Washington State Capital Budget

2015 Briefing Book

Office of Program Research
January 2015

2015 Capital Budget Briefing Book
Table of Contents

	Page Number
Budget Overview	1
Capital Budget Basics	9
Capital Budget Funding Sources	21
Functional Areas of State Government	29
• Governmental Operations	35
• Human Services	59
• Natural Resources	77
• Higher Education	105
• Education	121

Budget Overview

Washington State's Three Budgets

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 2013-15 biennium covers the period from July 1, 2013 through June 30, 2015. 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 2013-15 biennium, appropriations in the operating budget total $67.6 billion. Approximately half of the total operating budget is supported by the State General Fund, which derives its revenues primarily from the retail sales and use tax (47 percent), the business and occupation tax (20 percent), and the state property tax (12 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.

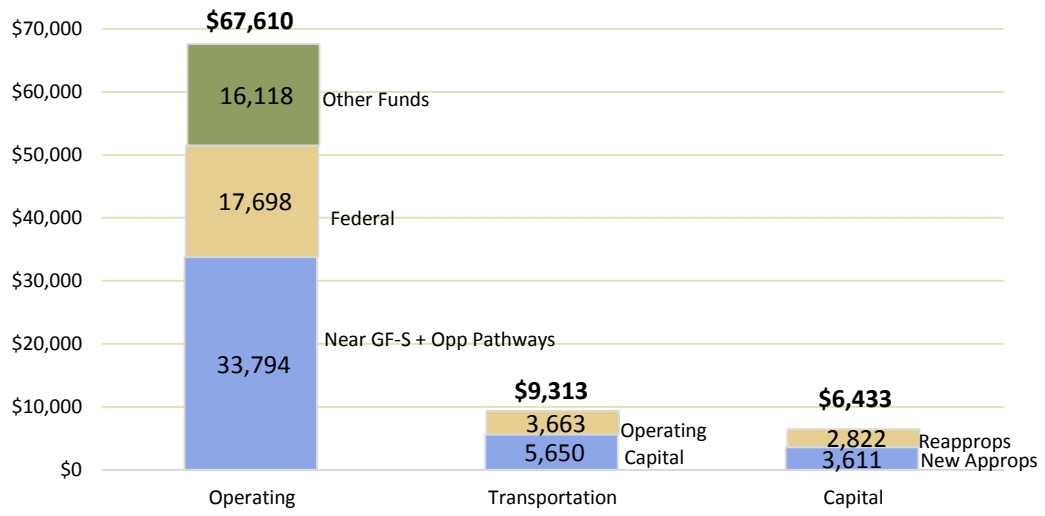
For the 2013-15 biennium, appropriations in the transportation budget total $9.3 billion, including $5.6 billion (61 percent) for capital costs and $3.7 billion (39 percent) for operating costs. The transportation budget fund sources include: the state gas tax, licenses, fees, bond proceeds, and other state revenues (74 percent); federal funds (24 percent); and local funds (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.

For the 2013-15 biennium, new appropriations in the capital budget total $3.6 billion, including $2 billion from state general obligation bonds and $1.6 billion from a variety of dedicated fees and taxes, federal funds, timber revenues, and the building fee portion of student tuition payments. Additionally, $2.8 billion is reappropriated for uncompleted projects approved in prior biennia, for a total 2013-15 capital budget of $6.4 billion.

The Three Washington State Budgets, 2013-15
(Dollars in Millions)



Source: Legislative Evaluation and Accountability Program Committee, October 2014. Data is 2013-15 biennium after 2015 Supplemental Budgets (for operating and transportation). The Legislature did not pass a 2014 Supplemental Capital Budget.

Budget Process

Agency budget requests generally are prepared during the summer and submitted to the Governor's Office of Financial Management (OFM). 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

The State Constitution

The 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 restrictions 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 the budget bill. 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. These accounts do not require a specific 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 must veto only entire sections of the bill--the Governor may not veto words, sentences, or subsections. In budget bills, 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 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, prohibit the state and local governments from: (1) making gifts or loans of public funds to private individuals or corporations; (2) investing in private corporations; or (3) otherwise lending public credit to private individuals or corporations. These 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 a prohibited lending of credit or gift of public funds. 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 funds for fundamental purposes of government, even if these actions result in private benefit. Third, if

public funds are otherwise provided to a private individual or corporation, the expenditure may not be a loan, 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 funds 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 funds are protected.

Special Legislation (Substantive)

Article I, section 12 and Article II, section 28 may 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.

Under a constitutional amendment approved by the voters in 2012, the state debt limit is currently 8.5% of the average of the prior six years' general state revenues, defined as all unrestricted state tax revenues. This limit is reduced over time as follows: Beginning July 1, 2016, 8.25%, and beginning July 1, 2034, 8.0%. Also as a result of the constitutional amendment, the definition of general state revenues now includes state property taxes that are deposited in the 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 general state revenues. A 3/5 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

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 and the Legislature are traditionally stricter with the use of state bonds than with other funding sources.

Phases of a Capital Project

Phases of a Capital Project	Who Performs the Work
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. The Legislature and the Office of Financial Management (OFM) may also require a predesign for certain stand-alone projects between $1 million and $5 million. The purpose of the predesign is to clearly identify the facility need/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

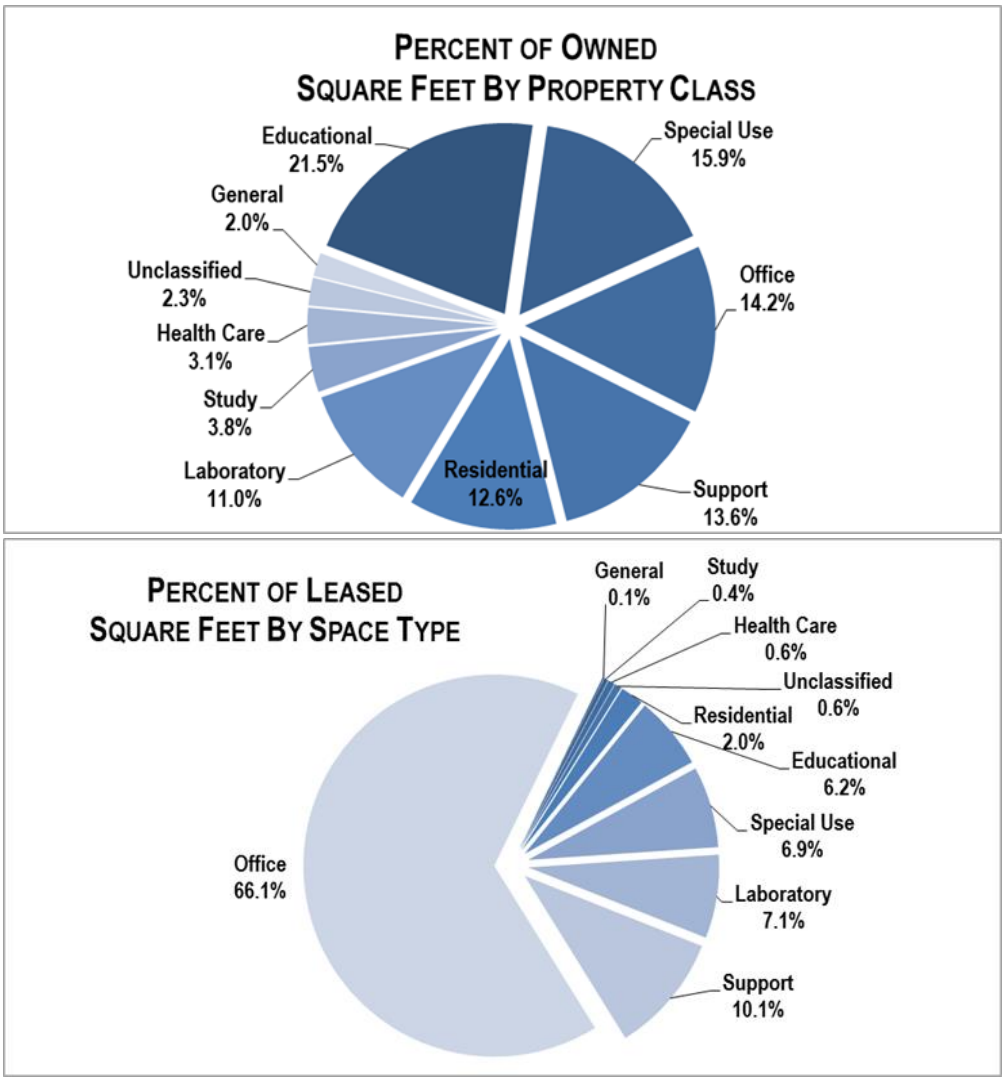
All major facility projects funded in the capital budget, or projects financed through a financing contract are required by statute to be designed, constructed, and certified to at least the Leadership in Energy and Environmental Design (LEED) silver standard, to the extent appropriate LEED silver standards exist for a project type. This requirement applies to any entity, including public agencies and 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 112 million gross square feet of facility space. About 88% of this space is owned by the state, while 12% is leased from the public and private sectors.

Percent of Owned and Leased Facilities by Facility Type



Source: Office of Financial Management, 2014 Facilities Inventory System Report

State Agency Facility Oversight

The 2007 Legislature enacted Substitute House Bill 2366, which directs the Office of Financial Management (OFM) to strengthen its oversight role in state facility analysis and decision making. The OFM works with the Department of Enterprise Services to provide space analysis for agency programmatic needs. Facility Oversight is taking the following steps to fulfill the role as the facility oversight agency:

- implementing a long-range strategic facility planning process;
- linking the six-year long-range strategic facility plans to operating and capital budgets;
- instituting a new lease review, approval and oversight system;

- developing and maintaining a comprehensive facility inventory and asset management system;
- strengthening accountability, communication, and reporting on facility planning and decision-making; and
- developing organizational capacity to support improved facility planning and oversight.

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

The Capital Budget Bill

Article VIII, section 4 of the Washington State Constitution requires an appropriation in legislation before money from funds and accounts in the State Treasury may be expended: *"No moneys shall ever be paid out of the treasury of this state, or any of its funds, or any of the funds under its management, except in pursuance of an appropriation by law."*

Major elements of the capital budget bill include:

1. the agency to which the appropriation is made;
2. the purpose of the appropriation;
3. the fund source and amount of the appropriation;
4. the time period of the appropriation;
5. conditions or limitations on the appropriation; and
6. reappropriations, if any.

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 - 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, as of July 1, 2014, the debt limit is 8.5 percent of the average of the prior six years' general state revenues, defined as all unrestricted state tax revenues. The limit will be further reduced to 8.25 percent beginning on July 1, 2016 and 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 capital budget has limited purpose 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 bonds requires a 60 percent majority vote in both houses of the Legislature.

Major elements of the bond bill include the:

1. purpose of bonds;
2. authorization for the State Finance Committee to issue bonds;
3. amount of bonds to be issued;
4. the requirement for legislative appropriation of bond proceeds; and
5. identification of security for payment of bonds:
    - pledges full faith and credit of the state to pay the obligation;
    - 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

There are three primary bond rating companies: Moody's, Standard & Poor's, and Fitch. In addition to rating government bonds, these companies provide a wide range of credit services related to the financial markets throughout the world. These activities include rating a variety of corporate and government securities, providing financial research and risk analysis reports, and publishing credit opinions and other financial information.

The three bond rating companies rate Washington's bonds using the same criteria they use for all states. The rating is an indication, but is not necessarily definitive, of how the rating analysts view the repayment risk. The rating then impacts what interest rate investors will require when purchasing 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 companies uses an 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 company has a modifier for all but the top rating (AAA). For Moody's, a "1" following the letter rating means it is in the high end of the rating category, a "2" means it is in the middle of the category, and a "3" means it is in the lower end of the rating category. For Standard & Poor's and Fitch, a "+" signifies it is in the top half of the rating category, while a "-" indicates it is in the lower half of the rating category. Therefore, Moody's has 25 different ratings, Standard & Poor's has 19, and Fitch has 22. 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. Washington's ratings related to general obligation bonds are as follows:

Moody's	Standard & Poors	Fitch
Aa1 (2nd highest category)	AA+ (2nd highest category)	AA+ (2nd highest category)

Source: Office of the State Treasurer. Ratings as of October 2014.

The bond rating companies generally indicate that the reasons for Washington's good bond rating include its strong financial and debt policies, institutionalized conservative budget controls, frequent review of economic and financial forecasts, and strong demographics (education and wealth levels).

The primary reasons given by the rating companies for the rating not being higher are economic concerns relating to concentration of employment in the cyclical commercial aerospace and

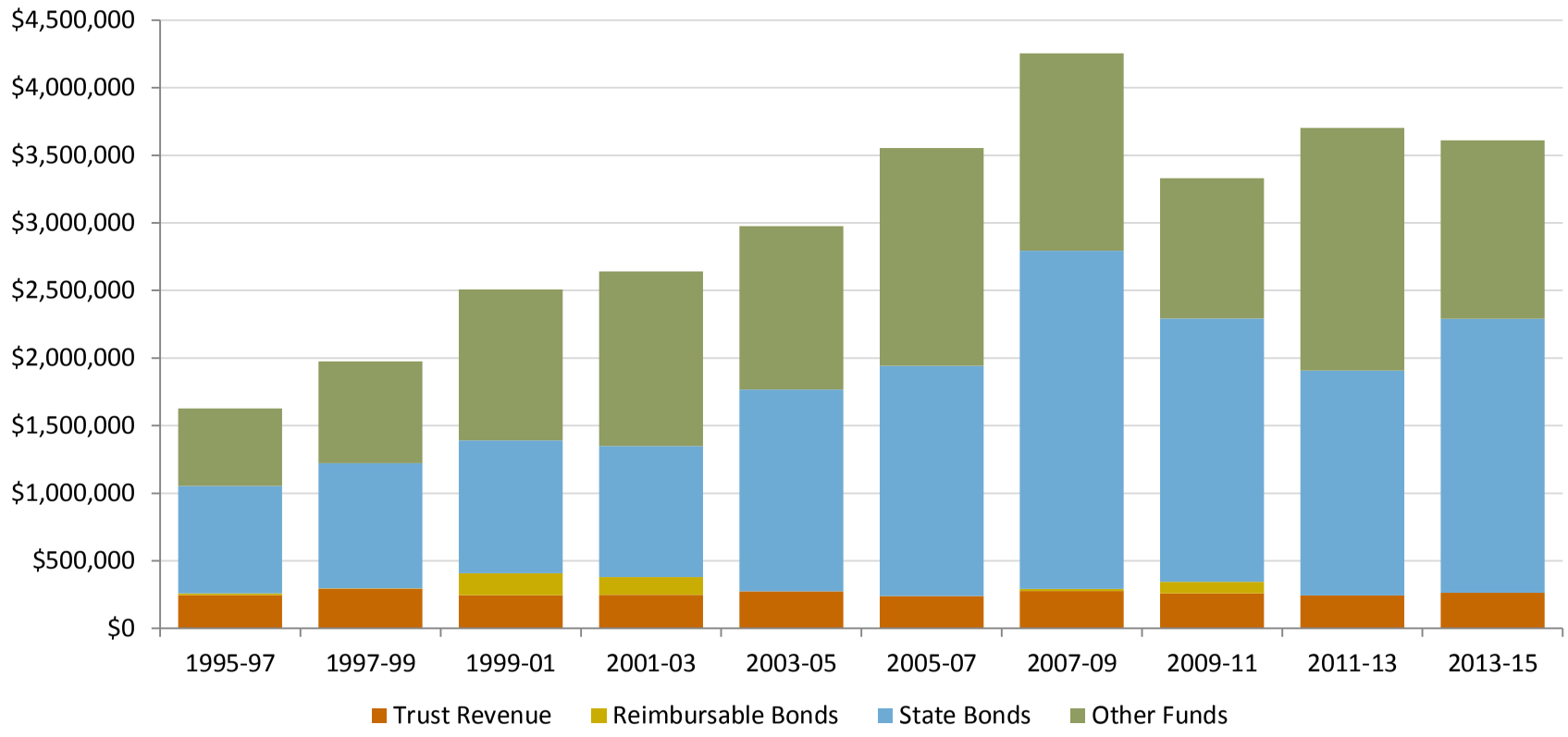
software sectors, a concentrated revenue system heavily dependent on sales tax receipts and no personal income tax, a degree of fiscal uncertainty associated with voter initiatives, and above average state debt levels.

Washington State's general obligation bond ratings currently are in the second highest category offered by each of the three rating companies. In recent years, interest rates on general obligation bonds of the State have been very close to those of top-rated governments.

Capital Budget Funding Sources

History of Capital Budget by Fund Source

(Dollars in Thousands)



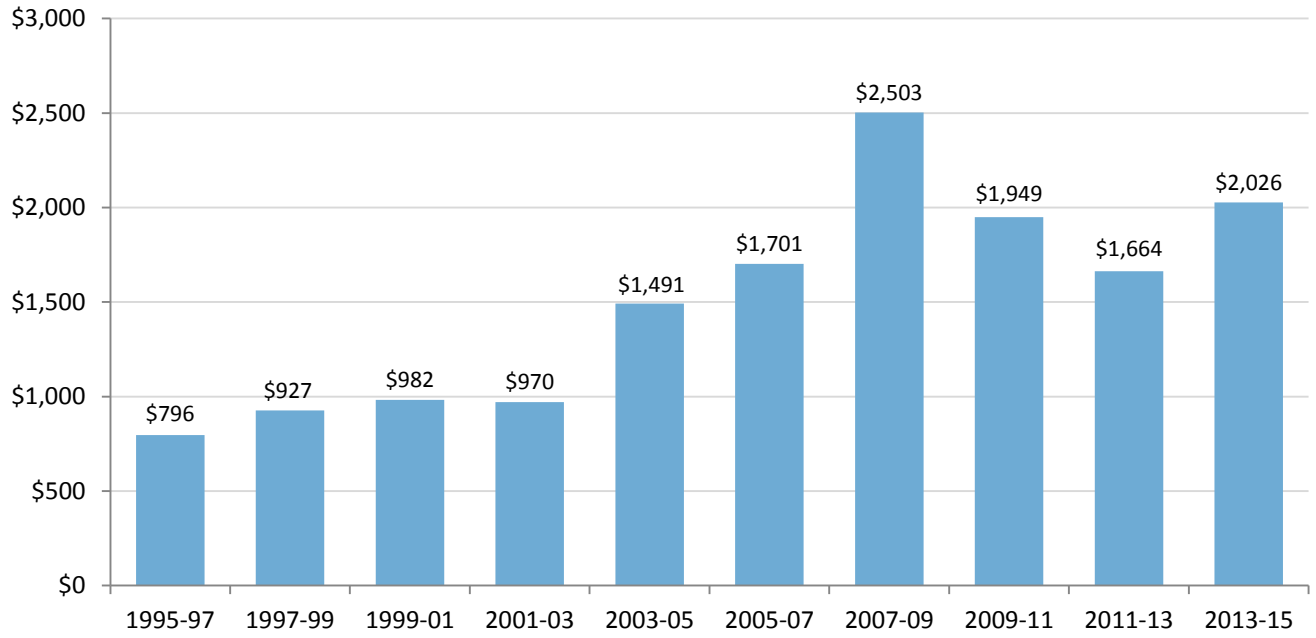
	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	245,921	294,424	246,827	247,605	275,139	240,234	276,064	259,669	243,252	264,641
Reimbursable Bonds	12,912	1,600	161,102	131,806	0	0	14,966	85,034	0	0
State Bonds	796,026	927,447	982,194	970,166	1,491,369	1,701,324	2,503,334	1,948,758	1,663,512	2,026,452
Other Funds	571,807	751,021	1,117,492	1,291,418	1,210,111	1,612,450	1,459,967	1,036,282	1,796,891	1,320,372
Total	1,626,665	1,974,492	2,507,614	2,640,995	2,976,619	3,554,008	4,254,331	3,329,743	3,703,655	3,611,465

Source: Legislative Evaluation and Accountability Program Committee and Office of Program Research, December 2014

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 2014

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. Debt service payments in the 2013-15 biennium are approximately $2.07 billion.

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 2.3 million acres for state trust beneficiaries and approximately 626,000 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	2013 Acreage
Common School	1,794,008
Washington State University (Agriculture and Scientific Trusts)	155,181
Normal School (Central WA University, Western WA University, The Evergreen State College, Eastern WA University)	66,750
University of Washington	89,067
Charitable, Educational, Penal and Reformatory Institutions	69,452
State Capitol Building	109,532
Community & Technical Colleges (since 1990)	3,492
State Forest Lands (formerly called Forest Board Lands)	626,376
King County Water Pollution Control Division	6,016
TOTAL	**2,919,846**

Source: Department of Natural Resources, October 2014.

Federal and Other Funds

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;
- 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

Alternative financing generally refers to Certificates of Participation (COPs) and 63-20 financing.

COPs are financing tools used to fund lease/purchase contracts. COPs are similar to bonds in that they are sold as securities to private investors. A third party trustee (usually a bank) administers payments between the agency and COP holders. Two COP programs are managed by the Office of the State Treasurer: Real Estate COPs and Equipment COPs.

Another financing mechanism is known as **63-20 financing** (based on IRS Ruling 63-20). Under 63-20 financing, a single-purpose nonprofit corporation issues tax exempt bonds for the projects. Using bond proceeds, the nonprofit funds a capital project and contracts with a developer for construction. The State then leases the completed building from the nonprofit owner and when the bonds expire, the State takes ownership of the building.

Prior to 1989, state agencies purchased equipment and real estate independently with bank loans, vendor contracts, and through other finance companies. This activity was fragmented and financial reporting and accountability did not exist. There was no legislative oversight of the financing nor was there a mechanism to ensure proper budget authority for these types of financing.

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. These financing contracts have the following controls:

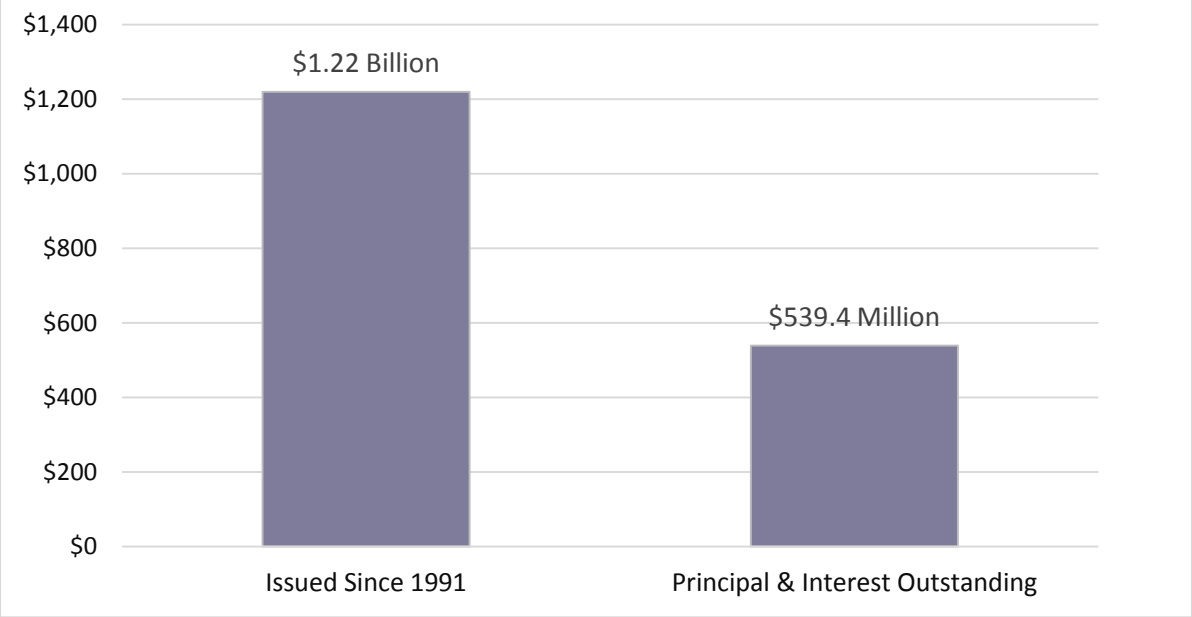
- The Legislature must approve all contracts for the purchase of buildings and land, as well as construction and building improvements.
- The State Finance Committee (SFC) must make rules for and administer the issuance of financing contracts.
- The SFC must approve all contracts, including the dollar amount and form of the contracts. State university facilities such as dormitories and dining halls operated from nonappropriated funding sources do not require legislative approval, but must be reported to the 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 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, including lease/purchase, 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 may be higher than for general obligation bonds.
- Debt on lease/purchase contracts does not fall under the state debt limit.

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, however, equipment acquired by agencies through COPs does not need specific legislative approval.

Summary of Real Estate
Certificates of Participation
(Dollars in Millions)



Source: Office of the State Treasurer, October 2014

Functional Areas of State Government

The Functional Areas of State Government

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 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.

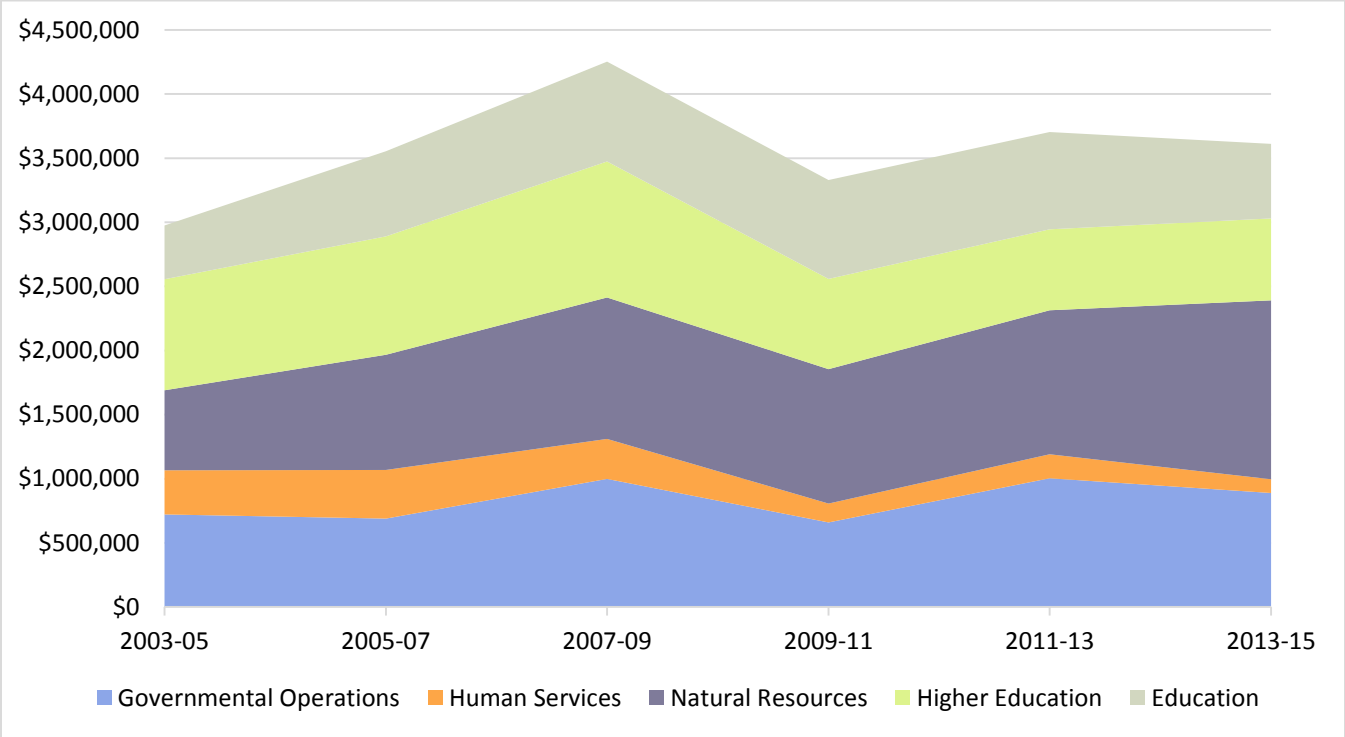
Education

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)

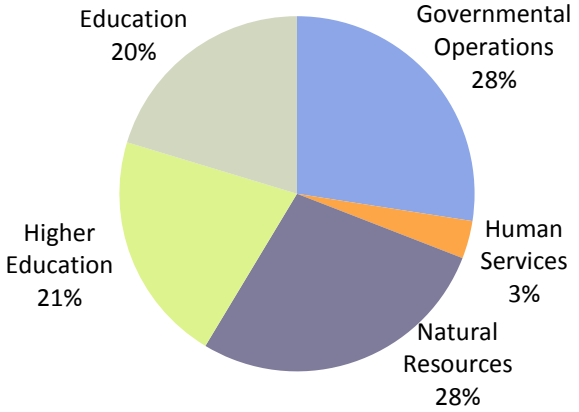


	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Governmental Operations	720,501	688,828	997,700	659,091	1,003,621	889,615
Human Services	344,789	380,544	311,881	146,349	187,491	105,722
Natural Resources	624,717	898,894	1,103,561	1,048,357	1,122,605	1,397,167
Higher Education	866,299	921,369	1,061,902	704,835	632,575	636,614
Education	420,312	664,373	779,287	771,111	757,363	582,347
Total	**2,976,619**	**3,554,008**	**4,254,331**	**3,329,743**	**3,703,655**	**3,611,465**
Governmental Operations	24.2%	19.4%	23.5%	19.8%	27.1%	24.6%
Human Services	11.6%	10.7%	7.3%	4.4%	5.1%	2.9%
Natural Resources	21.0%	25.3%	25.9%	31.5%	30.3%	38.7%
Higher Education	29.1%	25.9%	25.0%	21.2%	17.1%	17.6%
Education	14.1%	18.7%	18.3%	23.2%	20.4%	16.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

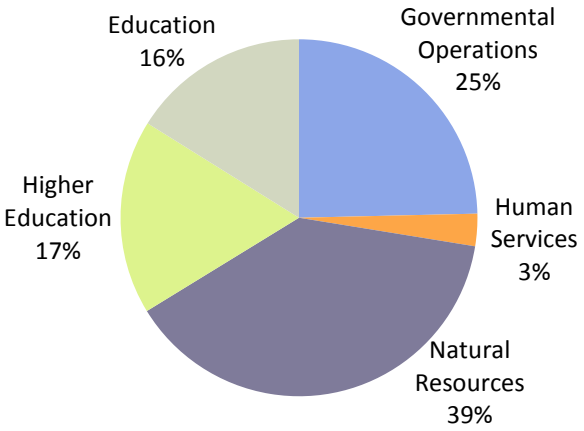
Source: Legislative Evaluation and Accountability Program Committee, October 2014

The following pie charts depict the five functional areas in the 2013-15 Capital Budget in terms of debt limit bond appropriations and total appropriations.

State Bonds



Total Appropriations



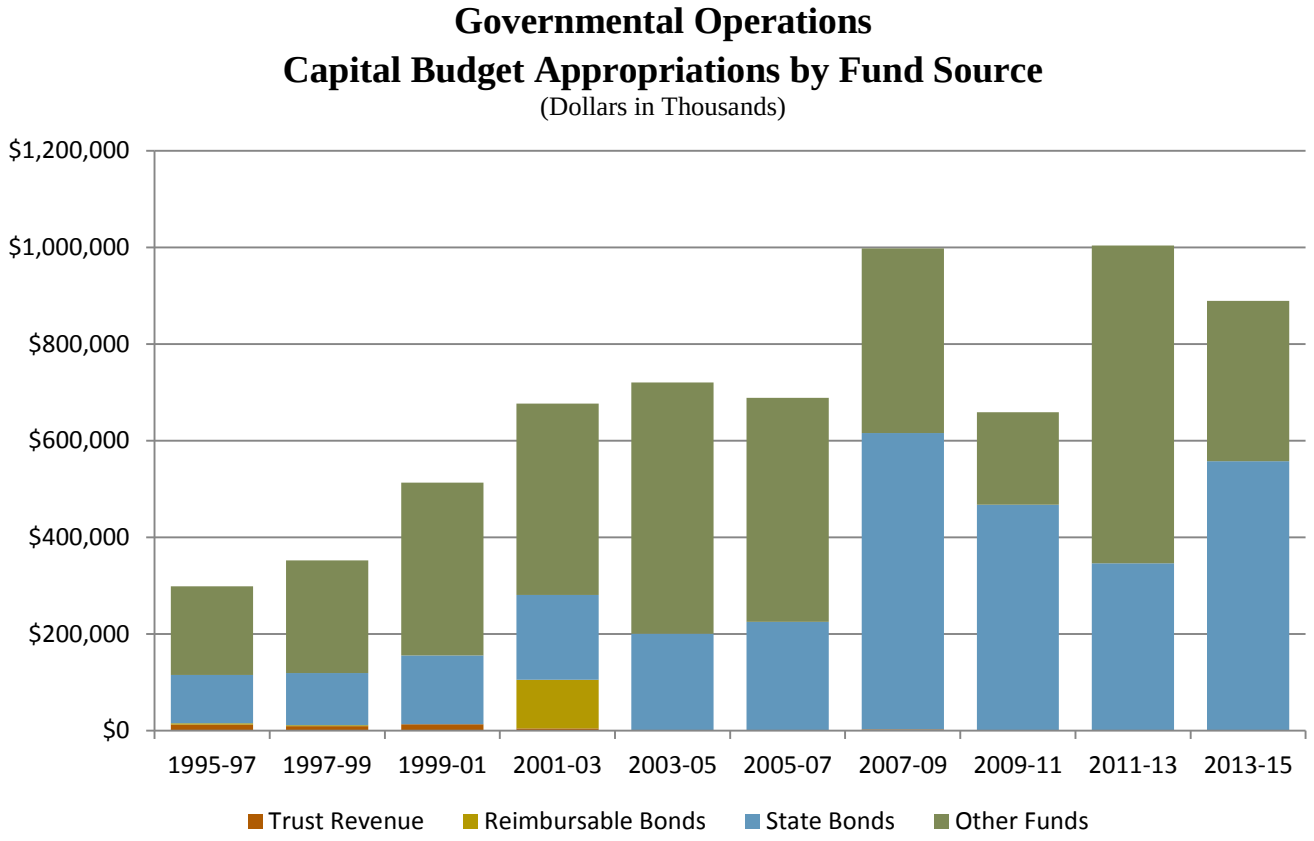
(Dollars in Thousands)	State Bonds	Total Approps
Governmental Operations	556,491	889,615
Human Services	69,722	105,722
Natural Resources	561,838	1,397,167
Higher Education	426,635	636,614
Education	411,766	582,347
Total	$2,026,452	$3,611,465

Source: Legislative Evaluation and Accountability Program Committee, October 2014

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.

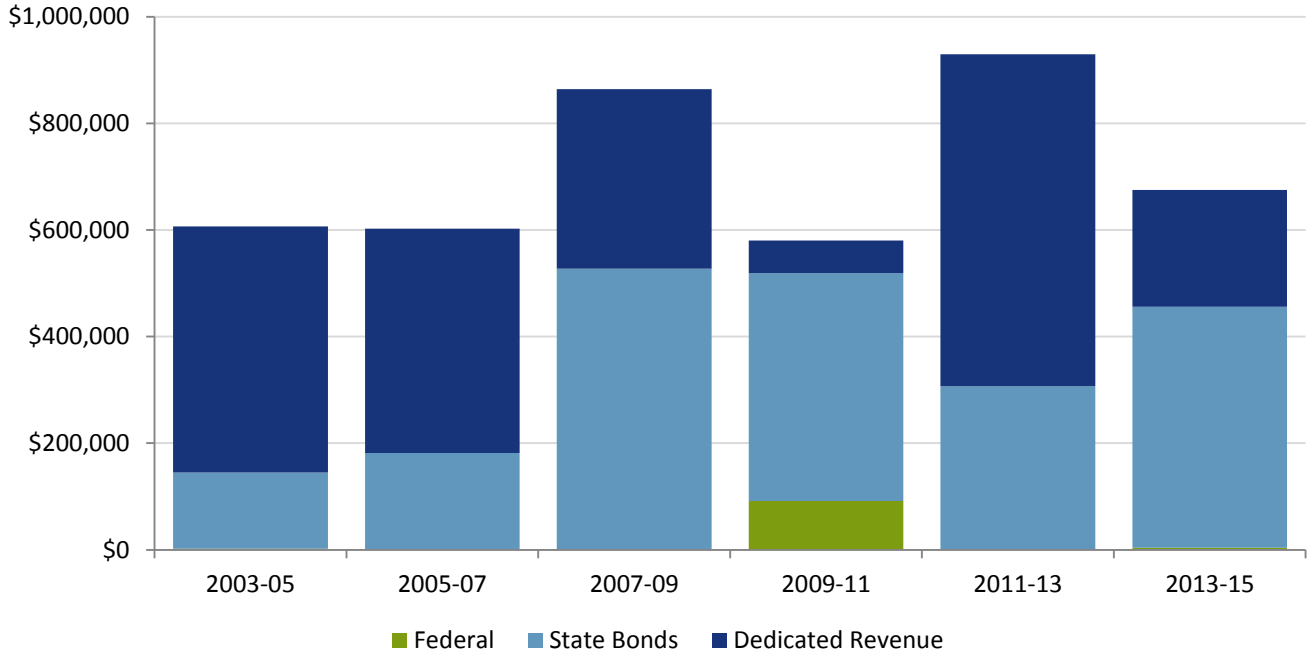


Source: Legislative Evaluation and Accountability Program Committee, October 2014

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, and youth recreational facilities.

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



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	1,900	0	0	91,700	0	4,000
State Bonds	143,064	181,868	527,427	427,076	307,363	452,228
Dedicated Revenue	461,715	420,356	336,885	61,429	622,166	219,100
Total	**$606,679**	**$602,223**	**$864,312**	**$580,205**	**$929,529**	**$675,328**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

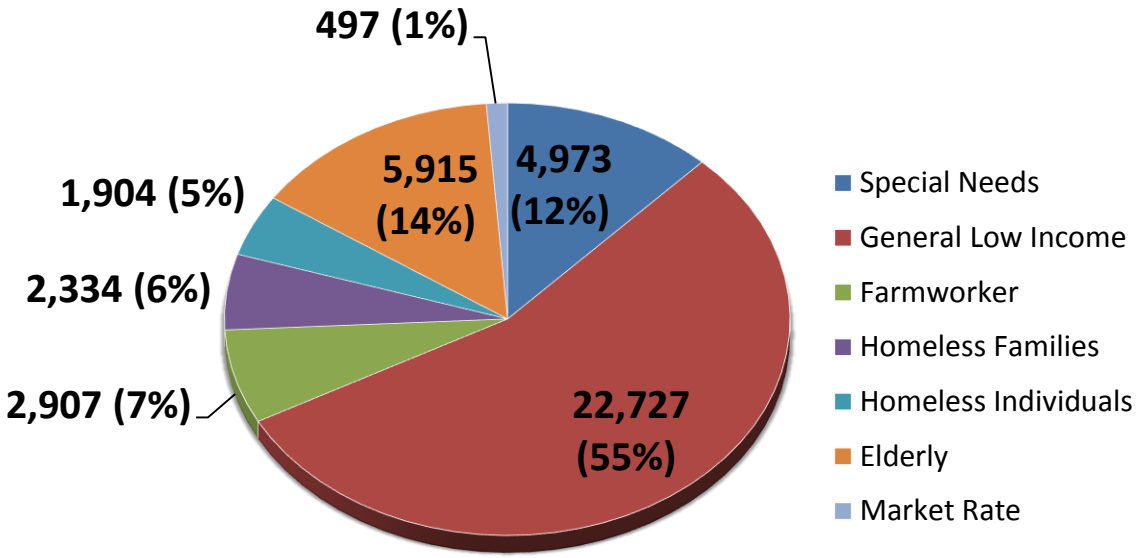
Major Capital Programs Administered by the Department of Commerce

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 the 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 HTF resources must benefit projects in rural communities.

As depicted below, since 1989, the HTF has invested $976 million in 41,257 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.

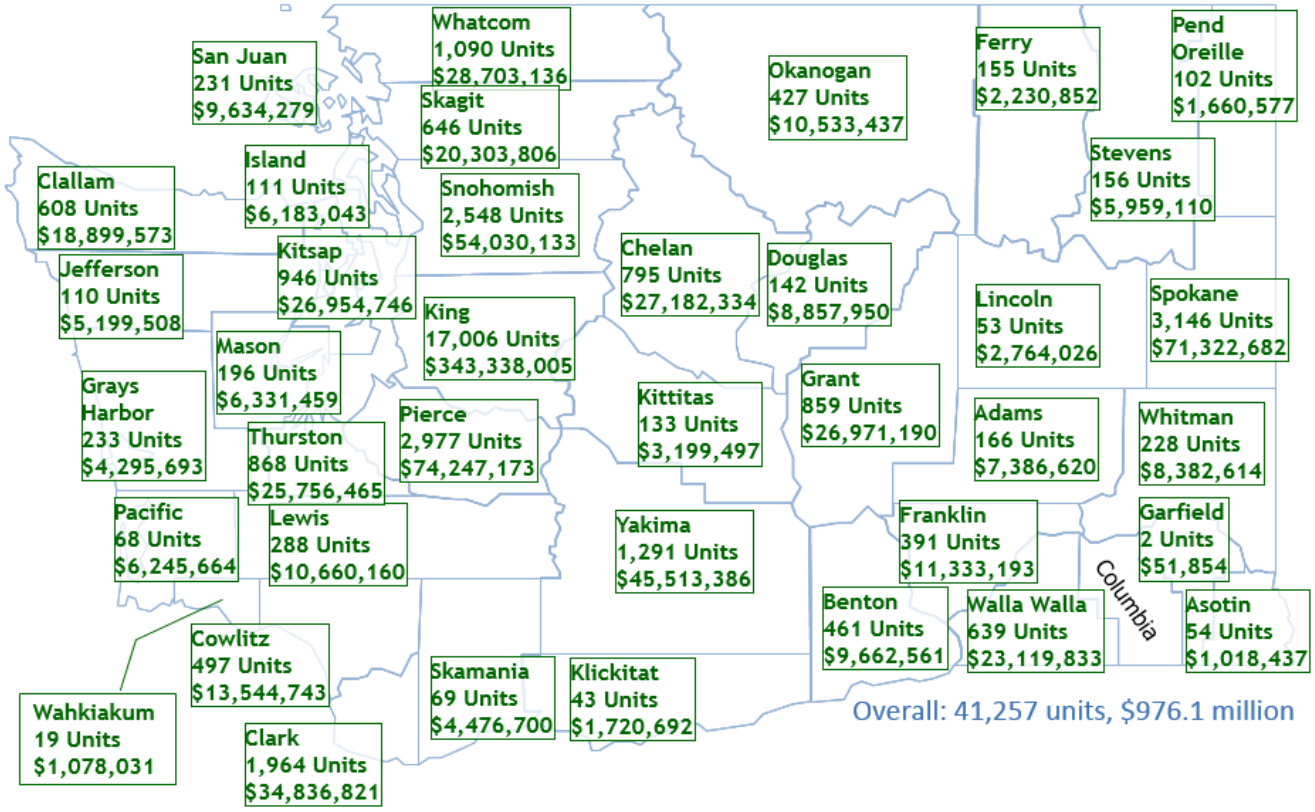
Units Funded by Population Served 1989-2013
(41,257 Total Units)*



*This graph includes all units currently in service or under development

Source: Department of Commerce, October 2014

Housing Trust Fund Investments Since 1989 by County [1]



[1.] Commerce Note: Totals on the map account for all multifamily and homeownership projects within specific counties. An additional 1,539 units ($12.5 million investment) have been funded under projects that span multiple counties and cannot be accurately mapped.
Source: Department of Commerce, October 2014

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, Commerce has been required to submit a preliminary ranked list of housing projects in the early part of the legislative session. Legislators have reviewed these lists and organized them into categories such as "Housing for the Homeless", "Housing for Farmworkers", "Housing for People with Chronic Mentally Illness" and others. Legislators have then allocated housing funds in the enacted capital budgets according to these categories and have appended to the budgets an official ranked list corresponding to each category. Commerce has been given some flexibility to determine the final eligibility and readiness of projects on the lists and to allocate funding to alternate projects if necessary.

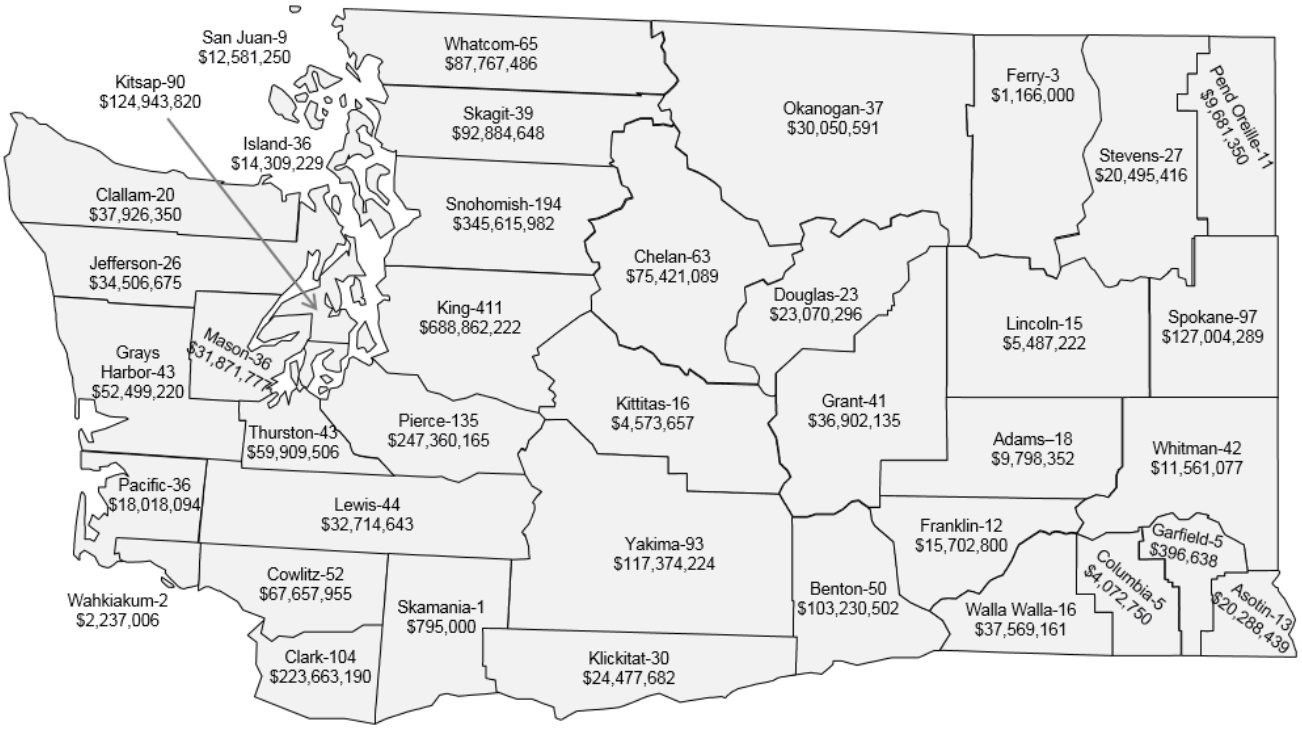
Public Works Assistance Account Program

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…"

Through a competitive application process, 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. By law, the PWB must develop and recommend to the Governor and Legislature an annual ranked list of projects for funding. The Legislature may remove projects from the list but may not change the ranking. Monies from the PWAA cannot be obligated until the Legislature has appropriated funds for a specific list of projects.

Between 1985 and 2014, the PWAA has funded 2,003 loans totaling $2.8 billion.

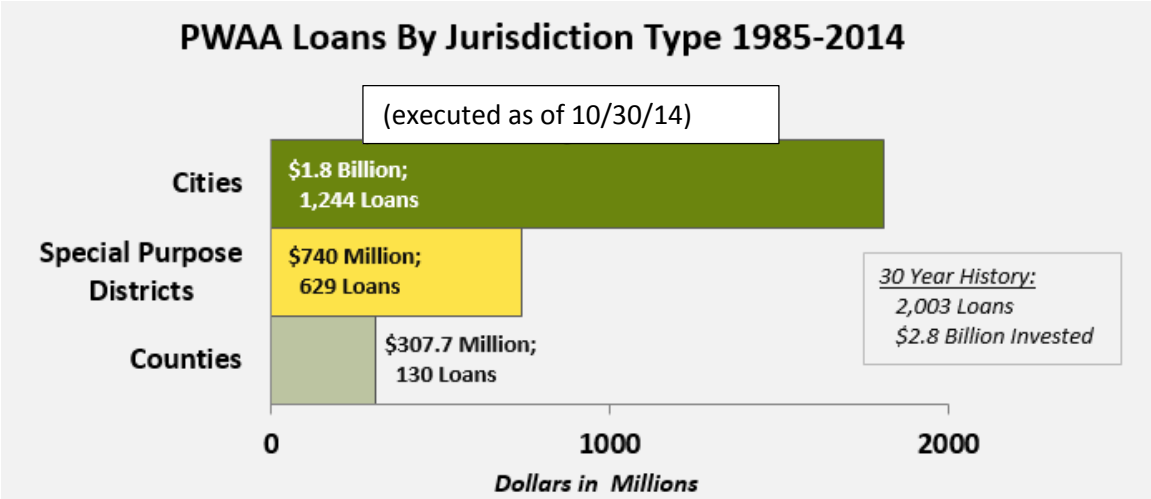
Public Works Assistance Account Investments from 1985 – 2014[1]



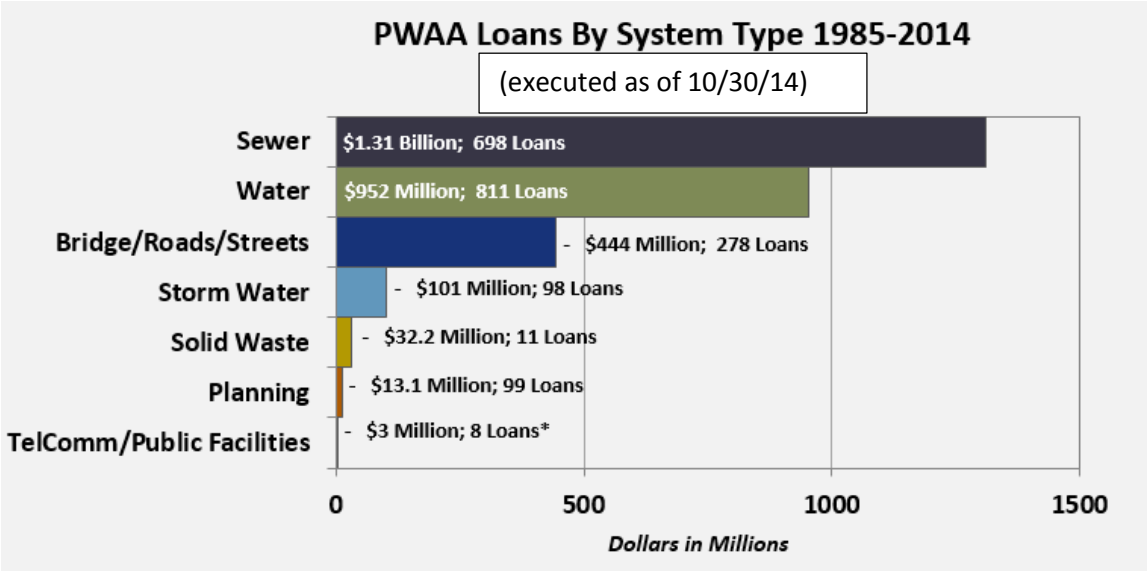
[1] Contracts executed on or before 10/30/14 for: Construction, Preconstruction, Planning, Emergency, Energy and Water Efficiency, WSARP, Rural Natural Resources, Timber, and Capital Facilities Planning.

Source: Public Works Board, Department of Commerce, October 2014

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 80 percent of the loan value.



Source: Public Works Board, Department of Commerce, October 2014

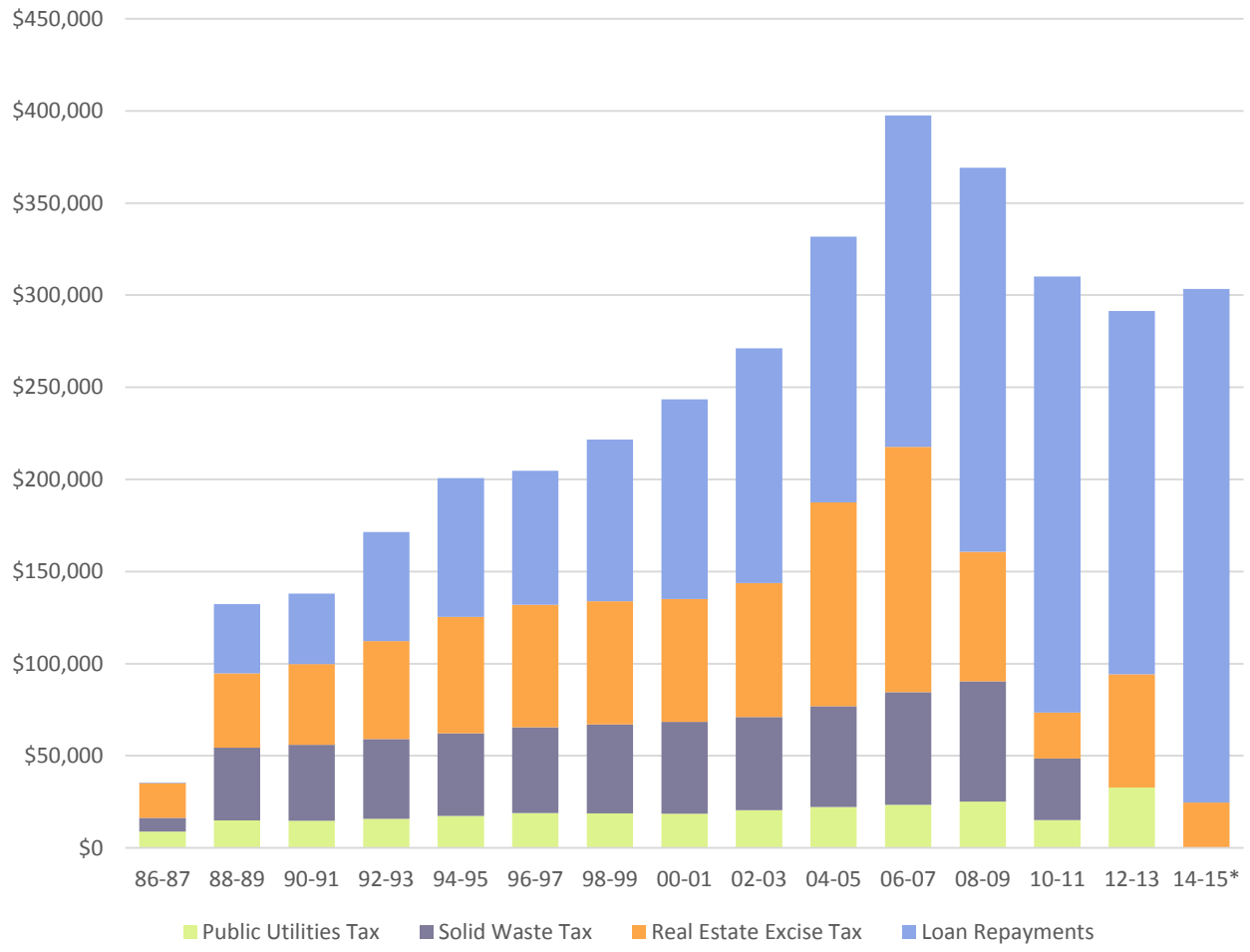


Source: Public Works Board, Department of Commerce, October 2014

Historically, the PWAA has 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 the PUT revenues from sewer utilities; and (3) 100 percent of the Solid Waste Collection Tax (SWCT) imposed on garbage utilities.

The following bar chart displays revenues into the PWAA by source from its inception in FY1986 to FY2015.

Public Works Assistance Account Revenue by Source
Fiscal Years 1986 through 2015
(Dollars in Thousands)



*Note: $277.2 million of these loan repayment revenues for 2013-15 were transferred from the PWAA to the Education Legacy Trust Account for use in the operating budget.

Source: Public Works Board, Department of Commerce, October 2014

Since the 2009-11 biennium, the Legislature has transferred cash and redirected tax revenues from the PWAA to the State General Fund and the Education Legacy Trust Account (ELTA). For the 2013-15 biennium, the Legislature: (1) transferred $277 million in PWAA loan repayments to the ELTA; (2) redirected 4.1 percent of the REET revenues into the ELTA, leaving 2 percent in the PWAA; (3) redirected the PUT revenues into the ELTA; and (4) suspended the deposit of SWCT revenues into the PWAA. The taxes are redirected statutorily from the PWAA through June 30, 2019.

The following table summarizes these various actions and their impacts on the PWAA from 2013 through 2019:

Legislative Action	**Biennial Impacts** (Dollars in Thousands)		
	2013-15	**2015-17**	**2017-19**
Transfer PWAA cash to ELTA	($277,244)	$0	$0
Suspend SWCT deposit into PWAA	($75,465)	($80,548)	($88,619)
Redirect all but 2% of REET from PWAA to ELTA	($51,778)	($55,523)	($60,953)
Redirect PUT from PWAA to ELTA	($35,097)	($37,870)	($40,492)
Total PWAA Reductions	**($439,584)**	**($173,941)**	**($190,064)**

As shown, these transfers and redirections total an estimated $440 million in decreased revenue to the PWAA for the 2013-15 biennium. As a result, the Legislature did not approve any new PWAA loan projects for the 2013-15 biennium. In addition, 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.

Community Economic Revitalization Board Program

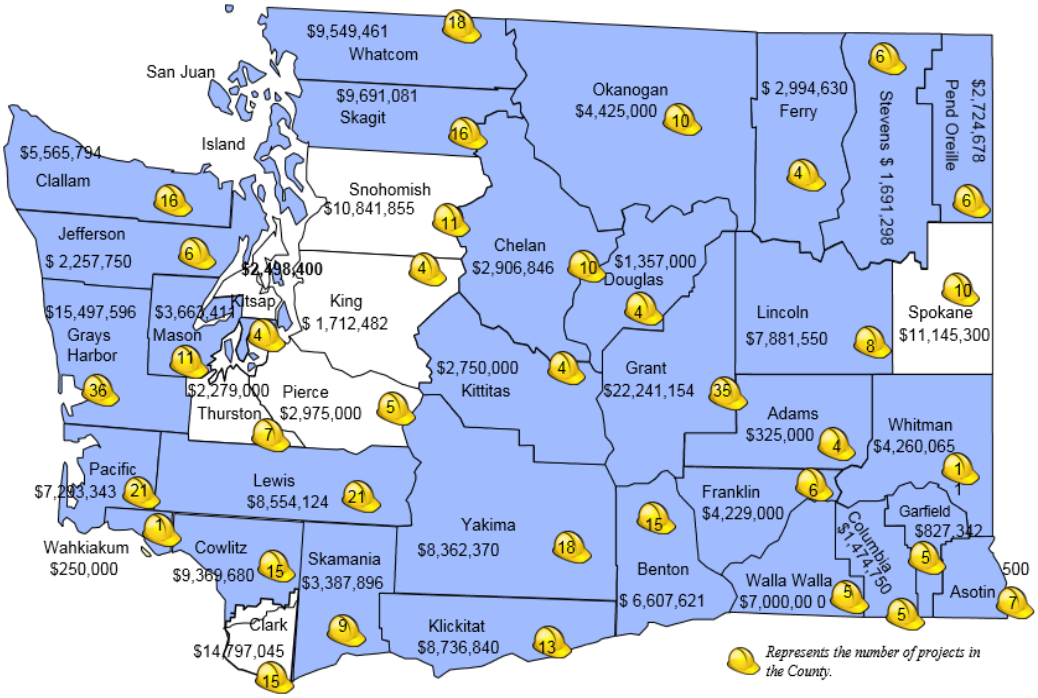
Under RCW 43.160, the Community Economic Revitalization Board (CERB) program funds the construction, repair, and acquisition of public facilities that encourage new business development and expansion in areas seeking economic growth. Eligible public facility projects include domestic and industrial water,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

The CERB 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 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 recent years, the Legislature has also appropriated funds through CERB for non-traditional local projects such as port- and export-related infrastructure, technical assistance, and innovation grants.

Since its creation in 1982, the CERB program has provided approximately $206 million in loans and grants to communities statewide.

Community Economic Revitalization Board Investments, 1982 – 2014



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, October 2014

Energy Efficiency Programs

Since 2009, the Legislature has appropriated state general obligation bonds in the capital budget for energy efficiency grants through Commerce and through the Office of the Superintendent of Public Instruction (OSPI). Administered by each 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 three biennia, the appropriations to Commerce have totaled $108 million and the appropriations to the 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.

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:

	Building for the Arts (RCW 43.63A.750)	**Building Communities Fund (RCW 43.63A.125)**	**Youth Recreational Facilities (RCW 43.63A.135)**
Program Purpose	Defrays up to 20% of eligible capital costs for acquisition, construction and/or major renovation of arts capital facilities.	Defrays up to 25% or more of eligible capital costs to acquire, construct, or rehabilitate nonresidential community and social service centers.	Defrays up to 25% 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.
Eligible Applicants	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
Grant Cycle	Biennial	Biennial	Biennial
Fund Source	State Bonds	State Bonds	State Bonds

	Building for the Arts (RCW 43.63A.750)	Building Communities Fund (RCW 43.63A.125)	Youth Recreational Facilities (RCW 43.63A.135)
2013-15 Appropriations	$10.2 million	$5.3 million	$4.1 million
Maximum List Size	$12 million by statute	No maximum	$8 million by statute
Maximum Amount/Project	$2 million	Commerce may not set a maximum.	$800,000
Process and Legislature's Role	Applications are screened by Commerce and ranked by an advisory committee of art facilities experts. The Commerce director reviews and may include the 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 evaluated by an advisory committee of social services experts. Commerce must include a ranked list of qualified projects in the agency capital budget request to the Governor and Legislature. 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 recreational facilities experts. The Commerce director reviews and may include the 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.

Prohibitions on Lending of Credit/Gift of Public Funds

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 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/gift-of-public-funds 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 funds by avoiding expenditures for projects that are still in the early stages or for which financing still needs to be raised.

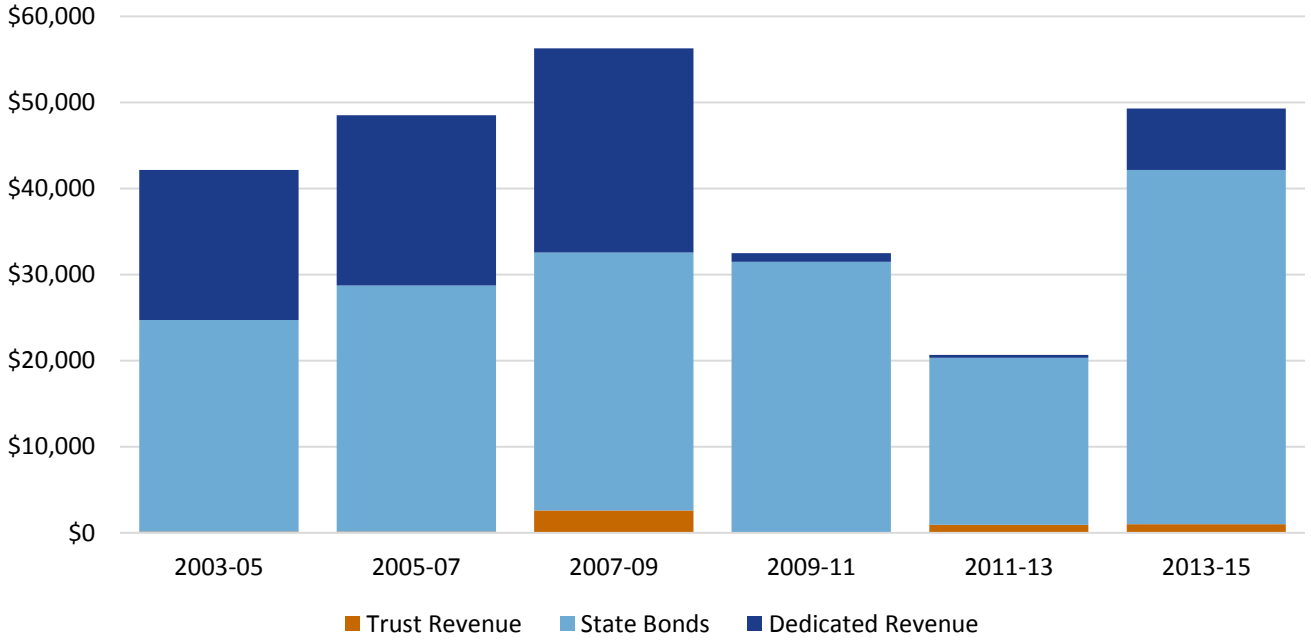
In addition, the state must recover the investment from any projects that do not provide the public services or benefits for a sufficient period of time or from projects that are not completed within a reasonable period of time (generally five years).

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 design and construction services;
- 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)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	140	145	2,604	0	928	1,000
State Bonds	24,568	28,604	29,969	31,501	19,412	41,174
Dedicated Revenue	17,447	19,781	23,705	1,000	350	7,131
Total	**$42,155**	**$48,530**	**$56,278**	**$32,501**	**$20,690**	**$49,305**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

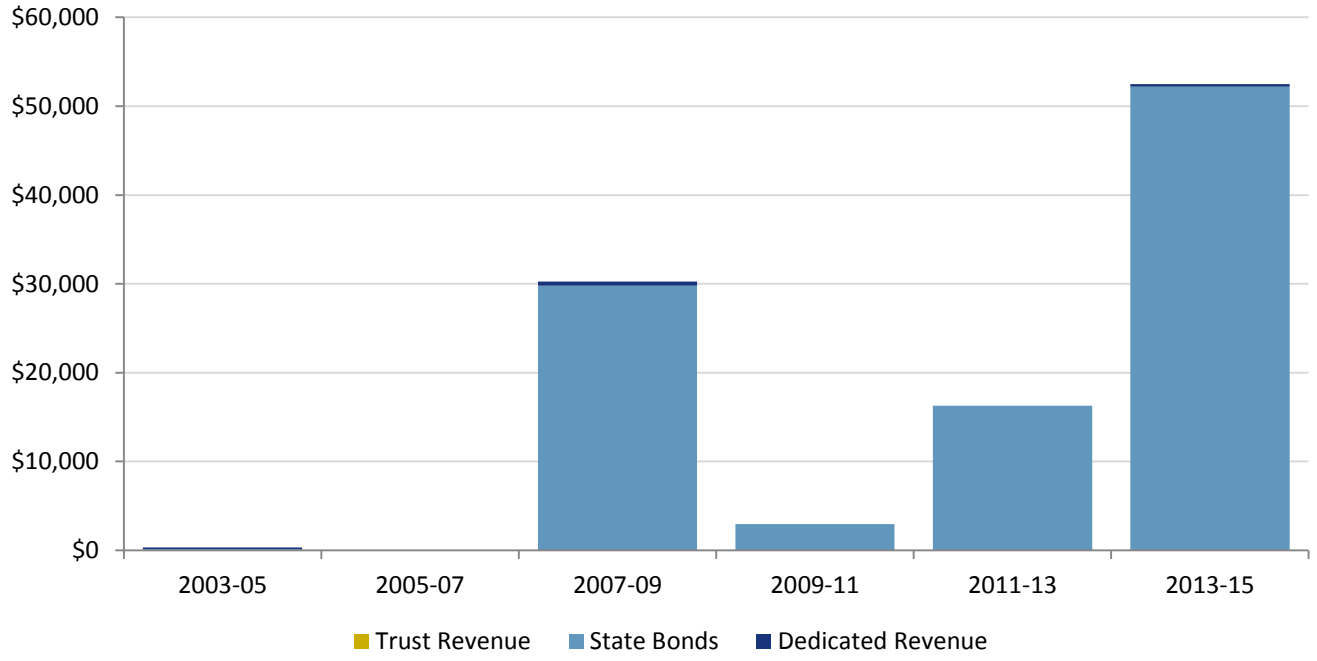
Office of Financial Management

The Office of Financial Management 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 the OFM to manage and fund special projects. For example, since 2008, the OFM has 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)

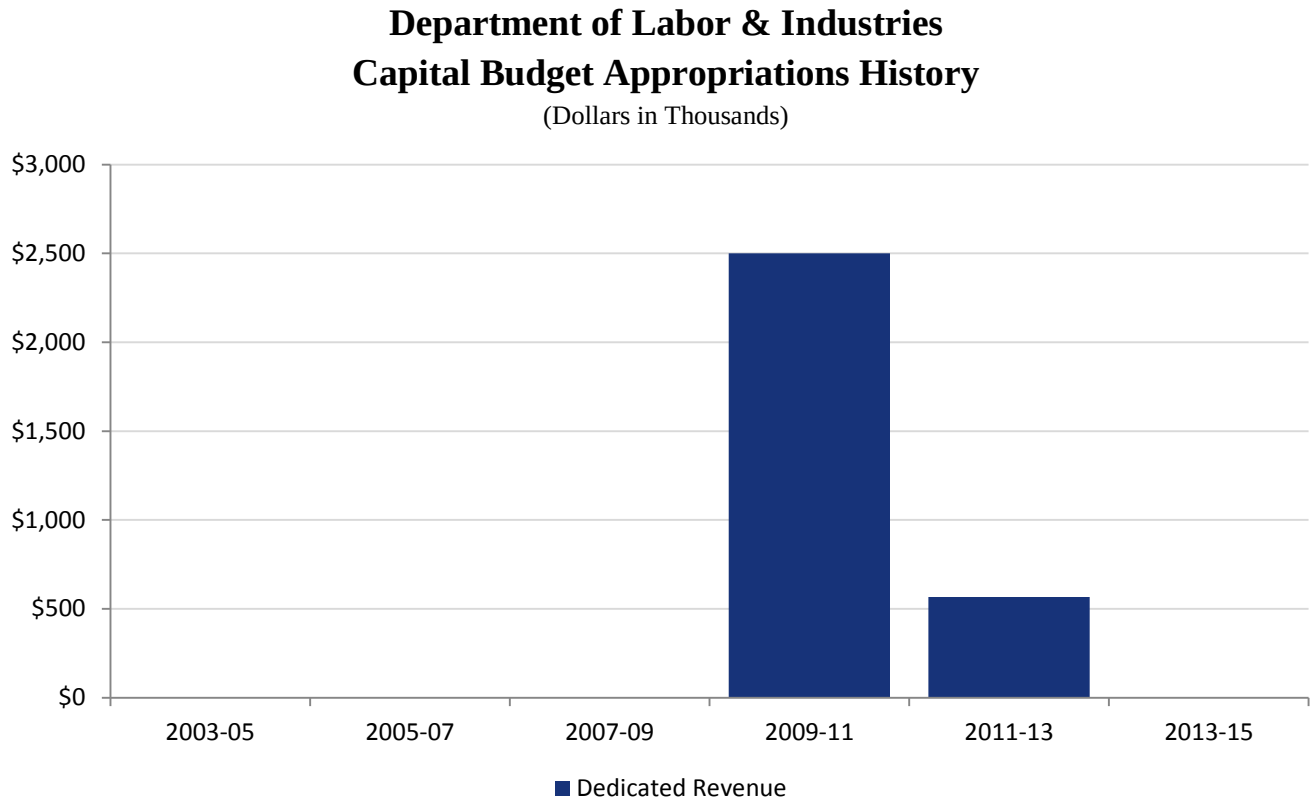


	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	15	0	0	0	0	0
State Bonds	150	0	29,789	2,962	16,297	52,182
Dedicated Revenue	150	0	475	0	0	300
Total	**$315**	**$0**	**$30,264**	**$2,962**	**$16,297**	**$52,482**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Department of Labor & Industries

Labor and Industries (L&I) is dedicated to the safety, health, and security of Washington's 2.5 million workers. L&I helps employers meet safety and health standards and inspects workplaces when alerted to hazards. There are 19 L&I offices throughout Washington.

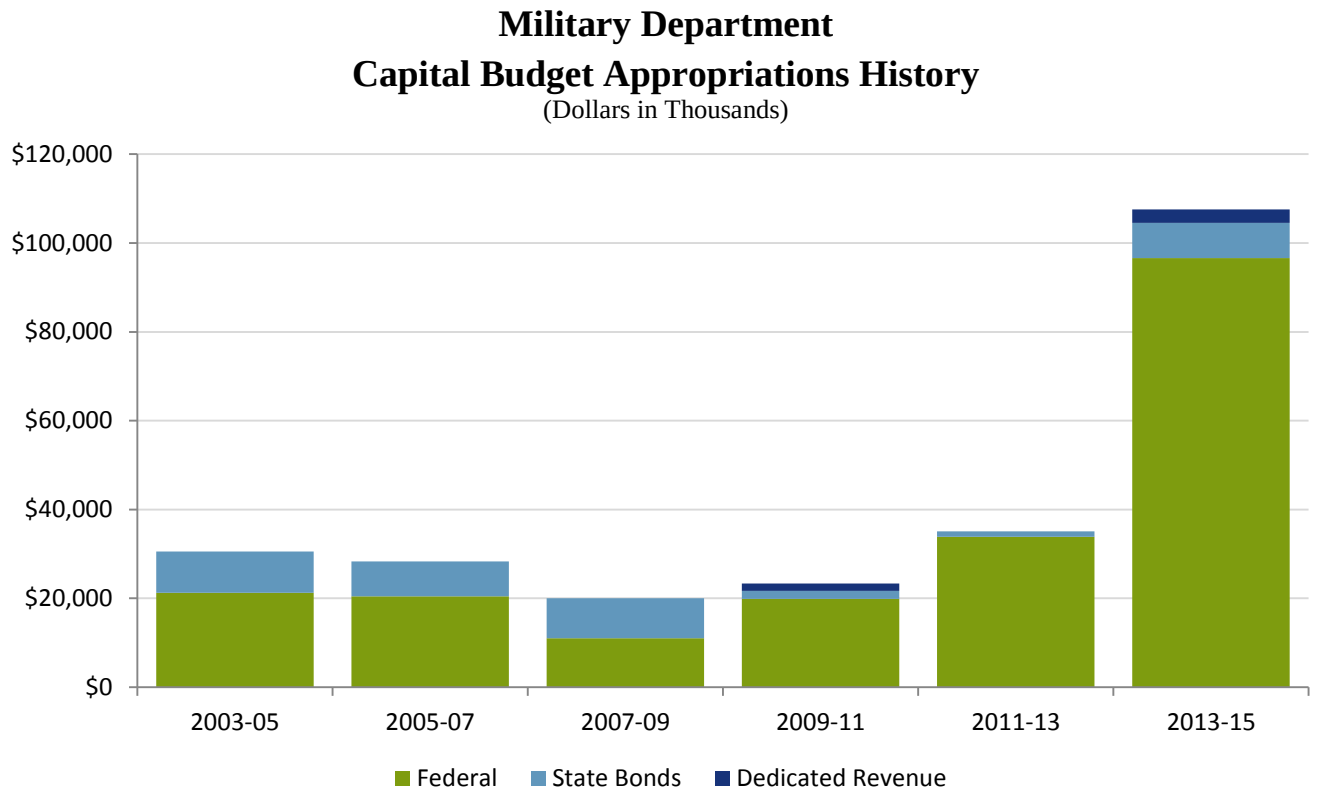


	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Dedicated Revenue	0	0	0	2,500	567	0
Total	**$0**	**$0**	**$0**	**$2,500**	**$567**	**$0**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

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 accommodate the state's military mission.



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	21,228	20,488	11,035	19,917	33,898	96,593
State Bonds	9,294	7,852	8,991	1,809	1,198	7,959
Dedicated Revenue	0	0	0	1,657	0	3,000
Total	**$30,522**	**$28,340**	**$20,026**	**$23,383**	**$35,096**	**$107,552**

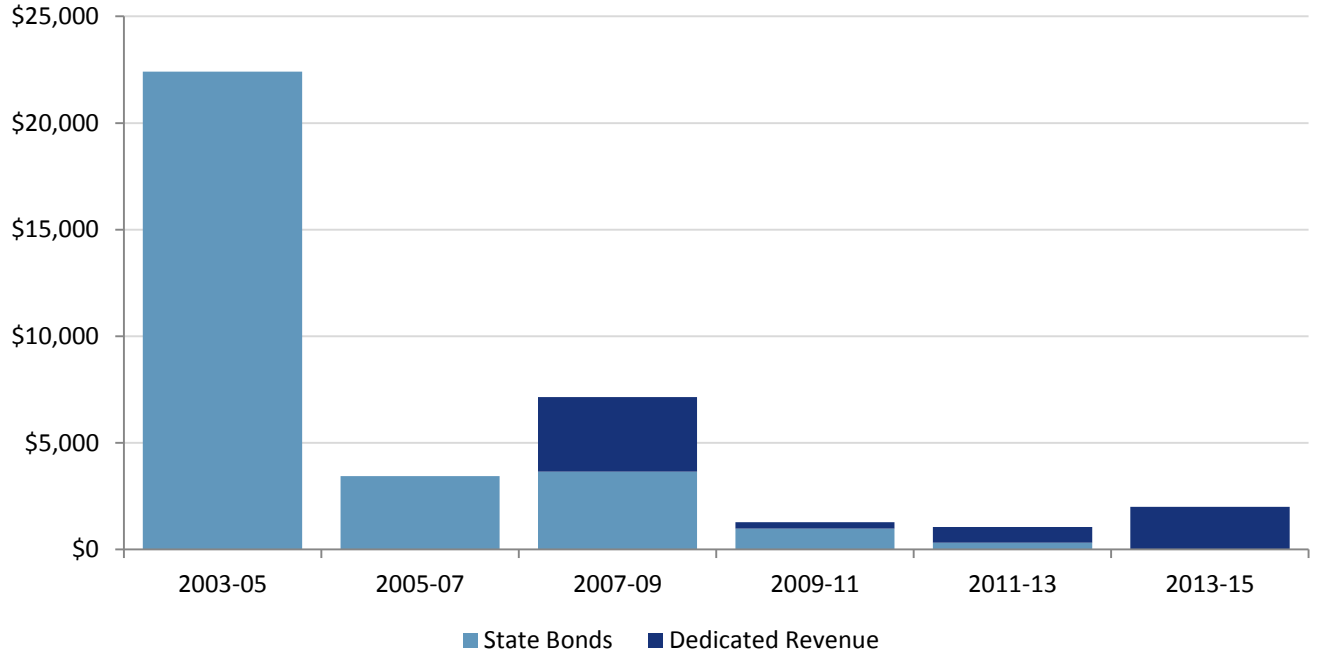
Source: Legislative Evaluation and Accountability Program Committee, October 2014

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)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
State Bonds	22,415	3,435	3,650	975	315	0
Dedicated Revenue	0	0	3,500	300	744	2,000
Total	**$22,415**	**$3,435**	**$7,150**	**$1,275**	**$1,059**	**$2,000**

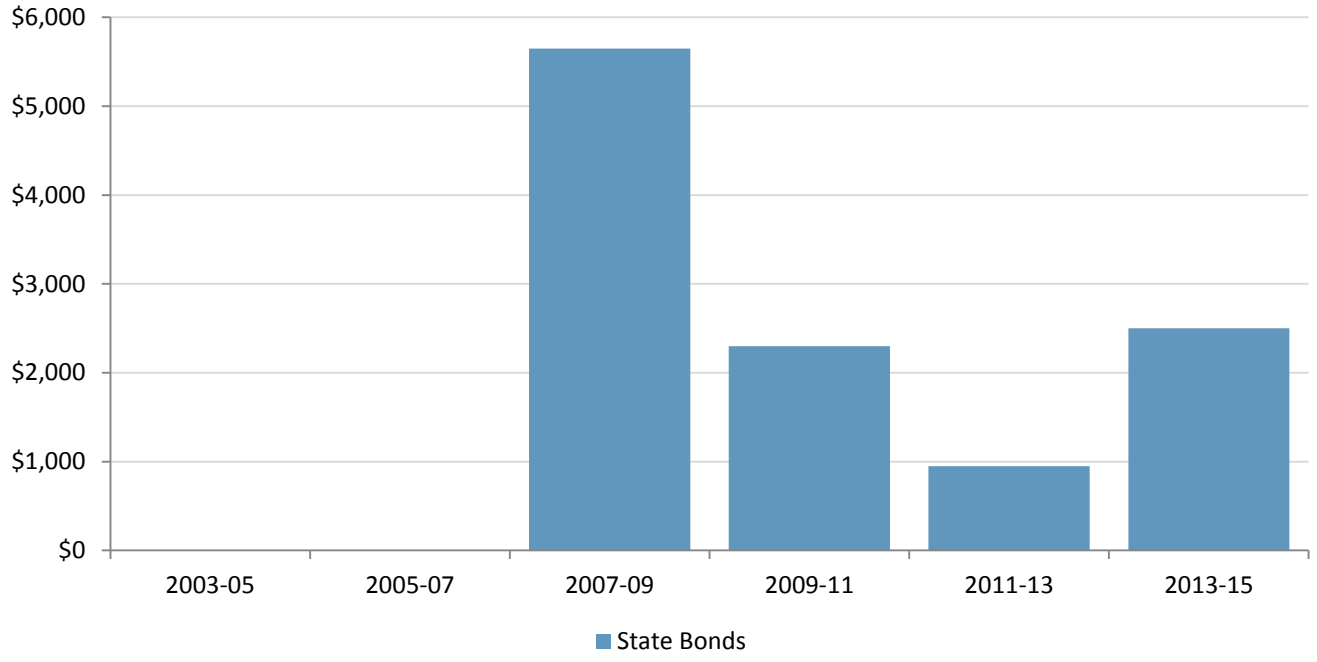
Source: Legislative Evaluation and Accountability Program Committee, October 2014

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 the Department of Archaeology and Historic Preservation, 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 two capital programs: Heritage Barn Preservation Grants and Historic County Courthouse Grants.

Department of Archaeology & Historic Preservation
Capital Budget Appropriations History
(Dollars in Thousands)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
State Bonds	0	0	5,650	2,300	950	2,500
Total	**$0**	**$0**	**$5,650**	**$2,300**	**$950**	**$2,500**

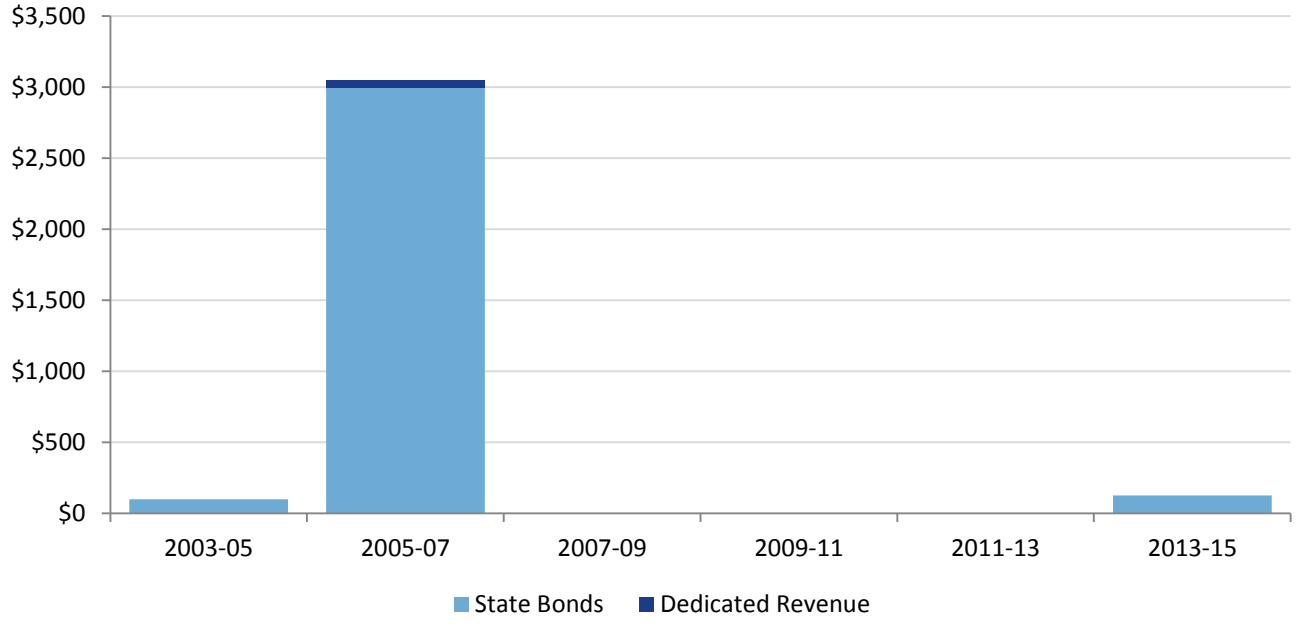
Source: Legislative Evaluation and Accountability Program Committee, October 2014

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)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
State Bonds	100	3,000	0	0	0	128
Dedicated Revenue	0	50	0	0	0	0
Total	**$100**	**$3,050**	**$0**	**$0**	**$0**	**$128**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Relevant Organizations to the Functional Area

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.

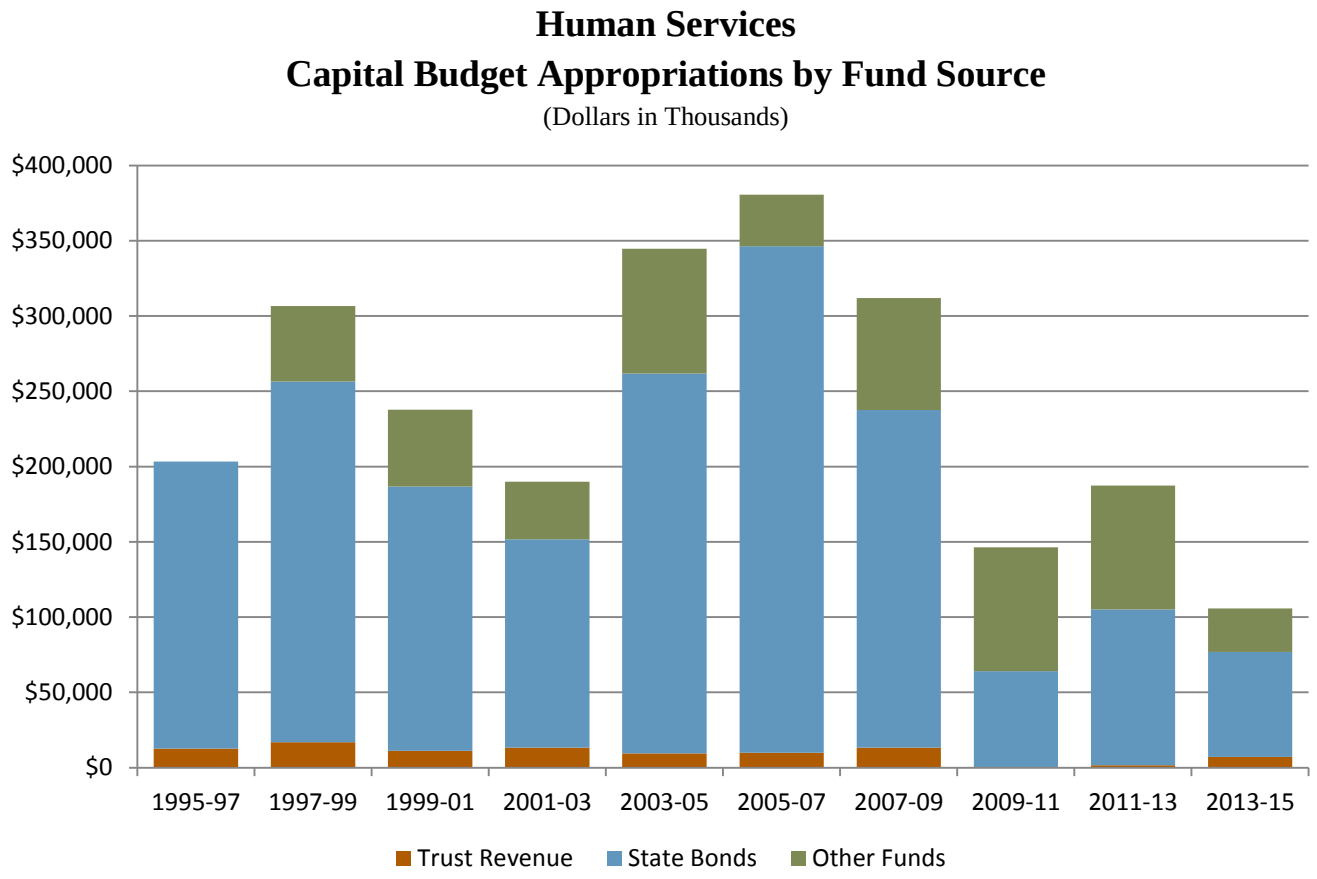
Housing Finance Commission (HFC) (RCW 43.180.040) - The HFC, with an 11-member board, develops and administers financing programs for the development of affordable rental housing throughout the state and for home ownership opportunities. Additionally, the HFC provides access to capital for sustainable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

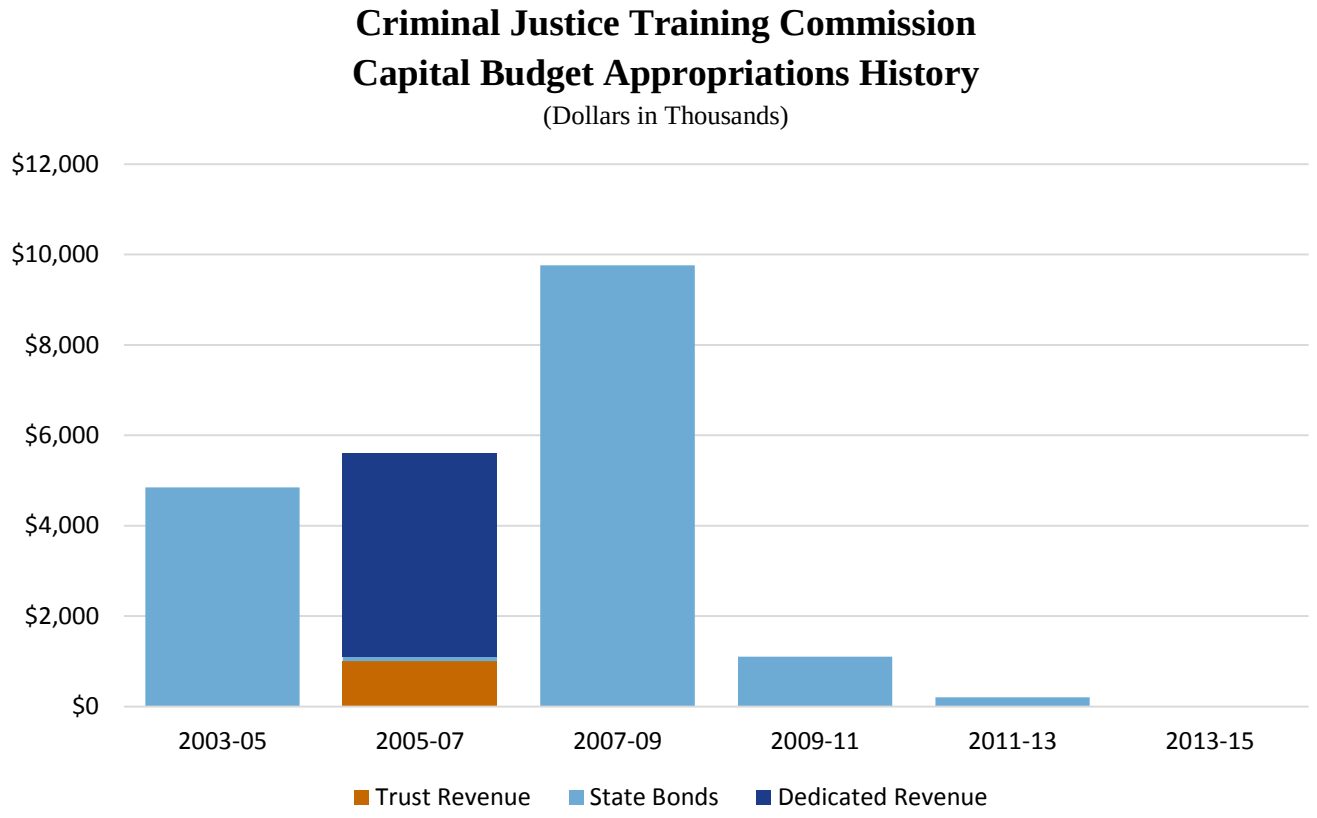
The Human Services functional area of the capital budget includes the Criminal Justice Training Commission, and the departments of Social and Health Services, Corrections, Veterans Affairs, and Health. Most Human Services capital projects involve construction and repair of state institutions such as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



Source: Legislative Evaluation and Accountability Program Committee, October 2014

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.

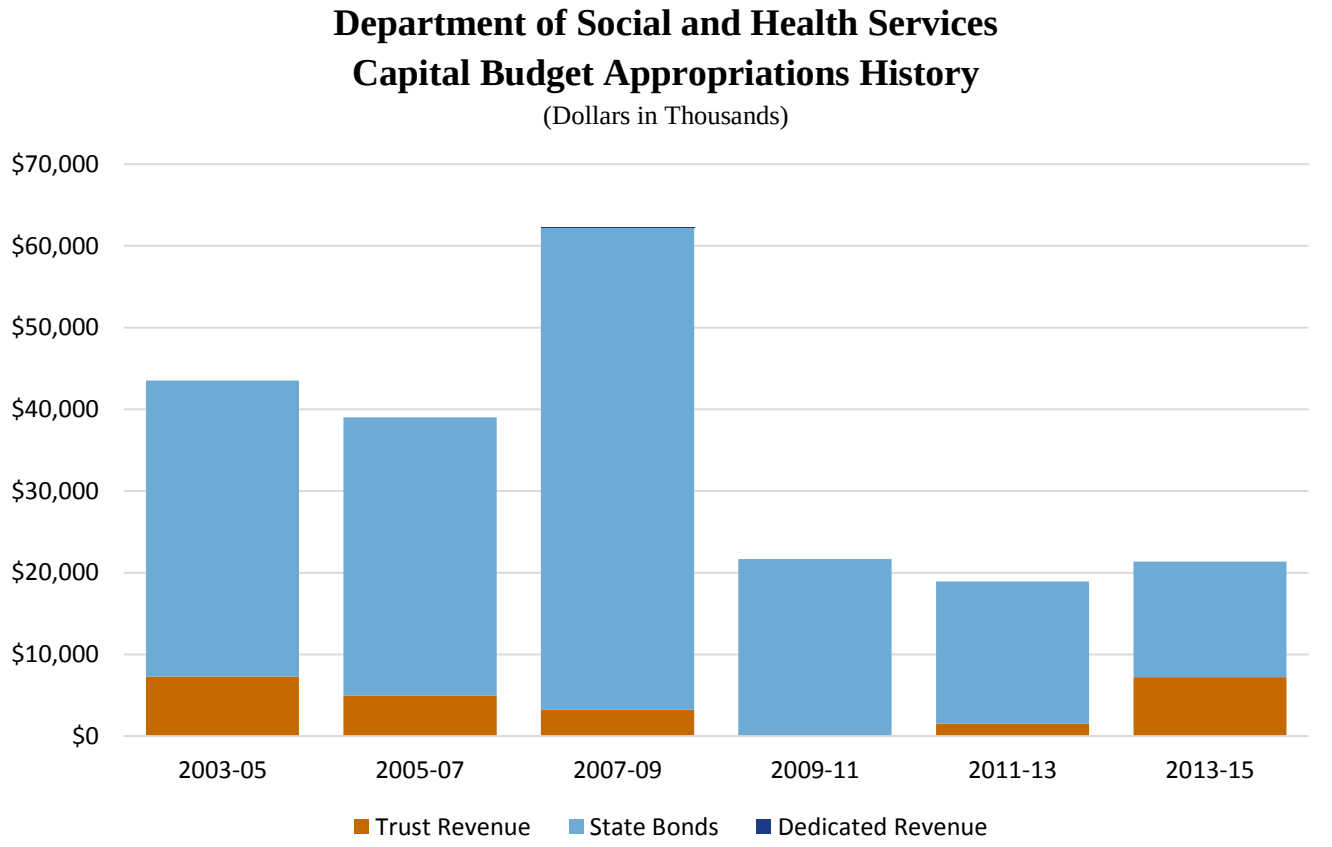


	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	0	1,000	0	0	0	0
State Bonds	4,850	100	9,759	1,100	200	0
Dedicated Revenue	0	4,500	0	0	0	0
Total	**$4,850**	**$5,600**	**$9,759**	**$1,100**	**$200**	**$0**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

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, youth committed by the juvenile courts for criminal behavior, and persons with developmental disabilities that require intensive care.



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	7,275	4,950	3,213	0	1,514	7,200
State Bonds	36,248	34,077	58,990	21,684	17,396	14,155
Dedicated Revenue	0	0	87	0	0	0
Total	**$43,523**	**$39,027**	**$62,290**	**$21,684**	**$18,910**	**$21,355**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Major Capital Programs Administered by the DSHS

Mental Health Facilities

The Division of Mental Health operates three psychiatric centers including: the Child Study and Treatment Center; Eastern State Hospital; and Western State Hospital. Future challenges include: (1) reductions in 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.

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 (RHCs) that house approximately 893 individuals.

The RHCs are 24-hour facilities certified as either: (1) Intermediate Care Facilities for the Mentally Retarded (ICF/MR) offering habilitation services, intensive nursing, therapy services, and work-related assistance; or (2) Nursing Facilities (NF) 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 capital projects that the DSHS will propose for funding.

DSHS Division of Developmental Disabilities Statistics

Location	Fircrest	Rainier	Lakeland	Yakima
Average Census for FY 2014	216	332	210	82
Peak Capacity	222	341	225	120
Average Annual Staff FTEs	601.7	815.3	567.2	233.8
Annual Cost per Resident	$231,552.67	$208,199.65	$238,669.04	$214,168.78
Daily Rate	$634.39	$570.41	$653.89	$586.76
Daily Claiming Rate for FY 14	$589.66	$556.81	$578.65	$532.14

Source: Department of Social and Health Services, 2014

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 Rehabilitation Administration Statistics

Location	Echo Glen	Green Hill	Naselle	Group Homes	Camp Outlook
Average Census for FY 2014	149	197	85	90	9
Peak Capacity (Built Capacity)	176	192	100	128	16
Average Annual Staff FTEs	195.4	236.75	92.63	119.3	0
Annual Cost Per Resident	$109,719	$98,287	$94,374	$93,539	$157,289

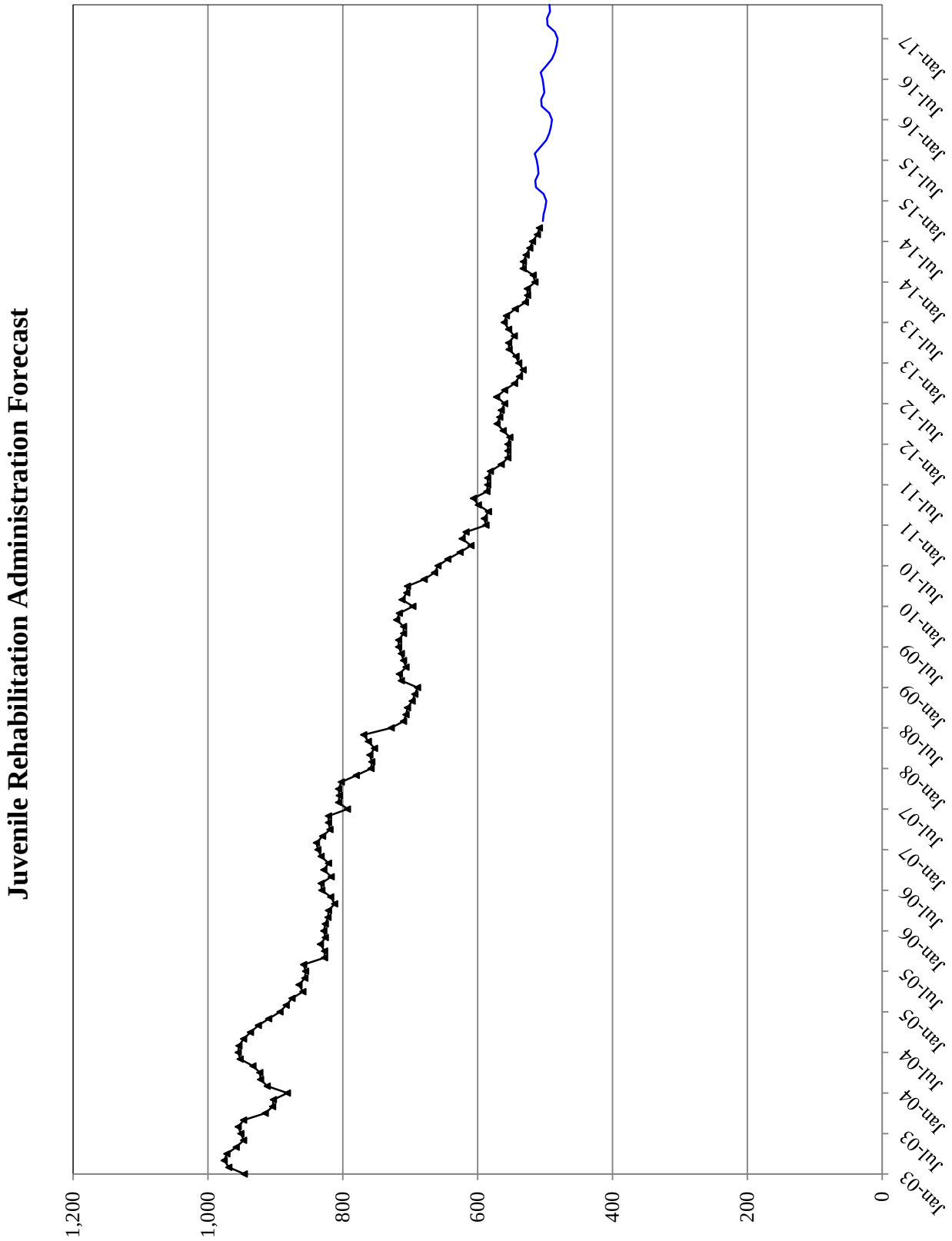
Source: Department of Social and Health Services, 2014

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;
- Naselle Youth Camp, an unfenced facility that serves male and female offenders in a medium security setting; and
- Camp Outlook@Connell, a boot camp style basic training camp.

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: a population declining in numbers but more highly complex in terms of behavioral and service needs, particularly mental health issues.



Source: Caseload Forecast Council, November 2014

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 the SCC.

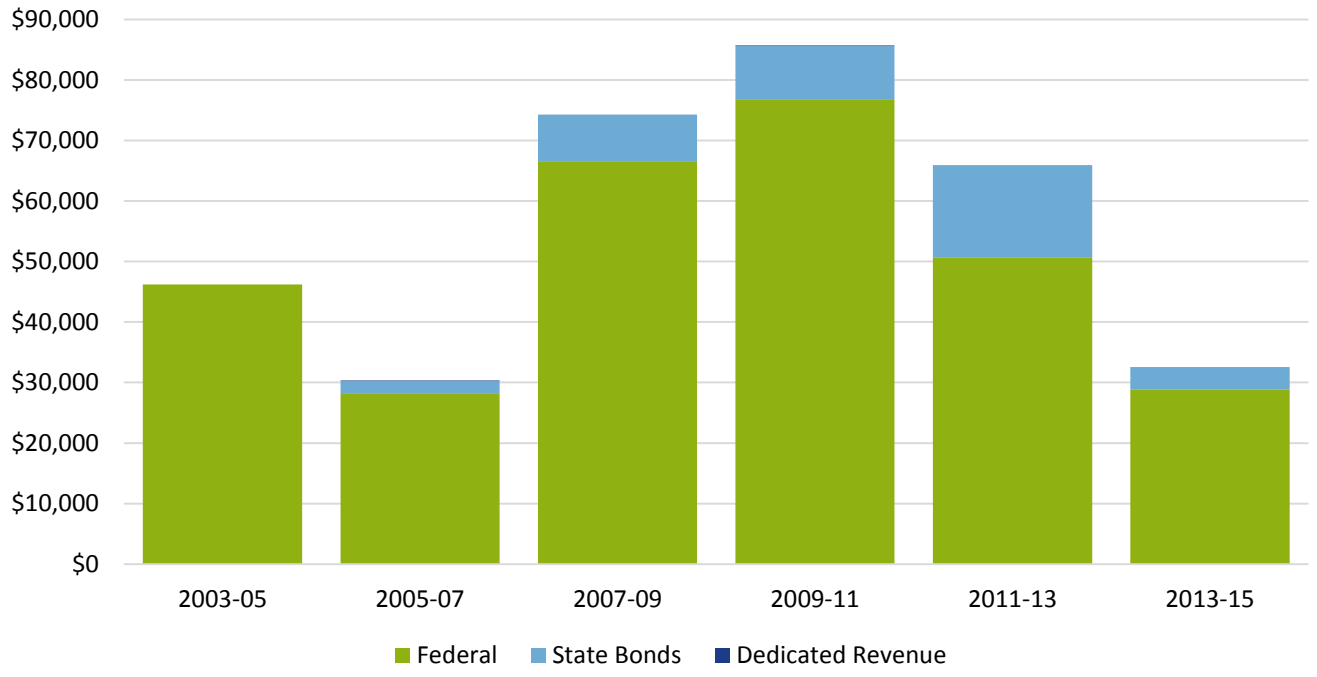
Secure Community Transition Facility

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, under the federal district court injunction, has 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.

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 Department of Health operates the Washington State Public Health Lab located in Shoreline. The DOH also administers the Drinking Water State Revolving Fund (DWSRF) in conjunction with the Department of Commerce/Public Works Board. 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. "Public water systems" includes both municipal and privately-owned water systems. Funding for the DWSRF comes from an annual federal capitalization grant, loan repayments and interest, and state matching funds, generally from the Public Works Assistance Account.

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



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	46,222	28,122	66,474	76,810	50,700	28,800
State Bonds	0	2,125	7,800	8,762	15,217	3,767
Dedicated Revenue	0	100	0	100	0	0
Total	**$46,222**	**$30,347**	**$74,274**	**$85,672**	**$65,917**	**$32,567**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

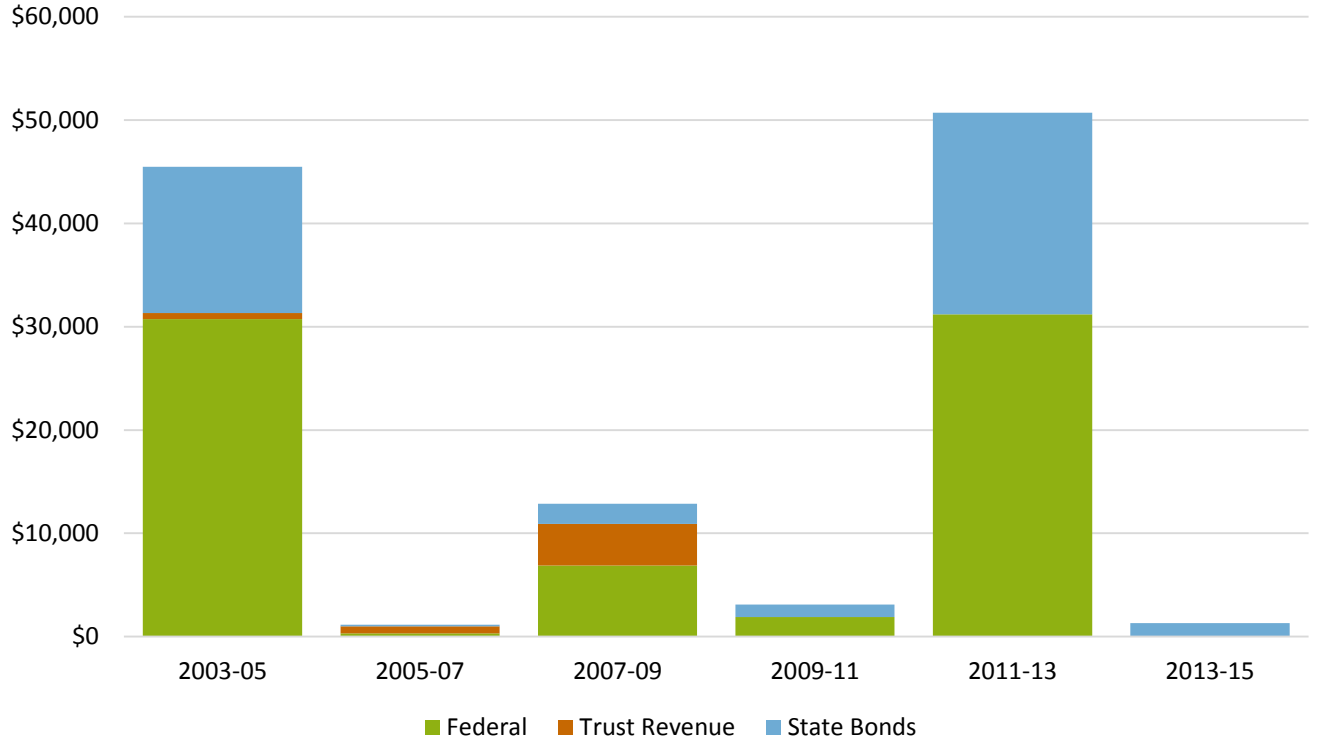
Department of Veterans Affairs

The Washington State Department of Veterans Affairs (WDVA) supports three existing veteran homes, with a fourth 80-bed home in Walla Walla anticipated to open in July 2016:

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

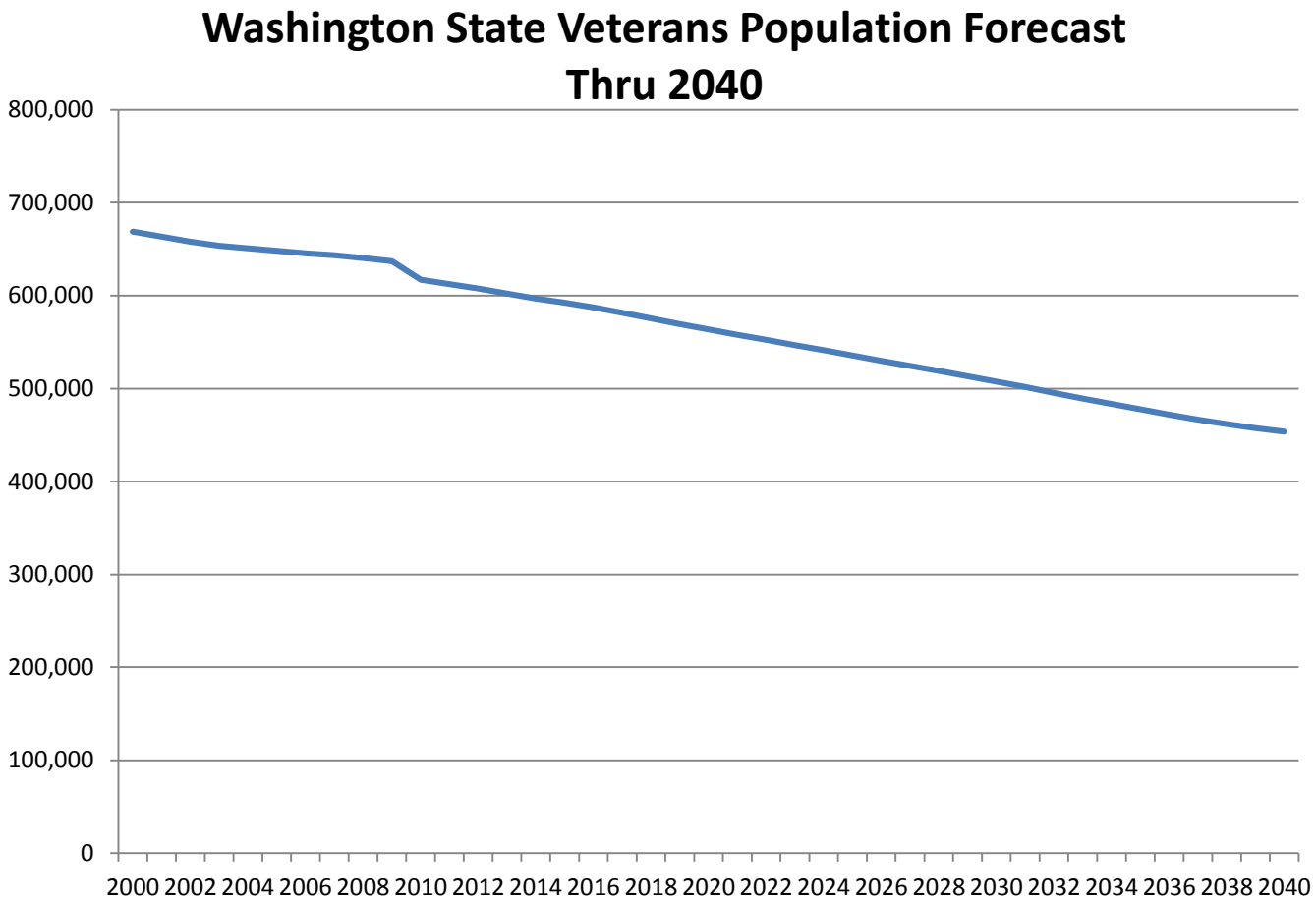
The WDVA provides long-term health care for honorably discharged veterans, and possibly their spouses, who are disabled and indigent or likely to become indigent due to the cost of their health care.

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



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	30,731	318	6,886	1,909	31,200	0
Trust Revenue	590	675	4,026	0	0	0
State Bonds	14,170	171	1,938	1,190	19,522	1,313
Total	**$45,491**	**$1,164**	**$12,850**	**$3,099**	**$50,722**	**$1,313**

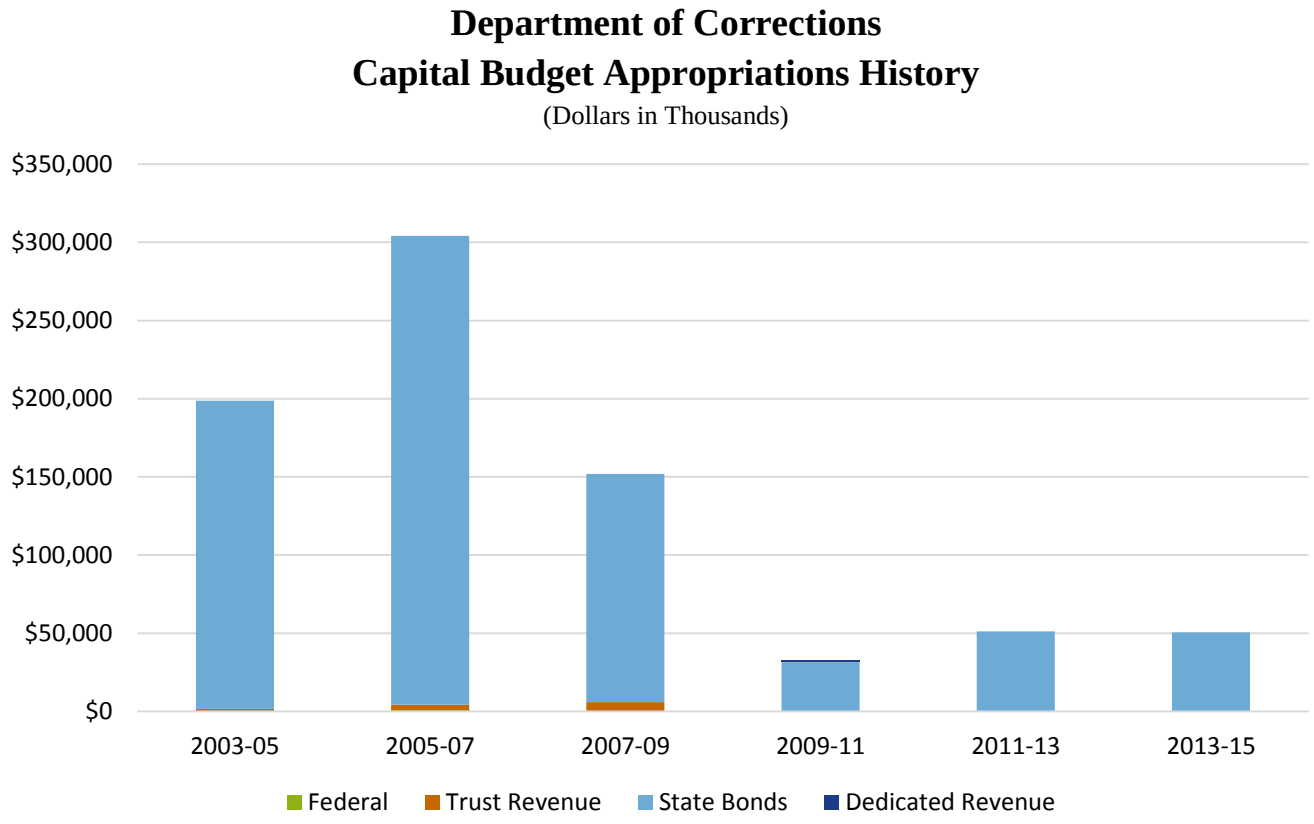
Source: Legislative Evaluation and Accountability Program Committee, October 2014



Source: Department of Veterans Affairs, 2014

Department of Corrections

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



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	0	927	0	0	0	0
Trust Revenue	1,600	3,348	5,962	0	0	0
State Bonds	197,103	299,881	145,962	31,465	51,175	50,487
Dedicated Revenue	0	0	0	829	0	0
Total	**$198,703**	**$304,156**	**$151,924**	**$32,294**	**$51,175**	**$50,487**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Major Capital Programs Administered by the 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:

Airway Heights Corrections Center (AHCC), Spokane Minimum Custody Medium Custody Correctional Industries Department of Natural Resources' Crews	**Stafford Creek Corrections Center (SCCC), Aberdeen** Medium Custody Intensive Management Unit Correctional Industries
Clallam Bay Corrections Center (CBCC), Forks Close Custody Medium Custody Intensive Management Unit Correctional Industries Youthful Offender Program	**Washington Corrections Center (WCC), Shelton** Reception Medium Custody Intensive Management Unit Correctional Industries
Coyote Ridge Corrections Center (CRCC), Connell Minimum Custody Medium Custody Community Service Crews	**Washington Corrections Center for Women (WCCW), Gig Harbor** Minimum Custody Medium Custody Close Custody Correctional Industries Community Service Crews
Monroe Correctional Complex (MCC) - 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	**Washington State Penitentiary (WSP), Walla Walla** Minimum Custody Medium Custody Close Custody Intensive Management Unit Death Row Correctional Industries

Minimum Security Facilities

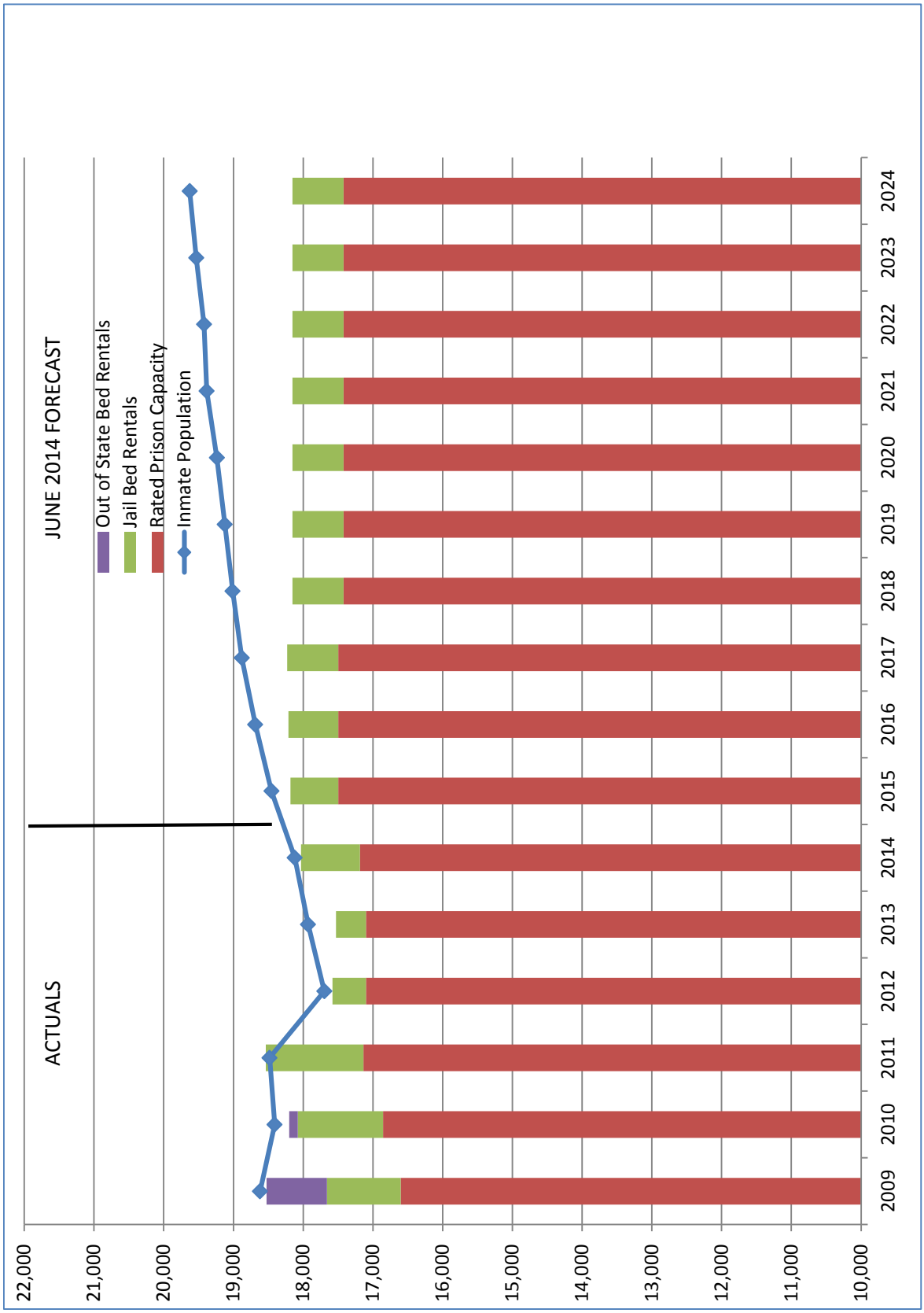
There are four minimum security facilities, including three forestry camps and a minimum custody facility for women.

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

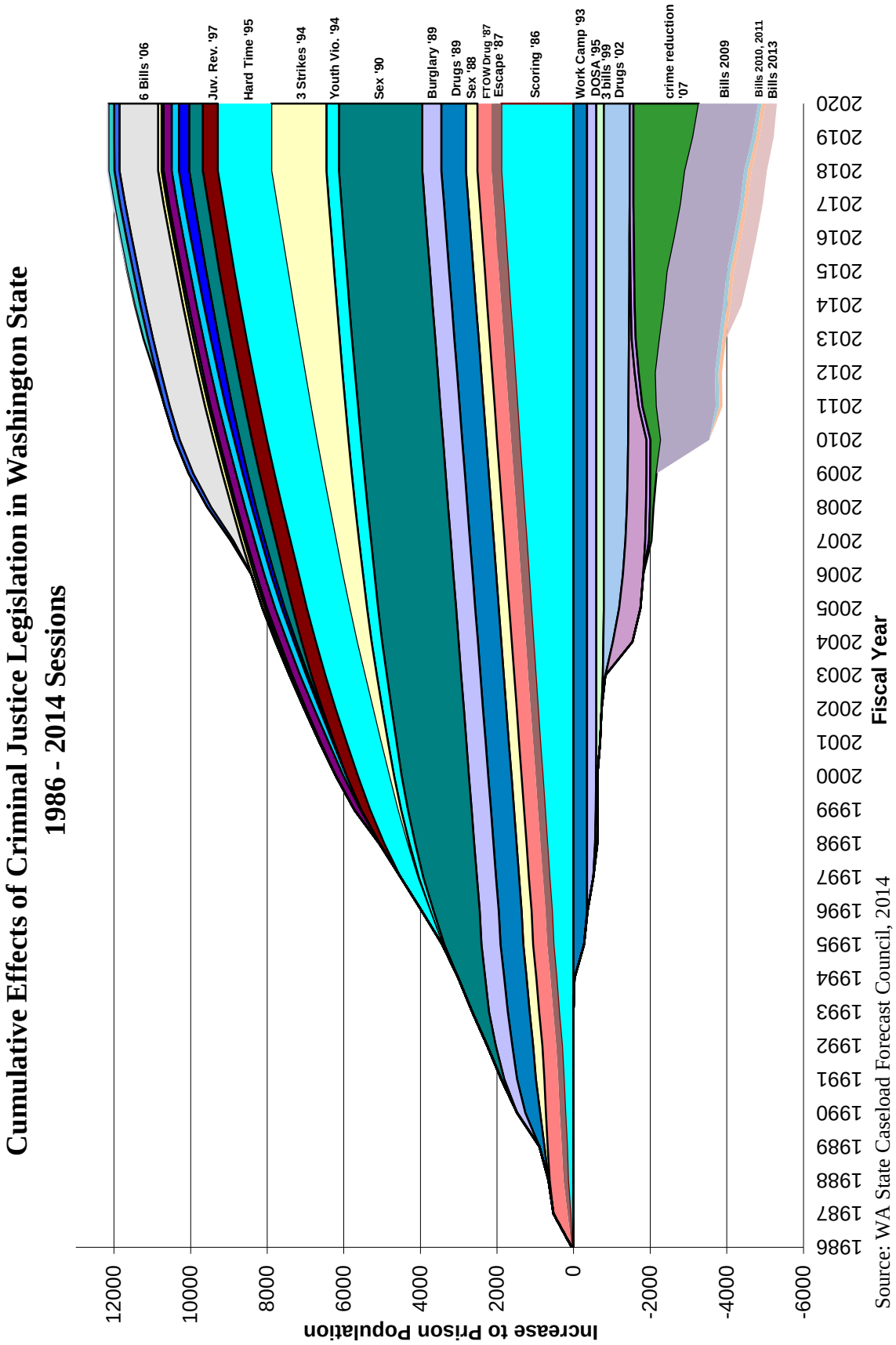
Work Release Facilities

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, 2014



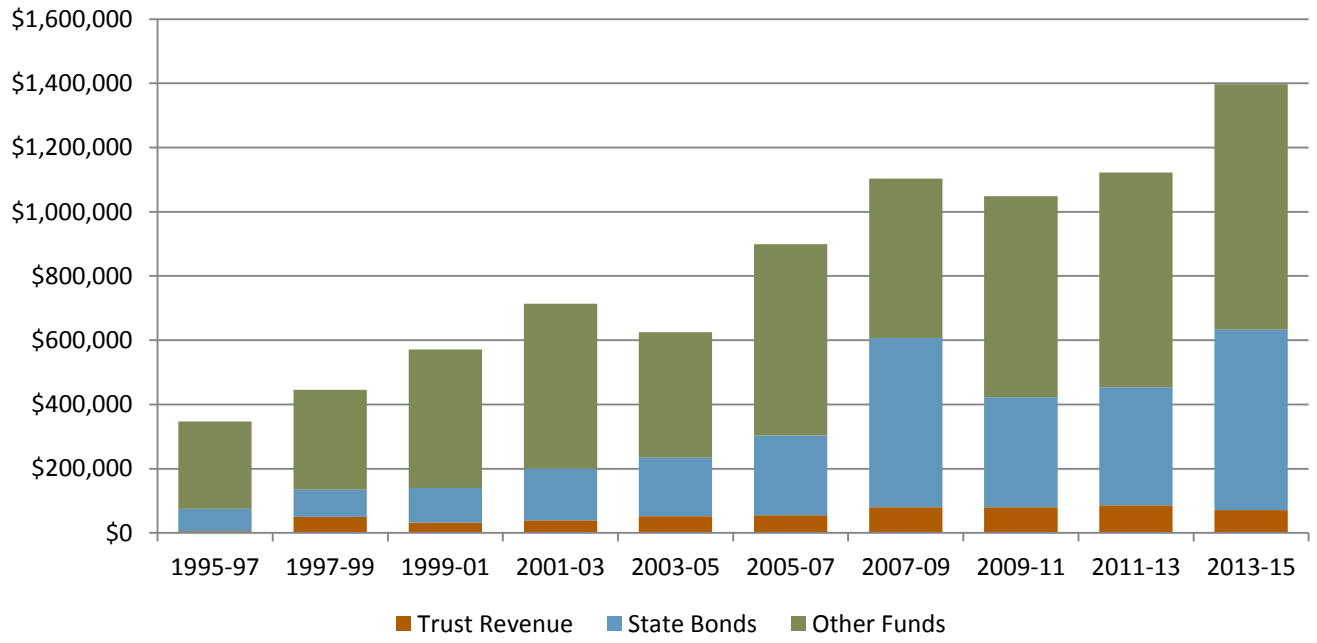
Source: WA State Caseload Forecast Council, 2014

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, 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)

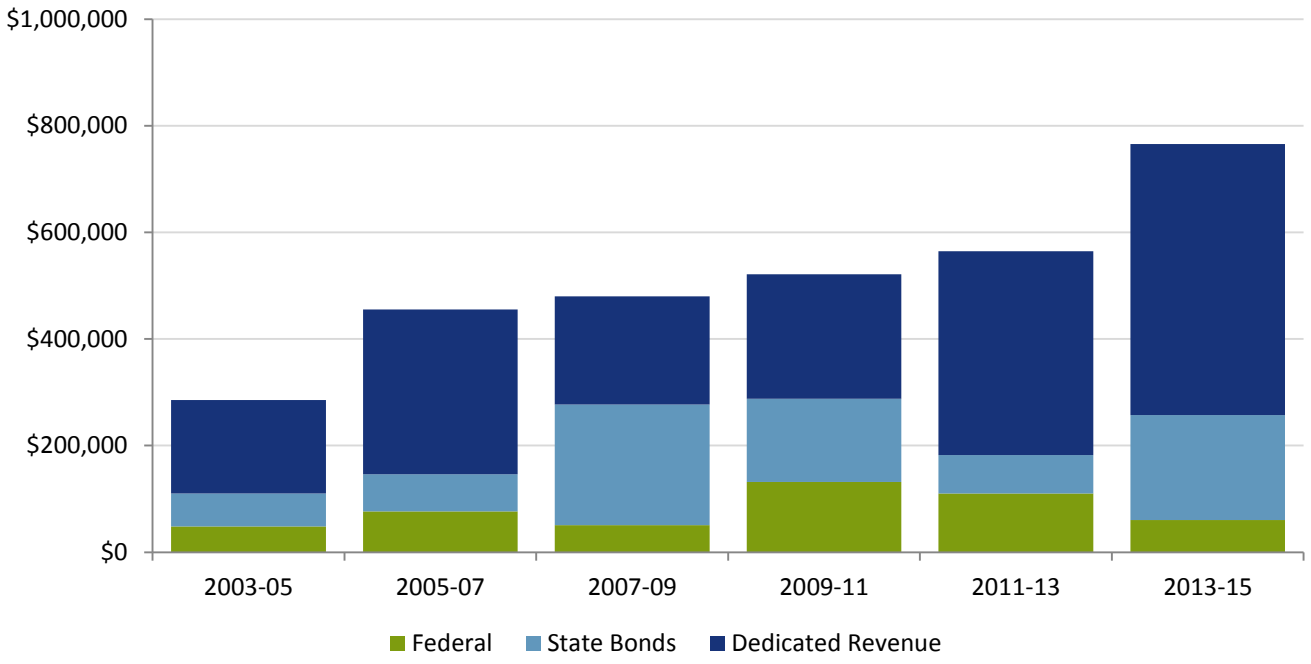


Source: Legislative Evaluation and Accountability Program Committee, October 2014

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 a significant amount of state and federal capital funding to improve water and air quality; reduce and manage the generation of hazardous waste; clean up 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)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	48,529	76,777	50,495	131,548	110,025	60,400
State Bonds	61,755	69,443	226,693	156,469	72,125	196,819
Dedicated Revenue	174,959	309,339	203,023	233,620	382,570	508,737
Total	**$285,243**	**$455,559**	**$480,211**	**$521,637**	**$564,720**	**$765,956**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

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, the DOE integrates three sources of funding: the federal Water Pollution Control Revolving Loan Fund, the state's Centennial Clean Water Grant program, and the federal Section 319 Nonpoint-Source Grant program. The first two sources are appropriated in the capital budget and the third source is appropriated in the operating budget. The DOE conducts an annual competitive round, evaluates and ranks applications, and produces a draft list of projects which is finalized once the Legislature determines the three appropriation levels. Communities often combine these funding sources with the PWAA, Community Development Block Grant, or USDA 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 the 2013-15 Capital Budget, the Legislature appropriated $100 million to the DOE from the Environmental Legacy Stewardship Account for storm water improvement projects and activities. Eighty-one million dollars of the total appropriation was targeted for competitive grants to cities and counties for planning, design, and construction of projects that reduce storm water impacts from existing infrastructure and development. The Legislature also provided funding and direction to the DOE to develop an ongoing, comprehensive, statewide **Storm Water Financial Assistance Program** to be implemented by July 1, 2015. The program will provide grants to local governments to protect and improve water quality and to improve watershed functionality. Beginning with the FY 2016 competitive round, the storm water financial assistance program will become the fourth funding source available through the Integrated Water Quality Financial Assistance process.

Floodplain Management and Control

The DOE is the state coordinating agency for floodplain management. According to the DOE, between 1980 and 2011 Washington had 22 presidentially-declared flood disasters, and in 1997, the highest number of flood disasters in the United States.

Among other responsibilities, the 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 the DOE in the past to provide grants to local governments for flood hazard reduction projects and by law, the 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 been reduced and the grant program suspended.

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.

In the 2009-11 and 2011-13 Capital Budgets, a total of $28 million, mostly from state general obligation bonds, was appropriated to the DOE for levee improvements in specific communities and grants to protect communities from flood and drought. The 2013-15 Capital Budget includes $50 million in state general obligation bonds appropriated to the DOE for Floodplain Management and Control Grants. Of that amount, $11.25 million is for a flood hazard reduction competitive grant program, $33 million is for grants to nine multi-benefit floodplain restoration projects in the Puget Sound Basin, and nearly $6 million is for two additional local projects.

Major Water Supply Programs

The goal of the **Columbia River Basin Water Management Program** developed under RCW 90.90 (2006) is 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, uninterruptible 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 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 to implement the program. Each succeeding biennium, the Legislature has appropriated a portion of the bond proceeds for specific projects. 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. In the 2013-15 Capital Budget, the Legislature appropriated $74.5 million to Columbia River Basin projects.

In 2013, the Legislature authorized the 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, the 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 the 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.

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 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 the 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.

The Legislature appropriates funds from each of those accounts for several capital programs managed by the DOE: Remedial Action Grants, Coordinated Prevention Grants, Clean Up Toxics – Puget Sound, the Eastern Washington Clean Sites Initiative, 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 the DOE.

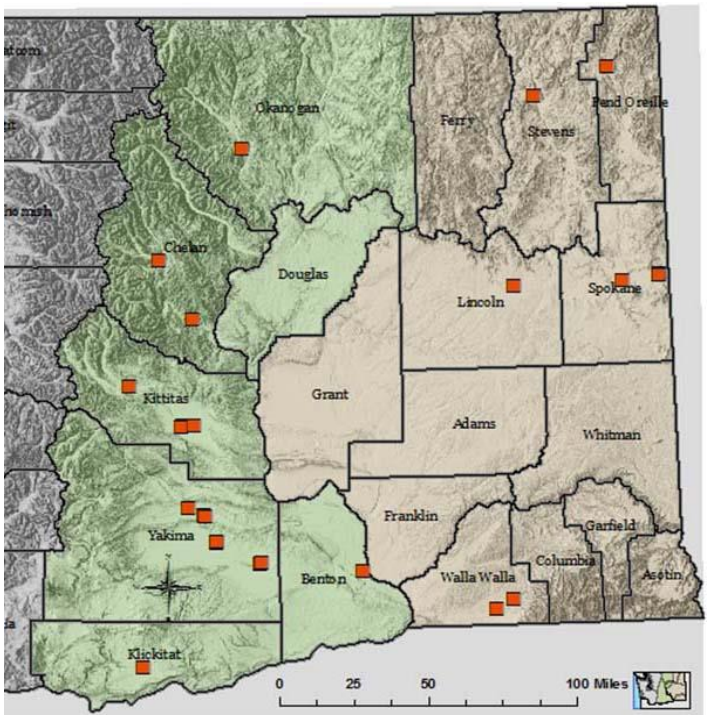
Cleaning up contaminated property is often integrated with economic development, habitat restoration, and public recreation projects. The DOE submits a RAG project list, prioritized "worst first", for legislative approval in the capital budget. The state grants cover from 50 to 75 percent of individual project costs.

- **Coordinated Prevention Grants (CPG)** 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 the 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, compost and recycling facilities.

- Under the **Puget Sound Clean Sites Initiative**, the 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. As of July 2014, the DOE has identified 240 contaminated sites within one-half mile of Puget Sound that await clean up. An additional 600 sites are currently being cleaned up. 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.

Puget Sound Clean Sites Initiative
Source: Department of Ecology, October 2014

- 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.



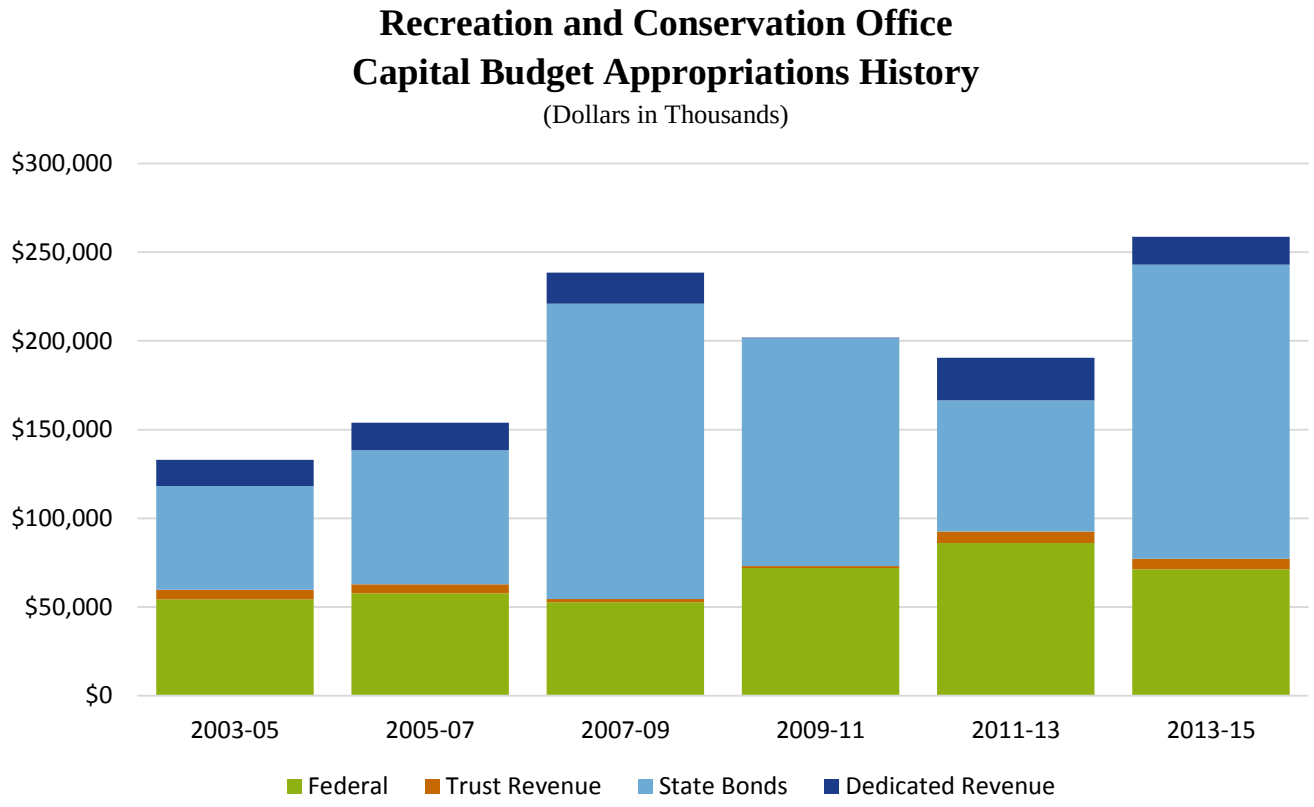
Eastern Washington Clean Sites Initiative
Source: Department of Ecology, October 2014

- 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.

Recreation and Conservation Office

The Recreation and Conservation Office (RCO) manages grant programs that create outdoor recreation opportunities, protect wildlife habitat, preserve farmland, restore and develop state lands, and assist salmon recovery. 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 the RCO, over $1.964 billion in grants have been awarded to 8,500 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 Recreation Program (WWRP), Boating Facilities, Aquatic Lands Enhancement Account (ALEA), Firearms and Archery Range Recreation (FARR), Non-Highway and Off-Road Vehicle Activities (NOVA), General Salmon Recovery grants, and the Puget Sound Acquisition and Restoration (PSAR) Grants.



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	54,370	57,717	52,700	72,000	86,100	71,200
Trust Revenue	5,356	5,025	1,699	1,000	6,461	6,000
State Bonds	58,530	75,650	166,568	128,470	74,000	165,830
Dedicated Revenue	14,683	15,572	17,529	495	23,927	15,663
Total	**$132,940**	**$153,964**	**$238,496**	**$201,965**	**$190,488**	**$258,693**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Major Capital Programs Administered by the RCO

Washington Wildlife and Recreation Program

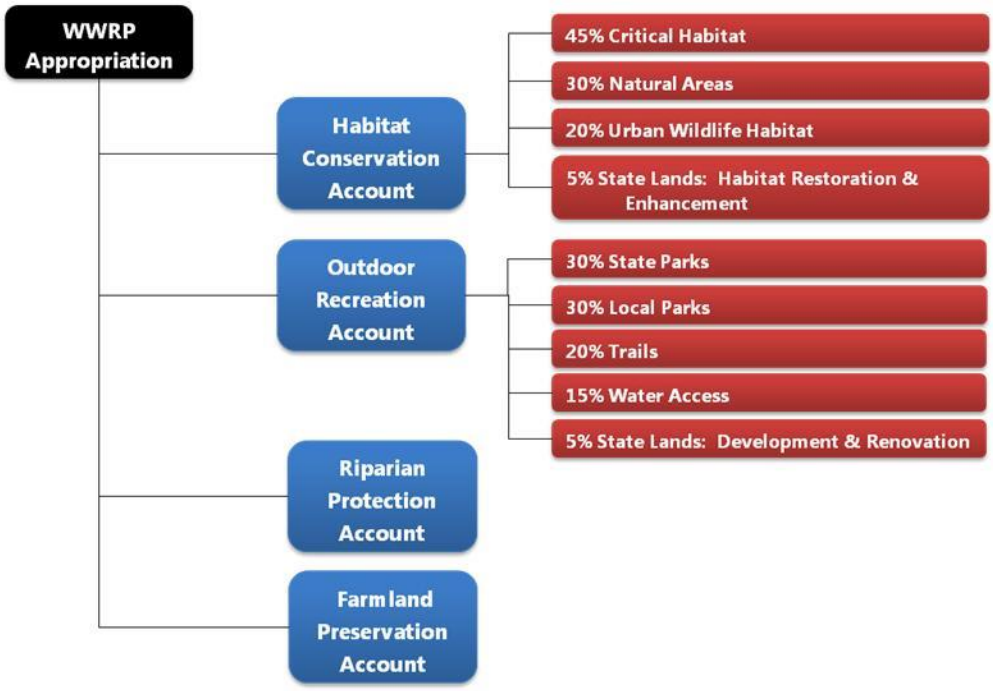
The goals of the Washington Wildlife and Recreation Program (WWRP), as expressed in RCW 79.15A, are "to acquire as soon as possible the most significant lands for wildlife conservation and outdoor recreation purposes before they are converted to other uses, and to develop existing public recreational 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

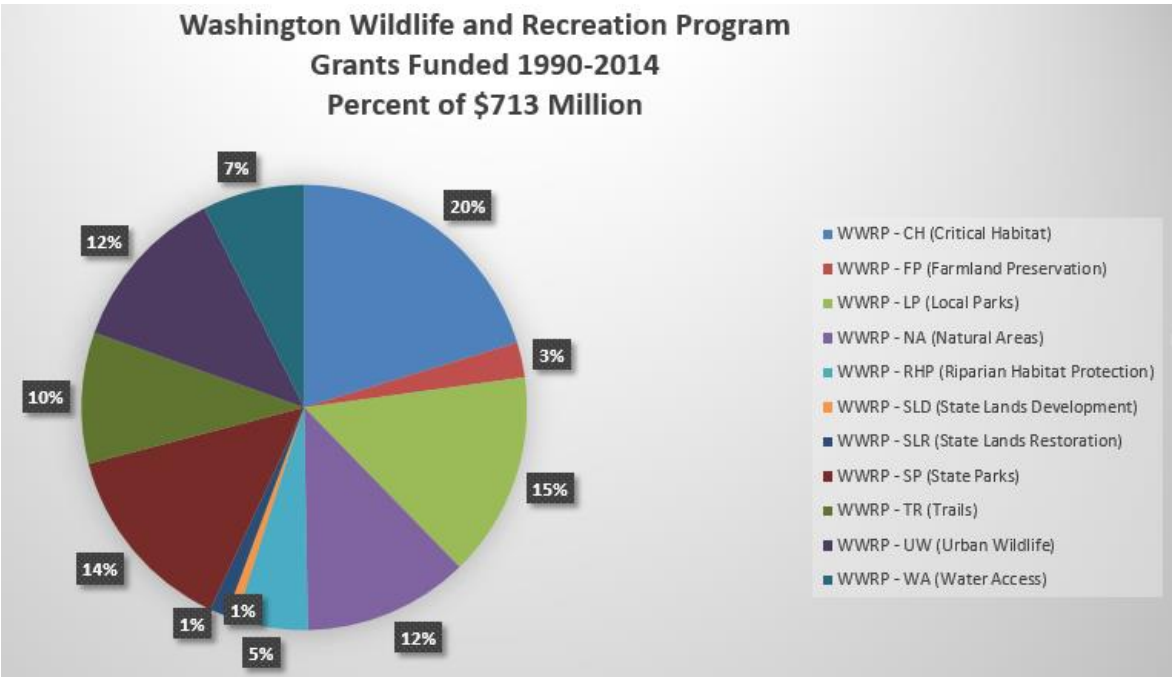
reviewed by RCO staff, and evaluated and ranked by citizen evaluation committees made up of recreation and conservation experts. The ranked lists are considered by the RCO Funding Board, which then submits prioritized project lists to the Governor and Legislature for approval.
The WWRP statute prescribes how the capital budget appropriation is to be allocated among four accounts:

ACCOUNT	**IF THE WWRP APPROPRIATION IS…..**		
	Under $40 million	**Between $40 - $50 million**	**Over $50 million**
Habitat Conservation	50%	$20 million plus 10% of amount over $40 million	$21 million plus 30% of amount over $50 million
Outdoor Recreation	50%	$20 million plus 10% of amount over $40 million	$21 million plus 30% of amount over $50 million
Riparian Protection	0%	40% of amount over $40 million	$4 million plus 30% of amount over $50 million
Farmland Preservation	0%	40% of amount over $40 million	$4 million plus 10% of amount over $50 million

The statute further directs the allocation percentages for 11 project categories as shown below in the schematic provided by the RCO:



WWRP grants are supported by legislative appropriations of general obligation bonds. In the past five biennia, capital budget appropriations for the WWRP have ranged from $45 million to $100 million.



Source: Recreation and Conservation Office, October 2014

Salmon Recovery

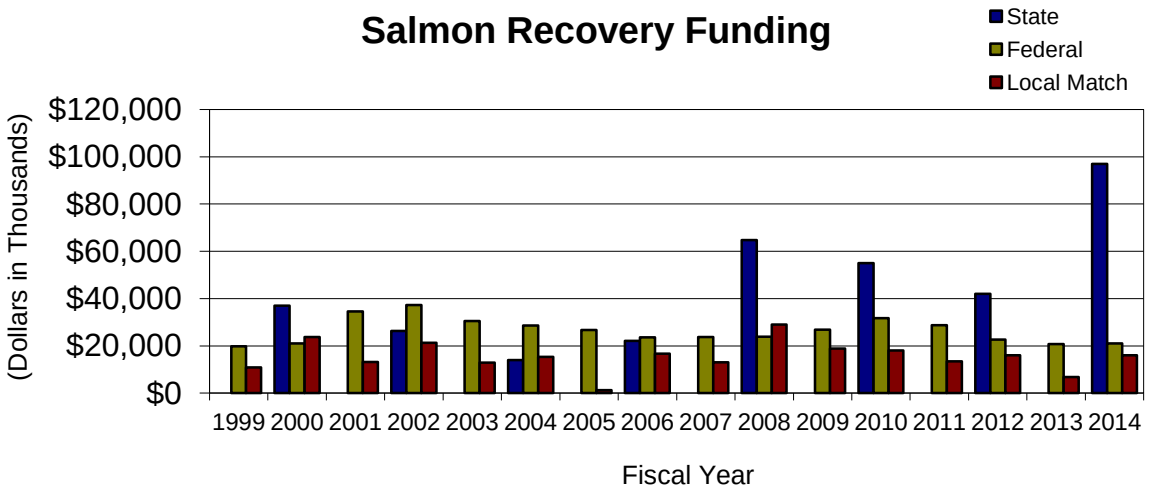
Salmon Recovery programs provide state and federal funding as grants for projects that protect or restore salmon habitat, and for monitoring, feasibility assessment, and related activities. Administered through the Salmon Recovery Funding Board and the RCO, four state programs are included under the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

- General salmon recovery grants;
- Estuary and Salmon Restoration Program 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 42 percent of the funding is allocated to projects in Puget Sound, 2 percent for Hood Canal, 9 percent for the Washington Coast, and 47 percent to projects in the Columbia and the Snake Rivers and NE Washington.

Between 1999 and 2014, $768 million has been allocated from state and federal sources to salmon recovery projects. An additional $246 million from local resources have been contributed as match.

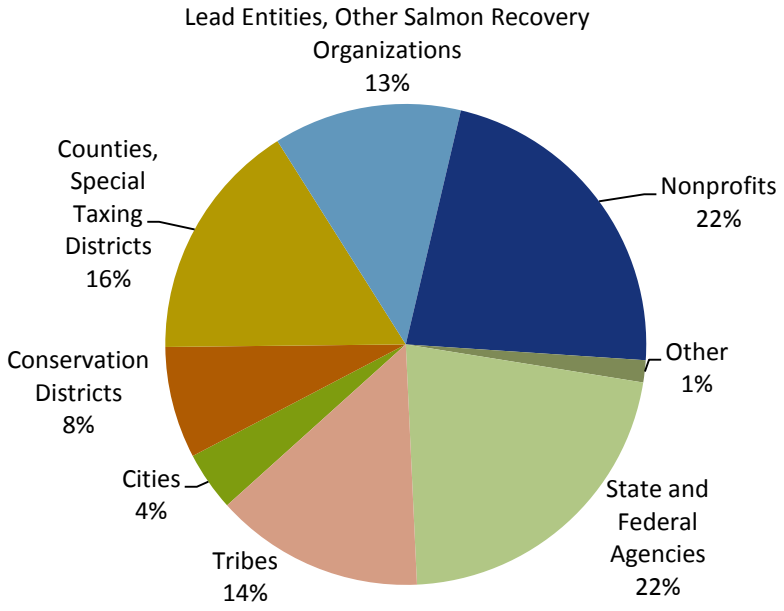
The following chart displays salmon recovery funding by source, from 1999 through 2014. It accounts for state, federal and local matching funds, including the small amount of funds which have been authorized but not yet obligated.



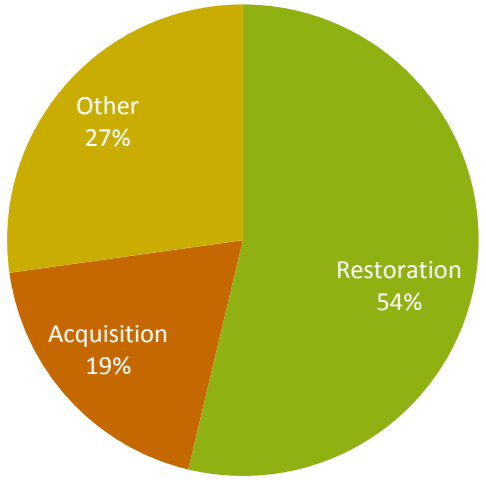
Source: Recreation and Conservation Office, October 2014

The following pie charts display the distribution of salmon recovery grant funding from 1999 to 2014 in terms of recipients and purposes. The pie charts take into account federal and state funding, but not local matching funds or the small amount of 2014 funding that has been authorized but not yet obligated.

Salmon Recovery Funding By Recipient
Percent of $768 Million
1999-2014



Salmon Recovery Funding by Purpose
1999-2014



Source: Recreation and Conservation Office, October 2014

Non-Highway and Off-Road Vehicle Activities

The Non-Highway and Off-Road Vehicle Activities (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.

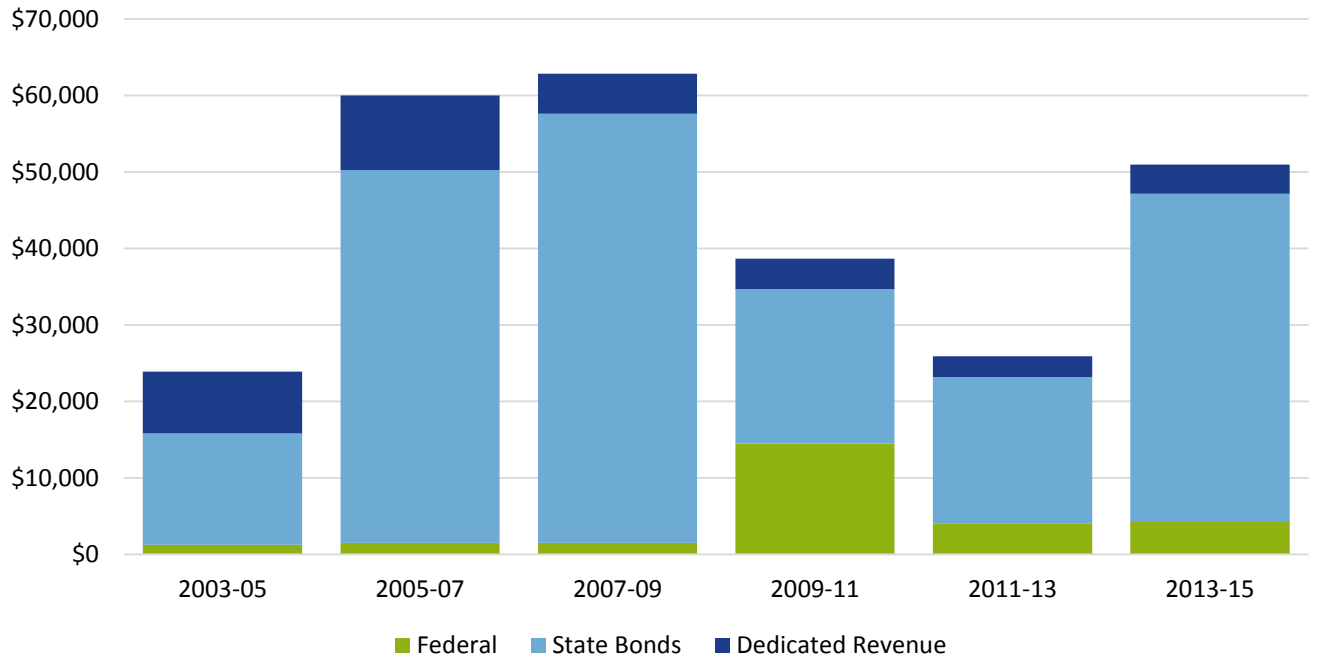
Grant funding is appropriated by the Legislature from the NOVA Account, which receives revenues from off-road vehicle use permits and 1 percent of the state gasoline tax revenues. The RCO manages a competitive grant process for allocating the funds. At least 70 percent of the funding must be used for 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 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)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	1,250	1,500	1,500	14,455	4,050	4,350
State Bonds	14,575	48,754	56,113	20,211	19,109	42,797
Dedicated Revenue	8,078	9,766	5,225	3,990	2,750	3,800
Total	**$23,902**	**$60,020**	**$62,838**	**$38,656**	**$25,909**	**$50,947**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

State Conservation Commission

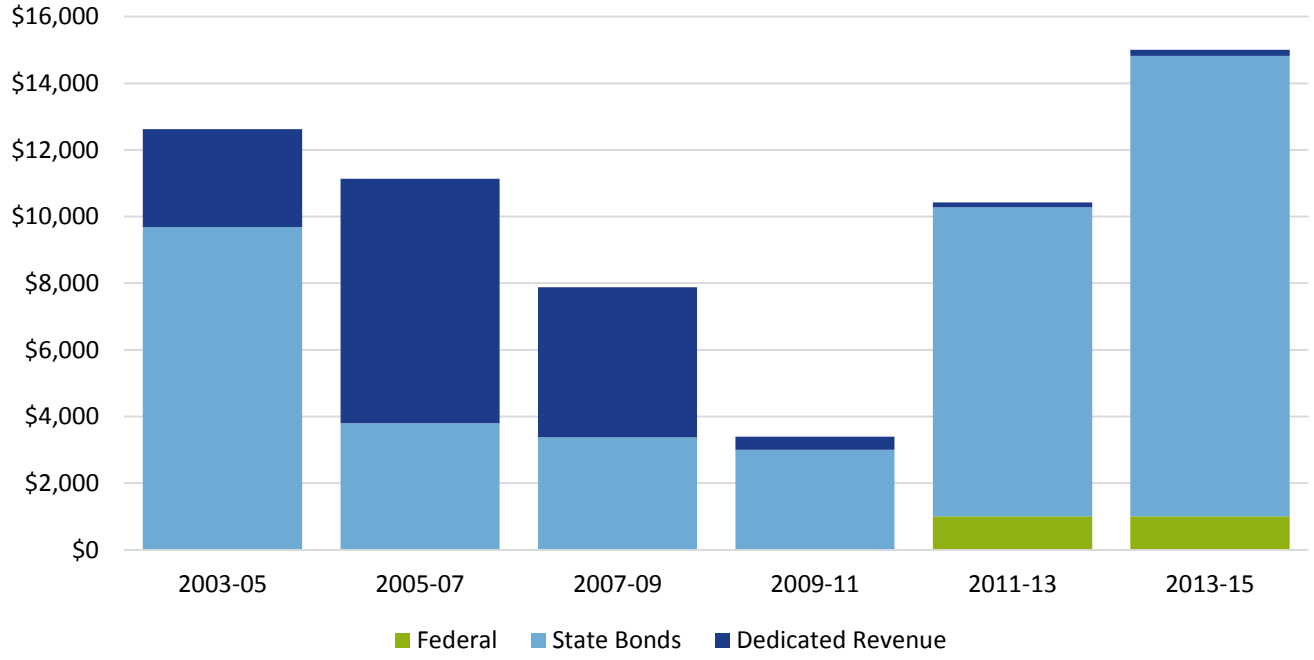
The State Conservation Commission (SCC), established in 1939, works with 45 conservation districts statewide to help landowners implement "incentive-based practices to protect Washington's natural resources while maintaining viable agricultural production." With respect to the capital budget, the SCC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

- The **Conservation Reserve Enhancement Program (CREP)**, 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.

State Conservation Commission
Capital Budget Appropriations History

(Dollars in Thousands)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	0	0	0	0	1,000	1,000
State Bonds	9,681	3,797	3,379	3,000	9,277	13,821
Dedicated Revenue	2,940	7,340	4,500	400	150	180
Total	**$12,621**	**$11,137**	**$7,879**	**$3,400**	**$10,427**	**$15,001**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

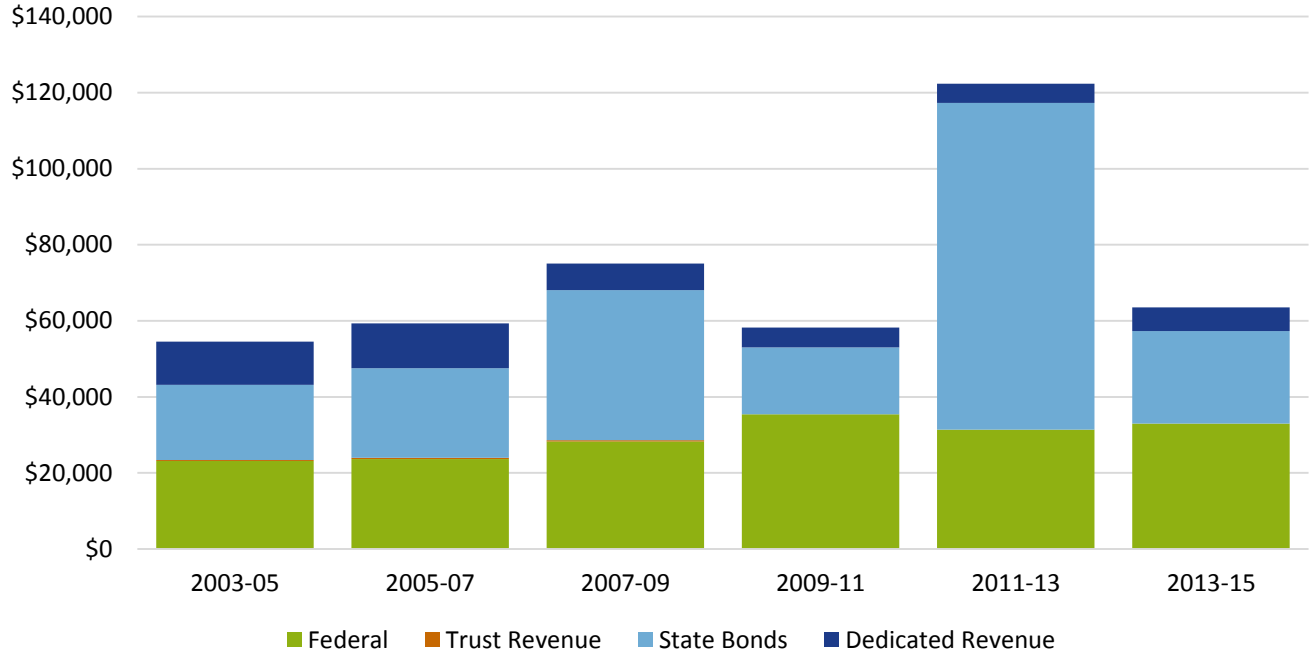
Department of Fish and Wildlife

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)

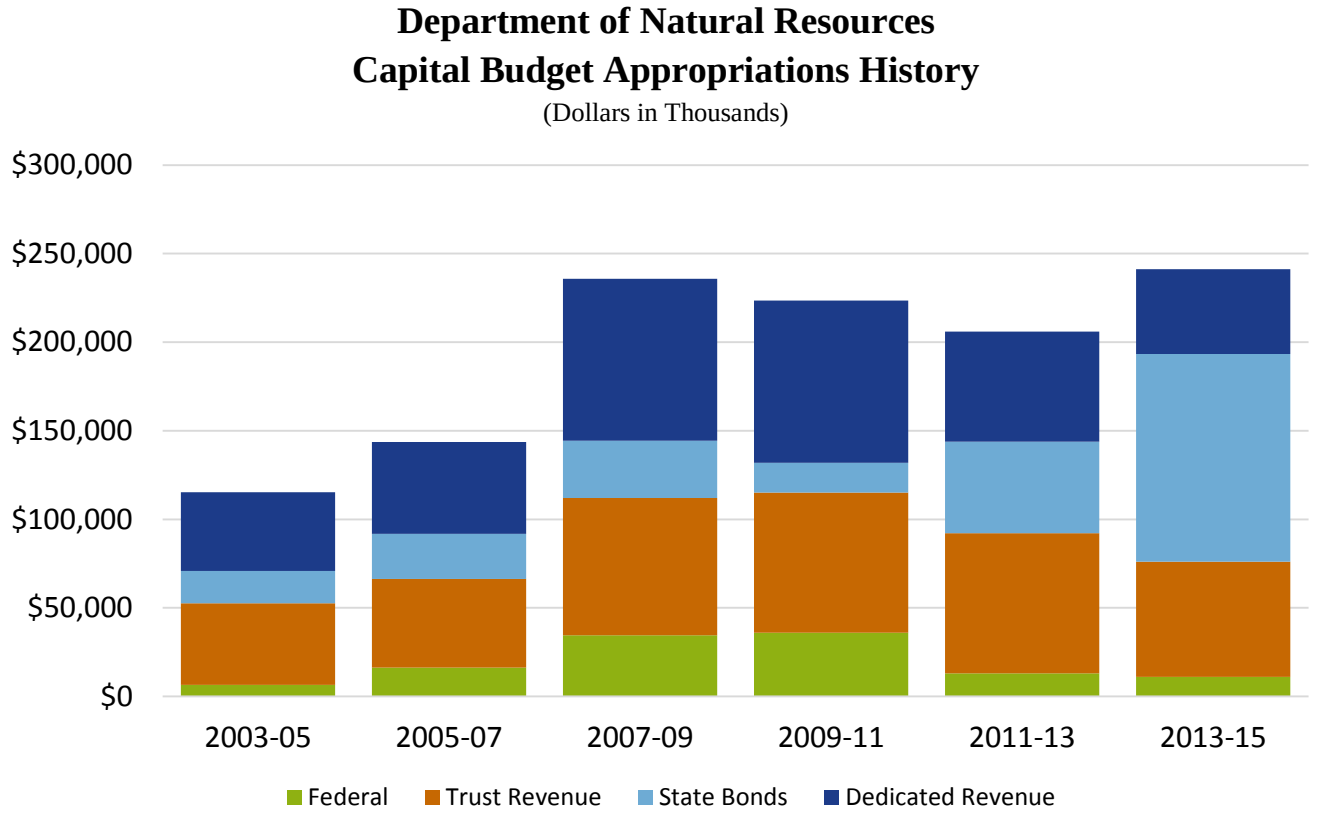


	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	23,130	23,680	28,300	35,400	31,400	33,000
Trust Revenue	300	300	350	0	0	0
State Bonds	19,725	23,540	39,412	17,659	85,941	24,337
Dedicated Revenue	11,400	11,800	7,037	5,180	5,050	6,200
Total	**$54,555**	**$59,320**	**$75,099**	**$58,239**	**$122,391**	**$63,537**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Department of Natural Resources

The Department of Natural Resources (DNR) manages more than 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, the DNR manages aquatic lands along the shoreline and beneath the waters of the state.



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Federal	6,500	16,220	34,500	36,000	13,000	11,000
Trust Revenue	46,172	50,055	77,573	79,113	79,265	65,163
State Bonds	18,220	25,619	32,365	16,757	51,605	117,234
Dedicated Revenue	44,365	51,800	91,360	91,690	62,200	47,755
Total	**$115,257**	**$143,694**	**$235,798**	**$223,560**	**$206,070**	**$241,152**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Major Capital Programs Administered by the Department of Natural Resources

Trust Land Transfer Program

The Trust Land Transfer 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 Trust Land Transfer program operates in the following manner:

1. Each biennium, the 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 Trust Land Transfer 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.

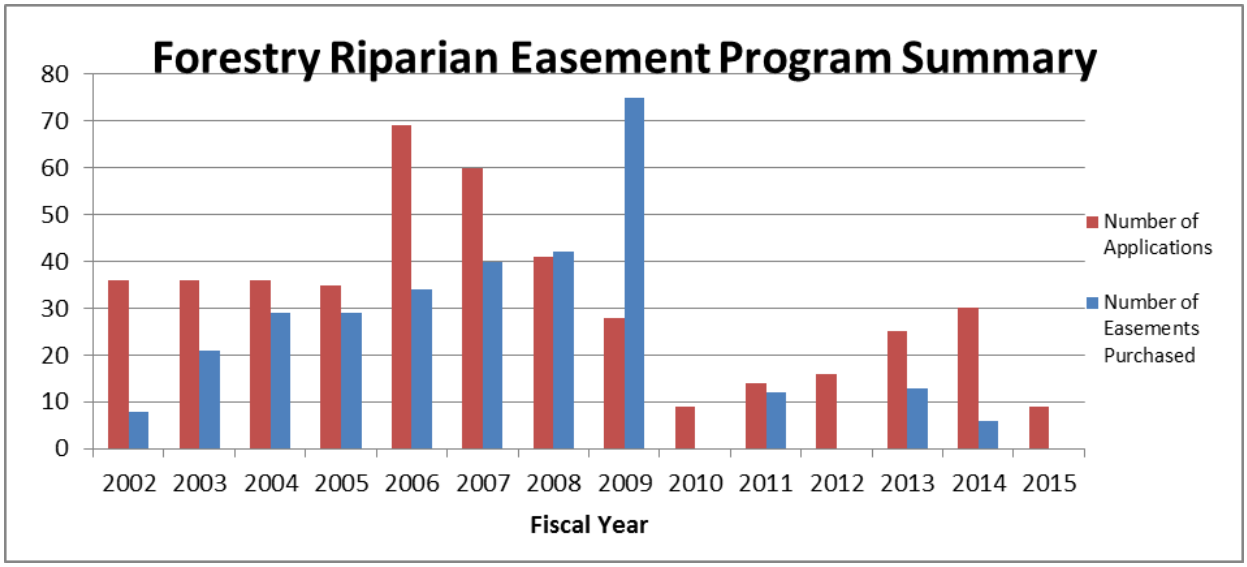
The Trust Land Transfer program has been implemented through proviso language in the capital budget, the provisions of the program are not codified elsewhere in state law.

Forest 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 required leave trees in 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 the FREP funding levels and the number of applications received and easements purchased since 2002.



Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Totals
Number of Applications	36	36	36	35	69	60	41	28	9	14	16	25	30	9	444
Number of Easements Purchased	8	21	29	29	34	40	42	75	0	12	0	13	6	0	309
Waiting List	28	43	50	56	91	111	110	63	72	74	90	102	126	135	
Amount Spent ($ in thousands)	$680	$3,070	$1,850	$1,497	$2,892	$4,808	$4,079	$5,500	$0	$929	$110	$890	$706	$45	$27,056

Source: Department of Natural Resources, October 2014

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 2003, nearly 738 small forest landowners have participated in the FFFPP, replacing 270 barriers and opening more than 650 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 the 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 (RHOSP), 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
- for forested critical habitats for state threatened or endangered species protected under the Forest Practices Rules.

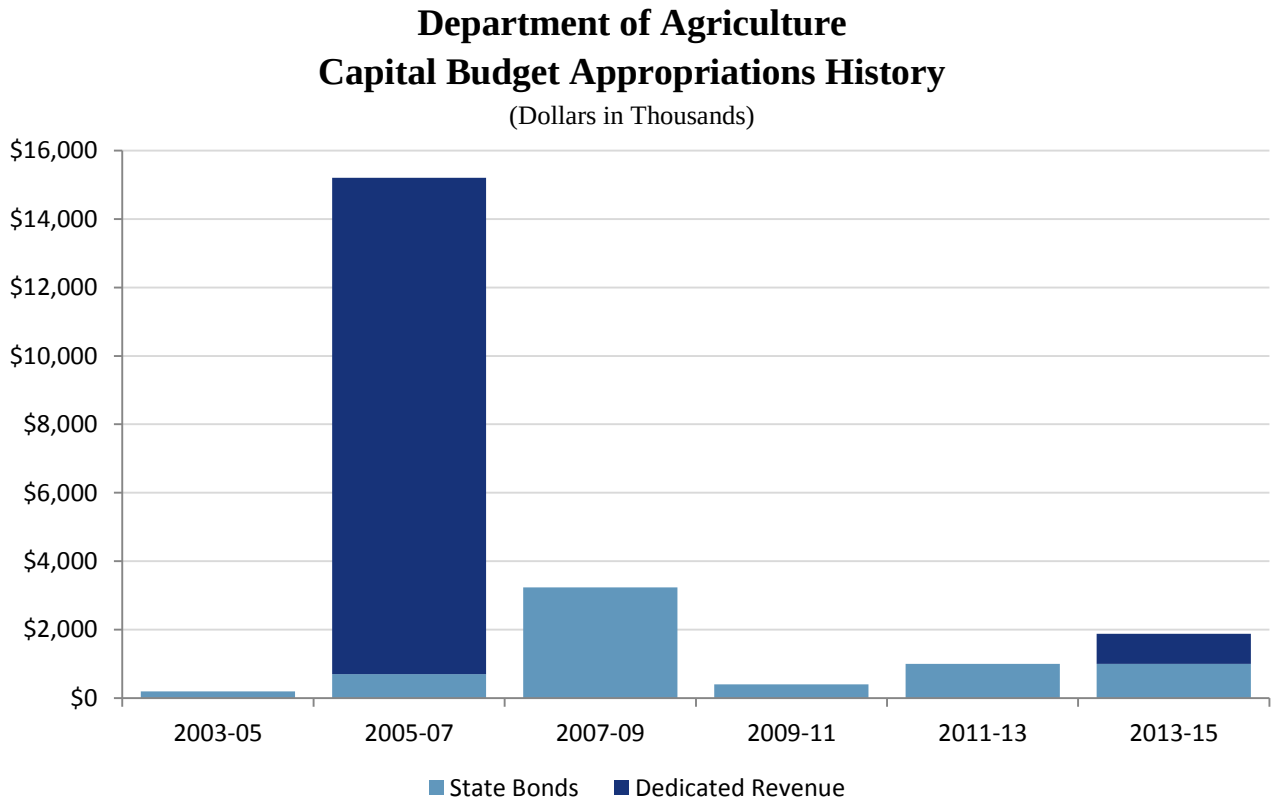
In exchange for granting a perpetual conservation easement, landowners receive 100 percent compensation for the timber impacted and are offered compensation for the underlying bare ground.

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, the 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.



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
State Bonds	200	700	3,240	400	1,000	1,000
Dedicated Revenue	0	14,500	0	0	0	881
Total	**$200**	**$15,200**	**$3,240**	**$400**	**$1,000**	**$1,881**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Relevant Organizations to the Functional Area

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 performance of the Department of Fish and Wildlife in implementing 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: establishes hunting, trapping and fishing seasons and provisions regulating food fish and shellfish; has final approval authority over departmental agreements and budget proposals; adopts rules and appoints the department director.

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

Recreation and Conservation Funding Board (RCW 79A.25.110) - Established by Initiative 215 in 1964, the Board's statutory mission is to create and implement a state-wide strategy for meeting the recreational needs of Washington's citizens. The Board 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 director of the Department of Fish and Wildlife, and the director of the State Parks and Recreation Commission.

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.

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

Higher Education

Overview of Higher Education

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

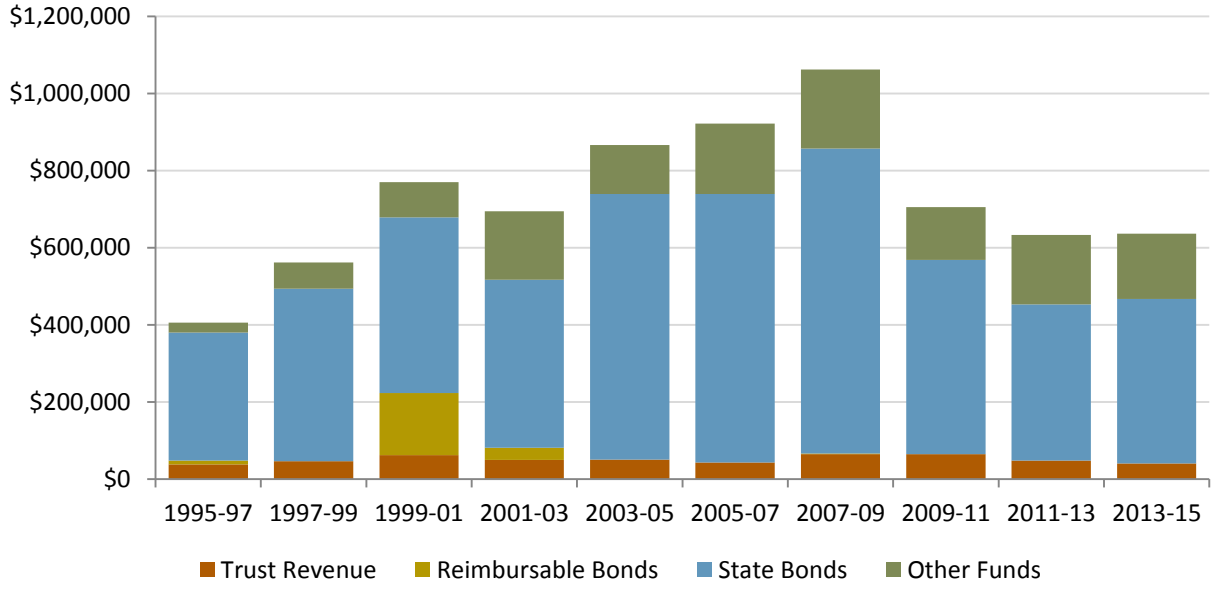
Access - Adequate facilities are necessary to provide students access to education. This has been a priority of the Legislature over the last decade. Access is provided primarily through new and renovated facilities on campuses.

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.

There are a variety of sources of funding 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 2014

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)

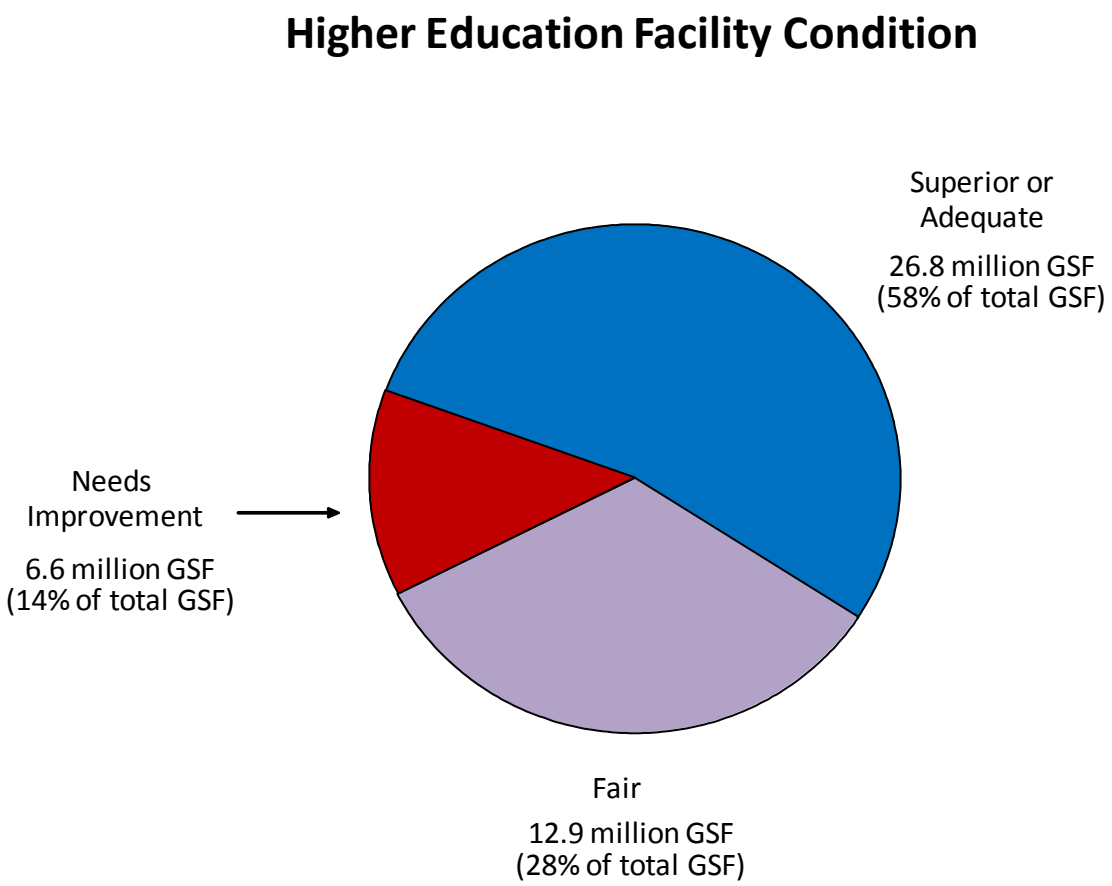
Bates Technical College
Bellevue
Bellingham Technical College
Big Bend
Cascadia
Centralia
Clark
Clover Park Technical College
Columbia Basin
Edmonds
Everett
Grays Harbor
Green River
Highline
Lake Washington Technical College
Lower Columbia
North Seattle
Olympic
Peninsula
Pierce
Renton Technical College
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 Inventory

Total Higher Education Inventory	State Capital Budget-Supported Inventory
2,654 Buildings	1,371 Buildings
60.9 million Gross Square Feet	46.4 million Gross Square Feet
State-Supported Inventory = $18.4 billion Current Replacement Value	
$2.3 billion Preservation Backlog	

2010 Data	Facilities Owned Total Space Gross Square Feet (GSF)	State Capital-Supported Space as % of Total Space	Preservation Backlog on State Capital Budget Supported Buildings over 1,999 GSF
University of Washington	18,979,151	69%	$794.8 million
Washington State University	12,744,744	73%	$440.8 million
Eastern Washington University	2,869,315	78%	$135.9 million
Central Washington University	3,134,673	58%	$78.8 million
The Evergreen State College	1,581,007	82%	$55.0 million
Western Washington University	3,432,340	61%	$109.2 million
Community & Technical Colleges	18,167,730	92%	$648.8 million

Source: Office of Financial Management Comparable Framework 2010



Source: Office of Financial Management Comparable Framework 2010

Prioritizing Four-Year Higher Education Capital Projects

In 2003, the Legislature directed the Council of Presidents and the Higher Education Coordinating Board (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.

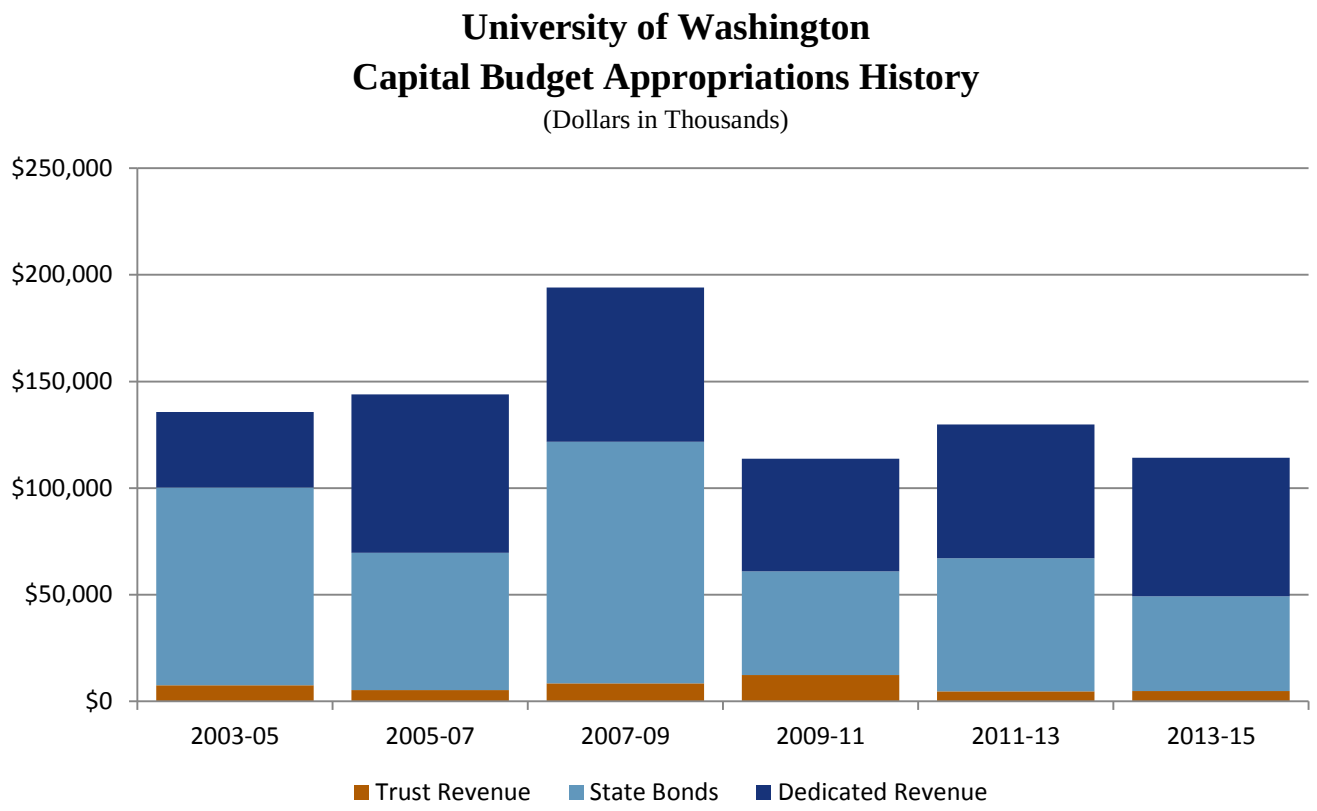
In 2005, the Legislature provided additional guidance to refine the method used for the ranking of four-year institutions construction project requests. Greater emphasis was to be placed on early critical review of project proposals. Scoring and ranking of projects could not be based on assigning an 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 the Joint Legislative Audit and Review Committee.

In 2008, the prioritization process was again modified by requiring the Office of Financial Management (OFM) to complete an analysis and scoring of all four-year institutions construction projects. Each of

the proposed projects must to be 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 the 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.

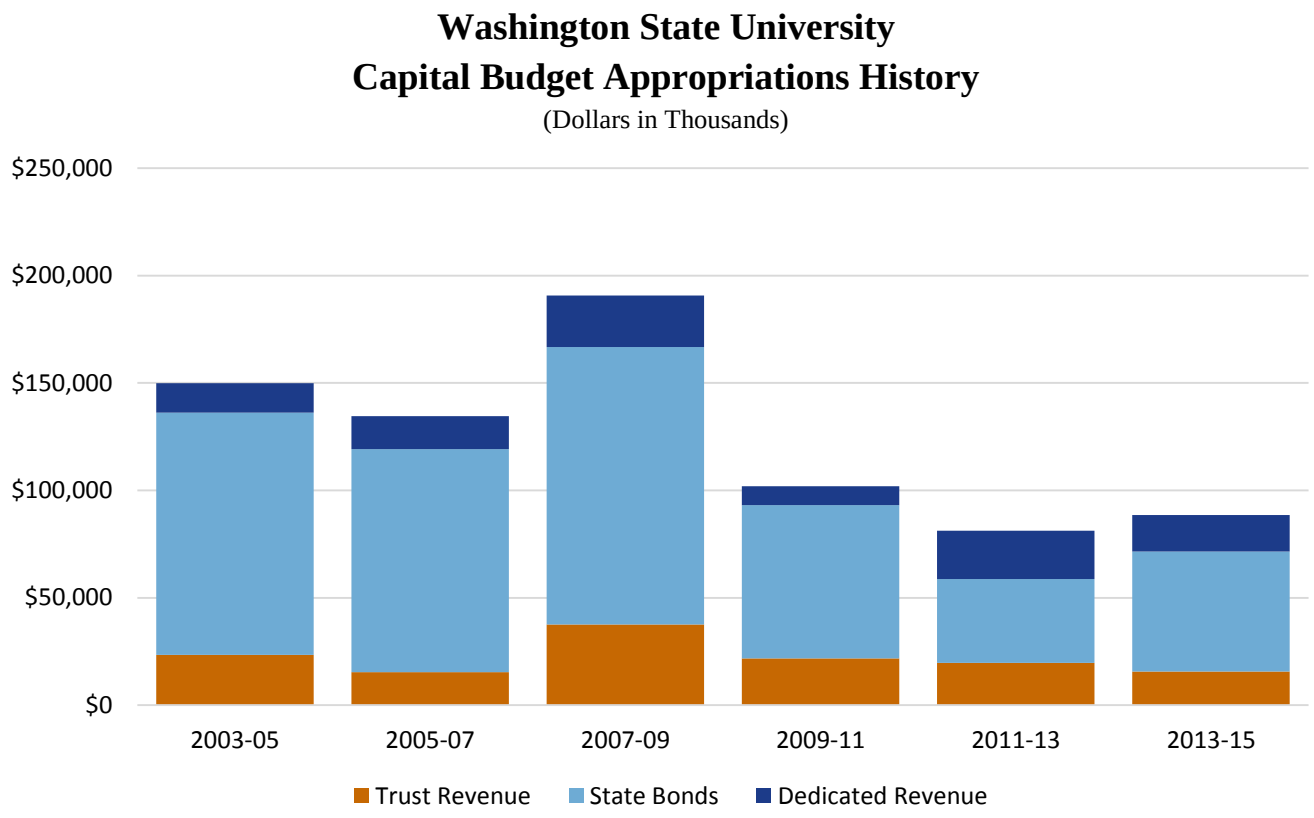
University of Washington



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	7,491	5,330	8,370	12,399	4,661	4,884
State Bonds	92,853	64,384	113,355	48,520	62,513	44,410
Dedicated Revenue	35,317	74,251	72,333	52,858	62,628	64,891
Total	**$135,661**	**$143,964**	**$194,058**	**$113,777**	**$129,802**	**$114,185**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

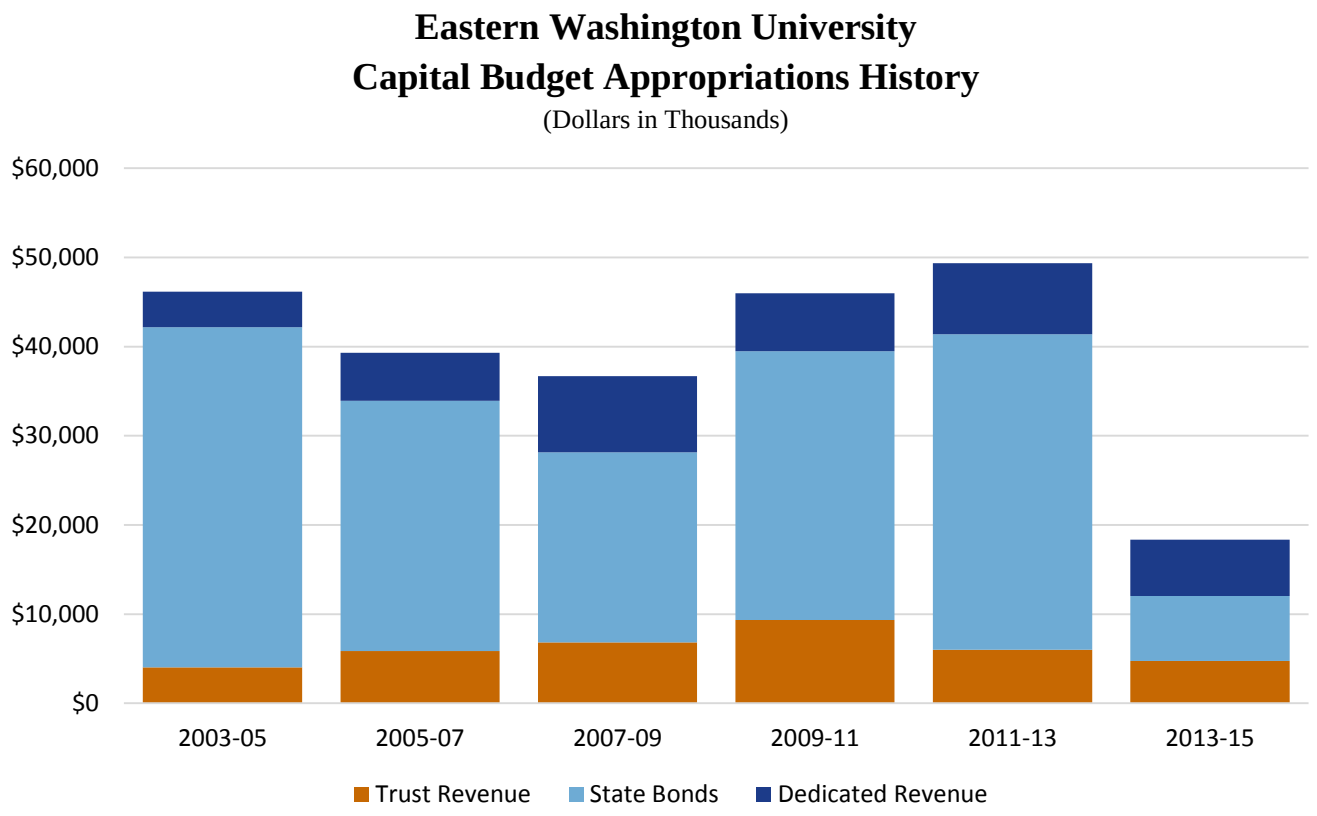
Washington State University



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	23,442	15,375	37,621	21,726	19,656	15,643
State Bonds	112,737	103,900	129,139	71,363	39,051	55,876
Dedicated Revenue	13,737	15,240	24,030	8,874	22,594	16,947
Total	**$149,916**	**$134,515**	**$190,790**	**$101,963**	**$81,301**	**$88,466**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

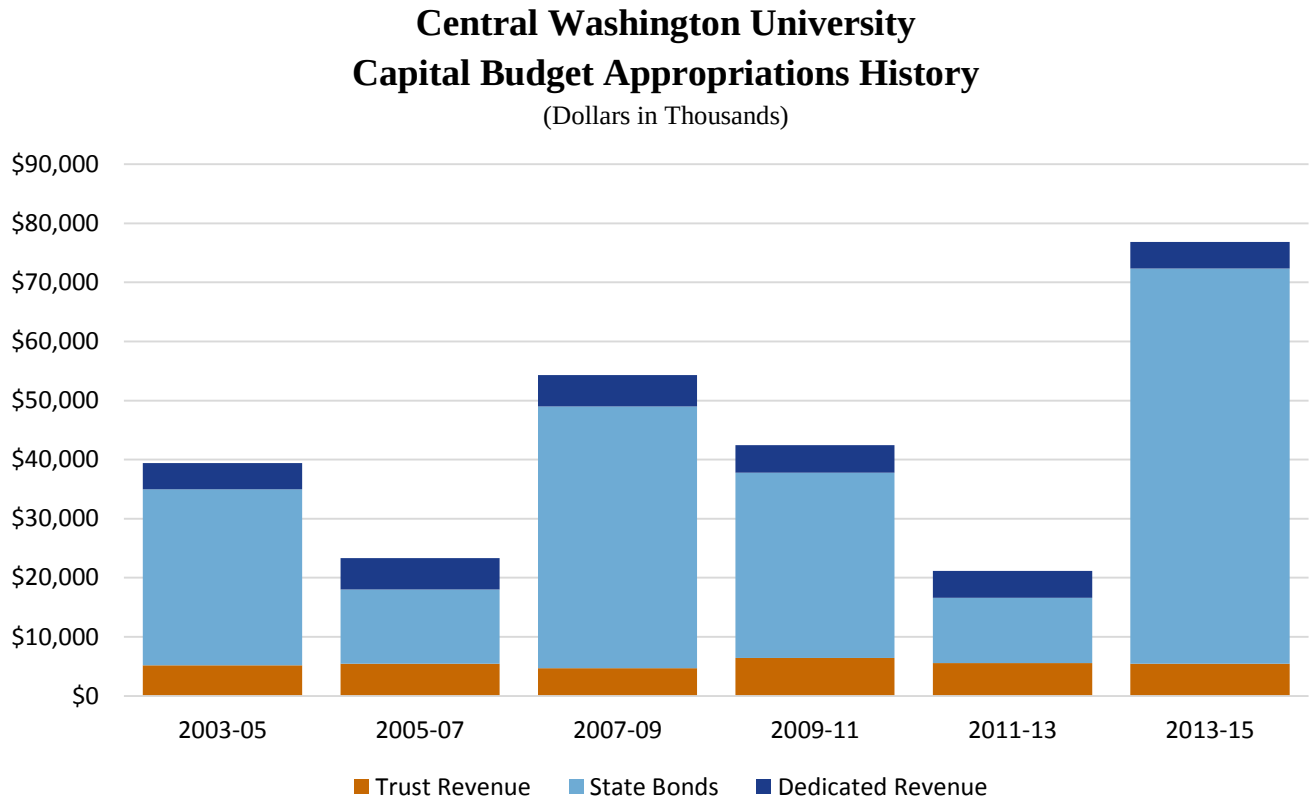
Eastern Washington University



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	4,032	5,850	6,825	9,346	6,004	4,753
State Bonds	38,135	28,075	21,321	30,131	35,395	7,292
Dedicated Revenue	3,994	5,367	8,549	6,494	7,958	6,300
Total	**$46,161**	**$39,292**	**$36,695**	**$45,971**	**$49,357**	**$18,345**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

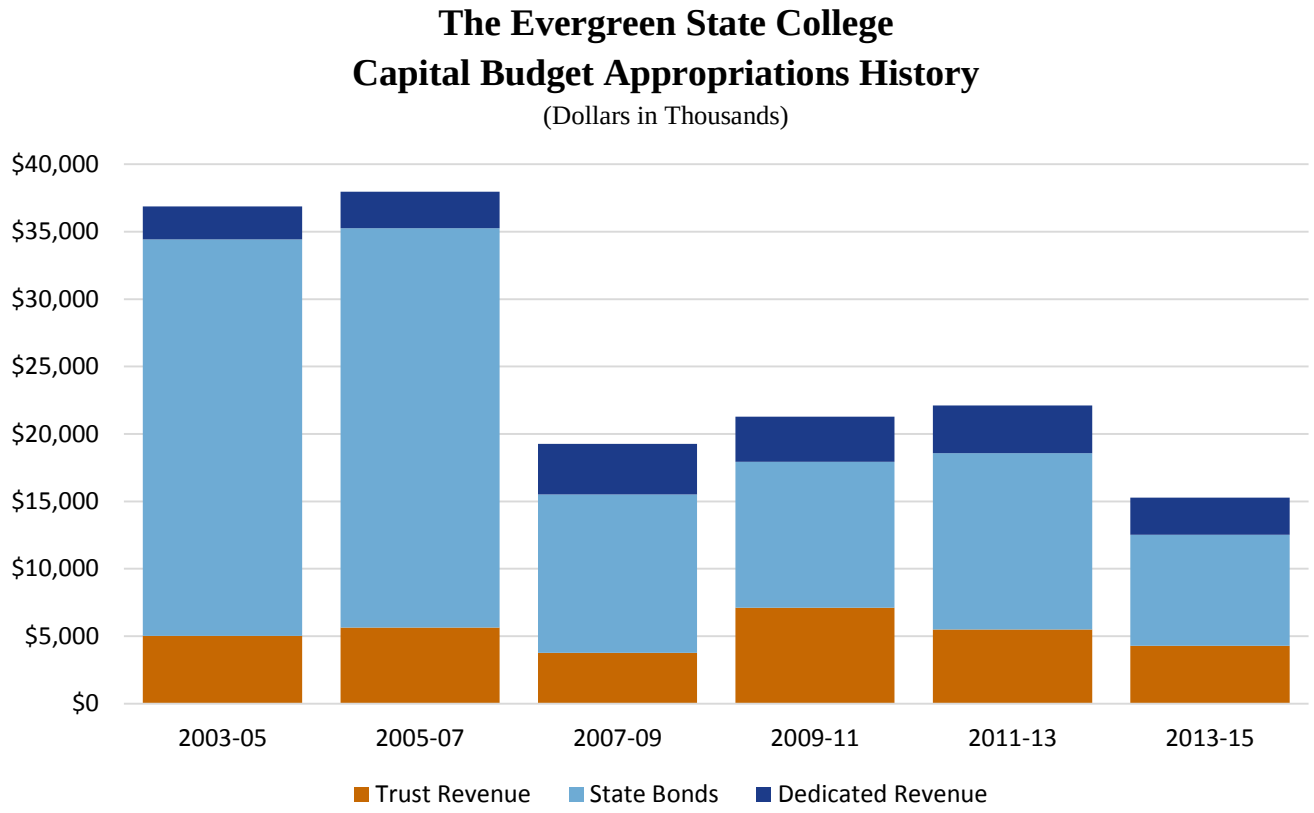
Central Washington University



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	5,202	5,426	4,712	6,401	5,569	5,446
State Bonds	29,750	12,580	44,273	31,394	11,027	66,923
Dedicated Revenue	4,448	5,344	5,310	4,636	4,556	4,456
Total	**$39,400**	**$23,350**	**$54,295**	**$42,431**	**$21,152**	**$76,825**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

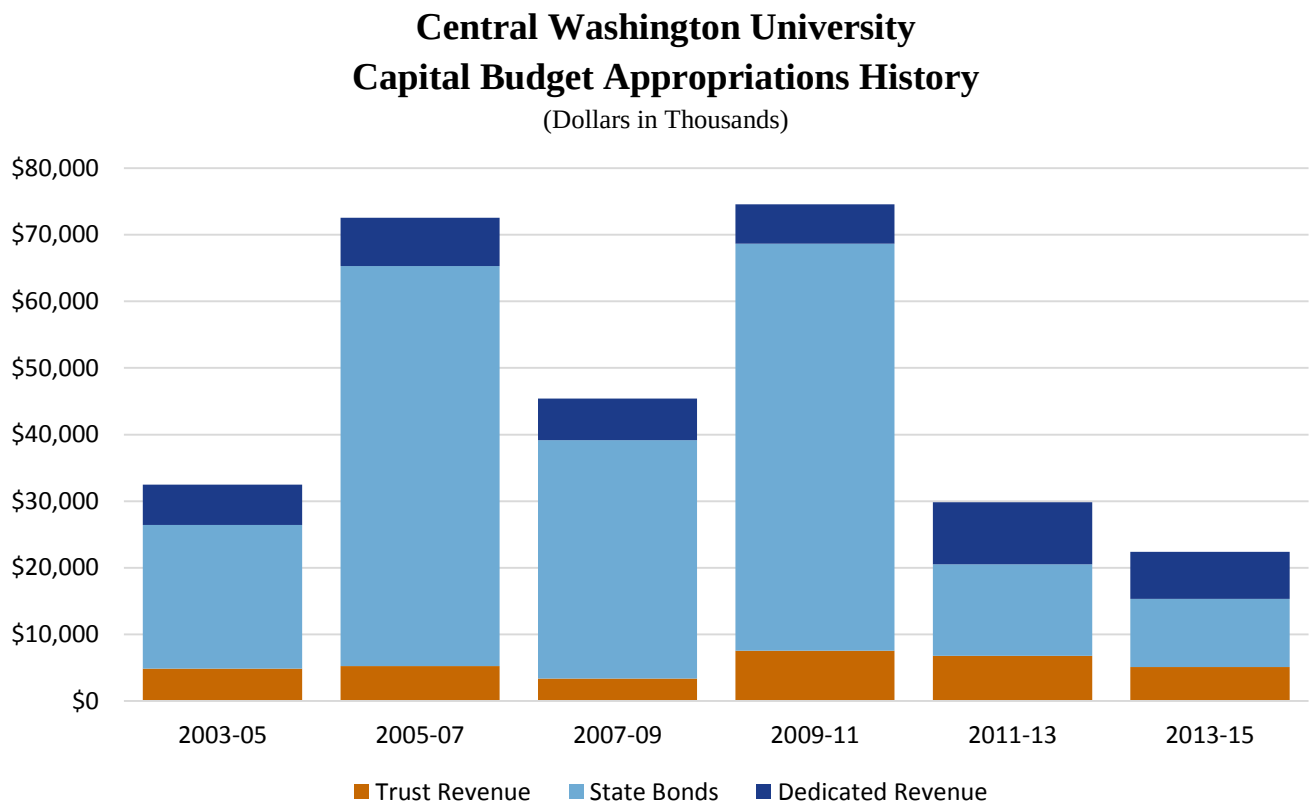
The Evergreen State College



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	5,037	5,650	3,763	7,110	5,505	4,288
State Bonds	29,400	29,600	11,748	10,836	13,080	8,237
Dedicated Revenue	2,447	2,710	3,762	3,346	3,520	2,742
Total	**$36,884**	**$37,960**	**$19,273**	**$21,292**	**$22,105**	**$15,267**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

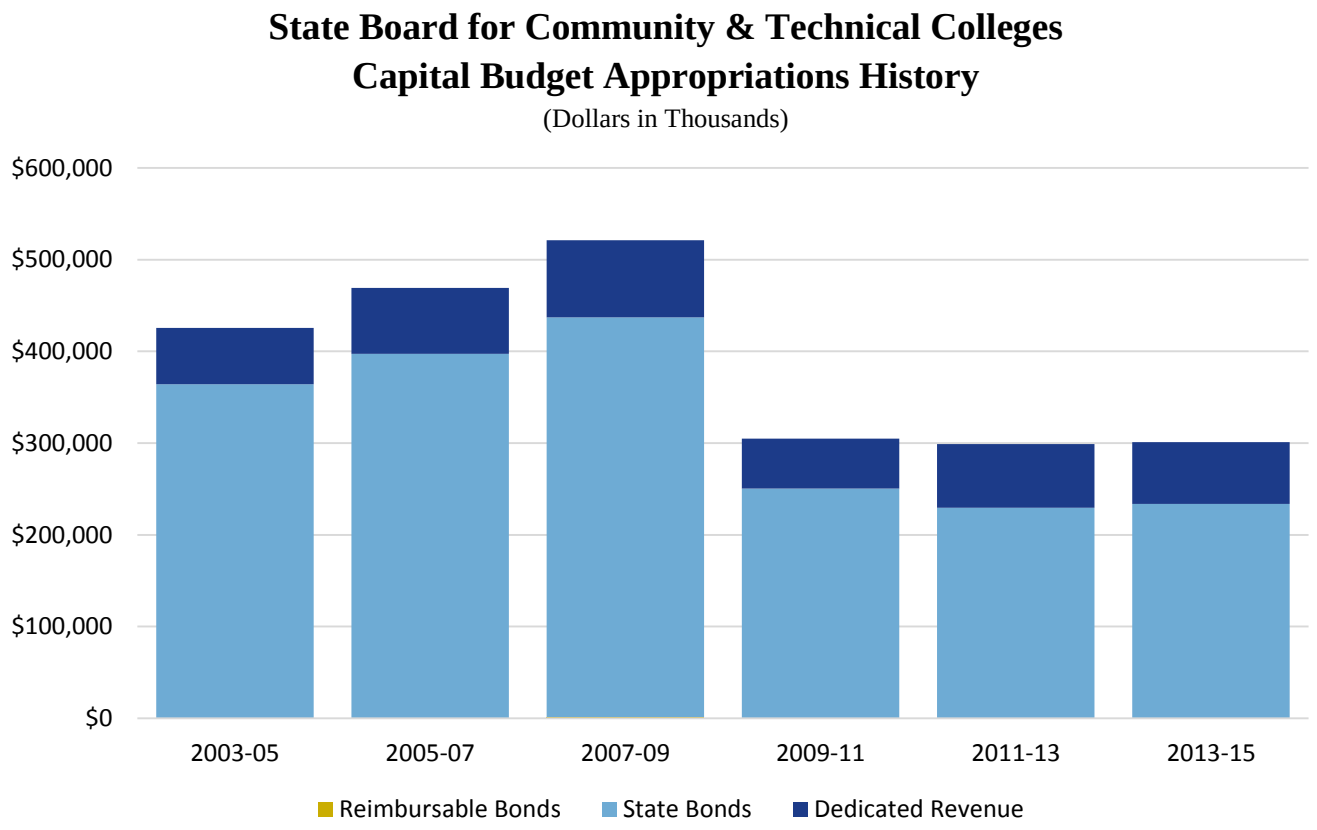
Western Washington University



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	4,830	5,251	3,348	7,521	6,750	5,103
State Bonds	21,600	60,043	35,818	61,169	13,750	10,239
Dedicated Revenue	6,034	7,263	6,244	5,909	9,321	7,047
Total	**$32,464**	**$72,557**	**$45,410**	**$74,599**	**$29,821**	**$22,389**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

State Board for Community & Technical Colleges



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Reimbursable Bonds	0	0	1,500	0	0	0
State Bonds	364,184	397,425	435,605	250,372	229,520	233,658
Dedicated Revenue	61,293	71,806	83,976	54,430	69,517	67,479
Total	**$425,477**	**$469,231**	**$521,081**	**$304,802**	**$299,037**	**$301,137**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

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

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 Student Achievement 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.

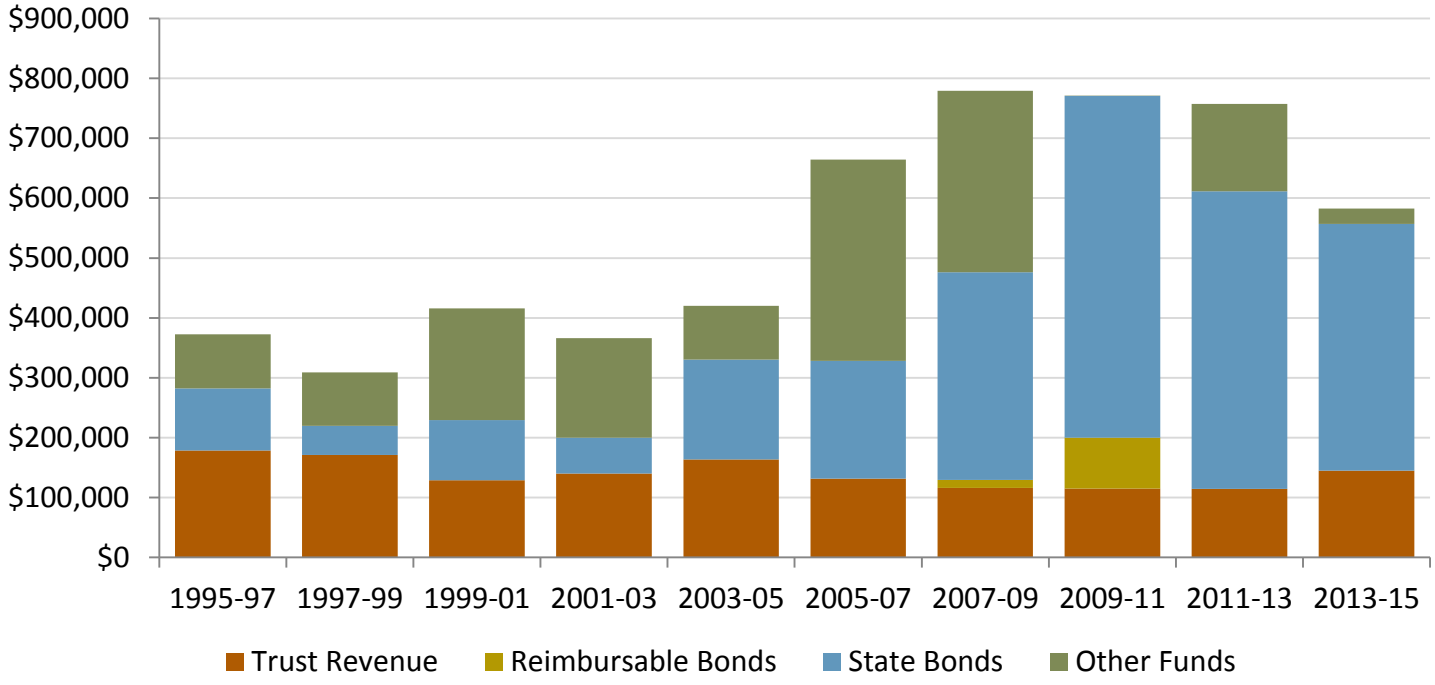
State Board for Community and Technical Colleges (RCW 28B.50.050) – The State Board for Community and Technical Colleges (Board) consists of nine members appointed by the Governor and confirmed by the Senate. The Board has general supervision and control over the community and technical colleges, including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

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.

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



Source: Legislative Evaluation and Accountability Program Committee, October 2014

Office of the Superintendent of Public Instruction

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;
- Small Repair and Energy Efficiency Grants; and
- Vocational Skills Centers.

K-12 School Construction Assistance Grants

Washington State 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) there is an equalization of burden among school districts to provide school facilities regardless of the wealth of the districts. To be eligible for state funding through the 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 based on a funding formula comprised primarily of a set of space and cost allowances and allocations and a state funding assistance percentage (matching ratio) based on the relative property wealth of the district.

State grant assistance is provided to local school districts who plan in advance 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.

The *McCleary* school funding lawsuit and Initiative 1351 will affect school districts' needs for SCAP grants. In *McCleary*, the Washington State Supreme Court directed the Legislature to implement two education funding bills, ESHB 2261 (2009) and SHB 2776 (2010), by their scheduled statutory due date. SHB 2276 requires the state to fund all-day kindergarten and reduced class size in grades K-3 by the 2017-18 school year. Initiative 1351 requires the state to fund class size reduction in all K-12 grades, with partial implementation in the 2015-17 biennium and full implementation in the 2017-19 biennium.

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.

State Funding Assistance	=	Eligible Area	X	Construction Cost Allocation	X	State Funding Percentage

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

Grade	Current rule
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 (Area) 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 annually. After the eligible square footage is determined, the CCA is applied to determine the maximum construction dollar amount eligible for state assistance for new construction and modernization. The CCA is $194.26 per square foot for FY2014, and $200.40 per square foot for fiscal year 2015.

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" (formerly called the "match ratio"). 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 poorest school districts.

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 State 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 1.79 million acres of school trust lands are managed by the Department of Natural Resources for the purpose of generating revenue for the support of school construction.

A constitutional amendment was enacted in 1967 which 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 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

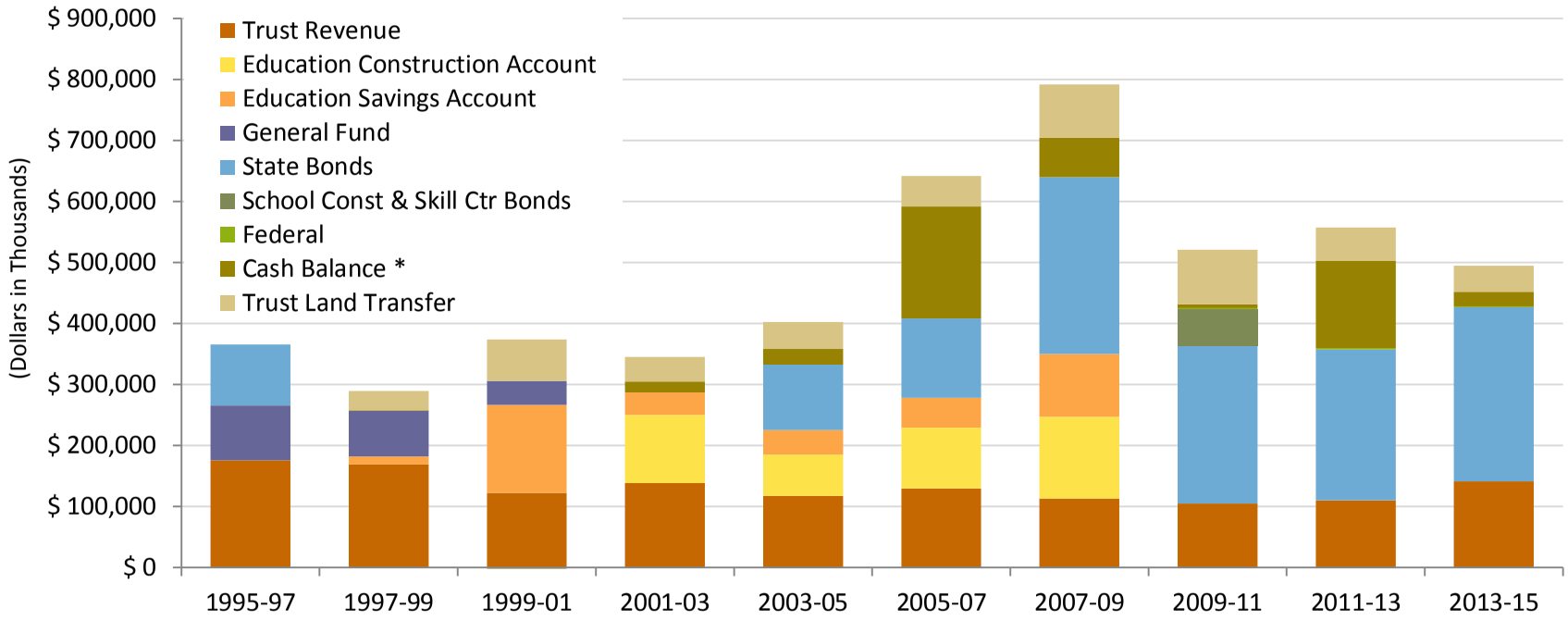
dedicated the use of the interest income to school construction and to pay debt service on state bonds used for school construction. According to the Washington State Investment Board's 2014 Annual Report Audited Financial Statements, the total market value for the Permanent Common School Fund for the fiscal year ending June 30, 2014, was $210.8 million. The principal in the fund remains irreducible and the interest income is used to pay debt service on bonds. Any remaining income is deposited into the Common School Construction Fund.

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 the Permanent Common School Fund. The Common School Construction Fund is used to fund school construction projects on a cash-in-hand basis and is not used to finance state bonds to pay for school construction projects in eligible school districts.

Prior to the 1967 constitutional amendment, the state share of 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 the 1967 constitutional amendment, the state share of school facilities was provided by state bonds supported by cigarette and motor vehicle taxes.

In 2007, the Legislature passed HB 2396, which clarified the law authorizing investment of the Permanent Common School Fund in equities when the investment is in the best interest of the state and the Permanent Common School Fund. The bill clarified that the Washington State Investment Board has the authority to invest the Permanent Common School Fund to achieve a balance of long-term growth and current income. The State Treasurer calculates the irreducible principal. The irreducible principal does not include investment gains, and the Washington State Investment Board may retain or distribute income and investment earnings to achieve a balance between growth and income.

School Construction Assistance Program
Capital Budget Appropriations by Fund Source



	1995-97	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
Trust Revenue	175,600	169,000	122,200	138,500	117,600	129,500	113,170	105,080	110,140	141,306
Education Construction Account	0	0	0	111,800	67,400	99,737	133,930	0	0	0
Education Savings Account	0	13,000	144,600	36,700	40,500	48,766	103,100	0	0	0
General Fund	90,000	75,000	39,000	0	0	0	0	0	0	0
State Bonds	100,000	0	0	0	107,100	130,200	289,661	259,000	247,404	285,355
School Const & Skill Ctr Bonds	0	0	0	0	0	0	0	59,428	0	0
Federal	0	0	0	0	0	0	0	1,700	2,230	1,500
Cash Balance *	0	1,000	-2,000	18,000	25,700	183,863	64,738	6,636	142,918	23,921
Trust Land Transfer	0	31,500	68,100	40,000	44,000	49,700	87,160	89,110	54,500	42,755
Total	$365,600	$289,500	$371,900	$345,000	$402,300	$641,766	$791,759	$520,954	$557,192	$494,837

* Cash Balance - this is an estimated cash balance that may not be reflective of the amount of utilized cash in a particular biennium.

Source: Legislative Evaluation and Accountability Program Committee and Office of Program Research, December 2014

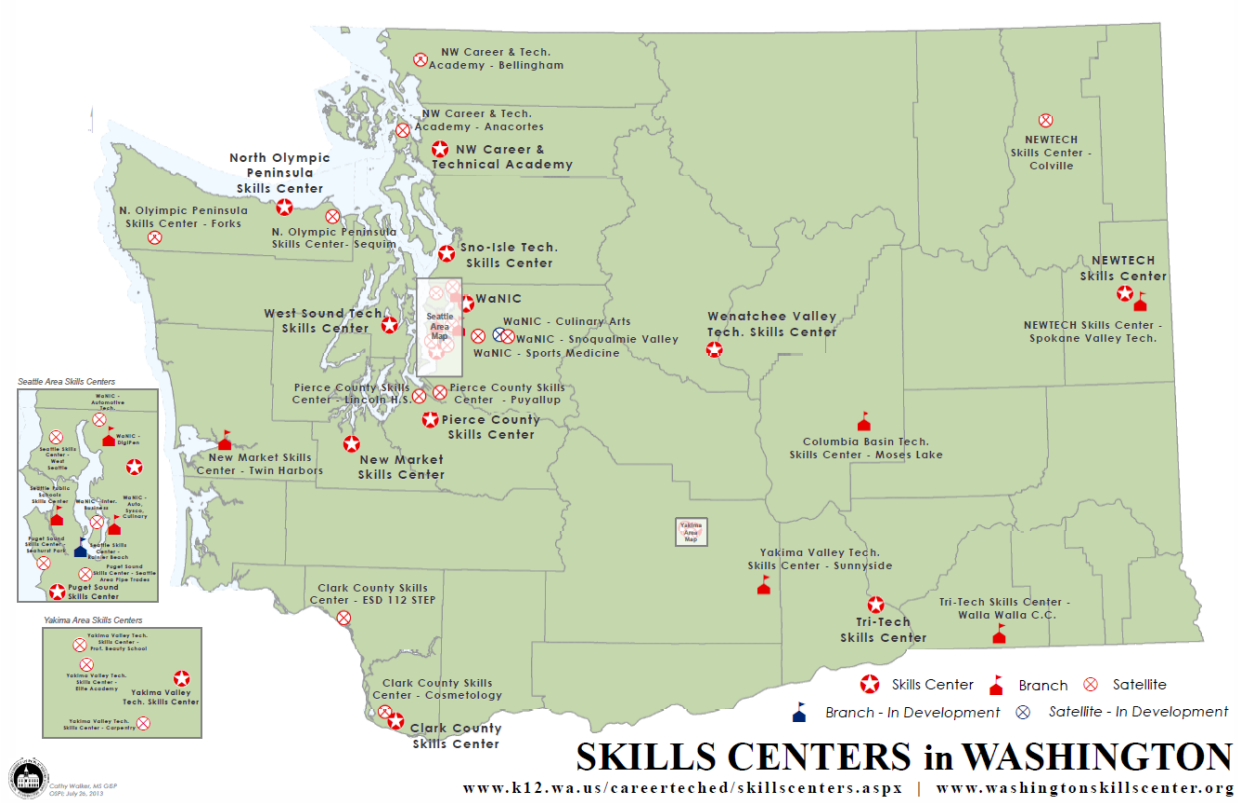
Skills Centers

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. Skills centers are intended to prepare students for careers, employment, apprenticeships, and postsecondary education. Examples of programs offered by skills 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 skills center campus can receive state capital funding, it must be approved by the OSPI. Such approval is contingent on completion of a feasibility study. Existing skill centers must complete long-range plans before making a major capital budget request.

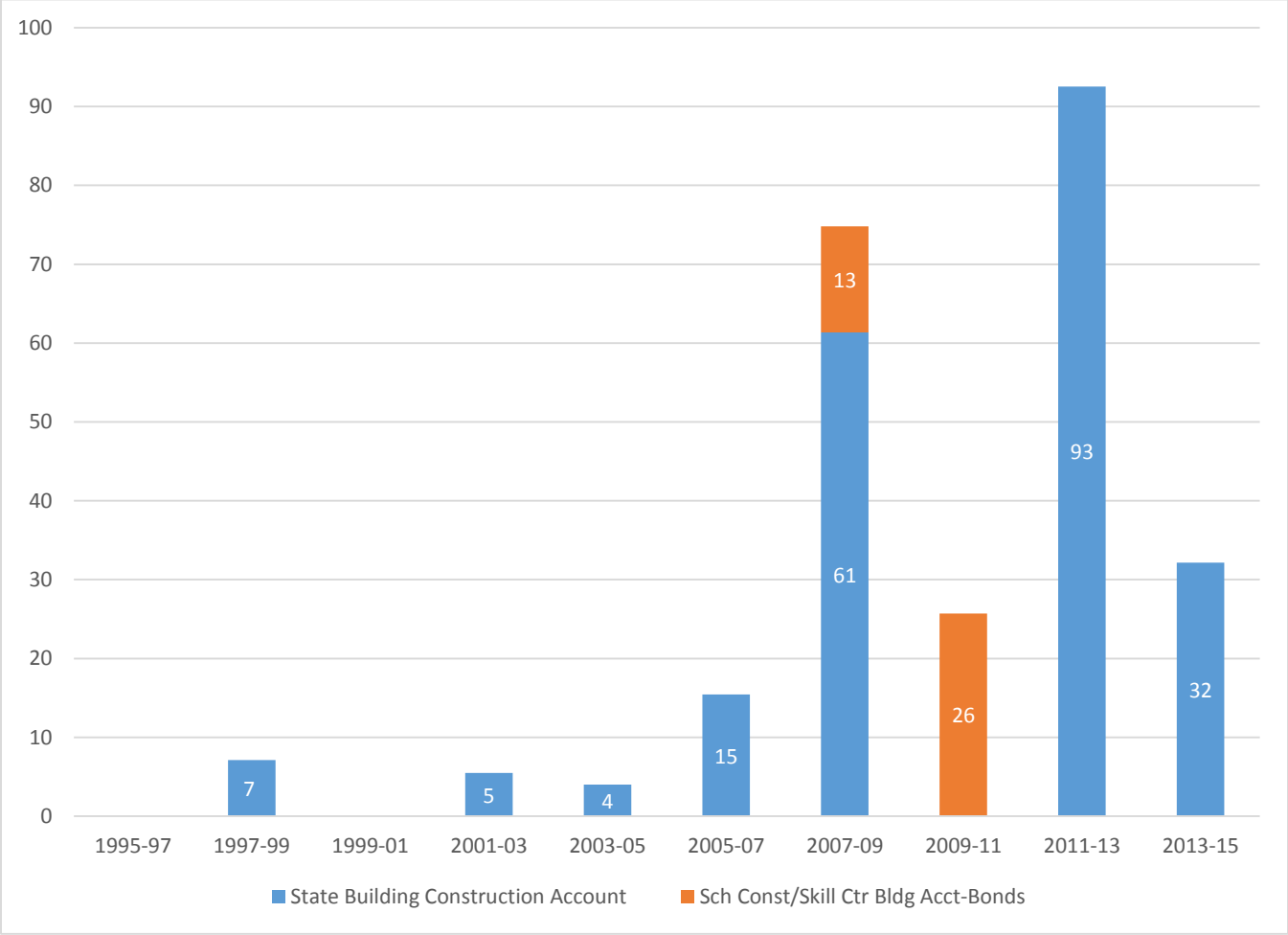
Skill center campuses can be of three types: a core campus operated by the skill center and housing a majority of the skill center students enrolled; a branch campus at a common school or higher education facility providing three or more programs at a location other than the core campus; and a satellite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

Approximately 8,200 students are current enrolled in 14 skill centers statewide. Since 1997, the Legislature has provided roughly $265 million in grants through the OSPI for skill center-related capital projects.



Source: Office of the Superintendent of Public Instruction, October 2014

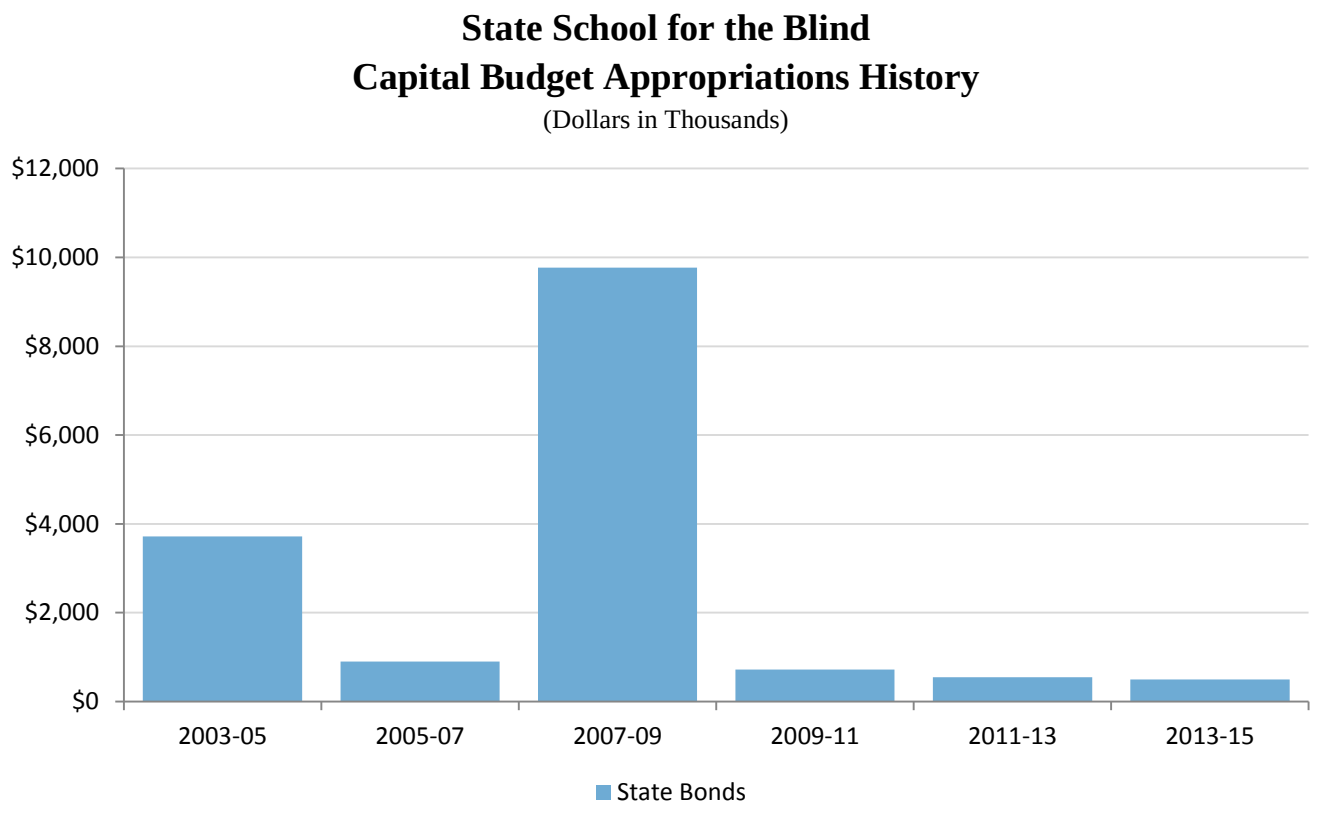
Skills Centers
Capital Budget Appropriations History
(Dollars in Millions)



Source: Legislative Evaluation and Accountability Program Committee and Office of Program Research, October 2014

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.



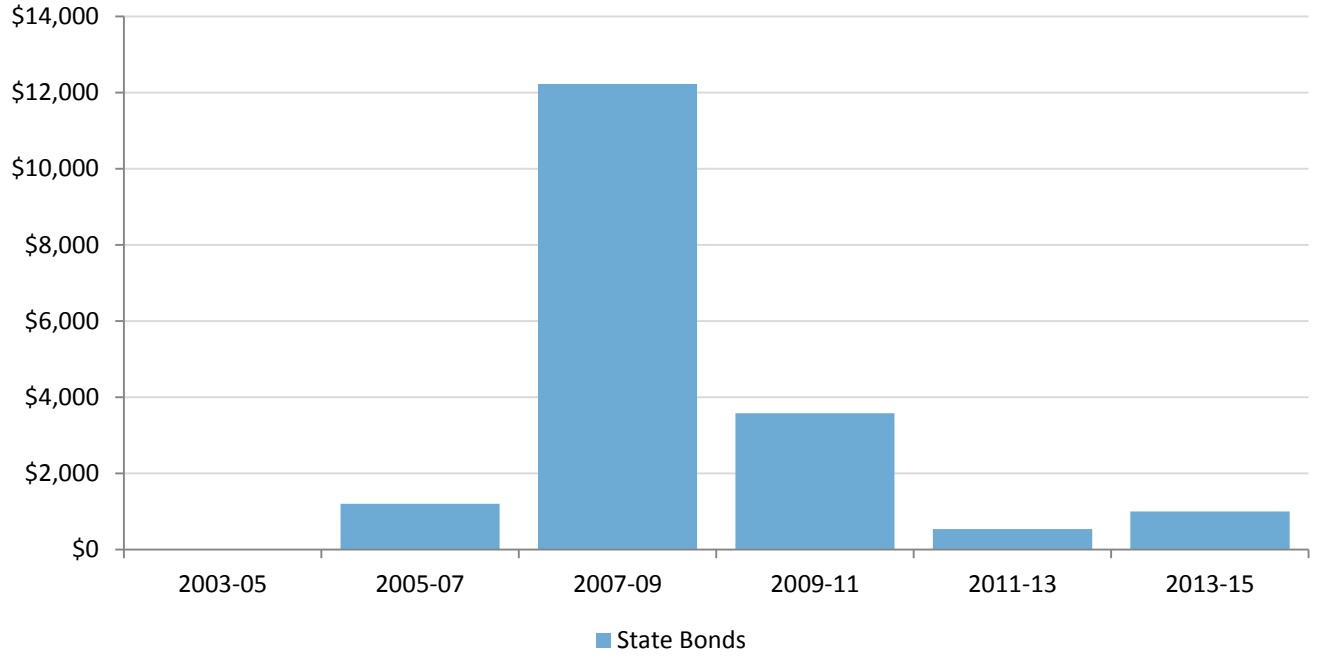
	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
State Bonds	3,717	900	9,770	720	550	500
Total	**$3,717**	**$900**	**$9,770**	**$720**	**$550**	**$500**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Center for Childhood Deafness and Hearing Loss

First created in 1886, the Center for Childhood Deafness and Hearing 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)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
State Bonds	0	1,201	12,225	3,584	536	1,000
Total	**$0**	**$1,201**	**$12,225**	**$3,584**	**$536**	**$1,000**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

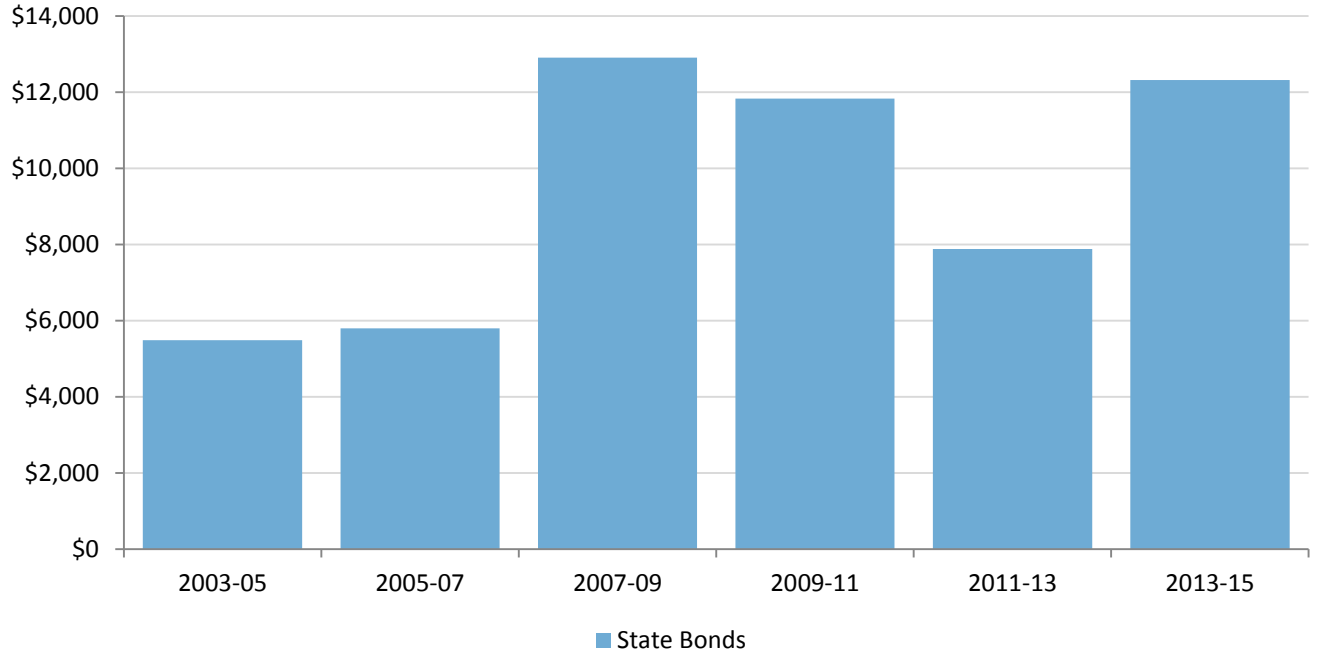
Washington State Historical Society

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. The WSHS operates three primary facilities:

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

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 provide for the preservation and interpretation of 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)



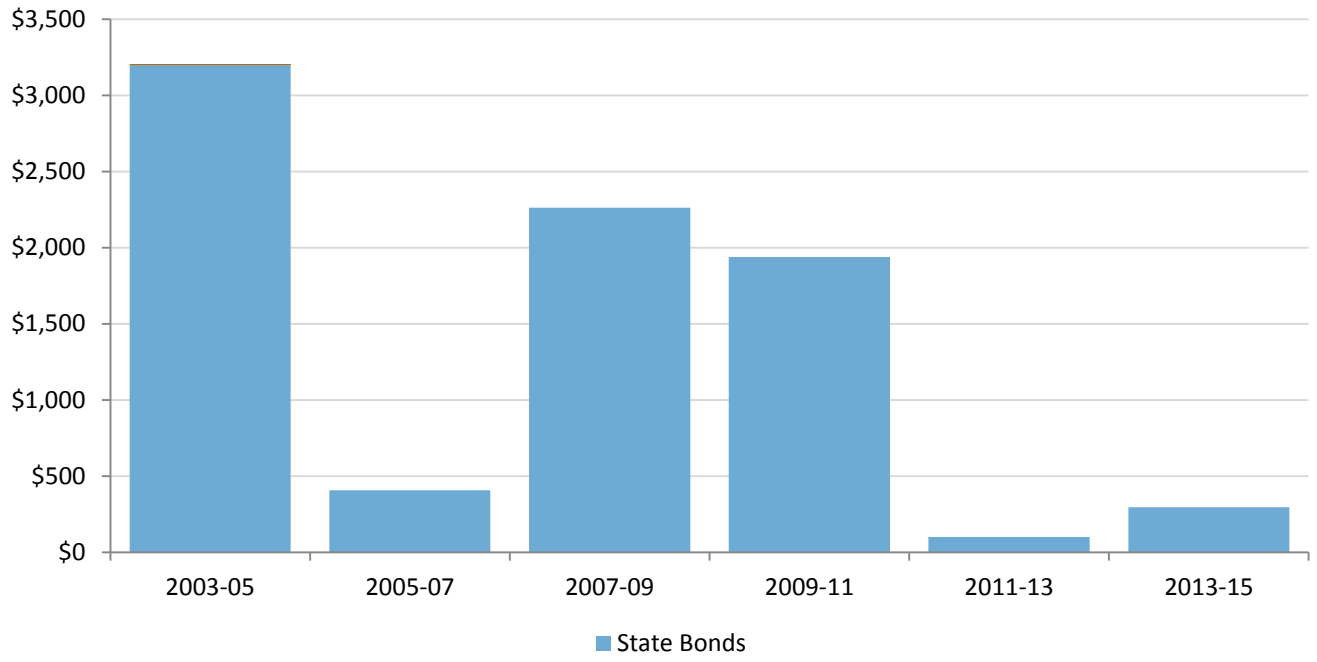
	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
State Bonds	5,488	5,792	12,902	11,827	7,882	12,314
Total	**$5,488**	**$5,792**	**$12,902**	**$11,827**	**$7,882**	**$12,314**

Source: Legislative Evaluation and Accountability Program Committee, October 2014

Eastern Washington State Historical Society

Founded in 1916, the Eastern Washington State Historical Society (EWSHS), like the 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, the 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 an historic residential neighborhood west of downtown Spokane.

Eastern Washington State Historical Society
Capital Budget Appropriations History
(Dollars in Thousands)



	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15
State Bonds	3,200	406	2,261	1,939	100	295
Total	**$3,200**	**$406**	**$2,261**	**$1,939**	**$100**	**$295**

Source: Legislative Evaluation and Accountability Program Committee, October 2014