



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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April 4, 2019

Honorable Timm Ormsby, Chair
Honorable Drew Stokesbary, Ranking Member
House Appropriations Committee
P.O. Box 40600
Olympia, WA 98504-0600

Dear Representatives Ormsby and Stokesbary:

I commend you for your efforts in passing a 2019 supplemental budget and 2019-21 operating budget that sustainably meets the most pressing needs of the state. I am writing to share observations and concerns with the House operating budget as you begin work with your Senate colleagues.

State agencies are contacting you and your staff with a variety of policy and technical comments and concerns. I appreciate your consideration of both their input and the following concerns as you work with your Senate colleagues to enact final operating budgets this session.

Health and Human Services

Department of Social and Health Services

Trueblood settlement agreement. While the House budget makes a significant investment toward funding the Trueblood settlement agreement, it should be fully funded. We request that the funding required to operate 50 additional forensic beds at Eastern State Hospital is at the staffing levels provided in the Governor's budget. Additionally, we request that the competency restoration program in Building 27 on the grounds of Western State Hospital is funded at no less than 28.9 additional FTEs to ensure the success of the program and the safety and security of all patients at Western State Hospital. We also request that funding for additional headquarters staff at the Department of Social and Health Services and the Health Care Authority be increased. Staff are vital in implementing the required programs and monitoring and collecting data to measure outcomes under Trueblood.

Civil capacity transformation. The House budget reflects a strong commitment to improve the mental health system by funding new long-term inpatient civil capacity in the community. We have concerns that, without additional funding for long-term inpatient civil capacity and alternative residential discharge placements in the community, some hard-to-place individuals ready for discharge will remain on the discharge waitlist. Funding at the Governor's level of 485 enhanced discharge placement beds is needed to provide community placements for individuals ready for discharge.

Ross lawsuit. The Governor's budget proposes 23 additional staff as required in the settlement agreement with plaintiffs in litigation related to patients who are deemed not guilty by reason of insanity at the state hospitals. We respectfully request the Governor's requested level of funding to address this lawsuit.

Residential habilitation centers. The federal government requires a direct care staff to client ratio of 1:4 (42 CFR § 483.430 - Condition of participation: Facility staffing). Additional funding is needed to

ensure that the department has the necessary resources to meet federal requirements on continuous, aggressive active treatment in all intermediate care facilities, and to ensure community residential capacity is available to serve clients with intellectual disabilities with the most appropriate level of services and supports.

Department of Children, Youth and Family Services

Child welfare workers. The Governor proposes funding an additional 106.9 staff to lower caseload ratios for child welfare workers. High caseloads lead to longer stays in foster care, high turnover and burnout among social workers, and poor outcomes for children who are in out-of-home care. Additional funding will improve outcomes for children and will help reduce turnover rates.

Health Care Authority

Savings assumptions. The House budget assumes aggressive savings targets associated with additional program integrity staff. It is unclear whether savings related to program integrity activities will be achieved to the same degree that they are in the fee-for-service population. A savings assumption of this size sets up a supplemental budget need. You have worked hard to craft budgets that meet the needs of Washingtonians. The enacted budget should be sustainable through the entire 2019-21 biennium.

Department of Services for the Blind

Vocational rehabilitation employment services. The Vocational Rehabilitation (VR) program provides essential services to individuals experiencing visual disabilities and enables them to participate fully in the community and reach their employment goals. Without additional funding for VR employment services, waitlists will grow to over a year for approximately 600 individuals during the 2019-21 biennium. The department also will not be able to meet federal maintenance of effort requirements and be assessed a penalty, resulting in a future federal funding reduction.

Department of Corrections

IT architecture and portfolio management. DOC received none of the \$1,206,000 proposed by the Governor to implement a Gartner assessment recommendation and begin developing a technical strategy and roadmap to ensure that architectural governance and compliance moves forward. This is a concern because a lack of functionality in the Offender Management Network Information (OMNI) system has repeatedly led to sentencing miscalculations, most recently with the tolling of Drug Offender Sentencing Alternatives (DOSAs) sentences.

Direct patient care: DVC adjustment. The House funds only 68 percent of the total medically necessary direct patient care costs, leaving a \$1,870,000 shortfall to pay for these non-discretionary expenses. These costs continue to increase due to the changing health care needs of the DOC incarcerated population, as well as general cost increases of outpatient and specialty care. Funding should be provided to prevent the need for a supplemental budget adjustment in state fiscal year 2020.

General Government

Department of Commerce

Homelessness. In communities across Washington, the number of homeless individuals has grown by over 25 percent since 2013. The Governor's budget proposed \$97 million to help address this crisis; these proposed investments were strategically targeted toward housing the state's most vulnerable unsheltered homeless individuals and families through a mix of interventions including permanent supportive housing, temporary rent assistance and emergency shelter. The Governor's budget included funding to provide housing services to both unsheltered individuals and families, as well as resources to prevent new entries into homelessness. While the House and Senate budgets make significant capital

investments to increase housing availability, the House provides less than 50 percent of the funding proposed by the Governor.

Department of Revenue

2019 revenue legislation. The proviso provides \$50,000 for the Department of Revenue to develop metrics on specific impacts of the House revenue proposals by January 1, 2020. Because the department does not collect the data required on most of the metrics and will not be able to fully analyze them, the request for metrics should not be linked to funding necessary to implement revenue proposals.

Office of Financial Management

One Washington – The proposed House budget provides One Washington staff and funds to continue developing the project but not adequate funding for contractors specializing in enterprise resource planning and organizational change management. These expert skills are fundamental to successful progress and are not available within state government. This is a complicated project and we look forward to working with you on how best to move forward in the 2019-21 biennium.

Washington State Patrol

Toxicology laboratory staffing. The State Patrol requires ongoing funding for its toxicology lab to reduce backlog and wait times of processing toxicology cases. Delays impact victims' families who need toxicology results in order to get closure, obtain death certificates, and receive inheritance and insurance benefits. Insufficient funding also continues delays in charging those suspected of driving under the influence because toxicology results are not available. If fully funded, the Patrol estimates it can reduce wait times for processing cases from six months to one week.

Natural Resources

Washington State Parks

Maintaining State Parks services. We appreciate the House budget providing \$10 million, including \$5 million of ongoing general fund state support, to maintain critical core operations at State Parks, including customer service, facility maintenance and law enforcement. However, the House appropriated \$5 million of this support from the Waste Reduction, Recycling and Litter Control Account which reduces the work proposed by the Department of Ecology to address litter pickup and recycling work, as described below. The full \$10 million is vital to retaining staff and meeting visitor expectations but it would be preferable for the funding to be provided by the general fund rather than the litter account.

Department of Ecology

Litter Control and Waste Reduction Account. As mentioned above, the House diverts \$5.0 million from the Waste Reduction, Recycling and Litter Account (WRRLCA) to State Parks, and does not provide the Department of Ecology with \$4.1 million of WRRLCA funding needed for litter pickup by youth crews, local government and other state agencies, as well as other waste reduction activities. Litter pickup and prevention, as well as support for local recycling efforts, have been curtailed due to transfers and diversions from WRRLCA since the 2009-11 biennium, resulting in more litter along roadways and public areas and more plastic pollution in the marine environment. The full \$4.1 million of WRRLCA should be provided to Ecology so the agency can accelerate work on these important problems.

NW regional office relocation to Dayton Avenue Building. The House and Senate transportation budgets underfund the Washington State Department of Transportation (WSDOT) furniture costs needed for the two agencies to co-locate at a WSDOT building in Shoreline by the beginning of the 2021-23 biennium. This has unintended consequences of preventing WSDOT from shrinking its footprint small enough for Ecology's northwest regional office to move in as a tenant. If Ecology cannot move into the Dayton

Avenue building, it will be forced to seek higher-cost, leased space in the King County real estate market. We have expressed this concern to transportation budget writers.

In addition, the House operating budget does not fund the one-time costs to move Ecology to the Dayton Avenue building by the end of FY 2021, rather specifying that it is the Legislature's intent to provide this funding in the 2020 supplemental budget. Full funding of \$4.6 million is needed in Ecology's budget to ensure a successful and timely relocation.

Fish and Wildlife

Orca Task Force support. The Governor's budget included \$300,000 in FY 2020 to support the second year of the Southern Resident Killer Whale Task Force. The task force identified 36 recommendations last year to address recovery of Southern Resident orcas many of which the House has included in its budget. Without this one-time funding, the task force will not be able to complete its work and provide a final report on recommendations and actions before the 2020 legislative session convenes.

Washington State University/Department of Agriculture

Soil health initiative. The Governor's budget included \$3.6 million in general fund support to launch a soil health initiative at Washington State University in cooperation with the Washington Department of Agriculture. This initiative is not funded in the House budget. It would identify farming practices to improve soil health and increase crop yields, improve food nutrients, enhance carbon sequestration and improve water quality.

Higher Education

University of Washington

Wage increases. The House budget proposes funding for revisions to tentative collective bargaining agreements reached between the University of Washington and employees. While the idea may be attractive, RCW 41.80.010 (3) (b) provides assurance to those at bargaining tables that the Legislature will approve or reject the submitted requests for funding as a whole. Deviating from this undermines the collective bargaining process. Employer and employee representatives alike deserve to know that the multitude of trade-offs and compromises integral to bargaining will not be adjusted independently after agreement has been reached.

House 2019 Supplemental Budget Concerns

There are a number of concerns with the House budget underfunding core services and caseloads. This funding is necessary for these agencies to close out the state fiscal year.

Department of Veterans Affairs

Veteran's home revenue shortfall. The February forecast update was not used to fund services to veterans at state veteran's homes. This forecast captures updated capacity and census mix, and actual federal per diem changes that came in lower than anticipated. To maintain current service levels, an additional \$1.75 million GF-State is needed. Without the additional appropriation, it will be necessary to close beds currently occupied by veterans, and to reduce staff.

Department of Children, Youth and Families

Increase behavioral rehabilitative service rates. The department implemented a rate enhancement designed to stabilize and increase the number of behavioral rehabilitative service providers and to encourage providers to become accredited, and thus eligible, for Title IV-E federal funding. A stable provider network is imperative for adequate access to needed services for children removed from their

homes. The House budget does not fund this rate increase in the supplemental budget. Without funding, the department will be required to terminate the rate increase. Lower rates may result in more children placed out of state.

Department of Natural Resources

Wildfire suppression. Additional funding is needed to cover the costs of wildfire suppression activity incurred and anticipated to occur in the spring of 2019. In March alone, there were 50 wildfires, 49 of which were in western Washington. Suppression costs are expected to be in excess of the Department of Natural Resources' base level of fire suppression appropriation. At this point, it appears the state will need an additional \$12 million GF-State to address anticipated costs. We will continue to work with your staff and agencies to refine this estimate in the weeks ahead.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Schumacher', with a long horizontal flourish extending to the right.

David Schumacher
Director

cc: Charlie Gavigan, Staff Coordinator, House Appropriations Committee
Michael Bezanson, Staff Coordinator, Senate Ways and Means Committee
Jim Crawford, Assistant Director for Budget, OFM
David Postman, Chief of Staff, Office of the Governor