PRELIMINARY REPORT:

Capital Budget Staffing

LEGISLATIVE AUDITOR'S CONCLUSION:

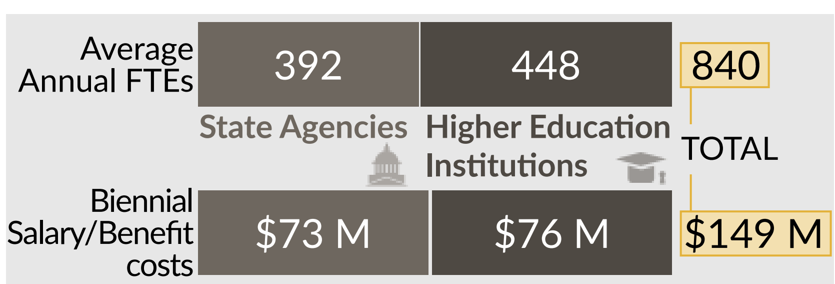
The state spent $149 million of capital budget funds in 2015-17 on salaries and benefits for 840 FTEs. The state's accounting system has reliable staff and salary/benefit data for state agencies, but lacks detail for higher education institutions.

July 2019

In the 2015-17 biennium, 36 state entities were authorized to spend a total of $6.1 billion from the capital budget. This includes 29 state agencies and the state's higher education institutions (i.e., 6 four-year colleges/universities and the community & technical college system). The 2018 Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to review how these funds were used to pay state employees.

State agencies and higher education institutions reported spending $149 million of capital budget funds on 840 FTEs during the 2015-17 biennium

A full-time equivalent (FTE) is a way to measure the size of the state's workforce. It is equal to 2,088 work hours in a fiscal year. An FTE can represent a single individual working full time, or time spent by several people.



Source: Data provided to JLARC staff by state entities. FTEs and costs are rounded.

JLARC staff compiled and reviewed data from all 36 entities that were authorized to spend capital funds.

- 71% of the capital-funded full-time equivalents (FTEs) and salary/benefit costs were reported by three higher education institutions and five agencies.
- Half of all capital-funded FTEs and salary/benefit costs were paid from bond-funded accounts. Another 40% were paid from university-specific building accounts.
- Skilled trades and project management made up 79% of the functions performed by capital-funded FTEs.

AFRS data on capital-funded FTEs and salary/benefit costs is reliable for state agencies, but lacks detail for higher education institutions

The Agency Financial Reporting System (AFRS) is the state's financial accounting system and is administered by the Office of Financial Management. It is used to report the overall financial activity across state government. Most agencies use it to pay their bills, receive payments, and complete other transactions. JLARC staff asked state agencies and higher education institutions to provide detail about their capital-funded FTEs and salary/benefit costs beyond what is recorded in AFRS.

For the 2015-17 biennium:

- **State agencies** recorded capital-funded FTEs and salary/benefit costs in AFRS that are generally consistent with the data compiled by JLARC staff. There are agency-level discrepancies that can be explained by variations in accounting practices.
- **Four-year colleges and universities** recorded fewer capital-funded FTEs and salary/benefit costs in AFRS than the amount compiled by JLARC staff. These discrepancies are because colleges/universities use their own accounting systems and data is aggregated in AFRS. The colleges/universities provided additional data for this study from their internal systems. In some cases, this involved retroactively allocating employees to capital projects they worked on during the biennium.
- **State Board for Community and Technical Colleges (SBCTC)** recorded salary/benefit costs in AFRS that are consistent with the costs compiled by JLARC staff. There is a discrepancy between the number of FTEs in AFRS and in the compiled data due to cost reallocation between the central office and the campuses.

The state provides guidance and flexibility for using capital funds to pay for state employees. Oversight occurs at several stages.

State policies from the Office of Financial Management, budget development tools, and statutes authorize entities to spend portions of their capital funds on state employees. State entities have flexibility in how they account and pay for staff working on capital projects and programs. OFM and the Legislature oversee budget development and spending on capital-funded FTEs.

REPORT DETAILS

1. The 2015-17 capital budget funded 840 FTEs

In 2015-17, state agencies and higher education institutions spent $149 million of capital budget funds on 840 FTEs. Bond funds paid for half of the costs.

In the 2015-17 biennium, the state authorized 36 state entities to spend a total of $6.1 billion from the capital budget.

36 state entities received capital budget spending authority in 2015-17 and are included in this report

29 state agencies
7 higher education institutions:
- 6 colleges/universities.
- The community & technical college system.

A full list of names and acronyms is in Appendix A.

- The capital budget funds long-term investments such as construction projects, land acquisitions, and grant programs administered by state agencies.
- The state provides guidance and oversight on how entities may use capital funds to pay state employees.
    - The amount that may be spent is capped. This is typically a percent of the agency's overall spending authority, as specified in OFM's budget instructions, or in statute.

- For the expenditure to be paid from capital funds, the employee's work must be related to a capital project. For example, entities may pay for architects and project managers who work on a land or facility project. Or, they may pay for grant managers to coordinate the distribution of capital grant funds to local governments.

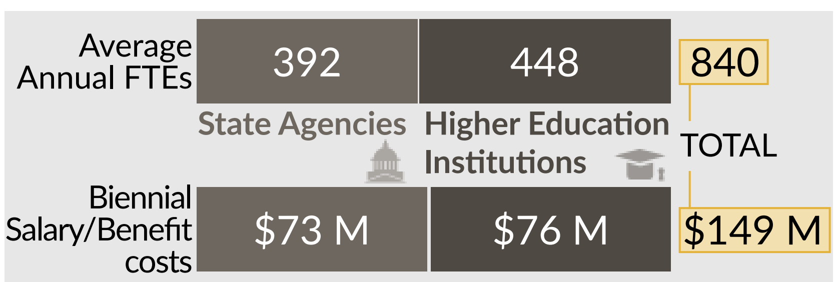
Legislature directed JLARC staff to identify the number of FTEs funded by the capital budget

The 2018 Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to identify the number of full-time equivalent (FTE) state employees and the amount of their salaries/benefits paid with capital funds. It also asked for information about the job functions these employees perform and the extent to which they are paid from bond funds or other sources.

The Agency Financial Reporting System, or AFRS, does not contain all of the information needed to answer the Legislature's questions. As a result, JLARC staff developed a data collection tool with input from the involved entities. Using this tool, JLARC staff compiled and reviewed data from all 36 entities funded in the 2015-17 capital budget and compared it to data in AFRS. The information JLARC staff compiled was more detailed than what agencies are required to report in AFRS. Tab 3 and Tab 4 address the reliability of the information in AFRS.

In 2015-17, state agencies and higher education institutions spent $149 million of capital budget funds on 840 FTEs

A full-time equivalent (FTE) is a way to measure the size of the state's workforce. It is equal to 2,088 work hours in a fiscal year. An FTE can represent a single individual working full time, or time spent by several people.



Source: Data provided to JLARC staff by state entities. FTEs and costs are rounded.

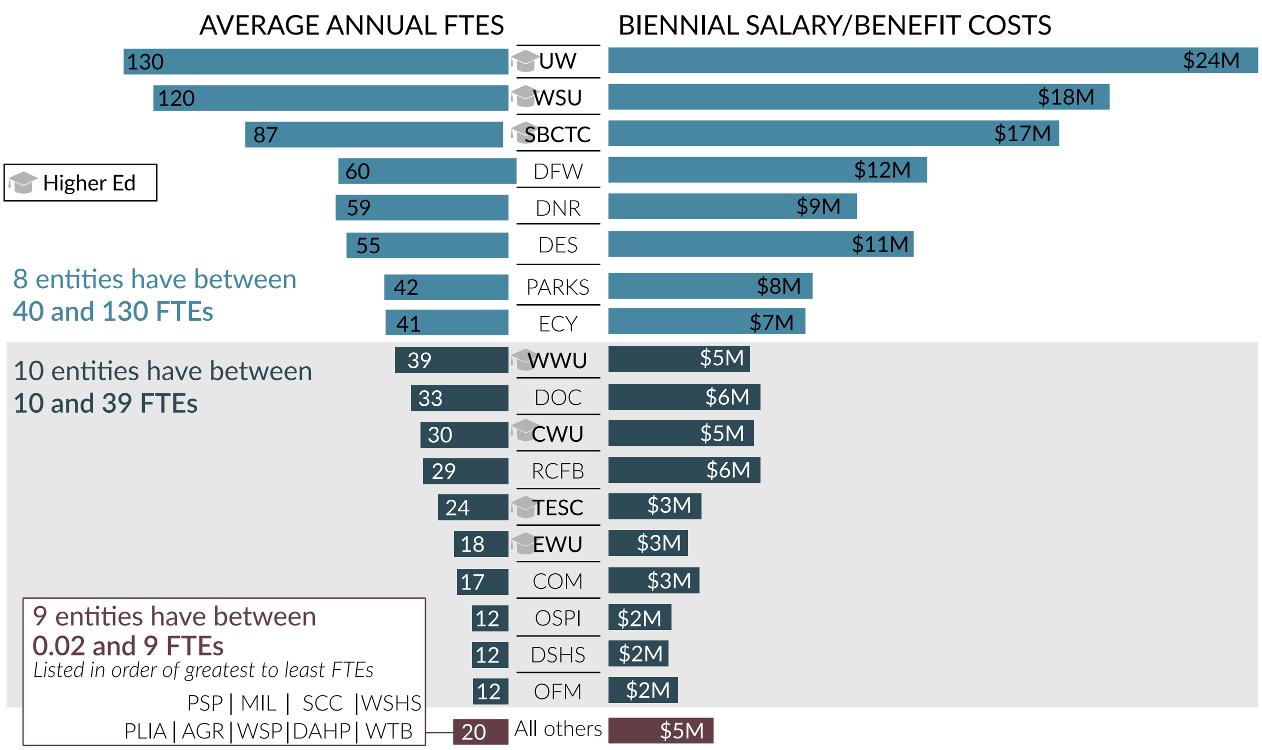
Together, state agencies and higher education institutions spent $149 million of capital budget funds on salary/benefit costs. This is 2% of the total spending authorized in the capital budget.

Data on FTEs and costs is based on information provided to JLARC staff from each of the entities that received funding in the 2015-17 capital budget (see Appendix A for a list of entity names and acronyms). It does not include capital projects funded through the transportation budget.

The amount of capital-funded FTEs and salary/benefit costs varies across entities

Twenty of the 29 state agencies and all of the higher education institutions that received capital spending authority in 2015-17 reported paying for FTEs with capital budget accounts.

Exhibit 1.1: Capital-funded FTEs range from 0.02 to 130 and salary/benefit costs range from $5,500 to $24 million



Source: Data provided to JLARC staff by state entities. FTEs and costs are rounded. Nine state agencies reported no FTEs and salary/benefit costs paid from capital funds.

Higher education institutions' relatively large share of capital-funded FTEs and associated costs is primarily due to appropriations for preventive maintenance (see below).

The variation is due in part to differences in the way entities carry out capital projects

The nature of capital projects and how they are accomplished affects the amount spent on staffing.

- Some entities pay their own employees to do work rather than hiring contractors. For example, WDFW uses its skilled trades staff to build certain fish hatchery infrastructure. In contrast, other entities may pay for more contractors because they need specific expertise for a particular project.
- Entities with the highest spending authority may spend less on salaries and benefits than other entities. For example, OSPI and Commerce together received nearly 40% of the overall 2015-17 capital spending authority, but accounted for only 4% of spending on salaries and benefits. These agencies distribute most of their funds to local agencies and spend a small portion of their funding on their own employees.
- Contractors, local agencies' employees, and their related costs are not included in the FTE or salary/benefit cost figures in this report.

Salaries and benefits for capital-funded FTEs are less than 1% of the state's overall staffing costs

Most state FTEs are paid from the operating budget. The 840 capital-funded FTEs and their salaries/benefits represent less than 1% of both statewide FTEs and salary/benefit costs paid from the operating and capital budgets combined.

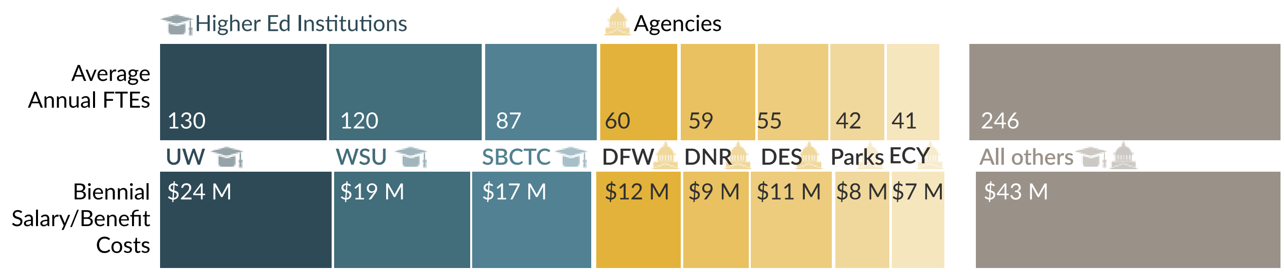
Eight entities reported 71% of the total capital-funded FTEs and salary/benefit costs

Capital-funded FTEs and their salary/benefit costs are concentrated in two universities, the community and technical college system, and five agencies. This is a function of the type of work for which they received spending authority, as well as the total amount of capital funds they were authorized to spend:

- **Two universities:** The University of Washington (UW) and Washington State University (WSU) together account for 30% of the FTEs and salary/benefit costs. This is largely due to spending authority for preventive maintenance, which is performed by university-employed trades staff (e.g., mechanics, electricians).
- **Community and technical college system:** The system, which includes the central office and 34 campuses, accounts for 10% of FTEs and salary/benefit costs. It received spending authority for preventive maintenance, as well as multiple facility construction, preservation, and expansion projects.

- **Five agencies:** Four natural resources agencies[1] received funds specifically for capital projects such as floodplain management, habitat or recreation, land acquisition, and capital facilities (e.g., hatcheries, park amenities). The Department of Enterprise Services (DES) received funds specifically for staff, such as those who serve as project managers for state facility construction.

Exhibit 1.2: FTEs and their salary/benefit costs are concentrated in eight entities



Source: Data provided to JLARC staff by state entities. FTEs and costs are rounded.

Bond funds paid for 50% of salary/benefit costs and institution-specific building accounts paid for another 40%

The Legislature asked JLARC staff to identify the portion of salary/benefit costs paid from bond-funded accounts at state agencies and higher education institutions.

- Half of the total FTEs and salary/benefit costs were paid from bond-funded accounts, primarily the tax-exempt State Building Construction Account. As a point of comparison, over half (53%) of the $6.1 billion authorized in the 2015-17 capital budget came from bond-funded accounts.

Institution-specific building accounts for preventive maintenance

Each public college or university, including community & technical colleges, can collect building fees from students. A portion of the money is held by the state in an institution-specific building fund and appropriated back to the school through the state capital budget. In each capital budget since the 2009-11 biennium, the higher education institutions received funding for preventive maintenance from their building funds. The total amount authorized for preventive maintenance in 2015-17 was $68 million.

[1] State Parks (Parks) and the Departments of Fish and Wildlife (DFW), Natural Resources (DNR), and Ecology (ECY)

- Another 40% of FTEs were paid from higher-education institutions' building accounts. While these accounts make up a small portion (4%) of the total capital spending authority, they fund work that is typically performed by university employees instead of contractors.
- The remaining 10% of FTEs were paid from 29 other accounts in the capital budget.

Agencies must pay for state employees with the fund source authorized for a project by the Legislature. For example, an agency cannot use bond-funded accounts to pay for staff time spent on projects funded with non-bond accounts.

Capital projects at four-year colleges/universities receive additional funding from outside the state's capital budget

Four-year colleges/universities receive funding through grants, loans, investment income, and donations. These funds are in addition to the amount authorized by the state through the capital budget. For example, these additional funds made up 80% of UW's capital project expenditures in 2015-17. However, these funds are not provided through the capital budget, so they are not part of this analysis.

2. Most common functions are trades & project management

Skilled trades and project management account for 79% of the jobs performed by capital-funded FTEs

To answer the Legislature's questions, JLARC staff asked entities to provide additional detail on their FTEs[2] and costs than they report in the Agency Financial Reporting System (AFRS). Specifically, JLARC staff compiled information on each entity's FTEs and costs by type of position, job function, spending authority category[3], and account.

Capital-funded FTEs perform four main job functions

Based on agency interviews, state job classifications, and agency position descriptions, JLARC staff developed four broad categories of job functions for this study:

- **Trades staff** are skilled labor positions that require specific training, such as electricians, plumbers, or mechanics.
- **Project management staff** are responsible for ensuring the completion of work, including project designers and project and grant managers.
- **Administrative staff** are responsible for administrative support, contract support, and fiscal management.
- **Other staff** are positions such as information technology staff, park staff, and temporary project support.

JLARC staff asked entities to report their capital-funded FTEs by these job function categories. In some cases, similar position titles were classified as different job functions. For example, some agencies categorized biologists working on natural resource projects as project managers and

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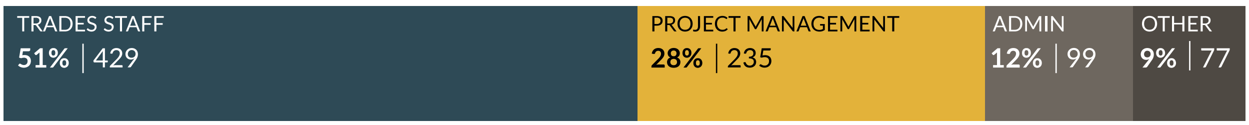
[2]FTE equals 2,088 hours worked by one or more people in a year.

[3]Four types of projects/programs funded by the capital budget, including land/facility-related projects and grants/loans.

others categorized them as trades staff. This may be due to different interpretations of the job function categories, or varying job responsibilities at different agencies.

Entities reported that more than half of their capital-funded FTEs are trades staff and more than one-quarter are project management staff.

Exhibit 2.1: Statewide, 51% of capital-funded FTEs are trades staff and 28% have a project management function



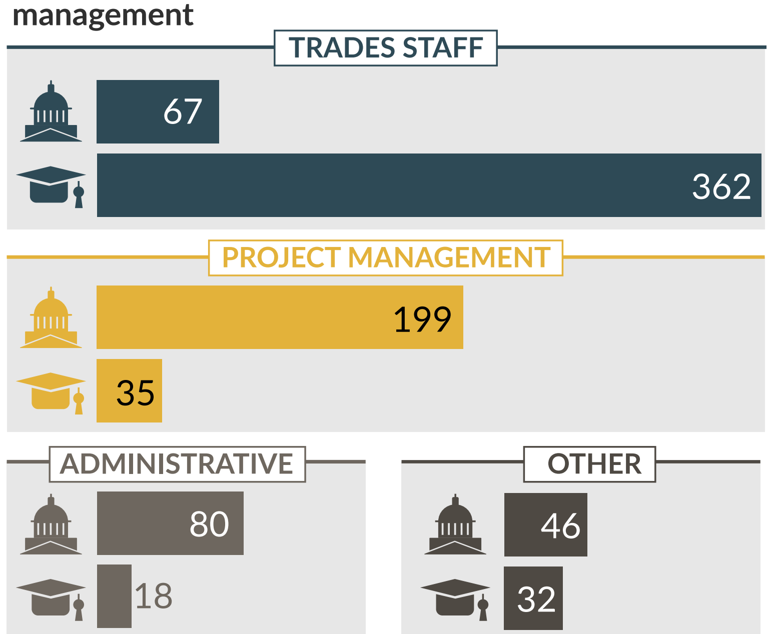
Source: Data provided to JLARC staff by state entities. FTE figures are rounded.

Higher education institutions and state agencies reported different distributions of job functions

Higher education institutions: Skilled trades are the most common function reported, making up 80% of the institutions' capital-funded FTEs. This reflects the legislatively directed spending authorization for preventive maintenance at higher education institutions. Absent preventive maintenance work, job functions for higher education institutions are distributed similarly to state agencies.

State agencies: Project management was the most common work function reported, making up over half of capital-funded FTEs. A small number of agencies accounted for the majority of FTEs performing the other functions. For example, the Department of Fish and Wildlife, which has two skilled labor shops, accounted for 48 of the 67 trades staff reported by state agencies.

Exhibit 2.2: Institutions have the most staff in trades, while state agencies have the most in project management



Source: Data provided to JLARC staff by state entities. FTE figures are rounded.

State entities report that nearly eight out of ten FTEs work on land or facility-related capital projects. One in ten work on grants or loans administered by their agency.

To answer the Legislature's questions about the number of FTEs working on grant/loan projects and capital projects, JLARC staff asked agencies and higher education institutions to report their capital-funded FTEs and costs by spending authority categories. These categories reflect the different types of projects and programs funded by the capital budget.

Exhibit 2.3: State entities reported FTEs in four spending authority categories

Spending authority category	Description	Average annual FTEs	Biennial salary/benefit costs
Land or facility-related capital projects	Funding for major capital projects, minor works, special studies, pre-design and design work, assessments, land acquisitions, and infrastructure projects.	646 *(77%)*	$111.7 million
Grants or loans administered by the entity	Funding for the management of grant or loan programs that the agency administers.	94 *(11%)*	$16.8 million
Capital program staff	Funding authorization specifically for state employee costs. See below for more detail.	76 *(9%)*	$15.6 million
Funds received from other state entities	Reimbursement from another state agency for work done to implement a grant or other capital project.	24 *(3%)*	$4.6 million

Source: Data provided to JLARC staff by state entities. FTEs and costs are rounded.

Three agencies received spending authority specifically for capital program staff

The Department of Enterprise Services (DES), Office of Financial Management (OFM), and Office of the Superintendent of Public Instruction (OSPI) received appropriations in the 2015-17 capital budget that were specified for employee costs as opposed to projects, grants, or loans. Together, these agencies paid $15.6 million for 76 FTEs who performed various administrative, project management, and other functions.

Exhibit 2.4: DES, OFM, and OSPI received and used capital funding specifically for staff

Agency	Function	Example position titles	Average annual FTEs	Biennial salary/benefit costs
DES	Project management, administrative staff	Architect, construction coordinator, contract assistant	53 FTEs	$11 million
OFM	Other FTEs	Facilities oversight staff, budget analyst	12 FTEs	$2.6 million
OSPI	Administrative staff	Regional coordinator, program administrator, data analyst	11 FTEs	$2.0 million

Source: Data provided to JLARC staff by state entities. Does not include FTEs and costs related to the appropriations that were not specifically for staff.

3. AFRS data is reliable for state agencies

For state agencies funded in the 2015-17 capital budget, AFRS provides reliable data about FTEs and salary/benefit costs.

The Agency Financial Reporting System (AFRS) is the state's financial accounting system and is administered by the Office of Financial Management. It is used to report the overall financial activity across state government. Most agencies use it to pay their bills, receive payments, and complete other transactions. It contains information on the total number of FTEs and the total amount spent on salary/benefit costs.

Higher education institutions use other accounting systems that submit aggregated data to AFRS (see Tab 4).

State agency FTEs and associated costs in AFRS are consistent with the data compiled by JLARC staff

JLARC staff found AFRS to be generally reliable for understanding total FTEs and costs funded for state agencies by the 2015-17 capital budget. The totals in AFRS are similar to the totals compiled from state agencies for this report. JLARC staff asked state agencies to provide more detailed information than they report in AFRS.

Discrepancies exist at the agency level, as described below.

Exhibit 3.1: State agency salary/benefit costs in AFRS are within 1% of the total costs compiled by JLARC staff

Data type	AFRS	Compiled by JLARC staff	Difference (AFRS minus compiled)
State agency average annual FTEs	391 FTEs	392 FTEs	-1 FTE
State agency biennial salary/benefit costs	$73.1 million	$72.6 million	$0.5 million

Source: JLARC staff analysis of data in AFRS and data provided by state agencies for this report. Salary/benefit costs include objects A and B and subobjects TA and TB in the state's uniform chart of accounts. This data excludes higher education institutions.

State agency-level discrepancies are generally due to accounting practices

At the individual agency level, JLARC staff identified some discrepancies between AFRS data and data compiled for this report:

- AFRS data is between 5.8 FTEs higher and 5.6 FTEs lower than data compiled by JLARC staff.
- Salary/benefit costs in AFRS are between $1.3 million higher and $1.1 million lower than those compiled by JLARC staff.

These discrepancies are due to the different ways that state agencies are allowed to record transactions in AFRS.

- When agencies reallocate costs from different accounts or receive reimbursements from another agency, the final data in AFRS may not align with totals compiled by JLARC staff.

    - For example, the Puget Sound Partnership (PSP) received a reimbursement of $1.1 million from the Recreation and Conservation Funding Board (RCFB) to fund 5.6 FTEs. RCFB received authority to spend this money in the capital budget. PSP recorded the salary/benefit expenditures for those FTEs as an operating cost in AFRS, but later identified it as a capital-funded cost in data provided to JLARC staff. Agencies that receive reimbursements from other agencies do not always know in which budget the money was originally authorized.
- Agencies record FTE numbers separately from their associated salary/benefit costs in AFRS. The FTEs and costs paid from capital accounts may not align at the end of a biennium if agencies change the account used to record costs without making a corresponding change to the FTEs.

Appendix B provides state entity-level details.

AFRS does not provide information about position titles or job functions of capital-funded employees

To answer the Legislature's questions, JLARC staff asked agencies to report their employees by position title, job function, spending authority category, and account used to pay costs. This required many agencies to compile data from at least two state systems.

AFRS does not record information about the positions or functions of FTEs. As a result, there is no way to identify from data in the statewide financial system if an FTE is an architect, an electrician, a fiscal analyst, or a combination of positions.

If this type of information is desired in the future, agencies will need to analyze and provide it as they did for this report, or the state's accounting and personnel systems will need to be adjusted to capture it. The state is currently undergoing a comprehensive review and update to its administrative business systems in an effort known as One Washington.

4. AFRS lacks detail for 4-year colleges/universities

For the four-year colleges/universities, capital-funded FTEs and costs cannot be separately identified from other funds in AFRS.

The Agency Financial Reporting System (AFRS) is the state's financial accounting system. Higher education institutions maintain their own accounting and payroll systems and report aggregated data to AFRS on a monthly basis. Some precision and detail is lost in the process of translating internal accounting systems to AFRS.

For the four-year colleges and universities, capital-funded FTEs and salary/benefit costs in AFRS are lower than those compiled by JLARC staff

Each of the four-year colleges and universities provided capital-funded FTE and salary/benefit costs to JLARC staff that are different from those in AFRS.

- FTE data in AFRS is between 13 and 130 FTEs lower for each institution than the data compiled by JLARC staff.
- Salary/benefit costs in AFRS are between $1.6 and $24 million lower for each institution than those compiled by JLARC staff.
- Over half of the difference in reported FTEs and costs is attributable to the University of Washington. It recorded no FTEs or salary/benefit costs associated with capital funds in AFRS due to the accounting practices described below.

Exhibit 4.1: Capital-funded FTEs and salary/benefit costs in AFRS for the four-year colleges/universities are 70% lower than those compiled by JLARC staff

Data type	AFRS	Compiled by JLARC staff	Difference (AFRS minus compiled)
Four-year colleges/universities' average annual FTEs	104 FTEs	360 FTEs	-256 FTEs
Four-year colleges/universities' biennial salary/benefit costs	$18 million	$59 million	-$41 million

Source: JLARC staff analysis of data in AFRS and data provided by state entities for this report. Salary/benefit costs include objects A and B and subobjects TA and TB in the state's uniform chart of accounts.

Discrepancies between AFRS and compiled data are related to the institutions' practice of pooling funds in local accounts to pay employees

The four-year colleges/universities often pool state and non-state funds into institution-specific local accounts to pay for construction projects and related staffing costs. This makes it difficult to identify the FTEs and costs that were specifically funded by the state capital budget.

JLARC staff confirmed with the four-year colleges/universities that all FTEs and salary/benefit costs for projects funded by the 2015-17 capital budget are reported in AFRS. However, the degree to which those FTEs and costs are reported in capital budget accounts rather than local accounts varied by institution. Reporting capital-funded FTEs and costs under local (university) accounts rather than capital accounts is authorized under OFM policy.

To respond to questions from JLARC staff, the colleges/universities determined the number of FTEs that worked on state-funded capital projects. For most, this involved retroactively allocating their employees' time based on project assignments or on the proportion of total expenditures paid by each fund source.

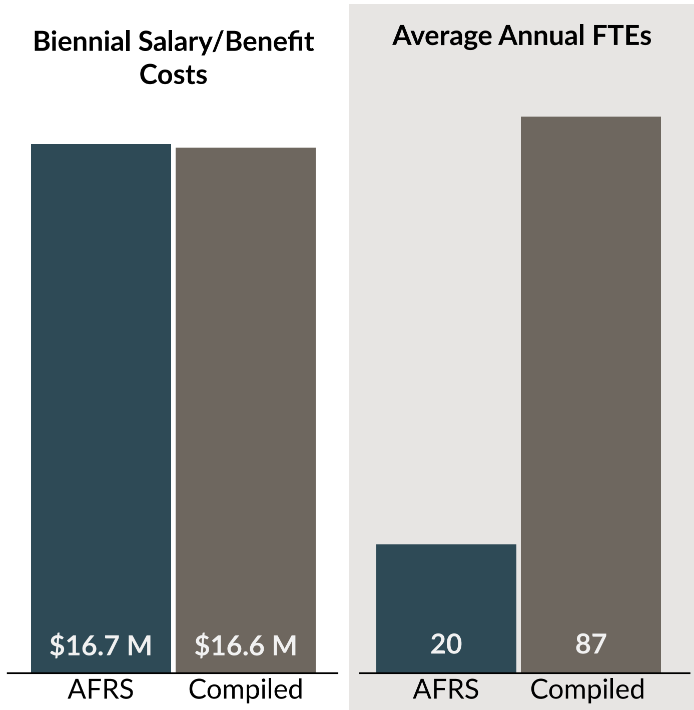
The community and technical college system provided salary/benefit cost data consistent with AFRS. FTE data is inconsistent.

The State Board for Community and Technical Colleges (SBCTC) provided data to JLARC staff that shows it spent $16.6 million in capital funds for salary/benefit costs in 2015-17. This is consistent with the staff expenditures reported in AFRS. SBCTC uses its own accounting system, but it is similar in structure to AFRS.

SBCTC paid for 87 FTEs with capital budget funds, according to data compiled by JLARC staff. SBCTC reported only 20 FTEs in AFRS. This discrepancy is due to standard accounting practices:

- Community and technical college campuses initially pay staff working on capital-funded projects with other fund sources. The FTEs are reported under those fund accounts.
- SBCTC then reimburses the campuses with capital funds. While the salary/benefit costs are adjusted to reflect the reimbursements, the corresponding FTEs are not adjusted in AFRS.

Exhibit 4.2: AFRS data on salary/benefit costs is reliable for community and technical colleges. FTE data is not.



Source: JLARC staff analysis of data in AFRS and data provided by SBCTC. FTEs and costs are rounded.

Appendix B provides state entity-level details.

5. State provides guidance and flexibility

The state provides guidance and flexibility for using capital funds to pay state employees. Oversight occurs at several stages.

During budget development and implementation, the state provides guidance to agencies and higher education institutions about how they can use capital funds and record the information in their accounting records.

Capital budget instructions and budget forms offer guidance

The Office of Financial Management (OFM) issues capital budget instructions each biennium for all state entities. The instructions and budget forms guide how agencies may spend capital funds, including:

- **The type of employees that can be paid from capital funds,** such as those who perform administrative and project management functions, complete land use and environmental assessments, and provide architectural or design expertise.
- **The type of employees that cannot be paid from capital funds**, such as those working on capital budget development, facility management, and long-range budget planning. These responsibilities exist regardless of the characteristics of projects funded each year.
- **Limits on the amount that can be paid from capital funds for project management and administration**. The budget instructions include percentage caps on charges for staff costs.
    - For grant projects, the rate is no more than 3% of the total spending authority, unless otherwise addressed in statute.
    - For minor works projects valued at less than $1 million (or $2 million for higher education), the rate is no more than 4% of the total spending authority.
    - For major capital projects valued at greater than $1 million (or $2 million for higher education), entities must use prescribed formulas to determine the maximum amount that can be charged.

The Legislature also sets requirements through statute and budget provisos

Certain statutes and appropriations provide specific authority for state entities to spend capital funds on state employees. Some also limit spending. For example:

- The Recreation and Conservation Funding Board may use a portion of capital funds to administer the Washington Wildlife and Recreation Program (RCW 79A.15.030). The portion of funds spent on administration is limited by either the average amount spent on administration during the previous five biennia or an amount specified in the appropriation.
- RCW 28B.10.350 states that higher education projects exceeding $90,000 must be put out for public bid and awarded to the lowest responsive bidder. Requiring some projects to be carried out by contractors limits the types of projects on which state employees work.
- The Legislature directs the higher education institutions to pay for some preventive maintenance with capital funds. This work is historically delivered by state employees.
- As described in Tab 2, the 2015-17 capital budget included specific appropriations to three agencies for employee costs. Additional provisos authorized spending on employees, such as a maximum of $750,000 provided for OSPI to administer the K-3 class size reduction grant pilot program.

State entities have flexibility in how they account for salary/benefit costs

OFM's capital budget instructions and the state's accounting rules offer state entities flexibility in how they account and pay for state employees working on capital projects and programs. They can choose:

- **How to charge salary/benefit costs to their projects.** Entities may charge projects directly for employee time or assess a fee across multiple capital projects and use the combined funds to pay salary/benefit costs.
- **How much salary/benefit costs to charge to a capital project**, as long it does not exceed the limits stated in budget instructions or statute. Some entities may choose not to assign any salary/benefit costs to a capital budget appropriation.

- **How to allocate salary/benefit costs among operating, capital, or other funds.** One state employee may work on multiple projects or activities funded through capital, operating, or other accounts (e.g., universities' local funds). Entities are permitted to allocate the employee's time and costs among different accounts to reflect time spent on each project or activity.

Oversight occurs throughout budget development and implementation

State oversight of capital funds used to pay employees occurs throughout budget development and implementation:

- **Review of budget requests** – Each year, OFM, the Office of the Governor, and the Legislature review budget requests from state entities. These reviews include automated forms that calculate allowable requests for employee charges, consistent with OFM budget instructions. They also require a narrative explanation of staffing needs and a confirmation that employees funded from bonds will work directly on bond-funded capital projects.
- **Allotments -** These are detailed spending plans prepared by each entity that receives an appropriation in the enacted budget. OFM must approve allotment plans before entities are authorized to spend appropriated funds. OFM monitors actual spending and the number of FTEs paid during the biennium and compares this information to the spending plans. This monitoring information is also made available to the Legislature via monthly updates to reporting tools maintained by the Legislative Evaluation and Accountability Program (LEAP).
- **Reappropriations –** Capital projects often span multiple biennia, but the Legislature only appropriates funds for one biennium. Agencies must request and provide justification for a reappropriation of any anticipated balance of funds not spent within the initial funding biennium. This process provides additional oversight of project spending.

Appendix A: Participating state entities

JLARC staff compiled data from state agencies and higher education institutions

36 state entities received capital budget spending authority in 2015-17 and provided data for this study. Those marked with an asterisk reported that they did not use capital funds to pay salary or benefit costs during the biennium.

State agencies

- Center for Childhood Deafness & Hearing Loss (State School for Deaf and Hard of Hearing) (WSD)*
- Court of Appeals (COA)*
- Criminal Justice Training Commission (CJTC)*
- Department of Agriculture (AGR)
- Department of Archaeology & Historic Preservation (DAHP)
- Department of Commerce (COM)
- Department of Corrections (DOC)
- Department of Ecology (ECY)
- Department of Enterprise Services (DES)
- Department of Fish and Wildlife (DFW)
- Department of Health (DOH)*
- Department of Natural Resources (DNR)
- Department of Social and Health Services (DSHS)
- Department of Veterans' Affairs (DVA)*
- Joint Legislative Audit and Review Committee (JLARC)*
- Military Department (MIL)

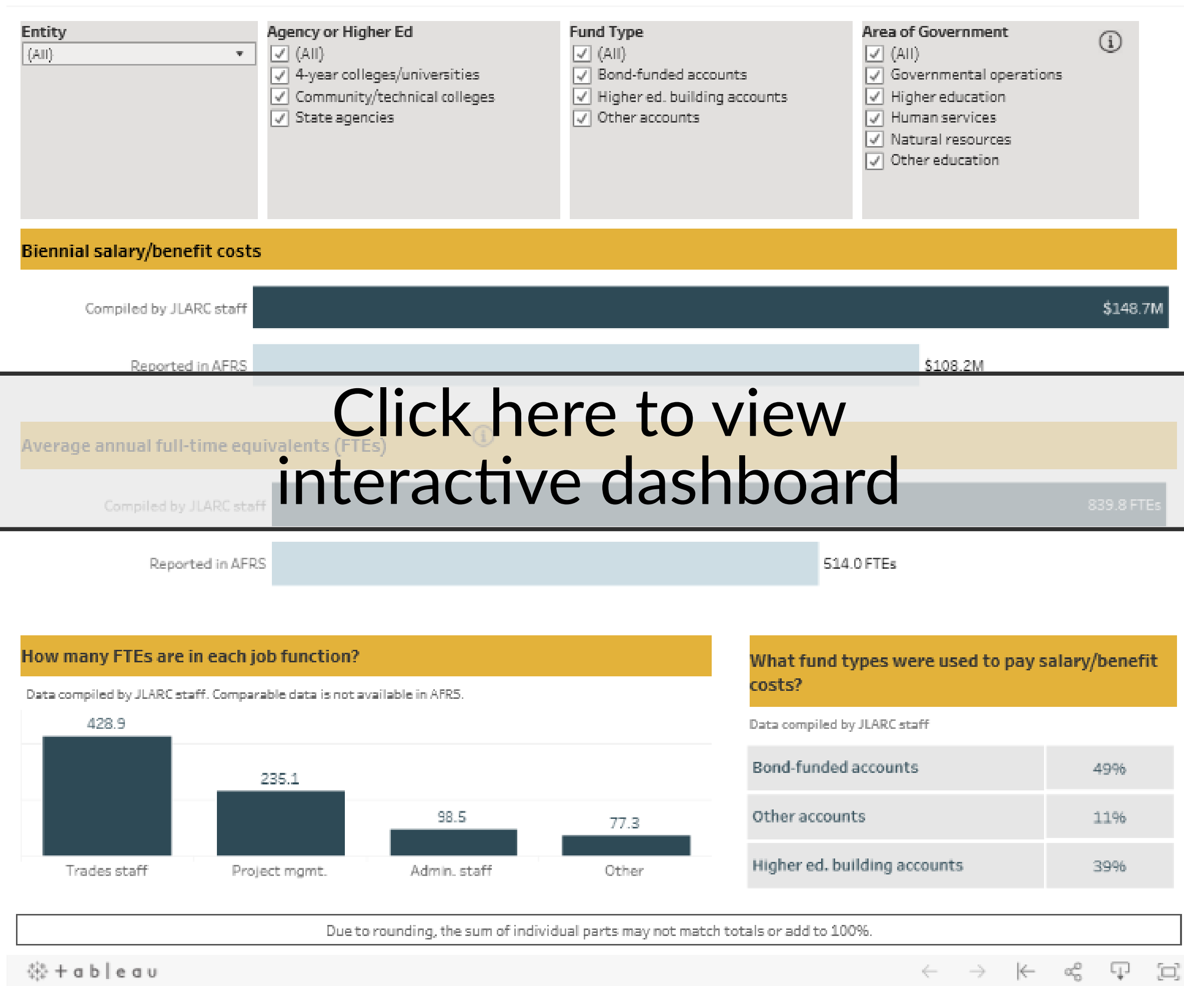
- Northwest Museum of Art & Culture (Eastern Washington State Historical Society) (WSHSEAST)*
- Office of Financial Management (OFM)
- Office of the Secretary of State (SECSTATE)*
- Pollution Liability Insurance Agency (PLIA)
- Puget Sound Partnership (PSP)
- Recreation and Conservation Funding Board (RCFB)
- State Conservation Commission (SCC)
- State Parks and Recreation Commission (PARKS)
- State School for the Blind (WSSB)*
- Office of the Superintendent of Public Instruction/Public Schools (OSPI)
- Washington State Historical Society (WSHS)
- Washington State Patrol (WSP)
- Workforce Training & Education Coordinating Board (WTB)

Higher education institutions

- Central Washington University (CWU)
- Eastern Washington University (EWU)
- The Evergreen State College (TESC)
- University of Washington (UW)
- Washington State University (WSU)
- Western Washington University (WWU)
- Community/Technical College System (SBCTC)

Appendix B: State entity-level data

Detailed data by agency or higher education institution



RECOMMENDATIONS & RESPONSES

No Legislative Auditor Recommendations

The Legislative Auditor did not issue recommendations for this study

Agency responses to the report will be included in the Proposed Final Report.

Agency Response

Agency response(s) will be included in the proposed final report, planned for September, 2019.

MORE ABOUT THIS REVIEW

Audit Authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's non-partisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in Chapter 44.28 RCW, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

Study Questions

WASHINGTON JLARC

Proposed Study Questions: Capital Budget Staffing

State of Washington Joint Legislative Audit and Review Committee • September 2018

2018 Legislature directed JLARC to review staffing funded by capital budget

Washington pays for its long-term investments in land and facilities through the state capital budget. Budgeted funds include bond proceeds, dedicated fees, and federal funds.

The capital budget pays for:

- Construction and minor works projects to design, build, or maintain buildings, schools, higher education facilities, and other state assets.
- Grants or loans for state or local projects such as parks, affordable housing, and cleanup of toxic sites.

Agencies can use capital budget appropriations to pay for staff

x 2,088 hours = 1 FTE

x 1,044 hours = 1 FTE

Full-Time Equivalent (FTE) is a way to measure the size of the state's workforce. It is equivalent to one person working full time (2,088 hours) during a fiscal year.

State employees may work directly on capital projects, manage grants or loans, or perform other functions. The 2017-19 capital budget directs JLARC to study the number of Full-Time Equivalent staff (FTEs) paid for by the capital budget and the funding sources used.

Study will address the number, function, and costs of FTEs, and how agencies account for the positions

Thirty-six agencies received a combined $6.6 billion in funding from the 2015-17 capital budget. For the 2015-17 capital budget, we will address the following:

1) How many state FTEs were paid for, and what functions did they perform (e.g., project administration, direct project services, etc.)?
2) What were the salary and benefit costs, and what funding sources (e.g., bond proceeds, dedicated fees, etc.) were used to pay those costs?
3) What approaches do state agencies use to account for and monitor these positions and costs?

The study will not include the Department of Transportation, which is funded in a separate budget, or staff who are not employees of state agencies (e.g., contractors or local grant and loan recipients).

Study timeframe

Preliminary Report: July 2019 Proposed Final Report: September 2019

Study team

Team Lead:	Stephanie Hoffman	360-786-5297	stephanie.hoffman@leg.wa.gov
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JLARC Study Process

Study Mandate	Proposed Study Questions	Legislative Auditor's Preliminary Report	Legislative Auditor's Proposed Final Report	Final Report
Budget, legislation, committee direction			Agency response included	Option to append committee comment
				Committee votes to distribute completed audit

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Keenan Konopaski, Washington State Legislative Auditor

MORE ABOUT THIS REVIEW

Methodology

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.
- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.
- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

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