

# Washington State Capital Budget

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## 2019 Briefing Book

Office of Program Research  
December 2018



# 2019 Capital Budget Briefing Book

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# Budget Overview



# Washington State's Three Budgets

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Washington State typically adopts three budgets on a biennial budget cycle. The Legislature authorizes expenditures for operating, capital, and transportation purposes for a two-year period, and authorizes bond sales through passage of a bond bill associated with the capital budget. The capital budget for the 2017-19 biennium covers the period from July 1, 2017 through June 30, 2019. Typically, the primary two-year budget is enacted in the odd-numbered years, and a supplemental budget making adjustments to the two-year budget is often enacted during the even-numbered years.

**Operating Budget** - The House committee primarily responsible for the operating budget is the Appropriations Committee. The operating budget includes appropriations for the general day-to-day operating expenses of state agencies, colleges and universities, and public schools. Employee salaries and benefits, leases, goods and services, apportionment allocations to school districts, and public assistance payments are typical operating expenses.

For the 2017-19 biennium, appropriations in the operating budget total \$89 billion. Approximately half of the total operating budget is supported by the Near General Fund-State plus Opportunity Pathways Account. The revenues in these accounts are primarily from the retail sales and use tax (49.5 percent), the business and occupation tax (18.6 percent), and the state property tax (13.7 percent). Federal and other appropriated funds support the remaining half of the total operating budget.

**Transportation Budget** - The House committee primarily responsible for the transportation budget is the Transportation Committee. The transportation budget includes appropriations for both the operating and the capital costs of highways, ferries, bridges, public airports, rail, as well as motor vehicle registration and enforcement.

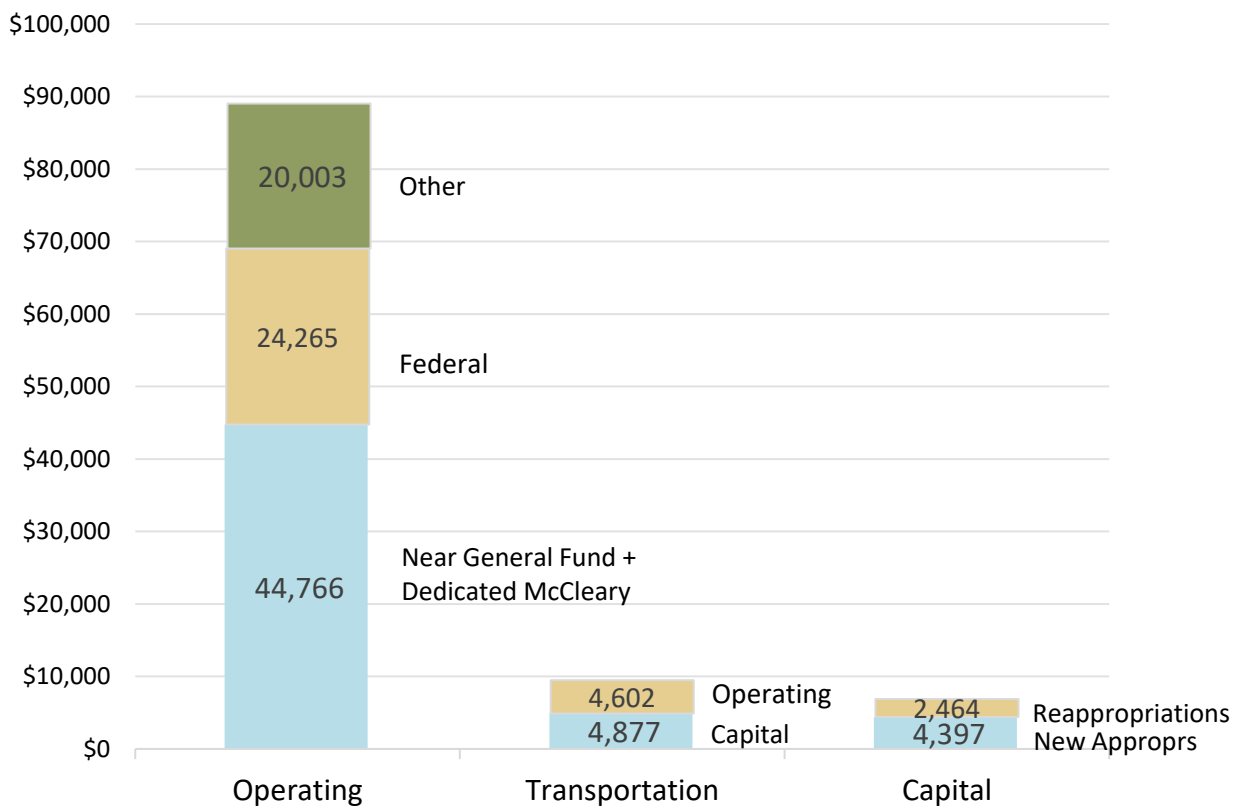
For the 2017-19 biennium, appropriations in the transportation budget total \$9.4 billion, including \$4.9 billion (52 percent) for capital costs and \$4.5 billion (48 percent) for operating costs. The transportation budget fund sources include: the state gas tax, licenses, fees, and other state revenues (74 percent); federal funds (16 percent); bonds (8.8 percent); and local funds (1.2 percent). Transportation-related bonds are financed chiefly through the motor vehicle fuel tax.

**Capital Budget** - The House committee primarily responsible for the capital budget is the Capital Budget Committee. The capital budget includes appropriations for a broad range of construction and repair projects involving: state office buildings; colleges and universities; prisons and juvenile rehabilitation facilities; parks and recreational facilities; K-12 schools;

affordable housing for low-income persons and people with special needs; water quality, water supply, and flood risk reduction infrastructure; and other capital facilities and programs.

During the 2017 session, the legislature did not pass a biennial capital budget authorizing new appropriations. However during the 2018 session, the legislature passed two budgets, a biennial budget and a supplemental budget. For the 2017-19 biennium, new appropriations in the capital budget total \$4.4 billion, including \$2.9 billion from state general obligation bonds and \$1.4 billion from a variety of dedicated fees and taxes, federal funds, timber revenues, and the building fee portion of student tuition payments. Additionally, \$2.5 billion is reappropriated for uncompleted projects approved in prior biennia. There is a total of \$6.86 billion in capital appropriations and reappropriations.

**The Three Washington State Budgets, 2017-19**  
(Dollars in Millions)



Source: Legislative Evaluation and Accountability Program Committee, October 2018. Data is 2017-19 biennium after 2018 Supplemental Budgets



## Budget Process

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Agency budget requests generally are prepared during the summer and submitted to the Governor's Office of Financial Management (OFM). The OFM evaluates these budget requests during the fall and makes recommendations to the Governor. The Governor publishes his or her budgets in December, and submits them to the Legislature in January as executive request bills. The Legislature then holds hearings, drafts its own budget proposals in bill form, passes the budgets, and sends them to the Governor for action.

## Major Applicable State Constitutional Provisions

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### **The State Constitution**

The Washington State Constitution contains many restrictions on legislation and the process of legislating. Some of these restrictions are mainly procedural—in other words, they affect *how* the Legislature enacts the laws rather than *what* types of laws the Legislature may enact. For the Capital Budget Committee, these procedural requirements generally affect what may be included in the capital budget bill and what types of conditions may be placed on appropriations for capital projects.

Other constitutional restrictions are substantive—they prohibit the Legislature from enacting certain types of legislation. The substantive restrictions most frequently discussed in the context of the capital budget are the debt limit and the prohibition on lending of credit.

### **The Title/Subject Rule (Procedural)**

Article II, section 19 requires that a bill contain only one subject and that this subject be expressed in the bill's title. The first part of the test requires a rational unity among the subparts of a bill; the second part requires that the bill's subject matter be expressed in its title. The purposes of the title/subject rule are preventing "logrolling" and informing legislators and the public of the subject matter of pending legislation. Because budget bills have broad titles and subjects, courts traditionally have given the Legislature a significant amount of latitude in this area, generally allowing any subject reasonably germane to the appropriations to be included in the bill. The courts have ruled, however, that this constitutional provision also prevents the Legislature from making "substantive law" in budget bills. The courts typically consider three criteria when determining whether a budget provision is substantive law: (1) whether it affects rights or liabilities; (2) whether it has been included in other legislation; and (3) whether it appears to outlast the biennium covered by the budget.

### **Appropriation Requirement (Procedural)**

Article VIII, section 4 establishes the Legislature’s authority over the budget process. This section has three main provisions: (1) Before state agencies may spend money from accounts in the state treasury, they must receive an appropriation in law. In other words, appropriations must be made in bills that pass both houses and are approved by the Governor. (2) Appropriations are temporary in nature. They may be made only for the two-year budget cycle and they expire at the end of that cycle. (3) All appropriations must specify an amount, an account, a purpose, and a fiscal period.

Because the process of planning and building a capital project may take place over more than one biennium, the capital budget bill typically contains re-appropriations. Re-appropriations are re-authorizations to incur expenditures that were initially authorized in a prior biennium’s capital budget bill.

In some cases, agencies may make expenditures of non-tax revenues without an appropriation. First, some accounts are non-appropriated and in the custody of the State Treasurer rather than the State Treasury. Revenues to these accounts typically consist of fees paid by users or license holders, or revolving charges paid by other agencies. These accounts do not require a legislative appropriation if the Legislature establishes the account in that manner. Second, a statutory “unanticipated receipts” process permits expenditure of some non-state moneys without an appropriation if the moneys were not anticipated in the budget and the legislators are notified and given an opportunity to comment.

### **Governor's Item Veto Powers (Procedural)**

Article III, section 12 establishes the Governor’s veto power. Generally, for policy bills, the Governor may veto only entire sections of the bill—the Governor may not veto words, sentences, or subsections. In budget bills, however, the Governor may veto appropriation “items.” Items include dollar appropriations and provisos that condition or limit appropriations. In general, the Governor may not veto less than an entire proviso or subsection. If the Governor vetoes a proviso that directs funds within a lump sum appropriation, the veto results in a reduction of the overall appropriations.

Court decisions about the item veto power are based on the operating budget, which is generally structured in a lump sum appropriation format. In contrast, the capital budget is generally structured as item appropriations for particular projects. It is unclear whether legal principles based on operating budget item vetoes would apply to the same extent in the capital budget.

### **Prohibition on Lending of Credit/Gifts of Public Funds (Substantive)**

Article VIII, sections 5 and 7, along with Article XII, section 9, are often collectively referred to as the prohibition on “lending of credit.” These restrictions generally prohibit the state and local governments from: (1) making gifts of public funds to private individuals or corporations; (2) investing in private corporations (subject to specified exceptions); or (3) otherwise lending public credit to private individuals or corporations. The lending of credit prohibitions apply equally to for-profit and nonprofit corporations. In addition, Article VII, section 1 requires that tax revenues be spent only for public purposes. These restrictions arose from statehood-era concerns about public subsidies and loans to speculative private ventures—risks that placed public funds in jeopardy and left taxpayers holding worthless stock or liable for inadequately secured debts.

Court decisions interpreting these provisions have established several criteria to determine whether state actions are lawful under the prohibition on lending of credit. First, governments may provide assistance to the poor or infirm, or to entities whose purposes are wholly public, such as local governments. Second, governments may use public moneys for fundamental purposes of government, even if these actions result in private benefit. Third, if public moneys are otherwise provided to a private individual or corporation, the expenditure may not be a gift or guarantee, and it must have adequate consideration—that is, legally sufficient compensation to the public in exchange for the benefit received. In addition, courts ask whether the private benefit is incidental to the larger public benefit, and whether public moneys have otherwise been placed at risk.

Legislative acts, including appropriations in budget bills, are presumed to be constitutional by the courts. Expenditures are more likely to withstand a lending of credit challenge if they have a clear public purpose, address specific needs, use a reasonable fiscal and policy approach, and contain safeguards to ensure the public purpose is accomplished and public assets and expenditures are protected.

### **Special Legislation (Substantive)**

Article I, section 12 and Article II, section 28 prohibit the Legislature from enacting “special laws”—that is, laws operating on only one individual, private corporation, or municipal corporation. To avoid violating these restrictions, a law must operate on categories or classes rather than specific individuals or entities. A class may consist of one person or corporation, so long as the law applies equally to all members of that class and the law’s exclusions are rationally related to the purpose of the statute.

### **Debt Limit (Substantive)**

Article VIII, section 1 establishes a state debt limit. The State Treasurer may not issue any bonds that would cause the debt service (principal and interest payments) on any new and existing bonds to exceed this limit.

The state debt limit is defined as a percentage of the general state revenues (GSR). The GSR consists of all unrestricted state revenues and is generally coextensive with the State General Fund. Under a constitutional amendment approved by the voters in 2012, the state debt limit has been reduced and is currently 8.25 percent of the average of the prior six year's GSR. Beginning July 1, 2034, the limit is reduced to 8 percent. Also as a result of the constitutional amendment, the definition of GSR now includes state property taxes that are deposited in the State General Fund.

Debt is subject to this limit if it is either backed by the full faith and credit of the state or is payable from GSR. A three-fifths vote of each house is required to authorize debt that is subject to the limit or is payable from tax revenues. Article VIII, section 1 specifies exceptions to this debt limit, including bonds backed by specified highway and school revenues. Under a court decision, alternative financing arrangements such as Certificates of Participation generally do not constitute "debt" subject to the limit.

# Capital Budget Basics



# Capital Budget Projects, Phases, and Standards

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## Capital Budget Projects

The capital budget appropriates money for the construction and repair of the following:

- public school buildings;
- college and university buildings;
- prison facilities and juvenile rehabilitation facilities;
- mental health institutions;
- state office buildings;
- parks and recreation facilities;
- low-income housing;
- state and local museums and cultural facilities;
- local government infrastructure improvements, including water and sewer systems;
- toxic waste sites; and
- habitat conservation and restoration projects.

The capital budget also appropriates money for state land acquisition, water supply enhancement, storm water improvement, and floodplain management and control projects, as well as for many other purposes.

Typically, capital projects funded by the capital budget have a useful life of more than 13 years and require the involvement of an architect and/or engineer. Such projects may include:

- acquisition of land and buildings;
- construction of new buildings;
- major repairs, reconstruction, and additions to an existing building;
- utility, landscaping, and infrastructure work;
- equipment that is necessary for the operation of a particular facility if the equipment is part of a construction or reconstruction project. Does not include: commodities, replacement parts, cars and trucks, or maintenance supplies;
- architectural planning and design, and engineering studies for a specific capital project; and
- administrative costs directly related to the capital project.

Gray areas between the capital and the operating budgets include the costs of:

- building repairs and building maintenance;
- long-range development plans and feasibility studies;
- project administration;
- equipment purchases for new facilities; and
- employees.

The degree of gray sometimes depends on the fund source. The Office of Financial Management (OFM) and the Legislature are traditionally stricter with the use of state bonds than with other funding sources.

### **Phases of a Capital Project**

<b>Phases of a Capital Project</b>	<b>Who Performs the Work</b>
Land Acquisition	Department of Enterprise Services, agency staff, or consultants for large projects.
Predesign	Agency staff or consultants, with active participation of agency staff for large projects.
Design and Engineering	Private architectural and engineering firms (agency staff may work on small projects).
Construction	Private contractors (small projects under \$25,000 may be completed by agency staff).

A capital project sometimes takes six or more years to complete; typically, a predesign is completed in one biennium, the design is approved in the next biennium, and construction is initiated in the third biennium.

**Predesign** - A predesign is a decision-making tool that is required by statute for all capital projects that exceed \$5 million, except for higher education capital projects. Those projects require a predesign for projects that exceed \$10 million. The Legislature and OFM may also require a predesign for certain stand-alone projects between \$1 million and \$5 million, or between \$2 million and \$10 million in the case of the higher education institutions. The purpose of the predesign is to clearly identify the facility need or problem to be addressed, and provide a thoughtful analysis of the options to meet the need or solve the problem. This will assist decision makers in determining whether the project should proceed to design and construction. The predesign process includes data collection, analysis, program development, budget development, and evaluation through which all the elements of a preliminary design or planning solution are explored. A predesign also provides cost estimates, and helps ensure that the completed project follows legislative intent. The predesign often is prepared by architectural consultants and usually includes a detailed space plan.



**Design and Engineering** - The design and engineering phase takes place after the predesign is approved. The design is completed by a consulting firm specializing in the type of project proposed for construction. For example, the Department of Corrections may contract with a consultant with experience designing a prison complex. The design phase provides the drawings and specifications to construct the building, and a final cost estimate. Design typically takes 6-12 months depending on the complexity of the project.

**Construction** - After the design is completed and the construction phase of the project is authorized, the project is advertised for bidding. Private contractors will bid on the project, and for projects other than alternative public works projects, the lowest responsive bidder is awarded the contract. The construction contract is between the state agency and the contractor. The agency must have the contract amount and a contingency in their appropriation to award the contract. Construction of a building can take 12-24 months depending on the size of the project. An office building may take approximately 12 months for construction, whereas a prison complex may take 24 months.

### **Minor Works Appropriations**

Minor works appropriations are lump sum appropriations to cover similar small projects costing less than \$1 million (or under \$2 million for higher education institutions). Minor works appropriations fall into four categories: (1) health, safety, and code requirements; (2) facility preservation; (3) infrastructure preservation; and (4) program improvement. These projects are intended to improve existing facilities or related infrastructure. The agency must file minor works lists with OFM and cannot expend or obligate funds until OFM has approved the lists. Minor works appropriations are not to be used for studies unless specifically authorized in the capital budget.

### **LEED Certification**

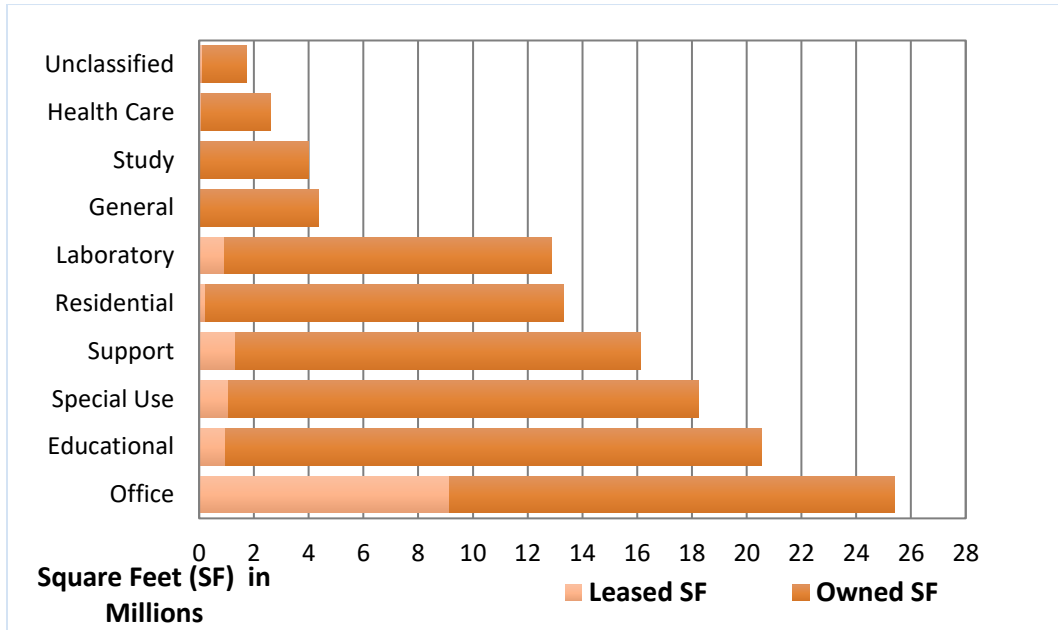
Pursuant to Chapter 39.35D RCW, all major facility projects funded in the capital budget, or projects financed through a financing contract are required by statute to be designed, constructed, and certified to at least the Leadership in Energy and Environmental Design (LEED) silver standard, to the extent appropriate LEED silver standards exist for a project type. This requirement applies to any public agency, including public school districts, although school districts may alternatively use the Washington Sustainable School Design Protocol. Affordable housing projects funded in the capital budget must comply with the Evergreen Sustainable Standard adopted by the Department of Commerce.

# State-Owned and Leased Facilities

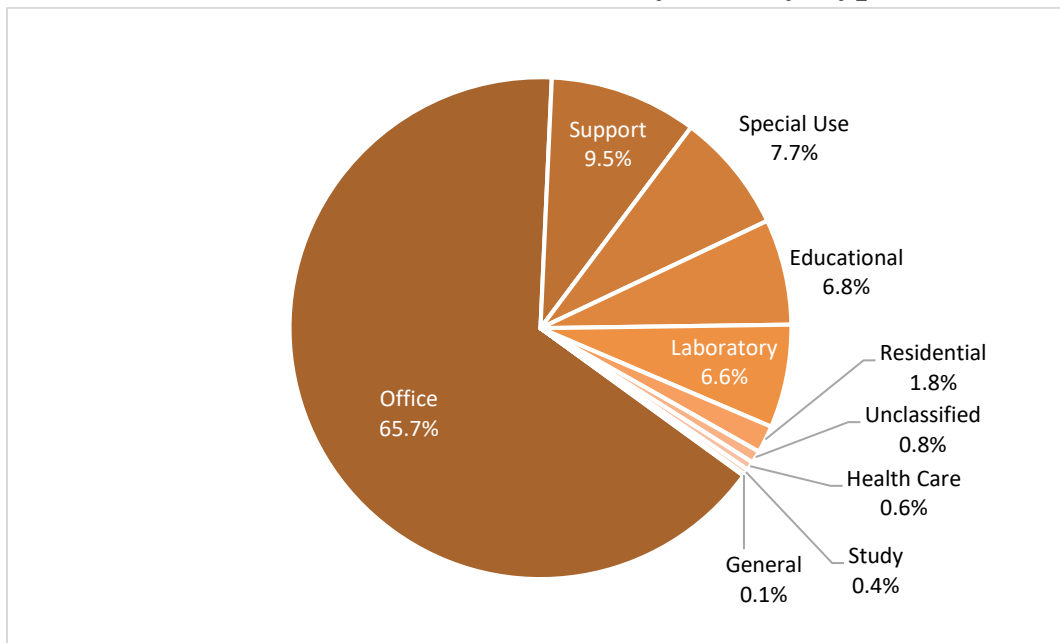
## Inventory of State-Owned and Leased Facilities

State agencies utilize approximately 119.2 million gross square feet of facility space. About 88.3 percent of this space is owned by the state, while 11.7 percent is leased from the public and private sectors.

### Owned and Leased Facilities by Facility Type



### Percent of Leased Facilities by Facility Type



Source: Office of Financial Management, 2018 Facilities Inventory System Report

## **State Agency Facility Oversight**

In 2007, Substitute House Bill 2366 established the Office of Financial Management (OFM) Facilities Oversight Program. It oversees real estate procurement and management by providing analysis, long-term planning, policy development, and state facility portfolio management.

Facility Oversight responsibilities include:

- develop and submit a six-year facilities plan to the Legislature and Governor in January of each odd-numbered year with the assistance of the Department of Enterprise Services (DES);
- establish and implement a modified predesign process and tools for request to acquire new space or to relocate state facilities;
- gather and report the state's facilities inventory;
- establish, deploy and maintain the state's life cycle cost model for assessing buildings;
- conduct analysis and make recommendations to OFM director on lease approvals; and
- consult with DES on purchases, leases, lease purchases, rent, or other acquisitions of real estate.

## **State-Owned Facilities**

The costs associated with state-owned facilities in the capital budget include acquisition, construction, rehabilitation, and major repairs. Normal maintenance costs are funded in the operating budget.

## **Leased Facilities**

State agencies may lease space in a publicly-owned or a privately-owned facility. The costs associated with leasing (rent, repairs, and other operating expenses) are included in the operating budget.

# **The Capital Budget Bill and the Bond Bill**

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## **The Capital Budget Bill**

As explained in the Budget Overview section, the Washington State Constitution requires an appropriation in legislation before money from funds and accounts in the State Treasury may be expended. For this reason, capital expenditures must be authorized in bill form:

Major elements of appropriations in the capital budget bill include:

- the agency to which the appropriation is made;
- the purpose of the appropriation;
- the fund source and amount of the appropriation;
- the time period of the appropriation;

- conditions or limitations on the appropriation; and
- reappropriations, if any.

In addition to appropriations for capital projects, the capital budget bill may also contain authorizations for alternative financing arrangements, as well as other provisions closely related to capital appropriations and projects, such as studies and reports.

**Sample Capital Budget Appropriation/Reappropriation Section**

**NEW SECTION. Sec. 5180. FOR THE COMMUNITY AND TECHNICAL COLLEGE SYSTEM**

Green River Community College - Trades and Industry Building  
(20081222)

Reappropriation:

State Building Construction Account--State ..... \$11,000

Appropriation:

State Building Construction Account--State ..... \$2,625,000

Prior Biennia (Expenditures) ..... \$127,000

Future Biennia (Projected Costs) ..... \$28,737,000

TOTAL ..... \$31,500,000

**Size of the Capital Budget**

The size of the capital budget is determined by the available bond capacity and by moneys available from dedicated accounts, trust revenues, and other funding sources.

**Bond Debt Limit** - As explained in Budget Overview Section, the amount of state bonds that can be issued in any year is limited by a constitutional debt limit. As a result of a constitutional amendment approved by voters in 2012, the debt limit is currently 8.25 percent of the average of the prior six years’ general state revenues, defined as all unrestricted state tax revenues. The limit was reduced from 8.5 percent to 8.25 percent beginning on July 1, 2016 and will be reduced to 8.0 percent beginning July 1, 2034. As an additional result of the 2012 constitutional amendment, the definition of “general state revenue” was expanded to include property taxes deposited into the State General Fund.

**Bond Debt Model** - A model administered by the State Treasurer's Office is used to calculate the available bond capacity for the current budgeting period and for future biennial planning purposes. The model calculates the actual debt service on outstanding bonds and estimates future debt service based on certain assumptions. These assumptions include revenue growth, interest rates, rate of repayment, rate of bond issuance, and other factors.

The two primary considerations regarding bond capacity for any given year or biennium are: (1) maintaining the debt service, including the new bonds, below the debt limit in the future; and (2) maintaining a consistent bond capacity over time so that all the capacity is not used in one biennium, resulting in little capacity being available in following biennia. Typically, the Legislature and the Governor, in consultation with the State Treasurer, agree on the assumptions and bond capacity for the biennium so that decision makers can focus on policy and projects and not on bond capacity. Regardless of legislative authorization, the State Treasurer cannot issue bonds that would result in debt service exceeding the debt limit.

### **The Bond Bill**

The majority of appropriations in the capital budget bill are supported by the proceeds from the sale of state bonds. For this reason, the capital budget has a limited effect if there is no bond bill to finance its appropriations. The bond bill authorizes the State Finance Committee to issue general obligation bonds to finance many of the projects authorized in the state capital budget. Under the Washington State Constitution, legislation authorizing the issuance of most bonds requires a 60 percent majority vote in both houses of the Legislature.

Major elements of the bond bill include the:

- purpose of bonds;
- authorization for the State Finance Committee to issue bonds;
- amount of bonds to be issued;
- the requirement for legislative appropriation of bond proceeds; and
- identification of security for payment of bonds:
  - pledges full faith and credit of the state to pay the obligation (for general obligation bonds);
  - identifies sources of payment;
  - creates a special fund for payment of bonds; and
  - directs the State Treasurer to make payment into the special fund on specific dates.

## **The Role of the State Finance Committee**

The State Finance Committee is composed of the Governor, Lieutenant Governor, and the State Treasurer. The committee's responsibilities include the following:

1. offers state bonds for sale in the bond market;
2. prepares "Official Statement" for each bond sale;
3. applies for bond rating from bond rating agencies;
4. performs reporting requirements to federal regulatory agencies; and
5. makes principal and interest payments to bondholders.

State bonds are normally sold two or four times each year depending on the cash flow needs of construction projects.

## **Washington's Bond Rating**

Fitch Ratings, Moody's, and Standard & Poor's are the three rating agencies that evaluate the state's general obligation bonds. In addition to rating government bonds, these agencies provide a range of analytical services to financial markets throughout the world. These services include rating securities issued by a variety of corporate, municipal, and sovereign entities, providing financial research and risk analysis, and publishing reports on a variety of other financial topics.

The three rating agencies rate Washington's bonds using each firm's standardized state rating methodology, or criteria, which they use for all states. Factors considered by the rating agencies include criteria such as the economy, governance, finances, and debt. The rating is intended to be an indication, but is not necessarily definitive, of the rating analyst's view of the repayment risk and the delinquency risk for the security. While not the only consideration, the ratings assigned to a security will have an impact on the interest rate that the issuer will receive when selling the bonds. Typically, the better the bond rating, the better (lower) the interest rate.

It is important to remember that several factors influence the interest rate Washington must pay on the bonds it issues; while the bond rating is one factor, other factors also may impact the rate significantly in a particular sale (such as the economic outlook). A major downgrade in bond rating by one or more of these rating companies could cause investors to demand a higher interest rate on the bonds than they otherwise would.

Each of the rating agencies use a similar alphabetical rating system, with AAA or Aaa being best, then AA or Aa, followed by A, BBB or Baa, BB or Ba, and so on. Each rating agency has a further modifier for all but the top rating (AAA). The agencies also assign outlooks (positive, stable, or negative), which are indications of the direction that they expect the rating to go in the near term. The ratings for Washington's general obligation bonds are as follows:

Moody's	Standard & Poor's	Fitch
Aa1 (2nd highest rating)	AA+ (2nd highest rating)	AA+ (2nd highest rating)

Source: Office of the State Treasurer. Ratings as of August 2018.

The rating agencies generally indicate the reasons for Washington’s strong bond ratings include its robust financial and debt policies, institutionalized conservative budget controls, frequent review of economic and financial forecasts, and strong economic growth trends.

The primary reasons given by the rating companies for the ratings not being higher are economic concerns relating to concentration of employment in the cyclical commercial aerospace and software sectors, concentrated revenue, a degree of fiscal uncertainty associated with voter initiatives, and above average state debt levels.

The rating agencies describe factors that could lead to an upgrade such as industry diversification and reduction of the state’s debt ratios to levels closer to the 50-state medians. The factors rating agencies describe that could lead to a downgrade include economic or employment weakening, protracted structural budget imbalance, and a deterioration of the state's cash position.

At AA+/AA1/AA+, Washington State’s general obligation bonds are currently assigned the second highest rating offered by each of the three rating agencies.

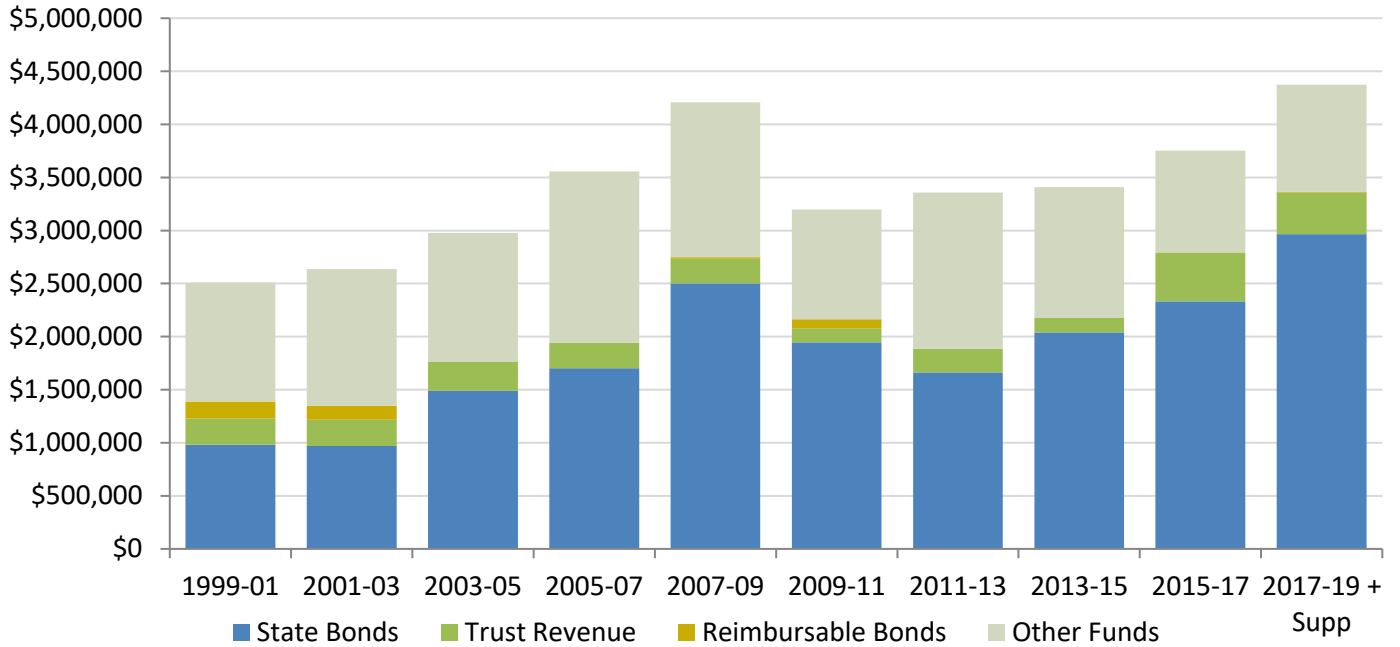




# Capital Budget Funding Sources



## History of Capital Budget by Fund Source (Dollars in Thousands) Capital Budget Fund Source History



	1999-01	2001-03	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	982,194	970,166	1,491,735	1,702,649	2,501,629	1,947,588	1,663,189	2,040,062	2,332,552	2,966,500
Trust Revenue	246,827	247,605	275,139	240,234	231,628	132,644	221,605	134,368	459,527	391,364
Reimbursable Bonds	161,102	131,806	0	0	14,966	84,635	0	0	657	4,559
Other Funds	1,117,492	1,288,090	1,210,111	1,613,483	1,458,365	1,033,316	1,472,440	1,234,992	961,064	1,011,163
<b>Total</b>	<b>2,507,614</b>	<b>2,637,667</b>	<b>2,976,985</b>	<b>3,556,366</b>	<b>4,206,588</b>	<b>3,198,183</b>	<b>3,357,234</b>	<b>3,409,422</b>	<b>3,753,800</b>	<b>4,373,586</b>

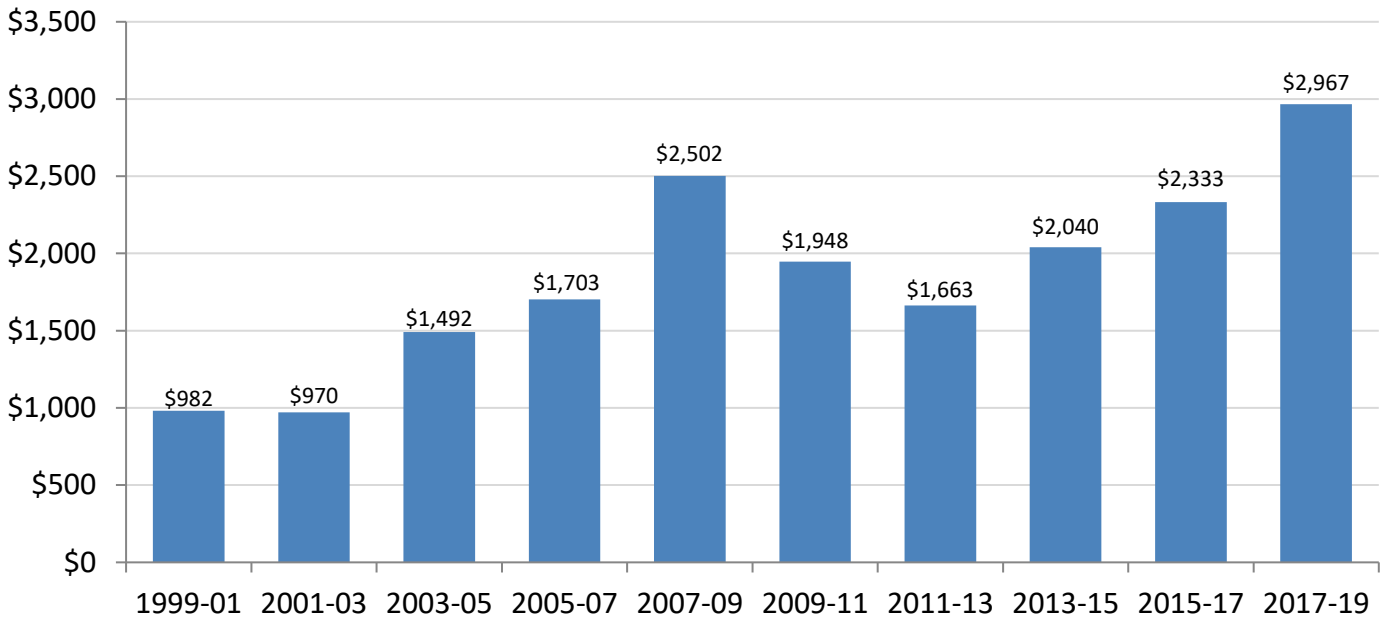
Source: Legislative Evaluation and Accountability Program Committee and Office of Program Research, October 2018

# General Obligation Bonds

Bonds are “general obligations of the state” when the full faith, credit, and taxing power of the state is pledged *irrevocably* to the payment of debt service on the bonds. The ability of the state to make this pledge is provided in the Washington State Constitution. These general obligation bonds have the strongest security pledge the state can make and they carry the highest credit ratings of all the state’s obligations. Accordingly, borrowing costs on general obligation bonds are lower than costs for other types of state obligations.

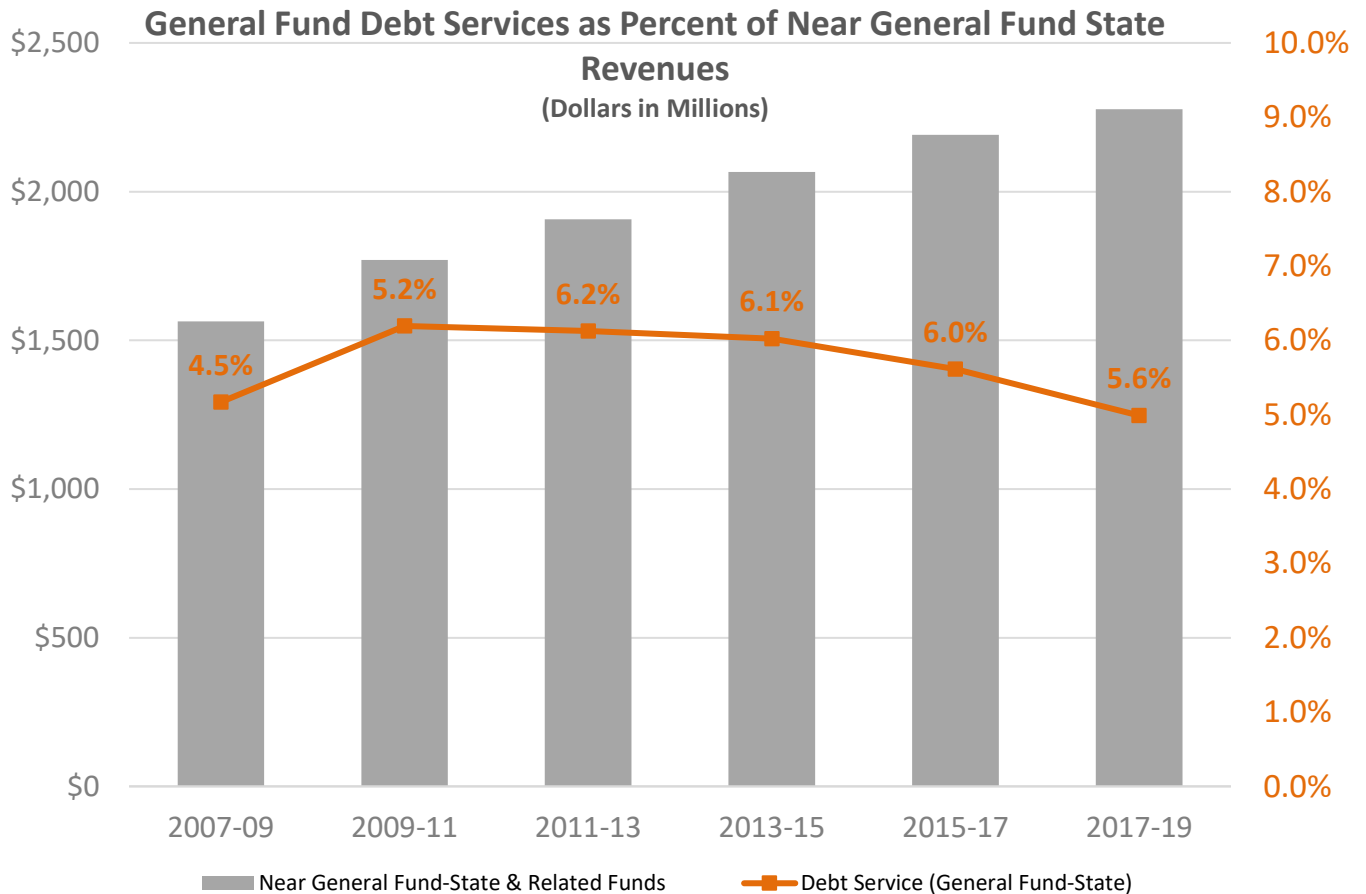
## State Bonds Subject to the Debt Limit Historical Capital Budget Appropriations

(Dollars in Millions)



Source: Legislative Evaluation and Accountability Program Committee, October 2018

Funding to pay for principal and interest on those bonds is appropriated from the State General Fund in the operating budget. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments from the State General Fund and deposits them into bond retirement funds. General Fund-State debt service payments in the 2017-19 biennium are approximately \$2.3 billion.



\*Revenues include General Fund–State revenues plus revenues deposited to the Education Legacy Trust and Opportunity Pathways accounts which are used for education purposes. Historical data and forecasts are reported on a cash basis by the Economic and Revenue Forecast Council.

\*\*2017-19 amounts are estimates.

## Trust Revenues

Upon statehood, the federal government granted certain lands to the state to be held in trust for several specified purposes. Beneficiaries of these trust lands include the K-12 common schools, public higher education institutions, the capitol buildings and grounds, and charitable, educational, penal and reform institutions. These lands are overseen by the Board of Natural Resources and administered by the Department of Natural Resources (DNR).

The DNR manages about 2.9 million acres for state trust beneficiaries and approximately 618,000 acres of state forest lands, beneficiaries of which include counties and junior taxing districts. State trust lands provide timber, mineral, and lease revenue that is appropriated in the capital budget.

## Trust Land Endowment (By Trust)

Trust	2017 Acreage
Common School	1,796,611
Washington State University (Agriculture and Scientific Trusts)	155,345
Normal School (Central WA University, Western WA University, The Evergreen State College, Eastern WA University)	66,786
University of Washington	89,051
Charitable, Educational, Penal and Reformatory Institutions	69,509
State Capitol Building	109,491
Community & Technical Colleges (since 1990)	3,539
State Forest Lands (formerly called Forest Board Lands)	617,286
King County Water Pollution Control Division	5,957
Community Forest Trust	52,221
<b>TOTAL</b>	<b>2,965,796</b>

Source: Department of Natural Resources, October 2018.

The DNR manages another 2.9 million acres under beds of navigable waters, tidelands, shorelands, and harbor areas that generate revenue for the Aquatic Lands Enhancement Account, the Resource Management Cost Account, and the Aquatic Lands Dredged Material Disposal Site account. The DNR also manages non-trust lands of more than 37 thousand acres of Natural Area Preserved lands and more than 121 thousand acres of Natural Resources Conservation Area lands.

## Federal and Other Funds

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Funds received from the federal government as well as funds generated from a variety of state fees, taxes, and legal settlements are appropriated from dedicated state accounts in the capital budget.

Examples of dedicated state accounts include:

- Public Works Assistance Account;
- Thurston County Facilities Account;
- State Toxics Control Account and Local Toxics Control Account;
- Environmental Legacy Stewardship Account;
- Cleanup Settlement Account;
- Wildlife Account;
- Non-Highway and Off-Road Vehicle Activities Account;
- Waste Tire Removal Account;
- Aquatic Lands Enhancement Account; and
- Building fee portion of student tuition payments.

## Alternative Financing Contracts

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Alternative financing generally refers to lease/purchase agreements, financed through Certificates of Participation (COPs) and 63-20 financings.

Lease/purchase is a tool used by the state for financing real estate projects, including new construction, facility improvements, and the acquisition of land or buildings, or financing personal property such as vehicles, computer hardware and office equipment. The Office of the State Treasurer manages one distinct lease/purchase program for real estate projects, and another lease/purchase program for equipment purchases.

Certificates of Participation are securities sold to investors, similarly to bonds, to facilitate lease/purchase agreements. In this type of financing, the state leases property to a designated entity (without transferring ownership), and then makes periodic payments to lease the property back over the life of the financing. A third party trustee (usually a bank) administers payments between the agency and COP holders. The term of each individual lease is set in relation to the useful life of the asset being financed. The individual leases are pooled with other leases and packaged together to take to market in the form of a larger COP transaction. Certificates of Participation are generally issued with a final maturity of up to 25-years for real estate projects and 3 to 10-years for equipment purchases.

Another financing mechanism is known as 63-20 financing (based on IRS Revenue Ruling 63-20). Under 63-20 financing, a single-purpose nonprofit corporation issues tax exempt bonds on behalf of the state and uses the proceeds to fund the design and construction of a facility. Once the project has been completed, the state leases the facility from the nonprofit and the lease payments are pledged to the repayment of the bonds. The state does not take title to the property until the bonds have been repaid. Borrowing costs and legal fees on these financings are higher than those on similarly structured COPs. Additionally, the long term maintenance costs and management expenses are contractually established for the life of the contract, with the state obligated to pay such expenses when due.

Prior to 1989, state agencies purchased equipment and real estate independently through the use of bank loans, vendor contracts, and other financing sources. This activity was fragmented and financial reporting and accountability did not exist. There was no legislative oversight of these financings. Additionally, leases had been executed at more expensive taxable interest rates.

In 1989, the Legislature enacted Chapter 39.94 RCW, which provides specific authority for state agencies to enter into financing contracts for the acquisition of real and personal property. As detailed in Chapter 39.94 RCW, the state may not enter into any financing contract for real property without prior approval of the Legislature. Typically, financing equipment does not require Legislative approval. However, the Office of the State Treasurer which administers the issuance of financing contracts on

behalf of the State Finance Committee (SFC) does require prior legislative approval for major equipment acquisitions. These financing contracts have the following controls:

- All real estate (land and buildings) acquired by agencies through alternative financing (lease/purchase contracts, COPs, and 63-20 financings) must be authorized by the Legislature.
- The SFC must approve all financing contracts, including the dollar amount and form of the contracts.
  - State university facilities such as dormitories and dining halls operated from non-appropriated funding sources do not require legislative approval, but must be reported to SFC.
- The SFC can consolidate existing and new financing contracts into a master contract.
- In some instances, large scale information technology projects may qualify for COP financing. These projects require legislative authorization and must adhere to the SFC guidelines for financing contracts.

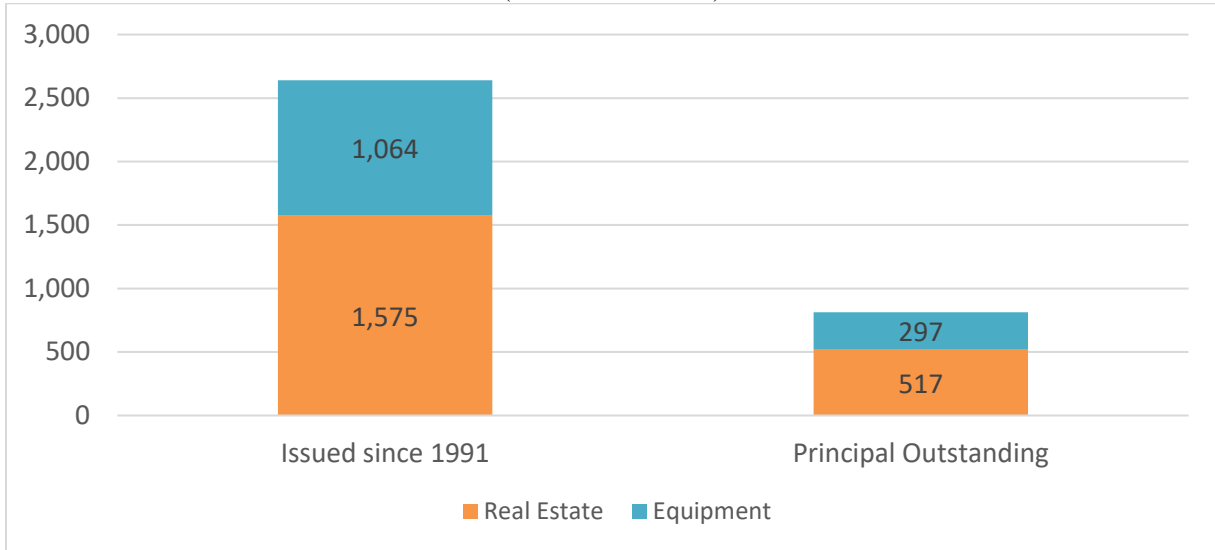
There are four important distinctions between alternative financing contracts and bond-funded projects appropriated in the capital budget:

- Payments for debt service on alternative financing contracts come from agency operating budgets. Bond debt service payments are appropriated in the operating budget as a whole.
- The contracts are not a general obligation of the state. Rather, payments are subject to the availability of funds within an agency's operating budget during any given time period.
- Because the full faith and credit of the state is not pledged toward lease/purchase payments, interest rates are generally higher than for general obligation bonds.
- Debt on lease/purchase contracts does not fall under the state's debt limit.



## Summary of Real Estate Certificates of Participation

(Dollars in Millions)



Source: Office of the State Treasurer, October 2018



# Functional Areas of State Government



# The Functional Areas of State Government

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State agencies have traditionally been categorized into functional areas for budgeting purposes. While appropriations are made to specific agencies rather than to functional areas, functional areas provide a useful tool for understanding the allocation of state resources and analyzing trends.

Functional areas in the capital budget include governmental operations, human services, natural resources, higher education, and education.

## **Governmental Operations**

Governmental Operations includes general government agencies, agencies headed by elected officials, and agencies providing central services for the state. Governmental Operations agencies develop and manage a wide assortment of construction and repair projects ranging from state offices to arts and cultural facilities to local infrastructure. The agencies included in this functional area are:

- Department of Commerce;
- Office of Financial Management;
- Department of Enterprise Services;
- Department of Labor and Industries;
- Washington State Patrol;
- Military Department;
- Department of Archaeology & Historic Preservation; and
- Secretary of State.

The largest agency in this functional area is the Department of Commerce, which administers a number of competitive loan and grant programs related to local government infrastructure, economic development, community capital facilities, and affordable housing.

## **Human Services**

Human Services includes those agencies charged with serving the health and safety needs of the state's population. Most capital projects related to Human Services involve construction and repair of state institutions such as mental health facilities, prisons, juvenile rehabilitation facilities, and veterans' homes. The agencies included in this functional area are:

- Washington State Criminal Justice Training Commission;
- Department of Social and Health Services;
- Department of Children, Youth, and Families;
- Department of Health;
- Department of Veterans Affairs;
- Department of Corrections; and
- Department of Employment Security.

## **Natural Resources**

Natural Resources includes those agencies responsible for protecting and enhancing environmental quality or resources, providing outdoor recreational opportunities, and managing state lands and waters for resource production. Examples of activities funded in the capital budget include forest roads repair, flood hazard risk reduction, recreational trail construction, water supply projects, and salmon recovery efforts. The agencies included in this functional area are:

- Department of Ecology;
- State Parks and Recreation Commission;
- Recreation and Conservation Office;
- State Conservation Commission;
- Department of Fish and Wildlife;
- Department of Natural Resources;
- Department of Agriculture; and
- Puget Sound Partnership.

## **Higher Education**

Higher Education encompasses the main and branch campuses of the state's six four-year universities and the numerous facilities utilized by the 34 community and technical colleges. The agencies included in this functional area are:

- University of Washington;
- Washington State University;
- Eastern Washington University;
- Central Washington University;
- The Evergreen State College;
- Western Washington University; and
- State Board for Community & Technical Colleges.

## **Education**

Education includes state support for the construction of K-12 public schools by local school districts, as well as funding to support the facilities used by the state schools for children who are deaf or blind. Funding is also provided for the museums operated by the state historical societies. The biennial appropriation for school construction assistance grants to local school districts is generally the single largest appropriation in the capital budget. The agencies included in this functional area are:

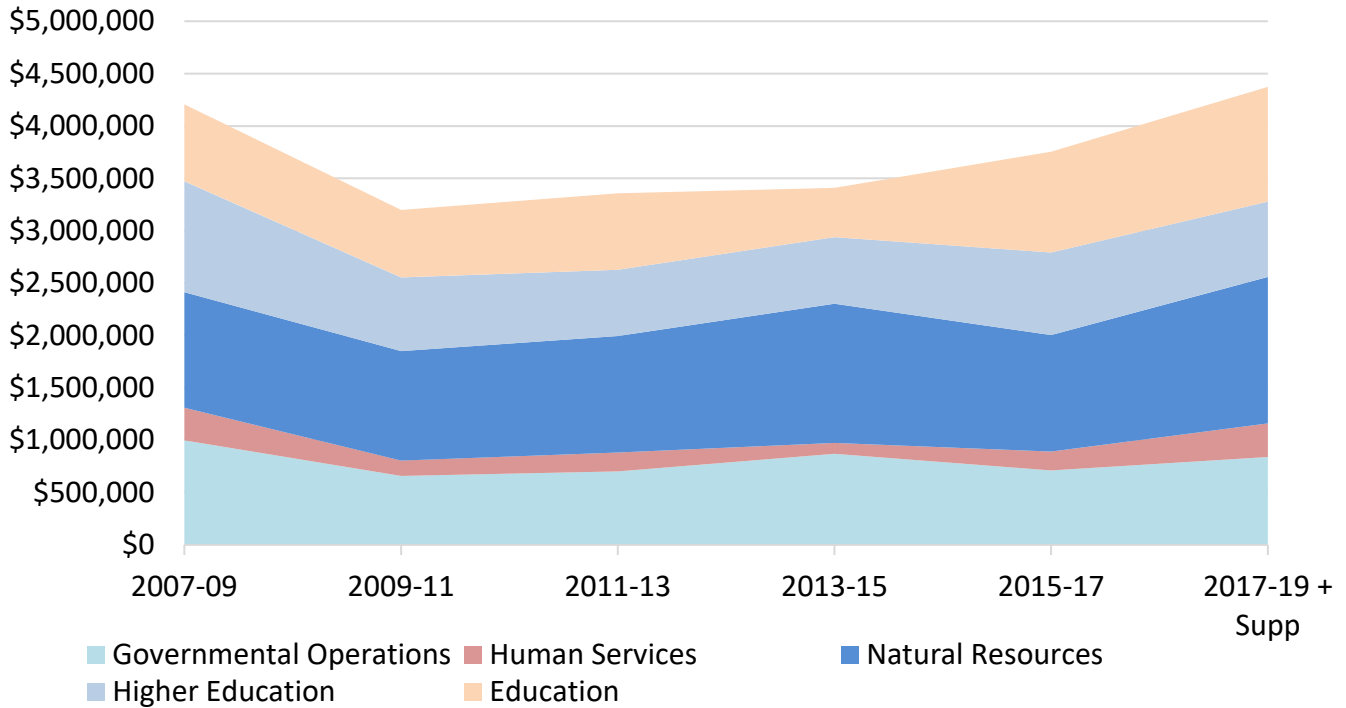
- Office of the Superintendent of Public Instruction;
- State School for the Blind;
- Center for Childhood Deafness and Hearing Loss;
- Washington State Historical Society; and
- Eastern Washington State Historical Society.

The following chart displays a six biennium history of the capital budget by functional area:

### Capital Budget Functional Area History

#### Total Appropriations

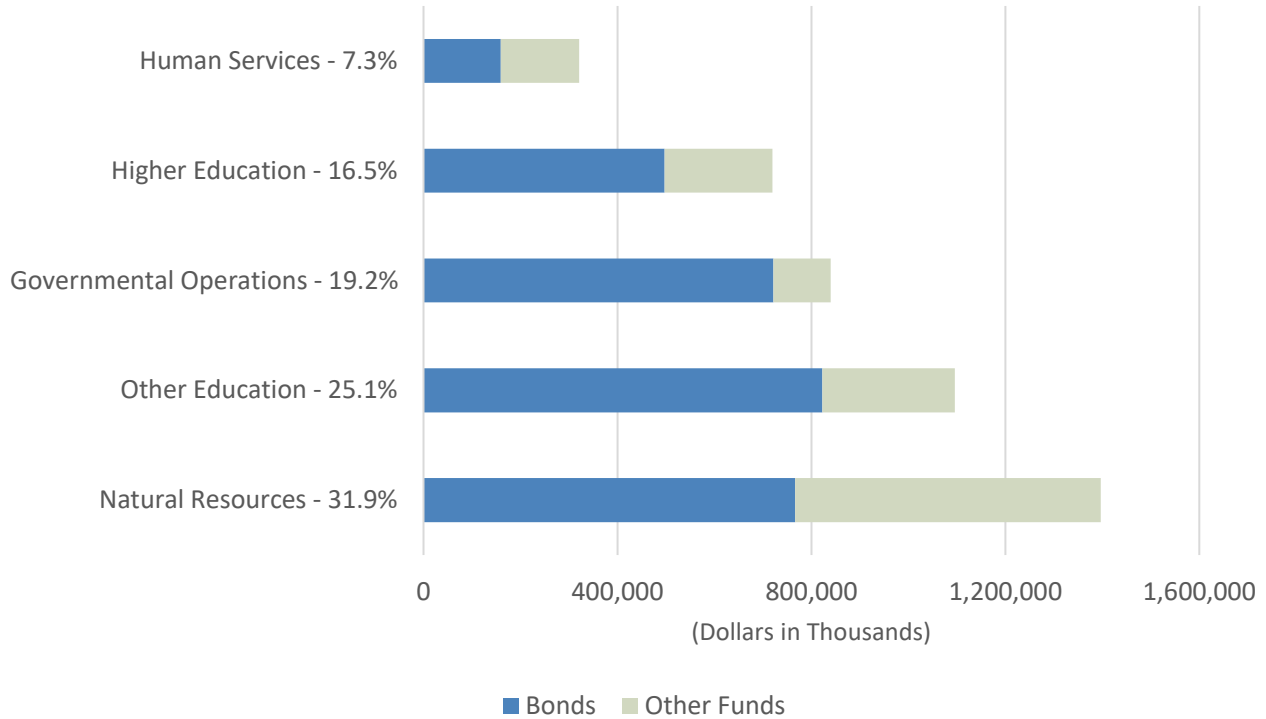
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
Governmental Operations	997,700	658,383	701,584	868,973	709,436	839,861
Human Services	311,881	146,349	180,291	105,885	182,216	321,247
Natural Resources	1,102,992	1,044,929	1,112,820	1,328,475	1,111,705	1,397,053
Higher Education	1,059,164	704,835	632,518	634,691	787,871	719,823
Education	734,851	643,687	730,021	471,398	962,572	1,095,602
<b>Total</b>	<b>4,206,588</b>	<b>3,198,183</b>	<b>3,357,234</b>	<b>3,409,422</b>	<b>3,753,800</b>	<b>4,373,586</b>
Governmental Operations	23.7%	20.6%	20.9%	25.5%	18.9%	19.2%
Human Services	7.4%	4.6%	5.4%	3.1%	4.9%	7.3%
Natural Resources	26.2%	32.7%	33.1%	39.0%	29.6%	31.9%
Higher Education	25.2%	22.0%	18.8%	18.6%	21.0%	16.5%
Education	17.5%	20.1%	21.7%	13.8%	25.6%	25.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

The following chart depicts the five functional areas in the 2017-19 capital budget, including 2018 supplemental budget, in terms of debt limit bond appropriations and total appropriations, including the Water Restoration and Enhancement Bonds.



<i>(Dollars in Thousands)</i>	<b>State Bonds</b>	<b>Total Appropriations</b>
Human Services	159,423	321,247
Higher Education	497,036	719,823
Governmental Operations	721,411	839,861
Education	822,419	1,095,602
Natural Resources	766,211	1,397,053
<b>Total</b>	<b>\$2,966,500</b>	<b>\$4,373,586</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018



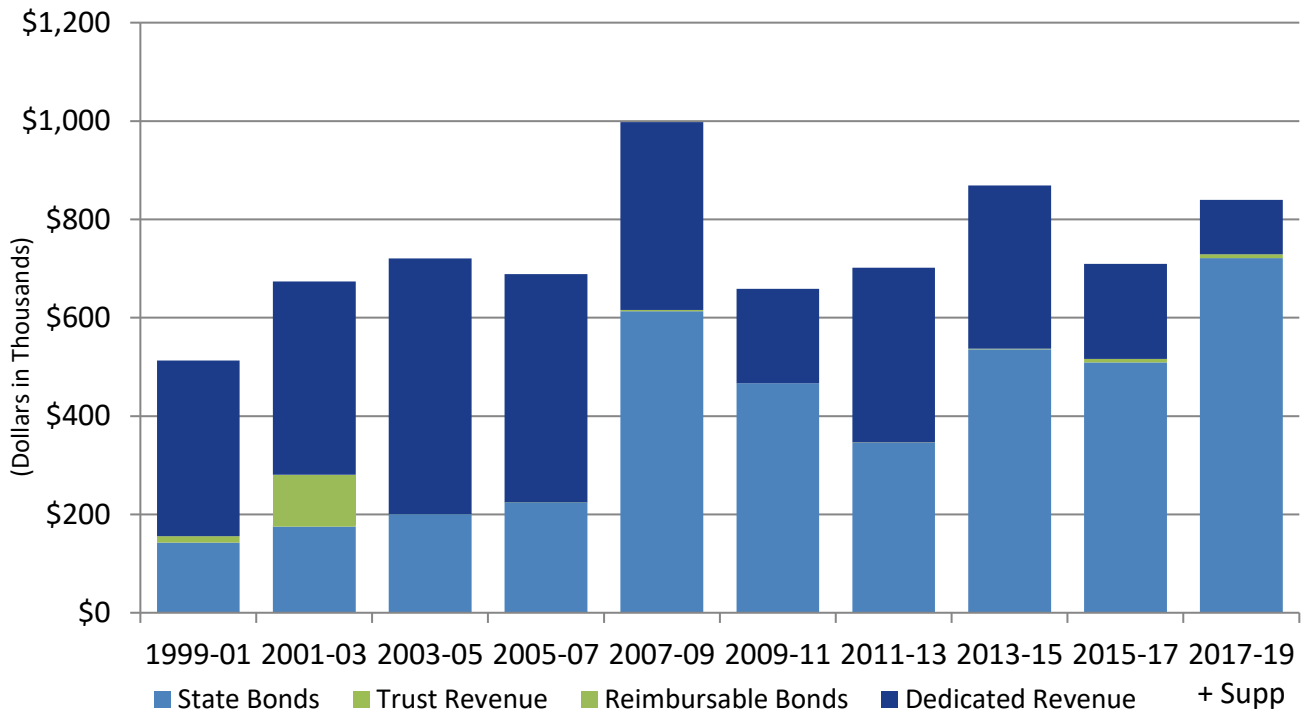
# Governmental Operations



# Overview of Governmental Operations

The Governmental Operations functional area of the capital budget includes general government agencies, departments headed by elected officials, and agencies providing central services for the state. Capital projects developed and managed by these agencies serve a wide range of public purposes including state offices, community and youth services, art and cultural facilities, affordable housing, and local public infrastructure systems.

**Governmental Operations  
Capital Budget Appropriations by Fund Source**  
(Dollars in Thousands)

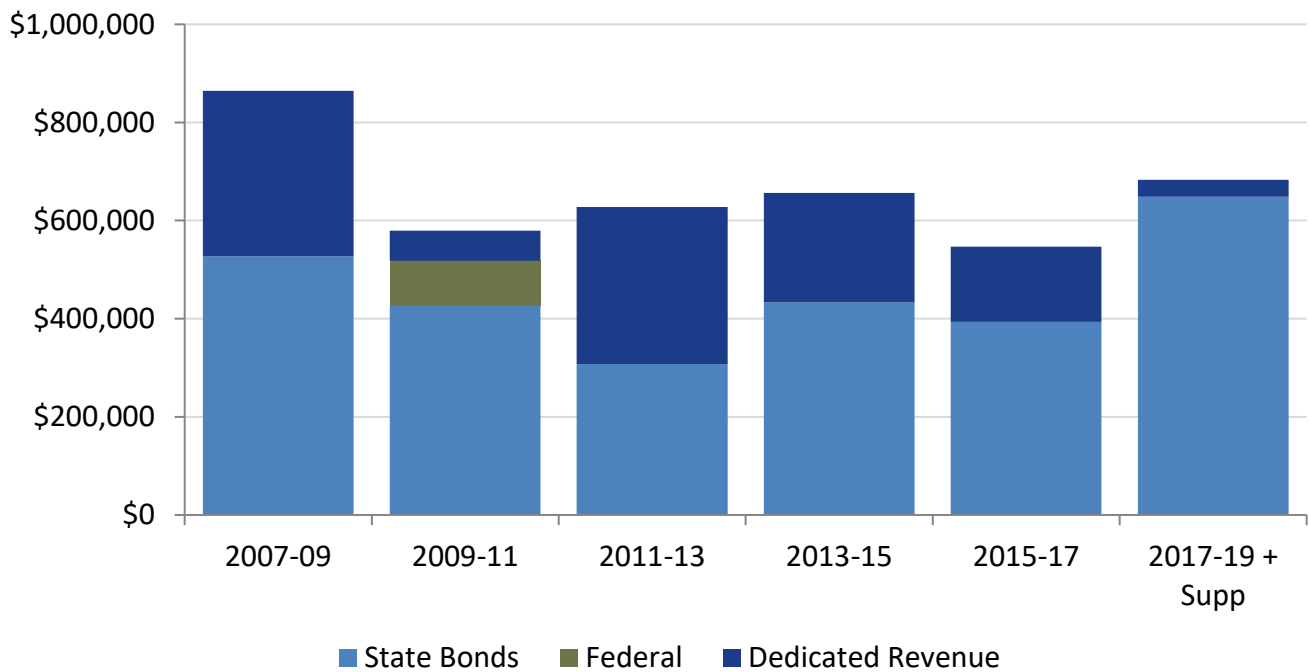


Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Department of Commerce

The stated mission of the Department of Commerce (Commerce) is “to grow and improve jobs in Washington State by championing thriving communities, a prosperous economy, and sustainable infrastructure.” Commerce administers a diverse set of programs that provide financial and technical assistance to local governments, nonprofit community-based organizations, and businesses statewide. Commerce receives a significant amount of state capital funding, the majority of which is loaned or granted to local communities for basic and economic development-related infrastructure, affordable housing, weatherization, energy efficiency projects, community service, arts and cultural facilities, youth recreational facilities, and in more recent biennia to increase community behavioral health service capacity.

**Department of Commerce  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>	<b>2015-17</b>	<b>2017-19 + Supp</b>
State Bonds	527,427	426,368	307,363	433,517	393,251	648,519
Federal	0	91,700	0	0	0	0
Dedicated Revenue	336,885	61,429	320,129	223,150	153,825	34,428
<b>Total</b>	<b>\$864,312</b>	<b>\$579,497</b>	<b>\$627,492</b>	<b>\$656,667</b>	<b>\$547,076</b>	<b>\$682,947</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

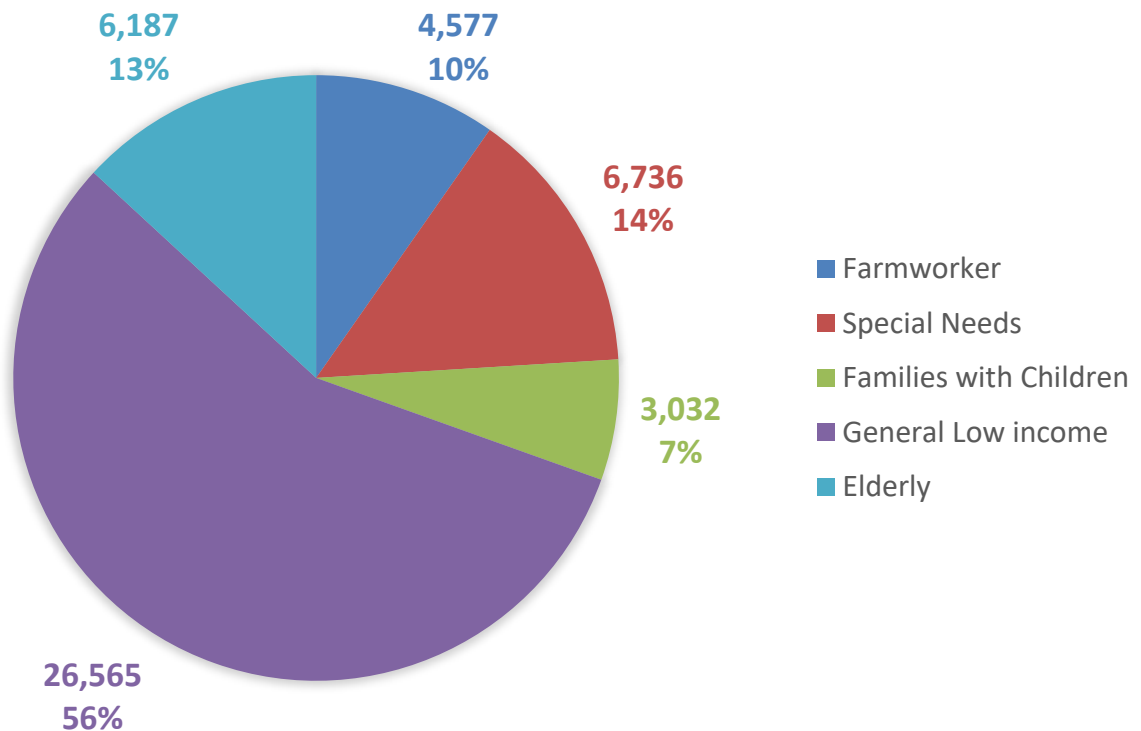
## Major Capital Programs Administered by the Department of Commerce

### Housing Trust Fund Program

Established by the Legislature in 1987 (RCW 43.185 and 43.185A), the Housing Trust Fund (HTF) program provides loans and grants for construction, acquisition, and rehabilitation of low-income multi-family and single-family housing. By law, housing units supported by HTF may only serve people whose incomes are at 80 percent or below a local area's median income, and at least 30 percent of the HTF resources must benefit projects in rural communities.

As depicted below, since 1989, HTF has invested over \$1.2 billion in 48,560 housing units statewide for people with low-incomes, persons with special needs, farm workers, homeless individuals and families, seniors, and other target populations. A HTF award to a project typically leverages additional dollars and tax credits from private banks, developers, federal, and local sources.

### Units Funded by Population Served Since 1989

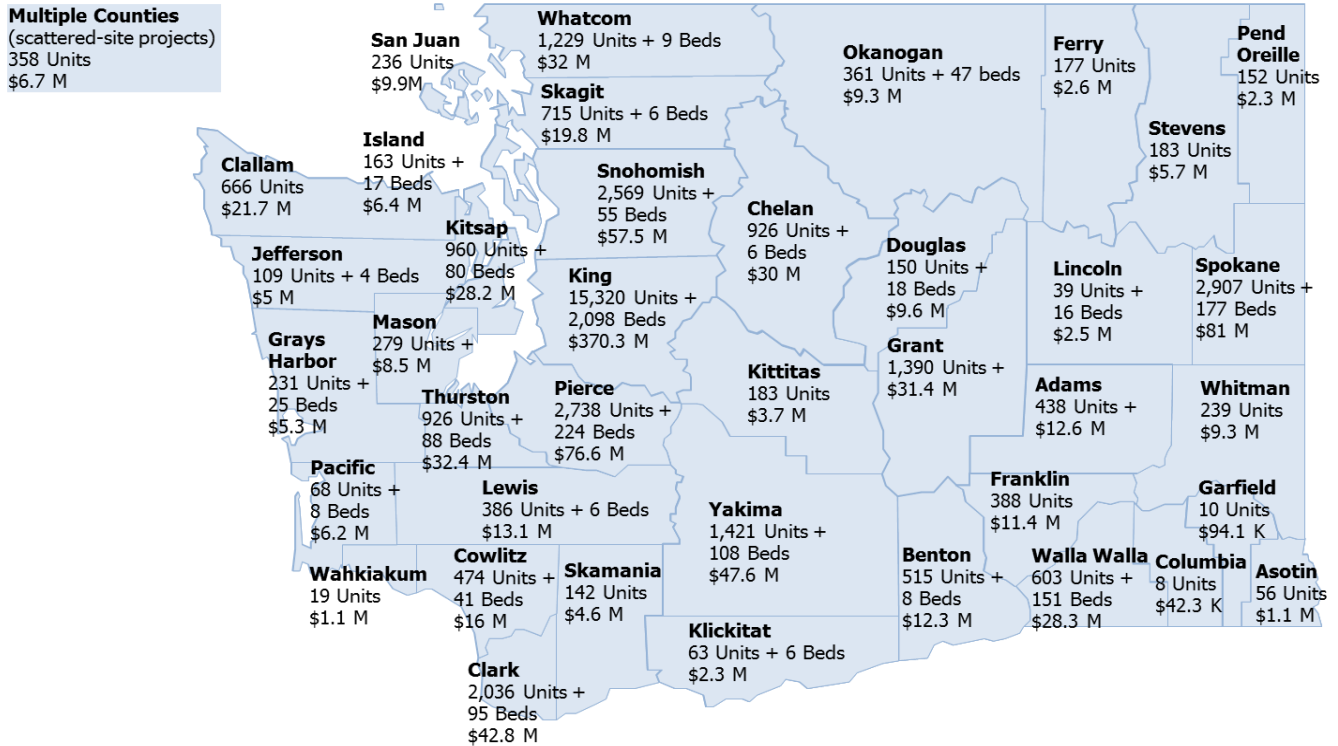


Note: The portfolio is over 30 years old and some of the data is drawn from original applications/contracts.

Special Needs Category includes units for persons with chronic mental illness, developmental delays, physical disabilities, substance abuse disorders, veterans, young adults and youth.

Source: Department of Commerce, October 2018

## Housing Trust Fund Investments Since 1989 by County



Notes: Statewide Totals: \$1.2 Billion includes HTF + \$130 million in federal funds.  
 "Beds" refer to shelters, group-home, seasonal farmworker, barrack-style beds. Not all counties include beds. "Units" refer to all types of rental units such as studios, 1-bedroom, 2-bedrooms, etc.  
 Source: Department of Commerce, October 2018

Historically, the majority of HTF resources have been allocated each biennium through competitive funding rounds conducted by Commerce based upon lump sum appropriations in the capital budget. However, beginning with the 2012 Legislative Session, the capital budget has allocated housing funds in the enacted capital budgets according to categories (for example: housing for homeless, housing for farmworkers, housing for people with chronic mental illness). Commerce has been given some flexibility to determine the final eligibility and readiness of projects by category and to allocate funding to alternate projects serving other low-income and special needs populations if necessary.

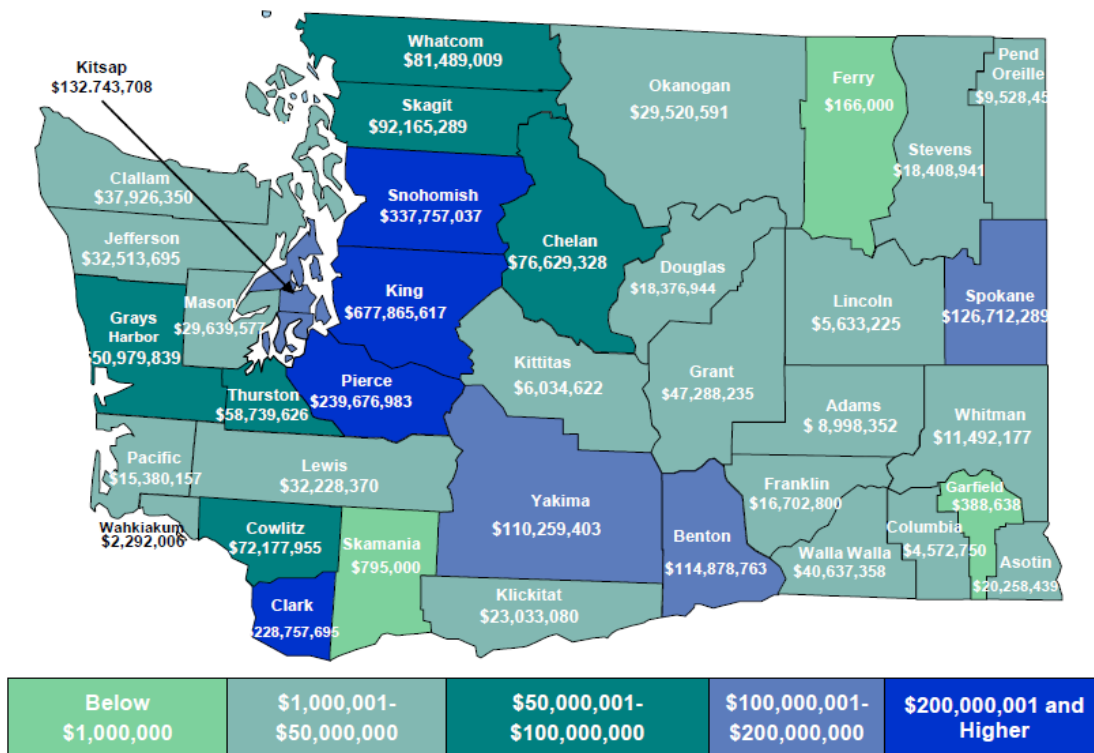
**Public Works Assistance Account Program**

The Public Works Assistance Account (PWAA) and the Public Works Board (PWB) were established in RCW 43.155 (1985) “to encourage self-reliance by local governments in meeting their public works needs and to assist in the financing of critical public works projects...”

The PWAA funds low interest loans to cities, counties, special purpose districts, and public utility districts. Ports, school districts, and tribes are not eligible to apply. The loans support construction, pre-construction, emergency projects and planning for infrastructure systems including drinking water, sanitary sewer, storm sewer, roads, bridges, and solid waste/recycling. More recently, PWB was given authorization to provide grants in certain circumstances. Additionally, prior to the 2019-21 biennia, PWB was required to develop and recommend to the Governor and Legislature a ranked list of projects for funding by November 1 in even-numbered years. Instead of submitting ranked list, PWB has authority to provide loans and grants throughout the biennium, based on statutory criteria. The PWB cannot obligate monies until the Legislature has appropriated funds. The PWB must report annually regarding the program, including applications received and projects funded.

Between 1985 and 2018, PWAA has funded 2,060 loans totaling \$2.95 billion.

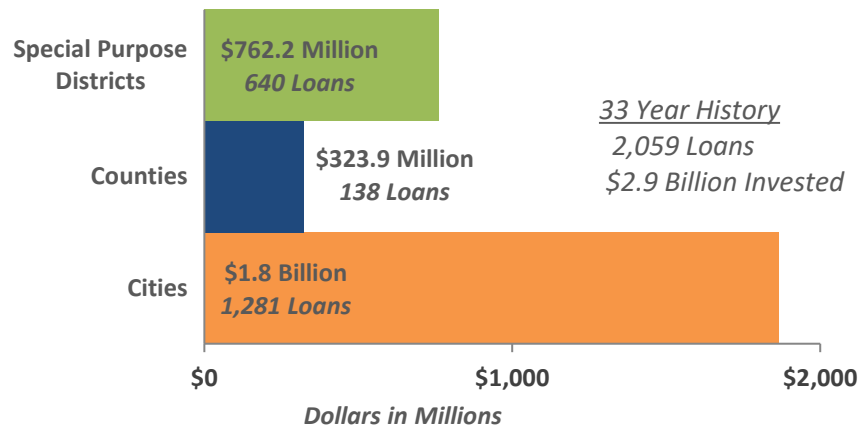
**Public Works Assistance Account Investments from 1985 – 2018**



Source: Public Works Board, Department of Commerce, October 2018

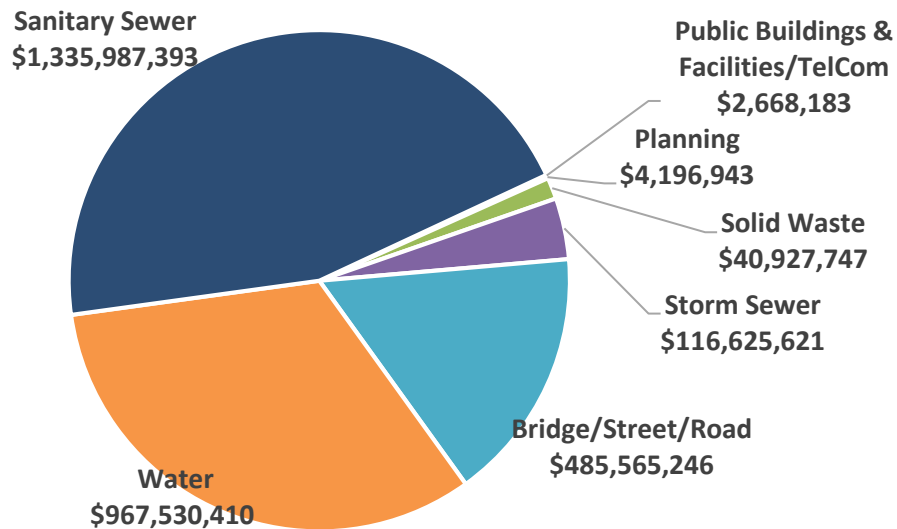
As shown on the following bar charts, cities have sponsored over 60 percent of the projects in terms of both project number and loan value. Drinking water and sanitary sewer systems account for 75 percent of the number of projects funded and 79 percent of the loans.

### PWAA Loans By Jurisdiction Type 1985-2018



Source: Public Works Board, Department of Commerce, October 2018

### PWAA Loans by System Type 1985 to 2018



Source: Public Works Board, Department of Commerce, October 2018



Historically, PWAA received deposits of loan repayments and revenues from the following three taxes: (1) 6.1 percent of the Real Estate Excise Tax (REET) imposed on the sale of real property; (2) 20 percent of the Public Utility Tax (PUT) revenues from water utilities and 60 percent of PUT revenues from sewer utilities; and (3) 100 percent of the Solid Waste Collection Tax (SWCT) imposed on garbage utilities.

The Legislature has transferred cash and redirected tax revenues from PWAA to the State General Fund and the Education Legacy Trust Account (ELTA). In the 2013-15 biennium, the Legislature: (1) redirected 4.1 percent of REET revenues into ELTA, leaving 2 percent in PWAA; (2) redirected PUT revenues into ELTA; and (3) suspended the deposit of SWCT revenues into PWAA. The taxes are redirected statutorily from PWAA through June 30, 2023. Additionally, in the past biennia, the Legislature has transferred funds from PWAA to operating budget accounts. Most recently, \$254 million was transferred from PWAA to the State General Fund. Additionally, the Legislature added language to PWAA statute stating the intent to continue the policy of transfer funds in the 2019-21 biennium, estimated to be \$180 million.

The following table summarizes these various actions and their impacts on PWAA from 2013 through projected amounts in 2019-21:

Legislative Action	Biennial Impacts (Dollars in Thousands)			
	2013-15	2015-17	2017-19	2019-21*
Transfer from PWAA	(\$277,244)	(\$89,000)	(\$254,000)	(\$180,000)
Suspend SWCT deposit into PWAA	(\$77,400)	(\$88,152)	(\$96,055)	(\$98,061)
Redirect all but 2% of REET from PWAA	(\$60,117)	(\$82,674)	(\$92,737)	(\$84,532)
Redirect PUT from PWAA to ELTA	(\$34,956)	(\$39,836)	(\$40,932)	(\$44,027)
<b>Total PWAA Reductions</b>	<b>(\$449,717)</b>	<b>(\$299,662)</b>	<b>(\$483,724)</b>	<b>(\$406,620)</b>

Source: Economic and Revenue Forecast Council September 2018 forecast

\*Projected amounts. Transfer based on operating budget language stating intent to continue current transfer policy.

The Legislature did not approve any new PWAA loan projects for the 2013-15 or 2015-17 biennia. To meet projected local government draw downs on existing PWAA loan contracts during the 2013-15 biennium, the Legislature backfilled \$158 million of the cash transfer with state general obligation bonds. The 2017-19 biennial capital budget included \$97 million in bonds for construction projects and \$19 million in bonds for pre-construction and emergency projects.

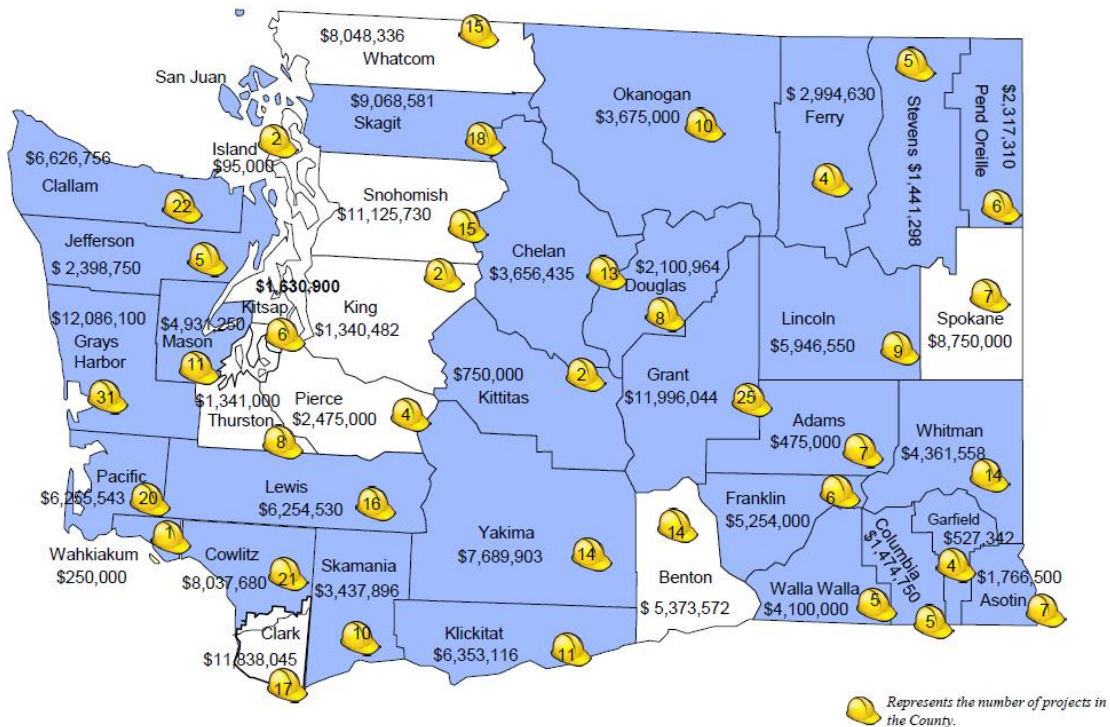
## Community Economic Revitalization Board Program

Under RCW 43.160, the Community Economic Revitalization Board (CERB) program funds the construction, repair, and acquisition of public facilities that encourage new business development and expansion in areas seeking economic growth. Eligible public facility projects include domestic and industrial water, buildings and structures, industrial wastewater treatment and storm water facilities, telecommunications, electricity, natural gas, and transportation.

The Traditional CERB program offers three financing programs: (1) Committed Private Partner Construction, which requires evidence that a private development or expansion is ready to occur, contingent on approval of CERB program funds; (2) Prospective Development Construction, which requires evidence that a private development or expansion is likely to occur as a result of the public improvements; and (3) Planning Studies which evaluate high-priority economic development projects.

Since its creation in 1982, CERB program has provided approximately \$177.6 million in loans and grants to communities statewide.

### CERB Investments 1982 - 2018



Updated 8/18

Note: Counties in blue are rural, as defined in RCW 43.160.020, and counties in white are urban.

Source: Community Economic Revitalization Board, Department of Commerce, September 2018

The CERB program is governed by a 20-member board (Board) that includes representatives of local governments, tribes, the private sector, the Legislature, and state agencies. Funding for CERB program projects primarily is appropriated from the Public Facilities Construction Loan Revolving Account. The Board is required by law to approve at least 75 percent of the first \$20 million, and at least 50 percent of any additional funds available in a given biennium, to projects in rural counties. Historically, the Board has conducted regularly scheduled competitive funding rounds for projects proposed by eligible jurisdictions, which include: counties, cities and towns, port districts, special purpose districts, innovation partnership zones, municipal and quasi-municipal corporations, and federally-recognized Indian tribes. In prior biennia, the Legislature has also appropriated funds through CERB programs for non-traditional local projects such as port- and export-related infrastructure, technical assistance, and innovation grants. In the 2017-19 biennium, \$10 million was provided for CERB program administered broadband infrastructure. The purpose is for CERB programs to make grants and loans to local governments and federally recognized tribes to build infrastructure to provide high-speed, open-access broadband service.

### **Energy Efficiency Programs**

Since 2009, the Legislature has appropriated state general obligation bonds and federal funds in the capital budget for energy efficiency grants through Commerce, and in some biennia prior to the 2015-17 biennium through the Office of the Superintendent of Public Instruction (OSPI). Administered on a competitive basis, the grants are awarded to local agencies, public higher education institutions, K-12 schools, and state agencies. The goal is for the grantees to make improvements to their facilities that result in energy and operational cost savings and create jobs. Over four biennia, the appropriations to Commerce have totaled \$187 million and the appropriations to OSPI have totaled \$134 million.

Commerce also provides access to loans and grants for projects that develop and demonstrate clean energy technologies, advance renewable energy technologies, and for local organizations that weatherize homes occupied by low-income families.

### **Behavioral Health Beds**

The capital budget provided funding for Commerce, in collaboration with the Department of Social and Health Services and Health Care Authority, to administer grants for hospital and other entities to establish or build new mental health units or services. Additionally, funding was provided for grants for hospitals or other entities for the development of facilities that provide for the diversion or transition of patients from the state hospital. In the 2013-15 and 2015-17 capital budgets, \$49.4 million was appropriated in the capital budget. The 2017-19 capital budget included \$90.9 million for behavioral health community capacity grants.

**Local Community Competitive Grant Programs**

Through the statutory Building for the Arts, Building Communities Fund, and Youth Recreational Facilities programs, the Legislature appropriates competitive grant funding for projects benefitting local communities. Commerce conducts a separate competitive process for each program and uses expert advisory committees to evaluate and recommend projects for funding. Project lists may be included in the Governor’s capital budget proposal and project funding is determined by the Legislature in the enacted capital budget. The following matrix provides information on the purposes, eligibility, funding, and processes associated with these three competitive grant programs:

	<b>Building for the Arts (RCW 43.63A.750)</b>	<b>Building Communities Fund (RCW 43.63A.125)</b>	<b>Youth Recreational Facilities (RCW 43.63A.135)</b>
<b>Program Purpose</b>	Defrays up to 20 percent of eligible capital costs for acquisition, construction and/or major renovation of arts capital facilities.	Defrays up to 25 percent or more of eligible capital costs to acquire, construct, or rehabilitate nonresidential community and social service centers.	Defrays up to 25 percent of eligible capital costs for acquisition, construction, and/or major renovation of capital facilities for non-residential youth recreation that includes a supporting social service or educational component.
<b>Eligible Applicants</b>	501 (c) 3 nonprofit performing arts, art museums and cultural organizations	Nonprofit, community-based organizations located in distressed communities or serving a substantial number of low-income or disadvantaged persons.	501 (c) 3 nonprofit organizations
<b>Grant Cycle</b>	Biennial	Biennial	Biennial
<b>Fund Source</b>	State Bonds	State Bonds	State Bonds
<b>2017-19 Appropriation</b>	\$12 million	\$30.9 million	\$6.9 million
<b>Maximum List Size</b>	\$12 million by statute	No maximum	\$8 million by statute
<b>Maximum Amount/Project</b>	\$2 million	Commerce may not set a maximum.	\$1.2 million

	<b>Building for the Arts (RCW 43.63A.750)</b>	<b>Building Communities Fund (RCW 43.63A.125)</b>	<b>Youth Recreational Facilities (RCW 43.63A.135)</b>
<b>Process and Legislature’s Role</b>	Applications are screened by Commerce and ranked by an advisory committee of art facilities experts. Commerce must include a ranked list in the agency capital budget request. The Governor may include the list in the proposed capital budget bill. The Legislature has final approval of the list and the total budget.	Applications are screened by Commerce and ranked by an advisory committee of social services experts. Commerce must include a ranked list in the agency capital budget request. The Governor may include the list in the proposed capital budget bill. The Legislature has final approval of the list and the total budget.	Applications are screened by Commerce and ranked by an advisory committee of youth facilities experts. Commerce must include a ranked list in the agency capital budget request. The Governor may include the list in the proposed capital budget bill. The Legislature has final approval of the list and the total budget.

**Local and Community Projects and Lending of Credit**

As described in Budget Overview Section, the Washington State Constitution prohibits the state from lending its credit or making gifts of public funds. In general, these provisions prevent the state from making expenditures without receiving a public benefit in return, and from placing state funds at risk without adequate protection. These prohibitions do not prevent the state from providing grants to entities whose purposes are wholly public, such as local governments, but the restrictions do limit the state’s ability to provide grants to individuals and private corporations, whether for-profit or nonprofit.

In the case of local and community projects, the state grants appropriated in the capital budget typically provide funding to construct, purchase, or renovate a facility that the nonprofit organization or local government will then use to provide services to the public. The public benefit is the services that the public will receive when the capital project is completed. This benefit is more indirect than, for example, contracts with nonprofits that are funded in the operating budget, where the compensation for the public expenditure is the services that are directly and contemporaneously provided.

Given these lending of credit and gift of public funds restrictions, grant programs for local and community projects contain a number of safeguards to ensure that the grants comply with the Washington State Constitution.

The competitive application process and other state requirements for the statutory grant programs significantly reduce the risk of lending of credit violations. Under the programs’ processes and requirements: (1) a competitive application process means the public benefit is clearly defined and highly ranked; (2) the financing is secured and the state grant is generally 25 percent or less of total project financing; (3) the project is well underway and will be completed in a short timeframe, meaning

the facility can start providing the public services/benefits soon; (4) the project or a phase of the project will be usable to the public for its intended purpose once the state funds are expended; and (5) the nonprofit organization or local government has entered into a contract to ensure the facility will be used for its intended purpose for a sufficient period of time in the future to justify the state investment in the project.

These criteria ensure that the state receives a benefit in the form of services provided to the public in the near term, and they protect public assets by avoiding expenditures for projects that are still in the early stages or for which financing still needs to be raised.

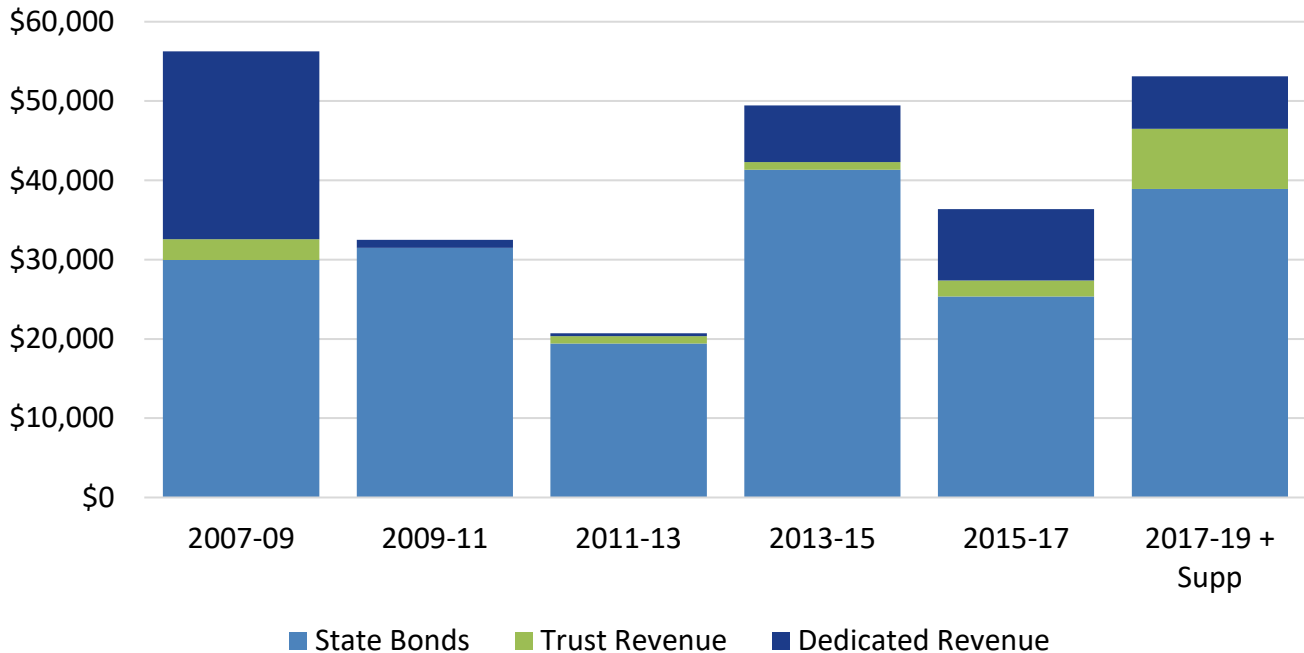
In addition, the terms of the grants direct the state to recover its investment from any projects that do not provide the public services or benefits for a sufficient period of time or from projects that are not completed within a reasonable period of time (generally five years).

# Department of Enterprise Services

The Department of Enterprise Services engages in the following capital budget related activities:

- provides engineering and architectural services to non-higher education agencies and community and technical colleges including managing design and construction contracts;
- manages capital planning and programs for over five million square feet of state-owned property, including the capitol campus, Capital Lake, and Heritage Park in Olympia;
- provides maintenance and custodial services to the capitol campus and satellite campuses;
- provides real estate services to agencies leasing space in privately-owned and state-owned facilities in conjunction with the Office of Financial Management; and
- assists agencies to relocate, acquire, and dispose of property.

**Department of Enterprise Services  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	29,969	31,501	19,412	41,318	25,351	38,921
Trust Revenue	2,604	0	928	1,000	2,000	7,586
Dedicated Revenue	23,705	1,000	350	7,131	9,010	6,612
<b>Total</b>	<b>\$56,278</b>	<b>\$32,501</b>	<b>\$20,690</b>	<b>\$49,449</b>	<b>\$36,361</b>	<b>\$53,119</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

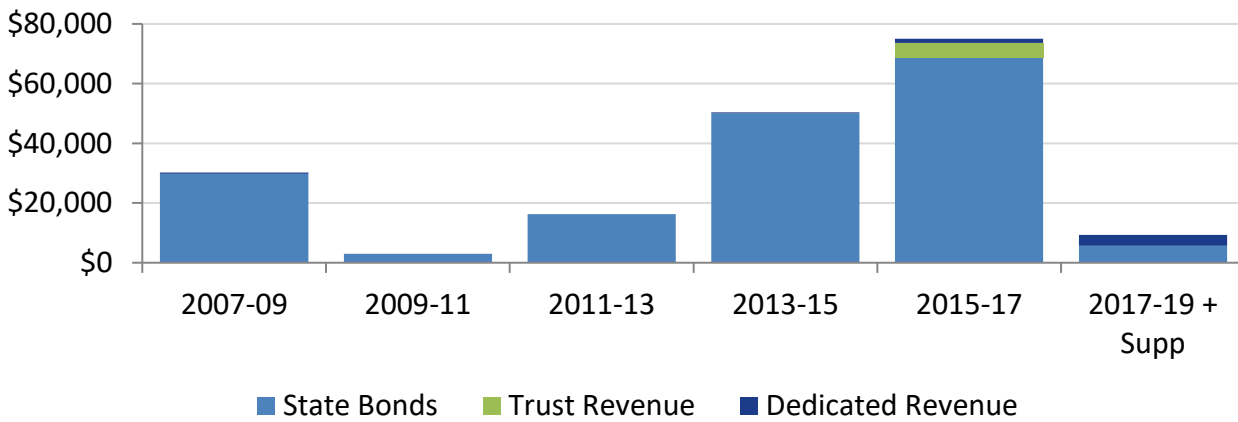
# Office of Financial Management

The Office of Financial Management (OFM) typically engages in the following capital budget related activities:

- develops capital budget proposals from agency requests for submission to the Legislature by the Governor (both for the upcoming biennium and a 10-year capital plan);
- administers the adopted capital budget and oversees agency capital planning, spending, projects, and decisions;
- analyzes agency space needs through facilities oversight; and
- participates in the scoring and ranking of higher education capital requests.

From time to time, the Legislature appropriates funding to OFM to manage and fund special projects. For example, prior to the establishment of the Office of the Chehalis Basin within the Department of Ecology, OFM had taken the state lead in working with the Chehalis Basin Flood Control Authority, the Chehalis Tribe, and others to develop agreements and projects for flood hazard mitigation.

**Office of Financial Management  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	29,789	2,962	16,297	50,057	68,685	5,650
Trust Revenue	0	0	0	0	5,000	0
Dedicated Revenue	475	0	0	300	1,390	3,680
<b>Total</b>	<b>\$30,264</b>	<b>\$2,962</b>	<b>\$16,297</b>	<b>\$50,357</b>	<b>\$75,075</b>	<b>\$9,330</b>

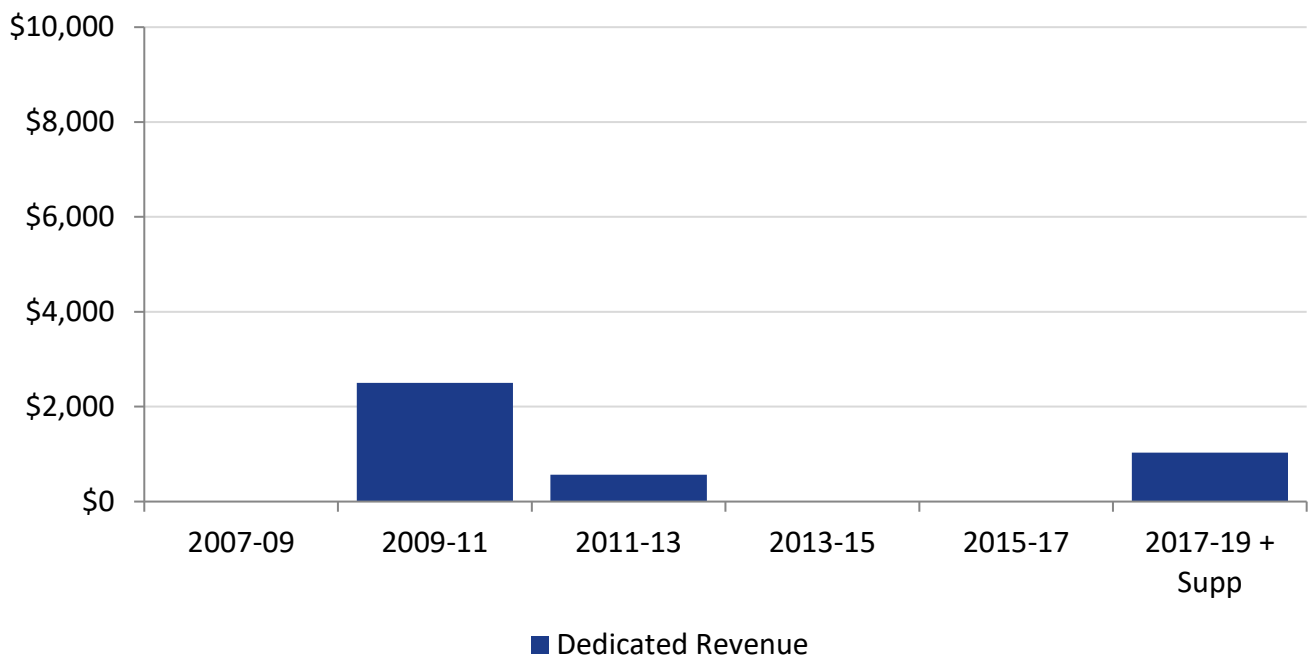
Source: Legislative Evaluation and Accountability Program Committee, October 2018



# Department of Labor & Industries

Labor and Industries (L&I) is dedicated to the safety, health, and security of Washington’s 2.5 million workers. The L&I helps employers meet safety and health standards and inspects workplaces when alerted to hazards. There are 22 L&I offices throughout Washington.

## Department of Labor & Industries Capital Budget Appropriations History (Dollars in Thousands)



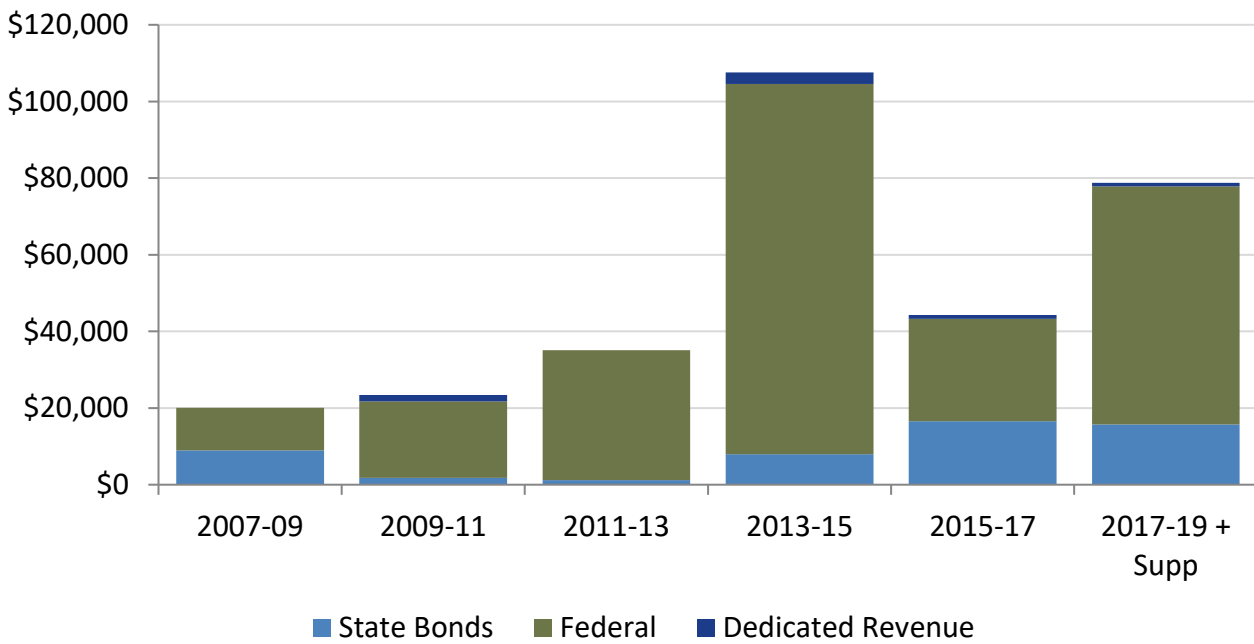
	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
Dedicated Revenue	0	2,500	567	0	0	1,034
<b>Total</b>	<b>\$0</b>	<b>\$2,500</b>	<b>\$567</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,034</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Military Department

The Military Department (Department), headquartered at Camp Murray, has four major operational divisions: the Army National Guard, Air National Guard, Emergency Management, and State Services. Using state and federal resources, the Department provides services including homeland defense, homeland security, and emergency mitigation, preparedness, response and recovery activities. The Department manages capital programs at Camp Murray and readiness centers throughout the state to respond to local emergencies and disasters and to accommodate the state’s military mission.

**Military Department  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	8,991	1,809	1,198	7,959	16,558	15,757
Federal	11,035	19,917	33,898	96,593	26,741	62,084
Dedicated Revenue	0	1,657	0	3,000	1,000	928
<b>Total</b>	<b>\$20,026</b>	<b>\$23,383</b>	<b>\$35,096</b>	<b>\$107,552</b>	<b>\$44,299</b>	<b>\$78,769</b>

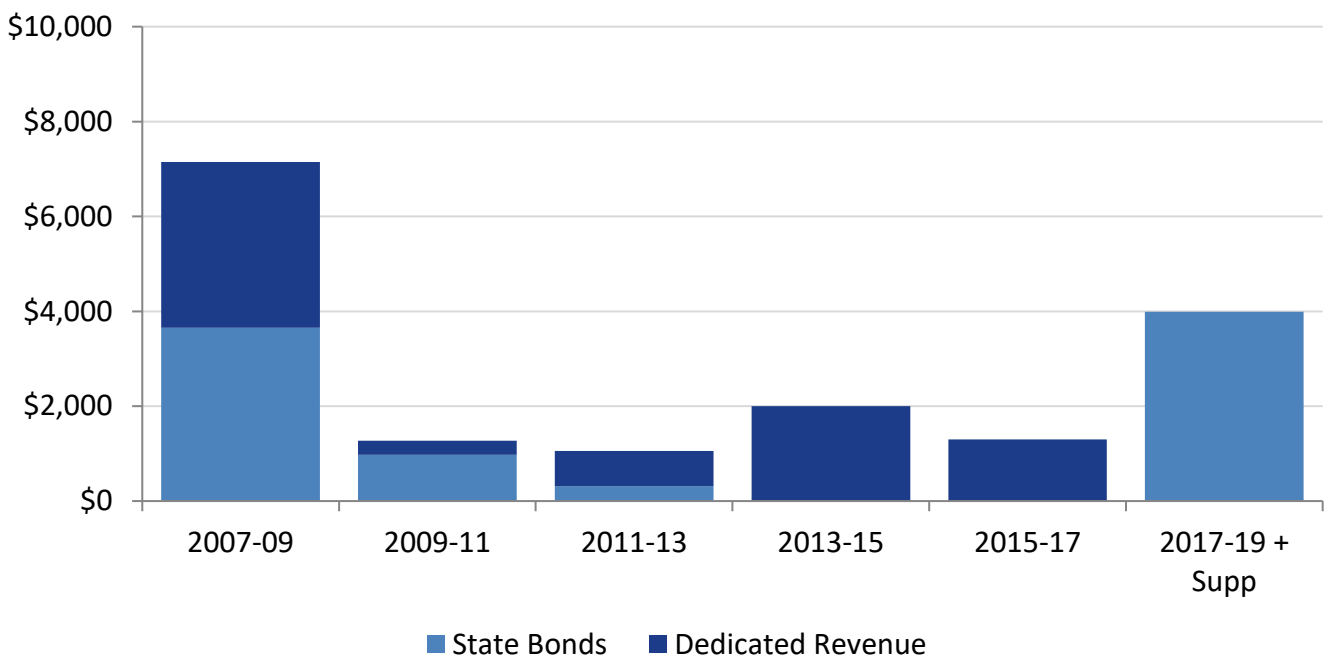
Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Washington State Patrol

The Washington State Patrol is comprised of about 600 state troopers who patrol the highways and ferries. In addition, there are civilians including: those who work for the State Fire Marshal; technicians and scientists in the state’s crime labs processing DNA samples to help prosecute criminal cases; and investigative support staff who maintain criminal records and databases.

The Washington State Patrol operates the State Patrol Academy in Shelton, the Fire Training Academy in Bend, and forensic laboratories located in Cheney, Vancouver, and Seattle.

**Washington State Patrol  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	3,650	975	315	0	0	3,990
Dedicated Revenue	3,500	300	744	2,000	1,300	0
<b>Total</b>	<b>\$7,150</b>	<b>\$1,275</b>	<b>\$1,059</b>	<b>\$2,000</b>	<b>\$1,300</b>	<b>\$3,990</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

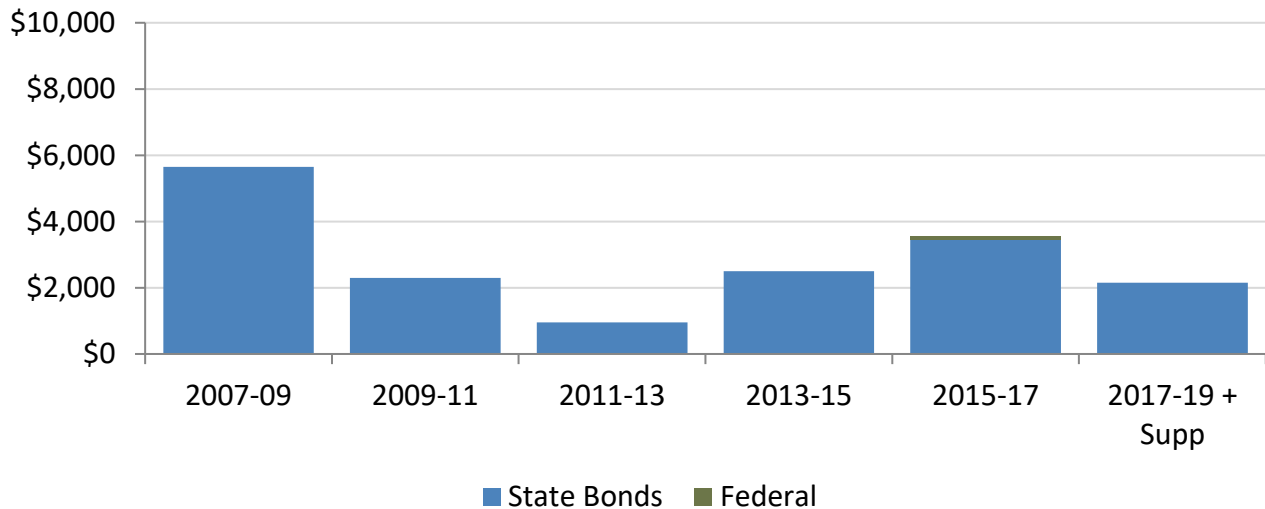
# Department of Archaeology & Historic Preservation

The Department of Archaeology and Historic Preservation (DAHP) provides services to state agencies, local governments, and others related to the preservation of the state’s historic and cultural resources. Its director serves as the state’s historic preservation officer. The DAHP services include: reviewing proposed capital projects for impacts on cultural resources; providing permits for archaeological excavations; helping local governments preserve historic resources; and administering federal rehabilitation investment tax credits. Governor Gregoire signed Executive Order 05-05 in November of 2005, requiring state agencies with capital improvement projects to integrate DAHP, the Governor’s Office of Indian Affairs and concerned tribes into their capital project planning process. Capital construction projects and land acquisition projects with capital construction purposes are required to undergo this review process.

The DAHP manages three capital programs: Heritage Barn Preservation Grants, Historic County Courthouse Grants, and the Historic Cemetery Preservation Capital Grants. The last program was established in the 2016 Legislative Session.

## Department of Archaeology & Historic Preservation Capital Budget Appropriations History

(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	5,650	2,300	950	2,500	3,450	2,152
Federal	0	0	0	0	115	0
<b>Total</b>	<b>\$5,650</b>	<b>\$2,300</b>	<b>\$950</b>	<b>\$2,500</b>	<b>\$3,565</b>	<b>\$2,152</b>

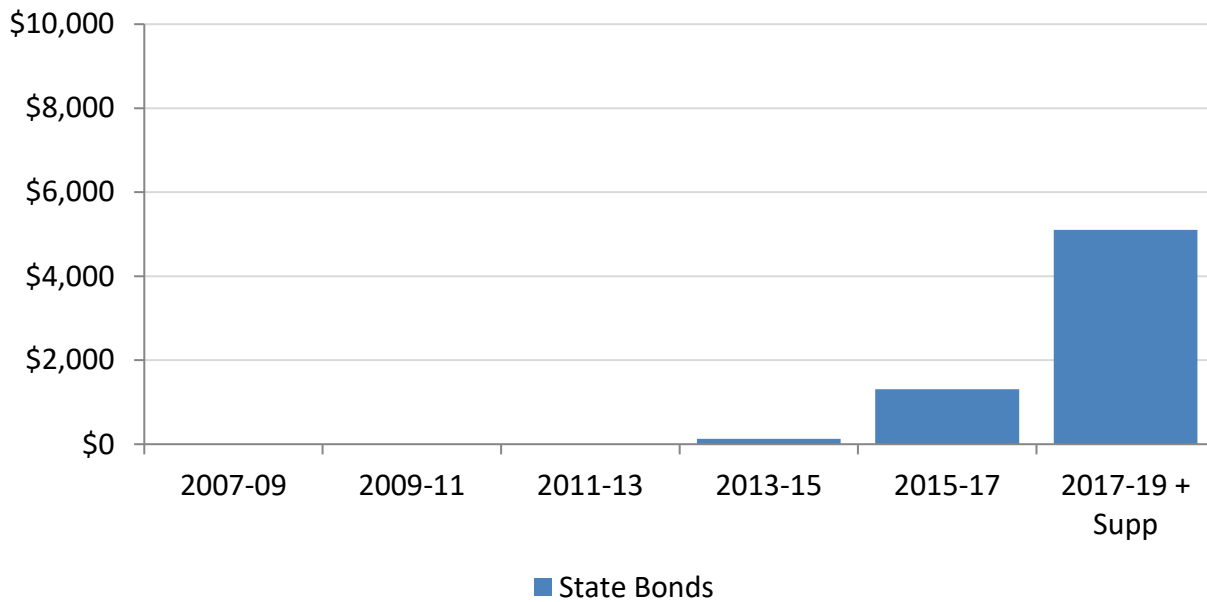
Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Secretary of State

The Office of the Secretary of State was established with the adoption of the Washington State Constitution in 1889. The Secretary of State is elected every four years and is second in the line of succession to the Office of the Governor. There have been 15 Secretaries of State since statehood.

The State Records Collections, located in Olympia, provide an account of public government in Washington State, beginning with the establishment of the Washington Territory in 1853 and continuing to the present. Included among the collection are the papers of each governor, legislative records, court records, records from all state agencies, and all of the “official records” of the state, including governors’ proclamations, executive orders, election results, and the laws as passed and signed. The Washington State Archives’ Central Region Branch is located on the campus of Central Washington University, the Eastern Regional Branch is in Cheney, the Puget Sound Regional Branch is in Bellevue, the Northwest Regional Branch is in Bellingham, and the Southwest Regional Branch is in Olympia.

**Secretary of State  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	0	0	0	128	1,307	5,100
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$128</b>	<b>\$1,307</b>	<b>\$5,100</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

## Relevant Organizations to the Functional Area

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Affordable Housing Advisory Board (RCW 43.185B.020 and .030) – The Affordable Housing Advisory Board reviews, evaluates, and makes recommendations to the Department of Commerce regarding existing and proposed housing programs and initiatives including tax policies, land use policies, and financing programs.

State Building Code Council (RCW 19.27.070) – The State Building Code Council (Council) is a 20-member council created to advise the Legislature and Governor on building code-related matters. The Council adopts and amends Uniform Codes, the Historic Building Code, and the Energy Code in accordance with the Administrative Procedures Act; and reviews, approves or denies Local Residential Amendments.

State Capitol Committee (RCW 43.17.070 and RCW 43.34) - The State Capitol Committee oversees the Capitol Campus Master Plan and other issues affecting the capitol campus; approves the construction of all state buildings in Thurston County; and approves acquisition of real estate for state government in Thurston County. Committee members include the Governor or Governor’s designee, the Lieutenant Governor, the Secretary of State, and the Commissioner of Public Lands.

Capitol Campus Design Advisory Committee (CCDAC) (RCW 43.34.080) – The CCDAC is advisory to the State Capitol Committee and to the director of the Department of Enterprise Services. Its responsibilities include: reviewing programs, planning, design, and landscaping of State Capitol facilities and grounds and making recommendations that will contribute to their architectural, aesthetic, functional, and environmental excellence.

Capitol Furnishings Preservation Committee (RCW 27.48.040) – This 19-member committee promotes and encourages the recovery and preservation of the original and historic furnishings of the State Capitol group; prevents future loss of historic furnishings; and reviews and advises on future remodeling and restoration projects as they pertain to historic furnishings.

Community Economic Revitalization Board (CERB) (RCW 43.160.060) – The CERB’s 20-member board (Board) represents private and public sectors statewide and is staffed by the Department of Commerce. The Board sets policy and selects public facilities projects that will receive CERB loans and grants.

Capital Projects Advisory Review Board (CPARB) (RCW 39.10.230) - The 2005 Legislature created CPARB to review alternative public works contracting procedures and provide guidance to state policy makers on ways to enhance the quality, efficiency, and accountability of public works contracting methods.

Washington Economic Development Finance Authority (WEDFA) (RCW 43.163.020) – The WEDFA is an independent agency with a 17-member board, created by the Legislature to issue nonrecourse revenue bonds for qualifying projects. These include: manufacturing, processing, waste disposal, alternative energy production, waste or sewage treatment, and recycling facilities. Retail projects are not eligible.

State Finance Committee (RCW 43.33.010) - The State Finance Committee is responsible for the authorization and issuance of all state debt. Committee members include the Governor, the Lieutenant Governor, and the State Treasurer.

Housing Finance Commission (HFC) (RCW 43.180.040) - The HFC, with an 11-member board, develops and administers financing programs for the development of affordable rental housing throughout the state and for home ownership opportunities. Additionally, HFC provides access to capital for sustainable energy projects, beginning farmers and ranchers, land acquisition, and nonprofit facilities.

Public Works Board (RCW 43.155.030) - The 13-member board is authorized, with legislative approval, to make low-interest loans from the Public Works Assistance Account to finance the repair, replacement, or improvement of the following public works systems: bridges, roads, water and sewage systems, and solid waste and recycling facilities.





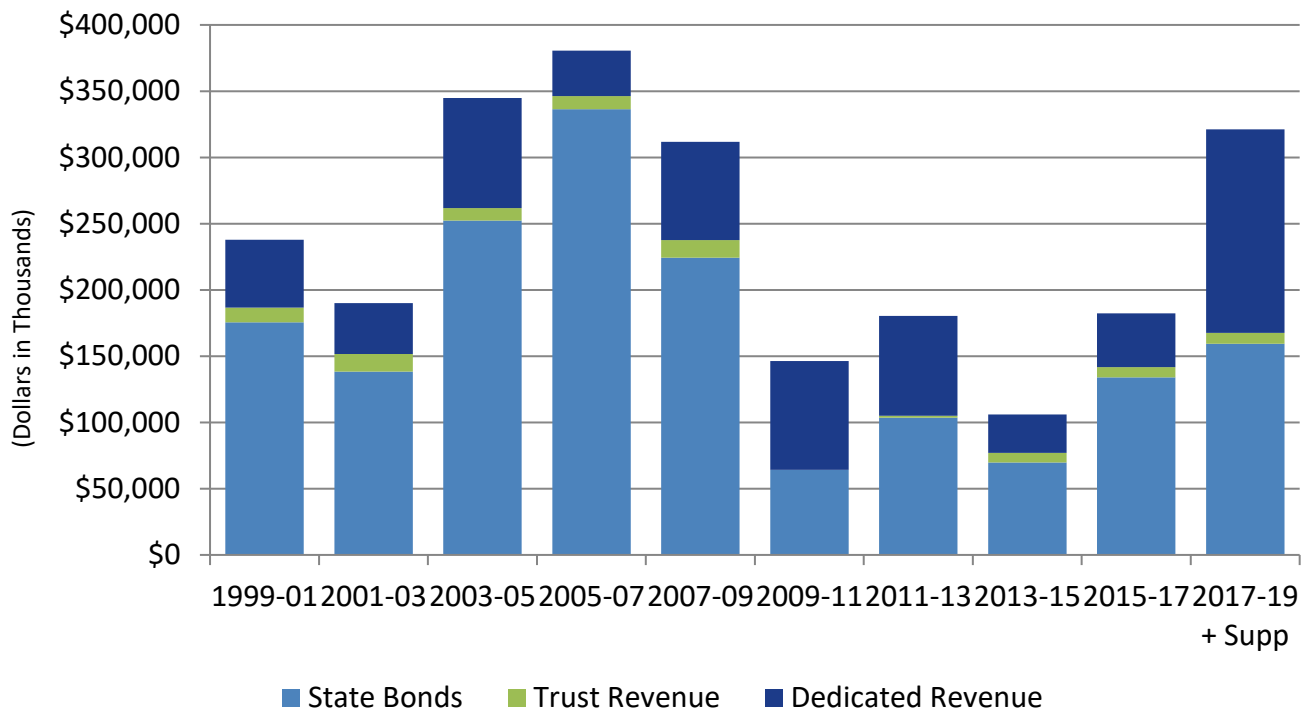
# Human Services



# Overview of Human Services

The Human Services functional area of the capital budget includes the Criminal Justice Training Commission, and the departments of Social and Health Services, Children, Youth, and Families, Corrections, Veterans Affairs, and Health. Most Human Services capital projects involve construction and repair of state institutions such as mental health hospitals, prisons, juvenile rehabilitation facilities, veterans' homes, and facilities for developmentally disabled persons.

**Human Services**  
**Capital Budget Appropriations by Fund Source**  
 (Dollars in Thousands)



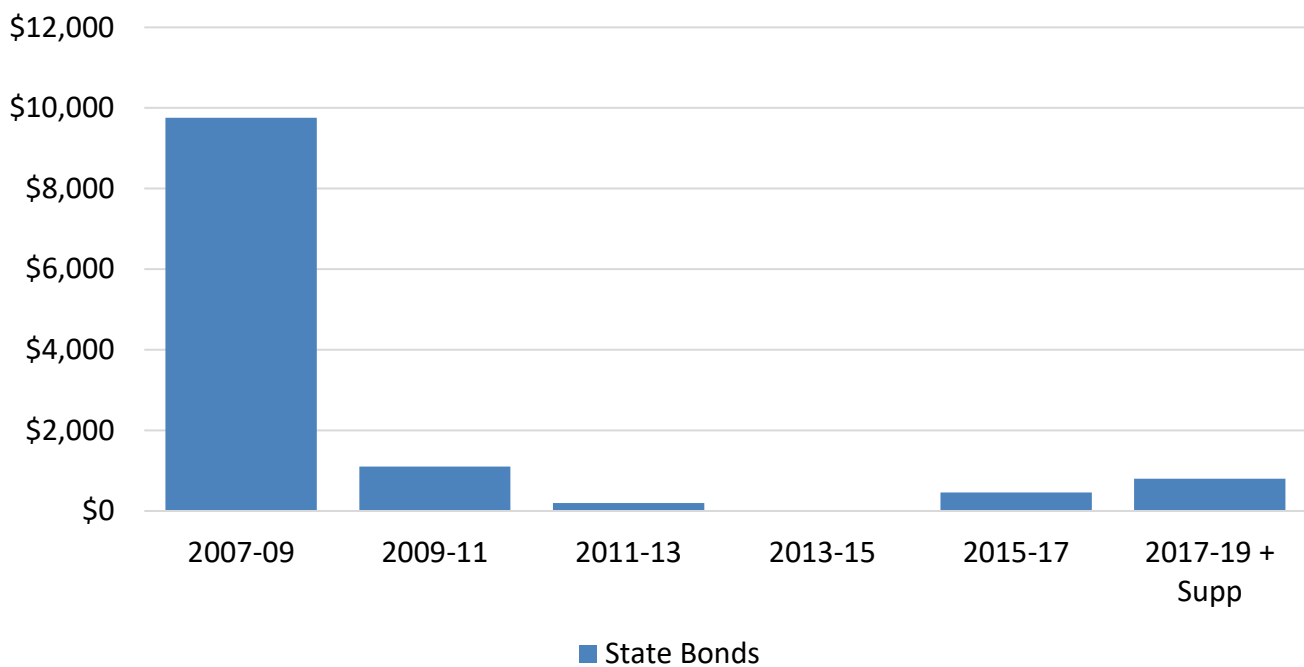
Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Criminal Justice Training Commission

The Washington State Criminal Justice Training Commission (WSCJTC) provides training for law enforcement, corrections, and other public safety professionals in Washington State. The WSCJTC has facilities located in Burien and Spokane. The Burien facility includes an indoor firing range.

## Criminal Justice Training Commission Capital Budget Appropriations History

(Dollars in Thousands)



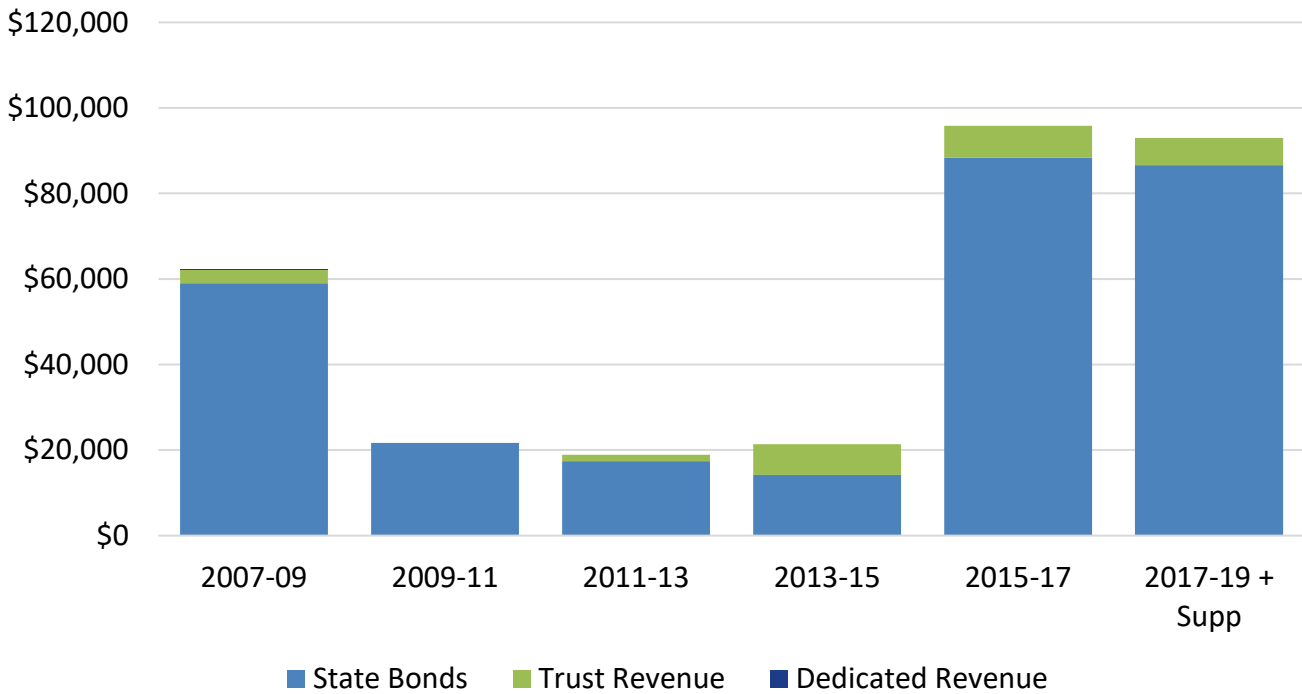
	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	9,759	1,100	200	0	456	800
<b>Total</b>	<b>\$9,759</b>	<b>\$1,100</b>	<b>\$200</b>	<b>\$0</b>	<b>\$456</b>	<b>\$800</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Department of Social and Health Services

The Department of Social and Health Services (DSHS) maintains and operates facilities that provide care and treatment for persons with mental illness, sex offenders, and persons with developmental disabilities that require intensive care. The Children's Administration was moved to the Department of Children, Youth and Families (DCYF) in July of 2018 (Fiscal Year 2019). The maintenance and operating of facilities for youth committed by juvenile courts for criminal behavior will be moved from DSHS to the newly created DCYF beginning in July of 2019 (Fiscal Year 2020).

**Department of Social and Health Services\***  
**Capital Budget Appropriations History**  
 (Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	58,990	21,684	17,396	14,155	88,320	86,648
Trust Revenue	3,213	0	1,514	7,200	7,519	6,300
Dedicated Revenue	87	0	0	0	0	0
<b>Total</b>	<b>\$62,290</b>	<b>\$21,684</b>	<b>\$18,910</b>	<b>\$21,355</b>	<b>\$95,839</b>	<b>\$92,948</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

\*Includes Juvenile Rehabilitation Administration and Children's Administration as part of DSHS.

## Major Capital Programs Administered by DSHS

### Mental Health Facilities

The Division of Mental Health operates three psychiatric centers including: the Child Study and Treatment Center (CSTC); Eastern State Hospital (ESH); and Western State Hospital (WSH). Current challenges include: (1) state hospital and community hospital bed capacity; (2) an ongoing requirement that state hospitals must serve those patients considered too acute or too dangerous for community-based services; and (3) preservation and renovation of aging facilities. The Mental Health Reform Act of 1989 requires that state hospitals serve the most complicated long-term care patients. The care at the state facilities require a high staff to patient ratio, high square footage space needs, and increased space for on-site rehabilitation due to increasing acuteness of the patients. The DSHS contracts with Yakima County and the Maple Lane facility, owned by the Department of Corrections, for additional temporary forensic beds.

### State Hospital Census and Capacity Data:

	ESH - CIVIL	ESH - FORENSIC	WSH - CIVIL	WSH - FORENSIC	Restoration Treatment Facilities <sup>4</sup>	CSTC Child Study and Treatment Center
Number of Clients Admitted <sup>1</sup>	201	266	157	710	178	49
Bed Capacity	192	125	557	285	54	47
Average Number of Clients <sup>2</sup>	148	119	524	276	25	41
Number of Admissions <sup>3</sup>	218	281	160	755	200	49
Number of Discharges <sup>3</sup>	232	285	292	678	208	52

Source: Department of Social and Health Services, 2018

1. Unduplicated count of clients in FY 2018
2. Average of FY 18 monthly census
3. Total admissions and discharges as of August, 2018, duplicated count.
4. Restoration treatment facilities refer to Maple Lane and Yakima Jail

### Developmental Disabilities Facilities

The Division of Developmental Disabilities (DDD) provides a broad range of services and support to over 30,000 eligible clients, while maintaining four Residential Habilitation Centers (RHC) that house approximately 735 individuals.

The RHCs are 24-hour facilities certified as either: (1) Intermediate Care Facilities for the Mentally Retarded offering habilitation services, intensive nursing, therapy services, and work-related assistance; or (2) Nursing Facilities providing an extensive array of services for persons requiring daily nursing care. Reductions in the number of clients served in institutional settings will continue to affect the DSHS's funding requests for capital projects.

**DSHS DDD Census:**

<b>Fiscal Year 2018</b>	<b>Fircrest</b>	<b>Rainier</b>	<b>Lakeland</b>	<b>Yakima</b>	<b>Total</b>
Capacity*	200	300	200	100	800
Population*	200	284	176	87	747
FTE Expended	600	862	607	267	2,336
Operating Expenditures**	\$54,316,000	\$81,090,000	\$54,096,000	\$21,842,000	\$205,143,544
Average Cost per Resident	\$294,632	\$292,027	\$353,411	\$257,387	\$303,153

Source: Department of Social and Health Services, 2018

\*DSHS, October, 2018 Point in time count

\*\*Does not include centralized maintenance and operations

**Juvenile Rehabilitation Administration Facilities**

The Juvenile Rehabilitation Administration (JRA) provides care, custody and treatment for juvenile offenders committed to the state by juvenile courts. The JRA serves offenders ranging between 10 and 21 years-of-age. While the state owns and operates four community residential and treatment facilities, a small number of residential community-based programs are provided by private group care contractors in leased facilities.

**DSHS Juvenile Justice and Rehabilitation Administration Census:**

<b>Location</b>	<b>Echo Glenn</b>	<b>Green Hill</b>	<b>Naselle</b>	<b>Group Homes</b>
Population	86	150	74	101
Capacity	114	179	86	111
Average Annual Staff FTEs	193	266	105	121
Annual Cost Per Resident	\$123,001	\$105,624	\$99,849	\$93,279

Source: Department of Social and Health Services, 2018

The JRA residential and treatment facilities include the following:

- Echo Glen Children’s Center, a medium/maximum facility that serves younger male and older female offenders;
- Green Hill School, a medium/maximum security fenced facility that provides older, male offenders academic education and pre-vocational training; and
- Naselle Youth Camp, an unfenced facility that serves male and female offenders in a medium security setting.

The state-operated community residential and treatment programs are charged with mainstreaming youth at the end of commitment and also have become increasingly involved with specific treatment efforts such as the certified drug and alcohol programs offered at the Parke Creek Community Facility and the Canyon View Community Facility.

Nationally, juvenile justice populations have peaked and juvenile crime has declined in recent years. However, juvenile justice populations with mental health and substance abuse or addiction problems are anticipated to continue to rise. State master plan findings mirror those national trends of a population declining in numbers but more highly complex in terms of behavioral and service needs, particularly mental health issues.

**Special Commitment Center**

The DSHS operates the Special Commitment Center (SCC), a 339-bed secure treatment facility located on McNeil Island. The SCC provides a specialized mental health treatment program for civilly-committed sex offenders who have completed their prison sentences. Only sex offenders whom the court finds meet the legal definition of a sexually violent predator may be civilly committed to SCC.

**Secure Community Transition Facility**

Under the U.S. Constitution, sex offenders who remain dangerous and who have served time cannot be detained unless they are receiving treatment. The DSHS, while under the federal district court injunction, developed less restrictive alternative housing known as Secure Community Transition Facilities (SCTF) on McNeil Island and in Seattle. Only SCC residents who have successfully completed the required levels of treatment in the institutional program, and who receive DSHS’ recommendation and court approval, are eligible for placement in a SCTF. The SCC currently operates 24 beds at the Pierce County SCTF on McNeil Island and 6 beds at the King County SCTF in Seattle. During the 2017-19 biennium, funding was provided for 6 additional beds at the King County SCTF.

<b>Facility</b>	<b>Capacity</b>	<b>Population*</b>
Special Commitment Center	300 Beds	214
SCTF King County	6 Beds	5
SCTF Pierce County	24 Beds	19

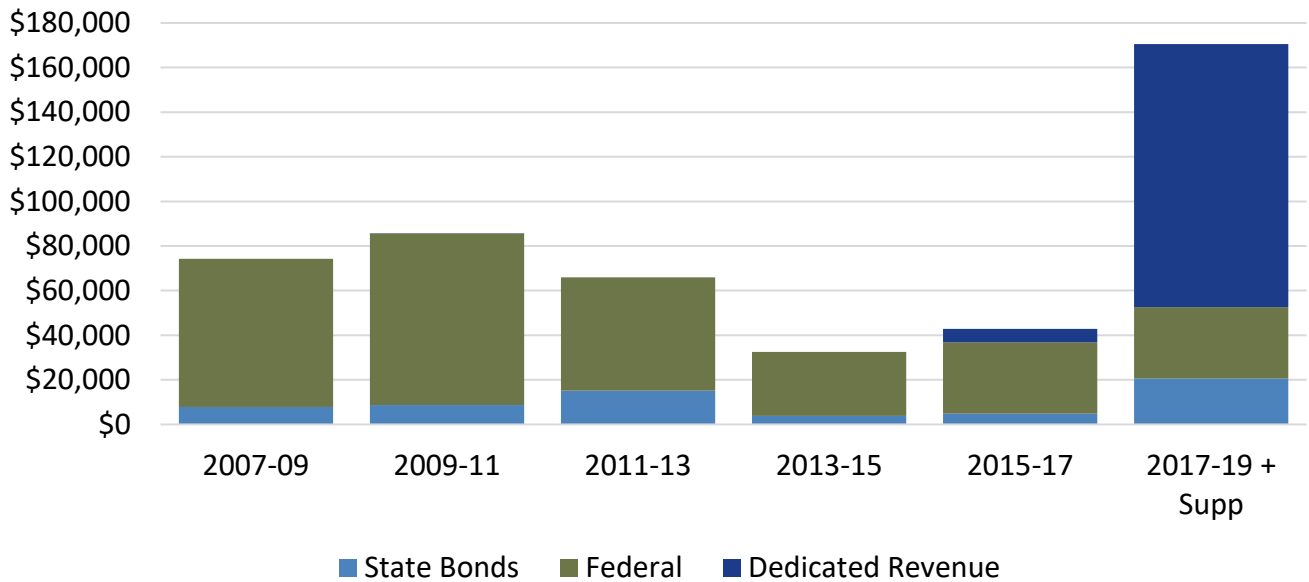
\*DSHS; August, 2018



# Department of Health

The Department of Health (DOH) was formed in 1989 to promote and protect public health, monitor health care costs, maintain standards for quality health care delivery, and plan activities related to the health of Washington citizens. The DOH operates the Washington State Public Health Lab located in Shoreline. The DOH also administers the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a federal/state financing partnership that provides low-interest loans to public water systems for capital improvements that increase public health protection and compliance with drinking water regulations. Starting in 2017-19, all DWSRF appropriations are in DOH, previously some appropriations were in Department of Commerce. “Public water systems” includes both municipal and privately-owned water systems. Funding for DWSRF comes from an annual federal capitalization grant, loan repayments and interest, and state matching funds, generally from the Public Works Assistance Account or bonds.

**Department of Health  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	7,800	8,762	15,217	3,767	4,789	20,596
Federal	66,474	76,810	50,700	28,800	32,000	32,000
Dedicated Revenue	0	100	0	0	6,000	118,000
<b>Total</b>	<b>\$74,274</b>	<b>\$85,672</b>	<b>\$65,917</b>	<b>\$32,567</b>	<b>\$42,789</b>	<b>\$170,596</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

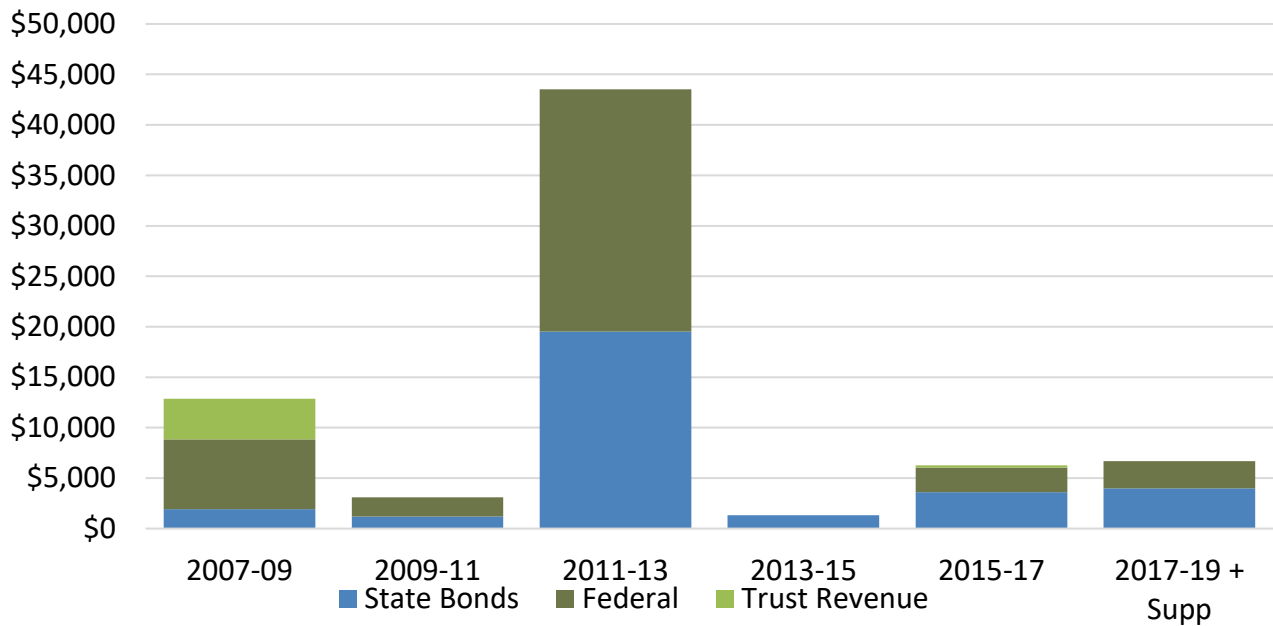
# Department of Veterans Affairs

The Washington State Department of Veterans Affairs (WDVA) supports four existing veteran homes.

1. Washington Soldiers Home and Colony (Orting) – 183 bed facility
2. Washington Veterans Home (Retsil) – 240 bed facility
3. Spokane Veterans Home – 100 bed facility
4. Walla Walla Veterans Home – 80 bed facility

The WDVA provides long-term health care for honorably discharged veterans, and possibly their spouses, who are disabled and indigent or likely to become indigent due to the cost of their health care.

**Department of Veterans Affairs  
Capital Budget Appropriations History**  
(Dollars in Thousands)



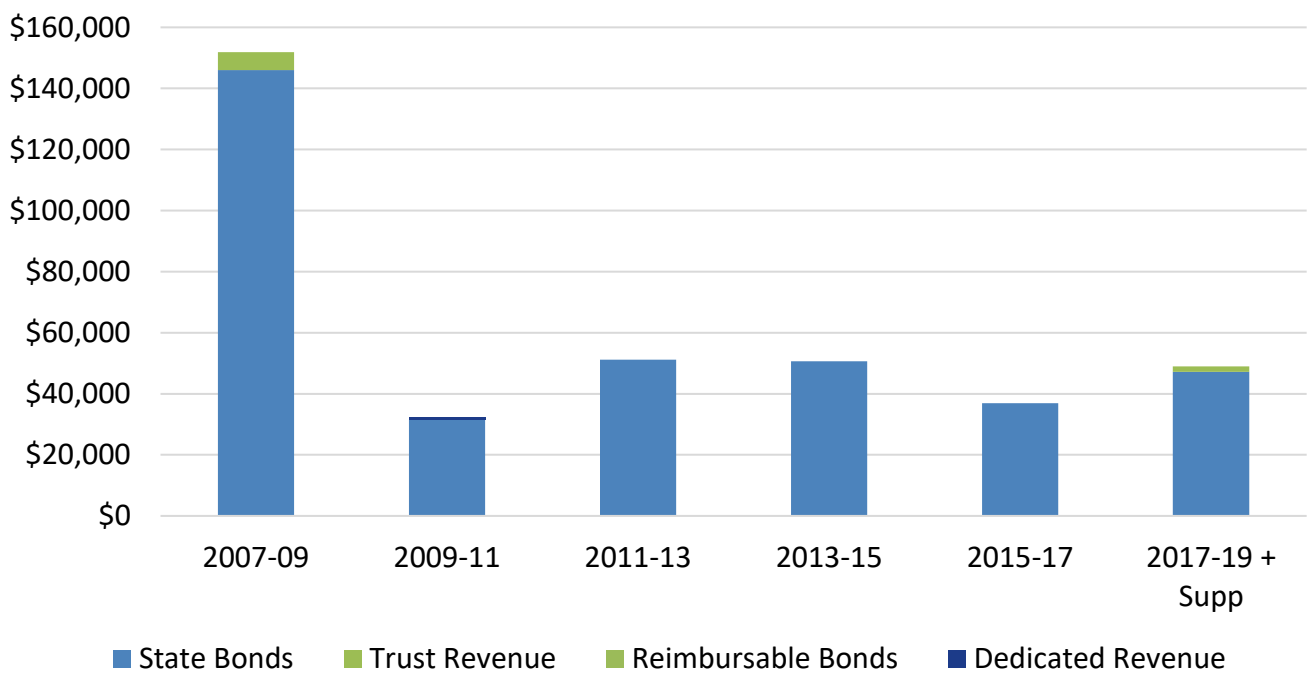
	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	1,938	1,190	19,522	1,313	3,615	3,970
Federal	\$6,886	\$1,909	\$24,000	\$0	\$2,422	\$2,700
Trust Revenue	4,026	0	0	0	225	0
<b>Total</b>	<b>\$12,850</b>	<b>\$3,099</b>	<b>\$43,522</b>	<b>\$1,313</b>	<b>\$6,262</b>	<b>\$6,670</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Department of Corrections

The Legislature created the Department of Corrections (DOC) in 1981. Prior to 1981, DOC was part of DSHS. The DOC manages adult convicted law violators in multi-custody facilities, minimum security facilities, pre-release facilities, and work release facilities.

## Department of Corrections Capital Budget Appropriations History (Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	145,962	31,465	51,175	50,650	36,870	47,168
Trust Revenue	5,962	0	0	0	0	1,790
Reimbursable Bonds	0	0	0	0	0	0
Dedicated Revenue	0	829	0	0	0	0
<b>Total</b>	<b>\$151,924</b>	<b>\$32,294</b>	<b>\$51,175</b>	<b>\$50,650</b>	<b>\$36,870</b>	<b>\$48,958</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

## Major Capital Programs Administered by DOC

### Multi-Custody Facilities

Eight multi-custody facilities house maximum, close, medium and minimum custody offenders. A close custody facility houses inmates that require a high level of supervision and tight control of boundaries and programs. The DOC provides a variety of targeted intervention and treatment programs that are designed to change offender behavior to prevent them from reoffending. These facilities are:

<p><b>Airway Heights Corrections Center (AHCC), Spokane</b>          Minimum Custody          Medium Custody          Correctional Industries          Department of Natural Resources' Crews</p>	<p><b>Stafford Creek Corrections Center (SCCC), Aberdeen</b>          Medium Custody          Intensive Management Unit          Correctional Industries</p>
<p><b>Clallam Bay Corrections Center (CBCC), Forks</b>          Close Custody          Medium Custody          Intensive Management Unit          Correctional Industries          Youthful Offender Program</p>	<p><b>Washington Corrections Center (WCC), Shelton</b>          Reception          Medium Custody          Intensive Management Unit          Correctional Industries</p>
<p><b>Coyote Ridge Corrections Center (CRCC), Connell</b>          Minimum Custody          Medium Custody          Community Service Crews</p>	<p><b>Washington Corrections Center for Women (WCCW), Gig Harbor</b>          Minimum Custody          Medium Custody          Close Custody          Correctional Industries          Community Service Crews</p>
<p><b>Monroe Correctional Complex (MCC)</b>          Twin Rivers Unit (TRU)          Special Offender Unit (SOU)          Washington State Reformatory Unit (WSR)          Close Custody          Medium Custody          Minimum Custody          Sex Offender Treatment Program          Correctional Industries</p>	<p><b>Washington State Penitentiary (WSP), Walla Walla</b>          Minimum Custody          Medium Custody          Close Custody          Intensive Management Unit          Death Row          Correctional Industries</p>

**Minimum Security Facilities**

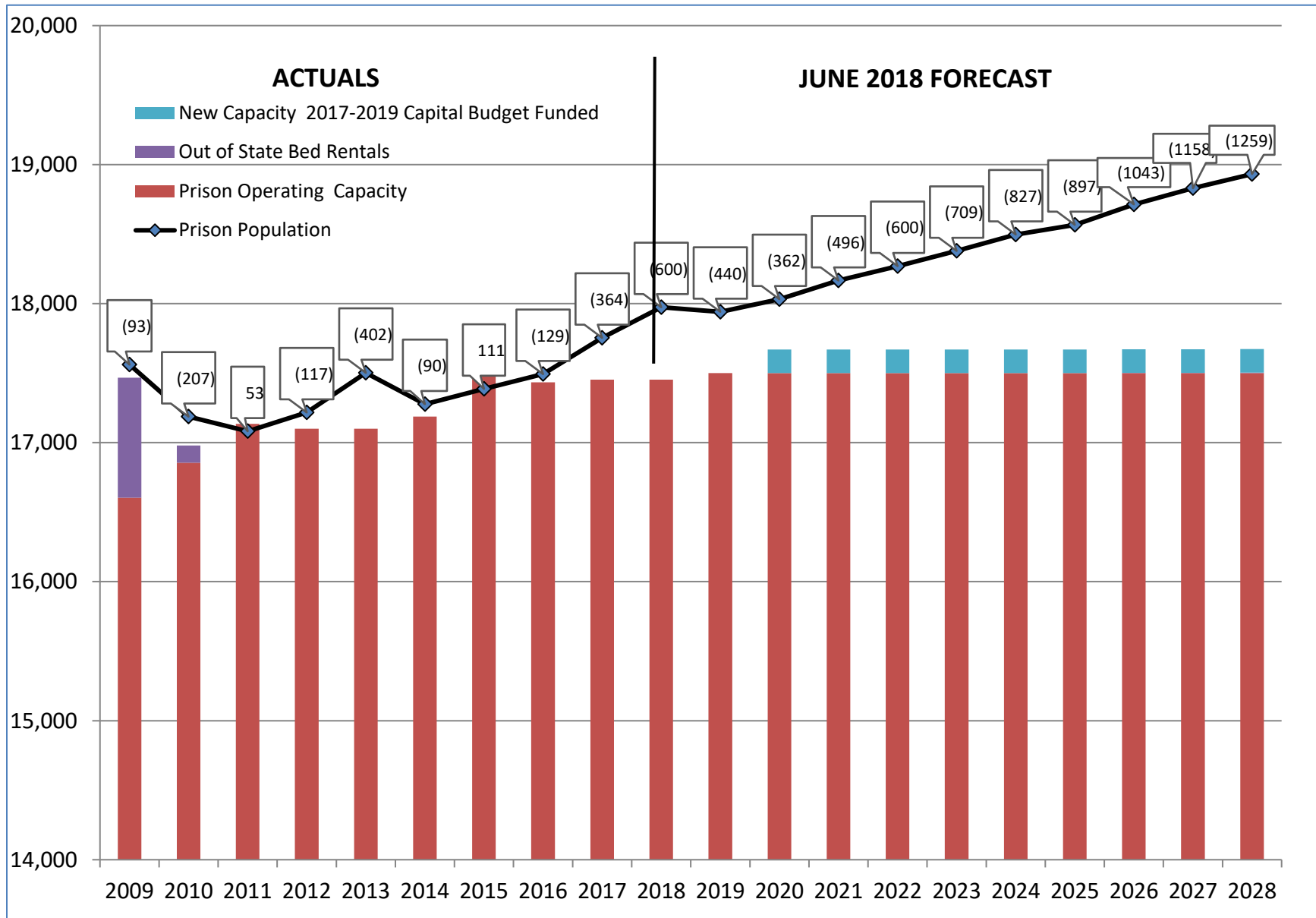
There are four minimum security facilities, including three forestry camps and a minimum custody facility for women.

<b>Cedar Creek Corrections Center (CCCC) and Mission Creek, Thurston County</b> Minimum Custody Department of Natural Resources' Crews	<b>Larch Corrections Center (LCC), Yacolt</b> Minimum Custody Department of Natural Resources' Crews
<b>Mission Creek Corrections Center for Women, Belfair</b> Minimum Custody	<b>Olympic Corrections Center (OCC), Jefferson County</b> Minimum Custody Department of Natural Resources' Crews

**Work Release Facilities**

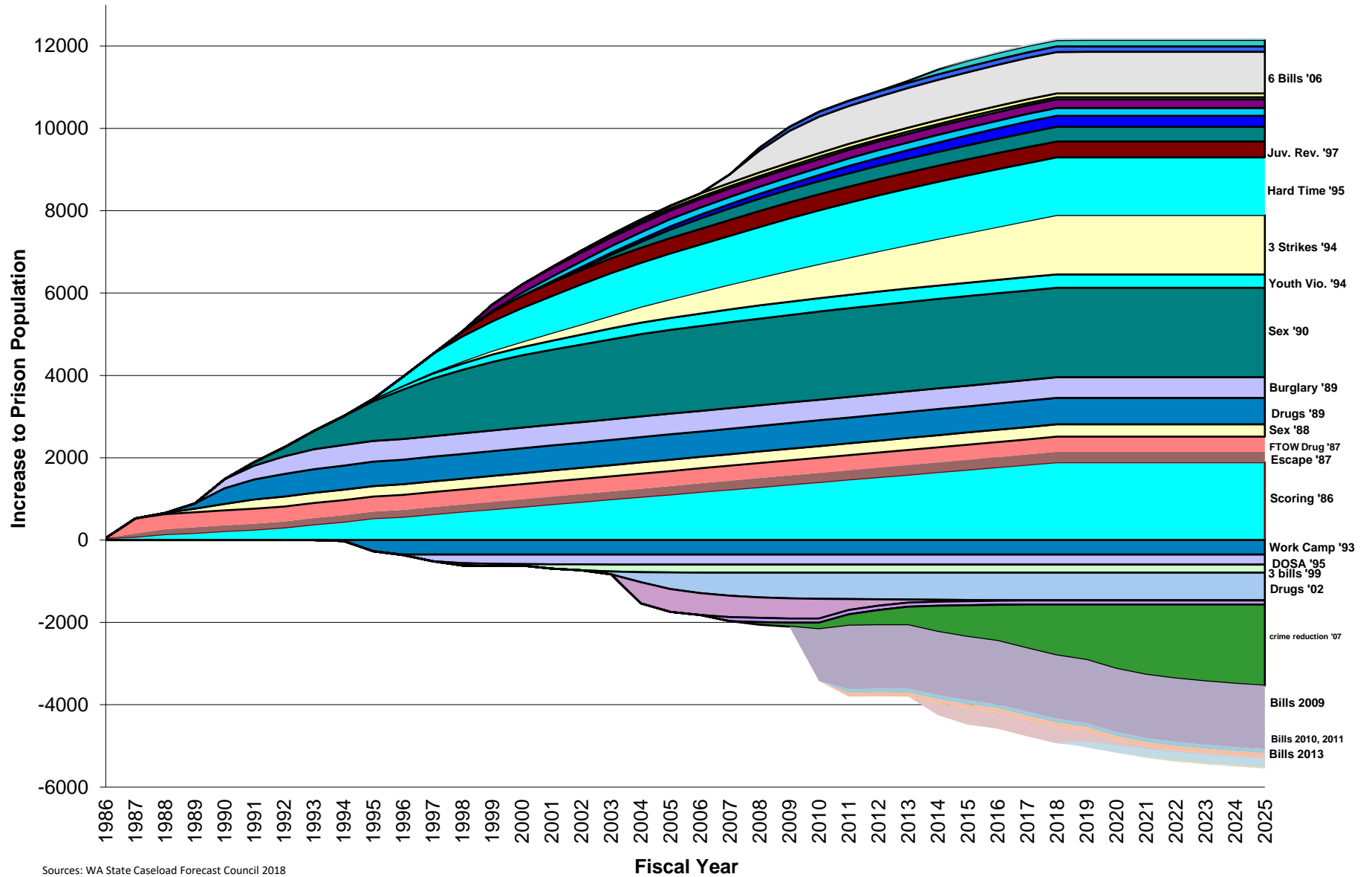
The DOC operates 15 work release facilities that provide offenders the opportunity to assimilate back into the community with employment and an approved residence.

## Department of Corrections Inmate Population Forecast



Source: Department of Corrections, 2018

## Cumulative Effects of Criminal Justice Legislation in Washington State 1986 - 2018 Sessions







# Natural Resources

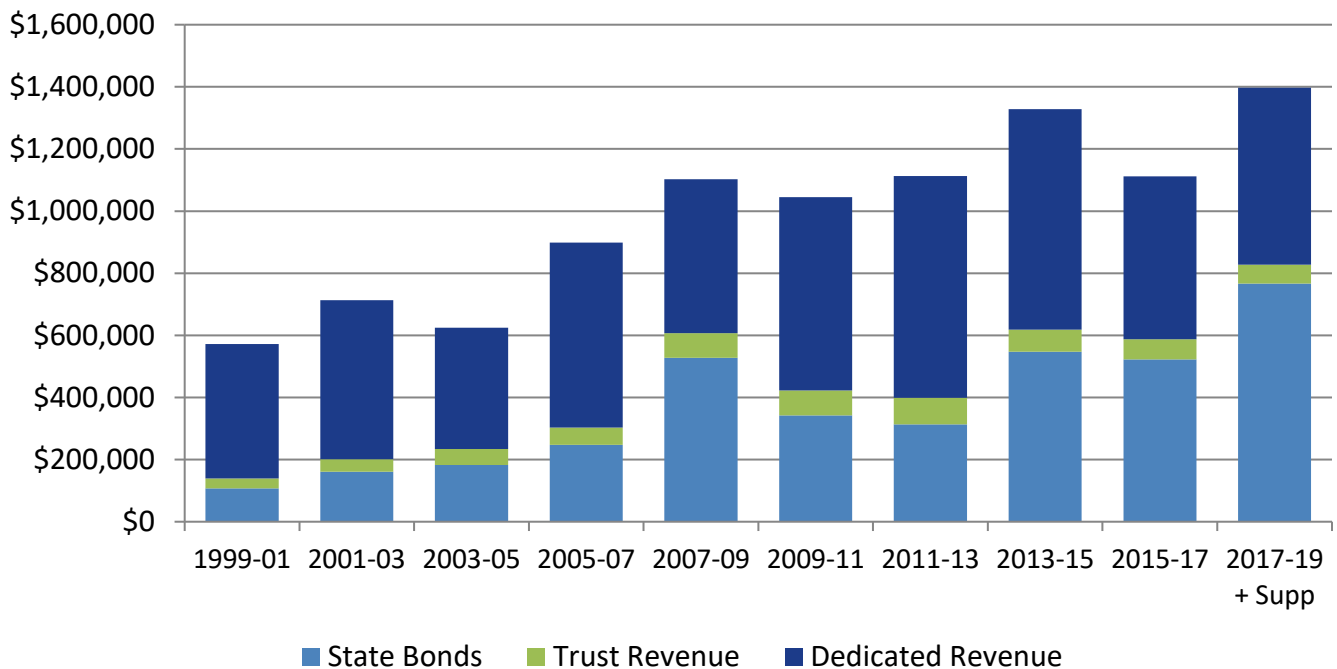


# Overview of Natural Resources

The Natural Resources functional area of the capital budget includes those agencies responsible: (1) for supporting environmental quality, conservation, and outdoor recreational opportunities; and (2) for managing state lands and waters for resource production and habitat protection. Examples of activities funded in the Natural Resources functional area include forest road repairs, forest hazard reduction, storm water improvements, water supply development, recreational trail construction, state hatchery rehabilitation, habitat conservation and restoration, flood hazard risk reduction, farmland preservation, and salmon recovery.

**Natural Resources**  
**Capital Budget Appropriations by Fund Source**

(Dollars in Thousands)



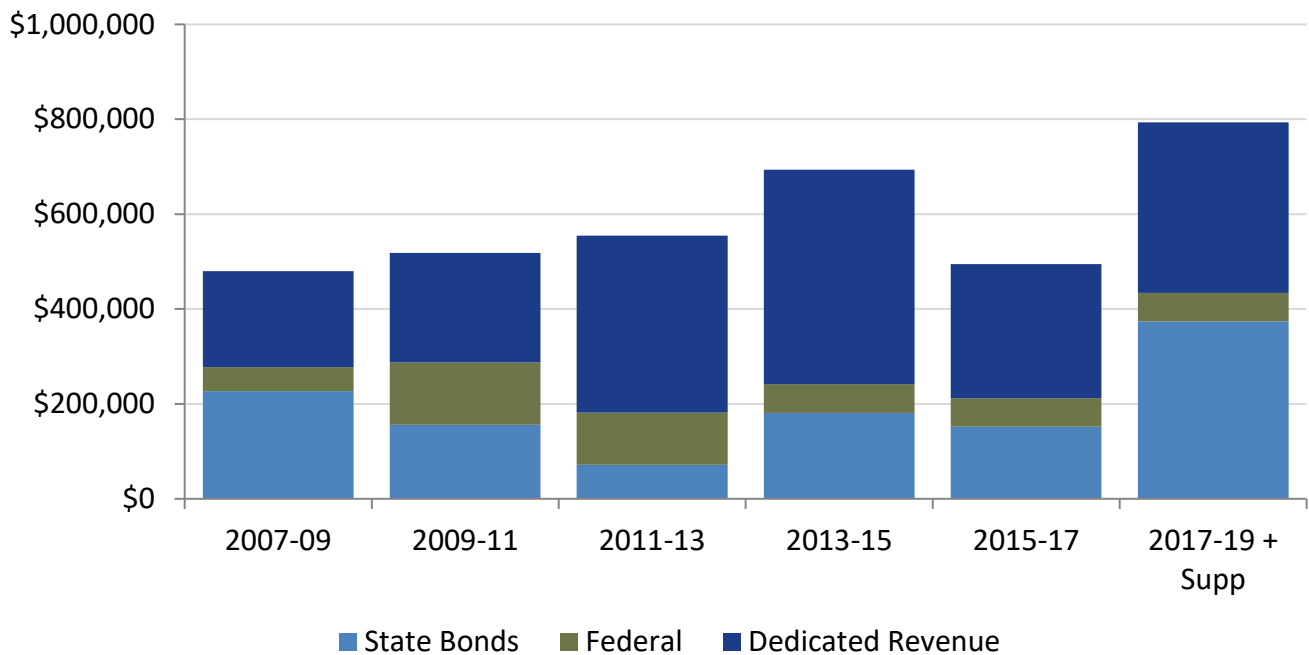
Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Department of Ecology

Established in 1970, the stated mission of the Department of Ecology (DOE) is “to protect, preserve and enhance Washington’s environment and promote the wise management of air, land, and water for the benefit of current and future generations.” The DOE receives state and federal capital funding to improve water and air quality; reduce and manage the generation of hazardous waste; cleanup sites historically contaminated with toxics; manage water supplies for the benefit of fish, farms, and communities; and modernize landfills and support recycling.

## Department of Ecology Capital Budget Appropriations History

(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	226,693	156,007	72,004	181,319	152,015	374,079
Federal	50,495	131,548	110,025	60,400	60,000	60,000
Dedicated Revenue	202,454	230,654	372,906	452,092	282,466	359,159
<b>Total</b>	<b>\$479,642</b>	<b>\$518,209</b>	<b>\$554,935</b>	<b>\$693,811</b>	<b>\$494,481</b>	<b>\$793,238</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

## Major Capital Programs Administered by the Department of Ecology

### Integrated Water Quality Financial Assistance

To assist local governments and federally-recognized Indian tribes in improving and protecting water quality, DOE administers four programs under an annual funding cycle: the federal Water Pollution Control Revolving Loan Fund, the state's Centennial Clean Water Program, the Stormwater Financial Assistance Program and the federal Section 319 Nonpoint-Source Grant program. The first three sources are appropriated in the capital budget and the fourth source is appropriated in the operating budget. The DOE uses a combined application and conducts an annual competitive round, evaluates and ranks applications, and produces a draft list of projects which is finalized once the Legislature determines the appropriation levels. Communities often combine these funding sources with the Public Works Assistance Account, Community Development Block Grant, or the United States Department of Agriculture Rural Development programs in order to fully fund large-scale projects.

Known also as the State Revolving Fund (SRF), the **Water Pollution Control Revolving Loan Fund** was established under the federal Clean Water Act to provide cities, counties, special purpose districts, tribes and conservation districts with low-interest loans for high priority water quality projects. Loans can be used to plan, design, acquire, construct and improve rate-based water pollution control facilities, such as wastewater or storm water treatment facilities. The SRF is funded through annual capitalization grants from the Environmental Protection Agency, 20 percent state match, principal and interest payments, and interest earnings on State Treasurer investments.

Initiated in 1986 (RCW 70.146), the **Centennial Clean Water Program** funds local governments and tribes for wastewater treatment, nonpoint source pollution control, watershed and estuary management projects that achieve specific environmental and public health benefits. The program had historically received funding from the Water Quality Account (Account), but since 2009 when revenues from the Account were transferred to the State General Fund, the program has been funded through state debt limit bonds and the state or local toxics control accounts.

In 2013, the Legislature directed DOE to develop an ongoing, comprehensive, statewide **Storm Water Financial Assistance Program**. The DOE program provides grants to local governments to protect and improve water quality and to improve watershed functionality. The funding is for competitive grants for planning, design, and construction of projects that reduce stormwater impacts from existing infrastructure and development. Since the 2013-15 biennium, \$194.7 million has been provided to DOE for stormwater improvement projects and activities. The funding has been from both Model Toxics Control Act revenues and bonds.

## **Floodplain Management and Control**

The DOE is the state coordinating agency for floodplain management. Among other responsibilities, DOE assists local governments with flood management planning and flood hazard reduction projects. The Flood Control Assistance Account (FCAA) in the State Treasury has been used by DOE in the past to provide grants to local governments for flood hazard reduction management planning and implementation actions. Per statute, FCAA is to receive \$4 million per biennium in a transfer from the State General Fund. However, in recent biennia, the annual transfer amount has varied.

In December 2007, a series of storms caused flood damage in southwest Washington. On December 8, 2007, the President declared a major disaster in the counties of Grays Harbor, Kitsap, Lewis, Mason, Pacific, and Thurston. Federal funding assistance was made available following this declaration and the next year, the Legislature authorized \$50 million in state general obligation bonds for projects throughout the Chehalis River Basin. Since the 2007-09 biennium, \$152.7 million has been appropriated in the budget for the Chehalis Basin for flood related projects. In 2016, the Legislation was enacted that established the **Office of Chehalis Basin** within DOE with the primary purpose of pursuing implementation of an integrated strategy and administering funding for long-term flood damage reduction and aquatic species restoration in the Chehalis river basin.

Since 2013, the capital budget has included funding for the **Floodplains by Design (FbD)** Program. The FbD is a public/ private partnership that integrates flood risk reduction with habitat protection and restoration. Since 2013-15, \$121 million in state general obligation bonds has been appropriated to DOE for FbD projects. This funding supported a flood hazard reduction competitive grant program, grants to multi-benefit floodplain restoration projects in the Puget Sound Basin, and local projects.

## **Major Water Supply Programs**

The goal of the **Columbia River Basin Water Management Program**, developed under RCW 90.90 (2006), is to allow access to new water supplies, through storage, conservation, and other actions, to meet the economic and community development needs of people and the in-stream flow needs of fish in the Columbia River Basin. The law and program focus on: alternatives to groundwater for agricultural users in the Odessa subarea aquifer; sources of water supply for pending water right applications; a new, uninterrupted supply of water for the holders of interruptible water rights on the Columbia River main stem; new municipal, domestic, industrial, and irrigation water needs within the Columbia River Basin; and placement of one-third of new supplies in streams to meet the flow needs of fish. Also in 2006, the Legislature authorized the issuance of \$200 million in state bonds dedicated to implement the program. The remaining \$12.5 million from the dedicated bonds was appropriated in 2017-19 biennium. Some of the projects developed to date have included: Lake Roosevelt Incremental Storage Releases, Barker Ranch Canal Piping, Red Mountain Agriculture Viticulture Area Pump Project, Boise Aquifer Storage and Recovery, and Odessa Subarea Projects. Since 2013-15, \$127.3 million has been appropriated to Columbia River Basin projects.

In 2013, the Legislature authorized DOE to implement the **Yakima River Basin Integrated Water Resource Management Plan (Integrated Plan)** (RCW 90.38.060). Through a coordinated effort of affected federal, state, and local agencies and their resources, DOE is directed to develop water supply solutions that provide concurrent benefits to both instream and out-of-stream uses, and to address a variety of water resource and ecosystem problems affecting fish passage, habitat functions, and agricultural, municipal, and domestic water supply in the Yakima River Basin. The Integrated Plan includes seven elements: fish passage, structural and operational changes, surface water storage, groundwater storage, habitat protection and enhancement, enhanced water conservation, and market-based water reallocation. The Integrated Plan includes a list of proposed actions estimated to cost approximately \$4 billion to complete over a period of up to 30 years. The 2013-15 capital budget appropriated \$32 million to DOE for “early action” projects and activities; \$99.3 million to the Department of Natural Resources for the purchase of 50,000 acres of private forest land in the Teanaway watershed in Kittitas County; and \$5 million to Kittitas County for infrastructure and facilities that help offset impacts to the county from transfer of these lands from private to public ownership. The 2015-17 and the 2017-19 budgets appropriated \$30 million and \$31.1 million respectively for the Integrated Plan.

### **Toxics Clean Up**

Initiative 97, the Model Toxics Control Act (MTCA), was approved by voters in 1988 and codified as RCW 70.105D. Its purpose was “to raise sufficient funds to clean up all hazardous waste sites and to prevent the creation of future hazards due to improper disposal of toxic wastes into the state's land and waters.” The MTCA authorized a tax on the first possession of hazardous materials including petroleum products, pesticides, and some chemicals. Fifty-three percent of the revenues from this Hazardous Substance Tax (HST) would be deposited into a Local Toxics Control Account (LTCA) and 47 percent of HST revenues would be deposited into a State Toxics Control Account (STCA).

In 2013, the Legislature changed the percentage of tax revenues deposited into LTCA and STCA to 44 percent and 56 percent, respectively, and added a third account, the Environmental Legacy Stewardship Account (ELSA). Beginning July 1, 2013, and every fiscal year after, the annual amount received from the HST that exceeds \$140 million must be deposited into ELSA. In addition, the legislation also authorized the use of ELSA funds for storm water pollution projects and abandoned and derelict vessels.

In 2014, crude oil prices dropped from \$104 per barrel to below \$30 per barrel in January 2016. This price drop affected MTCA revenues in the 2015-17 biennium and continued into the 2017-19 biennium. Due to the decline in revenues, in 2016 the Legislature made reductions in project lists and delayed projects funded from MTCA accounts, and in 2018 the Legislature backfilled projects with bonds.

Since MTCA was authorized DOE has identified thousands of hazardous sites, with more than 6,700 sites cleaned up or determined to need no further action. There continue to be sites identified each year with more than 5,900 sites in Washington requiring further investigation and cleanup.

The Legislature appropriates funds from bonds and MTCA accounts for several capital programs managed by DOE: Remedial Action Grants, Coordinated Prevention Grants, Clean Up Toxics – Puget Sound, the Eastern Washington Clean Sites Initiative, the Stormwater Financial Assistance Program, and Reducing Toxic Diesel and Wood Stove Emissions.

- **Remedial Action Grants (RAG)** are the primary state financial tool for helping eligible local governments clean up publicly owned lands contaminated with hazardous substances. The local government must be a potentially liable party or the owner of a hazardous waste site where cleanup actions are conducted under an order or decree issued by DOE. Cleaning up contaminated property is often integrated with economic development, habitat restoration, and public recreation projects. The DOE submits a RAG project list, prioritized “worst first,” for legislative approval in the capital budget. The state grants cover from 50 to 75 percent of individual project costs. The appropriations for the 2015-17 and 2017-19 biennia for the RAG projects totaled \$86.4 million.
- **Local Solid Waste Financial Assistance Program**, formerly known as Coordinated Prevention Grants, fund local governments’ ongoing solid waste reduction and recycling programs, household hazardous waste collection, outreach activities, and regulatory oversight of solid waste facilities. The grants support local government staffing costs as well as large equipment purchases and contracts for hazardous waste collection and disposal services. According to DOE, there are about 771 solid waste handling facilities in the state regulated by local health authorities, including landfills, lagoons, transfer stations, moderate risk waste collection facilities, and compost and recycling facilities. The appropriations for the 2015-17 and 2017-19 biennia for these grants totaled \$25 million.
- Under the **Puget Sound Clean Sites Initiative**, DOE funds the clean-up of contaminated sites within one-half mile of Puget Sound that are either abandoned or where the potentially liable party (land user, facility operator or property owner) is unwilling or unable to pay costs associated with the cleanup activities. Funds also are used to advance emergent clean up needs of sites adjacent to critical and sensitive habitats. Clean up work is handled by direct state action, through contributions from potentially liable parties, and under interagency agreements with local governments, resource agencies, and tribes. Work in seven priority bays has highlighted a link between toxic site cleanup and habitat restoration opportunities. The appropriations for the 2015-75 and 2017-19 biennia for Puget Sound Clean Sites Initiative projects totaled \$26 million.
- The DOE’s **Eastern Washington Clean Sites Initiative** has funded and managed similar remediation activities on orphaned or abandoned contaminated sites in Central/Eastern Washington. Contamination includes heavy metals, leaking underground storage tanks, and



impacts of mining operations. Projects include site investigations to confirm soil and groundwater contamination, development of action plans, removal of the contamination source, and groundwater monitoring. The appropriations for the 2015-17 and 2017-19 biennia for Eastern Washington Clean Sites Initiative projects totaled \$15.2 million.

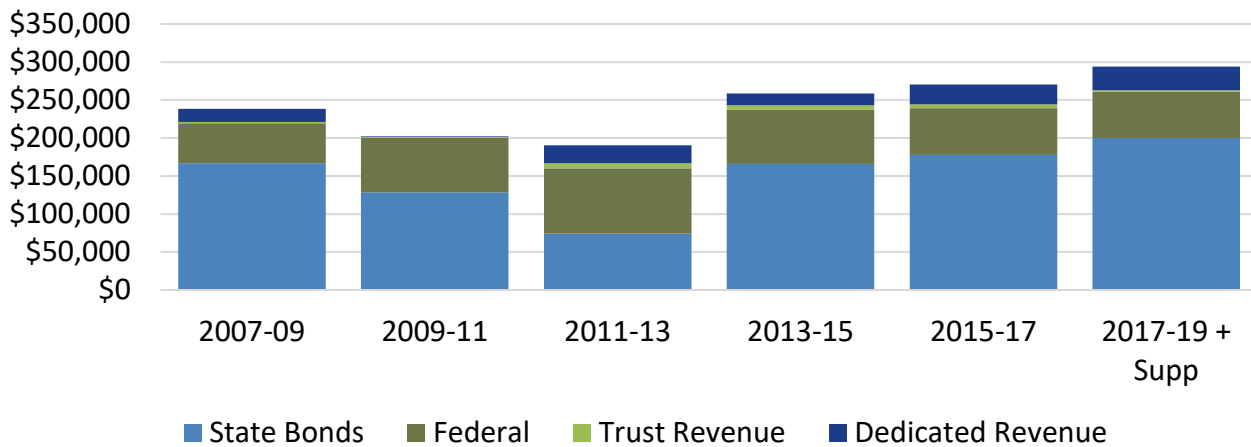
- Reducing air quality-related public health risks and preventing imposition of federal sanctions drive the **Diesel and Wood Stove Emissions Reduction programs**. The DOE awards competitive grants to local entities to reduce diesel emissions in high-risk diesel pollution areas, and to reduce use of old, high-polluting wood stoves in communities impacted by wood smoke. As examples, funds are used to install retrofit emissions controls on diesel-fueled cargo-handling equipment, construction equipment, emergency response vehicles, and school and transit buses. Funds are also used to replace older, high-polluting wood stoves with clean heating alternatives. The appropriations for the 2015-17 and 2017-19 biennia for the Diesel and Woodstove Emissions Reduction program totaled \$7.5 million.

# Recreation and Conservation Office

The Recreation and Conservation Office (RCO) manages grant programs that create outdoor recreation opportunities, protect wildlife habitat, conserve working farms and forests, restore and develop state lands, assist salmon recovery, and coordinate the state’s response to invasive species. The RCO supports the Recreation and Conservation Funding Board, the Salmon Recovery Funding Board, the Invasive Species Council, the Governor’s Salmon Recovery Office, and the Habitat and Recreation Lands Coordinating Group.

According to RCO, more than \$2.2 billion in grants have been awarded to more than 9,000 projects since its founding in 1964. Fund sources backing the grants have included dedicated state fees and taxes, debt limit bonds, and federal funds. Grant programs include the Washington Wildlife and Recreation Program (WWRP), the Brian Abbott Fish Passage Barrier Removal Grants, Boating Facilities, Aquatic Lands Enhancement Account, Firearms and Archery Range Recreation, Non-Highway and Off-Road Vehicle Activities (NOVA), General Salmon Recovery grants, and the Puget Sound Acquisition and Restoration Grants.

**Recreation and Conservation Office  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	166,568	128,470	74,000	165,830	177,789	200,050
Federal	52,700	72,000	86,100	71,200	61,200	61,200
Trust Revenue	1,699	1,000	6,461	6,000	5,269	1,600
Dedicated Revenue	17,529	495	23,927	15,663	25,960	31,183
<b>Total</b>	<b>\$238,496</b>	<b>\$201,965</b>	<b>\$190,488</b>	<b>\$258,693</b>	<b>\$270,218</b>	<b>\$294,033</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

## Major Capital Programs Administered by RCO

### Washington Wildlife and Recreation Program

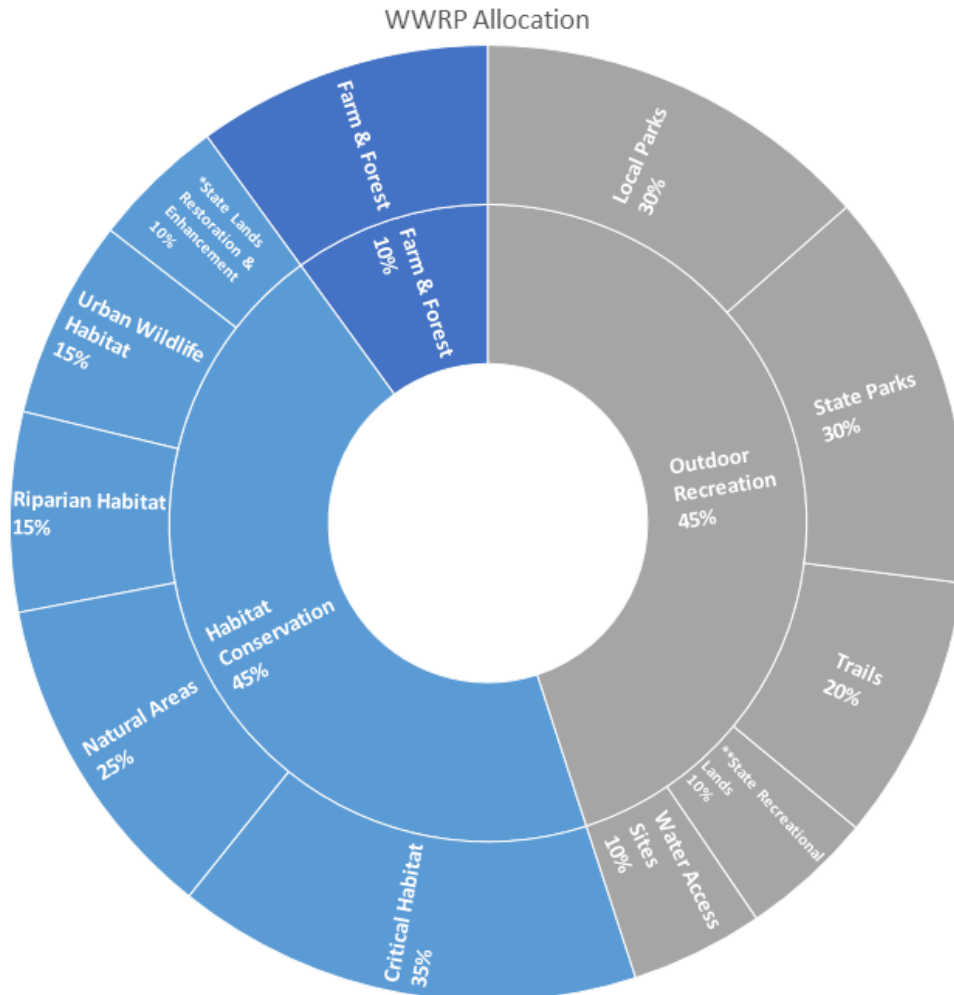
The goals of WWRP, as expressed in RCW 79.15A, are “to acquire as soon as possible the most significant lands for wildlife conservation and outdoor recreation purposes before they are converted to other uses, and to develop existing public recreational land and facilities to meet the needs of present and future generations.”

The RCO manages a biennial WWRP competitive grant process open to local governments, special purpose districts, salmon recovery lead entities, state agencies, tribes, and nonprofit organizations. Grant recipients, except state agencies, must provide at least 50 percent matching resources. Applications are reviewed by RCO staff, and evaluated and ranked by citizen evaluation committees made up of recreation and conservation experts. The ranked lists are considered by the Recreation and Conservation Funding Board, which then submits prioritized project lists to the Governor and Legislature for approval.

Prior to July 2016, the WWRP statute prescribed how the capital budget appropriation was to be allocated among four accounts with a somewhat complex formula. In 2016, legislation was enacted to simplify the formula and account structure, as well as change some of WWRP eligibility and application processes. The revisions were based on recommendations made by RCO to the Legislature in 2015. Moneys appropriated to WWRP are allocated among three accounts:

<b>ACCOUNT</b>	
<b>Habitat Conservation</b>	45%
<b>Outdoor Recreation</b>	45%
<b>Farm and Forest</b>	10%

The allocation percentages for 11 project categories are:



\*Amounts in excess of \$3 million will be used to supplement the Riparian Habitat allocation

\*\*Amounts in excess of \$3 million will be used to supplement the Water Access Sites allocation

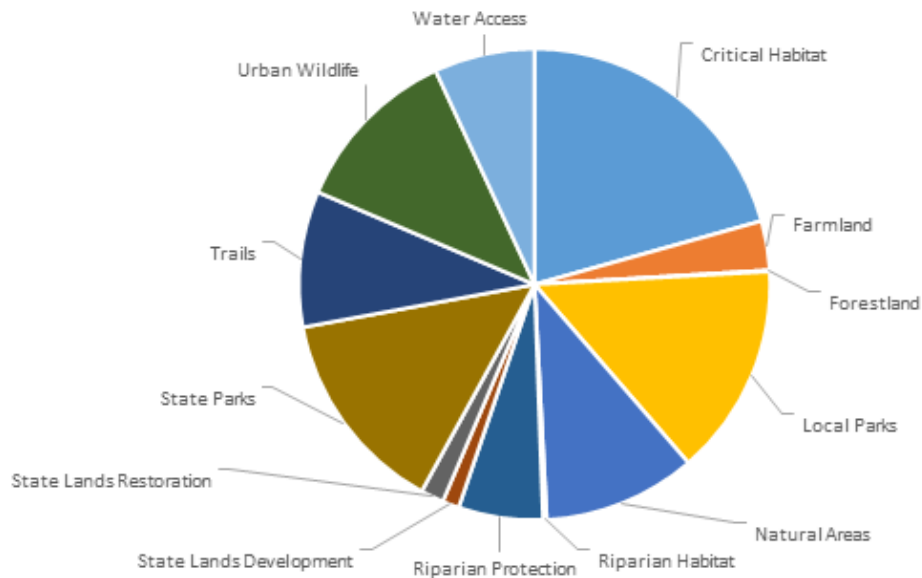
Source: Office of Program Research, October 2018

Washington Wildlife and Recreation Program grants are supported by legislative appropriations of general obligation bonds. In the past five biennia, capital budget appropriations for WWRP have ranged from \$42 million to \$80 million.

## Washington Wildlife and Recreation Program

Percent of \$845 Million

1990-2018



Source: Recreation and Conservation Office, November 2018

### Salmon Recovery

Salmon Recovery programs provide state and federal funding as grants for projects that protect or restore salmon habitat, and for monitoring, feasibility assessment, and related activities. Seven state programs, administered through the Salmon Recovery Funding Board and RCO, are included under the Salmon Recovery umbrella:

- Salmon Recovery Funding Board grants;
- Estuary and Salmon Restoration Program grants;
- Brian Abbot Fish Barrier Removal Board grants;
- Coastal Restoration grants;
- Chehalis Basin Program Habitat grants;
- Family Forest Fish Passage Program grants; and
- Puget Sound Acquisition and Restoration grants.

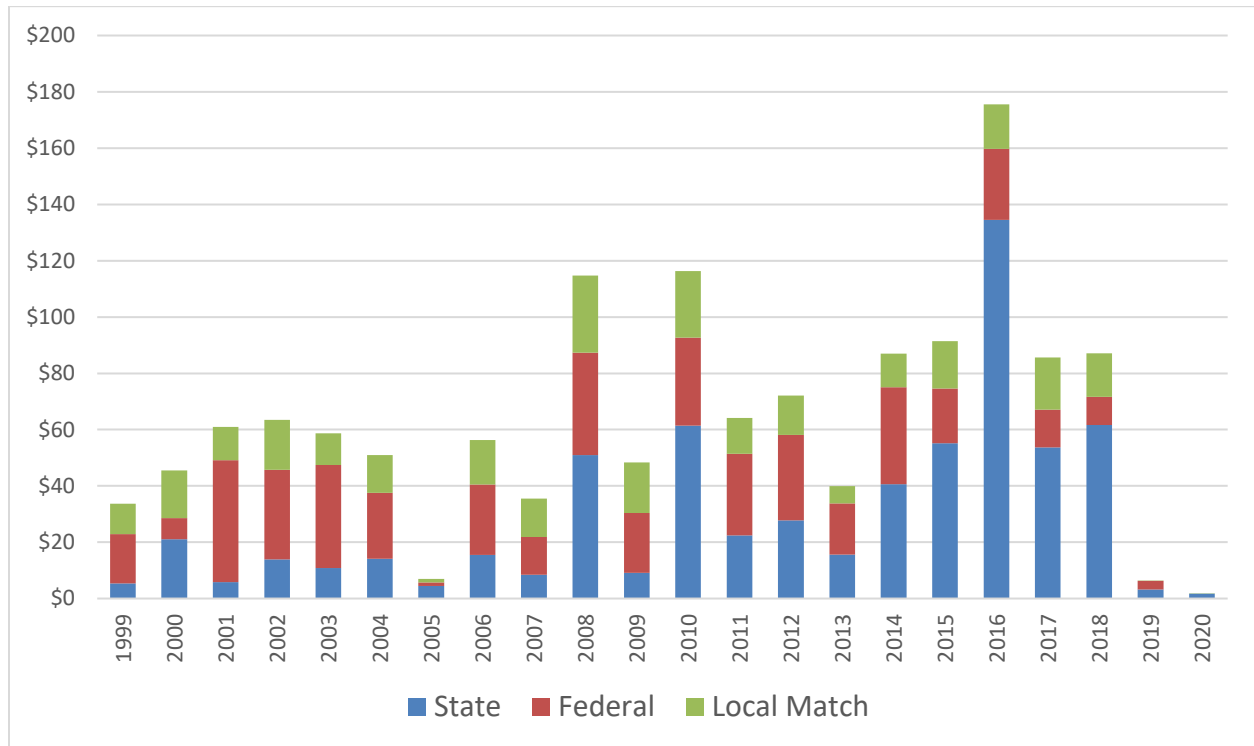
Local and tribal governments, nonprofit organizations, state agencies, conservation districts, private landowners (in limited cases), and regional fisheries enhancement groups are eligible for grants and must provide at least 15 percent in matching cash or in-kind contributions. About 34 percent of the funding is allocated to projects in Puget Sound, 6 percent for Hood Canal, 10 percent for the Washington coast, and 50 percent to projects in the Columbia and the Snake Rivers and northeast Washington.

Between fiscal years 1999 and 2020, \$1.1 billion has been allocated to salmon recovery projects from state and federal sources appropriated through the 2017-19 biennium. An additional \$293 million from local resources have been contributed as match.

The following chart displays salmon recovery funding by source, from fiscal years 1999 through 2020 from funds appropriated through the 2017-19 biennium. It accounts for state, federal, and local matching funds, including the small amount of funds which have been authorized but not yet obligated. It does not account for future appropriations that may be allocated to future fiscal years.

### Salmon Recovery Funding by Funding Source

Fiscal Years 1999-2020  
(Dollars in Millions)



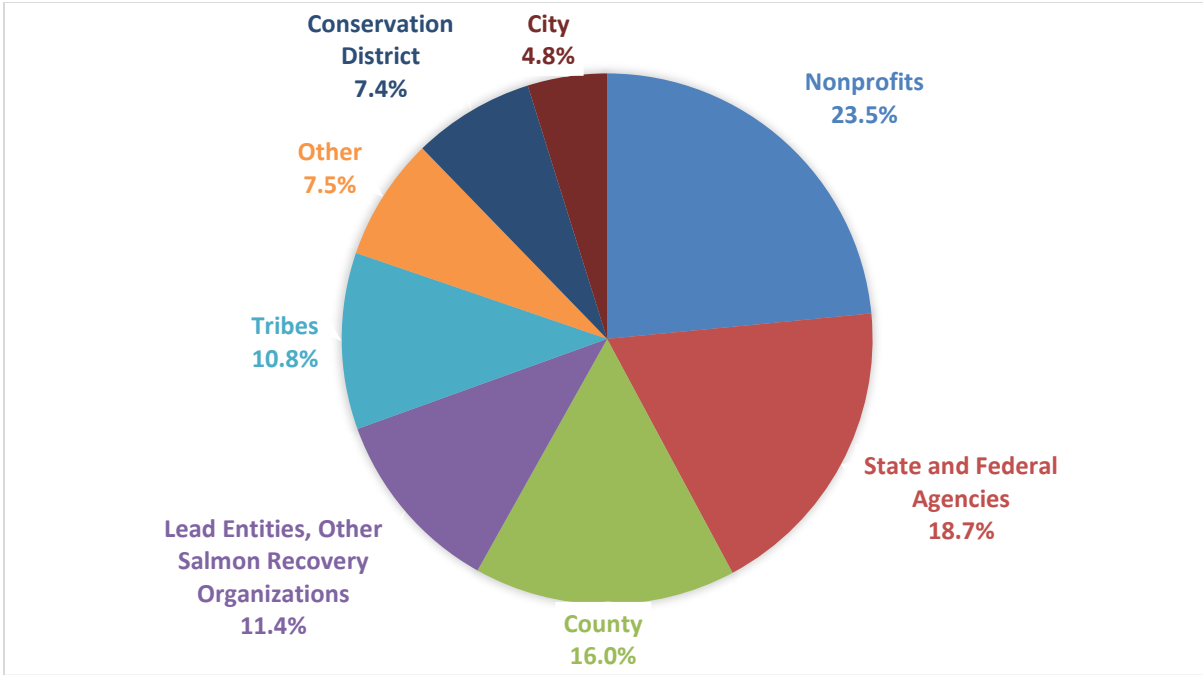
Source: Recreation and Conservation Office, October 2018

Note: Fiscal years 2019 and 2020 amounts are based on projects funded with appropriations through the 2018 supplemental capital budget and do not include estimates for future appropriations.

The following pie charts display the distribution of salmon recovery grant funding from fiscal years 1999 to 2020 in terms of recipients and purposes and are based on projects funded with appropriations through the 2018 supplemental capital budget. The pie charts take into account federal and state funding, but not local matching funds.

## Salmon Recovery Funding by Recipient

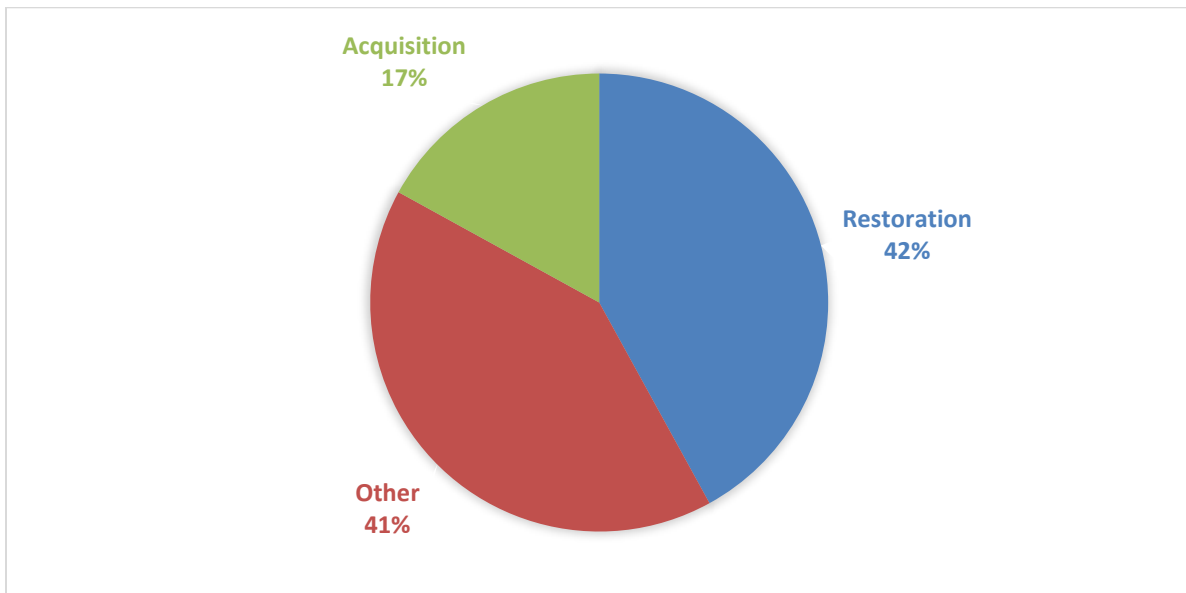
Percent of \$1.1 billion  
Fiscal Years 1999-2020



Source: Recreation and Conservation Office, October 2018

## Salmon Recovery Funding by Project Purpose

Percent of \$1.1 billion  
Fiscal Years 1999-2020



Source: Recreation and Conservation Office, October 2018

## **Non-Highway and Off-Road Vehicle Activities**

The NOVA program funds projects that develop and manage opportunities for recreational activities such as cross-country skiing, hiking, horseback riding, mountain biking, hunting, fishing, sightseeing, motorcycling and riding all-terrain and four-wheel drive vehicles. With the exception of off-road vehicle facilities, recreational activities supported by NOVA must be accessed via non-highway roads, which are public roads not built or maintained with gasoline tax funding. Examples of NOVA projects are: building, renovating, and re-routing of hiking and horseback trails; maintaining trails and associated campgrounds and trailheads; operating off-road vehicle parks; and other planning, capital improvements, acquisition, education and law enforcement projects.

Grant funding is appropriated by the Legislature from the NOVA Account, which receives revenues from off-road vehicle use permits and 1 percent of the state gasoline tax revenues. The RCO manages a competitive grant process for allocating the funds. At least 70 percent of the funding must be used for recreational facilities. Eligible applicants include local governments, tribes, federal and state agencies, and a limited number of nonprofit organizations. Applications are evaluated by a citizen committee made up of trail and off-road vehicle experts. The committee's ranked recommendations are submitted to the Recreation and Conservation Funding Board for final determination.



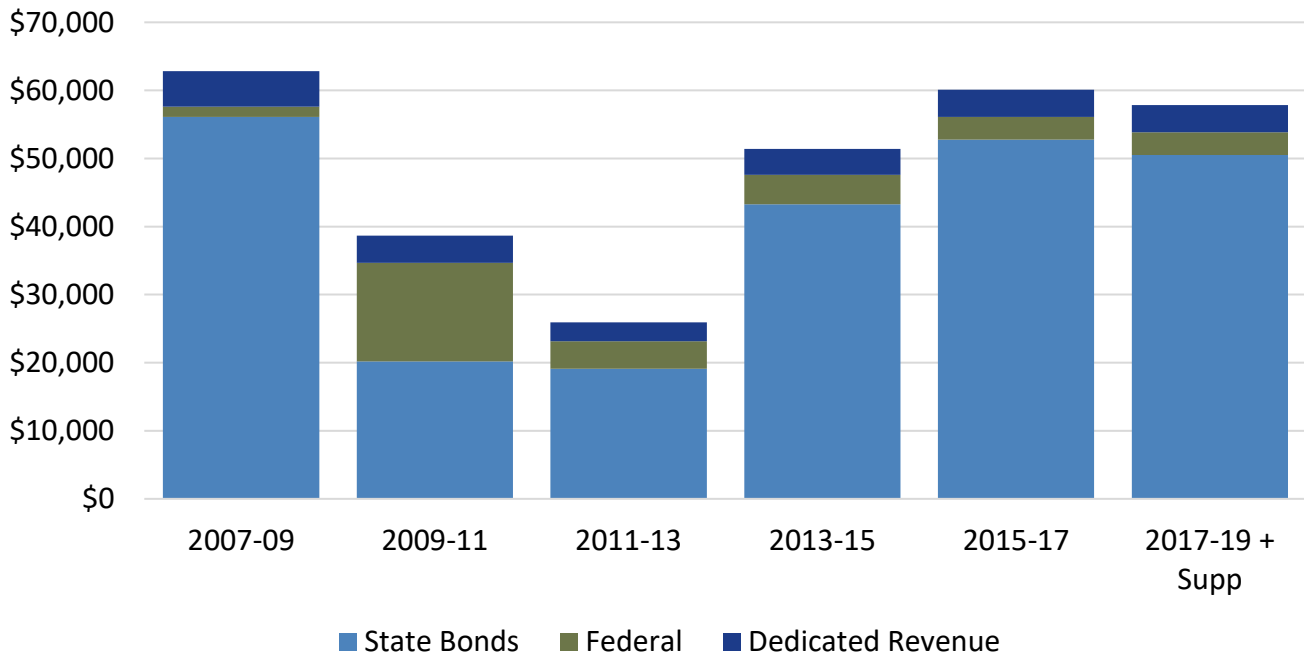
# State Parks and Recreation Commission

The Washington State Parks and Recreation Commission (Commission) consists of a board of seven volunteer citizens who are appointed by the Governor and serve for staggered, six-year terms, setting public policy and guiding the agency. The Commission acquires, operates, enhances and protects a diverse system of recreational, cultural, historical and natural sites, which includes:

- 121 parks, approximately 7,700 traditional and 500 group campsites;
- 900 miles of long distance trails, and hundreds of miles of in-park hiking trails;
- 140 boat launches, and 21 marine parks;
- 260,000 acres of lands, and 60 miles of ocean beach;
- 17 historic areas; and
- 14 interpretive centers.

## State Parks and Recreation Commission Capital Budget Appropriations History

(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	56,113	20,211	19,109	43,250	52,746	50,517
Federal	1,500	14,455	4,050	4,350	3,350	3,350
Dedicated Revenue	5,225	3,990	2,750	3,800	4,000	4,000
<b>Total</b>	<b>\$62,838</b>	<b>\$38,656</b>	<b>\$25,909</b>	<b>\$51,400</b>	<b>\$60,096</b>	<b>\$57,867</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

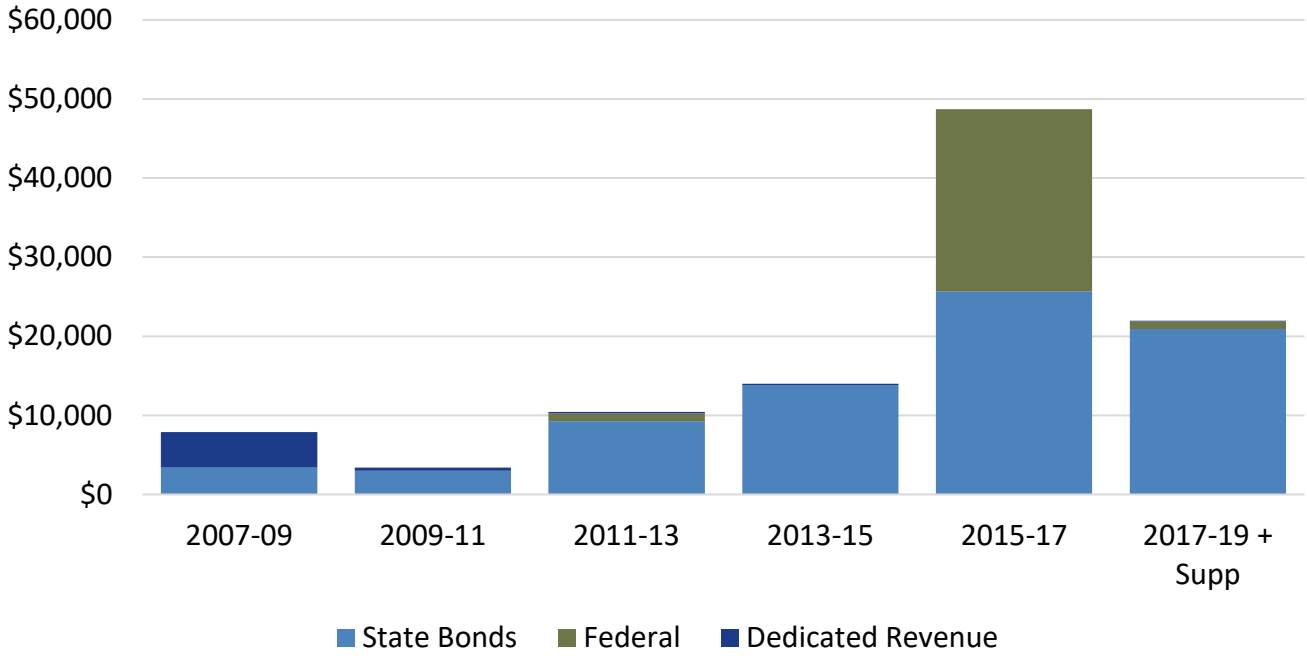
## State Conservation Commission

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The State Conservation Commission (SCC), established in 1939, works with 45 conservation districts statewide to help landowners implement “incentive-based practices to protect Washington's natural resources while maintaining viable agricultural production.” With respect to the capital budget, SCC and conservation districts focus on:

- The **Conservation Reserve Enhancement Program**, a voluntary, contractual program entered into by private landowners that directs federal and state funds to improve salmon habitat on agricultural lands. Livestock and agricultural activities are removed from the riparian area of salmon-bearing streams. Native trees and shrubs are planted and fences are installed. Capital budget appropriations are used to pay the state’s 10 percent share of the restoration costs and the first five years of site maintenance. Federal funding pays most of the restoration costs and rental payments to the landowners for the riparian buffers for the 10-15-year contract period.
- **Livestock nutrient management and other natural resource enhancement projects** through which private landowners voluntarily work with conservation districts and contract engineers to develop and implement best management practices that address water quality problems. Examples include: lagoons, riparian plantings, composting, storm water control measures, fencing, waste storage facilities, fish screens, and manure transfer and utilization. Capital budget funds are used to reimburse the landowners for up to 50 percent of their installation costs.
- The **Regional Conservation Partnership Program (RCPP)** is a federal program, which combined four former conservation programs into one, and is administered by the United States Department of Agriculture Natural Resource Conservation Service. The federal program has match requirements as a condition of receiving funding. The SCC is a lead partner for one RCPP project in Washington and the state agency that administers the pass-through state matching funds for local recipients of RCPP awards. Since the 2015 federal grant cycle, projects in Washington State have been awarded \$48 million in federal funds. Since the 2015-17 biennium, \$9 million has been provided for match.

**State Conservation Commission**  
**Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	3,379	3,000	9,277	13,821	25,703	20,900
Federal	0	0	1,000	0	23,000	1,000
Dedicated Revenue	4,500	400	150	180	0	50
<b>Total</b>	<b>\$7,879</b>	<b>\$3,400</b>	<b>\$10,427</b>	<b>\$14,001</b>	<b>\$48,703</b>	<b>\$21,950</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

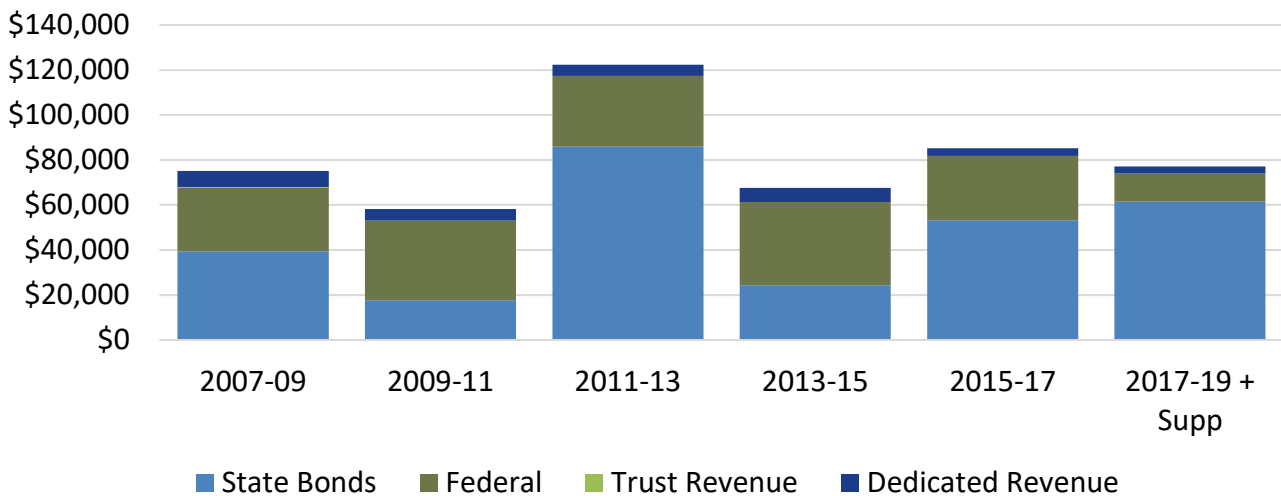
# Department of Fish and Wildlife

The Department of Fish and Wildlife (DFW) protects and enhances fish and wildlife and their habitats, and provides sustainable recreational and commercial opportunities. The DFW’s capital budget projects typically focus on:

- renovating and constructing hatchery facilities and infrastructure such as intakes, adult handling facilities, bridges, pollution abatement ponds, gravity pipelines, and raceways;
- correcting fish passage barriers, particularly culverts within the area of the *U.S. v Washington* court case;
- developing or improving access to recreational sites such as boat launches, additional parking, and new restroom facilities;
- maintaining or closing abandoned roads;
- repairing DFW-owned dams and dikes;
- removing dilapidated structures and constructing new office space; and
- authority to use federal, private, local, and special wildlife account monies for dedicated conservation efforts and construction projects that restore and protect fish and wildlife habitat.

## Department of Fish and Wildlife Capital Budget Appropriations History

(Dollars in Thousands)



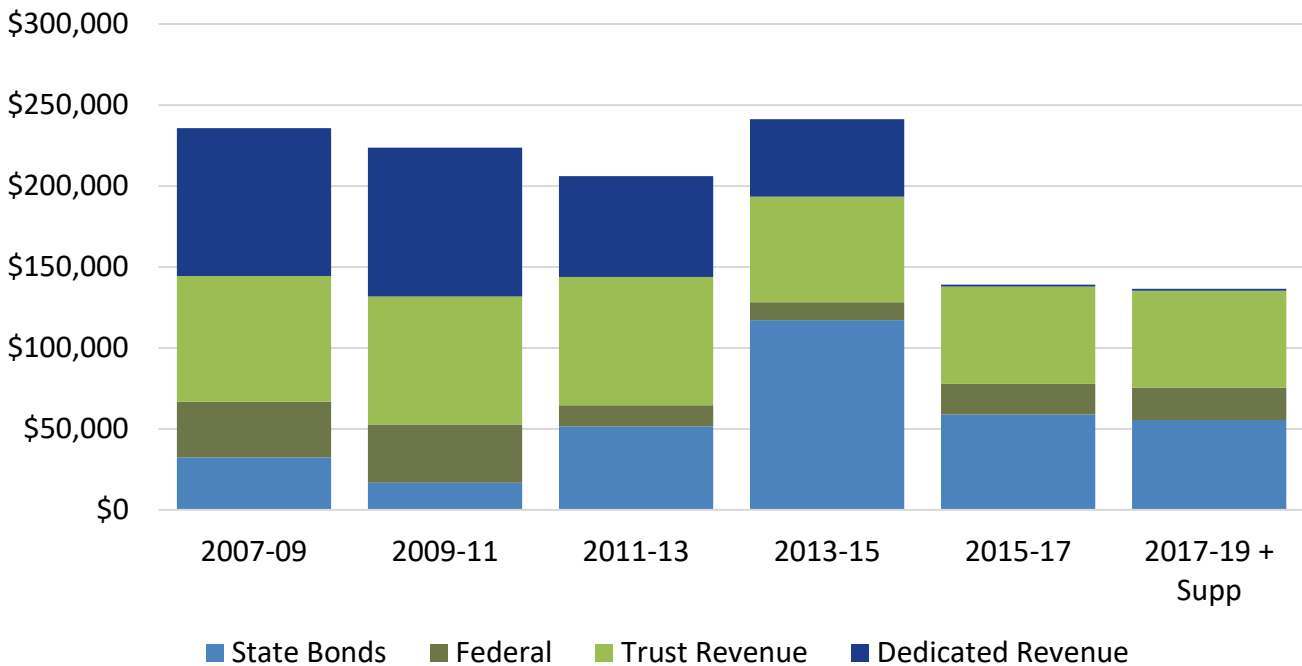
	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	39,412	17,659	85,941	24,337	53,227	61,539
Federal	28,300	35,400	31,400	37,000	28,600	12,500
Trust Revenue	350	0	0	0	0	0
Dedicated Revenue	7,037	5,180	5,050	6,200	3,400	3,100
<b>Total</b>	<b>\$75,099</b>	<b>\$58,239</b>	<b>\$122,391</b>	<b>\$67,537</b>	<b>\$85,227</b>	<b>\$77,139</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Department of Natural Resources

The Department of Natural Resources (DNR) manages three million acres of state-trust forest, agricultural, range, and commercial properties that earn income to fund schools, universities, capitol campus buildings, and other state institutions. Earnings also help fund local services in many counties. In addition, DNR manages aquatic lands along the shoreline and beneath the waters of the state.

**Department of Natural Resources  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	32,365	16,757	51,605	117,234	58,824	55,420
Federal	34,500	36,000	13,000	11,000	19,000	20,000
Trust Revenue	77,573	79,113	79,265	65,163	60,000	60,000
Dedicated Revenue	91,360	91,690	62,200	47,755	1,356	1,000
<b>Total</b>	<b>\$235,798</b>	<b>\$223,560</b>	<b>\$206,070</b>	<b>\$241,152</b>	<b>\$139,180</b>	<b>\$136,420</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

## **Major Capital Programs Administered by the Department of Natural Resources**

### **Trust Land Transfer Program**

The Trust Land Transfer (TLT) program is a mechanism to transfer K-12 school trust lands with low income potential, but high recreational and environmental value, to other public agencies while reimbursing the Common School Trust for the value of the land and associated timber. Through the program, these trust lands are transferred into protected status and the school trust is compensated without actually harvesting the timber.

The TLT program operates in the following manner:

1. Each biennium, DNR identifies a list of low income-producing properties with high recreation or conservation values for consideration by the Board of Natural Resources and the Legislature as candidates for the TLT program.
2. If the list is authorized and funded in the capital budget bill, the trust lands are transferred to public agencies at appraised market value.
3. At transfer, the capital budget directs the timber value to be deposited in the Common School Construction Account where it becomes available for school construction within the current biennium.
4. The land value is deposited into the Real Property Replacement Account for the purchase of replacement lands with higher income producing potential to be managed by DNR to provide current and future income for the Common School Trust.
5. The lands transferred out of trust status are managed for conservation, wildlife habitat, or recreational purposes.

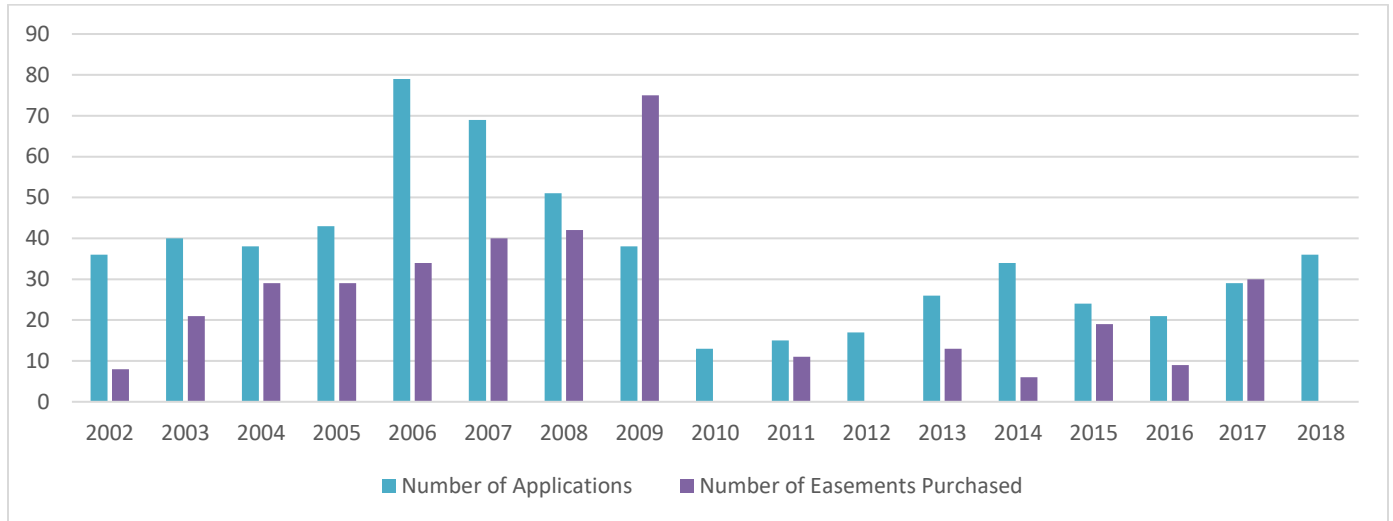
The TLT program has been implemented through proviso language in the capital budget, the provisions of the program are not codified elsewhere in state law.

### **Forestry Riparian Easement Program**

The Forestry Riparian Easement Program (FREP) purchases 50-year conservation easements along riparian areas from family forest landowners. The Legislature created FREP in 2001 to compensate family forest landowners for the disproportionate financial impacts of the Forest Practices riparian rules as modified by the Forest and Fish law. The FREP was designed to compensate family forest landowners for 50-89 percent of the value of the trees required to be left next to streams, wetlands, or other riparian areas which they are prohibited from harvesting by the Forest Practices Rules. Establishing 50-year forest riparian easements facilitates compliance with the Clean Water Act and helps maintain small forest lands on the landscape which aids in the restoration of Puget Sound. The FREP also helps safeguard the state against claims of regulatory takings.

The following chart and table display FREP funding levels and the number of applications received and easements purchased since 2002.

### Forestry Riparian Easement Program



Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Totals
Number of Applications	36	40	38	43	79	69	51	38	13	15	17	26	34	24	21	29	36	479
Number of Easements Purchased	8	21	29	29	34	40	42	75	0	11	0	13	6	19	9	30	0	342
Waiting List	28	47	55	68	108	126	131	85	96	89	103	114	135	128	137	125	158	
Amount Spent per biennium (\$ in millions)	\$1.2		\$3.3		\$8.0		\$9.9		\$0.9		\$1.0		\$2.0		\$3.5		\$0.1	\$29.9

Source: Department of Natural Resources, October 2018

### **Family Forest Fish Passage Program**

The Forests and Fish rules enacted in 2001 require fish passage barriers to be corrected on all forest lands. Fish barriers are often undersized culverts or other structures on forest road crossings over streams. The Family Forest Fish Passage Program (FFFPP) offers financial and technical assistance to small forest landowners to eliminate fish passage barriers on their forest roads. This cost-share program funds 75 percent to 100 percent of the costs and aids in the restoration of threatened and endangered fish stocks and in the restoration of Puget Sound. Since 2002, nearly 885 small forest landowners have participated in FFFPP, replacing 385 barriers and opening more than 910 miles of stream for salmon and trout.

## **Rivers and Habitat Open Space Program**

The Legislature originally created the Riparian Open Space Program (ROSP) in the Forest Practices Act to offset financial impacts to forest landowners resulting from additional riparian zone protections of channel migration zones required under the Forests and Fish Rules. The Legislature subsequently amended ROSP to also compensate landowners for forested critical habitat protections required to be protected under the Forest Practices Rules.

Managed as the Rivers and Habitat Open Space Program, the program provides financial compensation to forest landowners for:

- permanent conservation easements on riparian forest land buffers that protect channel migration zones, the areas where a river could migrate or change channels; and
- forested critical habitats for state threatened or endangered species protected under the Forest Practices Rules.

In exchange for granting a perpetual conservation easement, landowners receive 100 percent compensation for the timber impacted and are offered compensation for the underlying bare ground.



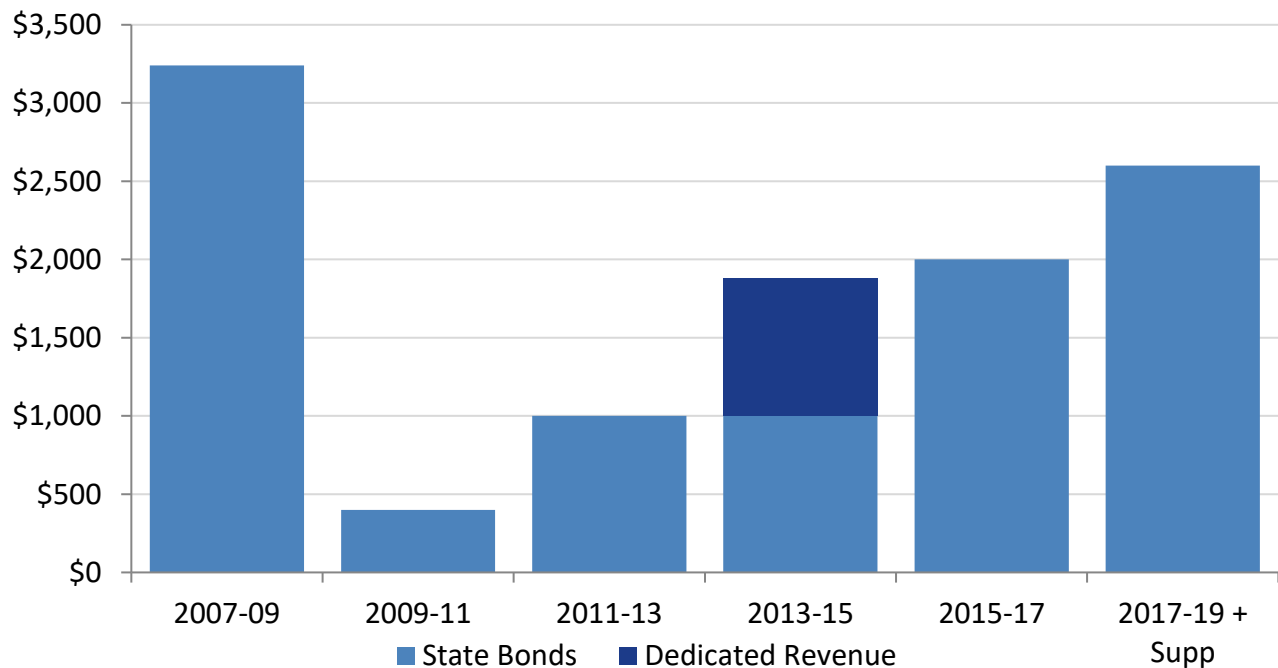
# Department of Agriculture

The major goals of the Washington State Department of Agriculture (WSDA) are:

- assuring the safety of the state’s food supply;
- ensuring the safe and legal distribution, use and disposal of pesticides and fertilizers;
- protecting the public, natural resources, and the agriculture industry from certain plant and animal pests and diseases; and,
- facilitating domestic and international movement of agricultural products.

Over the past three biennia, WSDA has received capital budget funds to award competitive grants for health and safety improvement projects at fairgrounds, and to carry out several components related to animal disease traceability.

**Department of Agriculture  
Capital Budget Appropriations History**  
(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	3,240	400	1,000	1,000	2,000	2,600
Dedicated Revenue	0	0	0	881	0	0
<b>Total</b>	<b>\$3,240</b>	<b>\$400</b>	<b>\$1,000</b>	<b>\$1,881</b>	<b>\$2,000</b>	<b>\$2,600</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

## Relevant Organizations to the Functional Area

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Board of Natural Resources (RCW 43.30.030) – The Board of Natural Resources (NRB) consists of six members: the Governor or designee; the Superintendent of Public Instruction; the Commissioner of Public Lands; the University of Washington’s College of Forest Resources dean; the Washington State University’s College of Agriculture dean; and a representative of counties having state forest lands managed by the Department of Natural Resources. The NRB establishes land acquisition and disposition policies, and acts as the board of appraisers as provided in Article XVI, section 2 of the Washington State Constitution.

Fish and Wildlife Commission (RCW 77.04.030) – The nine-member Fish and Wildlife Commission (Commission) establishes policies to preserve, protect, and perpetuate wildlife, fish, and their habitats, and monitors the implementation by the Department of Fish and Wildlife of those policies. By law, the Commission must “maximize fishing, hunting, and outdoor recreational opportunities compatible with healthy and diverse fish and wildlife populations.” The Commission has final approval authority over departmental agreements and budget proposals; adopts rules and appoints the department director.

Salmon Recovery Funding Board (RCW 77.85.110) – The Salmon Recovery Funding Board (SRFB) is responsible for making grants and loans for salmon habitat projects and salmon recovery activities. The SRFB includes five voting members appointed by the Governor and five ex-officio, non-voting members including the Commissioner of Public Lands, the Department of Fish and Wildlife director, the Department of Ecology director, the Conservation Commission director, and the Secretary of Transportation.

Brian Abbott Fish Passage Barrier Removal Board (79.95.180) – The Brian Abbott Fish Passage Barrier Removal Board (Board), established in 2014, provides funding to remove barriers to fish passage to restore habitat for salmon and steelhead populations. The Board includes nine voting members, eight alternate voting members, and one non-voting member. The Department of Fish and Wildlife facilitates and provides technical assistance to the Board. The Recreation and Conservation Office manages grants.

State Parks and Recreation Commission (RCW 79A.05.015) – The State Parks and Recreation Commission consists of seven members, and has powers to manage state parks, including the authority to acquire lands for parks and adopt rules to guide visitor conduct.

Recreation and Conservation Funding Board (RCW 79A.25.110) – Established by Initiative 215 in 1964, the Recreation and Conservation Funding Board’s (RCFB) statutory mission is to create and implement a state-wide strategy for meeting the recreational needs of Washington’s citizens. The RCFB assists the financing of recreation and conservation projects statewide. Board members include: five citizen members appointed by the Governor, the Commissioner of Public Lands, the Department of Fish and Wildlife director, and the State Parks and Recreation Commission director.

# Higher Education



# Overview of Higher Education

The Higher Education functional area of the capital budget includes appropriations that generally fall into three policy categories:

**Access** - Adequate facilities are necessary to provide students access to education. This has been a priority of the Legislature over the last decade. Access is provided primarily through new and renovated facilities on campuses.

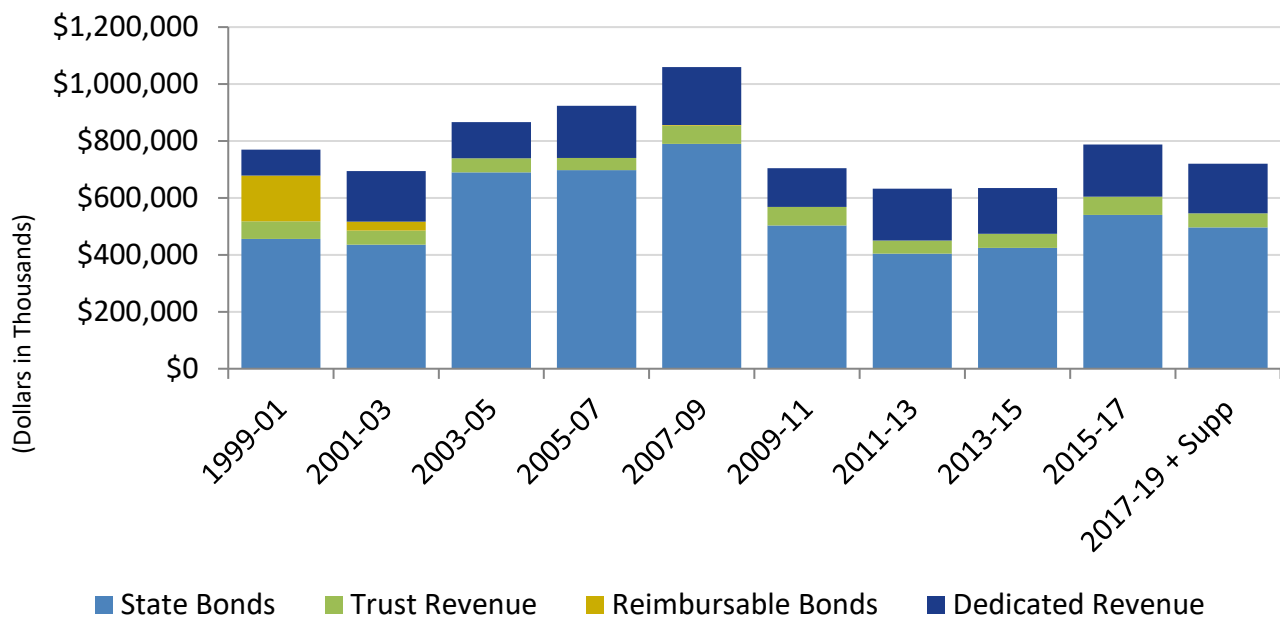
**Preservation** - Ongoing maintenance and small repairs funded by the operating budget are necessary along with capital budget funding for major repairs, renovations, and minor works to preserve facilities, allowing the building to be functional beyond the expected useful life.

**Mission** - Some facilities may be necessary to enable the institution to carry out its unique mission.

A variety of funding sources are available for higher education capital facilities. Generally: (1) research space at the research institutions may be funded from state, federal, or private funds; (2) instructional space and related general space typically is funded using state funds; (3) student auxiliary services (e.g. dining and housing) are funded through student fees, as are student recreational facilities; and (4) other mixed-use facilities often have mixed sources of funding.

**Higher Education  
Capital Budget Appropriations by Fund Source**

(Dollars in Thousands)



Source: Legislative Evaluation and Accountability Program Committee, October 2018

## Higher Education Institutions

### Four-Year Public Institutions (6)

University of Washington

Seattle

Tacoma

Bothell

Washington State University

Pullman

Tri Cities

Vancouver

Spokane (with EWU)

Central Washington University

Ellensburg

Eastern Washington University

Cheney

The Evergreen State College

Olympia

Western Washington University

Bellingham

### Two-Year Public Colleges (34)

Bates Technical College

Bellevue

Bellingham Technical College

Big Bend

Cascadia

Centralia

Clark

Clover Park Technical College

Columbia Basin

Edmonds

Everett

Grays Harbor

Green River

Highline

Lake Washington Technical College

Lower Columbia

North Seattle

Olympic

Peninsula

Pierce

Renton Technical College

Seattle Central

Seattle Vocational Institute

Shoreline

Skagit Valley

South Puget Sound

South Seattle

Spokane

Spokane Falls

Tacoma

Walla Walla

Wenatchee

Whatcom

Yakima Valley

## Higher Education Facility Comparable Framework

In 2003, the Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to conduct a study of facility inventory and condition information of all facilities in Washington's higher education system including the research universities, the regional universities and The Evergreen State College, and the community and technical colleges. The study focused on facility preservation and JLARC produced a comparative estimate of maintenance and repair backlogs for each institution. The study was conducted using existing building data from the institutions with sample field surveys to ensure consistent reporting in a statewide comparable framework.

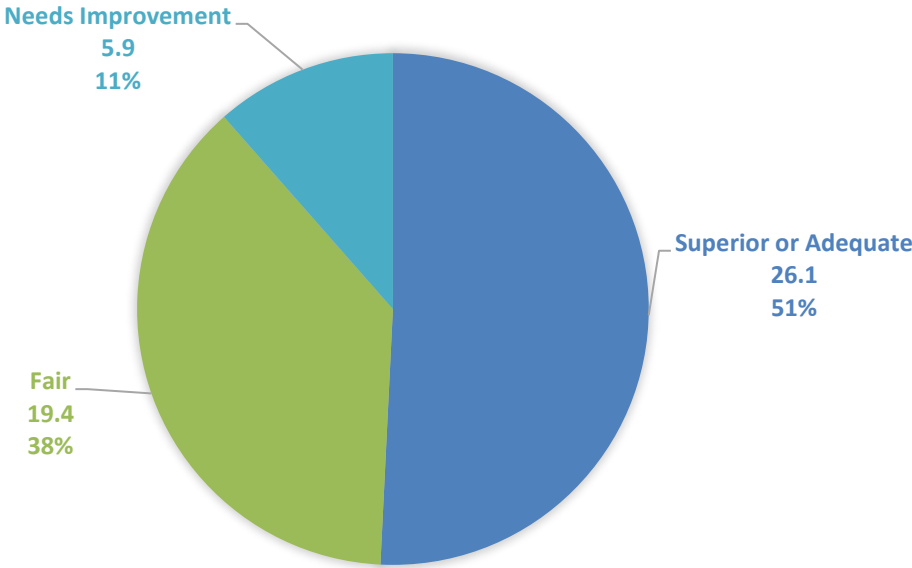
In 2006, the Legislature requested refreshed information to use for consideration of facility preservation investments in the capital budget. Additional updates were made in 2008 with responsibility for the study being transferred from JLARC to the Higher Education Coordinating Board (HECB). Then management of the system was transferred to the Office of Financial Management (OFM) for the 2010 update. The OFM was required to use previous methodologies to collect, translate, and report institutional data.

The most recent update to the Higher Education Facility Comparable Framework was completed in April 2016 for OFM by MENG Analysis. The 2016 update used methodologies like those used in prior comparable framework reports to collect, translate, and report the institutional data.

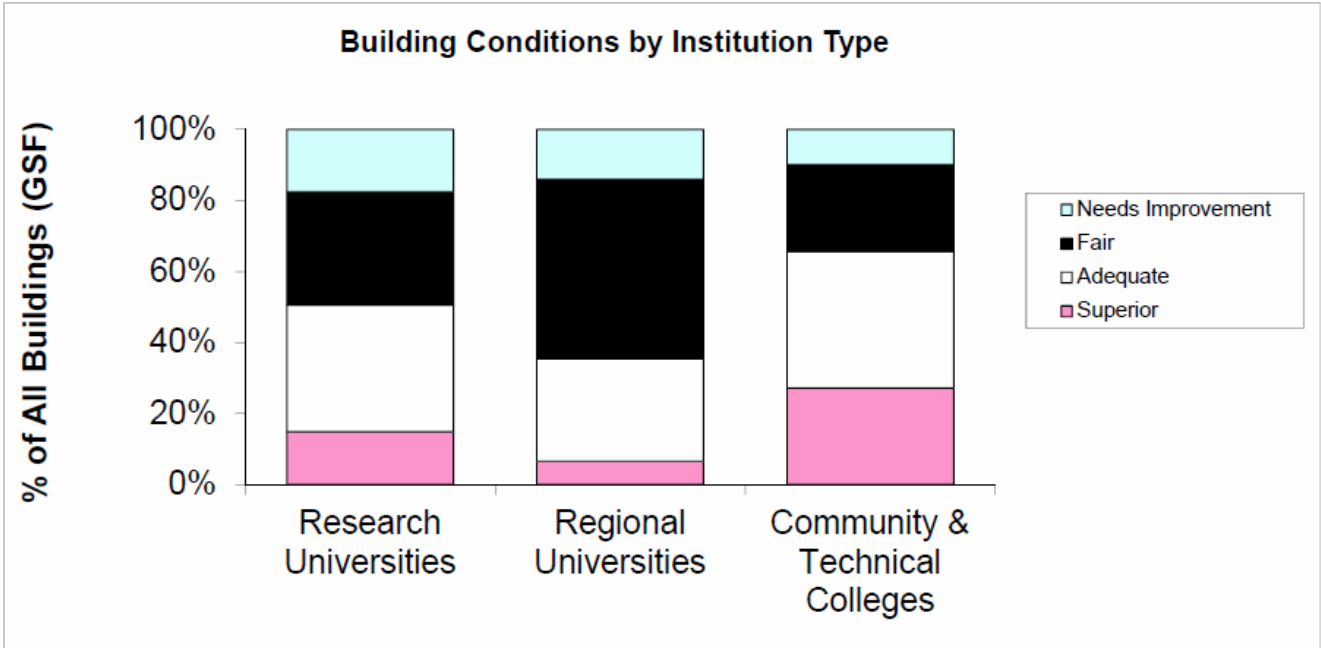
<b>Higher Education Facility Inventory</b>	
2016 Comparable Framework	
<b>Total Higher Education Inventory</b>	<b>State Capital Budget-Supported Inventory</b>
2,443 Buildings	1,478 Buildings
67.6 million Gross Square Feet	51.3 million Gross Square Feet
State-Supported Inventory =	
\$21.7 billion Current Replacement Value	
\$3.2 billion Preservation Backlog	

Source: Office of Financial Management Comparable Framework 2016

# HIGHER EDUCATION FACILITY CONDITION 2016 (MILLIONS GSF)



Source: Office of Financial Management Comparable Framework 2016



Source: Office of Financial Management Comparable Framework 2016



## **Prioritizing Four-Year Higher Education Capital Projects**

In 2003, the Legislature directed the Council of Presidents and HECB to develop a method to guide capital appropriation decisions by rating and individually ranking all major capital projects for public four-year institutions. The resulting list of ranked projects was to be approved by the governing boards of each four-year institution.

In 2005, the Legislature provided additional guidance to refine the method used for the ranking of four-year institutions construction project requests. Greater emphasis was to be placed on early critical review of project proposals. Scoring and ranking of projects could not be based on assigning an equal number of overall points to each four-year institution. The ranking was to address statewide priorities, and the process was to use a facility condition index established by JLARC.

In 2008, the prioritization process was again modified by requiring OFM to complete an analysis and scoring of all four-year institution construction projects. Each of the proposed projects are scored within a single project category according to its primary purpose. The seven project categories are: predesign; enrollment growth; replacement and renovation; major campus infrastructure; research projects that promote economic growth and innovation; land acquisition; and other project categories as determined by the OFM and the legislative fiscal committees.

In 2011, the Legislature enacted Engrossed Second Substitute House Bill 2483 which made further changes to the four-year scoring process. The legislation required OFM to rank major capital projects at the four-year institutions in a single list in priority order. The legislation directed the Student Achievement Council to identify a combination of projects that will most cost-effectively achieve the state's goals. These goals include: increasing baccalaureate and graduate degree production, particularly in high-demand fields; promoting economic development through research and innovation; providing quality, affordable educational environments; preserving existing assets; and maximizing the efficient utilization of instructional space. The OFM is also required to assume that the overall funding level of the prioritized list remains the same as the level of funding provided by the Legislature in the previous biennium.

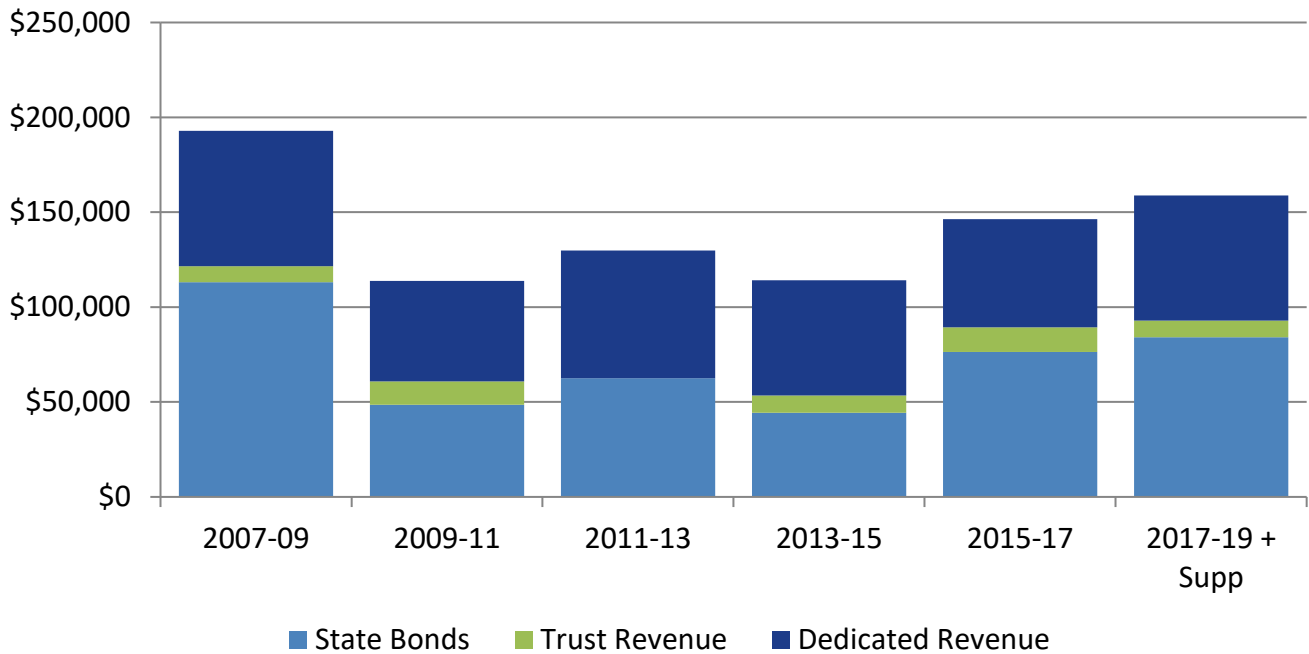
In 2015, the Legislature included a provision in the 2015-17 capital budget that directed OFM to form a four-year prioritized capital project list technical work group with staff from the Office of Program Research, Senate Committee Services, the four-year institutions, and The Council of Presidents. The work group reported its findings and recommendations in December 2015. Recommendations included proposed statute changes to eliminate redundancies and contradictions in competing statutes.

In the 2018 supplemental capital budget, OFM was directed to score higher education capital criteria by how well a project satisfies the criteria, but not by weighing the importance of the criteria. The OFM is not required to develop a single prioritized list of higher education capital projects for the 2019-21

budget cycle. Additionally, OFM received funding to conduct a Higher Education Facility Study that would update space utilization standards and reasonableness of cost standards for higher education capital projects. Through the study, OFM will also develop a criteria scoring and prioritization matrix for decision makers to use to produce single prioritized lists through weighing the importance of scored criteria provided by the scoring process.

# University of Washington

## University of Washington Capital Budget Appropriations History (Dollars in Thousands)

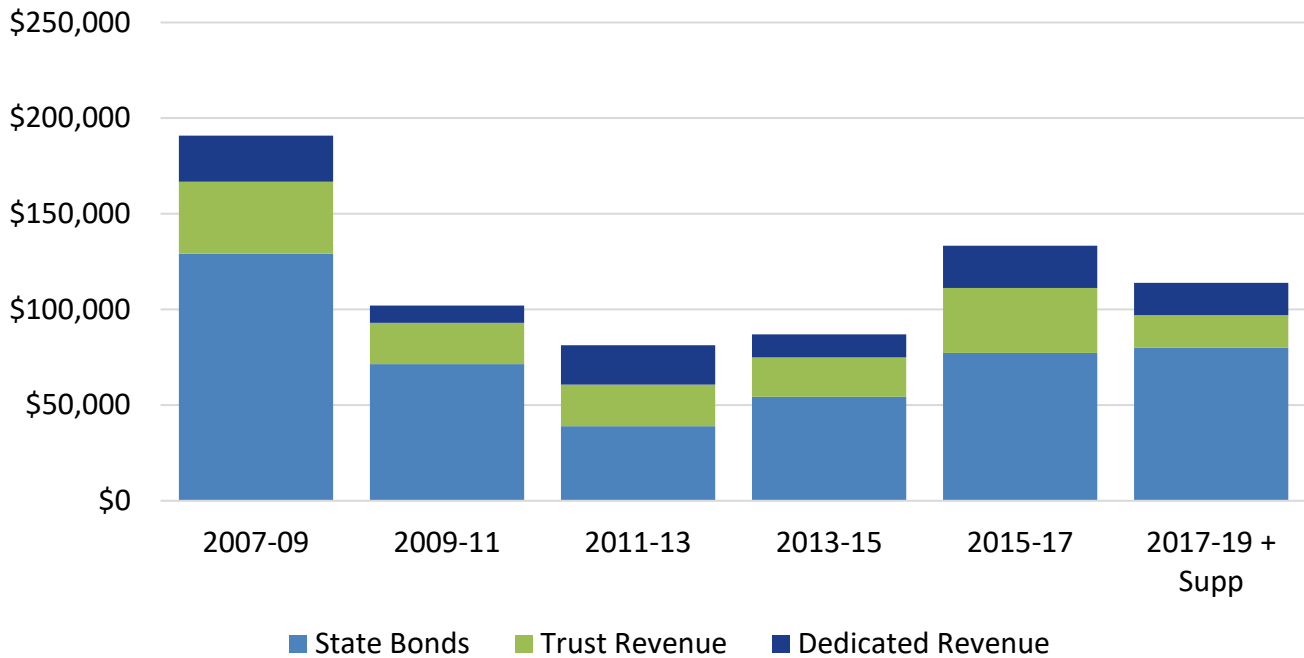


	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	113,177	48,520	62,513	44,410	76,333	84,100
Trust Revenue	8,370	12,399	0	9,071	13,110	8,856
Dedicated Revenue	71,300	52,858	67,289	60,704	56,890	65,944
<b>Total</b>	<b>\$192,847</b>	<b>\$113,777</b>	<b>\$129,802</b>	<b>\$114,185</b>	<b>\$146,333</b>	<b>\$158,900</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Washington State University

## Washington State University Capital Budget Appropriations History (Dollars in Thousands)



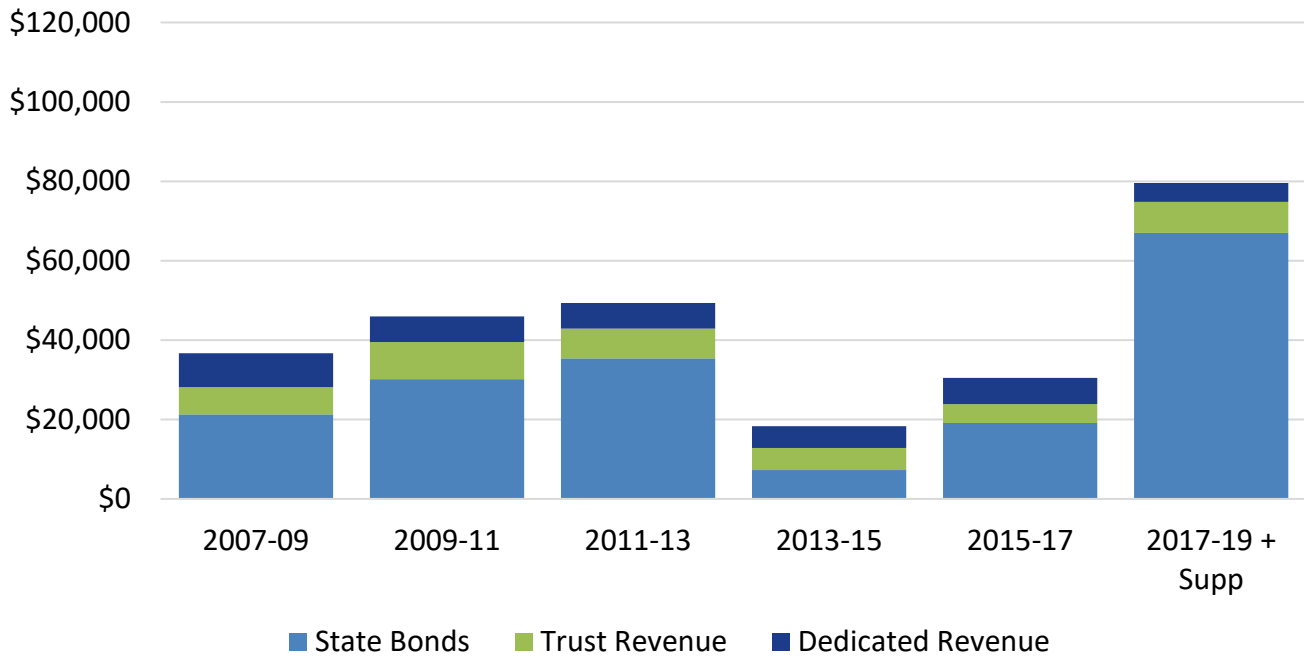
	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	129,139	71,363	39,051	54,376	77,245	80,000
Trust Revenue	37,621	21,726	21,704	20,532	34,028	16,955
Dedicated Revenue	24,030	8,874	20,547	12,058	22,023	16,955
<b>Total</b>	<b>\$190,790</b>	<b>\$101,963</b>	<b>\$81,301</b>	<b>\$86,966</b>	<b>\$133,296</b>	<b>\$113,910</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Eastern Washington University

## Eastern Washington University Capital Budget Appropriations History

(Dollars in Thousands)

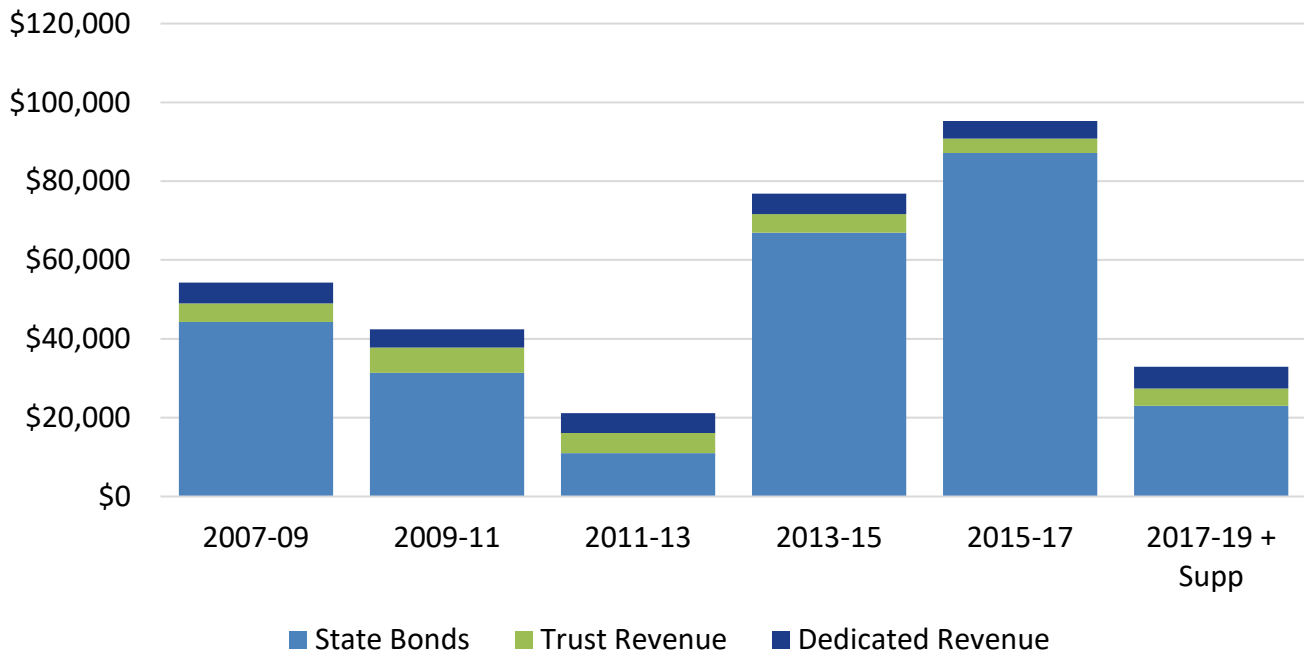


	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>	<b>2015-17</b>	<b>2017-19 + Supp</b>
State Bonds	21,321	30,131	35,395	7,292	19,090	67,009
Trust Revenue	6,825	9,346	7,539	5,527	4,781	7,788
Dedicated Revenue	8,549	6,494	6,423	5,527	6,603	4,774
<b>Total</b>	<b>\$36,695</b>	<b>\$45,971</b>	<b>\$49,357</b>	<b>\$18,345</b>	<b>\$30,474</b>	<b>\$79,571</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Central Washington University

## Central Washington University Capital Budget Appropriations History (Dollars in Thousands)

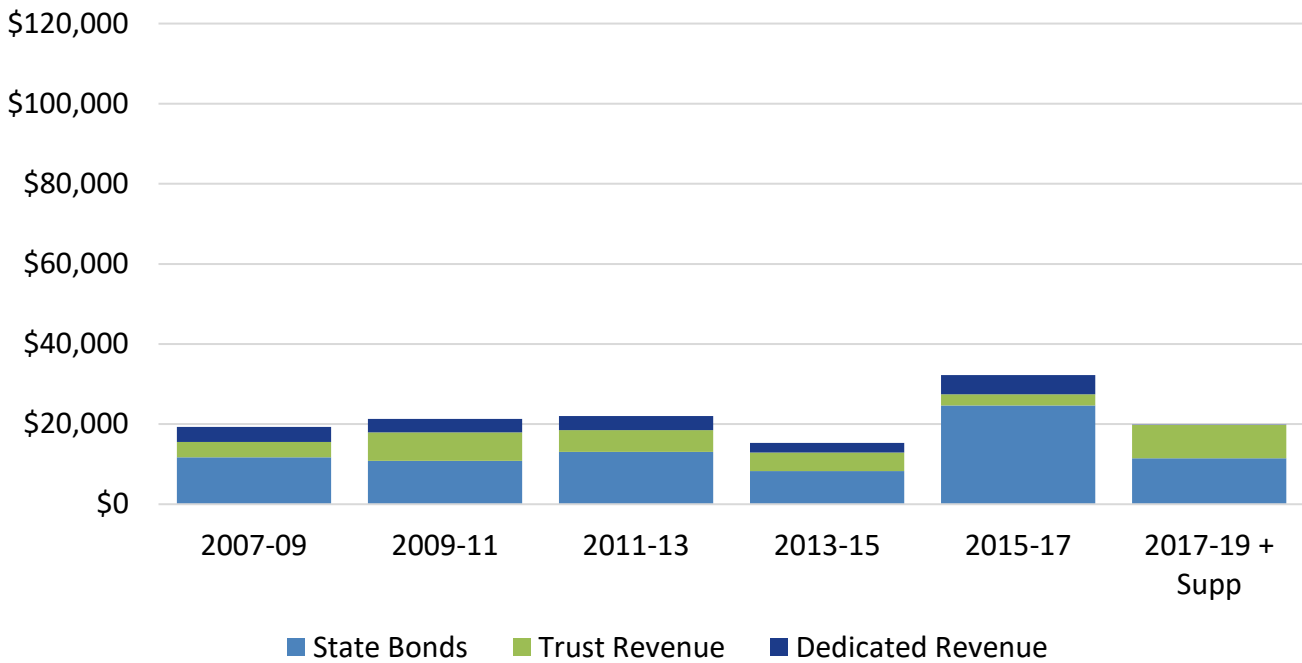


	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	44,273	31,394	11,027	66,923	87,118	23,000
Trust Revenue	4,712	6,401	5,063	4,753	3,660	4,366
Dedicated Revenue	5,310	4,636	5,063	5,149	4,474	5,556
<b>Total</b>	<b>\$54,295</b>	<b>\$42,431</b>	<b>\$21,152</b>	<b>\$76,825</b>	<b>\$95,252</b>	<b>\$32,922</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# The Evergreen State College

## The Evergreen State College Capital Budget Appropriations History (Dollars in Thousands)

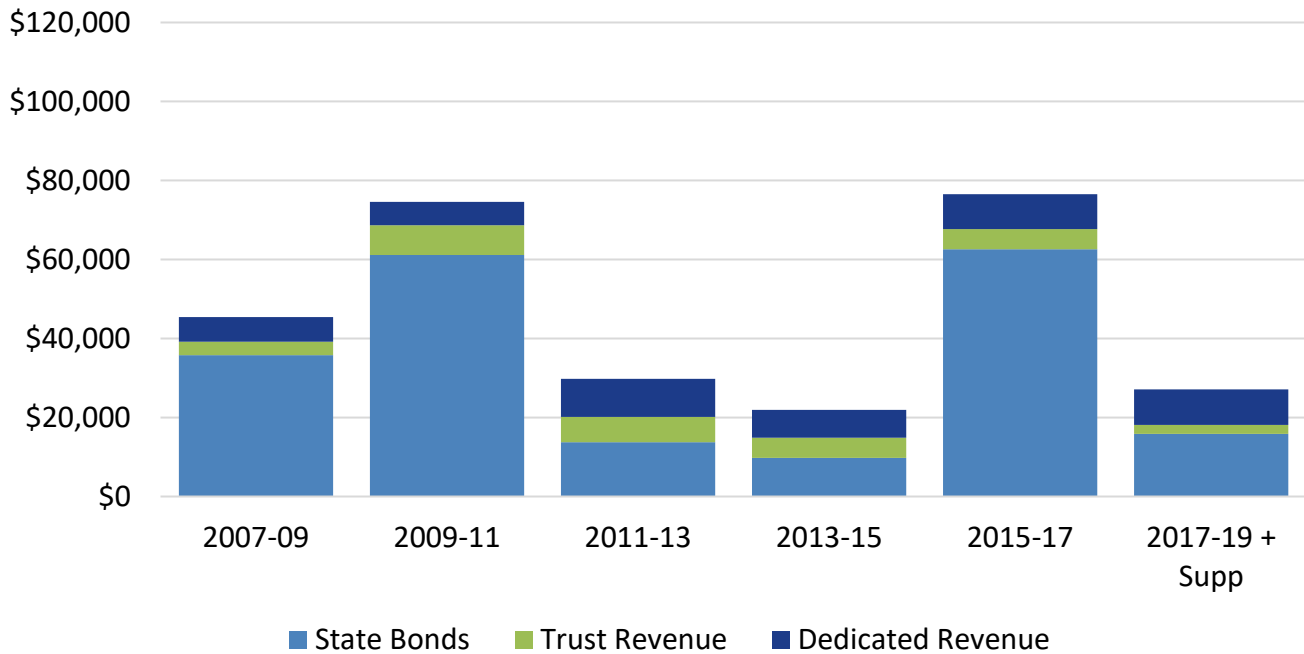


	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>	<b>2015-17</b>	<b>2017-19 + Supp</b>
State Bonds	11,748	10,836	13,080	8,237	24,670	11,504
Trust Revenue	3,763	7,110	5,448	4,640	2,803	8,247
Dedicated Revenue	3,762	3,346	3,520	2,390	4,772	83
<b>Total</b>	<b>\$19,273</b>	<b>\$21,292</b>	<b>\$22,048</b>	<b>\$15,267</b>	<b>\$32,245</b>	<b>\$19,834</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Western Washington University

## Western Washington University Capital Budget Appropriations History (Dollars in Thousands)



	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>	<b>2015-17</b>	<b>2017-19 + Supp</b>
State Bonds	35,818	61,169	13,750	9,816	62,595	15,868
Trust Revenue	3,348	7,521	6,428	5,103	5,143	2,253
Dedicated Revenue	6,244	5,909	9,643	7,047	8,757	9,018
<b>Total</b>	<b>\$45,410</b>	<b>\$74,599</b>	<b>\$29,821</b>	<b>\$21,966</b>	<b>\$76,495</b>	<b>\$27,139</b>

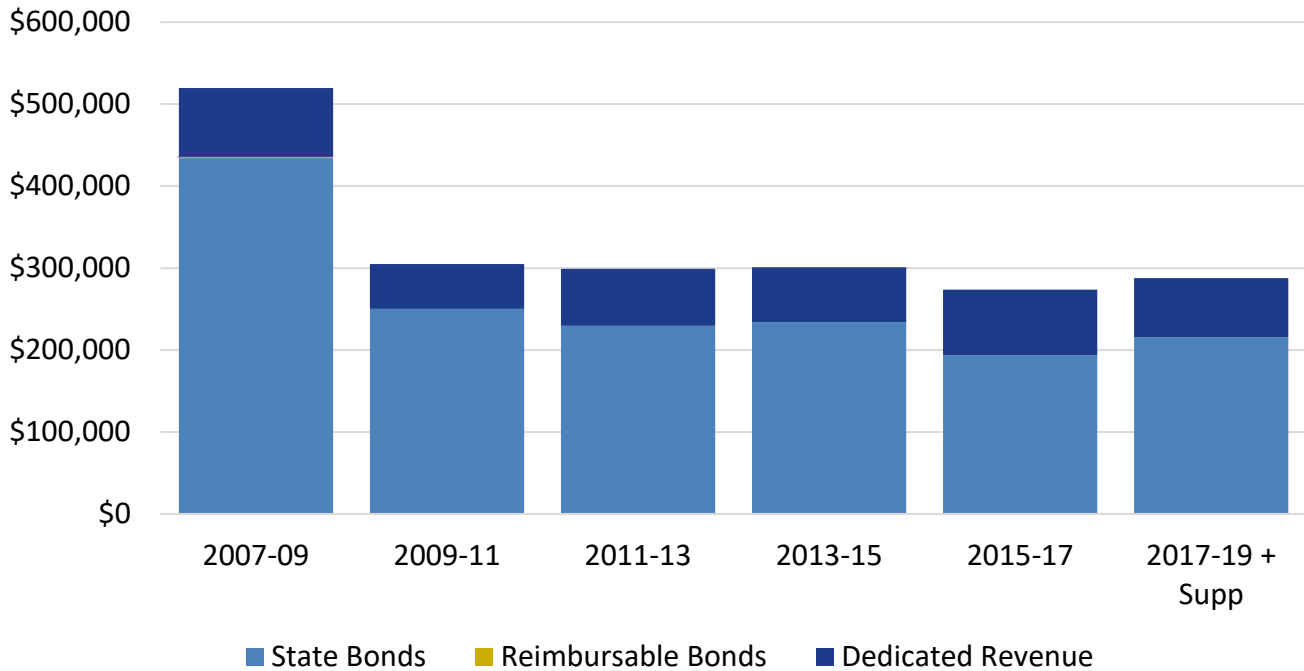
Source: Legislative Evaluation and Accountability Program Committee, October 2018



# State Board for Community & Technical Colleges

## State Board for Community & Technical Colleges Capital Budget Appropriations History

(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	434,078	250,372	229,520	233,658	193,776	215,555
Reimbursable Bonds	1,500	0	0	0	0	0
Dedicated Revenue	83,976	54,430	69,517	67,479	80,000	72,000
<b>Total</b>	<b>\$519,554</b>	<b>\$304,802</b>	<b>\$299,037</b>	<b>\$301,137</b>	<b>\$273,776</b>	<b>\$287,555</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

### Prioritizing Two-Year Higher Education Capital Projects

The State Board for Community and Technical Colleges also uses a process for evaluating and prioritizing the project requests of the 34 community and technical colleges around the state. The system’s long-standing capital budget process prioritizes projects to ensure that preservation of existing facilities is balanced with new construction to expand capacity and meet changing program needs. Each college develops a capital request shaped by program-based strategic planning and facility master planning. The needs of all 34 colleges are then prioritized to form the system request.

## Relevant Organizations to the Functional Area

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Student Achievement Council (RCW 28B.77) – The Student Achievement Council (Council) provides planning, coordination, monitoring, and fiscal policy analysis for higher education in the state, including the preparation of a master plan. The Council is composed of nine voting members, including five citizen members appointed by the Governor with the consent of the Senate. The citizen members consist of a student, a representative of an independent nonprofit higher education institution, a representative of the four-year institutions of higher education, a representative of the state’s community and technical college system, and a representative of the state’s K-12 education system. The Council replaced the Higher Education Coordinating Board in 2012.

Higher Education Facilities Authority (RCW 28B.75) – The Higher Education Facilities Authority is a self-supported agency that issues tax-exempt bonds to enable Washington’s nonprofit, independent colleges and universities to build, improve, and equip higher education facilities in a manner that will minimize capital costs.

State Board for Community and Technical Colleges (RCW 28B.50.050) – The State Board for Community and Technical Colleges (Board) consists of nine members appointed by the Governor and confirmed by the Senate. The Board has general supervision and control over the community and technical colleges, including budgeting, distribution of funds, and preparation of a master plan.

Workforce Training and Education Coordinating Board (RCW 28C.18) – The Workforce Training and Education Coordinating Board (Workforce Board) is a partnership of nine voting members appointed by the Governor from business, labor, and government sectors. Non-voting members also participate. The Workforce Board was created in 1991 to replace four state boards that supervised the state’s training system. The Workforce Board advises the Legislature and Governor on workforce development policy. They also work to ensure the state’s workforce services and programs work together and they evaluate the performance of Washington’s key workforce programs.

Council of Presidents – The Council of Presidents (COP) is an association of Washington’s six public baccalaureate degree granting colleges and universities. The COP provides a common voice for the public baccalaureate sector to be a resource for decision makers on issues affecting public higher education. The COP serves as the coordinating role for a number of initiatives and activities common to the public baccalaureate institutions.

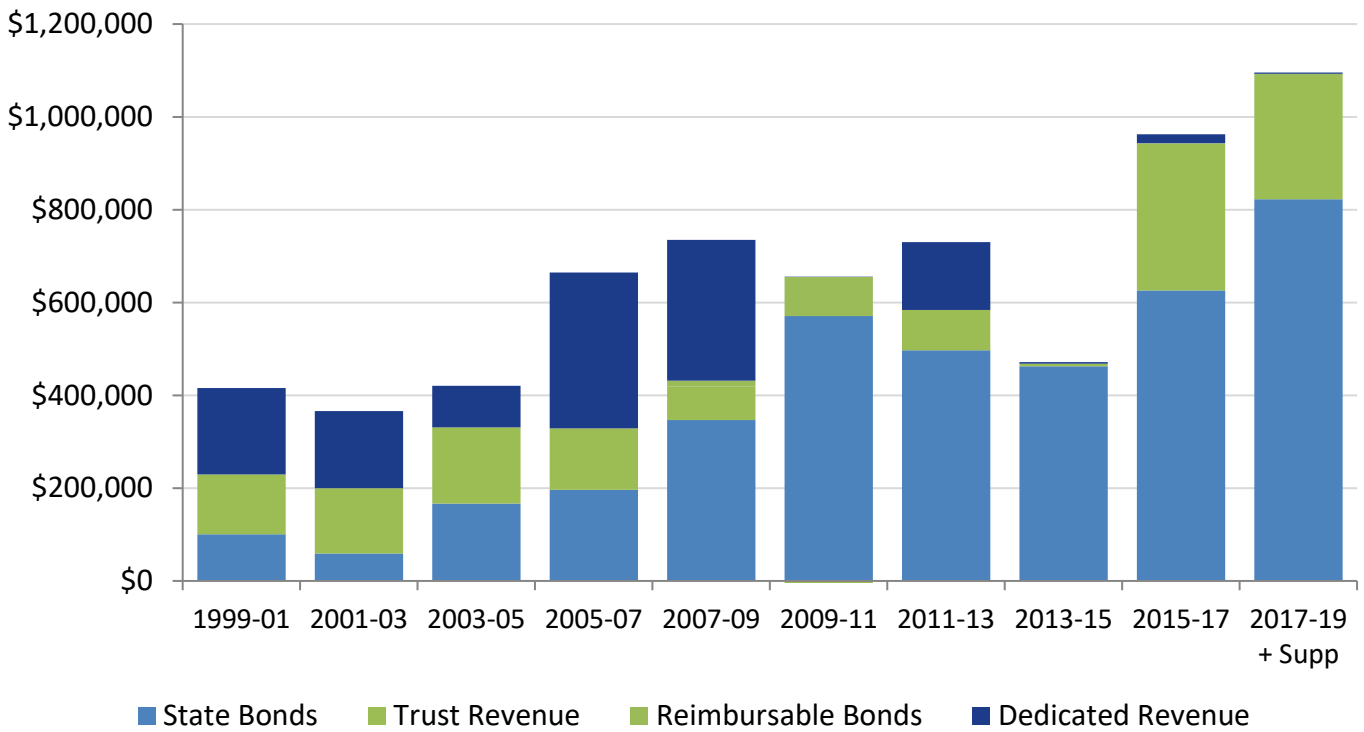
# Education



# Overview of Education

The Education functional area of the capital budget includes state support for the construction of K-12 public schools by local school districts, as well as funding to support the facilities used by the state schools for blind children, and children with deafness and hearing loss. Funding is also provided for the museums operated by the state historical societies, as well as a grant program for buildings to preserve Washington State heritage.

**Education**  
**Capital Budget Appropriations by Fund Source**  
 (Dollars in Thousands)



Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Office of the Superintendent of Public Instruction

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The Office of the Superintendent of Public Instruction (OSPI) administers several K-12 school construction programs. Much of the funding awarded to these programs is in the form of grants that are sent to the school districts. The programs include:

- K-12 School Construction Assistance Grants;
- STEM Classrooms and Labs;
- Small Rural District Grants;
- Distressed Schools Grants; and
- Vocational Skills Centers.

## **K-12 School Construction Assistance Grants**

Washington provides financial assistance to school districts in the capital budget for constructing new and remodeling existing school buildings. The School Construction Assistance Program (SCAP) is based on two principles: (1) state and local school districts share the responsibility for the provision of school facilities; and (2) all school districts who are eligible to partner with the state through SCAP receive varying amounts of state assistance based on the relative wealth of the districts. To be eligible for state funding through SCAP, a school district must have a space or remodeling need and must secure voter approval of a bond, capital levy, or other source for the local share of a school project. Once the local share is secured, the state money is allocated to districts through a funding formula based primarily on a set of space and cost allowances and allocations and a state funding assistance percentage (state matching ratio) based on the relative property wealth of the district.

State assistance is provided to local school districts who plan for construction and modernization of school facilities and is based on five main factors:

- the district's education plan;
- enrollment projections;
- an evaluation of existing facilities;
- a measure of the district's financial capabilities; and
- a long-range plan to achieve these goals.

State assistance is provided for the following project costs:

- architect and engineering fees;
- construction management;
- value engineering studies and constructability reviews;
- building commissioning;
- furniture and equipment;
- energy conservation reports;

- inspection and testing;
- preparation of school district studies, surveys, and educational specifications;
- project signs and plaques;
- construction of school facilities; and
- art as required by statute for “Art in Public Places.”

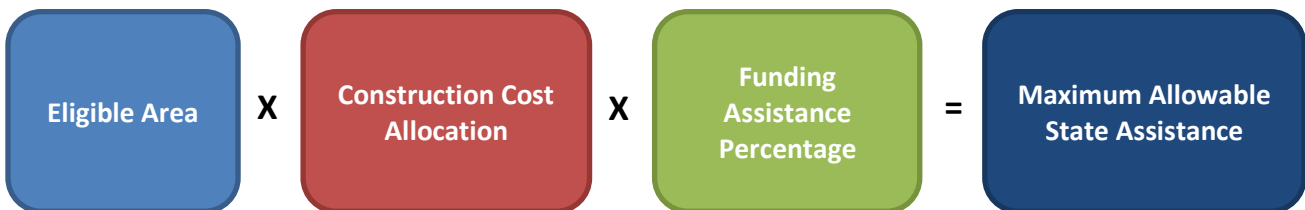
The SCAP does not reimburse all costs related to a school district project. Costs not eligible for reimbursement by the state include, but are not limited, to the following:

- area in excess of the space allocations per student;
- site acquisition costs;
- maintenance and operations costs (including deferred maintenance);
- central administration buildings;
- stadiums/grandstands;
- bus garages, except interdistrict cooperatives;
- sales and/or use taxes levied by local government agencies other than those taxes generally levied throughout Washington; and
- portable classrooms.

School districts receiving state assistance must expend the total amount of their local share for the project before receiving state funds for the construction project. Though the state contributes funds for school construction, local school districts control the design and construction of their schools. Ultimately, school districts receiving state funding assistance for school construction retain those facilities as their own assets.

**Calculating the Amount of State Assistance for School Construction**

State assistance helps finance certain space and remodeling needs of local school districts. The school district must pass a bond levy or obligate other local revenue to be eligible for state assistance. The amount of funding the state will approve for a proposed school construction project is determined by a funding formula that calculates three factors:



1. Eligible Area (square footage) - Eligible area is the specific amount of square feet per student that is eligible for state assistance.

<u>Grade</u>	<u>Current rule</u>
K-6	90 sq ft/student
7-8	117 sq ft/student
9-12	130 sq ft/student
Special Education	144 sq ft/student

2. Construction Cost Allocation – The Construction Cost Allocation (CCA) is the maximum cost per square foot of construction that the state will match. It's not the actual cost of construction paid by the school districts. The CCA is established biennially in developing the capital budget. After the eligible square footage is determined, CCA is applied to determine the maximum construction dollar amount eligible for state assistance for new construction and modernization. In the 2017-19 capital budget, CCA was set at \$219.58 per square foot for fiscal year 2018, and adjusted for construction inflation at \$225.98 per square foot for fiscal year 2019.
3. State Funding Assistance Percentage – The amount of state funding assistance available to the eligible project cost is determined by applying the state funding assistance percentage. Applying this percentage in the formula equalizes funding by providing a higher percentage of assistance to school districts whose assessed land value per student is relatively low. The state funding assistance percentage ranges from an established floor of 20 percent to a ceiling of 100 percent for the school districts with lowest assessed land values per student.

Finally, other allowable related costs are added. These include architect and engineering fees, construction management, value engineering studies, furniture and equipment, energy conservation reports, and inspection and testing.

### **Permanent Common School Fund and Common School Construction Fund**

Washington is a land grant state. When Washington entered the Union, the federal government granted two sections of land in every township as a trust dedicated to support the common schools. The 1.8 million acres of school trust lands are managed by the Department of Natural Resources to generate revenue for the support of school construction.

Prior to 1967, state assistance for school facilities was paid from a variety of sources. Up until 1951, the State General Fund was used to pay the state share of school construction. Between 1951 and 1967, the state share of school facilities was provided by state bonds supported by cigarette and motor vehicle taxes.

A constitutional amendment enacted in 1967 dedicates school trust land revenues to support school construction. Article IX of the Constitution establishes two funds:

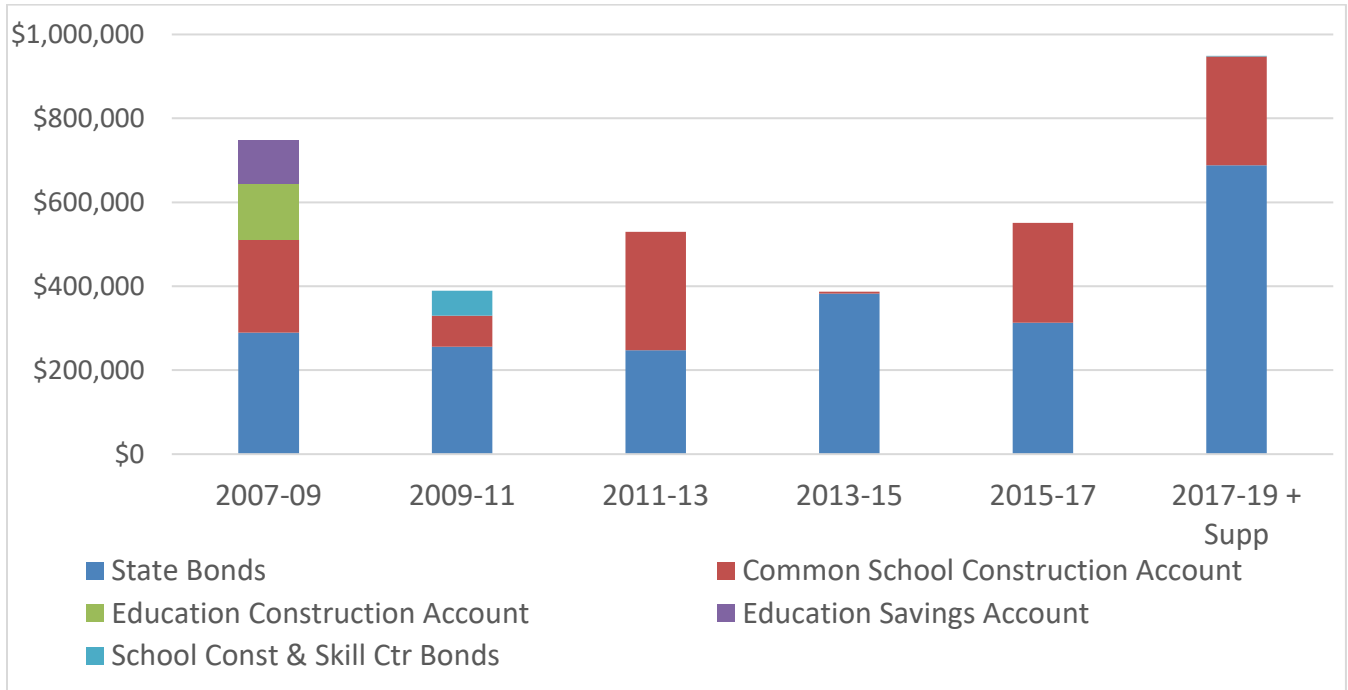


**The Permanent Common School Fund** – This fund was created in the original Washington State Constitution, and it received all the income from the sale of school trust lands and non-renewable resources from the trust lands. The principal of the Permanent Common School Fund (PCSF) is irreducible, and only the interest income from the investment of the permanent fund was available for payment of current expenses for the common schools. The 1967 amendment dedicated the use of the interest income to school construction and to pay debt service on state bonds used for school construction. According to the Washington State Investment Board’s most recent Annual Report Audited Financial Statements, the total market value for PCSF for the fiscal year ending June 30, 2017, was \$219 million. The principal in the fund remains irreducible and the interest income is deposited into the Common School Construction Fund (CSCF).

**The Common School Construction Fund** – This fund was created by the 1967 amendment for the exclusive purpose of financing the construction of facilities for the common schools. Revenue to this fund is from the harvest of timber on school trust lands, from agricultural and real estate leases on school trust lands, and/or interest income from PCSF. The CSCF revenues attributable to PCSF interest earnings are pledged to pay debt service on K-12 bonds. The CSCF revenues from other sources are used to fund school construction on a cash basis.

## School Construction Assistance Program Capital Budget Appropriations by Fund Source

(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	289,661	256,000	247,404	382,563	313,292	688,207
Common School Construction Account	220,632	74,141	282,648	4,819	238,114	258,984
Education Construction Account	133,930	0	0	0	0	0
Education Savings Account	103,100	0	0	0	0	0
School Const & Skill Ctr Bonds	0	59,428	0	0	0	1,559
<b>Total</b>	<b>747,323</b>	<b>389,569</b>	<b>530,052</b>	<b>387,382</b>	<b>551,406</b>	<b>948,750</b>

\*Common School Construction Account (CSCA) appropriations are composed of Common School Trust timber revenues in the current biennium, as well as assumed Common School Trust timber revenues in future biennia. Bond proceeds from the Trust Land Transfer program and some federal revenue also are included in the CSCA appropriation.

Source: Office of Program Research, October, 2018

## **Impact of School Policy Reforms on the K-12 Capital Budget**

Beginning in 2009 and culminating in major legislation enacted in 2017 (EHB 2242), the Legislature has enacted a variety of reforms to the state's operating K-12 funding formulas. Because these reforms include all-day kindergarten, K-3 class size reduction, and increased science credit requirements, they affect the need for classroom and lab space.

During the period of court supervision of K-12 operating budget funding under the *McCleary* lawsuit, the state Supreme Court noted that the *McCleary* ruling did not address school construction, nor did the court hold that the state's Article IX duty to amply fund K-12 schools also included a duty to fully fund school construction. The Court explained that the constitution establishes roles for both the state and for school districts in school construction finance.

However, the Legislature has made several capital investments for classroom and lab spaces to support some of these school policy reforms. In 2015, the legislature established the K-3 Class Size Reduction Construction Grant program and provided a total of \$234 million for the program to be spent over the 2015-17 and 2017-19 biennia for an estimated additional 500 classrooms. Since the 2015-17 biennium, the Legislature has provided more than \$25 million for individual STEM projects as well as competitive grants for science classrooms and labs.

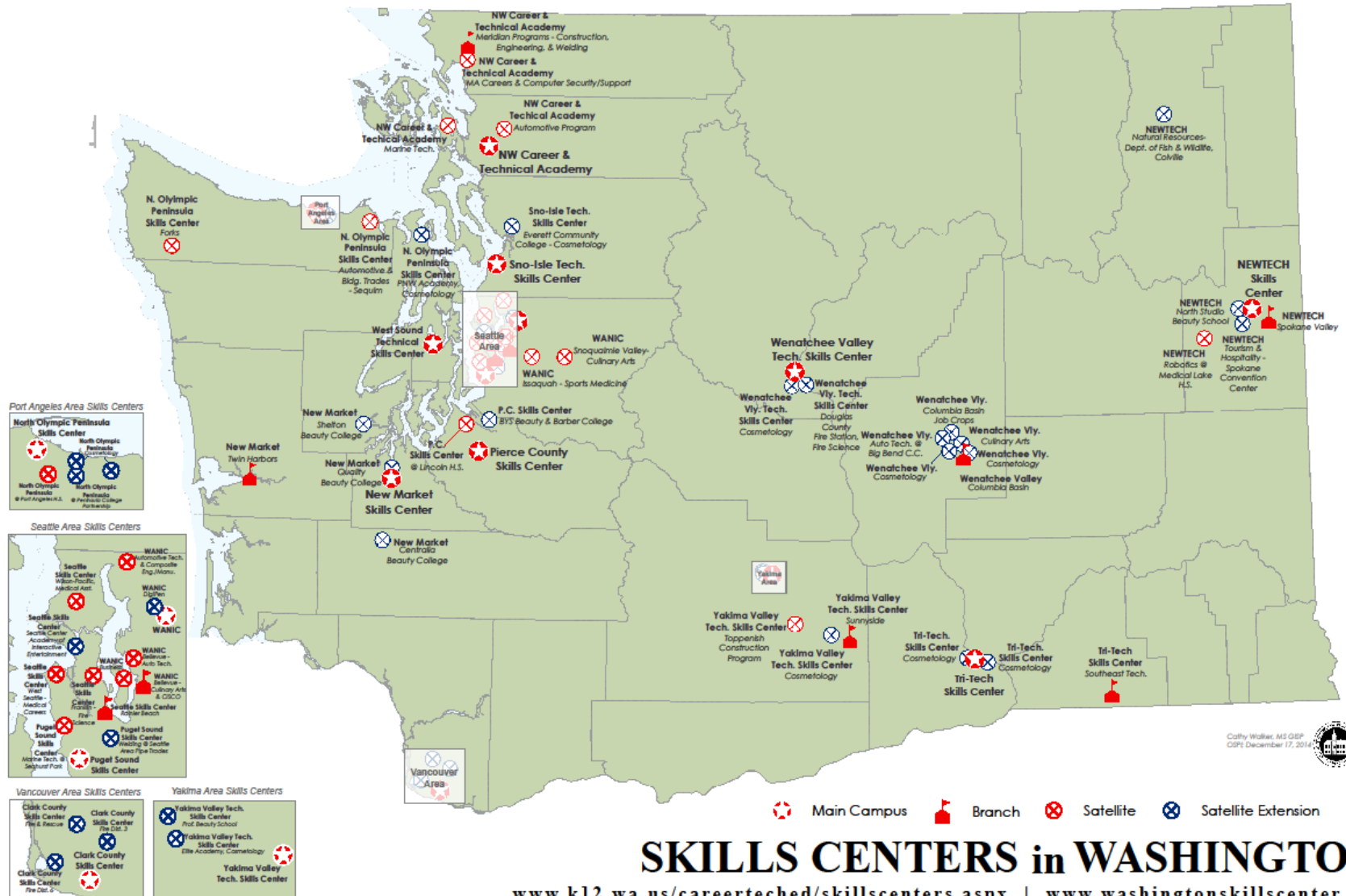
### **Skill Centers**

According to RCW 28A.245, a skill center is a regional career and technical education partnership, operated by a host school district, and providing comprehensive, industry-defined programs of study. Skill centers are intended to prepare students for careers, employment, apprenticeships, and postsecondary education. Examples of programs offered by skill centers include: aviation technology, composites, cosmetology, criminal justice, construction trades, manufacturing, video game development, and medical careers (e.g. dental and nursing).

Before a new skill center campus can receive state capital funding, it must be approved by OSPI. Existing skill centers must complete long-range plans before making a major capital budget request.

Skill center campuses can be of three types: a core campus operated by the skill center and housing a majority of the skill center students enrolled; a branch campus at a common school or higher education facility providing three or more programs at a location other than the core campus; and a satellite program providing fewer than three programs at a location other than the core campus.

Approximately 8,600 students are currently enrolled in 17 skill centers or skill center branches statewide. Since 2007, the Legislature has provided approximately \$266.7 million in grants through OSPI for skill center capital projects and an additional \$3.3 million through SCAP.



Cathy Walker, MS OSEP  
 OERI, December 17, 2014

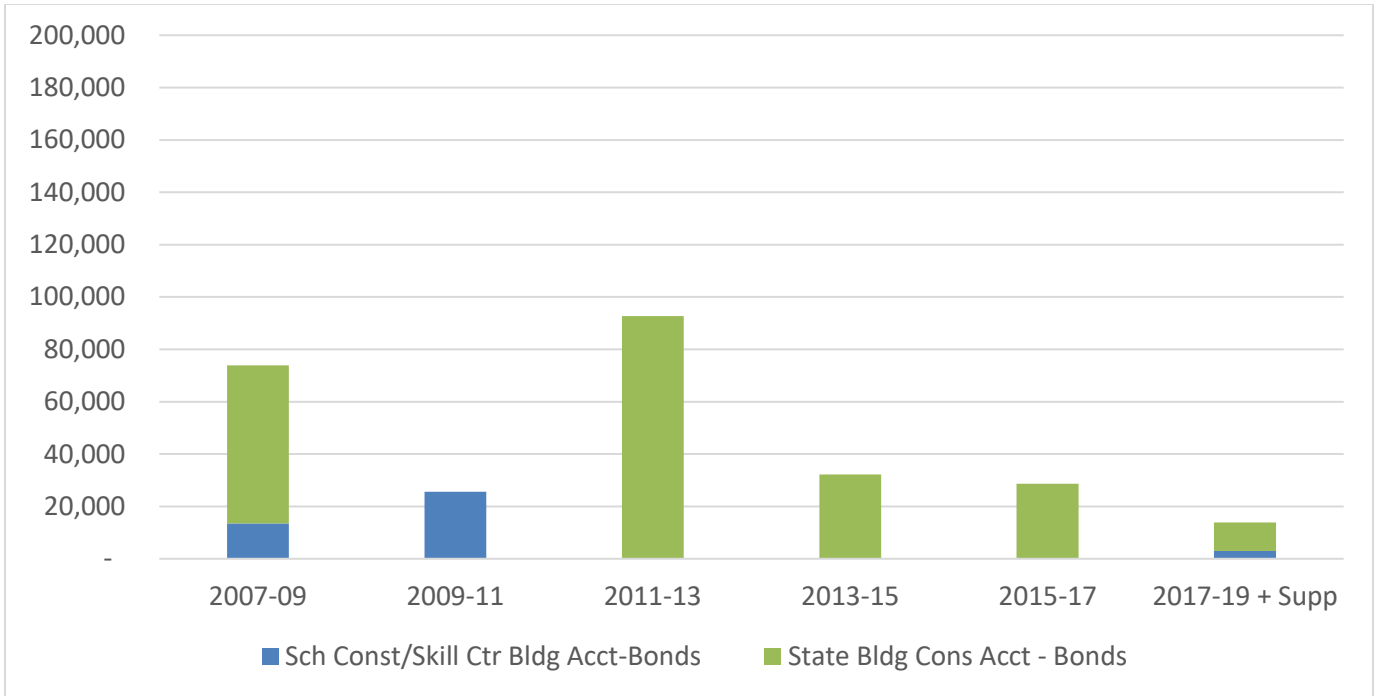


# SKILLS CENTERS in WASHINGTON

[www.k12.wa.us/careerteched/skillscenters.aspx](http://www.k12.wa.us/careerteched/skillscenters.aspx) | [www.washingtonskillscenter.org](http://www.washingtonskillscenter.org)

Source: <http://www.k12.wa.us/CareerTechEd/pubdocs/StateSkillsCentersMap.pdf>, October 2018

**Skills Centers  
Capital Budget Appropriations History**  
(Dollars in Thousands)



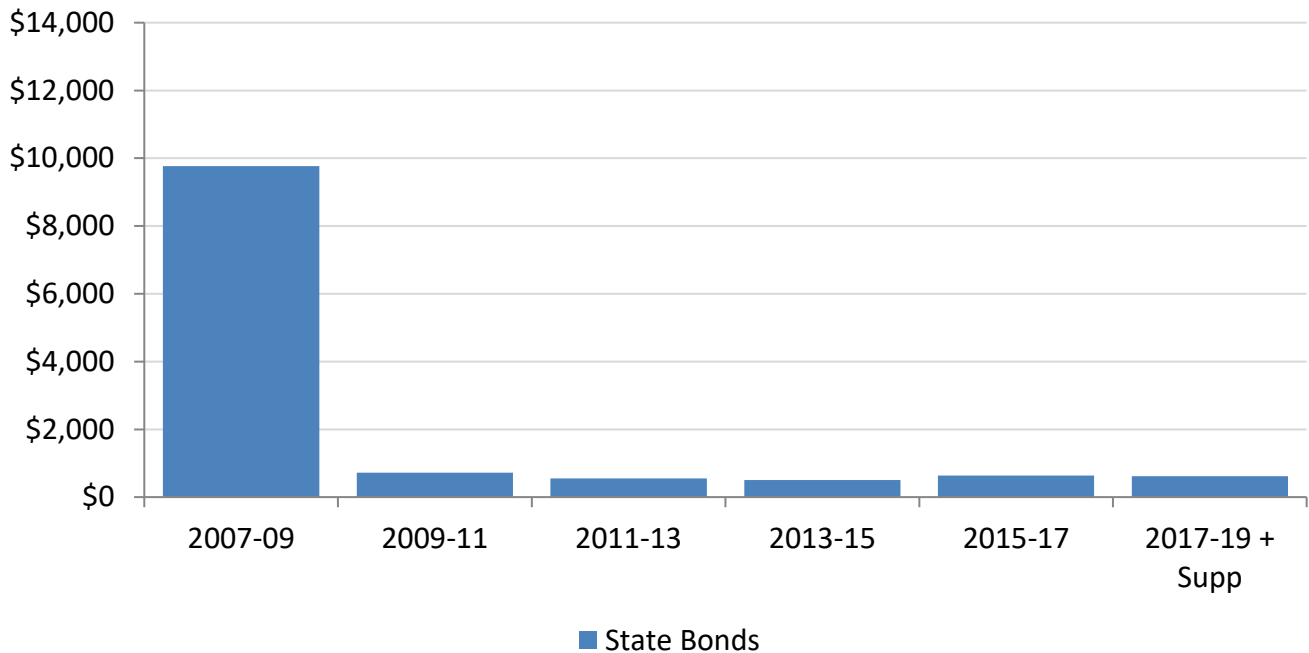
	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>	<b>2015-17</b>	<b>2017-19 + Supp</b>
School Const & Skill Ctr Bonds	13,466	25,576	0	0	0	3,000
State Bldg Const Acct Bonds	60,393	0	92,702	32,147	28,628	10,807
<b>Total</b>	<b>73,859</b>	<b>25,576</b>	<b>92,702</b>	<b>32,147</b>	<b>28,628</b>	<b>13,807</b>

Source: Office of Program Research, October 2018

# State School for the Blind

The Washington State School for the Blind (WSSB), established in 1886, provides specialized educational services for blind and visually-impaired youth, from birth to 21 years-of-age. The WSSB serves as a statewide demonstration and resource center, with services delivered both on campus and in the children’s local communities.

**State School for the Blind**  
**Capital Budget Appropriations History**  
 (Dollars in Thousands)



	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>	<b>2013-15</b>	<b>2015-17</b>	<b>2017-19 + Supp</b>
State Bonds	9,770	720	550	500	640	620
<b>Total</b>	<b>\$9,770</b>	<b>\$720</b>	<b>\$550</b>	<b>\$500</b>	<b>\$640</b>	<b>\$620</b>

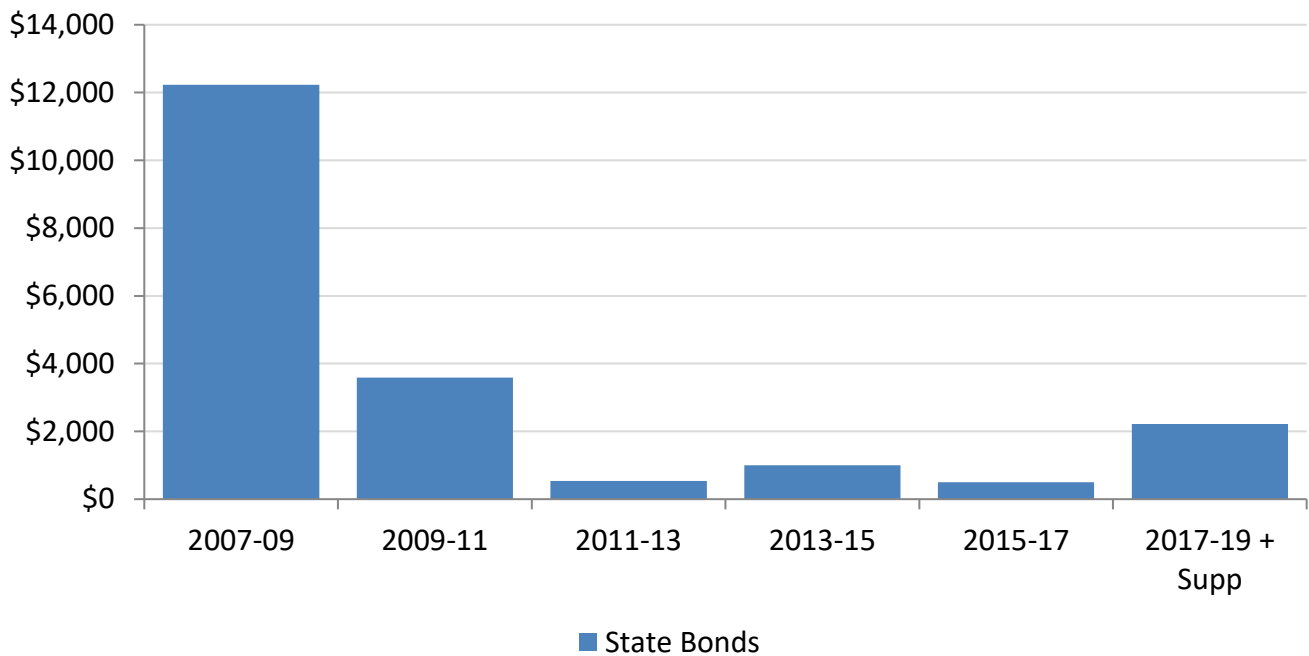
Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Center for Childhood Deafness and Hearing Loss

First created in 1886, the Center for Childhood Deafness and Hearing (Center) manages and directs the state School for the Deaf, a residential school in Vancouver. In addition, the Center provides statewide leadership and support for the coordination of regionally-delivered educational services in the full range of communication modalities for children who are deaf or hard of hearing.

## Center for Childhood Deafness and Hearing Loss Capital Budget Appropriations History

(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	12,225	3,584	536	1,000	500	2,218
<b>Total</b>	<b>\$12,225</b>	<b>\$3,584</b>	<b>\$536</b>	<b>\$1,000</b>	<b>\$500</b>	<b>\$2,218</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

# Washington State Historical Society

Founded in 1891, the Washington State Historical Society (WSHS) is designated in law as a trustee agency whose duties include collecting, cataloging, preserving, and interpreting materials that illustrate the cultural, artistic, and natural history of the state. Prior to 2018, WSHS operated three primary facilities:

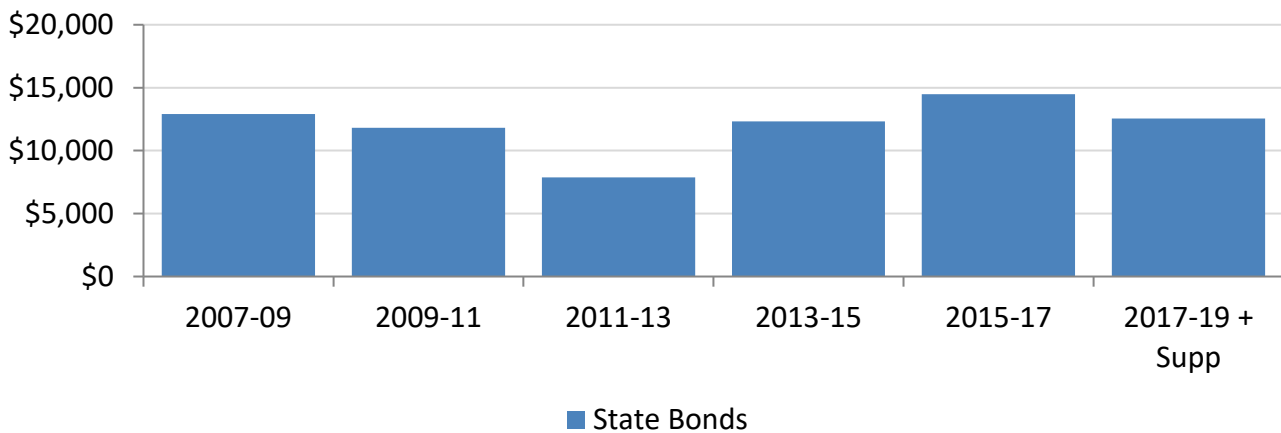
- Washington State History Museum (Tacoma);
- State Capital Museum and Outreach Center (Olympia); and
- Research Center (Tacoma).

In July 2018, through a provision in the 2018 supplemental capital budget, WSHS transferred custody and control of the State Capital Museum and Outreach Center in Olympia to The Evergreen State College (TESC). The TESC then assumed responsibility for the maintenance, operation, and subsequent leasing of the facility that is now referred to as the Historic Lord Mansion.

The WSHS also administers the Washington Heritage Program. This program provides up to one third of the total cost of heritage capital projects undertaken by local governments, public development authorities, nonprofit organizations, tribal governments, and other entities. Projects that preserve and interpret the heritage of the state are submitted by applicants, reviewed and ranked by an advisory panel, and submitted for inclusion in the agency's state capital budget.

## Washington State Historical Society Capital Budget Appropriations History

(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	12,902	11,827	7,882	12,314	14,489	12,561
<b>Total</b>	<b>\$12,902</b>	<b>\$11,827</b>	<b>\$7,882</b>	<b>\$12,314</b>	<b>\$14,489</b>	<b>\$12,561</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

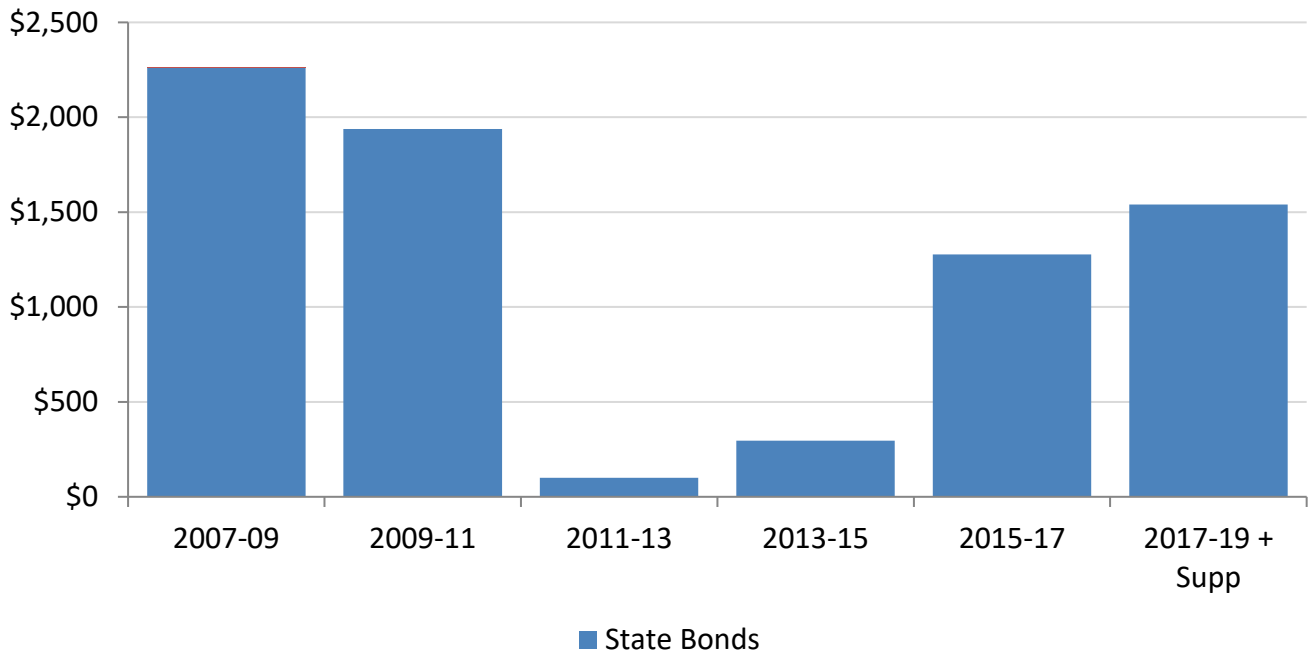


# Eastern Washington State Historical Society

Founded in 1916, the Eastern Washington State Historical Society (EWSHS), like WSHS, is designated in law as a trustee agency whose duties include collecting, cataloging, preserving, and interpreting materials that illustrate the cultural, artistic, and natural history of the state. In 2001, EWSHS changed its public name to the Northwest Museum of Arts and Culture. The EWSHS maintains a five-acre campus with four buildings and a three story parking lot in a historic residential neighborhood west of downtown Spokane.

## Eastern Washington State Historical Society Capital Budget Appropriations History

(Dollars in Thousands)



	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19 + Supp
State Bonds	2,261	1,939	100	295	1,278	1,540
<b>Total</b>	<b>\$2,261</b>	<b>\$1,939</b>	<b>\$100</b>	<b>\$295</b>	<b>\$1,278</b>	<b>\$1,540</b>

Source: Legislative Evaluation and Accountability Program Committee, October 2018

## Relevant Organizations to the Functional Area

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Office of Superintendent of Public Instruction (RCW 28A.300) – The Office of Superintendent of Public Instruction (OSPI) is the primary agency that oversees K-12 public education in Washington. The OSPI is led by the Superintendent of Public Instruction (SPI) who is elected by the citizens of the state for a term of four years. The OSPI provides funding, resources, tools, data and technical assistance, and other services to educators and school districts.

State Board of Education (RCW 28A.305) - The State Board of Education (SBE) is comprised of sixteen members representing Washington State Public School Boards of Directors, the Governor, private schools, student representatives, and SPI. The SBE provides advocacy and strategic oversight of public education. It implements standards-based accountability systems to improve student academic achievement. It provides leadership in creating a system to personalize education for each student and it promotes achievement of the Basic Education Act goals.

School Facilities Citizen Advisory Panel and Technical Advisory Group (RCW 28A.525.025) – The School Facilities Citizen Advisory Panel (CAP) is comprised of seven members who represent: the SBE, the Washington State School Directors' Association, and citizens at large appointed by SBE. The CAP advises and makes recommendations to OSPI regarding school facilities, funding for school construction, joint planning and financing of educational facilities, and other matters related to school facilities. Additionally, OSPI convenes a Technical Advisory Committee that includes representatives from school business officers, building and construction contracting and trade organizations, architecture and engineering organizations, and others with expertise in school facilities.

Washington Student Achievement Council (RCW 28B.77) - The Washington Student Achievement Council (WSAC) was established in July 2012 to replace the Higher Education Coordinating Board. The council is comprised of nine voting members, five appointed by the Governor including one student. One member is selected by an association of independent nonprofit higher education institutions. The remaining members represent the state's four-year institutions, the state's community and technical colleges, and the state's K-12 education system. The WSAC provides strategic planning, oversight, advocacy, and programs to support increased student success and higher levels of educational attainment in Washington. The WSAC also administers the Guaranteed Education Tuition program to provide college savings opportunities.