

## 2018 Supplemental Budget Decision Package

**Agency: 307 Department of Children, Youth, and Families**

**Decision Package Code/Title: PL-B3 / Fund Implementation of EHB 1777**

**Budget Period: 2017-19**

**Budget Level: Policy Level**

**Agency Recommendation Summary Text:**

Engrossed Second Substitute House Bill 1777, passed in the 2017 Legislative Session, created the Early Learning Facilities Grant and Loan Program. The program is administered by the Department of Commerce (COM) in collaboration with the Department of Children, Youth, and Families (DCYF), but funding was not provided to either agency to perform the work necessary in the bill.

DCYF is requesting \$171,969 and 1.0 FTE to begin setting policies and coordinating with COM to implement the new program, develop an approval process, assist with the rule making process, and work with public and private partners to gain financial resources including existing facilities to be converted into early learning centers.

**Fiscal Summary:**

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State	\$0	\$171,969	165,969	\$165,969
<b>Total Cost</b>	<b>\$0</b>	<b>\$171,169</b>	<b>165,969</b>	<b>\$165,969</b>
Staffing	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
FTEs	0	1.0	1.0	1.0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Object A – Salaries	\$0	\$89,022	\$89,022	\$89,022
Object B – Benefits	\$0	\$30,068	\$30,068	\$30,068
Object E – Goods & Services	\$0	\$1,250	\$1,250	\$1,250
Object G – Travel	\$0	\$2,400	\$2,400	\$2,400
Object J – Equipment	\$0	\$6,000	\$0	\$0
Object T – Indirect Expenses	\$0	\$43,229	\$43,229	\$43,229

**Package Description:**

*“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 2023.*

*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, purchase, or construct early learning facilities and classrooms necessary to support state-funded early learning opportunities for low-income children.” – Section 1 of E2SHB 1777, expressing the intent of the Legislature.*

The Early Learning Facilities Grant and Loan Program (hereafter known as “the program”) was passed in the 2017 Legislative Session as a means to address a severe shortage of quality early learning program spaces required to meet the legislative mandate to make the Early Childhood Education Assistance Program (ECEAP) an entitlement program by the 2022-23 school year. Over the next three biennia, DCYF estimates an investment of \$112 million is needed to facilitate creation of 200 new classrooms. Of this \$112 million, an estimated \$72 million would be invested by the state, and the remaining \$40 million would be local match (an estimated 60 to 40 percent average ratio). This investment would address 3,600 of the 7,400 needed ECEAP spaces the Caseload Forecast Council (CFC) estimates must be created and operational by 2022 to serve all eligible students who are likely to enroll in ECEAP.

The Department of Commerce (COM) is requesting Capital Budget funding of approximately \$26.3 million to fund 84 projects in the current biennium – the capital budget request is attached for reference. Four percent (\$1.052 million) of these funds will fund necessary administrative support to effectively implement the new program at COM. These activities include:

- Establishing new rules;
- Establishing a competitive application and award process; this includes establishing the protocols for prospective contracts with Community Development Financial Institutions (CDFIs);
- Producing program guidelines and maintaining frequently asked questions;
- Establishing and maintaining the online application process using existing online tools;
- Developing, negotiating contracts and other documents;
- Managing contracts, and providing technical assistance;
- Providing ongoing fiscal management, including underwriting projects with loans, providing loan management expertise to assess risk and financial viability of prospective organizations;
- Providing ongoing fund management, including portfolio management and predictive modeling, loan repayments, and fund reporting to OFM and legislative staff;
- Supervision, policy development, monitoring performance and report development; and
- Convening and coordinating at least one meeting each fiscal year to establish a list of prospective early learning facility projects and to produce a final ranked list. Additional meetings may take place to accomplish this task. A COM representative will serve as the liaison between member agencies and serve as the point of contact to DCYF.

Each of these responsibilities performed by COM will likely include coordination and collaboration with DCYF. Additionally, DCYF is responsible for its own tasks, such as:

- Consulting with stakeholders to review existing licensing standards;
- Creating a process by which projects may be preapproved under existing licensing standards;
- Administering (in collaboration with COM) the Early Learning Facilities Revolving Account and the Early Learning Facilities Development Account;
- Work with public and private partners to gain financial resources including existing facilities to be converted into early learning centers; and
- Participating on the committee to choose projects that receive funding from the aforementioned accounts.

In order to ensure that this new program is launched successfully, and with broad participation from the early learning community that partners closely with DCYF, the department is requesting a single full-time employee to coordinate efforts and perform these necessary tasks.

**Base Budget:**

No base budget exists for this new program.

**Decision Package expenditure, FTE and revenue assumptions, calculations and details:**

FTE Salaries and Benefits: \$119,090

The department estimates that the implementation of the program and coordination with the Department of Commerce will require 1.0 FTE at the WMS Band 1 range. This position will be responsible for coordination of and implementation of the tasks listed previously in the Package Description.

Goods and Services: \$1,250/year for standard office supplies and services.

Travel: \$2,400/year based on the department's standard travel assumptions.

Equipment: \$6,000 in one-time costs for a standard workstation and computer setup.

Indirect Expenses: \$43,229 based on the department's federally-approved indirect overhead rate, which covers the administration of the agency, as well as multiple central service costs.

**Decision Package Justification and Impacts**

**What specific performance outcomes does the agency expect?**

The agency expects that child care facilities will be able to increase capacity of available high-quality child care.

**Performance Measure detail:**

- Percent of facilities taking advantage of the new program.

- Total square footage increased as a result of the new program.

**Fully describe and quantify expected impacts on state residents and specific populations served.**

A shortage of facilities in high need areas will limit access to high-quality preschool and prevent new and existing providers from offering high-quality care. A lack of facilities in high-need areas also directly threatens DCYF’s strategic goal that 90 percent of children are ready for kindergarten by 2020, with race and family income no longer a predictor of readiness. Already, in some areas of the state, eligible kids have no access to high-quality preschool, primarily due to a lack of a facility.

**What are other important connections or impacts related to this proposal?**

Impact(s) To:		Identify / Explanation
Regional/County impacts?	Yes	Identify: Regions experiencing lower vacancy rates for WCCC-eligible children will see an increase in high quality child care capacity.
Other local gov’t impacts?	No	Identify:
Tribal gov’t impacts?	Yes	Identify: Tribes with facilities taking advantage of the new program would see an increase in capacity at tribal child care programs.
Other state agency impacts?	Yes	Identify: The Department of Commerce is responsible for the administration of the program and DCYF coordinates with it to set policies and award grants and loans.
Responds to specific task force, report, mandate or exec order?	Yes	Identify: This package begins implementation of E2SHB 1777.
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	Yes	Identify: Capital Budget funding is necessary to fully implement this program. The 2017-19 budget request by the Department of Commerce requested \$37 million to start fulfilling 25 percent of the state

		supply shortage.
Is change required to existing statutes, rules or contracts?	Yes	Identify: DCYF is responsible for developing rules and policies to implement the new program.
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	Yes	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

**Please provide a detailed discussion of connections/impacts identified above. How have families, providers, and communities of color within the early learning system been involved in the planning and implementation of this proposal?**

DEL has conducted significant outreach and completed a facility needs assessment of early learning providers. This assessment is attached to this proposal.

**What alternatives were explored by the agency and why was this option chosen?**

The only alternative would be to not fund a single FTE at DCYF, an untenable option for reasons addressed below.

**What are the consequences of not funding this request?**

Without the funding of this request, DCYF would not have adequate resources to set policies and rules to implement a capital program that is critical to meeting the child care supply needs of Washington. DCYF would be unable to build the necessary public and private partnerships to make the program successful. Without the capacity to expand their facilities, programs will be unable to serve more kids, leaving those kids in low-quality or unknown and unsafe child care situations.

**How has or can the agency address the issue or need in its current appropriation level?**

DCYF is unable to address this need within existing appropriations.

**Other supporting materials:**

**Information technology:**

No

Yes





**Capital Project Request - Narrative Template**  
**2017-2027 Biennial Capital Budget Plan**

**Section 1**

**Proposed Title:** Early Learning Facilities

**Project Type:** Grants and loans to plan, purchase, construct, or renovate early learning facilities.

**Activity:**

C600	Local Government Capital
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**Priorities of Government (POG) Supported** (Click one box in the “Primary” column, and as many as apply in the “Secondary” column)

Primary	Secondary	Priority of Government Measure <i>(Check all that apply)</i>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Improve student achievement in elementary, middle and high schools
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improve the value of postsecondary learning
<input type="checkbox"/>	<input type="checkbox"/>	Improve the health of Washingtonians
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improve the security of Washington’s vulnerable children and adults
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Improve the economic vitality of business and individuals
<input type="checkbox"/>	<input type="checkbox"/>	Improve statewide mobility of people, goods, and services
<input type="checkbox"/>	<input type="checkbox"/>	Improve the safety of people and property
<input type="checkbox"/>	<input type="checkbox"/>	Improve the quality of Washington’s natural resources
<input type="checkbox"/>	<input type="checkbox"/>	Improve cultural and recreational opportunities throughout the state
<input type="checkbox"/>	<input type="checkbox"/>	Strengthen government’s ability to achieve results efficiently and effectively

**Strategic Agenda Item(s) Supported** *(Click box next to all that apply):*

Strategic Agenda Item(s) Supported <i>(Check all that apply):</i>	
<input checked="" type="checkbox"/>	Build livable, vibrant communities that meet the economic, environmental, and social needs of citizens
<input type="checkbox"/>	Prepare the State to compete in a global marketplace
<input checked="" type="checkbox"/>	Move low-income and vulnerable families to self-sufficiency
<input checked="" type="checkbox"/>	Improve the health and safety of communities and families
<input type="checkbox"/>	Provide bold leadership and exceptional service

**Section 2 – Additional Capital Project Request Requirements**

**Starting year:** SFY 2018

**Agency summary:** There is a shortage of facilities in Washington that provide high quality early learning programs. The 2017 Legislature created the Early Learning Facilities Grant and Loan Program (HB 1777) as a means to address this need. More capital funding for the program is needed for Commerce to perform the necessary work to implement the requirements of HB 1777 and to create the early learning facility spaces needed to meet the Legislative mandate to make the Early Childhood Education Assistance Program (ECEAP) an entitlement program by the 2022-23 school year.



**Project description.** Describe the proposed project. Provide answers to the following questions, which will inform decision makers about the proposed project.

1. Identify the problem or opportunity addressed. Why is the request a priority? (Provide numbers of people or communities not served, students without classroom space, operating budget savings, public safety improvements, history, or other backup necessary to understand the need for the request.) Be prepared to provide detailed cost backup.

The Early Learning Facilities Grant and Loan Program (HB 1777) was passed in the 2017 Legislative Session as a means to address a severe shortage of quality early learning program spaces required to meet the legislative mandate to make the Early Childhood Education Assistance Program (ECEAP) an entitlement program by the 2022-23 school year. The Department of Early Learning (DEL) estimates that approximately 3,600 ECEAP spaces need to be created and operational by 2022. DEL estimates the total number of projects initiated and funding necessary to meet this target is as follows:

2017-2019: 84 projects; \$26.3 million  
2019-2021: 144 projects; \$44.2 million  
2021-2023: 12 projects; \$11.6 million  
Total: 240 projects

Current funding proposed for the Early Learning Facilities program in 2017-2019 Biennium is \$15.5 million. In order to create the additional early learning program spaces needed, and to do so by the legislative mandate of the 2022-23 school year, additional funding of approximately \$10.8 million is needed for the 2017-2019 Biennium to fund the needed number of projects.

Of the proposed \$15.5 million appropriation, 4% may be utilized for expenditures to administer the program. That provides \$620,000 this biennium for administrative costs to implement and manage the program. It is estimated that the anticipated workload to implement the program will require 3.0 FTE. This is based off the following estimates:

- Establishing new rules (522 hours CS3 FY18 only);
- Establishing a competitive application and award process (174 hours (CS3); this includes establishing the protocols for prospective contracts with CDFIs;
- Producing program guidelines and maintaining frequently asked questions (522 hours, CS3);
- Establishing and maintaining the online application process using existing online tools (174 hours CS3);
- Developing, negotiating contracts and other documents (2,088 hours CS3);
- Managing contracts, and providing technical assistance (1,044 hours CS3); and
- Providing ongoing fiscal management, including underwriting projects with loans, providing loan management expertise to assess risk and financial viability of prospective organizations (522 hours CS3);
- Providing ongoing fund management, including portfolio management and predictive modeling, loan repayments, and fund reporting to OFM and legislative staff (522 hours CS3);
- Supervision, policy development, monitoring performance and report development (1,044 hours CS5);
- The department shall convene and coordinate at least one meeting each FY to establish a list of prospective early learning facility projects and to produce a final ranked list. Additional meetings may take place to accomplish this task. A department representative will serve as the liaison between member agencies and serve as the point of contact to DEL (1,044 hours CS5).
- Note: DEL will request an FTE and associated administrative costs in their FY18 Supplemental Budget request.

To support the estimated work associated with the program's implementation Commerce would require an administrative budget of approximately \$900,000. With the additional \$10.8 million appropriation, Commerce





would receive an additional \$432,000 (\$1.052 million total) for administrative costs which is more than sufficient to support the work necessary to successfully implement the program and get projects to expand the availability of early learning facilities moving forward.

2. What will the request produce or construct (i.e., design of a building, construction of additional space, etc.)? When will the project start and be completed? Identify whether the project can be phased, and if so, which phase is included in the request.

This request will provide additional funding that can be used for the planning, purchase, renovation, and new construction of early learning facilities. These projects were originally estimated to be phased in over the next three biennia. Phase one takes place in the current biennium and requires \$26.3 million to initiate 84 projects. Currently, potential funding for the program is set at \$15.5 million and would reduce the number of projects that could be initiated this biennium to approx. 50 projects. The tight legislative timelines associated with these project provide no room for delay in getting grants and loans out the door, and projects underway.

This request also provides the necessary administrative support to effectively implement the new program, convene the board, develop the prioritization methodology, establish rules and guidelines, develop application processes and documents, develop contracts and securitization documents, and provide adequate technical assistance to potential applicants at the local level.

3. How would the request address the problem or opportunity identified in question #1? What would be the result of not taking action?

The additional \$10.8 million request will provide the level of funding necessary for phase 1 of the early learning facility projects to move forward according to the estimated number of projects and the timeline developed by DEL. If no action is taken on this request, additional funding will be needed to fill the shortage from this biennium in the 2019-2021 biennium, which is already estimated to require \$44.2 million to keep projects on track. Otherwise, there will continue to be a shortage of early learning spaces and it would be very unlikely that the ECEAP will be able to serve all eligible children by 2022-2023.

This request also provides the additional funding needed so Commerce has the administrative capacity to successfully perform the work necessary to establish the new program and get projects underway in accordance with the timelines established.

4. Which clientele would be impacted by the budget request? Where and how many units would be added, people or communities served, etc. Be prepared to provide detailed cost backup.

The primary clientele impacted by this request are low-income children and families, ECEAP providers, Working Connections Childcare (WCCC) providers, licensed early learning centers, schools, educational service districts, local governments, tribes, and religious affiliated entities. These projects would create quality early learning facilities across the entirety of the state. The Early Learning Facilities board is tasked with developing a prioritization methodology that will take into consideration components such as the need in the area, statewide geographical disbursement, rural locations, and projects that benefit low-income children or are located in low-income neighborhoods.

5. Does this request include funding for any IT-related costs? (See the IT Appendix for guidance on what is considered an IT-related cost.) [If yes, continue to the IT Appendix and follow the directions to meet the requirements for OCIO review. What alternatives were explored? Why was the recommended alternative chosen? Be prepared to provide detailed cost backup.]

N/A

6. Will non-state funds be used to complete the project? How much, what fund source, and could the request result in matching federal, state, local, or private funds?



Non-state funding will be required from applicants to receive funding under this program. In order to receive an early learning facility grant or loan, applicants must match funding with other non-state sources, such as funding from the federal government, local governments, private funders, and other sources. Guidance around the appropriate levels of match will be determined by Commerce in consultation with the Early Learning Facilities board as the program is implemented and rules are established.

- Describe how this project supports the agency's strategic master plan, contributes to statewide goals, or would enable the agency to perform better. Reference feasibility studies, master plans, space programming, and other analyses as appropriate.

This proposal directly supports Governor Inslee's Results Washington Goal 1: World-Class education, providing every Washingtonian a world-class education that prepares him or her for a healthy and productive life, including success in a job or career, in the community and as a lifelong learner. A shortage of facilities in high need areas will directly threaten achievement of Goal 1 because it will limit access to quality preschool and prevent new and existing providers from offering quality care. Lack of facilities in high need areas also directly threatens DEL's strategic goal that 90% of children are ready for kindergarten by 2022, with race and family income no longer a predictor of readiness. In some areas of the state, eligible kids have no access to ECEAP primarily due to a lack of a facility.

- If the project is linked to the Puget Sound Action Agenda, describe the impacts on the Action Agenda, including expenditure and FTE detail. See Chapter 14.4 (Puget Sound recovery) in the [2017-19 Operating Budget Instructions](#).

N/A

- Is there additional information you would like decision makers to know when evaluating this request?

N/A

**RCW that establishes grant (if applicable):**

**Application process used (grants; if applicable):** N/A

**Expenditure calculations and assumptions:**

FTE Salaries and Benefits:

Commerce estimates that the implementation and management of the early learning facilities grant and loan program will require 1.0 FTE Commerce Specialist 5 and 2.0 FTE Commerce Specialist 3 based on the estimate workload stated above for number 1. At the proposed \$15.5 million appropriation, Commerce would only be able to fund 1.0 FTE Commerce Specialist 5 and 0.5 FTE Commerce Specialist 3. The additional \$10.8 million requested appropriation would allow Commerce to staff at full capacity by adding an additional 1.5 FTE Commerce Specialist 3.

FY18-19: \$237,187

Good and Services:

FY18-19: \$182,431

Travel:

Travel costs would be incurred as Commerce provides technical assistance and outreach to eligible applicants at the local level. Commerce assumes that there will be eight overnight trips each fiscal year for one staff person. These trips are estimated to total 1,000 miles each fiscal year using a state hybrid vehicle.



FY18-19: \$5,636

**Equipment and Capital Outlays:**

Commerce assumes that additional equipment and capital outlays will be required to onboard the additional FTE Commerce Specialist 3. This would include a standard workstation and computer setup.

FY18-19: \$6,746

**Grants and Loans:**

Grants and Loans will be awarded to eligible organizations whose projects are selected through an application process. The number of individual grants and loans and the dollar amount of individual grants and loans awarded will depend on the applications received by eligible organizations and those selected for awards. It's estimated that 34 awards will be initiated to fund the planning, purchase, renovation, and construction of early learning facilities.

FY18-19: \$10,368,000

Total Estimated Expenditures: \$10,800,000

**Estimated Total Expenditures:**

Account	2017-2019	2019-2021	2021-2023	2023-2025	2025-2027
22C-Early Learning Facilities Revolving Account	\$10.8 million	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$10.8 million</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FTE's: (Fund)**

FTEs	FY18	FY19	FY20	FY21	Total
Fund-Early Learning Facilities Revolving Account	1.5	1.0	0	0	0
<b>Total</b>	<b>1.5</b>	<b>1.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

[CLICK HERE](#) For the Working Paper Template.

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