



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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February 27, 2022

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

FROM: David Schumacher
Director

A handwritten signature in blue ink, appearing to be "DS", written over the name "David Schumacher".

SUBJECT: OFM CONCERNS WITH HOUSE 2022 SUPPLEMENTAL OPERATING BUDGET

We recognize the considerable effort it took to develop the House 2022 supplemental operating budget. It makes great strides to protect the state's vulnerable populations and the climate. Though there are differences, the House and governor's budgets include similar approaches and priorities. The purpose of this memorandum is not to identify every difference in the budgets, but to communicate the most pressing concerns for your consideration as you continue working with the Senate toward agreement on a final budget.

Office of Financial Management and Governor's Office

Snake River mitigation study

Governor Inslee and Senator Murray initiated an analysis of options to replace the benefits of the four lower Snake River dams. This process began in December 2021 and a contract is in place for this work. An appropriation in the amount of \$375,000 is needed to cover the costs of this analysis.

Office of Financial Management

One Washington

An additional \$37.8 million is needed in the House budget for One Washington to complete the Phase 1A integrated schedule, address oversight recommendations from the Office of the Chief Information Officer and independent quality assurance, and continue work on agency remediation (total \$48.4 million).

Department of Commerce

Housing

We are pleased the House budget included the governor's proposed investments to create a collaborative approach to assisting individuals residing on public rights of way to transition into permanent housing solutions. We strongly urge these investments remain in the final budget, regardless of whether SB 5662 passes or changes are made to it.

Utilities

Loss of electricity and water due to unpaid bills results in an unsafe and unhealthy living situation. Yet under current law, unpaid bills can be a cause for eviction. We strongly recommend the governor's approach to addressing utility arrearages by providing block grants to public and privately-owned utilities to be directly applied to customer accounts. It is the most expedient way to preserve tenancies now that emergency eviction protections are no longer in place.

Department of Commerce

Digital equity/broadband

Any state funding intended to increase equity through accessible broadband services should be provided with few restrictions, such as specific rates or eligibility requirements. This will enable the department to best position the state to complement federal funding that has not yet been fully defined in federal guidelines. The department will conduct a full digital equity plan to access federal funding.

Multiple agencies

Poverty reduction

The governor made significant investments to reduce poverty and issued an executive order to improve the health and well-being of Washington residents. We appreciate that the House and Senate budgets funded most of the poverty package; however, any items left unfunded should be included in the final budget, including:

- Providing the Office of Equity with the resources necessary to assist agencies with community consultation best practices, \$80,000
- Expanding homeless college student supports through the Washington Student Achievement Council at the same level as the Senate budget, \$492,000

Employment Security Department

Paid Family Medical Insurance Account solvency

To ensure the Paid Family Medical Leave program has adequate revenue to cover the cost of benefits, funding was proposed by the governor and the Senate to address a potential cash deficit. Both budgets give the Office of Financial Management the authority to fund PFML account deficits if needed. We recommend the House budget also include funding at the same level and purpose as the Senate budget, \$350 million in fiscal year 2023, to ensure the PFML account remains solvent rather than add funds to maintain the PFML premium rate at its current level into 2023. The Employment Security Department plans to work with an actuary to identify long-term account solvency solutions for the PFML program, including the setting of premium rates.

Multiple agencies

Climate

Clean Energy Transition Work Group. As the state moves to meet its greenhouse gas emission reduction targets, it will impact workers in the fossil fuel industry. Funding was not provided in either the House or Senate budgets for the Workforce Training and Education Coordinating Board to facilitate a work group with the Department of Commerce to study the effects of climate change policies on the workforce. Given Commerce's role in clean energy and other sectors, we expect it will contribute significantly to the assessment. The final budget needs to include \$250,000 for the Workforce Board and \$157,000 for the Department of Commerce to begin this work group.

Clean Energy Transition Workforce Account. In addition, the governor's budget proposes a one-time investment of \$24.8 million into the Clean Energy Transition Workforce Account in fiscal year 2023. This investment reflects the state's commitment to directly support workers whose jobs are impacted by the transition from fossil fuels to clean energy. We request that the House also make this investment to ensure that resources are available to assist impacted workers.

Alternate fuel vehicles. The House budget includes \$25 million for an income-qualified grant program for the promotion of alternate fuel vehicles. Although we understand the importance of targeting programs to

support low-income and underserved communities, the proviso would require the Department of Commerce to spend significant time adopting rules to ensure that the funding is administered according to the requirements of the proviso. Rather than moving forward with this proposal now, we would ask that the House focus funding on community electric vehicle charging as proposed by the Senate, at a level of funding more closely aligned with the governor's and Senate budgets.

Solar incentives. The governor's budget proposed a \$100 million investment in solar installation grants to accelerate the transition to 100% clean energy while also providing high-paying jobs. These grants would include funding for projects that provide benefits to overburdened communities and vulnerable populations, as well as priority funding for tribes and rural communities. We urge the House to include a funding level aligned with the governor or Senate to fund an investment that accomplishes the following:

- At least \$20 million for grants to develop and fund community solar systems that serve low-income communities.
- At least \$75 million to \$90 million for a broad-based solar plus storage program that would provide for community resilience hubs, utility demand response programs and other applications of solar + storage.

Department of Corrections

Staffing concerns

The House budget makes important staffing investments at the Department of Corrections to fund ongoing expenses; however, it falls short in meeting the agency's existing needs.

The House budget does not support the retention of community supervision staff in the current fiscal year. The agency chose to retain staff who would have otherwise been reduced due to the temporary drop in caseload related to the COVID-19 public health emergency. This decision allowed individuals to maintain employment while filling staffing gaps throughout the agency at the height of the pandemic. The House budget also requires the agency to continue to absorb unfunded staffing necessary to implement the federal Prison Rape Elimination Act.

Although the House budget provides substantial investments in health care, it does not include resources to support the specific medical staffing needs at the prison violator centers. This population frequently has immediate and acute care needs, heavily impacting the existing medical and mental health staff at these facilities.

Health Care Authority

Regional treatment facilities

In 2019, Governor Inslee laid out his vision to provide services for civil patients with acute mental illness in local communities. Contracting and administration needs at the Health Care Authority for its role in the regional treatment facilities is partially unaddressed in the House budget. The state's commitment for the regional treatment facilities will continue in perpetuity, and for these facilities to be successful, the Health Care Authority will need \$4 million (\$2.9 million GF-State) this biennium and continued funding into the future.

Children and youth behavioral health

The Senate budget provides funding for only 32 beds for the Children's Long-Term Inpatient Program (CLIP) whereas the governor and House each proposed the addition of 46 beds. CLIP is the most intensive inpatient service available to treat and stabilize youth diagnosed with psychiatric and behavioral health disorders and the demand for these beds exceeds availability, which leads to lengthy wait times.

Department of Social and Health Services

Trueblood fines

Trueblood lawsuit fines paid by the Department of Social and Health Services have increased in recent months and are now projected to exceed the department's appropriation by approximately \$1.4 million GF-State. Funding for this purpose should be appropriated to ensure that sufficient fund balances are available at the close of the 2021-23 biennium.

Office of Superintendent of Public Instruction

Next Generation Science standards

The governor proposed expanding investments in climate science curricula and programs because there is more demand than the programs can meet. The programs take teachers and students into the field to learn about how climate change impacts their local community, tribes, and industries. Additional investments are needed to ensure that more teachers and students can participate.

Washington Student Achievement Council

Career and College Pathways grant

With many good job opportunities waiting for individuals with the right skills, it is imperative that we increase this number and support those who want to pursue an education to obtain new skills in high demand jobs. Funding the Career and College Pathways grant would provide competitive awards for existing and new community-based career and college collaborations to increase K-12 postsecondary enrollment rates and close equity gaps. The Senate budget provides \$6 million in fiscal year 2023 and a total of \$22 million over the next three fiscal years, while the House budget did not include any funding. We recommend that the House fund this grant at the same level as the Senate budget.

Higher education institutions

Cybersecurity programs

Due to the cybersecurity expertise shortage faced by Washington state employers, there is an immediate need for more cybersecurity professionals. The House budget funded a total of \$11.2 million for cybersecurity programs at higher education institutions. We recommend that the House budget fully fund the \$20 million investments proposed by the governor and Senate.

Multiple agencies

Salmon recovery

We appreciate the substantial investment made by the House in salmon recovery. The additional funding will help implement important actions and projects necessary to achieve our salmon recovery goals and meet our treaty obligations.

We support using the project selection process included in the House operating budget for the Recreation and Conservation Office which prioritizes restoration projects based upon the Department of Fish and Wildlife's riparian guidance, temperature impaired streams, regional recovery priorities and stocks limiting fisheries. We ask that the House expand the use of similar criteria for the \$10 million provided to the Department of Natural Resources for salmon habitat improvements. To allow seamless implementation of salmon restoration projects across biennial lines, we also would ask that the House use the Salmon Recovery Account proposed by the Senate as a mechanism to fund salmon recovery projects rather than relying solely on state General Fund appropriations.

Department of Natural Resources

Wildfire suppression

The House budget prohibits the Department of Natural Resources from charging wildfire suppression administrative and indirect costs to its GF-S and Disaster Response Account (DRA) emergency wildfire suppression appropriations, putting pressure on the agency's other accounts. Removing this restriction, as was done in the governor's and Senate budgets, will ensure that important management activities on state and county trust lands, aquatic lands and other programs can be properly implemented. In addition, GF-S and DRA funding is needed at the governor's and Senate levels for the administrative and indirect costs associated with emergency wildfire suppression activities. These changes will ensure that trust beneficiaries, such as common schools, universities, counties and local taxing districts, have the resources they need.

Section 724

Salary increases

Section 724 allocates funds to OFM for salary increases to address recruitment and retention issues for the state workforce. The process required in the House budget may not be able to be implemented by July 1, 2022. Instead of placing the state in the position of allocating these limited resources, it is preferable for the budget to reflect the specific classifications to which the increases should be directed, including staff essential for care and operations in our state's direct care facilities.

Thank you for your consideration. My staff and I are available to discuss these items in greater detail, and we look forward to further collaboration as you work toward a final operating budget.

cc: Charlie Gavigan, Staff Coordinator, House Appropriations Committee
Nona Snell, Assistant Director for Budget, OFM
Jamila Thomas, Chief of Staff, Office of the Governor