



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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

February 27, 2022

TO: Honorable Christine Rolfes, Chair
Honorable Lynda Wilson, Ranking Member
Senate Ways & Means Committee

FROM: David Schumacher
Director

SUBJECT: OFM CONCERNS WITH SENATE 2022 SUPPLEMENTAL OPERATING BUDGET

I recognize the considerable effort it took to develop the Senate 2022 supplemental operating budget. It makes great strides to protect the state's vulnerable populations and the climate. Though there are differences, the Senate 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 House toward agreement on a final budget.

Department of Revenue, Department of Archaeology and Historic Preservation, Office of Minority and Women's Business Enterprises, Washington State Historical Society, Washington State Arts Commission, and Environmental and Land Use Hearings Office

Foundational state government support

Please pay for foundational state government supports at the governor's proposed level, including tax policy specialists at DOR, an assistant state archaeologist at DAHP, certification support staff at OMWBE, facilities support staff at WSHS, care of the state-owned art collection at ARTS, and additional legal assistance at ELUHO.

Department of Enterprise Services

Statewide diversity, equity, and inclusion training

The proposed governor's and House budgets provide \$3 million GF-S for 23.5 FTEs to expedite diversity, equity, and inclusion training for all employees. The Senate did not provide funding for additional training staff. Without this funding, all state employees will not receive the training.

Office of Financial Management

COVID-19 support

The Senate proposal does not provide funding for OFM to adequately coordinate incoming federal funds and to meet the federal compliance and reporting requirements for funds already received. Insufficient tracking, monitoring, and reporting of federal funding can result in audit findings with financial penalties to the state. OFM needs \$2.199 million for this purpose.

One Washington, Phase I

The program needs \$48.4 million to continue the steady progress on replacing the Accounting Financial Reporting System, the 1960s-era "green screen" technology used by agencies to perform critical business activities. This will align with the project's replanning effort recommended by the Office of the Chief Information Officer to be on pace to be completed this fall.

Office of Financial Management
Office of Independent Investigations

Without the proper level of administrative support, OFM will not be able to sufficiently support the Office of Independent Investigations in meeting its enabling statutes. The three FTE staff provided by the Senate is not sufficient to onboard and support nearly 100 staff located at regional offices throughout the state.

Department of Commerce
Housing

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

Additionally, we urge you to consider including the following items in the final budget:

- Expanding support services for individuals with behavioral health needs. The suite of programs and services proposed by the governor will increase access to supportive housing and employment opportunities and build strategies to help people maintain their housing and employment, even during behavioral health crises. While the Senate includes some of these investments, it should also include:
 - o Medical respite care for behavioral health clients, \$11.1 million
 - o Specialized landlord supports for permanent supportive housing clients with behavioral health needs, \$2.1 million
 - o Mobile crisis response teams focused on supportive housing, \$4.9 million.
- Fully funding the Affordable Housing Needs Assessment, \$500,000. The information in this assessment will be very beneficial to local governments as they begin the periodic update planning process, especially with regard to implementation of new housing-related planning requirements.
- Providing support for middle housing planning, \$7.5 million. We encourage the Senate to take the House approach that includes grant funding for local governments opting to amend middle housing zoning in their comprehensive plans in 2024.

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 cited as 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.

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 Senate and House funded most of the poverty reduction package; however, any items left unfunded should be included in the final budget, including:

- Ensuring an enterprise-wide poverty reduction approach by funding poverty reduction coordination (\$364,000) and the Poverty Reduction Technical Advisory Group (\$461,000) (DSHS Program 110).
- Providing stipends to those with lived experience who participate on boards and committees (OFM).

- Funding Food Assistance Capacity grants (\$17.625 million) to make sure hunger relief organizations have the resources needed to reduce food insecurity (WSDA).
- Making child support collection referrals on a case-by-case basis for child welfare cases to reduce a financial burden that can destabilize the household and, instead, focus on successful and timely family reunifications. We recommend the House funding level (\$2 million) (DCYF).
- Extending the Aged, Blind or Disabled and Housing and Essential Needs programs to victims of human trafficking (\$207,000) (DSHS-ESA).

Department of Corrections

Restrictive housing reform

Restrictive housing (solitary confinement) can be damaging to the physical and mental health of both incarcerated individuals and the impacted staff. Funding was proposed by the governor and included in the House budget to reduce time spent in restrictive housing by increasing correctional and mental health staffing, incorporating enhanced mental health training, and implementing evidence-based approaches to organizational and culture change in the restrictive housing environment. The Senate should fund these crucial steps in the path toward reforming the use of restrictive housing (\$8.1 million General Fund-State).

Staffing concerns

The Senate 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.

No additional funding for custody relief or tolling records staff is provided in the Senate proposal. These are ongoing staffing costs that are underfunded. The agency requests additional resources for these necessary activities every year but has yet to receive full funding. In addition, while the Senate budget provides resources for equipment and renovations to expand telepresence services at DOC facilities, it does not fund the positions needed for implementation, effectively establishing a new staffing gap.

Although the Senate budget provides substantial health care investments at the agency, 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 in the Senate budget is intended to expire on January 1, 2024. 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 governor and House each proposed the addition of 46 beds for the Children's Long-Term Inpatient Program (CLIP). 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.

Health Care Authority

Youth inpatient navigators

Youth inpatient navigators help families and caregivers find alternate services for children with psychiatric and behavioral disorders that need, but are unable to find, long-term inpatient beds, such as CLIP. The governor and House each propose adding 10 youth inpatient navigator teams, as well as staffing at the Health Care Authority to coordinate and oversee the program. We recommend the funding level in the House budget of \$2.7 million (\$2.1 million GF-State).

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.

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. The Senate budget requires OFM, with no additional funds, to convene a work group of agencies, businesses and labor to develop recommendations to help these workers transition into different industries. Rather than funding the work group through OFM, we would prefer that the Senate provide \$250,000 for the Workforce Training and Education Coordinating Board and \$157,000 for the Department of Commerce to begin this work group as provided in the governor's budget. If OFM is required to convene the work group, \$200,000 would be needed.

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. While we appreciate the Senate's intent of investing the same level of funding into the account in fiscal year 2024, we request that the funding be provided in fiscal year 2023 so it is available upon completion of a workforce development, training, and transition plan.

Multiple agencies

Salmon recovery

We support the use of the Salmon Recovery Account as a mechanism to fund salmon recovery projects across biennial lines. We ask that the final budget use this mechanism to fund the Duckabush Estuary restoration project if it is included in the final budget. It is also beneficial to use 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.

Although the Senate budget is a significant step forward, we would ask that you match the governor's and House budgets and include the following items at the Department of Ecology:

- \$896,000 to provide additional technical support to local governments and enforcement capacity at Ecology to improve compliance with local Shoreline Master Program regulations.
- \$714,000 (MTCA-Op) to effectively address toxics in stormwater runoff from industrial and contaminated sites and to prepare properties for affordable housing, economic redevelopment, and public access.

- \$557,000 for staff to review Columbia River hydropower license applications and renewals to address fish passage and temperature requirements and to identify mitigation solutions. Although the Senate funded staff at WDFW for this work, it did not provide the necessary staff at Ecology.

Department of Ecology

Climate Commitment Act implementation

The Department of Ecology needs the funding included in the governor's and House budgets to ensure that full implementation of the Climate Commitment Act (E2SSB 5126) is not delayed. Several significant changes to the bill were added after the biennial budget was finalized in the 2021 session, which added fiscal impact to the agency, but those costs were not funded.

Accreditation of drinking water laboratories

One-time funding in fiscal years 2023 and 2024 is necessary for the department to meet federally required timelines for auditing drinking water laboratories, a critical element to ensuring municipal drinking water is safe for consumption. Ecology intends to raise fees on drinking water laboratories to pay for this increased auditing in 2024. Until then, funding is needed to ensure the state does not lose authority over lab accreditation. Please include the funding provided in the governor's and House proposed budgets. (\$513,000 MTCA-Op)

Department of Fish and Wildlife

Cultural resources capacity

Governor's Executive Order 21-02, Archeological and Cultural Resources, requires greater consultation with tribes on acquisition and construction projects. Please include \$1.07 million, as provided in the governor's and House budgets, for the department to adequately consult with tribal nations and protect cultural resources.

Salary increases

Section 724 of the House budget allocates funds to OFM for salary increases to address recruitment and retention issues for the state workforce. Although the process required in the House budget may not be able to be implemented by July 1, 2022, salary increases at the governor's or House levels should be directed to 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: Susan Howson, Staff Coordinator, Senate Ways & Means Committee
Nona Snell, Assistant Director for Budget, OFM
Jamila Thomas, Chief of Staff, Office of the Governor