



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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April 7, 2021

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

FROM: David Schumacher
Director

SUBJECT: OFM CONCERNS WITH SENATE 2021-23 BIENNIAL AND 2021 SUPPLEMENTAL OPERATING BUDGETS

I recognize your extraordinary efforts in developing the Senate 2021-23 and 2021 supplemental operating budgets. The budgets make great strides to protect the state's vulnerable populations and effectively use the recently enacted federal funds. Though there are differences, the Senate and governor's budgets include similar approaches and priorities.

Among other things, we particularly appreciate that furloughs were not extended into the 2021-23 biennium, substantial funding is included for child protective services and foster care, and the Equity Office is funded.

The purpose of this memorandum is not to identify every difference in the budgets, but to identify the most pressing concerns for your consideration as you continue working toward agreement with the House on a final budget. We assume budget and policy staff will relay other funding differences, whether they are technical in nature or fall between technical and high priority concerns.

Department of Commerce

Various Programs. We are grateful that the Senate budget expands upon the governor's budget by creating an historically large investment in housing and homelessness services, broadband, business assistance, and community outreach and equity efforts. The enacted budget should enable the department to effectively implement these significant investments by ensuring sufficient staffing resources are provided in all areas of the budget. To do this, we ask that you include the following:

- Modify proviso language for the American Rescue Plan Act Treasury Rental Assistance and Homeowner Assistance Fund programs (Sections 129(42) and 129(46), respectively). The corresponding House budget language for these provisos is preferred, as it provides sufficient funding for grantees to administer local rental assistance programs. It also provides that the Homeowner Assistance Fund may be used not just for individuals at or below 100% of the area median income, but may also be targeted toward other socially disadvantaged groups.
- Ensure the Housing Trust Fund appropriations do not over-obligate existing resources or reduce budgeted FTE levels.
- Provide sufficient funding to administer the State Efficiency and Environmental Performance program.
- Provide adequate funding to implement enacted legislation and new staff positions, including administrative and indirect costs as described in the agency's fiscal notes.
- Restore the lease cost reduction of \$1,078,000 that was included in the governor's proposal. With additional state revenue, the large influx of federal dollars, and FTEs allocated to the agency in the Senate budget, eliminating this reduction will give the department the additional time it needs to develop a strategy to reduce its office space footprint.

Office of Financial Management

One Washington. Additional funding to continue Phase 1b into fiscal year 2023 is necessary to maintain the project timeline and state agency migration to the new statewide financial system by the start of the 2023-25 biennium.

Reduction in Leased Facility Space (Section 131(8)) and Lease Facilities Pool (Section 742). The recommendation and reporting requirements for space reductions due to telework has an unreasonable timeline, and meaningful recommendations cannot be made so quickly. Because of the changing nature of the pandemic and associated work environment needs, this work should be constrained to office space and aligned with the six-year planning process that will culminate in January 2023. Related to this is the lease facilities pool, which should be removed because implementation is complicated by the use of dedicated accounts that do not have the flexibility that the cost pool suggests. The lease facilities pool also creates an administrative burden, particularly related to new reporting requirements.

Office of the Governor

Blue Ribbon Commission. One-time funding of \$300,000 is required to convene a commission on the intersection of the criminal justice and behavioral health crisis systems that is expected to be established in Governor's Executive Order 21-02.

Health Care Authority

Administrative Reductions. In addition to the administrative reductions proposed in the governor's budget, funding to implement bills included in the Senate budget is removed. These reductions are made while also requiring HCA to implement administratively intensive initiatives, such as submitting new waivers for long-term care and medical respite and providing much needed but complex rate increases for medical providers. When combined, these reductions jeopardize important work directed by the Legislature, which impacts the lives of Washington residents.

Department of Social and Health Services

TANF Grant Increase. The budget proposes a 15 percent increase in the grant for the Temporary Assistance for Needy Families (TANF) and State Family Assistance (SFA) programs, which will help families meet more of their basic needs. However, the budget does not include a grant increase for other programs that currently maintain parity with the TANF/SFA benefit levels, including the Refugee Cash Assistance and Pregnant Women Assistance (PWA) programs. We ask that the Legislature maintain this parity by investing \$27,000 General Fund-State in fiscal year 2022 and \$30,000 General Fund-State in fiscal year 2023 for the Pregnant Women Assistance program and \$160,000 General Fund-Federal in fiscal year 2022 and \$168,000 General Fund-Federal in fiscal year 2023 for the Refugee Cash Assistance program. By rule (WAC 388-478-0020), the Refugee Cash Assistance program must maintain parity. Though this rule does not apply to the PWA program, the Legislature invested resources in the 2019-21 operating budget for the program's grant to mirror the TANF grant standard. We ask that parity continue to be funded for this group.

Department of Children, Youth, and Families

Fair Start for Kids Act (ESSHB 5237). The overhaul of the state's early learning programs in this bill is very much needed. It fundamentally restructures the state's subsidized child care system to be more affordable for low-income families by expanding eligibility to middle-income families and providing rates that are more competitive with the private pay market. However, it is not possible to successfully redesign programs and increase services without adequately paying for the administrative work necessary to implement the changes.

Department of Corrections

Quality Assurance and Care Navigation. Investments in the governor's and House budgets are crucial to enable the department to meet patient care timelines for diagnostics and treatment of cancer and other complex and chronic health needs. The \$5.4 million in those budgets provides resources for an integrated health services model of care to address concerns with quality and timeliness of care in Washington's correctional institutions. Delays and inadequate care increase the complexity of health needs and the cost of care, and may contribute to early mortality.

Department of Corrections

Tolling Workload. The governor's budget and 2SHB 1126, community custody tolling, addressed changes to the tolling workload. The workload reduction associated with this legislation would eliminate the need for increased investment in staffing for the tolling unit once enacted, but the legislation has not passed the House. Funding for tolling staff was provided in the proposed supplemental budget, but in the absence of tolling reform, the funding need is ongoing.

Behavioral Health Treatment. The incidence of behavioral health and substance use disorder in the population of incarcerated individuals is much higher than that of the general population, and the Senate budget does not address those needs. The \$6.0 million proposed by the governor and the House for the 2021-23 biennium supports expanded capacity to screen individuals on intake to identify treatment needs, additional treatment programs, reduced behavioral health care caseloads, and better continuity of care.

Staffing Concerns. The Senate supplemental and biennial budgets make substantial staffing investments at the Department of Corrections to move toward full funding of the institutional staffing model developed pursuant to ESSB 6032 (Section 220(2)(h)) that was enacted in 2018. However, while making these investments, the budgets require the agency to absorb staffing needs for other crucial activities that will effectively maintain underfunding of staffing model recommendations. The Senate budgets do this in two areas, both of which require additional staffing resources for effective program delivery and administration:

1. Requiring the agency to continue to absorb unfunded staffing needs for the current body scanner at the Washington Correctional Center for Women (\$2.4 million per year) and requiring the agency to absorb staffing needs for two more scanners added in the biennial budget. The governor vetoed a proviso in the 2020 supplemental budget that funded two additional body scanners without the appropriate staffing resources.
2. Requiring the agency to continue to absorb unfunded staffing needs for activities implementing the federal Prison Rape Elimination Act at \$0.7 million per year.

Department of Fish and Wildlife

HPA Compliance and Assistance/Streamflow Policy Support. The Senate proposal includes half the funding needed for implementing landowner technical assistance with the Hydraulic Project Approval (HPA) permit process and continuation of scientific collaboration with the Department of Ecology to implement the Streamflow Restoration Act and participate in water resource management discussions to protect fish and wildlife. Full funding is necessary to meet the requirement to increase HPA permit compliance and to ensure stream and groundwater flow needs are met for aquatic species.

Species Conservation. Funding is needed to support increasing costs for species conservation that are no longer sustainable with revenue from personalized license plates without also cutting species conservation programs. The state general fund is the most appropriate fund source for the management of these non-harvested species.

Interest Arbitration. Interest arbitration was granted in E2SSB 5481 in 2020 and partially funded in the 2020 supplemental budget. Without an additional \$431,000, the department is not able to enter into an interagency agreement with OFM's State Human Resources Labor Relations Office for arbitration services.

Department of Agriculture

Food Supply Chain Resiliency/Farm to School. While we appreciate the funding provided in the Senate budget to expand the Emergency Food Assistance Program, funding is also needed to provide support to farmers, producers, and distributors to address gaps in the state's food supply chain that resulted from the COVID-19 pandemic. In addition, connecting more schools to local farms is necessary to improve the amount of high quality, fresh nutritious foods available in all school and child care settings. We request funding for the food supply chain resiliency efforts and Farms to Schools program as represented in the governor's budget. Both of these items may be eligible costs under the federal Coronavirus Response and Relief Supplemental Appropriations Act, 2021 or the American Rescue Plan Act of 2021.

Vacancy Savings. To help save state general fund dollars when revenues were significantly down, the department offered to delay the hiring of several positions in the 2021-23 biennium. These savings reflected a worst-case scenario and are reductions to its food safety, animal health programs, veterinary services, and central office business operations. Due to the increase in state revenues since the governor's budget was submitted, the final budget should not include these reductions, which would allow the department to fully implement its critical work to protect public and animal health.

Office of the Superintendent of Public Instruction

Dual Credit Subsidies. Funding is needed for dual credit subsidies. The governor's and House budgets continue funding for dual credit subsidies that provides grants to subsidize dual credit programs and advanced placement exam fees, international baccalaureate class fees, and exam and course fees for low-income students. Funding for this is a step toward closing the equity gap in K-12 and higher education. Funding was fully expended in both fiscal year 2019 and fiscal year 2020, showing these grants are being utilized.

Connectivity Enhancement. Additional funding is needed for connectivity enhancements that provide school districts with additional technology MSOC (maintenance, supplies, and operating costs) funding to support student needs. Although the Senate proposes \$8 million in contracts to internet providers, the pandemic not only has exacerbated the issue but has highlighted the continuing need for technology supports for student education. Please match the funding level proposed by the governor and House to assist with closing the K-12 technology gap.

Next Generation Science Standards. The governor's and House budgets (but not the Senate budget) increase funding for the next generation science standards that provide professional development and support to community-based climate science organizations to partner with educational service districts and school districts. Funding for this program increases science education, including climate science, throughout the state.

Student Achievement Council

Career Connected Learning. We appreciate that you included funding for the job skills program, career connected grant program, high-demand and career launch enrollments, and marketing to help connect students and families to these opportunities. We ask the Senate to match the House funding level of \$2 million for the career connected learning grant program and to fund marketing activities ongoing. These additional, modest investments would help create more career connected learning programming and better communicate these opportunities to students and families.

2021 Supplemental Budget

Furloughs. The supplemental budget includes reductions in agency budgets based on savings that would result from furloughing state employees for eight days in fiscal year 2021. Seven of the furlough days were implemented in 2020, but the last one was cancelled due to increased revenue projections. Please restore funding in agency budgets to reflect the cancellation of the eighth layoff day.

Military Department

Disaster Response. We appreciate the \$2,463,000 provided in the 2021 supplemental budget for the unexpected National Guard mobilization in January. However, with the numerous other disasters that occurred this biennium, that amount falls \$3,763,000 short of the February forecast of funding needed. Full funding at the House level is preferred.

Employment Security Department

Unemployment Insurance Backlog/User Experience. To address the vast increase in unemployment insurance (UI) claims during the COVID-19 pandemic, funding in the amount included in the governor's and House proposals is needed to hire additional staff, including adjudicators and dual language agents, to process claims and reduce claim backlogs. In addition, funding would allow the department to improve usability of the UI program through technology and translation enhancements to reduce claimant errors.

Department of Social and Health Services

Transfer Language. Section 1101(8) prohibits transfers from the Aging and Adult Services program to any other DSHS program. Additionally, neither House nor Senate budgets properly funded the department's administrative costs in the Payments to Other Agencies programs. The department needs to be fully funded for its administrative costs or provided flexibility in its transfer language so that it can close the fiscal year, or ideally both. Tightening the transfer language while also not fully funding program budgets will make DSHS' fiscal year 2021 close very difficult.

University of Washington

UW Hospital/Harborview. The 2021-23 budget provides \$48 million to help offset lost revenue due to the COVID-19 pandemic and help pay the cost of medical training, uncompensated care and other University of Washington Medical Center and Harborview services. These health care facilities serve as a critical safety net by treating medically fragile individuals and a high percentage of Medicaid and Medicare-covered individuals. While it is an improvement, it does not solve the University of Washington Medical Center's challenging financial position in 2021. We ask the Senate to match the \$35 million House funding level in the 2021 supplemental budget to help offset \$54.1 million in lost revenue due to the pandemic.

In addition to these concerns, these new items have come to our attention.

Premium Pay. The American Rescue Plan Act of 2021 enacted in March 2021 allows premium pay from the State Fiscal Recovery funds for eligible workers who perform essential work during the COVID-19 public health emergency. We would encourage the parties to explore possible ways to recognize those frontline workers called upon to respond during the pandemic.

Department of Social and Health Services, System for Integrated Leave, Attendance and Scheduling (SILAS). When the governor was developing his 2021-23 biennial budget, the revenue forecast and federal funding outlook were not clear. As a result, funding was not included for the department's System for Integrated Leave, Attendance and Scheduling. SILAS has been successfully implemented at Western State Hospital and the department is ready to expand it to other 24-hour institutions, namely the Child

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Study and Treatment Center and the Special Commitment Center. We ask that you consider including \$4.4 million (\$3.1 million General Fund-State) to continue the SILAS project as part of the final budget.

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 transportation budget.

cc: Michael Bezanson, Staff Coordinator, Senate Ways & Means Committee
Nona Snell, Assistant Director for Budget, OFM
Jamila Thomas, Chief of Staff, Office of the Governor