



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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February 26, 2024

TO: Honorable Mark Mullet
Honorable Mark Schoesler
Honorable June Robinson
Honorable Lynda Wilson
Senate Ways & Means Committee

Honorable Steve Tharinger
Honorable Mike Steele
House Capital Budget Committee

FROM: David Schumacher
Director

A handwritten signature in black ink, appearing to read "D. Schumacher".

SUBJECT: OFM CONCERNS WITH SENATE AND HOUSE SUPPLEMENTAL CAPITAL BUDGETS

We recognize the challenge of developing a capital budget with the uncertainty that significant amounts of revenue may not be available by the end of this year. Even in this difficult environment, the Senate and House budgets reflect many of the Governor's priorities. As you continue your deliberations, please consider the following concerns and observations with the Senate and House budgets. In addition to the information provided here, OFM staff will provide specific technical and other concerns to their legislative counterparts.

We appreciate the additional investments for the Housing Trust Fund (HTF) to construct new housing units, including tiny homes. However, we urge you to provide more specific funding for the Rapid Capital Housing Acquisition program because it is an efficient and effective strategy to provide housing as needs arise, especially when people are moved from right of way encampments. Facilities purchased with these funds also come with services to help people successfully transition from living outside. We appreciate the intent of the Senate proviso that allows unallocated HTF funds to be used for rapid capital projects, but it is problematic considering the HTF program is oversubscribed. This tie to unallocated funds does not provide the flexibility that makes the program successful.

Given the uncertainty of the Climate Commitment Act revenue and difficulty it causes for planning the remainder of the biennium, we look forward to continuing conversations about how to best utilize the funds in the short and long term. We will leave the specifics of funding for climate programs and projects to those conversations that will focus on programs that directly reduce greenhouse gas emissions, such as electrifying vehicles, leveraging federal funds and making buildings more efficient.

However, we have concerns with three capital programs for a number of reasons. The Community Solar Resilience Hubs, Community Solar, and Community EV Charging programs were reduced significantly and are delayed in the Senate budget until January 1, 2025, but they are existing programs moved from the operating budget and are currently incurring expenditures. The Senate capital budget also allows unallocated funds for those programs to be used to match federal funds.

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These three factors are problematic for the effectiveness of the program. First, reducing the funds limits the amount of grants the Department of Commerce will be able to award. Second, delaying the program that is up and running until January 1, 2025, will likely result in the elimination of contracts and reductions of staff already knowledgeable in managing grants for solar and EV projects. Third, but not least important, tying state funds that leverage federal grants to unallocated appropriations will limit the state's ability to pursue many federal opportunities that will provide economic benefits to the state while also helping the climate. The funds will not be available because they will be allocated for the program. We would miss the opportunity to achieve many of the state's priorities because of the lack of state funds to meet federal grant matching requirements.

Thank you for your consideration. We look forward to continuing discussions with you and your staff as you work on the final budget.

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