



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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April 3, 2023

TO: Honorable Mark Mullet
Honorable Mark Schoesler
Honorable Christine Rolfes
Honorable Lynda Wilson
Senate Ways & Means Committee

Honorable Steve Tharinger
Honorable Mike Steele
House Capital Budget Committee

FROM: David Schumacher
Director

SUBJECT: OFM CONCERNS WITH SENATE AND HOUSE 2023-25 BIENNIAL CAPITAL BUDGETS AND 2023 SUPPLEMENTAL CAPITAL BUDGETS

I commend you for your efforts on your respective 2023-25 biennial capital budgets. There are several significant areas where our budgets are closely aligned. As you continue your deliberations, please consider the following concerns and observations with the Senate and House budgets.

Housing

The Washington State Department of Commerce has released its final housing needs projections, which show we need to add 1.1 million homes over the next 20 years to meet the housing needs of our state's residents. Based on census data and the Office of Financial Management's population projections, these housing projections show that Washington needs more than 50,000 new units annually to keep pace with expected population growth.

Investments in the housing supply for lower income levels are vital to meet this basic need for individual families and to address impacts on our communities. If the state does not get in front of the housing crisis now, the situation will worsen.

I urge you not to make any reductions to the appropriation level for Rapid Capital Housing Acquisition in the 2023 supplemental budget, as proposed by the Senate. Rapid Capital Housing Acquisition not only supports our efforts to resolve encampment challenges, but it is also a faster mechanism for increasing the supply of affordable housing. It is imperative that we keep the Department of Commerce's momentum going. Commerce has identified projects that are ready to proceed and on the Housing Trust Fund waitlist. These projects resulted from the input of stakeholders and constituents, who urged Commerce to commit the funding to the regions in need of affordable housing.

Climate and clean energy

Investment levels for the clean energy program, particularly the competitive funding, need to increase to reach our state's climate goals, which require steep reductions in greenhouse gas emissions. Please

provide funding at or above the House level, particularly considering the \$20 million that both chambers removed from clean energy funding in the 2021-23 biennium.

The Clean Energy Fund proviso in the Senate budget includes a workgroup that is problematic due to the timeline and the number and range of stakeholders that are required to be convened. The makeup of the workgroup is heavily weighted toward the building sector, with a goal of recommending changes to legislation that went through a deliberative process.

The University of Washington Clean Energy Institute's clean energy testbeds should be funded at the level provided in the Governor and Senate proposed budgets. These test beds are a community resource for creating, testing and validating technologies needed to accelerate a scalable clean energy future.

I also ask that you consider the House's level of state funding for climate programs that lead to energy efficient homes and reduce emissions.

RCO prioritization process

Please honor the Recreation and Conservation Office's prioritization process by providing funding based on the Washington Wildlife and Recreation Program's prioritized list and include approved alternative projects in other salmon programs.

Higher education funding

Recognizing the value and importance of investing in state higher education facilities, funding is critical for preserving and modernizing existing facilities and creating new and flexible teaching, research and support space.

Behavioral health bed capacity

I ask that you continue funding the University of Washington Medical Center's Northwest Campus Behavioral Health Renovation project at \$13 million, as included in the Governor and Senate budgets. This project is already in design, will add much-needed psychiatric bed capacity in our state, and will complete the spectrum of services for behavioral health that will be provided between existing facilities and the behavioral health teaching facility that opens in 2024.

Nisqually State Parks Day Use

Please fund the Nisqually Day Use Improvements project, which will construct vital infrastructure at this new state park, including an amphitheater, interpretive facilities, children's play area and trails. Interpretive programming is a central element to the theme of the park, which has been developed in close coordination with the Nisqually Tribe.

Capitol Lake

I ask that you include funding for the continued progress on restoration of Capitol Lake to an estuary. A final environmental impact statement, required before any long-term management alternatives could be pursued, was issued last fall. The estuary is the only alternative that meets state water quality standards and addresses current violations. DES has worked collaboratively with the cities of Olympia and Tumwater, LOTT Clean Water Alliance, the Port of Olympia, the Squaxin Island Tribe, and Thurston County on this project. Lack of funding for continued work would be a major setback for resolving this decades-long struggle.

Investments in state facilities

There are emergent needs for expanded capacity for mental health and transitional supports that directly impact vulnerable populations housed or served in state-run institutions. We ask the House to carefully consider adding funds for these projects.

Over the past decade, funding for preservation projects at our state-run institutions has not kept up with demands. Projects with a direct impact on the health and safety of Washington residents need to be maintained. One policy option to further support preservation would be to fund minor works at the Senate level and increase the minor works threshold to \$2 million to allow agencies additional flexibility to address emergent needs.

Thank you for your consideration. We look forward to continuing discussions with you and your staff as you work toward a final capital budget. We continue to work with your staff on both technical and policy issues identified by agencies, our staff and others.

cc: Michael Bezanson, Capital Budget Coordinator, Senate Ways and Means Committee
Susan Howson, Staff Coordinator, Senate Ways and Means Committee
Kelci Karl-Robinson, Coordinator, House Capital Budget Committee
Nona Snell, Budget Director, OFM
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