



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

April 12, 2017

Honorable Jim Honeyford, Vice Chair, Capital Budget
Honorable David Frockt, Assistant Ranking Member, Capital Budget
Senate Ways & Means Committee
P.O. Box 40482
Olympia, WA 98504-0482

Honorable Steve Tharinger, Chair
Honorable Richard DeBolt, Ranking Member
House Capital Budget Committee
P.O. Box 40600
Olympia, WA 98504-0600

Dear Senators Honeyford and Frockt and Representatives Tharinger and DeBolt:

I commend you for your efforts in passing bipartisan capital budgets in your respective chambers. I know the additional demand for state K-12 school construction matching funds has increased the pressure on the capital budget since Governor Inslee submitted his budget request in December. Within this context, OFM continues to work with legislative fiscal staff on both technical and policy issues identified by agencies, our staff, and others. Please let me know if I can be of assistance to you on any of these issues.

I look forward to continuing discussions with you as you work on a final budget. As this work progresses, I want to share some general observations and concerns with the budgets passed by the House and Senate.

Underfunding of state agency facilities

During the past decade, as the capital budget focused more resources on K-12 education, funding for preservation projects at state-run facilities has been limited. Fewer preservation projects result in deteriorating facilities and increased risks for residents and staff.

The lack of funding for state-run facilities has increased demand on the OFM emergency pool. So far this biennium, the Department of Social and Health Services and the Department of Corrections have received over \$1.6 million each from the emergency pool to address unexpected building or grounds failures that impact public health and safety and day-to-day operations. DOC alone has requested over \$3.2 million in emergency projects this biennium. Emergency pool requests, however, reflect only a portion of the need in underfunded state agency facilities. Many critical issues at state facilities do not qualify as emergencies. Continued underfunding of core facility needs results in higher long-term infrastructure costs.

In building the Governor's proposed budget, funding for maintenance and preservation of state agency facilities was a top priority. Recognizing the budget pressures you face, I respectfully ask you to consider additional funding for preservation projects. Examples of unfunded needs include the following:

- Minor works preservation. Funding for DSHS minor works preservation projects, for example, was reduced from the Governor's proposed level by 33 percent in the Senate and 43 percent in the House.



- Telecommunications system modernization for DSHS, which was not funded by either chamber. These systems are obsolete and drive more than 10,000 service and repair calls annually.
- McNeil Island projects that were not funded by the House. These include marine infrastructure projects necessary to safely access the island and HVAC unit replacement in programming areas where high temperatures have resulted in the cancellations of offender treatments, and water system improvements required by the Department of Health and the Department of Ecology.
- ADA compliance at Monroe Correctional Complex to address accessibility issues to comply with state and federal law. This project was not funded by the Senate and partially funded by the House.
- Twin Rivers Unit pipe replacement at Monroe Correctional Complex. It is our understanding that some cells are unheated, and leaks from the system are damaging the fire suppression system and cell door wiring. This project was not funded by either chamber.
- Fire suppression system funding for the Washington State Penitentiary, where there is currently no fire suppression system in the metal, welding, and plant maintenance shops. This project was not funded by either chamber.
- Wing addition projects to address capacity issues at the Washington State Public Health Laboratory were not funded by the House, including the newborn screening wing addition.
- Fish intake and fish passage renovation projects, to comply with federal and state fish passage and fish screening criteria for the Department of Fish and Wildlife, were underfunded by both chambers.

Operating and capital budget alignment for behavioral health

Both chambers make substantial operating and capital investments in the state's behavioral health system. While the general strategic approaches to behavioral health are similar, there are specific item differences in the operating budget that have capital budget implications. As we work to build an improved mental health system in the state, it will be important that we are working closely together and with the operating budget negotiators to align the final capital and operating budgets.

Balancing needs in K-12 construction

Meeting the matching fund requirements of the School Construction Assistance Program (SCAP) is putting increasing pressure on the capital budget. The House and Senate budgets highlight competing needs to enhance the state program. The Governor proposed \$270 million in grants to districts with documented needs for K-3 classrooms, which is important in meeting the state's commitment to K-3 class size reduction goals in HB 2776 (2010 session). The Governor also recognizes the current SCAP funding model needs to be updated, and he proposed increasing the SCAP funding formulas in grades K-6 at a cost of \$38 million next biennium.

Even with enormous base SCAP pressure, the Senate funds a very modest \$17 million in K-3 class-size reduction grants (which would likely serve four new districts under the current pilot program). The House does not fund new K-3 class-size grants, but funds a modest increase in the square footage for grades K-6 in the SCAP funding formula. The Senate budget does not make this enhancement. There is merit in both approaches. Given limited resources and the need for continued review of the SCAP formulas over time, our view is that K-3 class-size reduction grants are perhaps the higher priority at this time — though they would need to be funded at a level higher than either chamber has proposed in order to continue progress toward meeting the current demand. The K-3 grants provide important funding opportunities to districts, including growth districts, that are not eligible for SCAP funding.

The Senate budget does not fund the Governor's proposal to increase STEM classrooms. The House budget does fund STEM classrooms but does not provide funding for skill centers, which are included in the Senate budget. Again, there are needs for both as the Governor and the Legislature strive to improve career-connected learning opportunities in K-12 schools.

Restrictions on State Parks capital funding

The House and Senate capital budgets make significant investment in improvements to state parks. The House budget restricts funding at the project level and removes administrative flexibility needed to ensure the overall success in implementing the capital plan. Recognizing the need for accountability of all state funds, we are concerned with the degree of restriction included in the House budget.

DSHS supplemental capital budget — systems improvement agreement

The Senate does not provide needed supplemental capital funding for work under way to comply with the systems improvement agreement for Western State Hospital between DSHS and the federal government. The House funds the \$6.0 million needed for corrective measures at Western and Eastern State Hospitals. This work includes replacing doors, adding sally ports and safe rooms, improving video surveillance and security fencing, replacing vulnerable ceiling and lighting systems, and improving infection control measures.

Center for Advanced Materials and Clean Energy Technologies

I have spoken with you previously regarding the Governor's request for \$20 million in the 2017-19 biennium to complete design and accelerate construction of the Center for Advanced Materials and Clean Energy Technologies at the University of Washington. The building will help address the growing need for teaching and research capacity across STEM fields. The center will house learning labs, research labs, offices and interdisciplinary faculty from a number of departments to connect the university and students with leading industries to accelerate development and commercial deployment of cutting edge energy technologies. Accelerating the completion of the center continues to be a high priority for Governor Inslee this session.

Thank you for your consideration.

Sincerely,



David Schumacher
Director

cc: Richard Ramsey, Capital Budget Coordinator, Senate Ways and Means Committee
Melissa Palmer, Coordinator, House Capital Budget Committee
Jim Crawford, Assistant Director, OFM
David Postman, Chief of Staff, Office of the Governor