



STATE OF WASHINGTON

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February 26, 2018

TO: Honorable David Frockt
Honorable Jim Honeyford
Senate Ways & Means Committee

FROM: David Schumacher
Director

SUBJECT: OFM CONCERNS WITH SENATE SUPPLEMENTAL CAPITAL BUDGET

Thank you for your efforts to develop a supplemental capital budget. Together with your previous enactment of the full capital budget agreement from last session, this supplemental capital budget is a significant accomplishment. In particular, the Governor appreciates that you fully funded school construction, rolled back cuts made to the State Parks budget, and funded two additional wards at Western State Hospital to add vitally-needed bed capacity.

I look forward to continuing discussions with you as you work with your House colleagues to complete a final budget. As negotiations begin in earnest toward a final budget, I am writing to share some observations and concerns with the Senate budget.

Nursing capacity at Fircrest and Rainier. Please consider the inclusion of design funds for skilled nursing facilities at Fircrest and Rainier schools. The need for skilled nursing facilities is urgent, and additional funding will allow these projects to make further progress as the 2019-21 biennial budgets are developed and enacted. OFM is fully prepared to hold design funding in unallotted status until predesign determinations are made for each facility, including analysis of whether the purchase of an existing nursing facility is the best option.

Western State Hospital Systems Improvement Agreement. Please consider full funding of the Systems Improvement Agreement (SIA) for Western State Hospital. This project funds items including safety doors with vision panels, hardened ceilings, and anti-ligature lighting that are important for the safe operation of the hospital and in meeting federal requirements under the SIA.

Escalation for at-risk projects. While we agree with your determination that across-the-board escalation costs are unnecessary, we respectfully request review of the following projects for additional funding needs due to cost escalation related to the delay in enacting the capital budget:

- Department of Social and Health Services (DSHS) – Child Study and Treatment Center: CLIP Capacity
- DSHS – Echo Glen-Housing Unit: Acute Mental Health Unit
- DSHS – Special Commitment Center-King County SCTF: Expansion
- Department of Labor & Industries – Modernize Lab and Training Facility

Honorable David Frockt
Honorable Jim Honeyford
February 26, 2018
Page 2

Tacoma Rhodes debt. Both the enacted capital budget and your proposed budget allow for the sale of the Tacoma Rhodes complex to the City of Tacoma for below fair market value. However, your proposal amends the budget language to no longer require the city to make the Department of Enterprise Services (DES) whole for the cash deficit associated with this property. If this deficit is made permanent, all other DES services will have to bear a share of this deficit, and the federal government will require a Statewide Cost Allocation Plan (SWCAP) payback for federal match funding that was not used according to plan. This penalty is estimated to be around \$1.4 million and would require new funding next biennium.

Thurston County Facilities Account. We appreciate your efforts to move the funding for Office of Financial Management (OFM) staff off of bond funds. Use of the Thurston County Facilities Account, however, is not a suitable long-term solution for staff costs. This account is intended for capital projects in facilities owned and managed by the Department of Enterprise Services (DES) within Thurston County. There is an unmet preservation backlog in these facilities and we do not believe use of this account for staffing will be sustainable.

Engineering and Architectural Services staffing. Thank you for the underlying funding of DES's Engineering and Architectural Services (EAS) staff in the new appropriations budget enacted earlier this year. We are concerned, however, that the current level of funding for EAS is insufficient to deliver the appropriate level of project management oversight to the large number of capital projects that were initiated by the enacted budget and those now proposed in the supplemental. We would appreciate your reconsideration of the funding level, given the increasing size of appropriations and projects.

Capitol Lake. If initial funding for the Capitol Lake Environment Impact Statement (EIS) remains at \$2.5 million (half of the agency request), DES will begin project scoping, alternative development and screening, and possibly constructability and impacts review. Although assessments of water quality, biological resources, geology, and sediments would begin, not all of the technical analyses and discipline reports would be completed. The department would request the remainder of the funding next biennium to complete the EIS. If the state is to move forward on the EIS, it would be preferable to streamline the effort and provide full funding.

Office of Financial Management studies. We would like to have further conversations regarding the objectives and expectations of the proposed OFM Facilities Oversight study of warm closed facilities.

2017-19 Clean Up Toxic Sites - Lilyblad. As communicated in OFM's errata letter for the Governor's budget, we respectfully request the inclusion of funding for the Lilyblad cleanup site for \$382,000 from the State Toxics Control Account. This funding would continue the operation of the site. If the site operation is shut down, the contaminated groundwater from the site will potentially migrate toward the Blair Waterway and could reach Commencement Bay.

Water Availability. I appreciate the bipartisan effort and support to pass Engrossed Substitute Senate Bill 6091 (ESSB 6091) and appropriation for \$20 million in the enacted capital budget. Together, these measures are important in ensuring appropriate development can proceed in rural areas of our state. As you are aware, negotiations on ESSB 6091 were both substantial and difficult. We are opposed to proposals in both the Senate and House supplemental capital budgets that single out particular projects for funding, undermining the Department of Ecology's efforts to prioritize these grants according to the intent established only weeks ago in ESSB 6091.

Honorable David Frockt
Honorable Jim Honeyford
February 26, 2018
Page 3

Improve shellfish growing areas. Please consider making additional investments in the Washington State Conservation Commission (\$2 million) for enhancement of shellfish growing areas through alternative burrowing shrimp control methods and alternative culture methods in Willapa Bay.

CERB-administered broadband infrastructure. The enacted budget requires that only 50 percent of the appropriation be allocated for grants, with 50 percent of funding allocated as loans. We are concerned that this restriction will limit the number of jurisdictions that can be served by this new program. Please consider removing the underlying restriction with regard to loans.

State Parks parkland acquisition. We respectfully request reconsideration of the proviso included in the enacted budget which requires the State Parks and Recreation Commission to grant access to the Iron Horse/John Wayne trail for any person who owns land adjacent to the trail, and applies for access or easement for agricultural purposes. There could be potential damage to the trail from the uncontrolled use of motor vehicles, lack of clear authority to require repair of such damages, potential conflict with recreational use of the trail, and potential liabilities to the state and farmers if people are injured on the trail from activities involved with commercial agricultural use. State Parks currently administers a permitting program for adjacent farmers who want to access the trail.

Thank you for your consideration. OFM continues to work with legislative fiscal staff on technical and other budget issues as identified by state agencies, our staff, and others. Please let me know if we can be of further assistance to you on any of these issues.

cc: David Postman, Chief of Staff, Office of the Governor
Richard Ramsey, Capital Budget Coordinator, Senate Ways & Means Committee
Jim Crawford, Assistant Director, OFM
OFM Capital Budget Analysts