning opportunities for low-income children.

NEW SECTION. **Sec.**  The department of early learning, in consultation with stakeholders, shall review existing licensing standards, including but not limited to, plumbing, fixtures, and playground equipment, related to facility requirements to eliminate potential barriers to licensing while ensuring the health and safety of children in early learning programs.

NEW SECTION. **Sec.**  Unless the context clearly requires otherwise, the definitions in this section apply throughout this act:

(1) "Department" means the department of commerce.

(2) "Director" means the director of commerce.

(3) "Early learning facility" means a facility providing regularly scheduled care for a group of children one month of age through twelve years of age for periods of less than twenty-four hours.

NEW SECTION. **Sec.**  (1) The early learning facilities revolving account is created in the state treasury. Revenues to the account shall consist of appropriations by the legislature, early learning facilities grant and loan repayments, and all other sources deposited in the account.

(2)(a) Expenditures from the account shall be used, in combination with other private and public funding, for state matching funds for the planning, renovation, purchase, and construction of early learning facilities as established in sections 5 through 9 of this act.

(b) The department, in consultation with the department of early learning, shall oversee the early learning facilities revolving account and is the lead state agency for early learning facilities grant and loan program development.

(c) It is the intent of the legislature that state funds invested in the account be matched by private or local government funding. Every effort shall be made to maximize funding available for early learning facilities from public schools, community colleges, education service districts, local governments, and private funders.

(d) Amounts used for program administration by the department may not exceed an average of four percent in any two consecutive fiscal years.

(e) Commitment of state funds may be given only after private match funds are committed. Private match funds may consist of cash, equipment, land, buildings, or like-kind. In determining the level of match required, the department shall take into consideration the financial need of the applicant and the economic conditions of the location of the proposed facility.

(3) Expenditures from the account are subject to appropriation and the allotment provisions of chapter 43.88 RCW.

NEW SECTION. **Sec.**  (1) The department must expend moneys from the early learning facilities revolving account to provide state matching funds for early learning facilities grants or loans to provide classrooms necessary for children to participate in the early childhood education and assistance program and working connections child care. Grants or loans expended from the early learning facilities revolving account may fund projects only for:

(a) Eligible organizations identified in section 6 of this act; and

(b) School districts.

(2) Beginning August 1, 2017, the department shall:

(a) Implement and administer grants or loans funded through the early learning facilities revolving account for school districts; and

(b) Contract with one or more nongovernmental private-public partnerships that are certified by the community development financial institutions fund to implement and administer grants and loans funded through the early learning facilities revolving account for eligible organizations. Any nongovernmental private-public partnership that is certified by the community development financial institutions fund that is seeking early learning fund resources must demonstrate an ability to raise funding from private and other public entities for early learning facilities construction projects.

(3) The department shall monitor performance of the early learning facilities grant and loan program. Any nongovernmental private-public partnership that is certified by the community development financial institutions fund receiving state funds for purposes of this act shall provide annual reports, beginning July 1, 2018, to the department. The reports must include, but are not limited to, the following:

(a) A list of projects funded through the early learning facilities grant or loan program for eligible organizations to include:

(i) Name;

(ii) Location;

(iii) Grant or loan amount;

(iv) Private match amount;

(v) Public match amount;

(vi) Number of early learners served; and

(vii) Other elements as required by the department;

(b) A demonstration of sufficient investment of private match funds; and

(c) A description of how the projects met the criteria described in section 9 of this act.

NEW SECTION. **Sec.**  (1) Organizations eligible to receive early learning facilities grants or loans include:

(a) Nonprofit early childhood education and assistance program providers and working connections child care providers;

(b) Licensed nonprofit early learning centers not currently participating in the early childhood education and assistance program, but intending to do so;

(c) Nonprofit developers of housing and community facilities;

(d) Community and technical colleges;

(e) Educational service districts;

(f) Local governments; and

(g) Federally recognized tribes in the state.

(2) To be eligible to receive funds from awarded grants or loans for activities described in section 7 (1) (b) and (c) and (2) of this act, eligible organizations and school districts must:

(a) Commit to being an active participant in good standing with the early achievers program as defined by chapter 43.215 RCW;

(b) Projects receiving construction, purchase, or renovation grants or loans less than two hundred thousand dollars must demonstrate that the project site is under the applicant's control for a minimum of ten years, either through ownership or a long-term lease;

(c) Projects receiving construction, purchase, or renovation grants or loans less than two hundred thousand dollars must commit to using the facility funded by the grant or loan for the purposes of providing preschool or child care for a minimum of ten years;

(d) Projects receiving construction, purchase, or renovation grants or loans of two hundred thousand dollars or more must demonstrate that the project site is under the applicant's control for a minimum of twenty years, either through ownership or a long-term lease; and

(e) Projects receiving construction, purchase, or renovation grants or loans of two hundred thousand dollars or more must commit to using the facility funded by the grant or loan for the purposes of providing preschool or child care for a minimum of twenty years.

(3)(a) Upon receiving a grant or loan guarantee, the grantee must continue to be an active participant and in good standing with the early achievers program.

(b) If the grantee ceases to be an active participant and in good standing with the early achievers program, the grants or loans shall be repaid to the early learning facilities revolving account. So long as an eligible organization continues to provide an early learning program in the facility and is an active participant and in good standing with the early achievers program, the grant or loan repayment is waived.

(c) The department, in consultation with the department of early learning, is authorized to adopt rules related to this subsection (3).

NEW SECTION. **Sec.**  (1) Activities eligible for funding through the early learning facilities revolving account for eligible organizations include:

(a) Facility predesign grants or loans of no more than ten thousand dollars to allow eligible organizations to secure professional services or consult with organizations certified by the community development financial institutions fund to plan for and assess the feasibility of early learning facilities projects or receive other technical assistance to design and develop projects for construction funding;

(b) Grants or loans of no more than one hundred thousand dollars for minor renovations or repairs of existing early learning facilities; and

(c) Major construction and renovation grants or loans and grants or loans for facility purchases of no more than eight hundred thousand dollars to create or expand early learning facilities.

(2) Activities eligible for funding through the early learning facilities revolving account for school districts include grants and loans for purchases and major construction and renovation grants or loans of no more than eight hundred thousand dollars to create or expand early learning facilities that received priority and ranking as described in section 9 of this act.

(3) Beginning July 1, 2018, amounts in this section must be increased annually by the United States implicit price deflator for state and local government construction provided by the office of financial management.

NEW SECTION. **Sec.**  (1) In the administration of the early learning facilities grant and loan program for eligible organizations, any nongovernmental private-public partnership that is certified by the community development financial institutions fund contracted with the department shall:

(a) Award grants or loans as described in section 7 of this act, that meet the criteria described in section 9 of this act, through an application process or in compliance with the regulations of the funding source.

(b) It is the intent of the legislature that state funds invested in the early learning facilities revolving account be matched by private or local government funding each biennium. Every effort shall be made to maximize funding available for early learning facilities from public schools, community colleges, education service districts, local governments, and private funders.

(2) In the administration of the early learning facilities grant program for school districts, the department shall submit a ranked and prioritized list of proposed purchases and major construction or renovation of early learning facilities projects for school districts subject to the prioritization methodology described in section 9 of this act to the office of financial management and the relevant legislative committees by September 15, 2017.

NEW SECTION. **Sec.**  (1) The department shall convene a committee of early learning facilities experts including no less than one representative each from the department of early learning, the Washington state housing finance commission, an organization certified by the community development financial institutions fund, and the office of superintendent of public instruction to advise the department regarding the prioritization methodology of grant applications for projects described in section 7(2) of this act.

(2) When developing a prioritization methodology under this section, the committee shall consider, but is not limited to:

(a) Projects that add part-day, full-day, or extended day early childhood education assistance program slots in areas with the highest unmet need;

(b) Projects benefitting low-income children;

(c) Projects located in low-income neighborhoods;

(d) Projects that provide more access to the early childhood education and assistance program as a ratio of the children eligible to participate in the program;

(e) Projects that are geographically disbursed relative to statewide need;

(f) Projects that include new or renovated kitchen facilities equipped to support the use of from scratch, modified scratch, or other cooking methods that enhance overall student nutrition;

(g) Projects that provide the most full-day equivalent early childhood education assistance program slots for the least construction costs per slot;

(h) Projects that balance mixed-use development and rural locations; and

(i) Projects that maximize resources available from the state with funding from other public and private organizations, including the use of state lands or facilities.

(3) Committee members shall serve without compensation, but may request reimbursement for travel expenses as provided in RCW 43.03.050 and 43.03.060.

(4) Committee members are not liable to the state, the early learning facilities revolving account, or to any other person as a result of their activities, whether ministerial or discretionary, as members except for willful dishonesty or intentional violation of the law.

(5) The department may purchase liability insurance for members and may indemnify these persons against the claims of others.

NEW SECTION. **Sec.**  Sections 3 through 9 of this act are each added to chapter 43.31 RCW.

NEW SECTION. **Sec.**  If specific funding for the purposes of sections 3 through 10 of this act, referencing sections 3 through 10 of this act by bill or chapter number and section number, is not provided by June 30, 2017, in the omnibus capital appropriations act, sections 3 through 10 of this act are null and void.

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