



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

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January 22, 2020

TO: Honorable Christine Rolfes, Chair
Honorable John Braun, Ranking Member
Senate Ways & Means Committee

Honorable Timm Ormsby, Chair
Honorable Drew Stokesbary, Ranking Member
House Appropriations Committee

FROM: David Schumacher
Director

SUBJECT: CORRECTIONS TO GOVERNOR'S 2020 SUPPLEMENTAL OPERATING BUDGET REQUEST

We recommend the following changes to Governor Inslee's operating budget request for your consideration.

Office of the Governor

Administrative Efficiencies – \$180,000 General Fund-State

This is a technical correction that shifts funds between fiscal years and excludes assumed savings that were reverted to the state general fund at the end of the 2017-19 biennium.

Office of the Secretary of State

Federal Election Security Grant – \$5,000,000 General Fund-Federal

The governor's budget proposed a \$1 million grant to county auditors for election security improvements. Since then, the Office of the Secretary of State learned of a new federal election security grant opportunity through the Help America Vote Act. The agency is eligible for \$8.8 million in federal funding if it can demonstrate a 20 percent match of state funds. An increase in its General Fund-Federal appropriation to \$13,098,000 would allow it to begin spending this federal grant award in fiscal year 2021.

Office of the Attorney General

MSA Arbitration Award – (\$25,663,580) General Fund-State

Under the Master Settlement Agreement with major tobacco companies, if state obligations are diligently enforced for a given sales year, the state will be awarded approximately \$14 million held in escrow for that year. The Office of the Attorney General requested supplemental funding for additional legal services to accelerate the receipt of settlement amounts. The governor's budget outlook includes \$42 million in revenue. Information received after the budget was released indicates that this figure had been overstated.

Office of Financial Management

Greenhouse Emission Limits – (\$48,000) Model Toxics Control Operating Account

Funding should be removed to accurately reflect the fiscal impact of governor-request legislation.

Foundational Public Health Services

Funding should be moved from the Department of Health to the Office of Financial Management to comply with 2SHB 1497. A technical correction is needed to move a portion of the appropriation from fiscal year 2021 to fiscal year 2020. This correction would create \$11,075,000 in savings in the four-year outlook.

Department of Commerce

CARE Fund – \$2,021,548 Andy Hill Cancer Research Endowment Fund Match Transfer Account

Section 705 of the governor's budget provides a General Fund-State transfer of \$4 million to the Andy Hill Cancer Research Endowment Fund Match Transfer Account (CARE Fund), and provides the Department of Commerce with appropriation authority necessary to spend from this account. RCW 43.348.080 requires the Legislature to appropriate matching funds to the CARE Fund in an amount equal to or greater than the total of state taxes and penalties collected on cigarettes and other tobacco products during the most recent fiscal year. The Department of Revenue has since determined the collections were \$6,021,549 in fiscal year 2019. The CARE Fund appropriation should be increased to align with the statutory matching requirement. A corresponding adjustment in Special Appropriations to the Governor is required.

Health Care Authority

PEBB/SEBB – No fiscal impact

This is a technical adjustment with no net fiscal impact. Funding for audit capabilities and a request for information for a diabetes management program was shown in the Public Employees' Benefits Program. The portion of funding from the School Employees' Insurance Administrative Account (492-1) should appear in the School Employees' Benefits Program.

ACA Tax Moratorium – (\$53,052,000) General Fund-State and (\$121,164,000) General Fund-Federal
Funding for the ACA Tax Moratorium was included as a maintenance level step and in the Utilization Changes maintenance level step calculation, resulting in a double count. Funding should have been included in maintenance level or in the Utilization Changes step; not both.

Department of Social and Health Services – Economic Services Administration

ABD Supplied Shelter Grant – (\$131,000) Home Security Fund

The governor's budget proposes funding to eliminate the reduction to the Aged, Blind, or Disabled cash grant to recipients with no shelter costs. The cost of eliminating the reduction was overstated.

Compensation Adjustments – \$7,000 General Fund-State

The health care benefit compensation item originally requested by DSHS as part of a larger compensation package was inadvertently omitted from the governor's proposed budget.

Transfers – \$2,000 General Fund-Federal

The funding needed for program transfers to align expenditure authority with the correct agency program where the work and responsibilities occur was overstated.

WorkFirst Services Reduction – (\$600,000) General Fund-State

The reduction in WorkFirst funding to reflect under-expenditures in the program resulting from declining caseloads was incorrect.

DCS – Intergovernmental Demonstration – \$500,000 General Fund-Family Support

The Division of Child Support received one-time federal funding to participate in a demonstration project to develop and test innovations to increase child support payments in intergovernmental cases. A correction is needed to move the fund source from General Fund-Federal to General Fund-Family Support (001-A), which is another federal source.

Department of Children, Youth and Families

Juvenile Rehabilitation to 25 – (\$3.8 Million) General Fund-State

The governor's budget proposes funding for all individuals under age 25 who committed a crime prior to age 18 to be eligible for a juvenile rehabilitation facility, including those convicted of the crime after the age of 18. A technical error overstated the funding needed to include this new population.

Mentor Washington Expansion – No fiscal impact

The governor's budget proposes a funding increase to the Mentor Washington program. Funding was inadvertently provided in fiscal year 2020. The funding increase begins in fiscal year 2021.

Mentor Washington Restoration – No fiscal impact

The governor's budget restores funding to the Mentor Washington program. Funding was inadvertently provided in fiscal year 2020. The funding increase begins in fiscal year 2021.

Department of Ecology

Hanford Dangerous Waste Permit – \$498,000 Radioactive Mixed Waste Account

Funding for additional capacity to reissue the Hanford dangerous waste permit in 2023 was inadvertently left out of the Department of Ecology's budget.

Funding for Oil Spills Program – \$1,200,000 Model Toxics Control Operating Account

A greater proportion of the agency's oil spill prevention program is shifted to the Model Toxics Control Operating Account from the Oil Spill Prevention Account to match the amount shifted from OSPA. This will maintain the current level of oil spill prevention and preparedness work and stabilize the OSPA.

Greenhouse Emission Limits – (\$546,000) Model Toxics Control Operating Account

Funding should be reduced to reflect the fiscal impact of a newer version of this governor-request legislation that removes most of the upfront costs to Ecology regarding creation of a taskforce and establishment of sequestration baseline values or targets.

Water Banking – \$224,000 General Fund-State

Funding for the fiscal impact of agency-request legislation regarding trust water rights and water banking was inadvertently left out of the governor's proposal.

GHG Emissions Evaluation – \$933,000 Model Toxics Control Operating Account

A move of funding from fiscal year 2022 to fiscal year 2021 is necessary to allow the agency to meet the September 1, 2021 rulemaking deadline in Governor's Directive 19-18, Environmental Assessment of Greenhouse Gas Emissions.

State Parks

Reduce Expenditures Due to I-976 – \$240,000 Snowmobile Account

The governor's proposal reduced the appropriations from the Snowmobile Account to reflect Initiative 976, which reduced snowmobile license fees. This reduction is unnecessary because the impacts of the initiative will occur in the 2021-23 biennium and will cause a reduction in snowmobile trail grooming starting in the 2021-22 winter season.

Department of Natural Resources

Adjust Fire Response Spending – (\$932,000) General Fund-State and \$1,091,000 General Fund-State

In the biennial budget, the Department of Natural Resources received \$38.2 million for fire suppression and increased fire response capability. The agency's plan for this new money anticipates spending \$2 million less than provided in the 2019-21 budget due to a lag in the initial startup of providing new

fire response services. The governor's budget equally spread this reduction across the two fiscal years; however, it is more appropriate to show this reduction in the first fiscal year. The amount is also adjusted by \$150,000 to correct math errors in the original calculation.

Greenhouse Emission Limits – (\$233,000) Model Toxics Control Operating Account

Funding should be reduced to reflect the fiscal impact of a newer version of this governor-request legislation.

Department of Fish and Wildlife

Legislated Costs Without Revenue – No fiscal impact

Due to increasing costs of central services and cost-of-living adjustments, the governor's budget shifted \$6,582,000 from the State Wildlife Account to the state general fund. A technical error of \$37,000 was made when splitting funding between fiscal years for this shift. The total shift should have been \$2,426,000 in fiscal year 2020 and \$4,156,000 in fiscal year 2021.

Maintain Columbia River Endorsement – \$671,000 General Fund-State

The governor's budget assumes reinstatement of the Columbia River Recreational Salmon and Steelhead Endorsement program, which would generate \$1.5 million each fiscal year. With the new revenue from the endorsement starting in fiscal year 2021, the governor's budget shifts the full costs of this program to this renewed fund source on an ongoing basis and returns \$671,000 of General Fund-State provided in the 2019-21 budget. The General Fund-State shift was intended to be one-time only.

Northern Pike Suppression – \$357,000 General Fund-State and (\$357,000) Aquatic Invasive Species Management Account

The governor's budget provides one-time support to address the emerging threat of Northern Pike expansion in the Columbia River system. Northern Pike are invasive species that prey on juvenile and adult salmon reducing salmon returns to their native streams and rivers. The governor's budget funded this work out of the Aquatic Invasive Species Management Account; however, based on new information provided by the Department of Fish and Wildlife, there is insufficient revenue in that account to support this new work. The cost of this request should be shifted to the state general fund.

University of Washington

Biorefinery Study – (\$100,000) General Fund-State

The 2019-21 budget included \$300,000 General Fund-State for a biorefinery study in fiscal year 2020. The University of Washington will conduct this study over a three-year period with equal funding in each year. This is a fund shift between fiscal years that nets to zero dollars over the four-year outlook.

Math Improvement Pilot – No fiscal impact

Funding should be evenly split between fiscal years.

The Evergreen State College/WSIPP

WSIPP Core Operating Budget – \$89,000 General Fund-State

The governor's budget funded 3.0 FTE for the Washington State Institute for Public Policy in fiscal year 2021. However, the salary and benefits assumptions were based on the fiscal year 2020 salary rate and omitted the inclusion of goods and services per FTE staff.

Washington Student Achievement Council

Unaccompanied Homeless Students – \$1,500,000 State Financial Aid Account

One-time funding is needed for the Passport to Careers financial aid caseload, which doubled from 318 to 700 students in the fall term due to the unaccompanied homeless youth caseload created in E2SHB 6274 (2018). Eligible students have already received financial aid awards for the 2019-20 academic year.

Special Appropriations to the Governor

CARE Fund – \$2,021,548 General Fund-State

This transfer is required for the corresponding appropriation for the Department of Commerce as outlined on page 2 of this memorandum.

The following changes are to correct language in the appropriations bill only.

Section 149(9), page 83, lines 25-39, and page 84, lines 1-8

Move subsection 9 concerning the cloud readiness assessment to subsection 1, which includes the other required activities for the Consolidated Technology Services Revolving Account-State appropriation.

Section 204(1)(a), line 29

The \$241.76 amount should be changed to \$251.49.

Section 205(1)(a), page 117, lines 6-13

The proviso below should be amended to reflect the correct appropriation amounts:

\$67,410,000 of the general fund—state appropriation for fiscal year 2020, \$67,363,000 of the general fund—state appropriation for fiscal year 2021, \$835,703,000 of the general fund—federal appropriation, \$4,000,000 of the administrative contingency account—state appropriation, and \$5,508,000 of the pension funding stabilization account—state appropriation are provided solely for all components of the WorkFirst program

Section 205(1)(c)(i), page 118, line 3

The proviso below should be amended to reflect the correct dollar amount:

\$155,682,000 of the amounts in (a) of this subsection is for WorkFirst job search, education and training activities, barrier removal services, limited English proficiency services, and tribal assistance under RCW 74.08A.040. The department must allocate this funding based on client outcomes and cost effectiveness measures. Within amounts provided in this subsection (1)(c), the department shall implement the working family support program.

Section 205(12), page 122, lines 8-14

This proviso needs the appropriation amount corrected (total amount is \$2,369,000 rather than \$2,500,000 in the Home Security Fund). The proviso also removes the TANF/SFA Supplied Shelter Grant item from the General Fund-Federal appropriation to avoid a duplicate count. The proviso below has been amended to reflect the correct dollar amounts and removal of the TANF/SFA Supplied Shelter Grant item:

\$6,000 of the general fund-state appropriation for fiscal year 2021, \$2,369,000 of the home security fund account-state appropriation for fiscal year 2021, and \$44,000 of the general fund-federal appropriation are provided solely to eliminate the supplied shelter grant standard for the pregnant women assistance, refugee cash assistance, and the aged, blind, or disabled assistance programs.

Section 205(1)(b)(i), page 117, lines 28-34

The TANF/SFA Supplied Shelter Grant item needs to be added to this proviso to avoid a duplicate count. The proviso below has been amended to reflect the amount appropriated solely for this item:

\$265,758,000 of the amounts in (a) of this subsection is for assistance to clients, including grants, diversion cash assistance, and additional diversion emergency assistance including but not limited to assistance authorized under RCW 74.08A.210. Of this amount, \$1,439,000 of the general-fund federal appropriation is provided solely to eliminate the supplied shelter grant standard for the temporary assistance for needy families and state family assistance programs. The department may use state funds

to provide support to working families that are eligible for temporary assistance for needy families but otherwise not receiving cash assistance.

Section 917(3), page 416, lines 8-26

(Section deleted.) The governor's budget did not use the Workforce Education Investment Account to supplant state funding; therefore, the section was removed from the version of the bill that initially was made public on the website.

Thank you for your consideration. Please contact me or other OFM staff if you have any questions.

cc: Michael Bezanson, Senate Ways & Means Committee
Charlie Gavigan, House Appropriations Committee