Multiple Agency Fiscal Note Summary

Bill Number: 2195 HB	Title: Early learning facilities

Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Commerce	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total $	0	0	0	0	0	0	0	0	0

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of State Treasurer	Fiscal note not available											
Department of Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	Fiscal note not available											
Department of Children, Youth, and Families	Fiscal note not available											
Total $	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	Fiscal note not available								
Department of Commerce	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Revenue	Fiscal note not available								
Department of Children, Youth, and Families	Fiscal note not available								
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Department of Commerce	Non-zero but indeterminate cost and/or savings. Please see discussion.

FNPID 69175

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Individual State Agency Fiscal Note

Bill Number: 2195 HB	Title: Early learning facilities	Agency: 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

Non-zero but indeterminate cost and/or savings. Please see discussion.

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

[X] Capital budget impact, complete Part IV.

[ ] Requires new rule making, complete Part V.

Legislative Contact:	Kelci Karl-Robinson	Phone: 360-786-7116	Date: 01/09/2024
Agency Preparation:	Buck Lucas	Phone: 360-725-3180	Date: 01/16/2024
Agency Approval:	Pouth Ing	Phone: 360-725-2715	Date: 01/16/2024
OFM Review:	Myra Baldini	Phone: (360) 688-8208	Date: 01/16/2024

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1 amends RCW 43.31.577 removing grant funding caps, clarifies grant categories, adds a category for existing facilities, provides the authority for purchasing translation services, and requires prioritizing projects that are ready for construction.

The Department of Commerce (department) will need to update the early learning facilities (ELF) program materials in collaboration with the advisory group.

Section 2 adds a new section to RCW 43.31 allowing affordable housing projects that receive ELF grant funding to include an on-site early learning facility to request reimbursement of grant funds at 90%, regardless of their match percentage for the project.

The department will need to update ELF program materials in collaboration with the advisory group.

Section 3 amends RCW 82.87.030 beginning in fiscal year 2025, after the first $500 million is distributed to the education legacy trust account, 25% of the remainder of the state capital gains tax revenues would be distributed the Ruth LeCocq Kagi Early Learning Facilities Development Account. The remaining 75% is directed to the common school construction account. The Legislature would determine how much funding from the Ruth LeCocq Kagi Early Learning Facilities Development Account would be allocated for the ELF program.

Depending on the appropriation level for the ELF program resultant from this authority, there may be impacts on the ELF program, which would be funded from the allowable 4% administrative fee from ELF's capital appropriation.

Section 4 amends RCW 43.31.575 modifying the requirement to provide rulemaking for the ELF program.

Section 5 provides that Section 1 takes effect July 1, 2025.

Section 6 provides that Section 3 takes effect July 1, 2024.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Section 3 - Additional funding to be provided to the Ruth LeCocq Kagi Early Learning Facilities Development Account from the state capital gains tax, which may be allocated to the ELF program.

There is an indeterminate revenue impact on the Ruth LeCocq Kagi Early Learning Facilities Development Account. Based on assumptions from the first year of implementation when the state capital gains tax raised nearly $900 million, the ELF program may experience approximately $100 million each fiscal year. That is, after the first $500 million in capital gains revenue is distributed to the education legacy trust account, 25% of the remainder would be distributed to the Ruth LeCocq Kagi Early Learning Development Fund. Biennially, this may be approximately $200 million in resources, which is nearly a three-fold increase over current 2023-25 biennial appropriations.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

There is no expenditure impact to the department and the updates needed to program guidelines in collaboration with the Early Learning Facilities (ELF) Advisory Group can be accomplished with minimal additional staff time.

There are indeterminate cost impacts associated with a potential increase in ELF funding from Section 3. These costs would be funded from the allowable 4% administrative fee of an ELF capital appropriation. See capital budget impact discussion for an illustration of potential impacts.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

IV. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

Non-zero but indeterminate cost and/or savings. Please see discussion.

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

The impact on the capital budget is indeterminate with illustrative impacts provided below. It is not clear on the level of tax collections that would be appropriated to the Early Learning Facilities (ELF) Program. ELF has the authority to deduct up to 4% for administrative expenses. The average ELF award is $700,000 and for a theoretical appropriation increase of $50 million, this would produce 71 more awards, which would require additional contract management and staff support as the ELF program workload would increase.

Agency assumptions:

• The department assumes it is likely to experience increased capital funding allocated to the ELF program. It is not known if the capital gains tax would continue to generate the level of funding in year one of collections, but based on that experience, this could generate approximately $200 million each biennium for potential capital appropriations for the ELF program.

• The department assumes that if half of these funds were allocated to the ELF program ($100 million), this would nearly double the current capital funding from the 2023-25 biennial ELF appropriation and require additional staff support. The 2023-25 ELF capital appropriation will result in approximately 90 grant projects. With the removal of funding caps in section 1, the department assumes that it may fund larger projects and estimates the additional funding has the potential to create 150 new projects and contracts per biennium.

• The department assumes administrative costs would be funded within the allowable administrative deduction from an ELF capital appropriation.

1.4 FTE Commerce Specialist 3 (2,923 hours) in FY25-FY29 to provide program technical assistance, program development, program operations, and contract management; providing or building capacity around solicitation, origination, management of program contracts; and providing program engagement and outreach to market the program to eligible entities.

0.07 FTE Management Analyst 5 (146 hours) in FY25-FY29 to provide oversight to unit monitoring processes, work with grantees and unit staff to monitor grant compliance, and address contract disputes for non-compliance; provide guidance and supervision to team of monitoring staff.

0.28 FTE Commerce specialist 4 (585 hours) in FY25-FY29 to support the monitoring of in-progress and complete projects, licensing of facilities, and service provision to the public; analyze documentation, data, and contracts to evaluate compliance; visits sites to understand site availability and determine compliance.

0.28 FTE Commerce Specialist 5 (585 hours) in FY25-FY29 to provide day to day direct of staff. This includes assigning contracts and program planning elements to staff. Staff will also provide support work to policy and rule development, as required. Staff will also support application development, outreach, and application scoring and prioritization. Staff will present advanced technical business information to and coordinate with key stakeholders.

0.14 FTE WMS Band 2 (292 hours) in FY25-FY29 to provide leadership, oversight, supervision, rules coordination, and decision-making over all elements of the program. Will also provide expert policy advice and consultation on issues specific to the program and to areas that have agency wide implications. Staff will also support stakeholder meetings, application development, outreach, technical assistance, and application scoring and prioritization.

0.07 FTE WMS Band 3 (146 hours) in FY25-FY29 to provide unit-level leadership, oversight, and support on high-level policy issues, unit direction, expectations, and connection to division leadership and policies.

Salary and Benefits:

FY25-FY29: $277,772 per fiscal year

Goods and Services:
The department assumes the following Assistant Attorney General costs, and estimated 50 hours at $210 per hour for the first year ($10,500 for FY25). Then for FY26-FY29, the department will consult with the AAG for an estimated 10 hours at $210 per hour ($2,100 per year FY26-FY29) to assist with annual contracting revisions and programmatic inquiries for legal compliance. Other annual goods and services are $4,127 per year for FY25-FY29, which consists of ZoomGrants Application tool at $2,458 per year, agency cell phone at $840 per fiscal year, Box account at $161 per fiscal year, and a Smartsheet account at $668 per fiscal year.

FY25: $36,141
FY26-FY29: $27,741 per fiscal year

Equipment:
Standard workstation in fiscal year 2025 then a replacement computer in fiscal 2029 based on the department's replacement cycle.

FY25: $5,000
FY29: $2,400

Travel:
Annual travel will consist of 10 days of outreach and engagement.

FY25-FY29: $4,030 per fiscal year

Intra-agency reimbursements:

FY25-FY29: $91,387 per fiscal year

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

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Total costs:

FY25: $414,330
FY26-FY28: $400,930 per fiscal year
FY29: $403,330

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.