

House
Capital Budget
Committee

2011 Briefing Book
Office of Program Research

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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 2011-13 biennium covers the period from July 1, 2011 through June 30, 2013. The primary two-year budget is passed in the odd-numbered years, and a supplemental budget making adjustments to the two-year budget often is passed during the even-numbered years.

Operating Budget - 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, and public assistance payments are typical operating expenses. More than half of the operating budget is funded by the State General Fund with the balance from federal and other funding sources. The House committee primarily responsible for the operating budget is the Ways and Means Committee.

Capital Budget - The capital budget includes appropriations for construction and repair of state office buildings, colleges and universities, prisons and juvenile rehabilitation facilities, parks, public schools, housing for low-income and disabled persons, farmworkers and others, and for other capital facilities and programs. Approximately half of the capital budget is financed by state-issued general obligation bonds, while the rest primarily is funded by dedicated accounts, trust revenue, and federal funding sources. The capital budget often reappropriates moneys from previous biennia when projects have not been completed; major projects can take four or more years to design and construct. The House committee primarily responsible for the capital budget is the Capital Budget Committee.

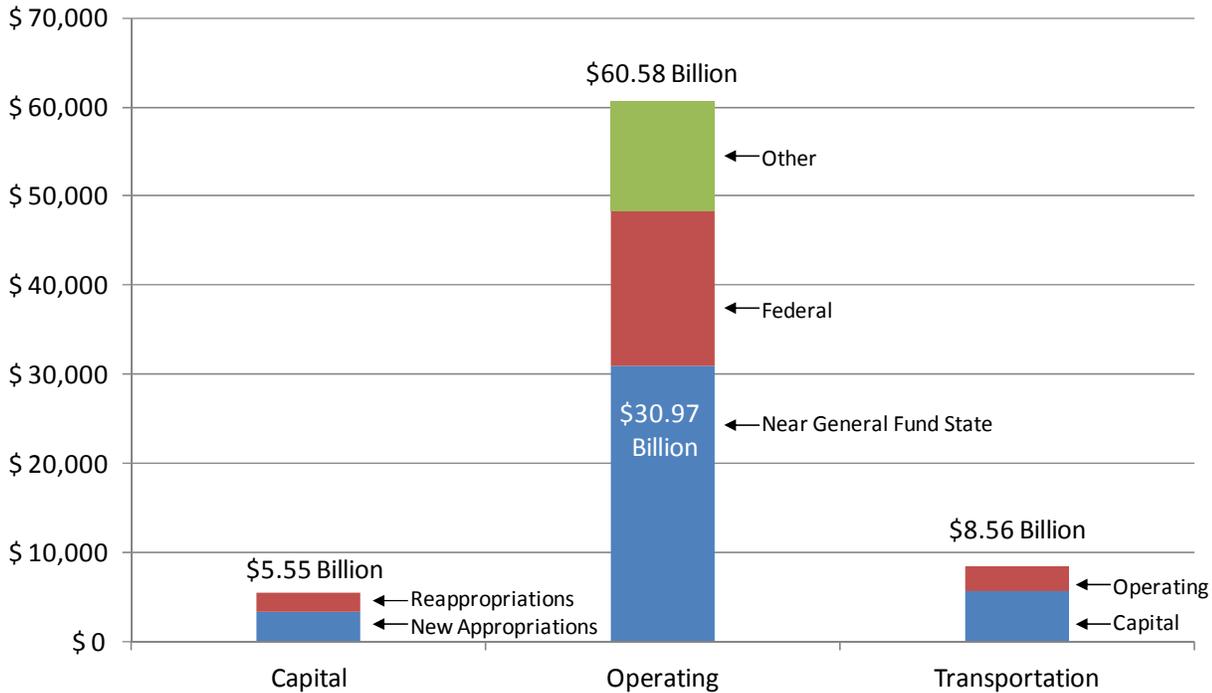
Transportation Budget - The transportation budget includes the operating and capital costs of state and local highways, ferries, motor vehicle registration and enforcement. About 76 percent of the transportation budget is funded by state resources, one percent from local sources, and the balance from federal funding sources. Transportation-related bonds are financed primarily through the motor vehicle fuel tax. The House committee primarily responsible for the transportation budget is the Transportation Committee.

Of the three state budgets, the **operating budget** is by far the largest. For the 2009-11 biennium, the state general fund is the major state funding source, with primary revenues from the retail sales tax (48%), the B&O tax (19%), property taxes (13%), and the real estate excise tax (3%). Federal and other funds appropriated are under half the total budget.

Over half of the **capital budget** is funded by state bonds. For the 2009-11 biennium, there is \$3.37 billion in new appropriations from all fund sources, including \$1.99 billion in state bonds. In addition, there is \$2.18 billion in reappropriations from all fund sources.

The **transportation budget** funds both the capital (66%) and operating (34%) costs of state transportation programs. Its primary source of funding is the state gas tax, licenses, fees, and other state revenue (76%, including 29% bonds), federal funds (23%), and local funds (1%).

Washington State's 2009-11 Budgets



Source: Legislative Evaluation and Accountability Program Committee. Data is 2009-11 biennium after 2010 Supplemental.

Relationship between the Capital Budget and the Operating Budget

While the proceeds of bond sales are appropriated in the capital budget, the operating budget pays the debt service on the bonds. Debt service for the 2009-11 biennium is approximately \$1.78 billion, or 6.3 percent of near general fund state expenditures in the operating budget. Operating budget decisions can affect the capital budget and visa versa.

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 budget in December, and submits it to the Legislature in January as an executive request bill. 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 Title/Subject Rule

Article 2, section 19 requires that a bill contain only one subject and that this subject be embraced 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 subject be expressed in the bill 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 and generally allow 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 generally 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

Article 8, section 4 establishes the Legislature's role in 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--budget legislation passed by the Legislature and signed by the Governor. (2) Appropriations are temporary in nature and do not outlast the biennium for which they were made. (3) All appropriations must specify an amount and a purpose.

In some cases, agencies may make expenditures 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 Legislature is notified and given an opportunity to comment.

Prohibition on Lending of Credit/Gifts of Public Funds

Article 8, sections 5 and 7, along with Article 12, 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 non-profit corporations. In addition, Article 7, section 1 requires that tax revenues be spent only for public purposes. These restrictions arose from 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 lend credit or 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 cannot be a loan or guarantee and 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 with clearly public purpose that address clear needs, that use a reasonable fiscal and policy approach, and that contain safeguards to ensure the public purpose is accomplished and public funds are protected are more likely to withstand a lending of credit challenge.

Governor's Item Veto Powers

Article 3, 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 vetos 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 as lump sum appropriations, in contrast to the capital budget, which is generally structured as item appropriations. It is unclear whether item veto principles may apply differently to the capital budget.

Special Legislation

Article 1, section 12, and Article 2, 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 to all members of that class and the law's exclusions are rationally related to the purpose of the statute.

Debt Limit

Article 8 section 1 establishes a state debt limit. The State Treasurer cannot issue any bonds that would cause the debt service (principal and interest payments) on any new plus existing bonds to exceed 9% of the average of the prior 3 years' general state revenues. Generally speaking, the state constitution defines general state revenue as all unrestricted state tax revenues.

Capital Budget Basics

Capital Budget Overview

What is the Capital Budget?

1. 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;
 - Wastewater and toxic waste cleanup facilities; and
 - Wildlife habitat conservation and open space projects.
2. The capital budget also appropriates money for state land purchases.
3. 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.
4. The 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 shade 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 other funding sources.

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 revenue, 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. The State Treasurer cannot issue any bonds that would cause the debt service (principal and interest payments) on any new plus existing bonds to exceed 9% of the average of the prior 3 years' general state revenues. General state revenues are not the same as state general fund revenues used in the operating budget. General state revenues are about 85% of the State General Fund. An 8.75% working debt limit has been used to maintain a cushion below the 9% constitutional limit.

Bond Debt Model - A model administered by the State Treasurer's Office is used to calculate the available bond capacity or debt limit for the current budgeting period and for future biennia 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/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.

Phases of a Capital Project

Phases of a Capital Project

Who Performs the Work

Land Acquisition

Department of General Administration, 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 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 alternatively financed, 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 the school districts may 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.

The Capital Budget Bill

Article 8, 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.
6. Reappropriation, if any.

Sample Capital Budget Appropriation

NEW SECTION. **Sec. 5100. FOR WESTERN WASHINGTON UNIVERSITY**

Miller Hall Renovation (20041953)

Reappropriation:

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

Appropriation:

State Building Construction Account--State \$54,625,000

Prior Biennia (Expenditures) \$3,773,000

Future Biennia (Projected Costs) \$0

TOTAL \$60,398,000

The Bond Bill

The capital budget has limited purpose if there is no bond bill to finance appropriations.

Washington issues general obligation bonds to finance projects authorized in the state capital budget. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of debt service. 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.

Under the Washington State Constitution, legislation authorizing the issuance of bonds requires a 60 percent majority vote in both houses of the Legislature. The bill authorizes the State Treasurer to issue bonds to fund the appropriations in the capital budget bill.

Major elements of the bond bill include:

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.
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.
 - Directs the State Treasurer to make payment into 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.
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 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 use an alphabetical rating system, with AAA or Aaa being best, then AA or Aa, followed by A, BBB or Baa, BB or Ba, etc. 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 the lower half. 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 are as follows:

| <u>Moody's</u> | <u>Standard & Poor's</u> | <u>Fitch</u> |
|------------------------------------|------------------------------------|------------------------------------|
| Aa1 | AA+ | AA+ |
| (2 nd highest category) | (2 nd highest category) | (2 nd highest category) |

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. According to Moody's 2010 State Debt Medians Report, Washington's net tax-supported debt was \$2,226 per capita which is more than twice the national median of \$936 per capita.

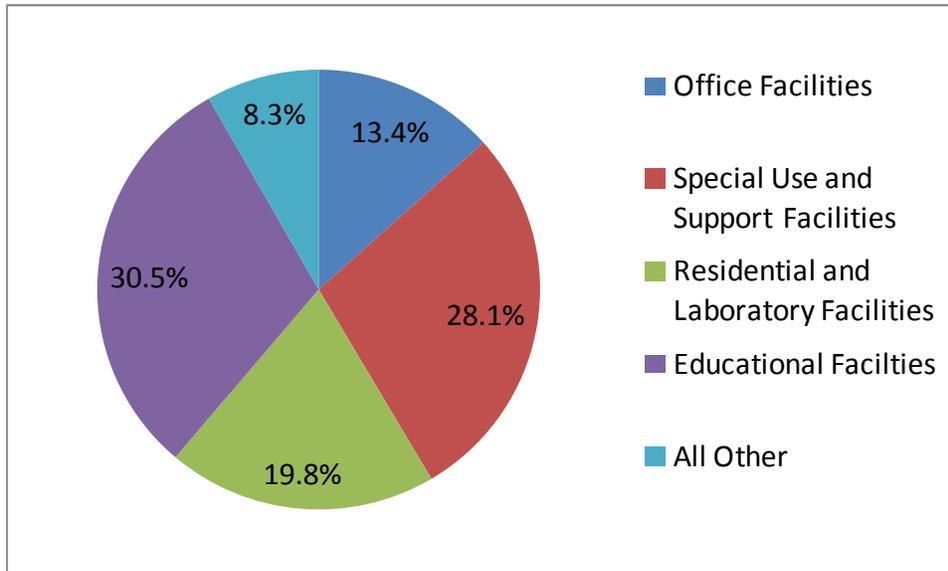
While Washington State's bond ranking is not the top rating for any of the rating companies, the interest rate on Washington's bond issuances charged by the bond market has basically been close to a top rating in recent years.

Inventory of State-Owned and Leased Facilities

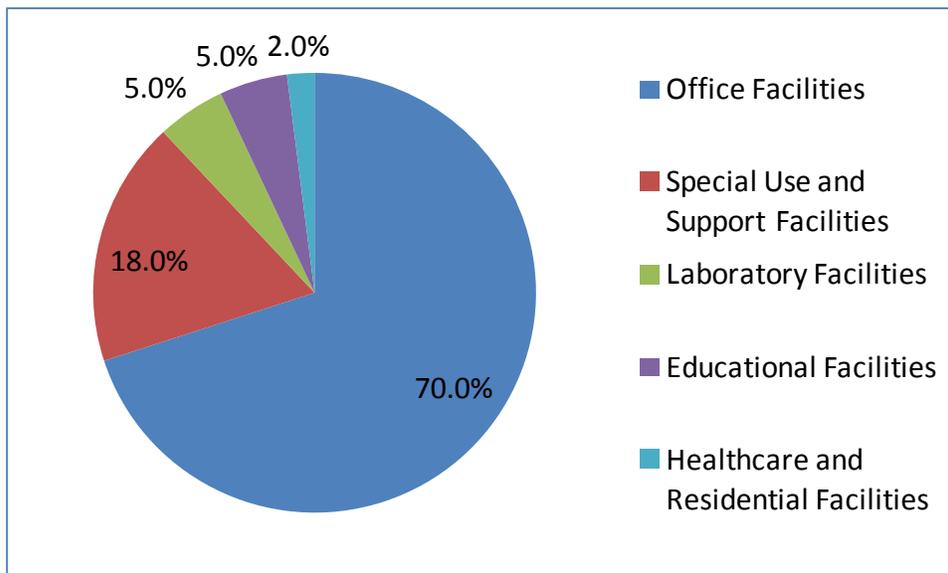
State agencies utilize approximately 108 million gross square feet of facility space. About 87% of this space is owned by the state, while 13% is leased from the public and private sectors.

Percent of Owned and Leased Facilities by Facility Type

State -Owned Space



Leased Space



Source: Office of Financial Management, 2010 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 General Administration 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

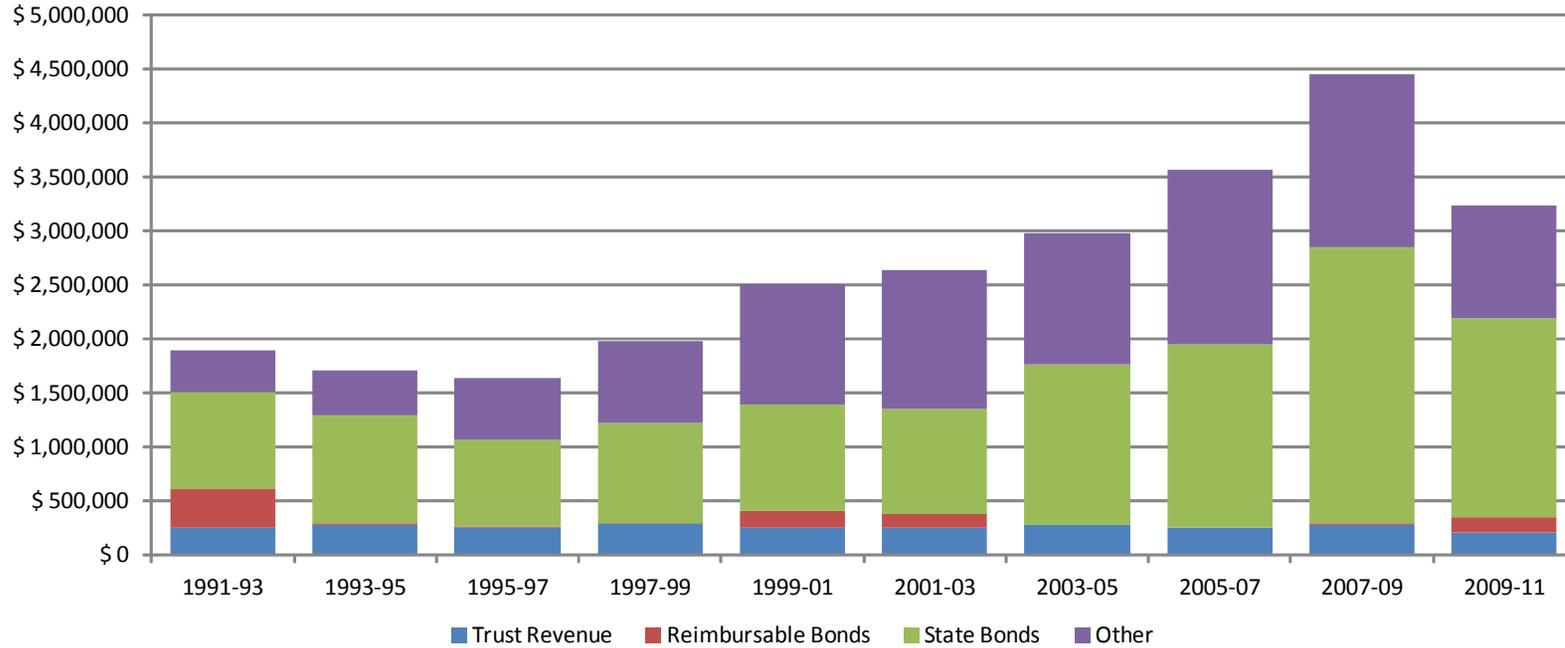
State agencies may lease space in a publicly-owned or a privately-owned facility. The costs associated with leasing (rent, repairs and other operating expenses) are included in the operating budget.

Lease versus Own Cost

In 1995, the Joint Legislative Audit Review Committee (JLARC) developed the life-cycle cost model, a financial analysis tool used to compare the long-term costs of leasing versus owning state facilities. In 2006, the capital budget provided funding for JLARC to update and enhance the model's ability to inform decision-makers about the current and long-term capital and operating impacts of facility leasing options compared to state ownership. The model allows comparisons of alternative financing approaches, including certificates of participation, 63-20 financing, and state general obligation bond funding. This model is now maintained by the OFM.

Capital Budget Funding Sources

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



| | 1991-93 | 1993-95 | 1995-97 | 1997-99 | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Trust Revenue | 247,079 | 274,248 | 245,921 | 294,424 | 246,827 | 247,605 | 275,139 | 240,234 | 276,064 | 199,064 |
| Reimbursable Bonds | 359,098 | 21,500 | 12,912 | 1,600 | 161,102 | 131,806 | 0 | 0 | 14,966 | 144,462 |
| State Bonds | 900,449 | 989,148 | 796,026 | 927,447 | 982,194 | 970,166 | 1,493,412 | 1,703,220 | 2,559,237 | 1,988,034 |
| Other | 378,158 | 426,719 | 571,807 | 751,021 | 1,117,492 | 1,291,418 | 1,210,111 | 1,612,450 | 1,459,967 | 1,039,365 |
| Total | 1,884,785 | 1,711,615 | 1,626,665 | 1,974,492 | 2,507,614 | 2,640,995 | 2,978,662 | 3,555,904 | 4,310,234 | 3,370,925 |

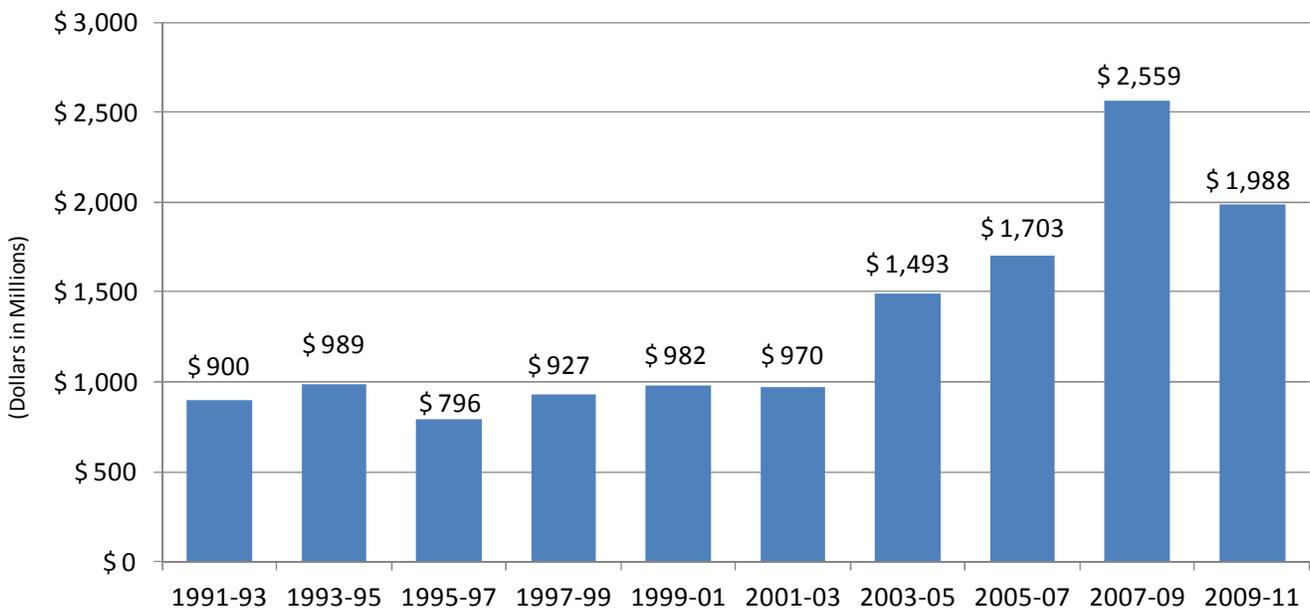
Source: Legislative Evaluation and Accountability Program Committee.

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 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.

Funding to pay for principal and interest on those bonds is paid from the State General Fund in the operating budget.

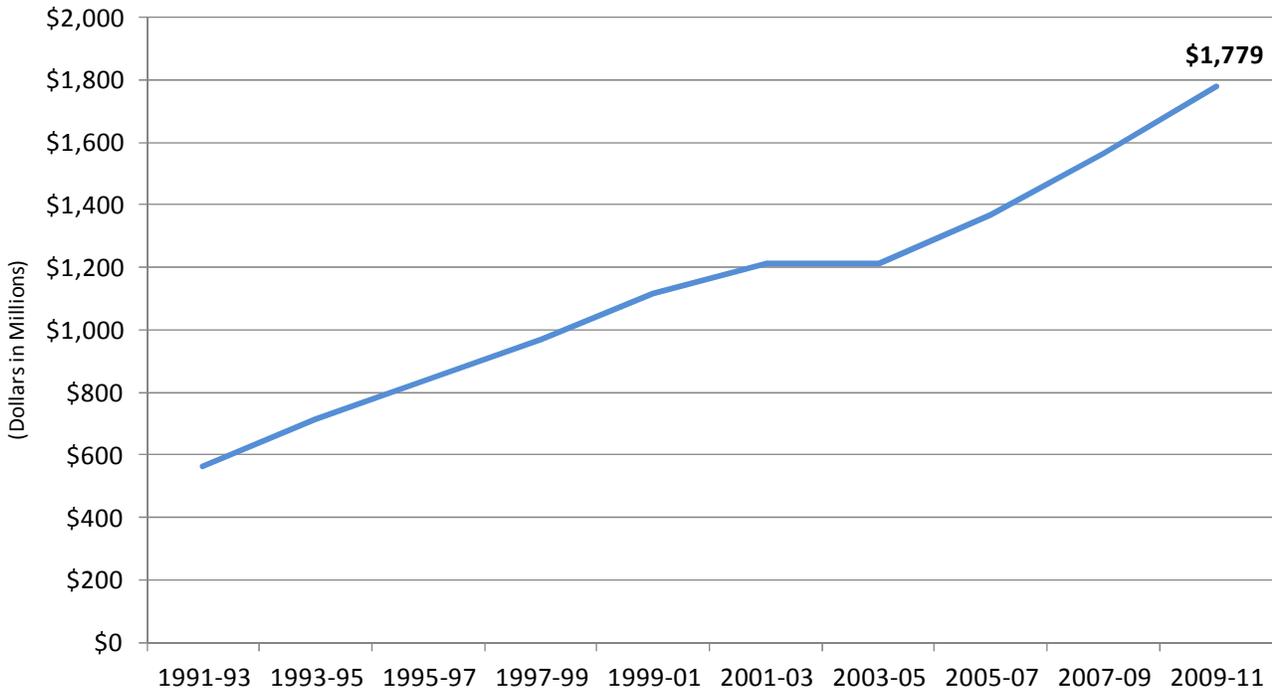
**State Bonds Subject to the Debt Limit
Historical Capital Budget Appropriations**



Source: Legislative Evaluation and Accountability Program Committee.

General fund debt service payments are \$1.78 billion in the 2009-11 biennium or 6.3% of near general fund expenditures.

Debt Service Paid from the State General Fund



Source: Legislative Evaluation and Accountability Program Committee.

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 625,000 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 | 2009 Acreage |
|--|------------------|
| Common School | 1,821,048 |
| Washington State University (Agriculture and Scientific Trusts) | 156,144 |
| Normal School (Central WA University, Western WA University, The Evergreen State College, Eastern WA University) | 67,269 |
| University of Washington | 88,643 |
| Charitable, Educational, Penal and Reformatory Institutions | 69,503 |
| State Capitol Building | 109,717 |
| Community & Technical Colleges (since 1990) | 3,517 |
| State Forest Lands (formerly called Forest Board Lands) | 625,235 |
| King County Water Pollution Control Division | 5,951 |
| TOTAL | 2,947,027 |

Source: WA State Department of Natural Resources.

Other Funds

Federal funds and a variety of dedicated fees and taxes are appropriated in the capital budget. Examples of dedicated accounts supported by state fees and taxes include:

- Public Works Assistance Account - State
- Washington Housing Trust Account - State
- Drinking Water Assistance Account - State
- Thurston County Facilities Account - State
- State Toxics Control Account - State
- Local Toxics Control Account - State
- Cleanup Settlement Account - State
- Water Pollution Control Revolving Account - State
- Wildlife Account - State
- NOVA Program Account - State
- Waste Tire Removal Account - State
- Building fee portion of student tuition payments

Alternative Financing Contracts

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

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 provided 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 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 operated from nonappropriated funding sources such as dormitories and dining halls 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.

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

- Payments on alternative financing (lease/purchase) contracts come from agency operating budgets. Bond debt service payments are appropriated in the operating budget as a whole.
- The contracts are not a general obligation of the state, as are bonds. 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.

Certificates of Participation

Certificates of Participation are financing instruments used to facilitate 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.

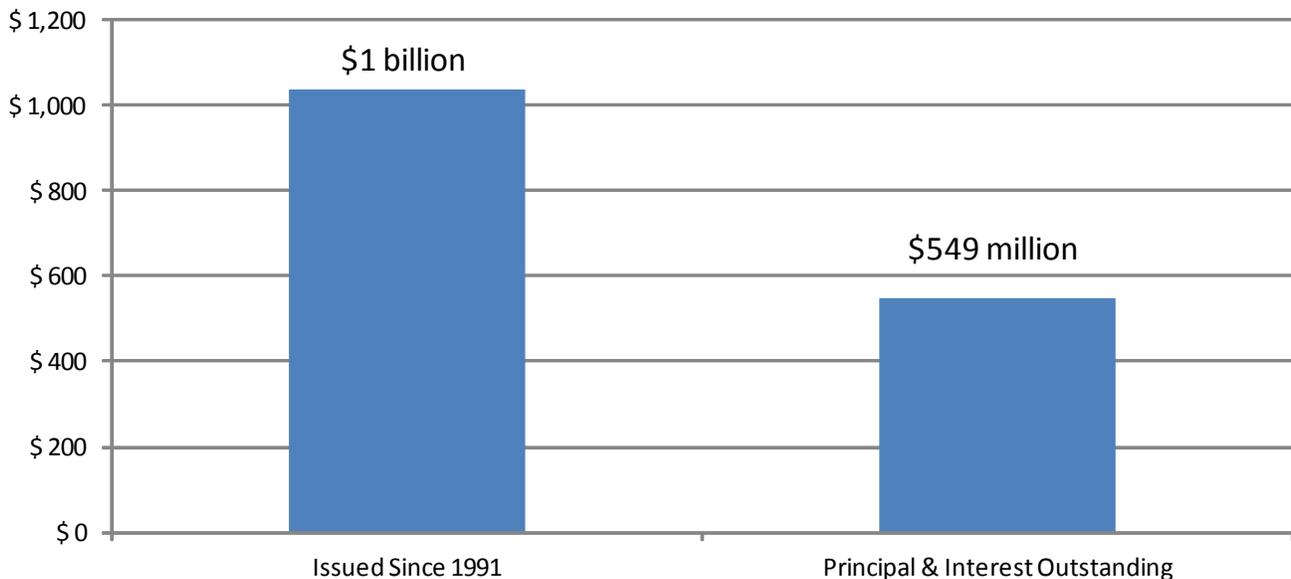
63-20 Financing

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.

Approval in the Capital Budget

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, January 2011.

Functional Areas

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, agencies providing central services for the state, and several other agencies. The largest governmental operations agency is the Department of Commerce, which administers a variety of competitive loan and grant programs related to local government infrastructure, economic development, social services facilities, arts and cultural facilities, and housing. Governmental Operations represents a wide assortment of capital projects including state office construction, arts and cultural facilities, and local infrastructure.

The agencies included in this functional area are:

- Department of Commerce (COM)
- Office of Financial Management (OFM)
- Department of General Administration (GA)
- Department of Information Services (DIS)
- Department of Labor and Industries (L&I)
- Washington State Patrol (WSP)
- Military Department (MIL)
- Department of Archaeology & Historic Preservation (DAHP)
- Secretary of State (SOS)

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 (CJTC)
- Department of Social and Health Services (DSHS)

- Department of Health (DOH)
- Department of Veterans Affairs (DVA)
- Department of Corrections (DOC)
- Department of Employment Security (ESD)

Natural Resources

Natural Resources includes those agencies responsible for environmental quality or resources (e.g., Department of Ecology and Department of Fish and Wildlife), providing outdoor recreational opportunities (e.g., State Parks and Recreation Commission and the Recreation and Conservation Office), and managing state lands and waters for resource production (e.g., Department of Natural Resources). Examples of activities funded in the capital budget include repairing forest roads, grants for sewage treatment plants, recreational trail construction, and salmon recovery efforts.

The agencies included in this functional area are:

- Department of Ecology (DOE)
- State Parks and Recreation Commission (Parks)
- Recreation and Conservation Office (RCO)
- Conservation Commission (CC)
- Department of Fish and Wildlife (DFW)
- Department of Natural Resources (DNR)
- Department of Agriculture (WSDA)
- Puget Sound Partnership (PSP)

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 (UW)
- Washington State University (WSU)
- Eastern Washington University (EWU)
- Central Washington University (CWU)
- The Evergreen State College (TESC)
- Western Washington University (WWU)
- State Board for Community & Technical Colleges (SBCTC)
- Higher Education Coordinating Board (HECB)

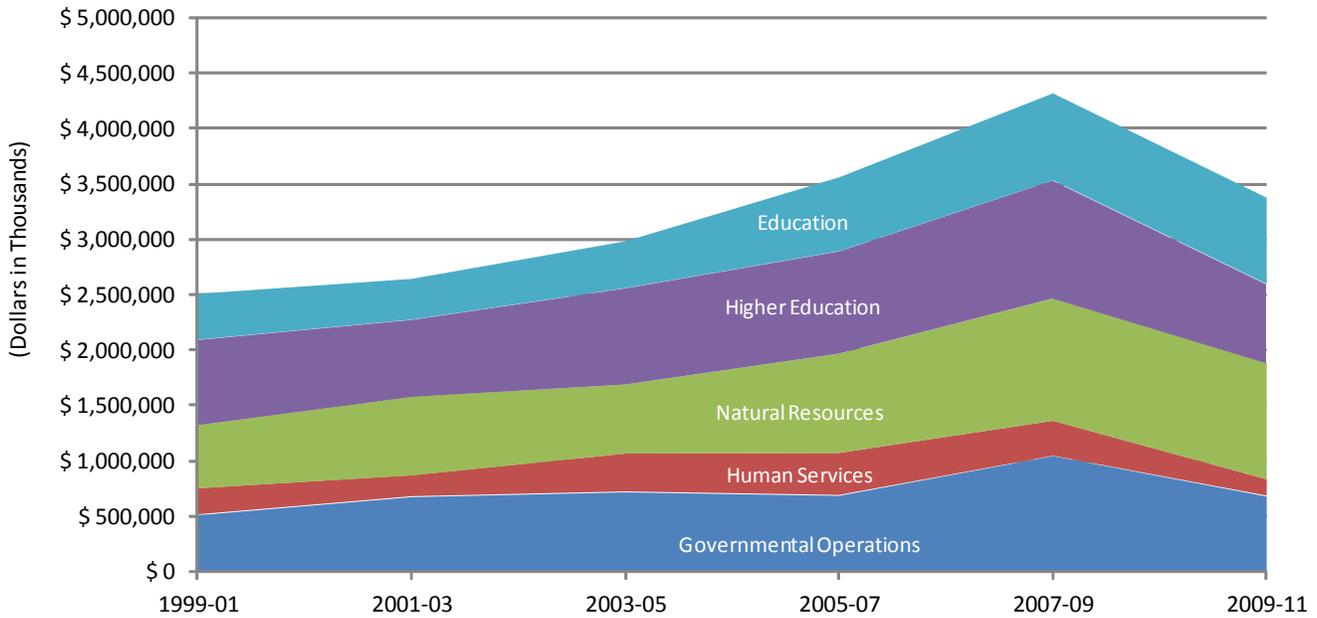
Education

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 deaf and blind children. 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 (OSPI)
- State School for the Blind (WSSB)
- Center for Childhood Deafness and Hearing Loss (WSD)
- Washington State Historical Society (WSHS)
- Eastern Washington State Historical Society (EWSHS)

Capital Budget Functional Area History Total Appropriations



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Governmental Operations | 512,938 | 676,828 | 720,501 | 689,325 | 1,045,333 | 683,328 |
| Human Services | 237,840 | 189,969 | 344,789 | 380,961 | 316,184 | 147,299 |
| Natural Resources | 571,512 | 713,509 | 625,583 | 899,134 | 1,106,183 | 1,053,784 |
| Higher Education | 769,688 | 694,413 | 867,476 | 922,111 | 1,062,286 | 710,444 |
| Education | 415,637 | 366,276 | 420,312 | 664,373 | 780,248 | 776,070 |
| Total | \$2,507,614 | \$2,640,995 | \$2,978,662 | \$3,555,904 | \$4,310,234 | \$3,370,925 |
| Governmental Operations | 20.5% | 25.6% | 24.2% | 19.4% | 24.3% | 20.3% |
| Human Services | 9.5% | 7.2% | 11.6% | 10.7% | 7.3% | 4.4% |
| Natural Resources | 22.8% | 27.0% | 21.0% | 25.3% | 25.7% | 31.3% |
| Higher Education | 30.7% | 26.3% | 29.1% | 25.9% | 24.6% | 21.1% |
| Education | 16.6% | 13.9% | 14.1% | 18.7% | 18.1% | 23.0% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

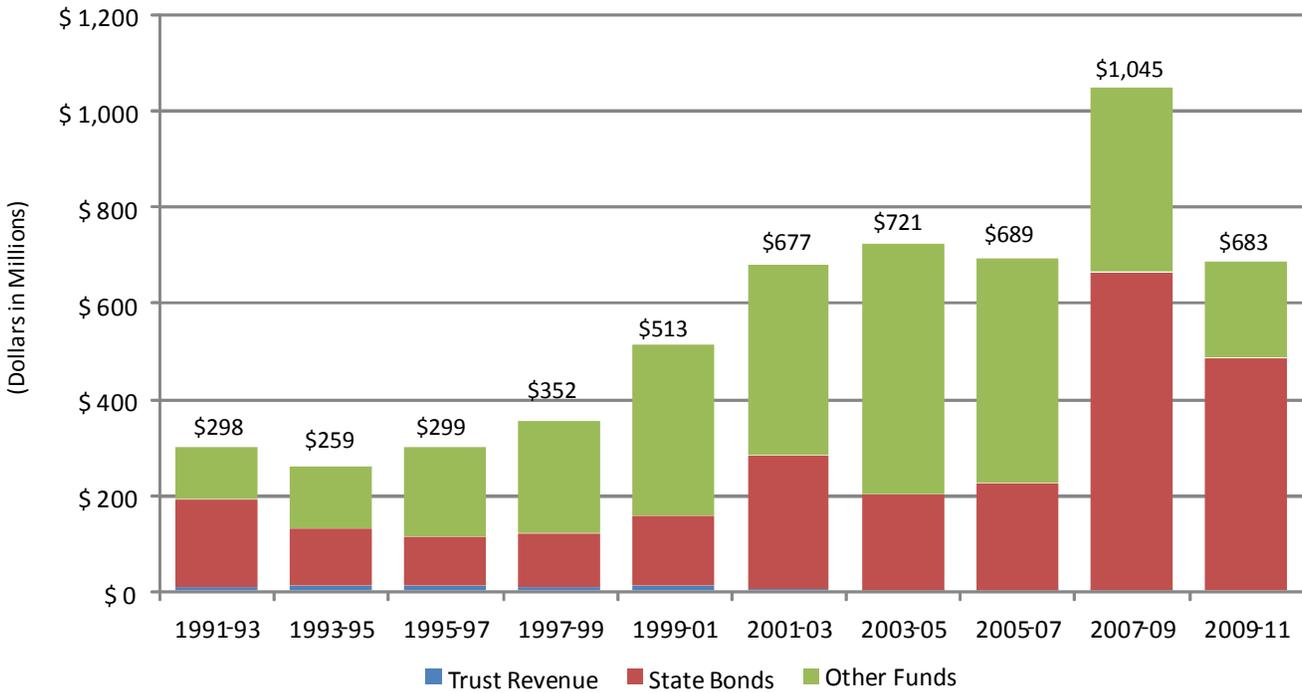
Source: Legislative Evaluation and Accountability Program Committee

Governmental Operations

Overview of Governmental Operations

The Governmental Operations functional area 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 office construction, arts and cultural facilities, and public infrastructure such as local roads, sewers and bridges.

**Governmental Operations
Capital Budget Appropriations by Fund Source**



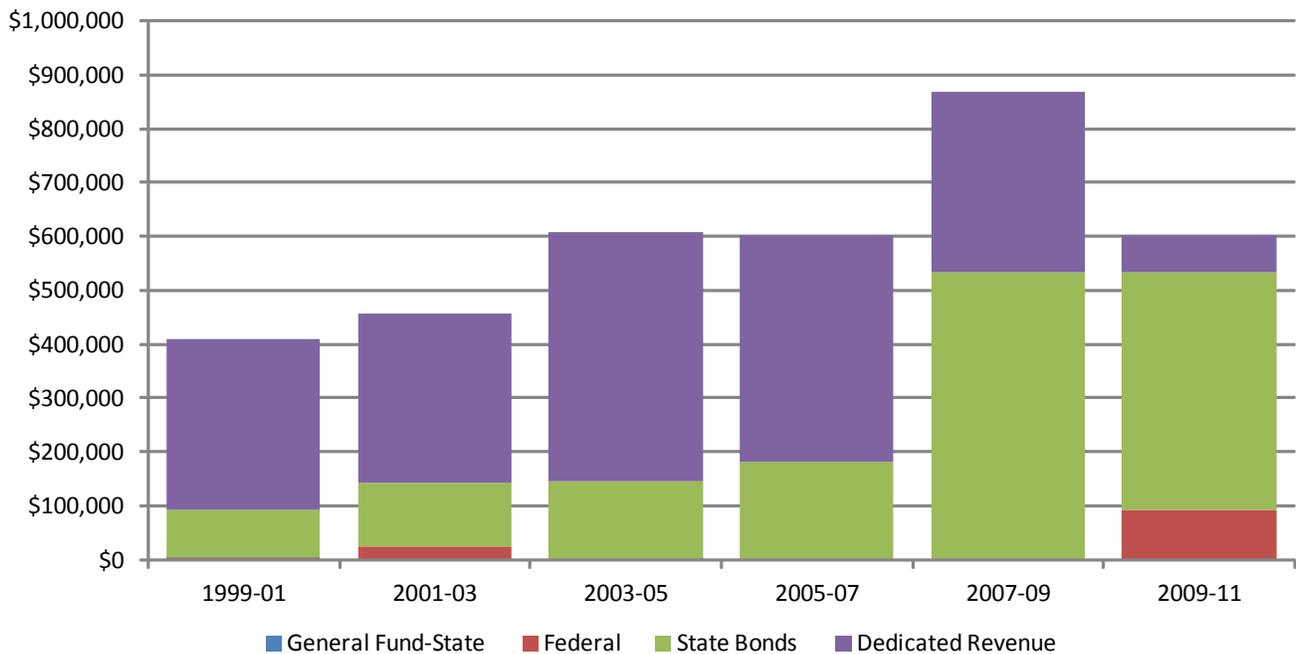
Source: Legislative Evaluation and Accountability Program Committee

Department of Commerce

The Department of Commerce, formerly the Department of Community, Trade and Economic Development, provides financial and technical assistance to businesses, local governments, and community-based organizations statewide. The Department receives significant capital funding to support basic and economic development-related infrastructure; affordable housing; and cultural, community services and youth recreational facilities.

Department of Commerce Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund-State | 953 | 0 | 0 | 0 | 0 | 0 |
| Federal | 3,500 | 25,650 | 1,900 | 0 | 0 | 91,700 |
| State Bonds | 88,950 | 118,550 | 143,064 | 182,365 | 532,431 | 441,923 |
| Dedicated Revenue | 315,853 | 311,404 | 461,715 | 420,356 | 336,885 | 66,929 |
| Total | \$409,256 | \$455,604 | \$606,679 | \$602,720 | \$869,316 | \$600,552 |

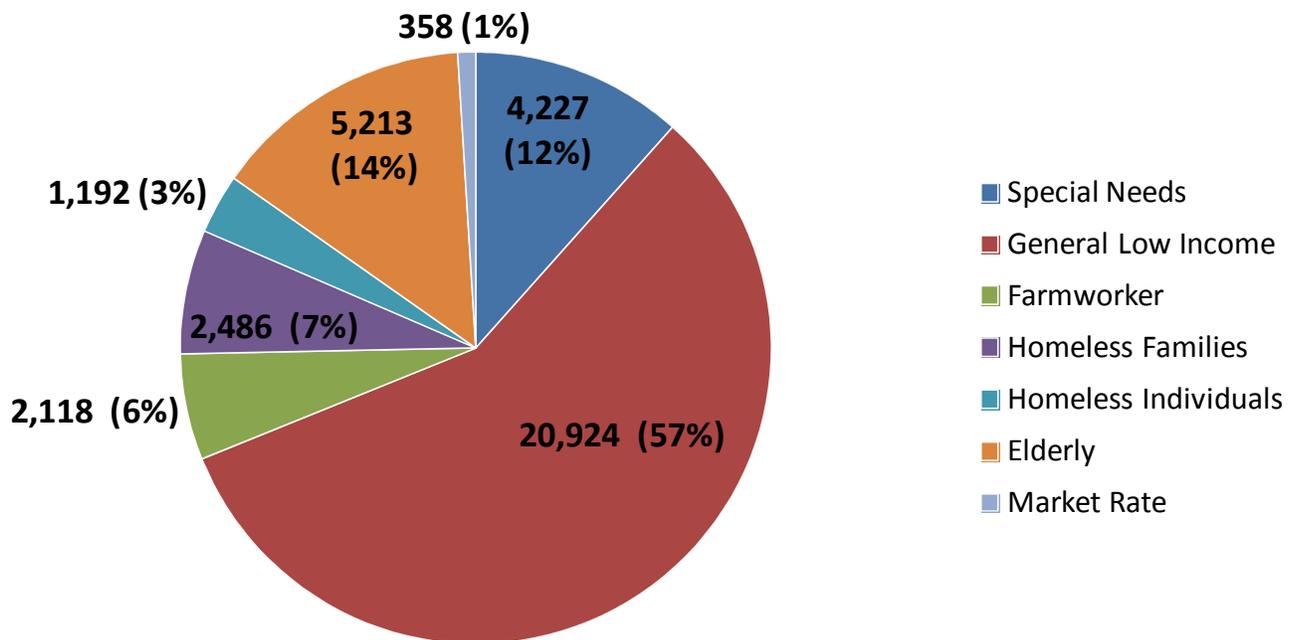
Source: Legislative Evaluation and Accountability Program Committee

Major Capital Programs Administered by the Department of Commerce

Housing Trust Fund

Established by the Legislature in 1987 (RCW 43.185 and 43.185A), the Housing Trust Fund (HTF) provides loans and grants for construction, acquisition, and rehabilitation of low-income multifamily and single-family housing. The majority of HTF resources are allocated through four competitive funding rounds conducted by the Department of Commerce each biennium. By law, at least 30 percent of the resources must benefit projects in rural communities, there must be statewide geographic distribution of funds, and priority must be given to preserve existing privately owned housing stock. Housing units supported by the HTF may only serve people whose incomes are at 80 percent or below the local area's median income. As shown in the following chart, over the past 21 years, the HTF has funded more than 36,500 units that serve people with special needs, farm workers, the homeless, and the elderly.

**Units Funded By Population Served,
1989-2010 (36,518* Total Units)**



*This graph includes units currently "in development"

Source: Department of Commerce

Housing Trust Fund Capital Budget Appropriation History

| Set Asides | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| DD Housing | 5,000,000 | 5,000,000 | 5,850,000 | 5,000,000 | 3,000,000 |
| Weatherization/Energy Matchmakers* | 9,000,000 | 9,000,000 | 13,500,000 | 9,000,000 | 6,000,000 |
| Farmworker Housing | 8,000,000 | 8,000,000 | 11,000,000 | 14,000,000 | 7,000,000 |
| On-farm Infrastructure* | | | 2,500,000 | 4,000,000 | 3,500,000 |
| Housing for Homeless Children | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | |
| Victims of Domestic Violence | 1,000,000 | 1,000,000 | 1,500,000 | 1,000,000 | |
| Self-help Housing | 2,000,000 | 2,000,000 | 2,500,000 | 2,500,000 | |
| Low-Income Housing (General Pool) | 48,000,000 | 50,000,000 | 67,000,000 | 116,450,000 | 75,490,000 |
| Back Log Projects | | | 6,800,000 | | |
| Emergency Vouchers* | | | 1,000,000 | | |
| Conflict Resolution Program (LLT) | | | 200,000 | | |
| Housing Subject to Rent Restrictions | | | 4,000,000 | | |
| Home Buyer Assistance | | | 150,000 | | |
| Disaster Areas | | | | 10,000,000 | |
| Preservation of Farmworker Housing* | | | | 2,000,000 | |
| Rapid Response* | | | | 10,000,000 | |
| Equity Program* | | | | 10,000,000 | |
| Burien Housing* | | | | 250,000 | |
| Cost Study & Housing Inventory | | | | 300,000 | |
| Native American | | | | 1,500,000 | |
| Manufactured Housing | | | | 4,000,000 | |
| Safe and Affordable Housing | | | | 5,000,000 | |
| Communities of Concern | | | | | 5,000,000 |
| Ballard Food Bank* | | | | | 10,000 |
| GAU-Security Lifeline | | | | | 5,000,000 |
| HFC -Washington Works* | | | | | 25,000,000 |
| Total Appropriations | \$ 78,000,000 | \$ 81,000,000 | \$ 121,000,000 | \$ 200,000,000 | \$ 130,000,000 |

* These set-asides are not administered by the Housing Trust Fund.

Public Works Assistance Account

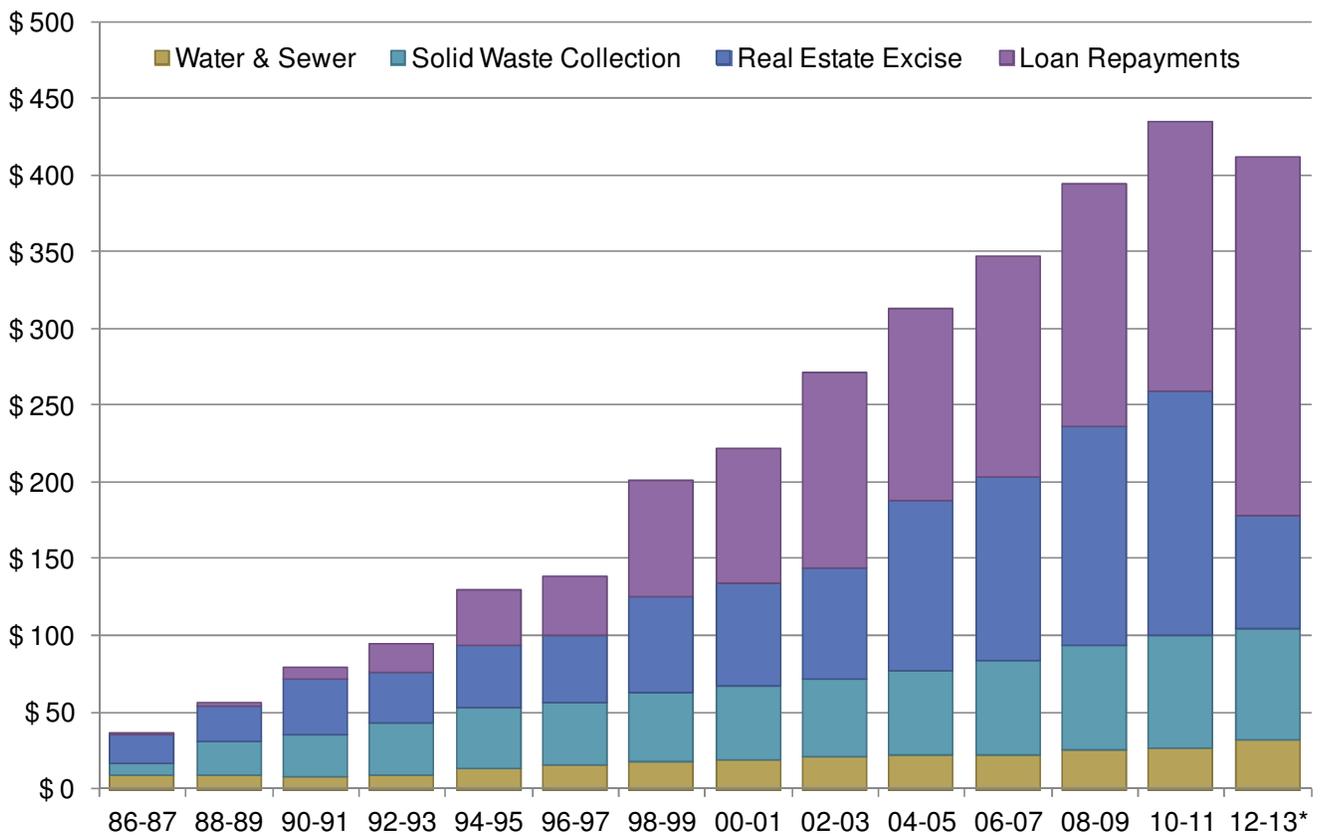
The Public Works Assistance Account (PWAA) and the Public Works Board (PWB) were established in statute (RCW 43.155) in 1985 "to encourage self-reliance by local governments in meeting their public works needs and to assist in the financing of critical public works projects by making loans, financing guarantees, and technical assistance available to local governments for these projects." The PWAA contains revenues from the real estate excise tax, the solid waste collection tax, the public utilities tax, and loan repayments.

The PWAA funds low interest loans to cities, counties, special purpose districts and public utility districts. Ports, school districts and tribes are not eligible. Loan programs cover infrastructure construction, pre-construction, emergency and planning for systems including domestic water, sanitary sewer, storm sewer, roads, bridges, and solid waste/recycling.

By statute, the PWB, supported by Department of Commerce staff, develops and recommends to the Legislature an annual ranked project list. The Legislature may remove projects from the list but may not change the ranking. Funds cannot be obligated from the PWAA before the Legislature has appropriated funds for a specific list of projects.

In 2009-11, the PWAA fund balance was transferred to the State General Fund, so there were no construction, pre-construction or planning loans issued. Using bond proceeds, the Legislature provided \$42.6 million to the Department of Commerce for Temporary Public Works Grant Programs: \$9.5 million for a competitive Small Community Jobs Program targeted at local governments in rural counties; \$9.5 million for a competitive Urban Vitality program targeted at local governments in high density urban communities, and \$23.5 million for 21 specified local projects.

Public Works Assistance Account Revenue by Source 1985-Present (Dollars in Millions)

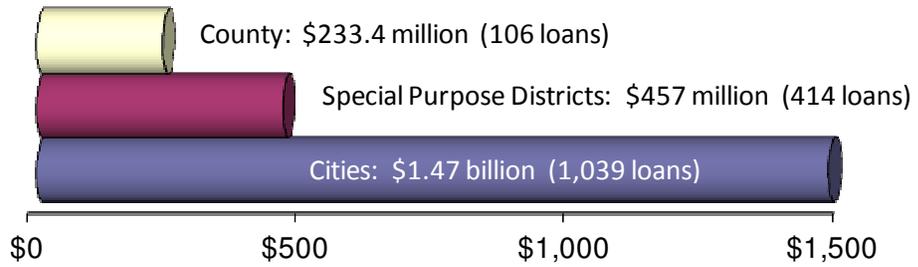


* Projected for the 2012-13 construction loan list.

Source: Public Works Board, Department of Commerce

Public Works Trust Fund Loans by Jurisdiction Type 1985-2010

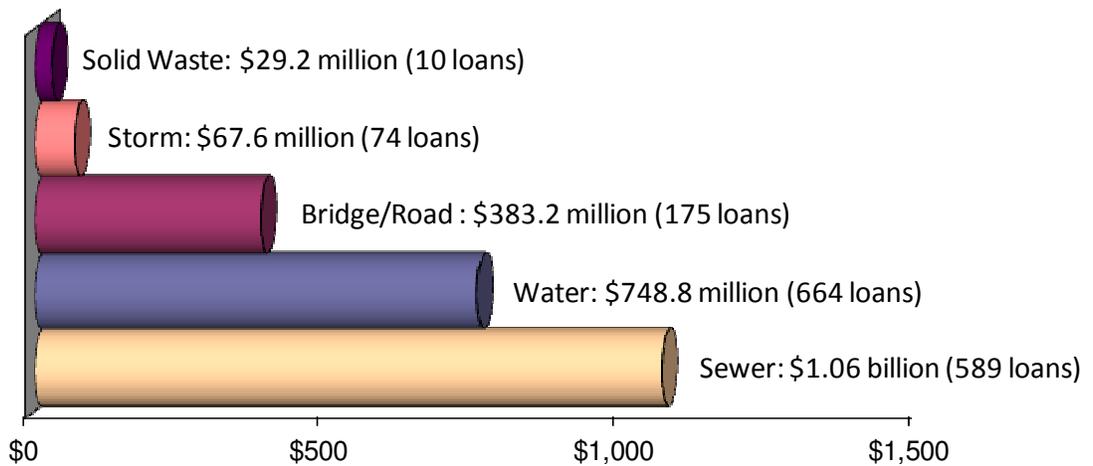
(Dollars in Millions)



Source: Public Works Board, Department of Commerce

Public Works Trust Fund Loans by System Type 1985-2010

(Dollars in Millions)



Source: Public Works Board, Department of Commerce

Community Economic Revitalization Board

Under RCW 43.160, the Community Economic Revitalization Board (CERB) funds public infrastructure improvements that encourage new business development and expansion in areas seeking economic growth. The Board's 20 members include representatives of local governments, tribes, the private sector, legislators, and state agencies. Eligible infrastructure systems include domestic and industrial water, buildings and structures, sanitary and storm sewers, industrial wastewater treatment facilities, railroad spurs, telecommunications, electricity, natural gas, roads and bridges.

The Legislature appropriates funding from the Public Facilities Construction Loan Revolving Account and the Board authorizes funding for projects sponsored by local governments and federally recognized Indian tribes. CERB has three major funding categories: The Committed Private Partner Construction Program; the Prospective Development Construction Program; and Planning Projects. During the 2009-11 biennium, the Legislature directed CERB to provide \$3 million in grants and loans to local governments and public higher education institutions for technical assistance and infrastructure supporting growth of Washington state exports. Six organizations received these funds.

The CERB reports that since its inception in 1982, it has made \$149 million in infrastructure investments, leveraging \$5.2 billion in private capital investment and helped create or retain 34,939 jobs.

Other Competitive Grant Programs

Through statutory programs such as Building for the Arts, Building Communities Fund, and Youth Recreational Facilities, the Legislature appropriates competitive grant funding for certain categories of projects benefitting local communities. The Department of Commerce conducts a separate competitive process for each program and uses expert advisory committees to evaluate projects. Project lists are included in the Governor's capital budget proposal and project funding is determined by the Legislature in the enacted capital budget.

| | 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 | 501 (c) 3 nonprofit |

| | Building for the Arts (RCW 43.63A.750) | Building Communities Fund * (RCW 43.63A.125) | Youth Recreational Facilities (RCW 43.63A.135) |
|---|---|--|--|
| Grant Cycle | Biennial | disadvantaged persons. (Law) Annual (2009 Capital Budget) Biennial | Biennial |
| Fund Source | State Bonds | State Bonds | State Bonds |
| 2009-11 Appropriation | \$11.6 million | \$28 million | \$7.5 million |
| Maximum List Size | \$12 million | Determined by capital budget | \$8 million |
| Maximum Amount/Project | \$2 million | By law, the Department 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. | (Law) Applications are screened by Commerce and evaluated by an advisory committee of social services experts. The Department must include an unranked 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. (2009 Capital Budget): The list submitted by Commerce must be ranked. | 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. Governor may include the list in the proposed capital budget bill. The Legislature has final approval of the list and the total budget. |

* The Building Communities Fund replaced the Community Services Facilities Program in 2008.

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 non-profit.

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 non-profit 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 non-profits 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/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.

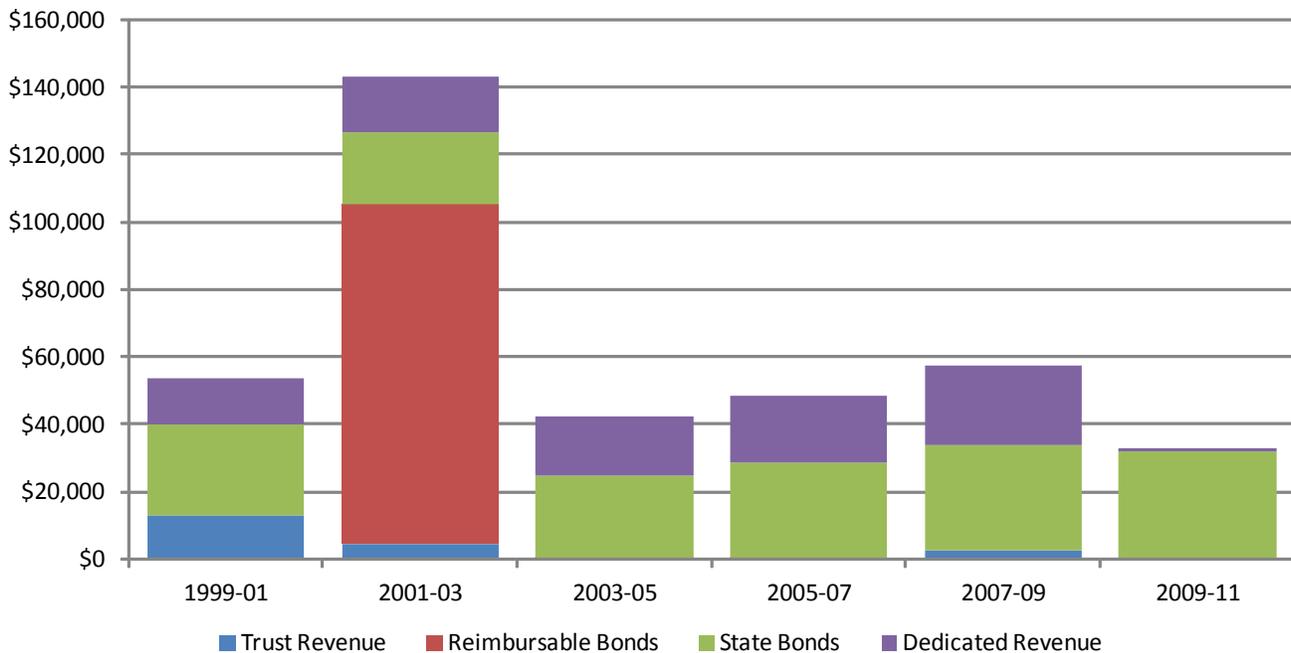
In addition, the state must recover the investment from any projects that do not provide the public services or benefits for a sufficient period of time or from projects that are not completed within a reasonable period of time (generally five years).

Department of General Administration

The Department of General Administration 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.
- Assists agencies to relocate, acquire, and dispose of property.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Trust Revenue | 12,800 | 4,428 | 140 | 145 | 2,604 | 0 |
| Reimbursable Bonds | 0 | 100,681 | 0 | 0 | 0 | 0 |
| State Bonds | 27,070 | 21,268 | 24,568 | 28,604 | 31,188 | 31,691 |
| Dedicated Revenue | 13,982 | 16,568 | 17,447 | 19,781 | 23,705 | 1,000 |
| Total | \$53,852 | \$142,945 | \$42,155 | \$48,530 | \$57,497 | \$32,691 |

Source: Legislative Evaluation and Accountability Program Committee

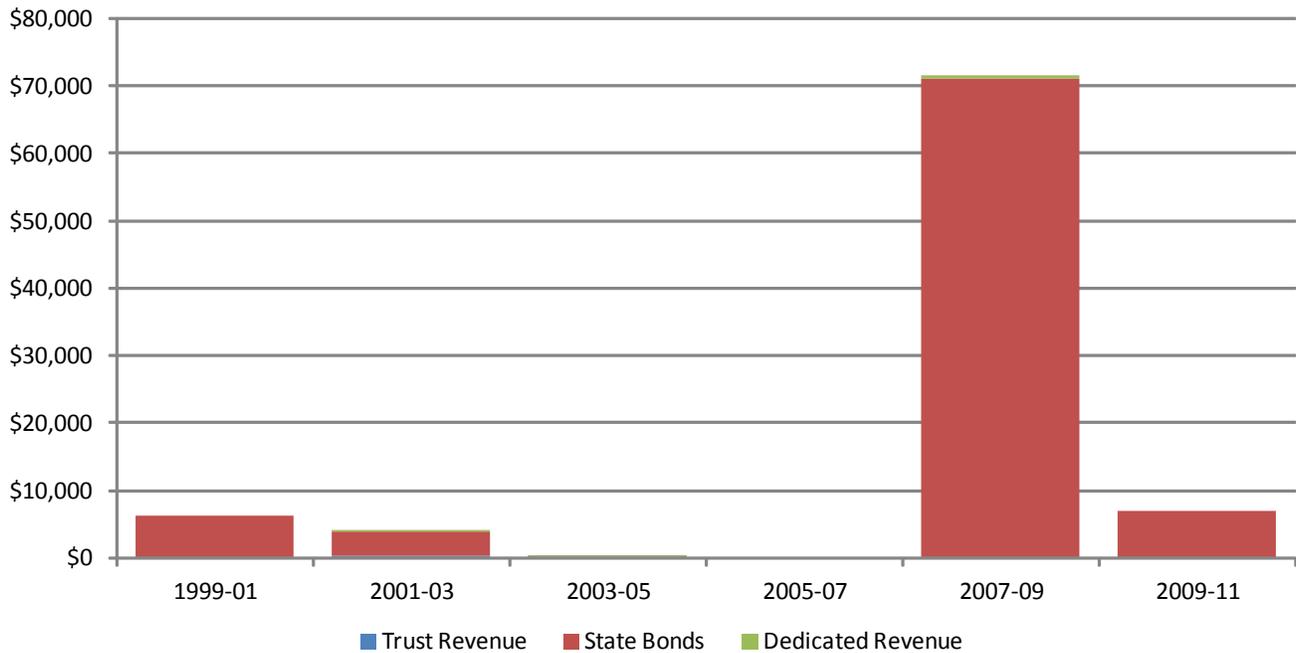
Office of Financial Management

The Office of Financial Management 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.
- Analyses agency space needs through facilities oversight.
- Participates in the scoring and ranking of higher education capital requests.

Office of Financial Management Capital Budget Appropriations History

(Dollars in Thousands)



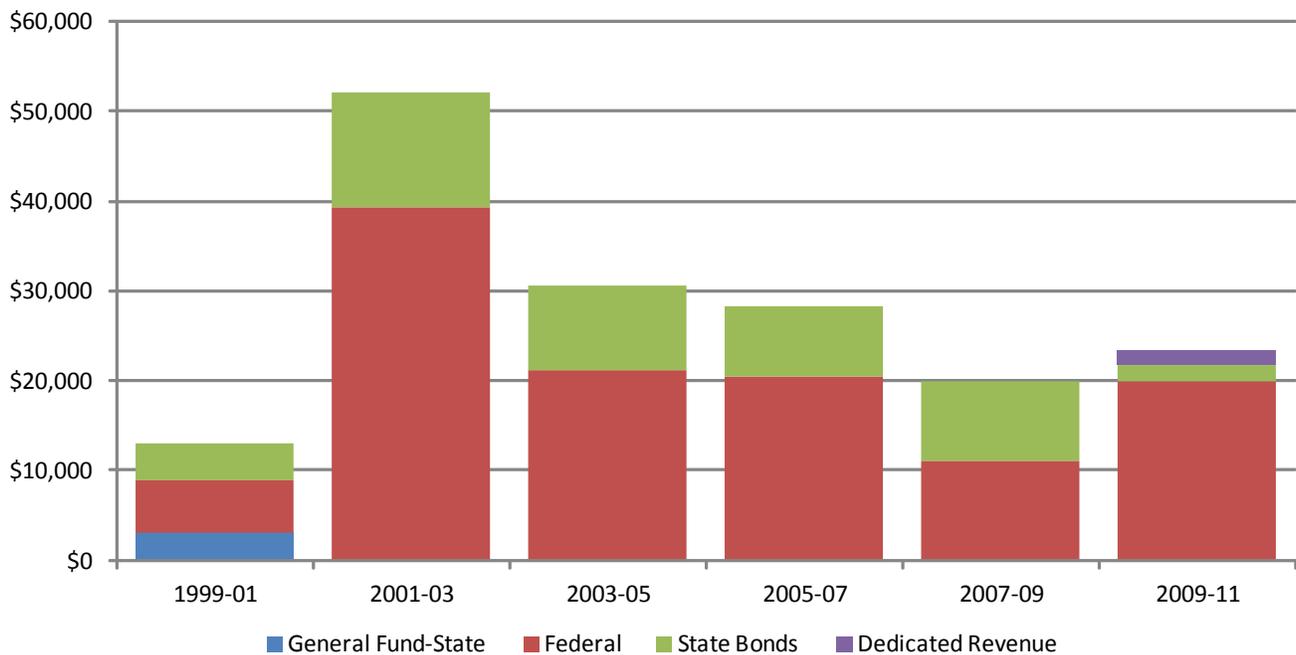
| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|----------------|----------------|--------------|------------|-----------------|----------------|
| Trust Revenue | 0 | 301 | 15 | 0 | 0 | 0 |
| State Bonds | 6,300 | 3,450 | 150 | 0 | 71,199 | 6,962 |
| Dedicated Revenue | 0 | 50 | 150 | 0 | 475 | 0 |
| Total | \$6,300 | \$3,800 | \$315 | \$0 | \$71,674 | \$6,962 |

Source: Legislative Evaluation and Accountability Program Committee

Military Department

The Military 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 Military 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.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Fund-State | 3,000 | 0 | 0 | 0 | 0 | 0 |
| Federal | 5,917 | 39,248 | 21,228 | 20,488 | 11,035 | 19,917 |
| State Bonds | 4,187 | 12,785 | 9,294 | 7,852 | 8,991 | 1,809 |
| Dedicated Revenue | 0 | 0 | 0 | 0 | 0 | 1,657 |
| Total | \$13,105 | \$52,033 | \$30,522 | \$28,340 | \$20,026 | \$23,383 |

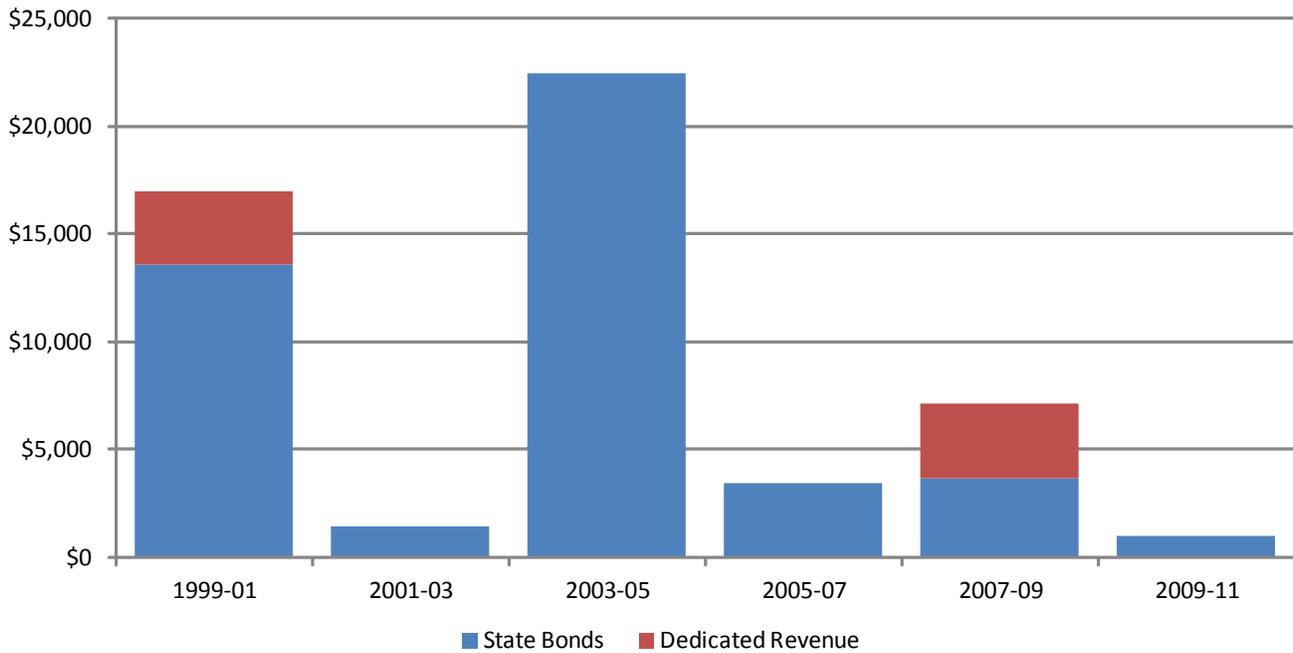
Source: Legislative Evaluation and Accountability Program Committee

Washington State Patrol

The Washington State Patrol is comprised of about 600 state troopers that patrol the highways and ferries. In addition, there are civilians including those who work for the State Fire Marshal; those who work as 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 several forensic labs located in Cheney, Vancouver, and Seattle.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|----------------|-----------------|----------------|----------------|--------------|
| State Bonds | 13,555 | 1,450 | 22,415 | 3,435 | 3,650 | 975 |
| Dedicated Revenue | 3,400 | 0 | 0 | 0 | 3,500 | 0 |
| Total | \$16,955 | \$1,450 | \$22,415 | \$3,435 | \$7,150 | \$975 |

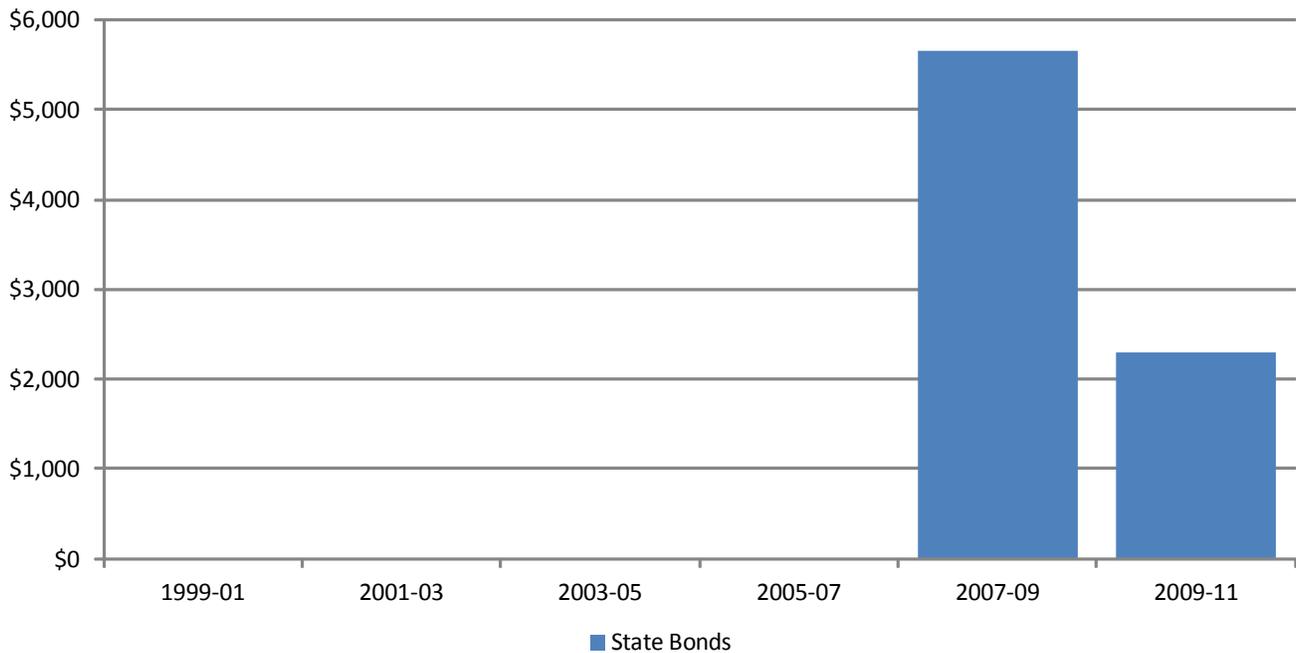
Source: Legislative Evaluation and Accountability Program Committee

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. DAHP programs 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. 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)



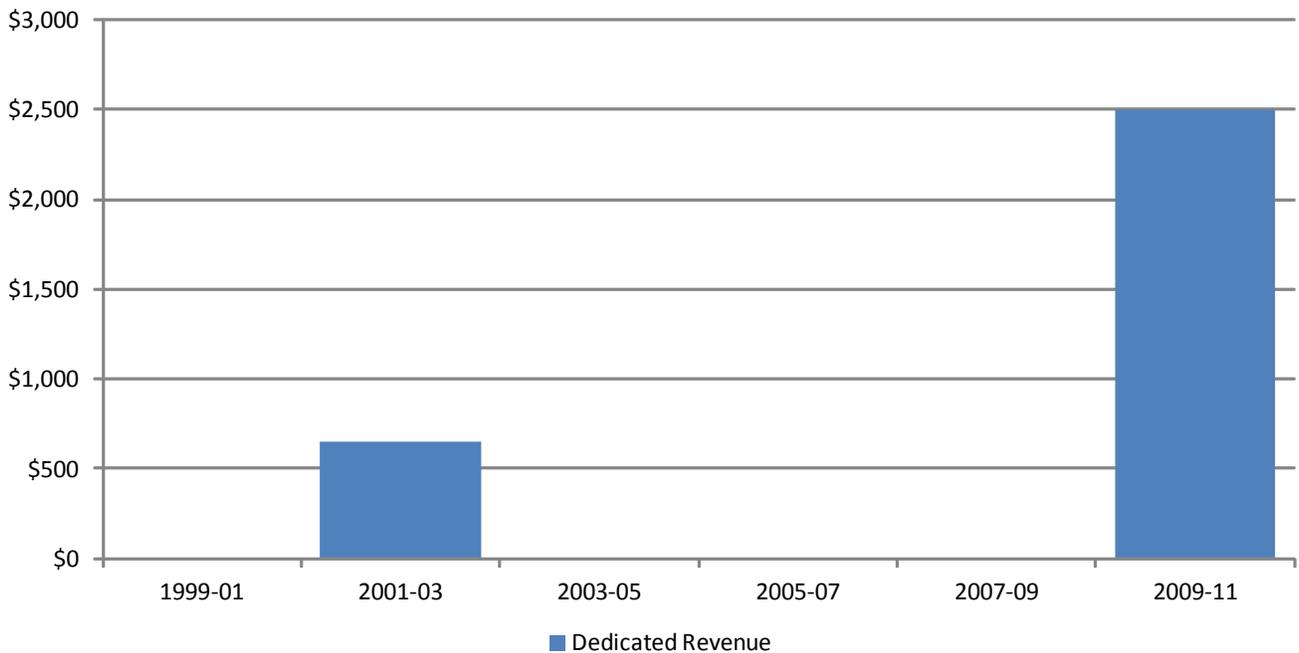
| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------|------------|------------|------------|------------|----------------|----------------|
| State Bonds | 0 | 0 | 0 | 0 | 5,650 | 2,300 |
| Total | \$0 | \$0 | \$0 | \$0 | \$5,650 | \$2,300 |

Source: Legislative Evaluation and Accountability Program Committee

Department of Labor & Industries

The Department of Labor and Industries (Department) is responsible for a number of programs related to businesses and workers. Its services include developing and enforcing rules that protect workers from hazardous job conditions; overseeing benefits to workers with on-the-job injuries; overseeing apprenticeship programs; registering contractors; inspecting construction activities; and administering prevailing wage rules. From time to time, the Department receives capital budget appropriations for repair, replacement and improvement of its own facilities.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|------------|--------------|------------|------------|------------|----------------|
| Dedicated Revenue | 0 | 650 | 0 | 0 | 0 | 2,500 |
| Total | \$0 | \$650 | \$0 | \$0 | \$0 | \$2,500 |

Source: Legislative Evaluation and Accountability Program Committee

Relevant Organizations to This Functional Area

Department of Archaeology and Historic Preservation (Executive Order 05-05) - 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.

Affordable Housing Advisory Board (RCW 43.185B.020) – The Affordable Housing Advisory Board has 21 members who review, evaluate, and make 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 is a 15-member council created to advise the Legislature and Governor on building code-related matters. The Council adopts and amends Uniform Codes, Historic Building Code, and Energy Code in accordance with the Administrative Procedures Act; reviews and approves or denies Local Residential Amendments; employs permanent and temporary staff; and contracts for services.

State Capitol Committee (RCW 43.17.070) - 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 (RCW 43.34.080) – This Committee is advisory to the State Capitol Committee and the director of the Department of General Administration. 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) - The 19-member committee promotes and encourages the recovery and preservation of the original and historic furnishing 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) - The 19-member board represents private and public sectors statewide. The Board sets policy and selects projects that will receive the investment of CERB funds.

Capital Projects Advisory Review Board (CPARB) (RCW 39.10) - 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 42.163) – WEDFA is an independent agency with a 17-member board created by the Legislature to issue bonds for qualifying projects, including manufacturing and processing facilities and projects categorized as exempt facilities under federal tax law. These may include wastewater, solid waste disposal, mass commuting, and some types of recycling and cogeneration projects, but do not include retail projects.

Washington Economic Development Commission (RCW 43.162) - Created in 2002 and restructured in 2007, the Economic Development Commission is charged with the creation of a comprehensive statewide economic development strategic plan to guide the operation of the state's economic development, infrastructure, workforce training, small business assistance, technology transfer, and export assistance programs.

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 State Treasurer, the Lieutenant Governor, and the Governor.

Housing Finance Commission (RCW 43.180.040) - The Housing Finance Commission, with a 12-member board, develops and administers financing programs that encourage and make possible the production of affordable rental housing throughout the state and provide home ownership opportunities. Additionally, Commission programs assist nonprofit organizations in the creation of facilities that address a broad spectrum of needs.

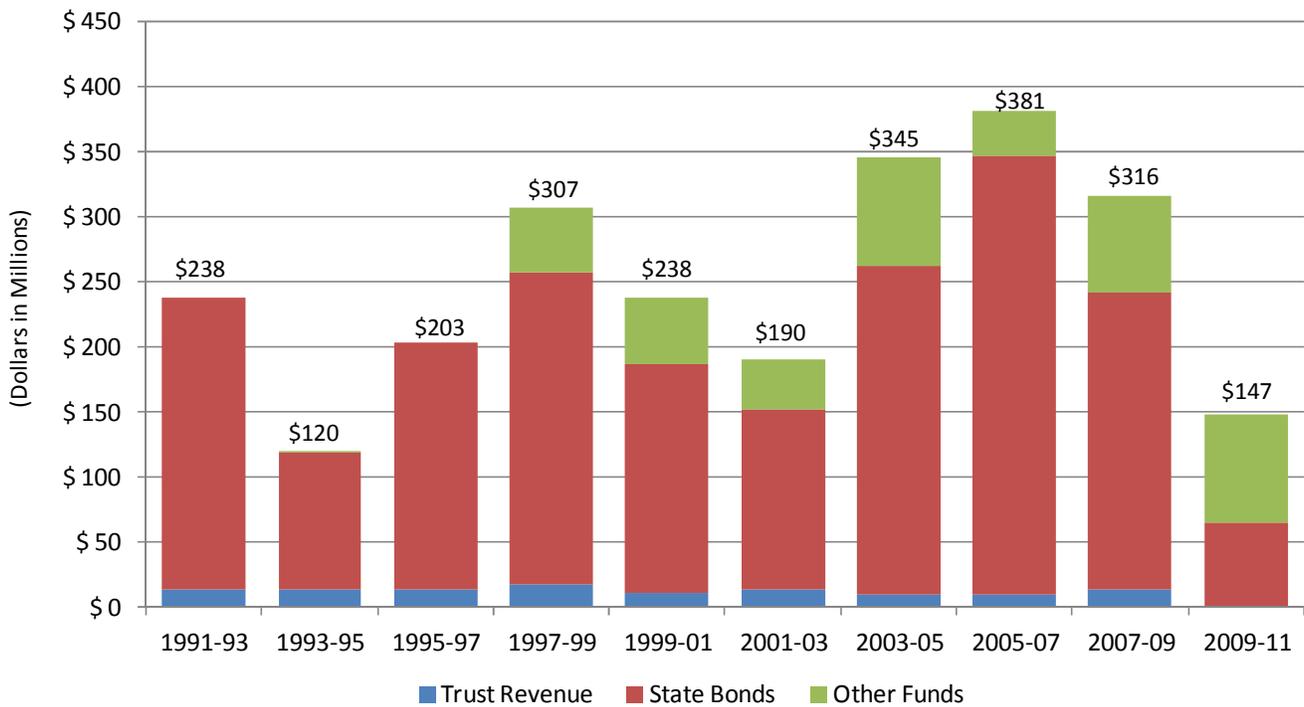
Public Works Board (RCW 43.155.030) - The 13-member board is authorized, with legislative approval, to make low-interest or interest-free loans from the Public Works Assistance Account to finance the repair, replacement, or improvement of the following public works systems: bridges, roads, water and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

Human Services

Overview of Human Services

Most human services capital projects involve construction and repair of state institutions such as mental health hospitals, prisons, juvenile rehabilitation facilities, veterans’ homes, and facilities for developmentally disabled persons. Human Service agencies include the Criminal Justice Training Commission, and the departments of Social and Health Services, Corrections, Veterans Affairs, and Health.

**Human Services
Capital Budget Appropriations by Fund Source**



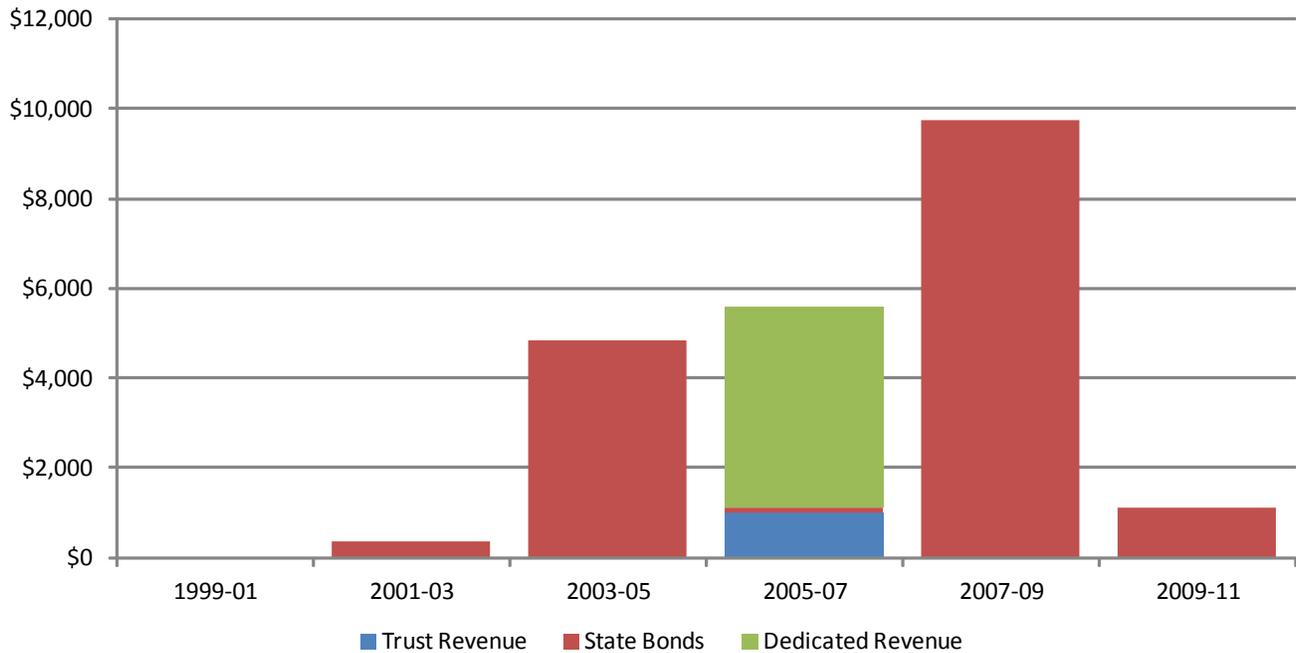
Source: Legislative Evaluation and Accountability Program Committee

Criminal Justice Training Commission

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

Criminal Justice Training Commission Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|------------|--------------|----------------|----------------|----------------|----------------|
| Trust Revenue | 0 | 0 | 0 | 1,000 | 0 | 0 |
| State Bonds | 0 | 350 | 4,850 | 100 | 9,759 | 1,100 |
| Dedicated Revenue | 0 | 0 | 0 | 4,500 | 0 | 0 |
| Total | \$0 | \$350 | \$4,850 | \$5,600 | \$9,759 | \$1,100 |

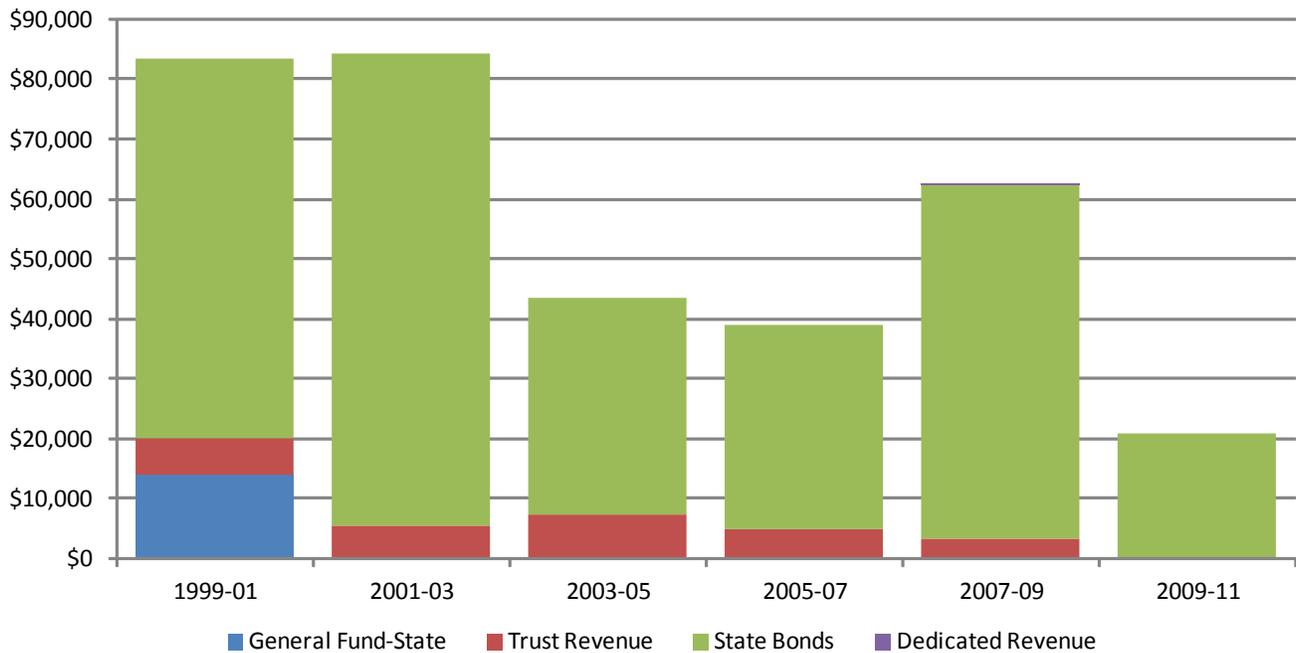
Source: Legislative Evaluation and Accountability Program Committee

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.

Department of Social and Health Services Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Fund-State | 14,000 | 0 | 0 | 0 | 0 | 0 |
| Trust Revenue | 6,000 | 5,385 | 7,275 | 4,950 | 3,213 | 0 |
| State Bonds | 63,510 | 78,855 | 36,248 | 34,077 | 59,139 | 20,773 |
| Dedicated Revenue | 0 | 0 | 0 | 0 | 87 | 0 |
| Total | \$83,510 | \$84,240 | \$43,523 | \$39,027 | \$62,439 | \$20,773 |

Source: Legislative Evaluation and Accountability Program Committee

Mental Health Facilities

The DSHS 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 in 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 acuity of the patients.

Division of Developmental Disabilities

The Division of Developmental Disabilities (DDD) provides a broad range of services and support to over 30,000 eligible clients while maintaining five Residential Habilitation Centers (RHCs) that house approximately 1,000 individuals.

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

DSHS Residential Habilitation Center Statistics

| | Fircrest School | Rainier School | Lakeland Village | Yakima Valley School | Francis Haddon Morgan Center |
|----------------------------|-----------------|----------------|------------------|----------------------|------------------------------|
| Location | Shoreline | Buckley | Medical Lake | Yakima | Bremerton |
| Average Census for FY 2010 | 203 | 372 | 228 | 96 | 53 |
| Peak Capacity | 207 | 380 | 232 | 105 | 56 |
| Average Annual Staff FTEs | 572 | 927 | 628 | 247 | 134 |
| Annual Cost per Resident | \$208,590 | \$176,872 | \$193,195 | \$174,968 | \$183,111 |

Source: Department of Social and Health Services

Juvenile Rehabilitation Administration

The Juvenile Rehabilitation Administration (JRA) provides care, custody and treatment for juvenile offenders committed to the state by juvenile courts. JRA serves offenders ranging between 10 and 21 years of age. While the state owns and operates six 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 Statistics

| | Echo Glen | Green Hill | Maple Lane | Naselle | Group Homes | Camp Outlook |
|----------------------------|------------|------------|------------|----------|-------------|--------------|
| Location | Snoqualmie | Chehalis | Centralia | Naselle | Statewide | Connell |
| Average Census for FY 2010 | 137 | 189 | 193 | 91 | 94 | 16 |
| Peak Capacity | 140 | 182 | 184 | 88 | 101 | 16 |
| Average Annual Staff FTEs | 193 | 243 | 250 | 111 | 84 | 0 |
| Annual Cost per Resident | \$100,806 | \$93,414 | \$86,169 | \$89,162 | \$63,875 | \$96,827 |

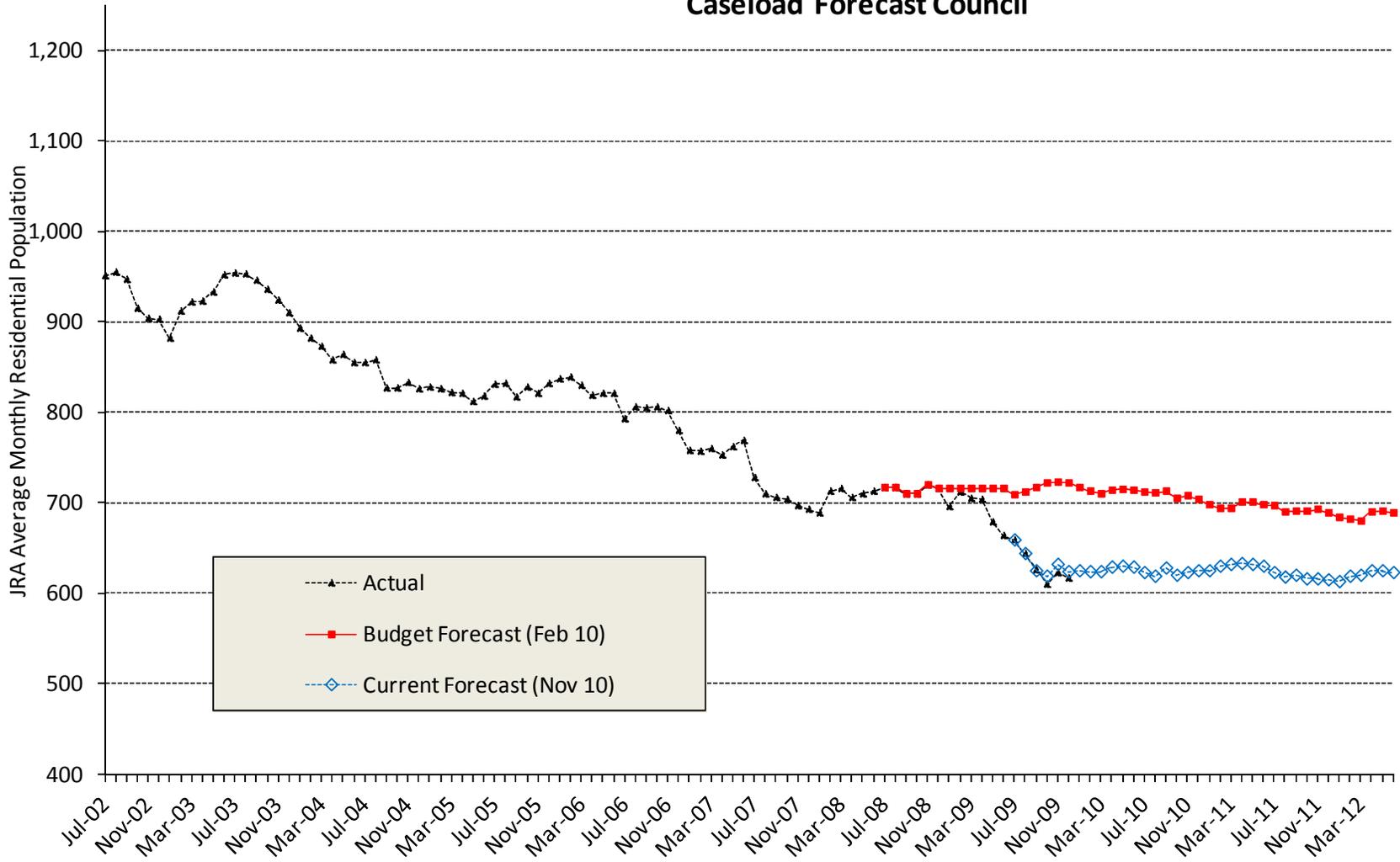
The JRA residential and treatment facilities include the following:

- Echo Glen Children’s Center, a medium/maximum facility that serves younger males and older female offenders.
- Green Hill School, a medium/maximum security fenced facility that provides older, male offenders academic education and prevocational training.
- Maple Lane School, a medium/maximum security fenced facility that provides serious and middle offenders an academic program as well as on-campus work experience.
- Naselle Youth Camp, an unfenced facility that serves male and female offenders in a medium security setting.
- Camp Outlook, a boot camp style basic training camp.

The state-operated community residential and treatment programs are charged with main-streaming 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 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.

Actual and Forecasted JRA Residential Average Monthly Population (AMP) Caseload Forecast Council



Special Commitment Center

The DSHS operates the Special Commitment Center (SCC), a 339-bed secure treatment facility located on McNeil Island, for civilly-committed sexual offenders. The SCC is operating under a federal district court injunction that requires separation between the SCC program and offenders held by the Department of Corrections. Beginning in May 2004 the SCC was located within the secure perimeter of the McNeil Island Corrections Center.

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 to meet the legal definition of a sexually violent predator may be civilly committed to the SCC.

Secure Community Transition Facility

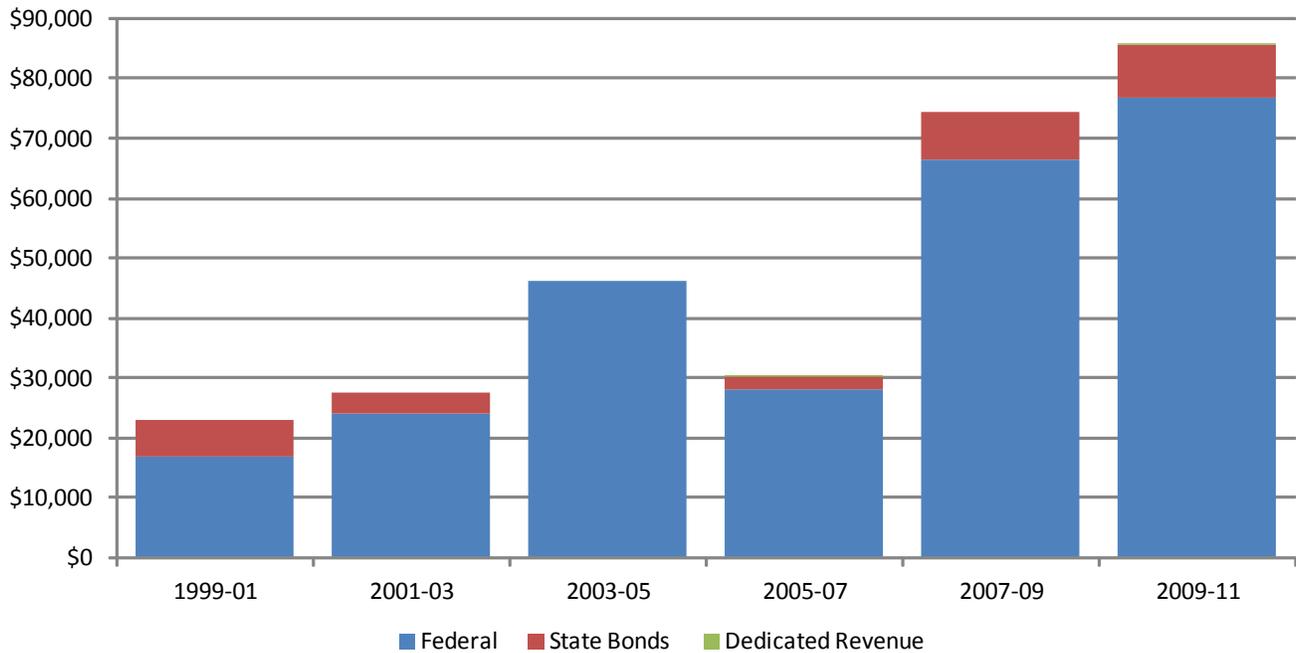
Under the U.S. Constitution, sex offenders who remain dangerous and who have served time cannot be detained unless they are receiving treatment. The DSHS, under the federal district court injunction, has developed less restrictive alternative housing known as Secure Community Transition Facilities (SCTF) 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 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 and operates the Drinking Water Assistance Program.

Department of Health Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Federal | 16,986 | 24,000 | 46,222 | 28,122 | 66,474 | 76,810 |
| State Bonds | 6,079 | 3,420 | 0 | 2,125 | 7,800 | 8,762 |
| Dedicated Revenue | 0 | 0 | 0 | 100 | 0 | 100 |
| Total | \$23,065 | \$27,420 | \$46,222 | \$30,347 | \$74,274 | \$85,672 |

Source: Legislative Evaluation and Accountability Program Committee

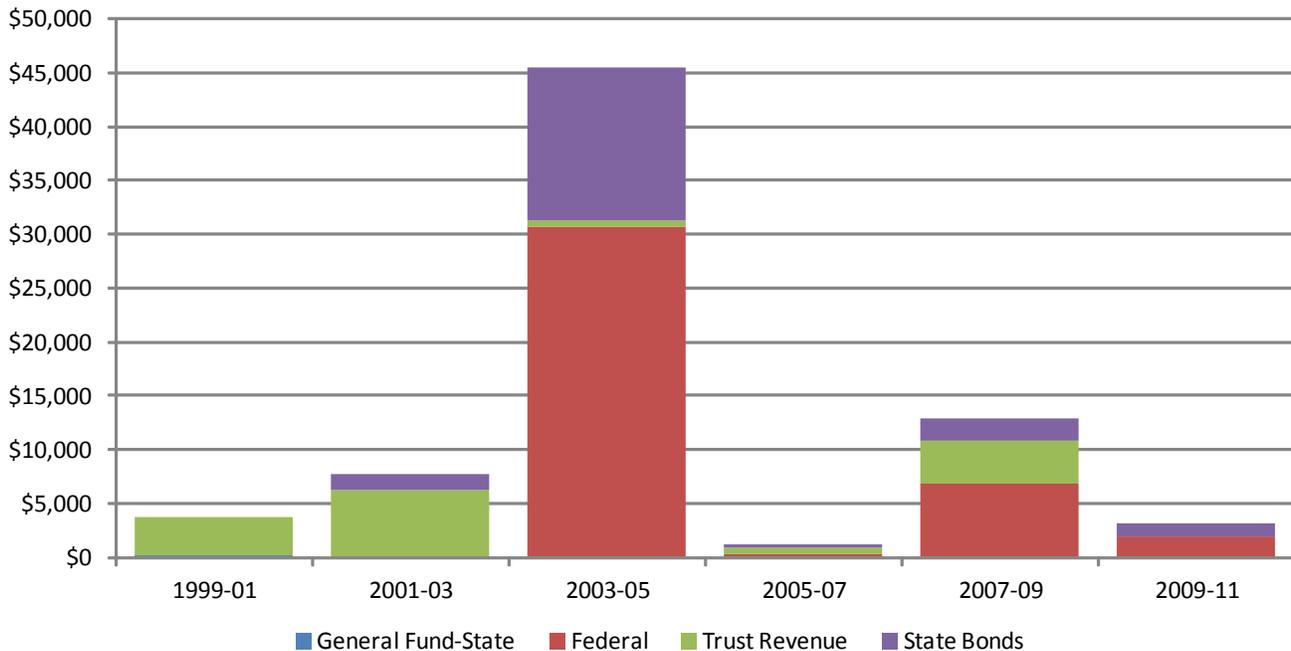
Department of Veterans Affairs

The Washington State Department of Veterans Affairs (WDVA) supports three veteran homes:

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

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.

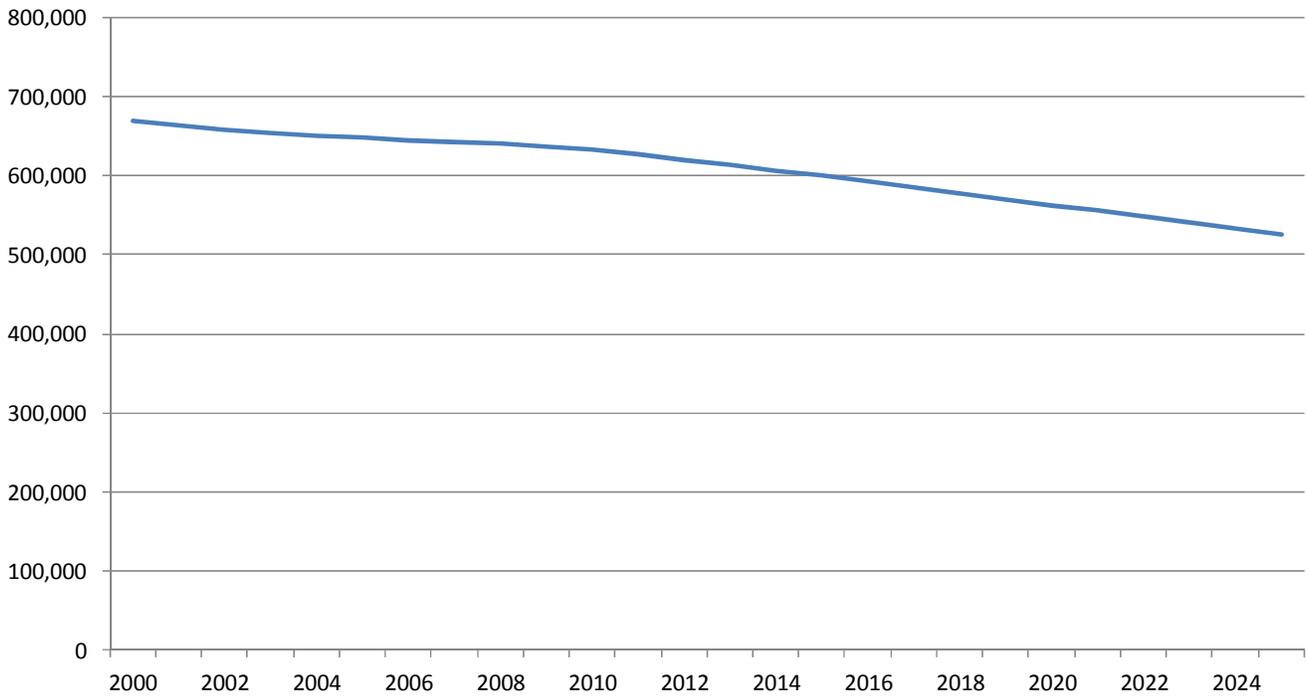
**Department of Veterans Affairs
Capital Budget Appropriations History**
(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|----------------|----------------|-----------------|----------------|-----------------|----------------|
| General Fund-State | 200 | 0 | 0 | 0 | 0 | 0 |
| Federal | 0 | 0 | 30,731 | 318 | 6,886 | 1,909 |
| Trust Revenue | 3,600 | 6,229 | 590 | 675 | 4,026 | 0 |
| State Bonds | 0 | 1,500 | 14,170 | 171 | 1,938 | 1,190 |
| Total | \$3,800 | \$7,729 | \$45,491 | \$1,164 | \$12,850 | \$3,099 |

Source: Legislative Evaluation and Accountability Program Committee

Washington State Veterans Population



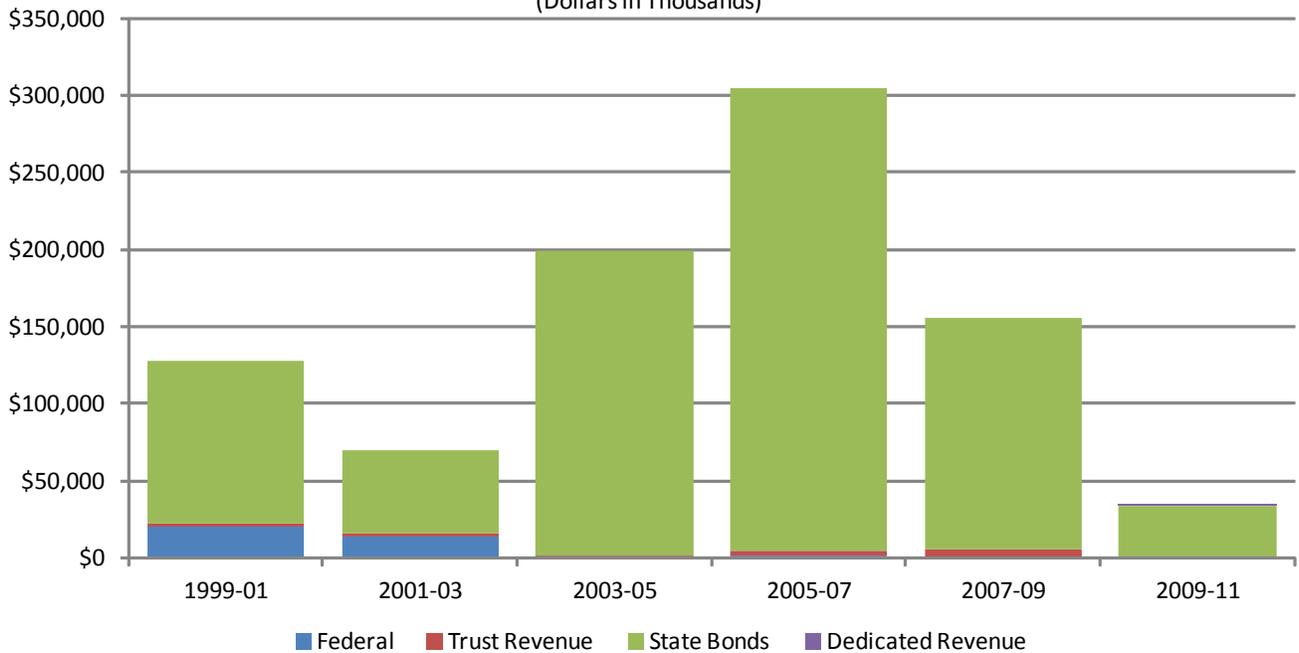
Source: Washington State Department of Veterans Affairs

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, a special population facility, pre-release facilities, and work release facilities.

Department of Corrections Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|------------------|-----------------|------------------|------------------|------------------|-----------------|
| Federal | 19,906 | 13,656 | 0 | 927 | 0 | 0 |
| Trust Revenue | 1,661 | 1,743 | 1,600 | 3,348 | 5,962 | 0 |
| State Bonds | 105,898 | 54,182 | 197,103 | 300,298 | 150,116 | 33,326 |
| Dedicated Revenue | 0 | 0 | 0 | 0 | 0 | 829 |
| Total | \$127,465 | \$69,581 | \$198,703 | \$304,573 | \$156,078 | \$34,155 |

Source: Legislative Evaluation and Accountability Program Committee

Multi-Custody Facilities

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

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

Minimum Security Facilities

The five minimum security facilities including three forestry camps and an assisted living facility for offenders who need help with daily living. The focus of minimum institutions is to promote accountability and develop a work ethic. Mission Creek was acquired from DSHS and pending approval of water rights may be reopened by the DOC in 2005.

| | |
|---|---|
| <p>Cedar Creek Corrections Center (CCCC) and Mission Creek, Thurston County Minimum Custody Department of Natural Resources' Crews</p> | <p>Larch Corrections Center (LCC), Yacolt Minimum Custody Department of Natural Resources' Crews</p> |
| <p>Ahtanum View, Yakima Minimum Custody Work Release</p> | <p>Olympic Corrections Center (OCC), Jefferson County Minimum Custody Department of Natural Resources' Crews</p> |
| <p>Mission Creek Corrections Center for Women, Belfair Minimum Custody</p> | |

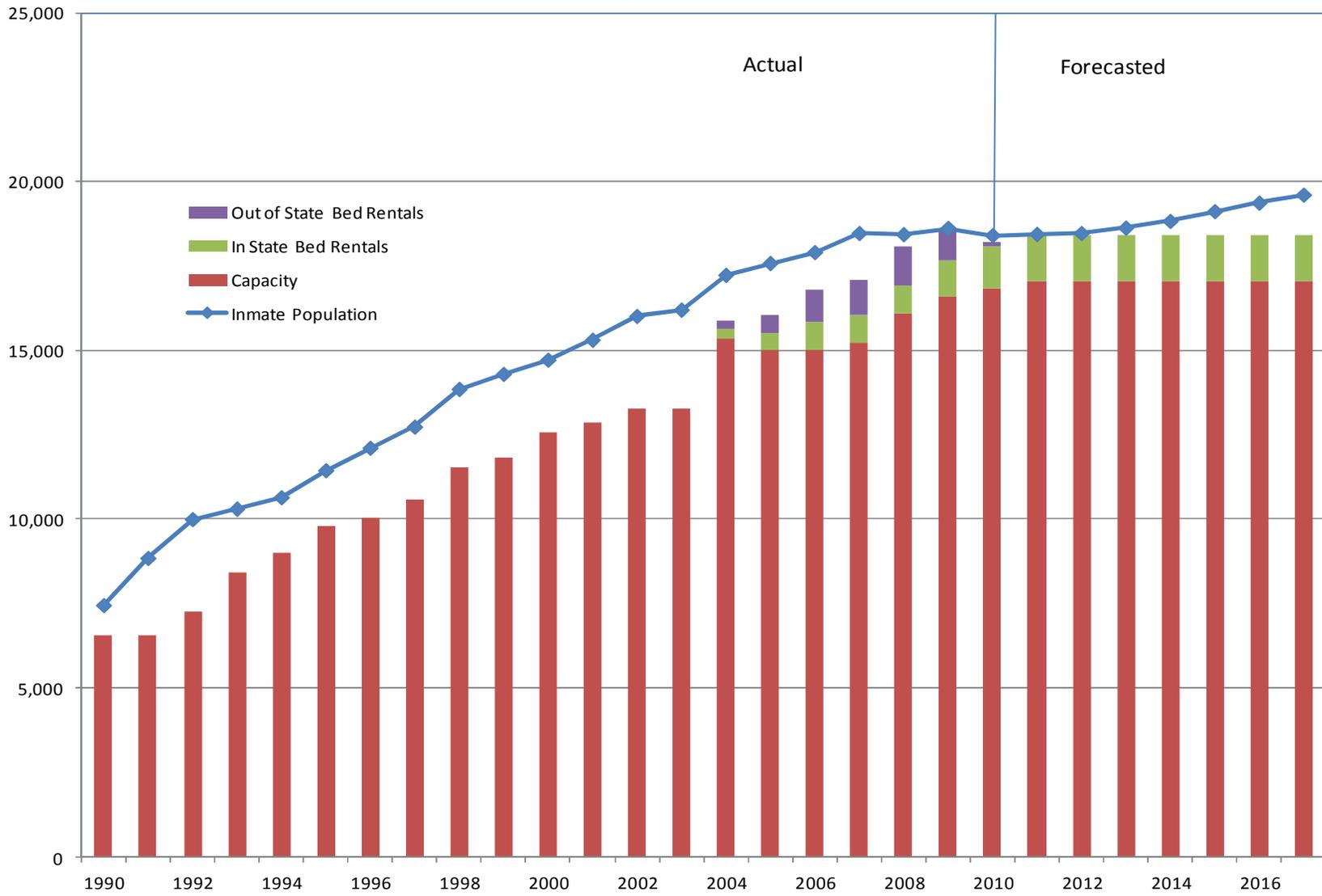
Special Population Facility

Assisted living care is provided to elderly and disabled offenders at Ahtanum View Correctional Complex's special population facility located about 15 minutes outside Yakima.

Work Release Facilities

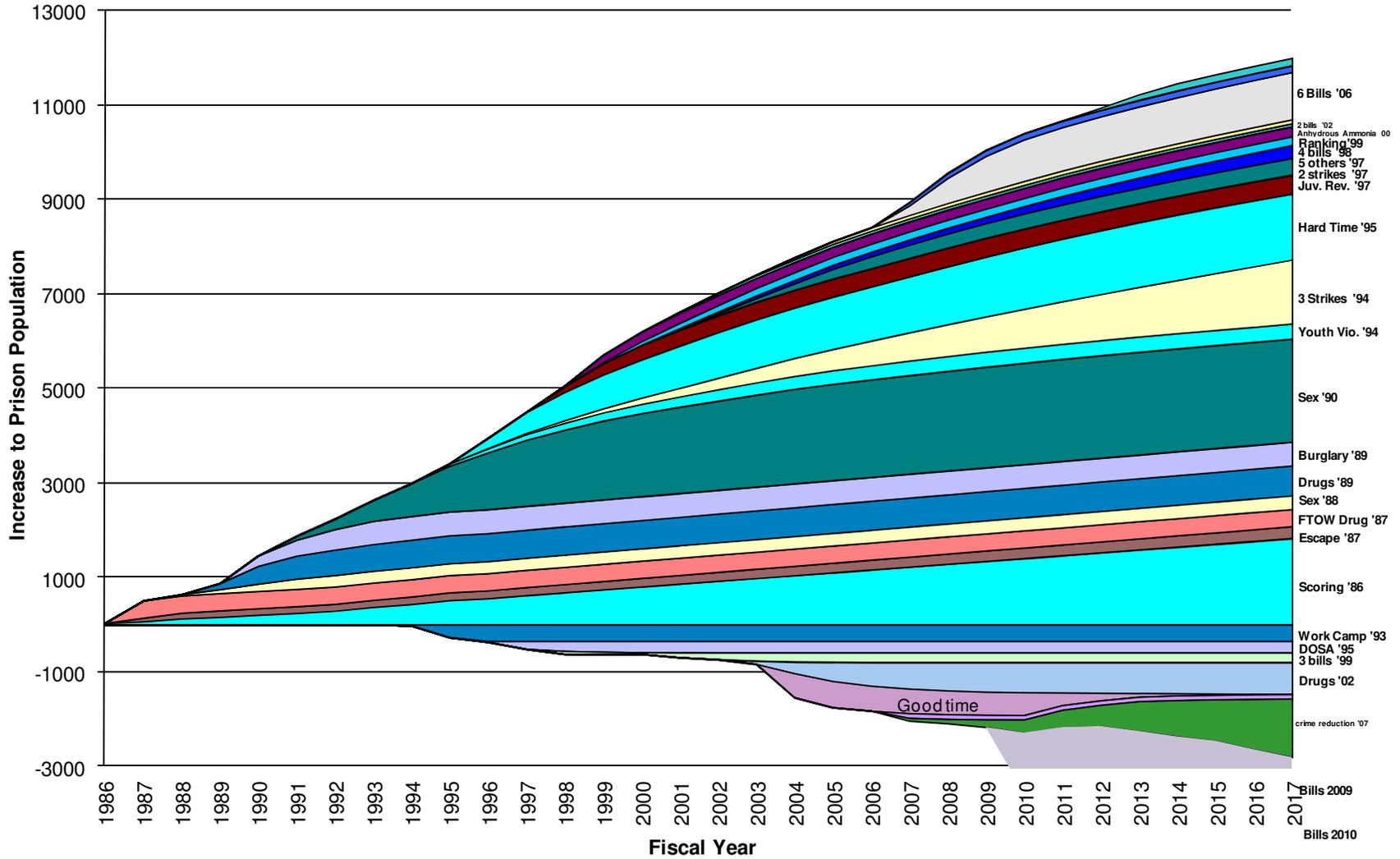
The DOC operates 15 work release facilities that provide offenders the opportunity to assimilate back into the community with employment and an approved residence.

Department of Corrections Inmate Population Forecast



Source: WA State Department of Corrections, January 2011.

Cumulative Effects of Criminal Justice Legislation in Washington State 1986 - 2010 Sessions



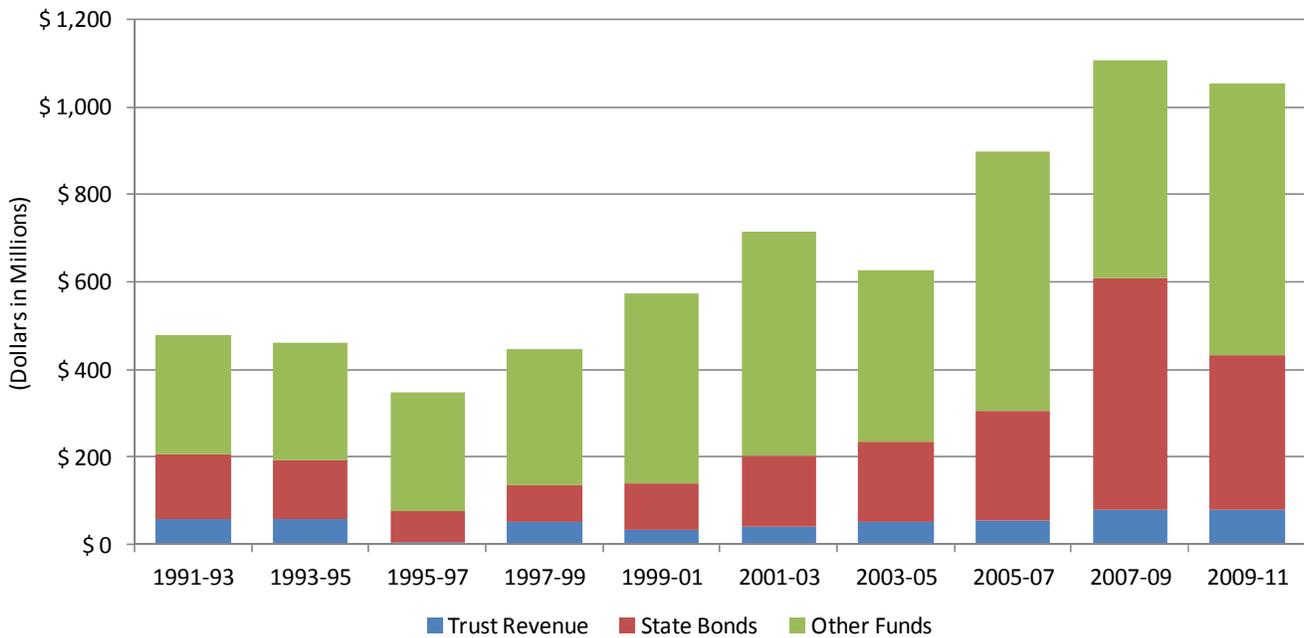
Source: Washington State Caseload Forecast Council, January 2011.

Natural Resources

Overview of Natural Resources

The Natural Resources functional area of the capital budget includes those agencies responsible for environmental quality or resources, outdoor recreational opportunities, and management of state lands and waters for resource production. Examples of activities funded in the capital budget include repairing forest roads, grants for sewage treatment plants, recreational trail construction, and salmon recovery efforts.

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



Source: Legislative Evaluation and Accountability Program Committee

Department of Ecology

The Department of Ecology (DOE) administers environmental regulations with the goals of preventing pollution, cleaning up polluted sites, and supporting sustainable communities and natural resources. Since the DOE's creation in 1970, it has worked to track and issue water right permits, test and regulate water quality, monitor and improve air quality, reduce toxic industrial discharges and the generation of hazardous waste, modernize landfills and support recycling programs, reduce the number and size of oil spills, and clean up contaminated sites.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund-State | 1,500 | 0 | 0 | 0 | 0 | 0 |
| Federal | 48,148 | 53,163 | 48,529 | 76,777 | 50,495 | 131,195 |
| State Bonds | 5,100 | 16,073 | 62,621 | 69,683 | 227,168 | 158,205 |
| Dedicated Revenue | 163,909 | 282,636 | 174,959 | 309,339 | 203,023 | 233,620 |
| Total | \$218,657 | \$351,872 | \$286,109 | \$455,799 | \$480,686 | \$523,020 |

Source: Legislative Evaluation and Accountability Program Committee

Major Capital Programs Administered by the Department of Ecology

Water Quality Improvement and Protection Funds

The DOE integrates funding resources from three state and federal programs to improve and protect water quality. The DOE manages a joint statewide competitive loan application, evaluation, rating and ranking process and produces a draft project list for legislative budget consideration. The Legislature appropriates funding in the capital budget for two of the three, the Water Pollution Control Revolving Loan Fund and the Centennial Clean Water Grant, and in the operating budget for the third, the Federal Clean Water Act Section 319 Nonpoint-Source Grants. Many small communities with large-scale projects use multiple funding sources in addition to these, such as the Public Works Trust Fund, Community Development Block Grant, and USDA Rural Development.

▪ Water Pollution Control Revolving Loan Fund

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 stormwater treatment facilities. This work by local governments and tribes complements the state's strategy to reduce pollution and protect marine waters, estuaries, lakes, rivers and groundwater. The SRF is funded through annual capitalization grants from the Environmental Protection Agency, 20% state match, principal and interest payments, and interest earnings on State Treasurer investments.

▪ Centennial Clean Water Grant Program

Initiated in 1986 (RCW 70.146), the Centennial Clean Water Program funds local governments and tribes for wastewater treatment, nonpoint source pollution control, and watershed and estuary management projects that achieve specific environmental and public health benefits. Protection of water quality and public health, level of effort and cost to residential ratepayers, actions required under federal and state permits and compliance orders, and reference in the Puget Sound Partnership Action Agenda are among the considerations required of the DOE in funding projects. The program has historically received funding from the Water Quality Account, but beginning in 2009 when account revenues were transferred to the State General Fund, the program has been funded through state general obligation bonds.

Columbia River Basin Water Management Program

RCW 90.90 directs the DOE to "aggressively pursue" the development of new water supplies, through storage and conservation, to meet the economic and community development needs of people and the in-stream flow needs of fish in the Columbia River Basin (Basin). The law directs the DOE to focus on: (1) alternatives to groundwater for agricultural users in the Odessa subarea aquifer; (2) sources of water supply for pending water right applications; (3) a new uninterruptible supply of water for the holders of interruptible water rights on the Columbia river mainstem; and (4) new municipal, domestic, industrial, and irrigation water needs within the Basin.

The Legislature authorized the issuance of \$200 million in state bonds to implement the program. The bond proceeds are deposited into the Columbia River Basin Water Supply Development Program Account in the State Treasury. Two-thirds of the funds must be used to support the development of new storage facilities; the remaining one-third must be used to improve existing storage facility operations, implement conservation projects, or to otherwise provide access to new water supplies in the Basin for in-stream and out-of-stream uses. Water supplies secured through the development of these new storage facilities must be allocated: (1) Two-thirds of active storage for appropriation for out-of-stream uses; and (2) one-third of active storage to augment in-stream flows.

Remedial Action Grants

The Remedial Action Grant (RAG) program was one of the components of Initiative 97, also known as the Model Toxics Control Act (MTCA) approved by voters in 1988 (RCW 70.105D). The RAG program provides financial support through several sub-programs to local governments for contaminated-site cleanups. The funding for these grants derives from a tax on the first possession in Washington of certain imported hazardous substances, including petroleum products and pesticides. 53% of tax revenues are deposited in the Local Toxics Control Account (LTCA) and the remainder in the State Toxics Control Account (STCA). Approximately 32% of the LTCA has been allocated to Remedial Action Grants in recent years. The DOE submits a prioritized RAG "worst first" list for legislative approval in the capital budget.

Remedial Action Grants have historically received about 85% of RAG funding. These grants cover from 50% to 75% of individual project costs. To receive a grant, an applicant must be a local government that is 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. From 1989 - 2009, 242 grants totaling \$345 million in state match share have been awarded. Combined with the local government match, \$636 million has been invested in cleanup. According to the DOE, grants typically fund large, complex cleanups and are, on average, active for nine years.

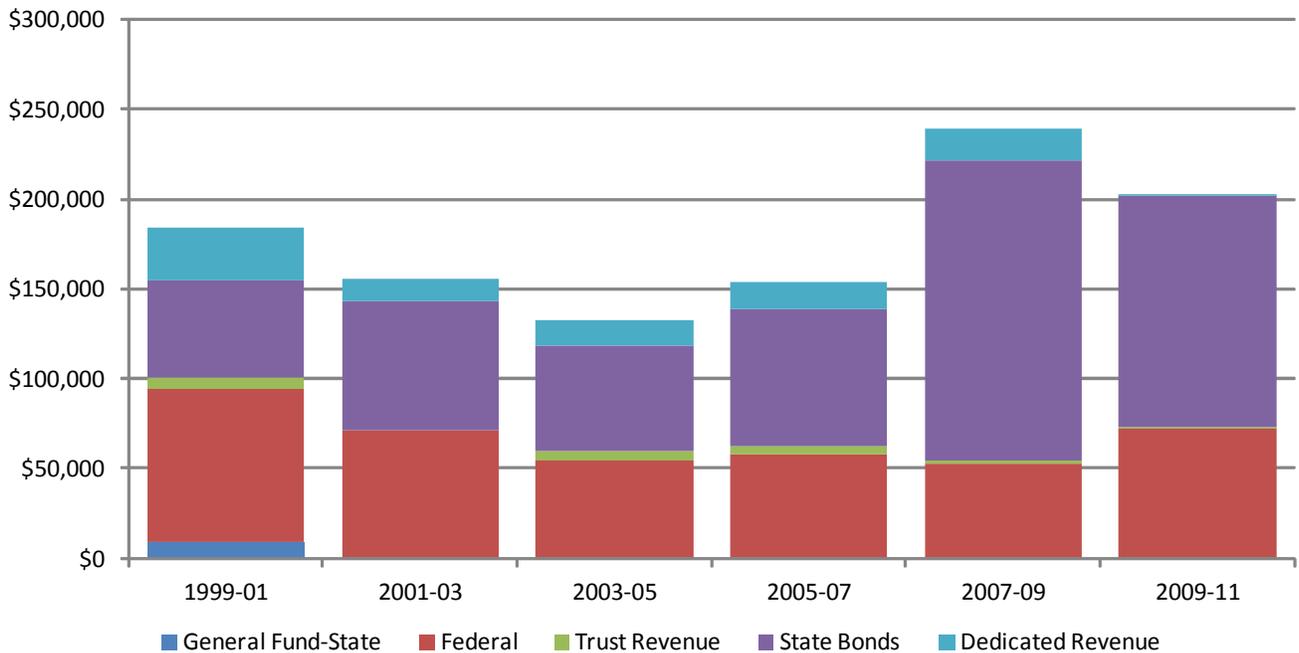
Coordinated Prevention Grants

Begun in 1989, Coordinated Prevention Grants (CPG) fund local governments' work to develop and execute plans for solid and hazardous waste management. The base program also funds waste reduction and recycling; household and business hazardous waste disposal; and solid waste enforcement. Funds are distributed in two grant cycles. The "regular" grant cycle distributes funds on a base-plus-population formula. 80% is allocated for solid and hazardous waste planning and implementation grants, and 20% is allocated for solid waste facility inspection and enforcement grants. The "offset" grant cycle distributes funds on a competitive basis, depending on availability of unspent regular cycle grants and special legislative provisos. Funding for the CPG Program is traditionally from the Local Toxics Control Account; however for the 2009-11 biennium, funding was appropriated from the State Building Construction Account.

Recreation and Conservation Office

The Recreation and Conservation Office (RCO), formerly known as the Interagency Committee for Outdoor Recreation (IAC), administers grant programs for recreation and habitat conservation purposes. Depending on the program, eligible applicants include municipal subdivisions of the state (cities, towns, and counties, or port, utility, park and recreation, and school districts), tribes, state agencies, and in some cases, federal agencies and nonprofit organizations.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund-State | 9,000 | 0 | 0 | 0 | 0 | 0 |
| Federal | 85,139 | 71,675 | 54,370 | 57,717 | 52,700 | 72,000 |
| Trust Revenue | 6,375 | 0 | 5,356 | 5,025 | 1,699 | 1,000 |
| State Bonds | 54,200 | 71,351 | 58,530 | 75,650 | 167,095 | 129,025 |
| Dedicated Revenue | 29,687 | 12,862 | 14,683 | 15,572 | 17,529 | 495 |
| Total | \$184,401 | \$155,888 | \$132,940 | \$153,964 | \$239,023 | \$202,520 |

Source: Legislative Evaluation and Accountability Program Committee

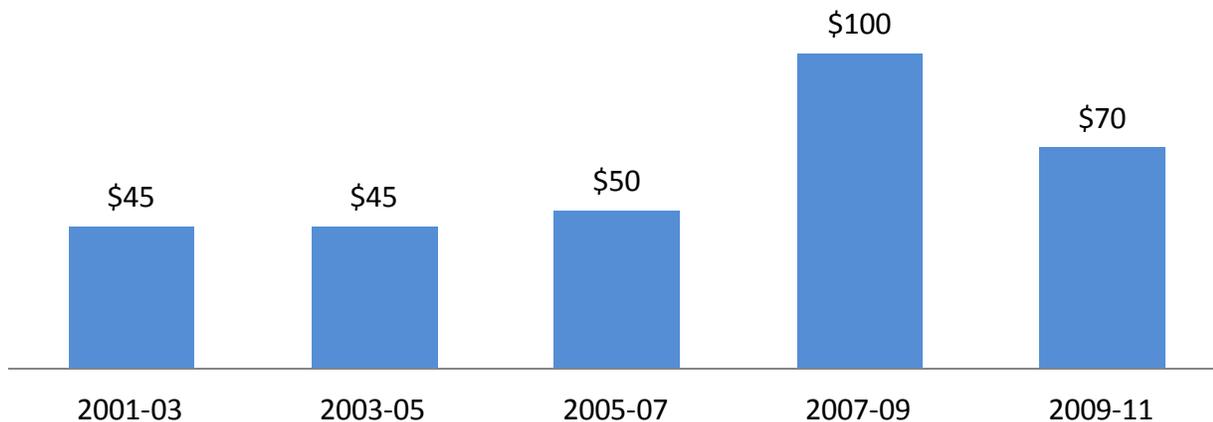
Major Capital Programs Administered by the Recreation and Conversation Office

Washington Wildlife and Recreation Program

The goals of the Washington Wildlife and Recreation Program (WWRP) are expressed in RCW 79.15A: "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 Recreation and Conservation Office (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% 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. In the past 5 biennia, the WWRP appropriation has ranged from \$45 million to \$100 million.

WWRP Appropriations by Biennium
(Dollars in Millions)

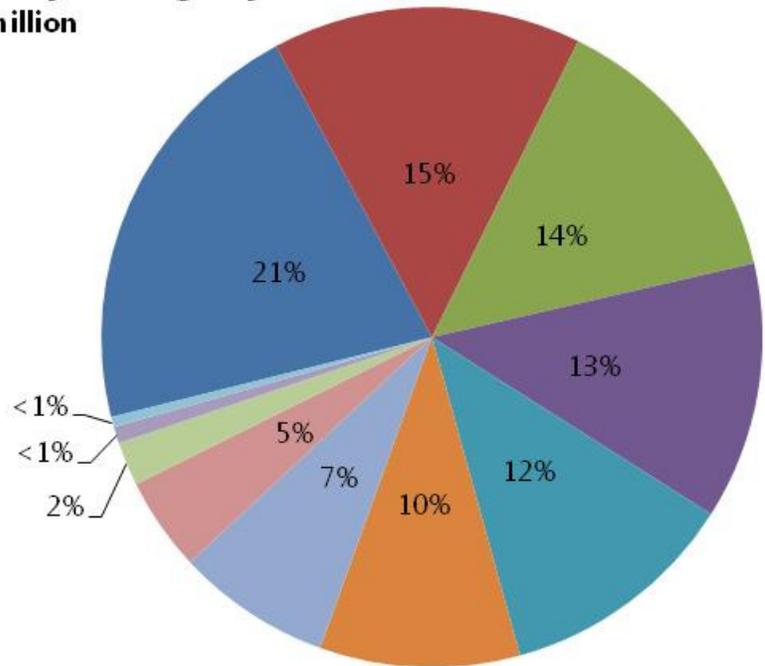


Source: Recreation & Conservation Office

WWRP Funded Grants by Category

Percent of \$612 million

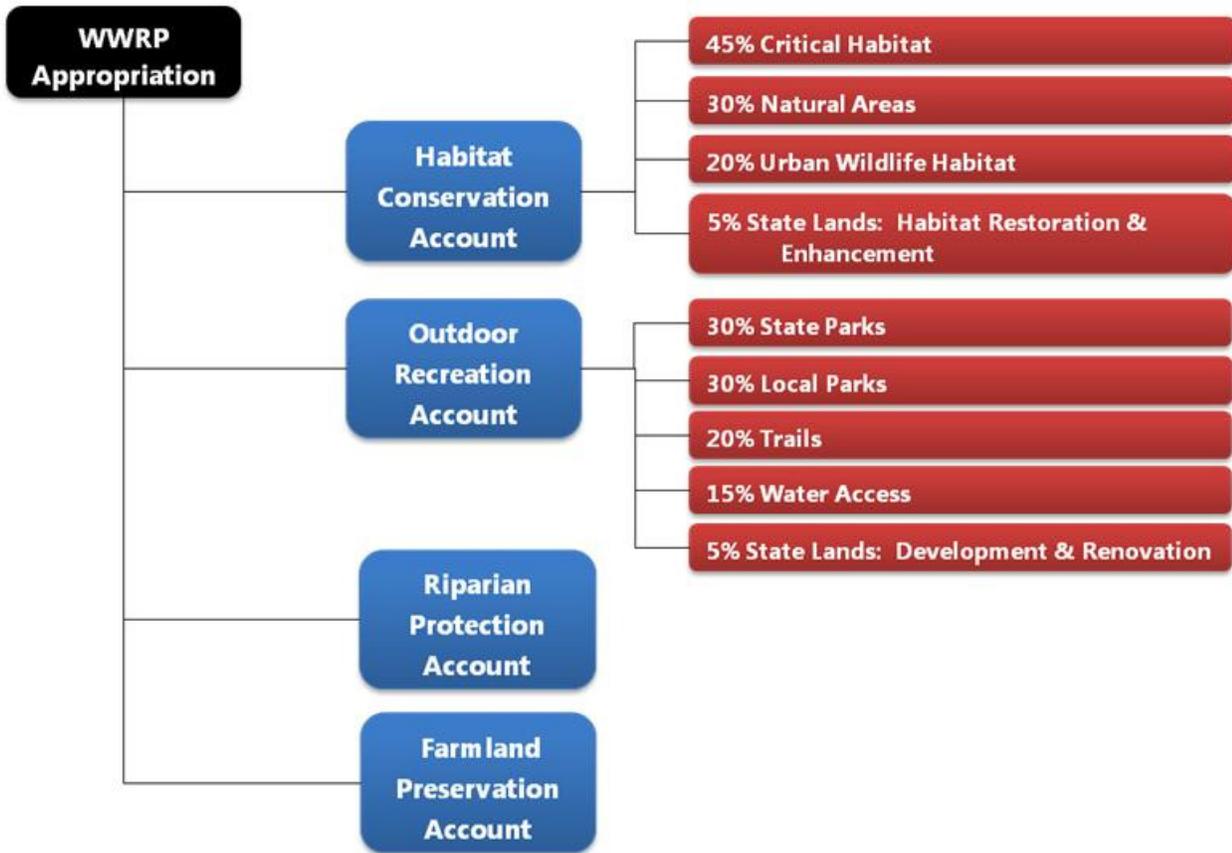
- Critical Habitat
- Local Parks
- State Parks
- Natural Areas
- Urban Wildlife
- Trails
- Water Access
- Riparian Protection
- Farmland Preservation
- State Lands Restoration
- State Lands Development



Funding for WWRP grants comes from the sale of general obligation bonds and is allocated to each of four accounts based upon the following statutory scheme:

| ALLOCATION OF ACCOUNT | | | |
|-------------------------------|--------------------|---|---|
| ACCOUNT | WWRP APPROPRIATION | | |
| | Under \$40 million | \$40 - \$50 million | Over \$50 million |
| Habitat Conservation Account | 50% | \$20 million plus 10% of amount over \$40 million | \$21 million plus 30% of amount over \$50 million |
| Outdoor Recreation Account | 50% | \$20 million plus 10% of amount over \$40 million | \$21 million plus 30% of amount over \$50 million |
| Riparian Protection Account | 0% | 40% of amount over \$40 million | \$4 million plus 30% of amount over \$50 million |
| Farmland Preservation Account | 0% | 40% of amount over \$40 million | \$4 million plus 10% of amount over \$50 million |

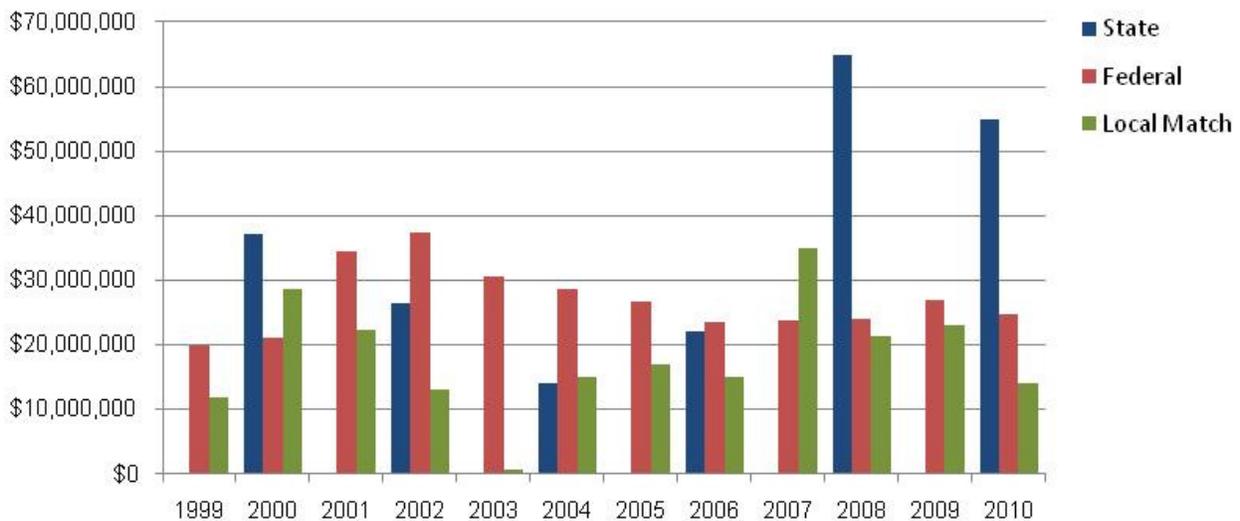
The statute further directs the appropriation into allocation percentages for 11 project categories:



Salmon Recovery Grant Programs

The Salmon Recovery Funding Board, staffed by the RCO, administers funding for four grant programs to protect and restore salmon habitat: General Salmon Recovery, Estuary and Salmon Restoration (ESR), Family Forest Fish Passage (FFFP), and Puget Sound Acquisition and Restoration (PSAR). All four grant programs receive state funding from the sale of state general obligation bonds and federal funding from the Pacific Coastal Salmon Recovery Fund.

Salmon Recovery Funding Salmon Recovery Funding Board

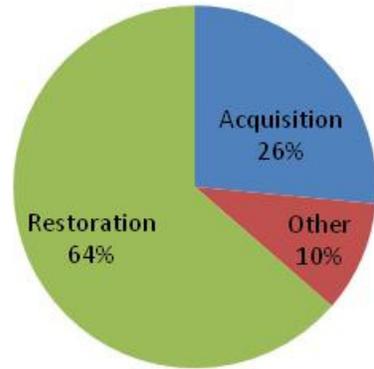


Source: Recreation & Conservation Office

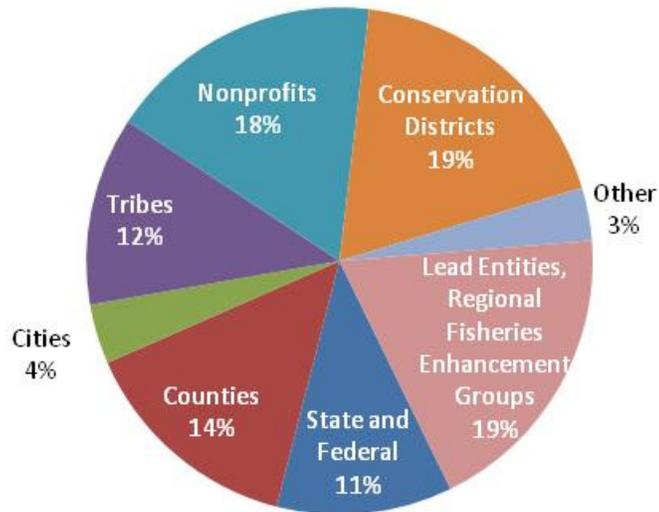
Local match requirements vary by program. For general salmon recovery and the PSAR grants, a 15% match is required. The ESR grants require no match. Some of the FFFP projects require a landowner match of 25% or \$5,000, whichever is less.

Eligible projects and applicants, as well as the decision making process, also vary by program. The pie charts below show that, since 1999, state and federal agencies have received about one quarter of the total salmon recovery grant funding and that nearly two-thirds of Salmon Recovery program funding has been allocated to restoration projects.

Statewide Salmon Recovery Funding Board Funding by Type of Project

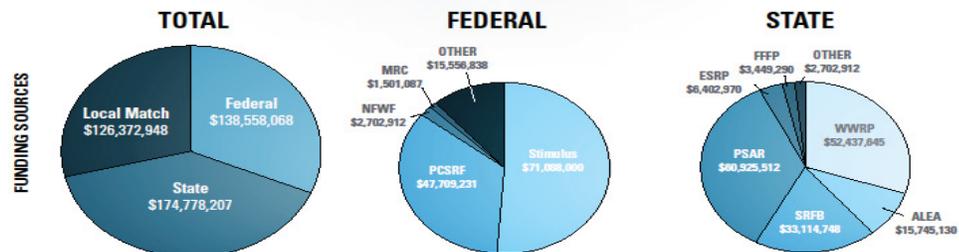
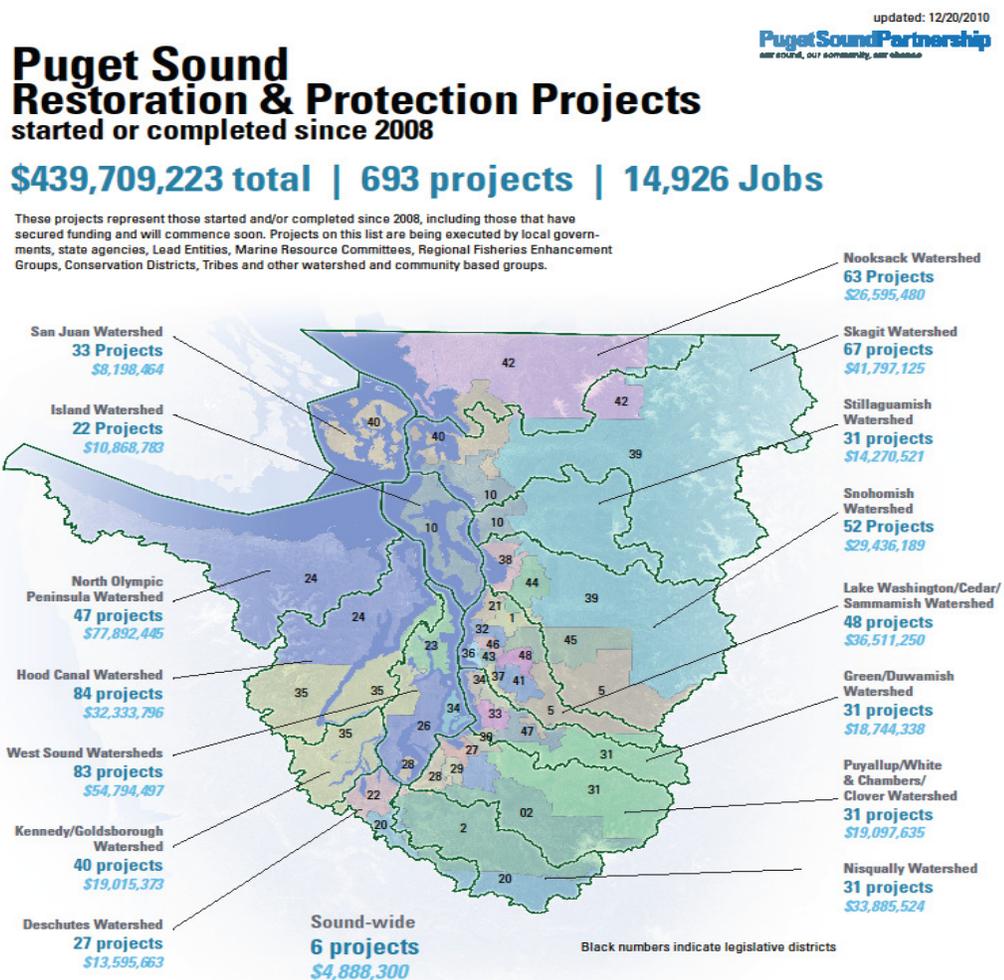


Funding Recipients Percentage of 2,210 Statewide Grants



Puget Sound Clean-Up and Recovery (various agencies)

The capital budget provides funding from various sources to support activities that protect and restore the water quality of Puget Sound. Representative activities include: (1) restoring fish and wildlife habitat; (2) controlling the release of toxic chemicals; (3) cleaning up toxic sites; (4) replacing or restoring failing sewers and septic systems; (5) reducing polluted storm water runoff; and (6) restoring damaged shorelines. The Puget Sound Partnership has produced the following graphic that depicts those projects started and/or completed since 2008 by watershed, and provides charts that show the \$439 million investment by state, federal, and local source.



NOVA: Nonhighway and Off-Road Vehicle Activities

The NOVA Program funds projects that develop and manage recreation opportunities for riders of all-terrain and four-wheel drive vehicles, cross-country skiers, hikers, equestrians, mountain bicyclists, hunters, fishers, and other users of non-highway roads (public roads not built or maintained with gasoline tax funding). Grant funding is appropriated by the Legislature from the NOVA Account, which receives revenues from off-road vehicle permits and a portion of the state gasoline tax attributable to off-road, non-highway road use by motorized vehicles. The funding is divided among categories according to the statute (RCW 46.09.170): At least 70% is earmarked for recreation facilities, of which at least 30% must be for ORV facilities, at least 30% for non-motorized facilities, and at least 30% for non-highway road recreation facilities. Not more than 30% may be spent on education, information and law enforcement activities.

Project examples include: building, renovating, rerouting trails; maintaining trails and associated campgrounds and trailheads; operating off-road vehicle parks; and other planning, capital improvements, acquisition, education and law enforcement purposes. Eligible applicants include local governments, tribes, federal and state agencies, and a limited number of non-profit organizations. An annual competitive grant process is held during which applications are evaluated by a citizen evaluation committee whose members are trail and off-road vehicle experts. The committee's recommendations are submitted on a ranked list to the RCO Funding Board and the Board makes final decisions on the grantees. According to the RCO, in the past 33 years, over \$75 million has been awarded for 1,104 projects.

State Parks and Recreation Commission

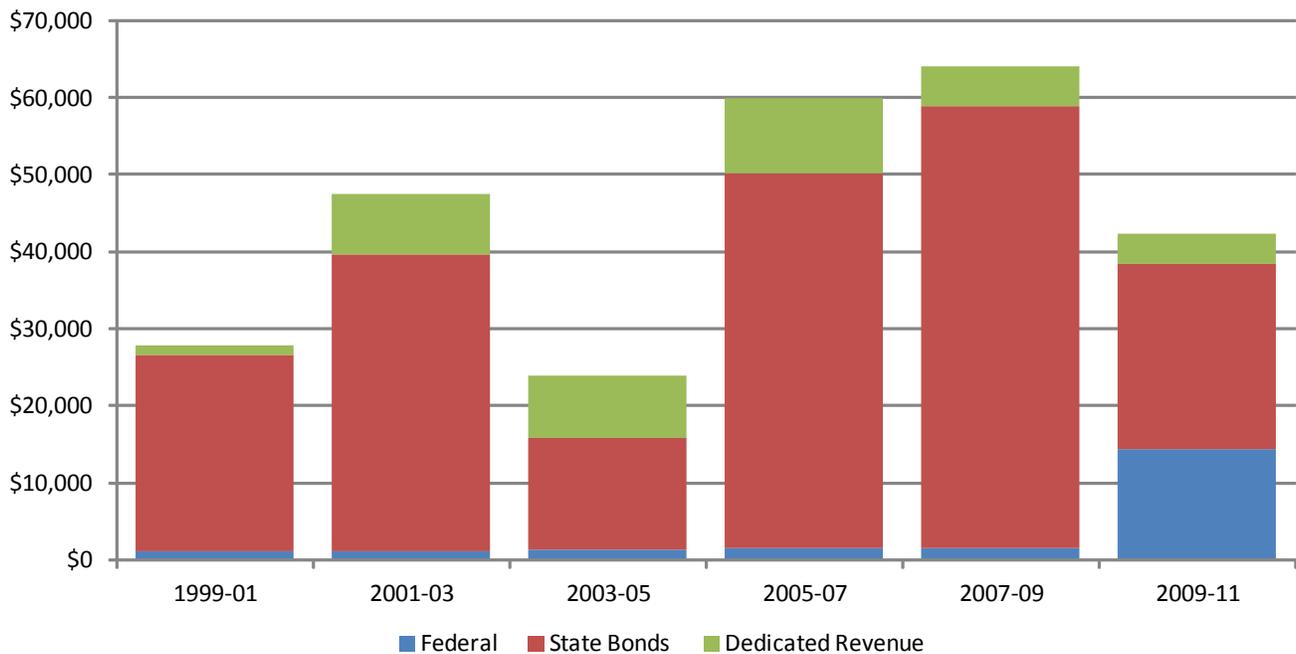
The Washington State Parks and Recreation Commission acquires, operates, enhances and protects a diverse system of recreational, cultural, historical and natural sites, which includes:

- 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;
- Manages 260,000 acres of lands and 60 miles of ocean beach;
- 17 historic areas; and
- 14 interpretive centers.

The commission consists of a board of seven volunteer citizens that are appointed by the Governor and serve for staggered, six-year terms, setting public policy and guiding the agency.

State Parks & Recreation Commission Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Federal | 1,065 | 1,000 | 1,250 | 1,500 | 1,500 | 14,455 |
| State Bonds | 25,550 | 38,664 | 14,575 | 48,754 | 57,363 | 23,891 |
| Dedicated Revenue | 1,283 | 7,900 | 8,078 | 9,766 | 5,225 | 3,990 |
| Total | \$27,898 | \$47,564 | \$23,902 | \$60,020 | \$64,088 | \$42,336 |

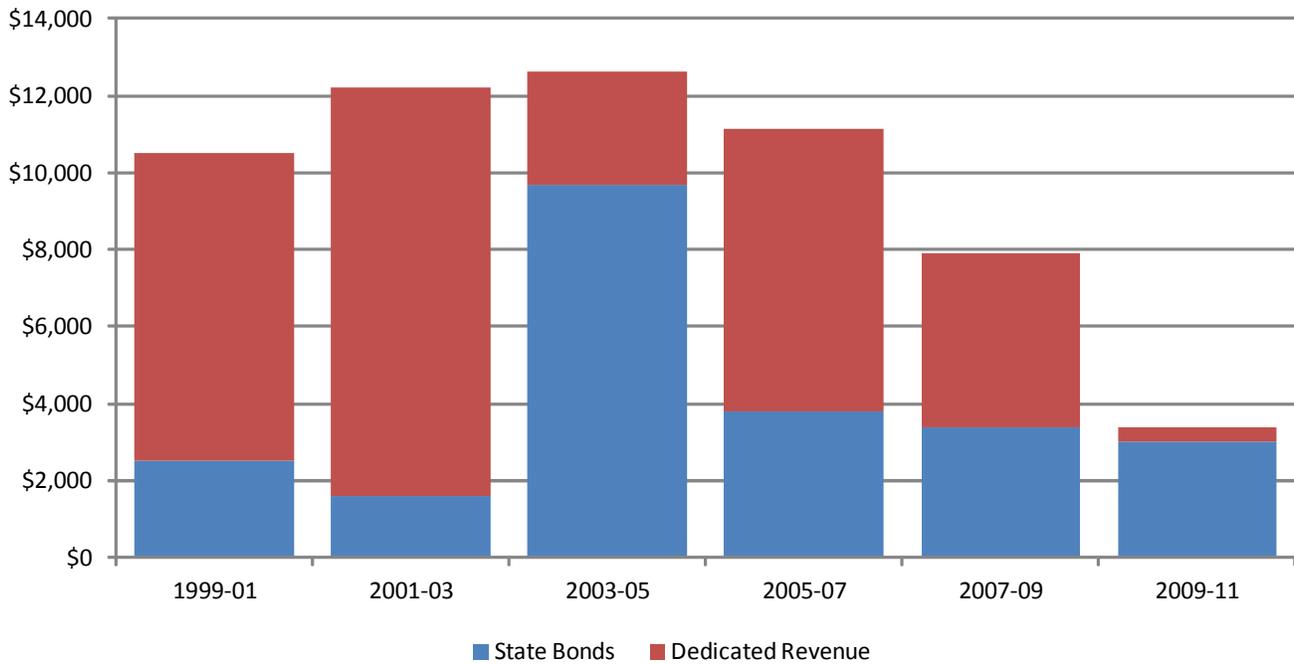
Source: Legislative Evaluation and Accountability Program Committee

State Conservation Commission

The State Conservation Commission manages multiple conservation programs. Unless otherwise specified by legislation, the agency can only provide funds to conservation districts. Therefore, most of their programs consist of grants to fund conservation work performed by local conservation districts, including:

- Puget Sound Water Quality Grants that promotes and supports implementation of water quality programs.
- Water Quality Implementation Grant Program that provides funding for outreach and plan design as well as project implementation.
- Conservation Reserve Enhancement Program (CREP) that improves salmon habitat by removing livestock and agricultural activities from the riparian area of salmon-bearing streams.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
| State Bonds | 2,500 | 1,618 | 9,681 | 3,797 | 3,379 | 3,000 |
| Dedicated Revenue | 8,000 | 10,590 | 2,940 | 7,340 | 4,500 | 400 |
| Total | \$10,500 | \$12,208 | \$12,621 | \$11,137 | \$7,879 | \$3,400 |

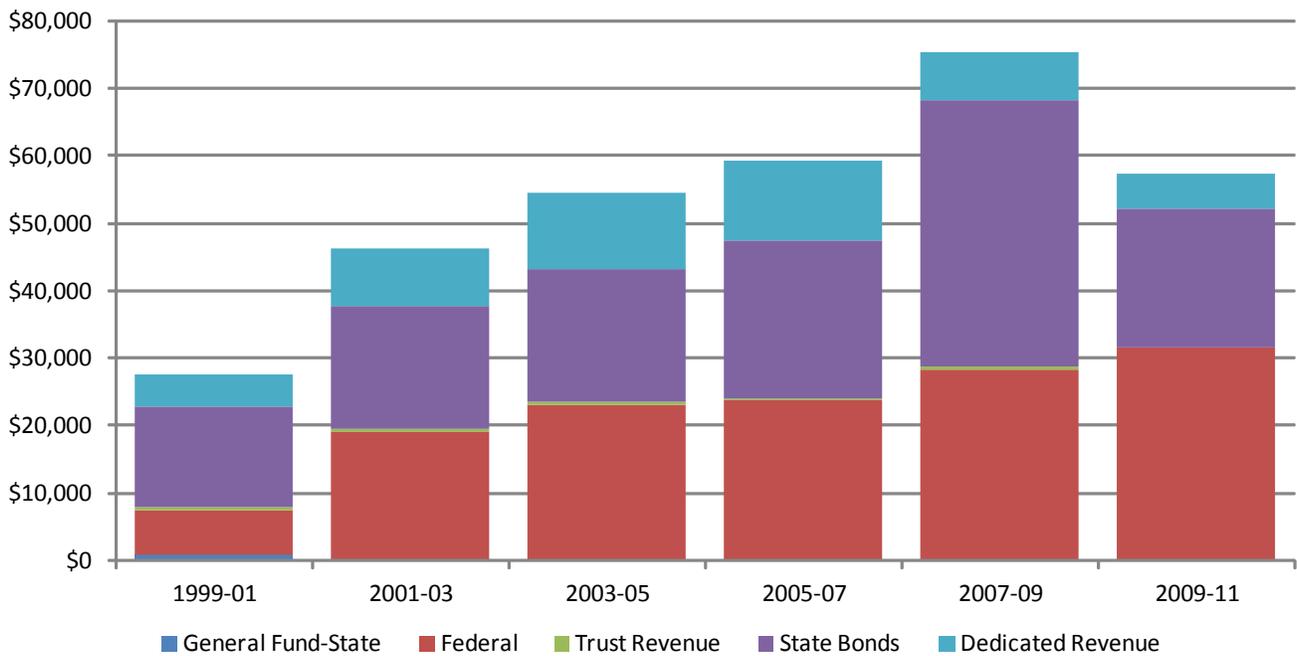
Source: Legislative Evaluation and Accountability Program Committee

Department of Fish and Wildlife

The Washington Fish and Wildlife preserves, protects, and manages the state’s fish and wildlife resources by promoting conservation practices and commercial and recreational opportunities that result in economic benefit to local communities.

Department of Fish & Wildlife Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Fund-State | 789 | 0 | 0 | 0 | 0 | 0 |
| Federal | 6,550 | 19,131 | 23,130 | 23,680 | 28,300 | 31,600 |
| Trust Revenue | 525 | 300 | 300 | 300 | 350 | 0 |
| State Bonds | 14,980 | 18,304 | 19,725 | 23,540 | 39,652 | 20,485 |
| Dedicated Revenue | 4,598 | 8,510 | 11,400 | 11,800 | 7,037 | 5,180 |
| Total | \$27,443 | \$46,246 | \$54,555 | \$59,320 | \$75,339 | \$57,265 |

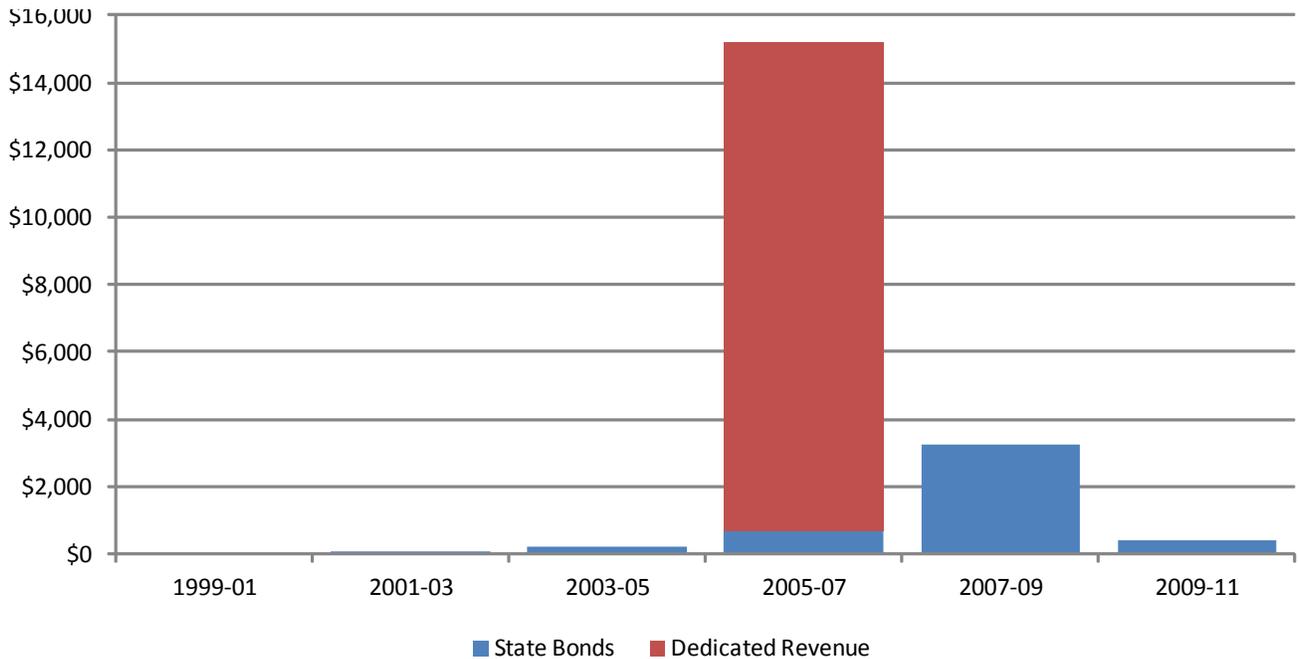
Source: Legislative Evaluation and Accountability Program Committee

Department of Agriculture

The Department of Agriculture carries out more than 25 distinct programs that support the agricultural community and promote consumer and environmental protection, including:

- Market development;
- Animal health services;
- Commodity inspection;
- Food safety and consumer services;
- Pesticide management; and
- Plant protection.

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

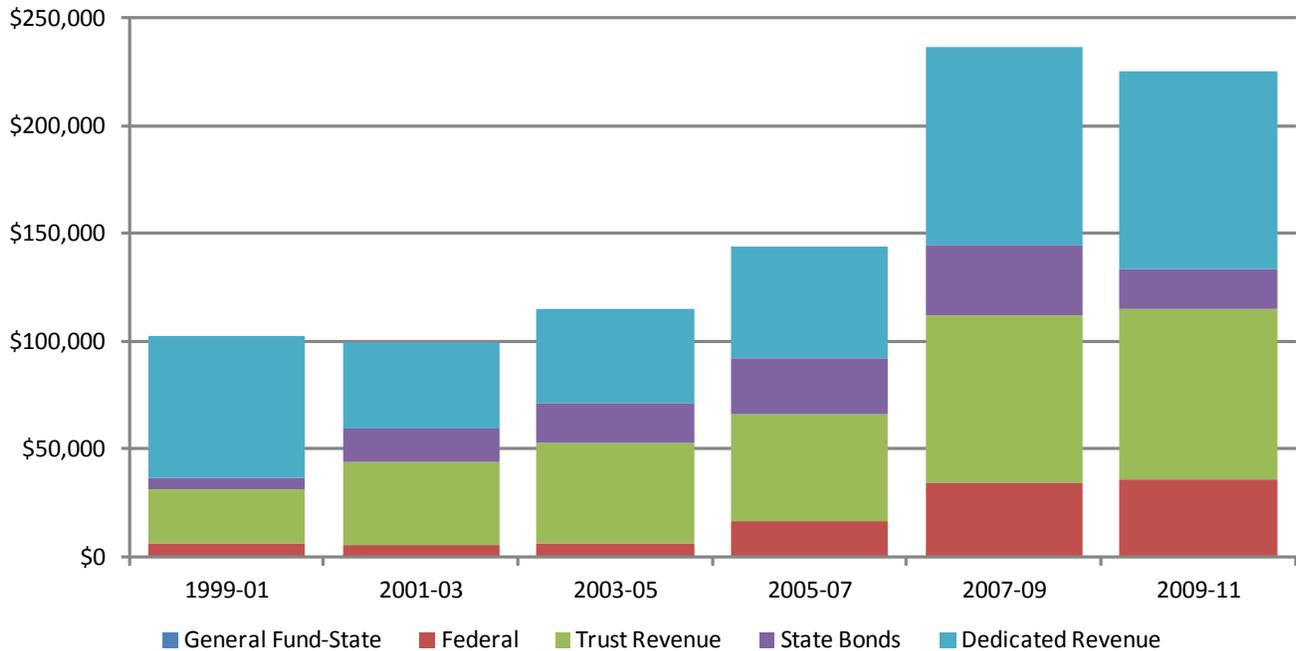


| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|------------|--------------|--------------|-----------------|----------------|--------------|
| State Bonds | 0 | 100 | 200 | 700 | 3,240 | 400 |
| Dedicated Revenue | 0 | 0 | 0 | 14,500 | 0 | 0 |
| Total | \$0 | \$100 | \$200 | \$15,200 | \$3,240 | \$400 |

Source: Legislative Evaluation and Accountability Program Committee

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.



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|------------------|-----------------|------------------|------------------|------------------|------------------|
| General Fund-State | 0 | 105 | 0 | 0 | 0 | 0 |
| Federal | 6,340 | 5,000 | 6,500 | 16,220 | 34,500 | 36,000 |
| Trust Revenue | 24,921 | 39,074 | 46,172 | 50,055 | 77,573 | 79,113 |
| State Bonds | 5,152 | 15,254 | 18,220 | 25,619 | 32,495 | 18,040 |
| Dedicated Revenue | 66,200 | 40,200 | 44,365 | 51,800 | 91,360 | 91,690 |
| Total | \$102,614 | \$99,632 | \$115,257 | \$143,694 | \$235,928 | \$224,843 |

Source: Legislative Evaluation and Accountability Program Committee

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 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 (or lease) 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 to be managed 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 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 and Fish law and rules. FREP was designed to compensate family forest landowners for 50-89% of the value of 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 aids in the restoration of Puget Sound. FREP also helps safeguard the state against claims of regulatory takings.

Family Forest Fish Passage Program

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. Fish barriers are often undersized culverts or other structures on forest road crossings over streams. The Forests & Fish rules enacted in 2001 require fish passage barriers to be corrected on all forest lands. This cost-share program funds 75% - 100% of the costs.

Relevant Organizations to This Functional Area

Fish and Wildlife Commission (RCW 77.04.030) - The principal role of the nine-member Commission is to establish policy and direction for fish and wildlife species and their habitats in Washington and to monitor the Department's implementation of the goals, policies and objectives established by the Commission. The Commission also classifies wildlife and establishes the basic rules and regulations governing the time, place, manner, and methods used to harvest or enjoy fish and wildlife.

Hood Canal Coordinating Council (RCW 90.88.030) - The Hood Canal Coordinating Council is a watershed-based council of governments. Council members include Jefferson, Kitsap and Mason Counties; Port Gamble S'Klallam and Skokomish Tribes; and state and federal agencies. It was established in 1985 in response to community concerns about water quality problems and related natural resource issues in the watershed.

Board of Natural Resources (RCW 43.30.030) - The 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 policies 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) - The Board's mission is to create and implement a state-wide strategy for meeting the recreational needs of Washington's citizens and administer recreational grant programs. Membership on the committee consists of five citizen members, 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 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 Board is responsible for making grants and loans for salmon habitat projects and activities. Membership on the board consists of five voting citizen members, 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

Capital Budget appropriations for higher education generally fall into three policy categories:

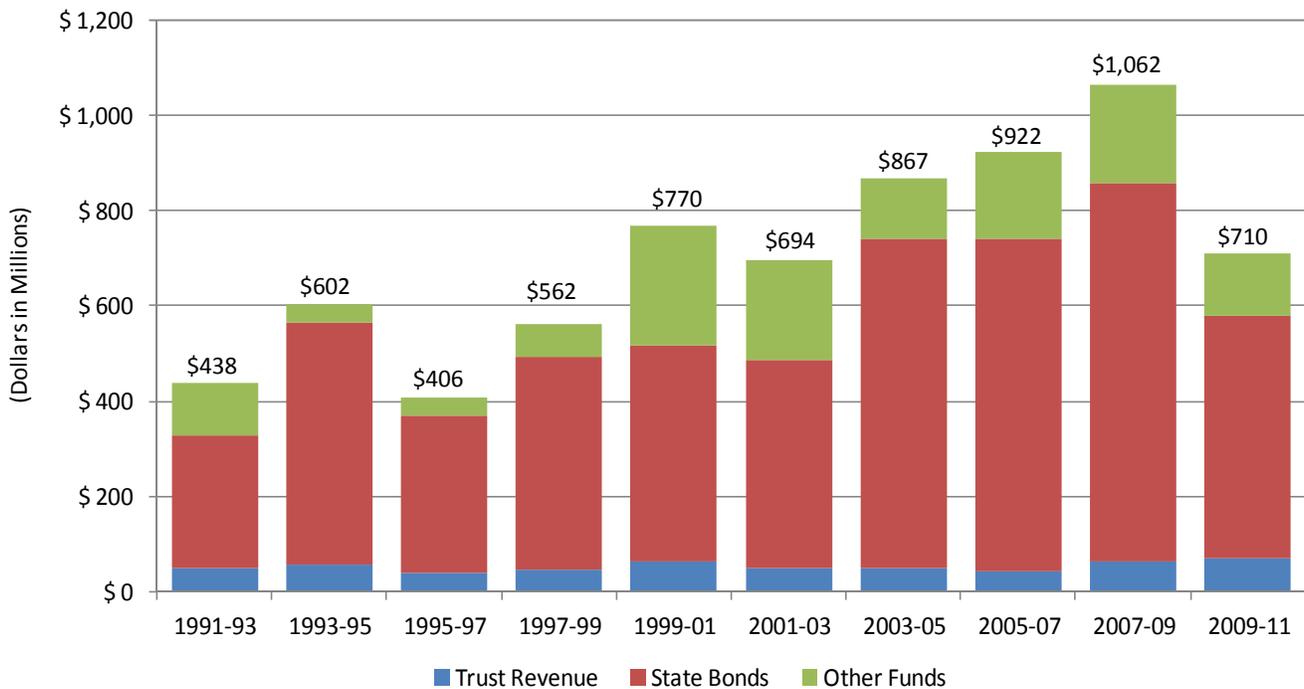
Access - Adequate facilities are necessary to provide students access to education. This has been a priority of the Legislature over the last decade. Access is provided primarily through new and renovated facilities on campuses.

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**



Source: Legislative Evaluation and Accountability Program Committee

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

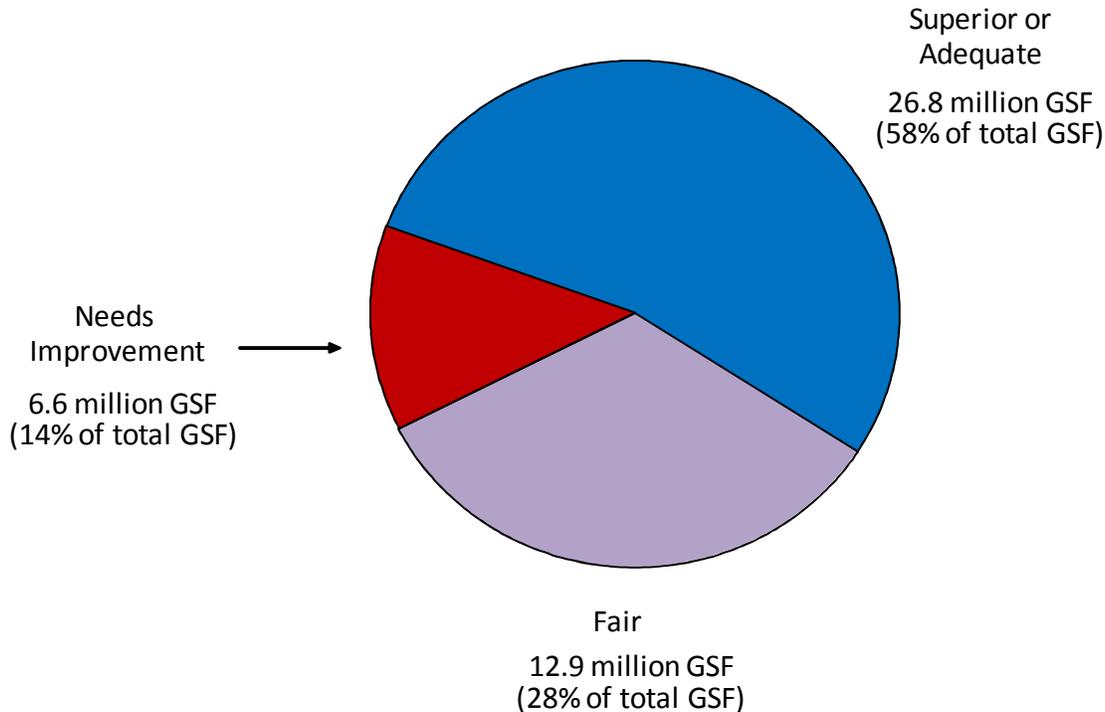
Higher Education Facility Inventory

| | |
|---|---|
| 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

Higher Education Facility Condition



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 Joint Legislative Audit and Review Committee.

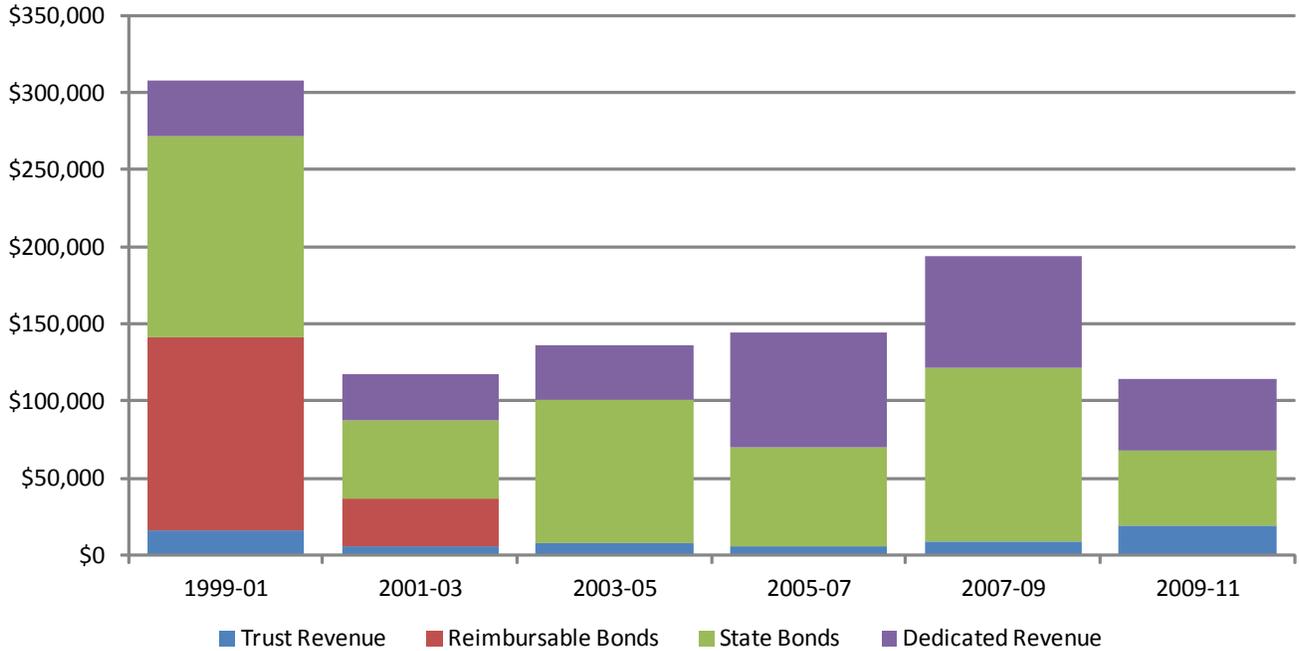
In 2008 the prioritization process was again modified by requiring the Office of Financial Management (OFM) to complete an analysis and scoring of all four-year institutions construction projects. Each of the proposed projects must be scored within a single project category according to its primary purpose.

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 2010 the Legislature enacted Substitute Senate Bill 6355 which made changes to the four-year scoring process. The legislation requires the Higher Education Coordinating Board (HECB) to rank major capital projects at the four-year institutions in a single list by priority order. The legislation directs the HECB 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 HECB 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

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

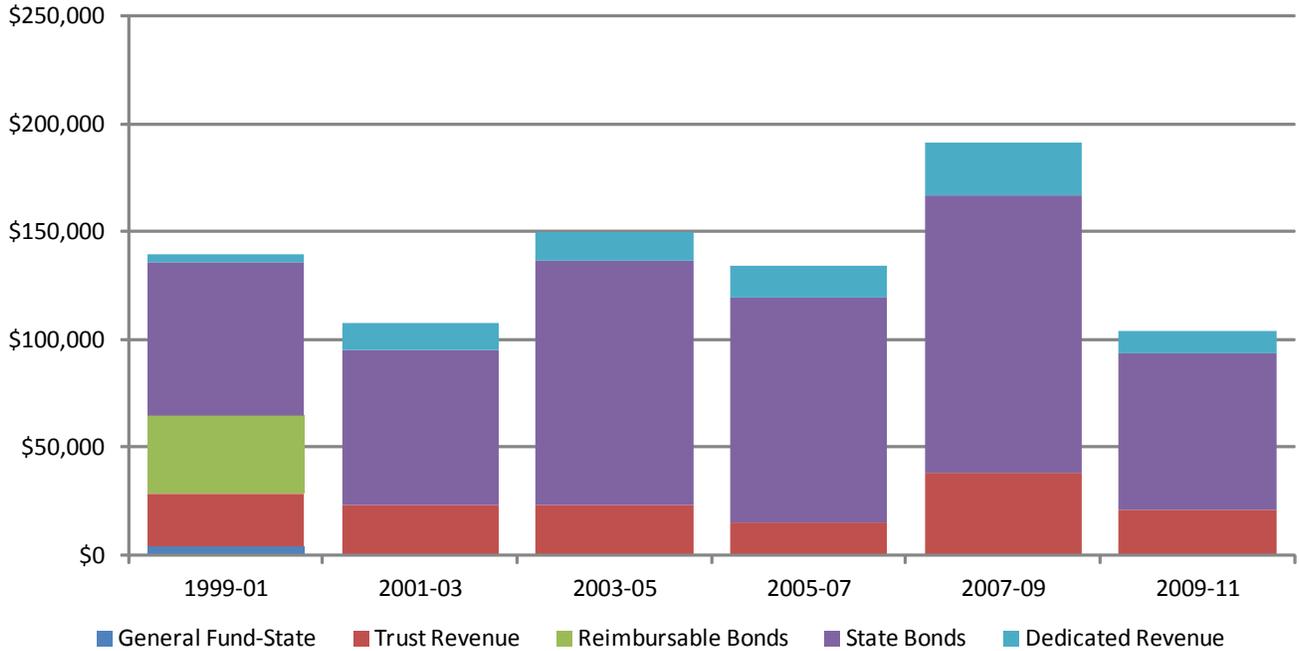


| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Trust Revenue | 16,218 | 5,642 | 7,491 | 5,330 | 8,370 | 18,925 |
| Reimbursable Bonds | 124,802 | 31,125 | 0 | 0 | 0 | 0 |
| State Bonds | 131,096 | 50,662 | 92,853 | 64,384 | 113,420 | 48,520 |
| Dedicated Revenue | 35,419 | 30,058 | 35,317 | 74,251 | 72,333 | 46,332 |
| Total | \$307,533 | \$117,487 | \$135,661 | \$143,964 | \$194,123 | \$113,777 |

Source: Legislative Evaluation and Accountability Program Committee

Washington State University

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

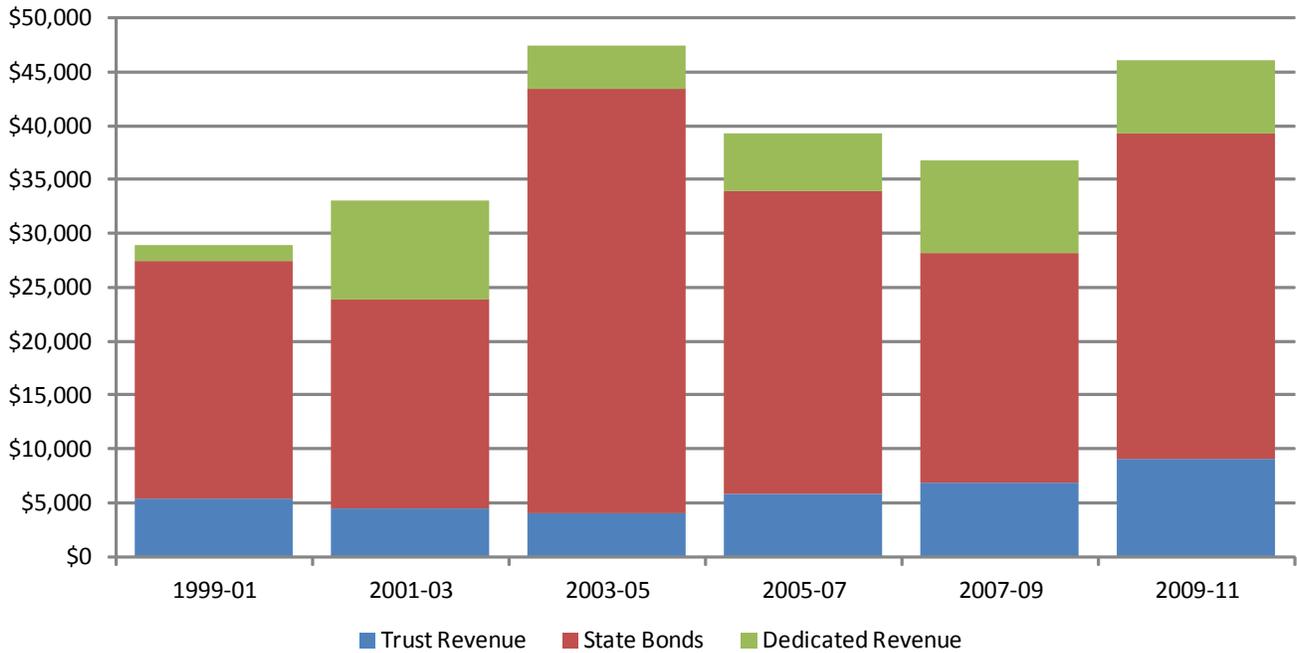


| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund-State | 3,600 | 0 | 0 | 0 | 0 | 0 |
| Trust Revenue | 25,022 | 23,431 | 23,442 | 15,375 | 37,621 | 20,808 |
| Reimbursable Bonds | 36,300 | 0 | 0 | 0 | 0 | 0 |
| State Bonds | 70,581 | 71,349 | 112,737 | 103,900 | 129,139 | 72,863 |
| Dedicated Revenue | 4,073 | 12,688 | 13,737 | 15,240 | 24,030 | 9,792 |
| Total | \$139,576 | \$107,468 | \$149,916 | \$134,515 | \$190,790 | \$103,463 |

Source: Legislative Evaluation and Accountability Program Committee

Eastern Washington University

**Eastern Washington University
Capital Budget Appropriations History**
(Dollars in Thousands)

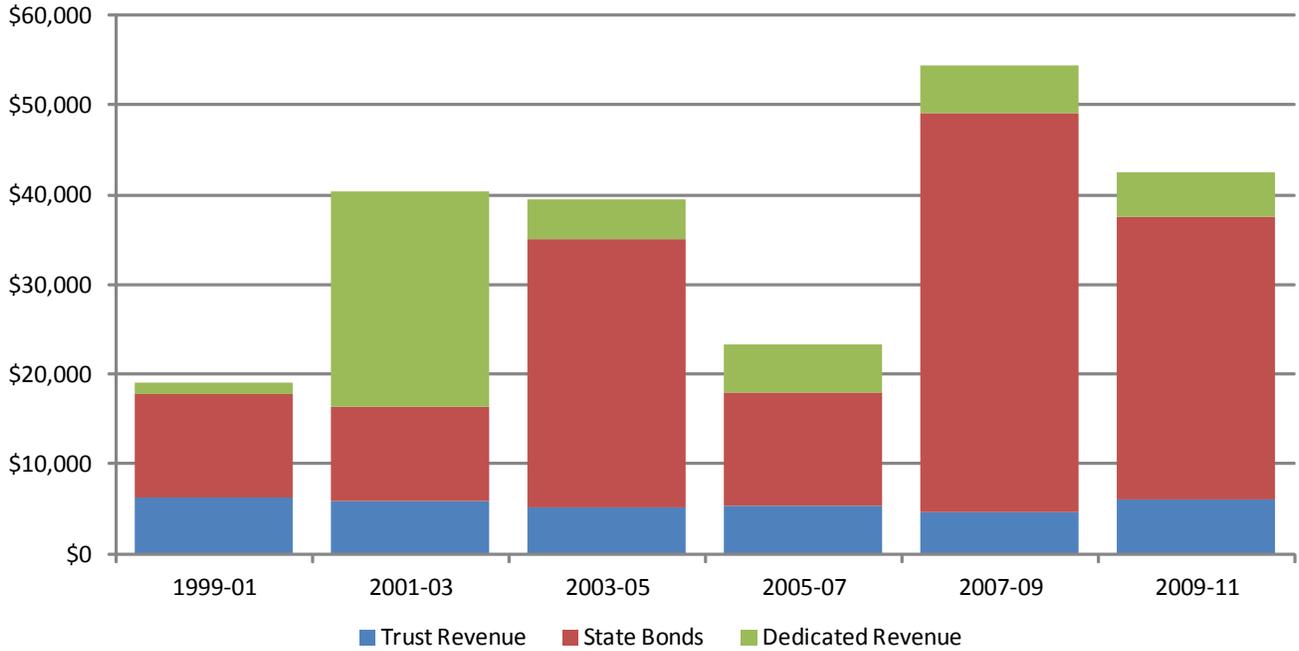


| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Trust Revenue | 5,376 | 4,553 | 4,032 | 5,850 | 6,825 | 9,029 |
| State Bonds | 22,114 | 19,322 | 39,312 | 28,116 | 21,321 | 30,288 |
| Dedicated Revenue | 1,344 | 9,100 | 3,994 | 5,367 | 8,549 | 6,811 |
| Total | \$28,834 | \$32,975 | \$47,338 | \$39,333 | \$36,695 | \$46,128 |

Source: Legislative Evaluation and Accountability Program Committee

Central Washington University

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

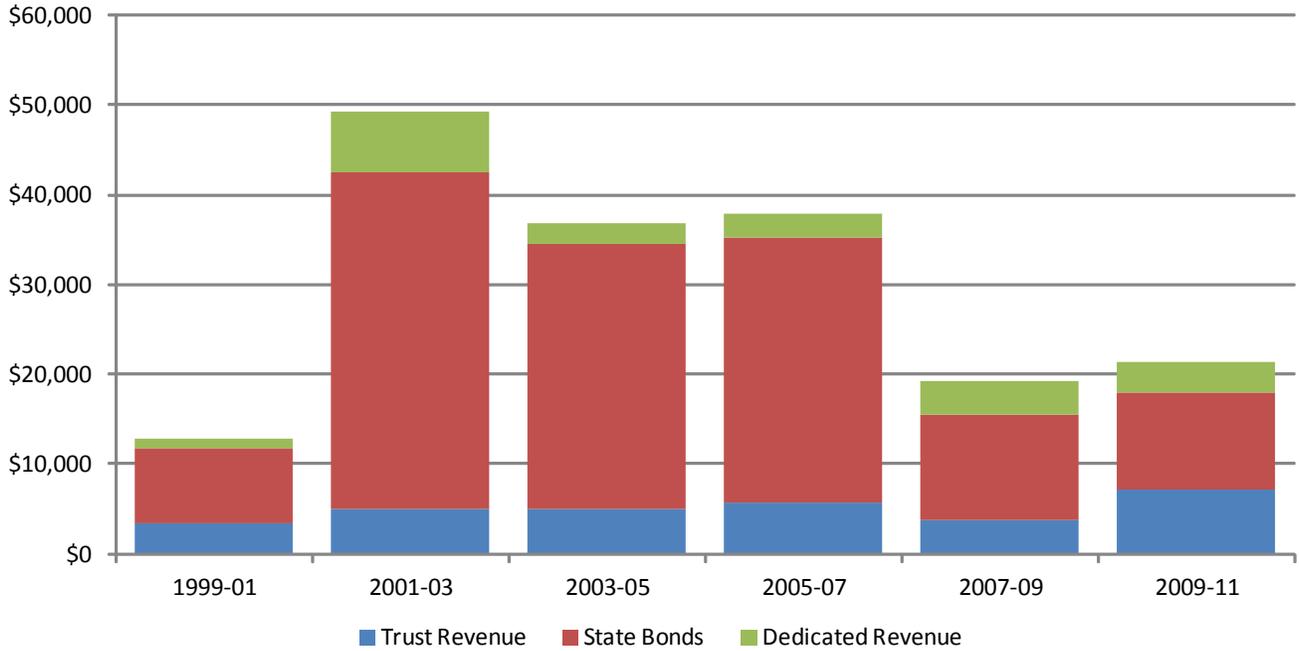


| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Trust Revenue | 6,225 | 5,870 | 5,202 | 5,426 | 4,712 | 6,181 |
| State Bonds | 11,500 | 10,600 | 29,750 | 12,580 | 44,300 | 31,416 |
| Dedicated Revenue | 1,275 | 23,956 | 4,448 | 5,344 | 5,310 | 4,856 |
| Total | \$19,000 | \$40,425 | \$39,400 | \$23,350 | \$54,322 | \$42,453 |

Source: Legislative Evaluation and Accountability Program Committee

The Evergreen State College

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

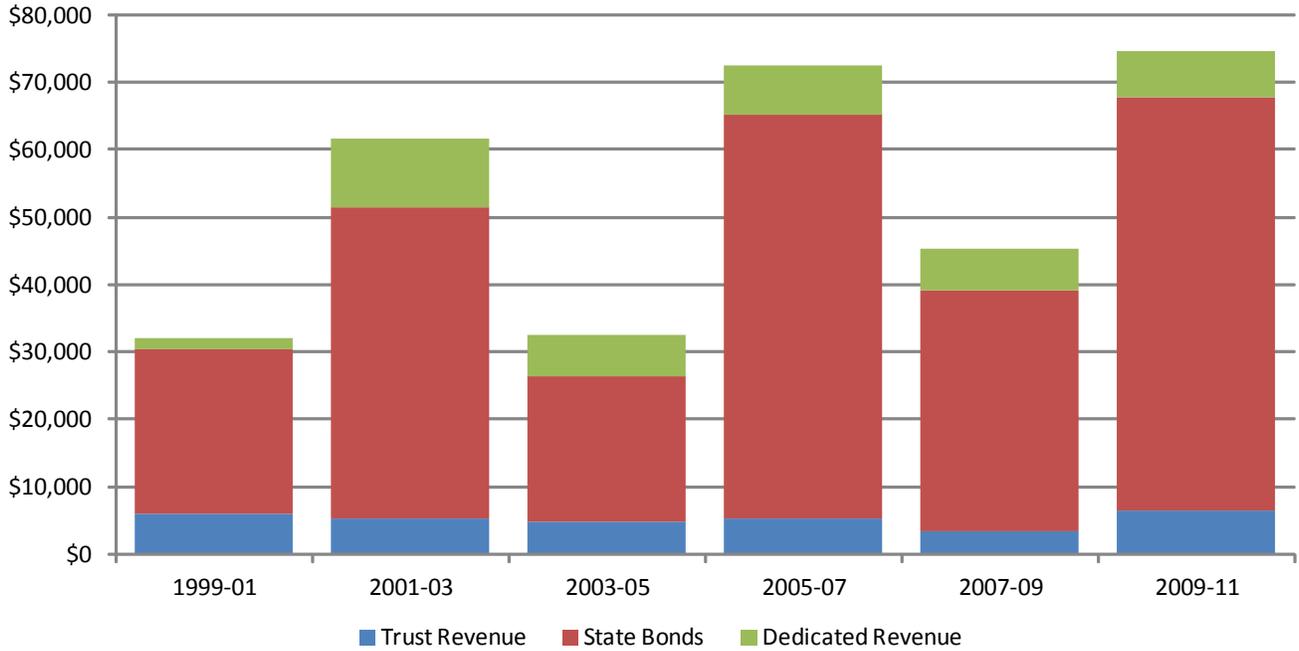


| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Trust Revenue | 3,352 | 5,013 | 5,037 | 5,650 | 3,763 | 7,215 |
| State Bonds | 8,500 | 37,550 | 29,400 | 29,600 | 11,748 | 10,836 |
| Dedicated Revenue | 1,058 | 6,747 | 2,447 | 2,710 | 3,762 | 3,241 |
| Total | \$12,910 | \$49,310 | \$36,884 | \$37,960 | \$19,273 | \$21,292 |

Source: Legislative Evaluation and Accountability Program Committee

Western Washington University

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

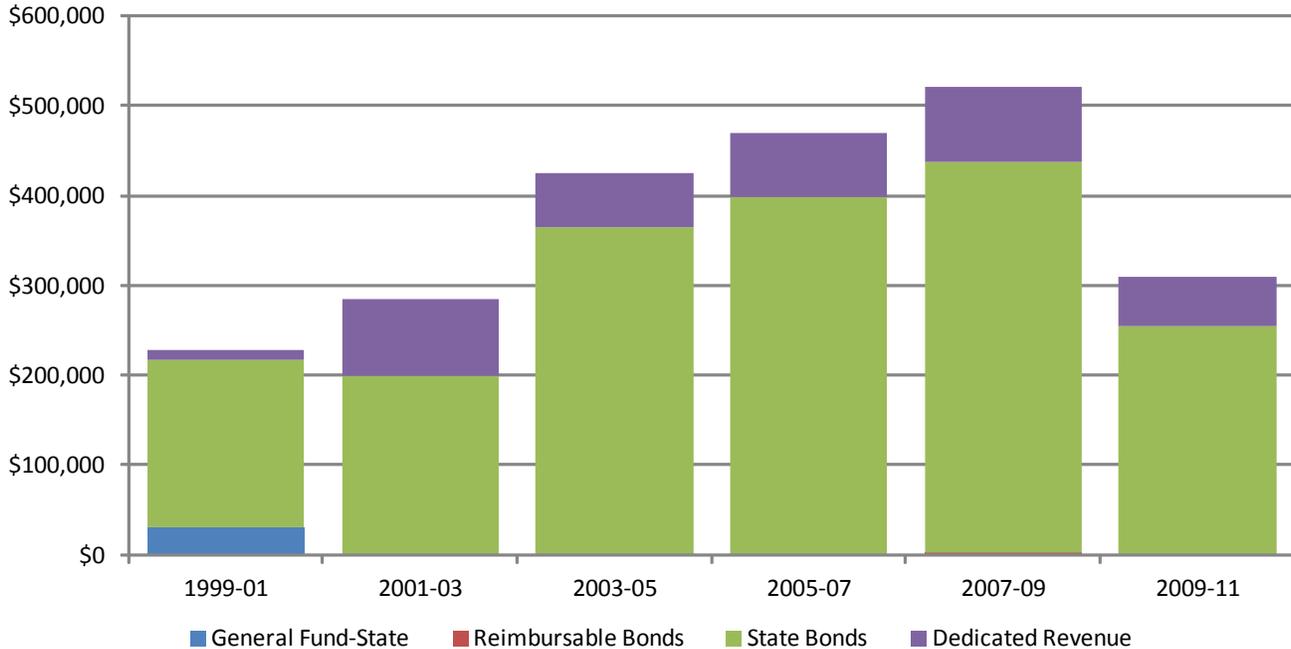


| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Trust Revenue | 5,952 | 5,250 | 4,830 | 5,251 | 3,348 | 6,581 |
| State Bonds | 24,350 | 46,134 | 21,600 | 60,043 | 35,818 | 61,169 |
| Dedicated Revenue | 1,778 | 10,250 | 6,034 | 7,263 | 6,244 | 6,849 |
| Total | \$32,080 | \$61,634 | \$32,464 | \$72,557 | \$45,410 | \$74,599 |

Source: Legislative Evaluation and Accountability Program Committee

State Board for Community & Technical Colleges

Community & Technical College System Capital Budget Appropriations History (Dollars in Thousands)



| | <u>1999-01</u> | <u>2001-03</u> | <u>2003-05</u> | <u>2005-07</u> | <u>2007-09</u> | <u>2009-11</u> |
|--------------------|------------------|------------------|------------------|------------------|--------------------|----------------|
| General Fund-State | 31,001 | 0 | 0 | 0 | 0 | 0 |
| Reimbursable Bonds | 0 | 0 | 0 | 0 | 1,500 | 0 |
| State Bonds | 186,239 | 200,151 | 364,184 | 398,126 | 435,897 | 254,302 |
| Dedicated Revenue | 11,315 | 84,962 | 61,293 | 71,806 | 83,976 | 54,430 |
| Total | \$228,555 | \$285,113 | \$425,477 | \$469,932 | \$521,373 c | |

Source: Legislative Evaluation and Accountability Program Committee

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 This Functional Area

Higher Education Coordinating Board (RCW 28B.76) - The board consists of ten members appointed by the Governor and confirmed by the Senate. The board provides planning, coordination, monitoring, and fiscal policy analysis for higher education in the state, including the preparation of a master plan.

Higher Education Facilities Authority (RCW 28B.75) – The 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.

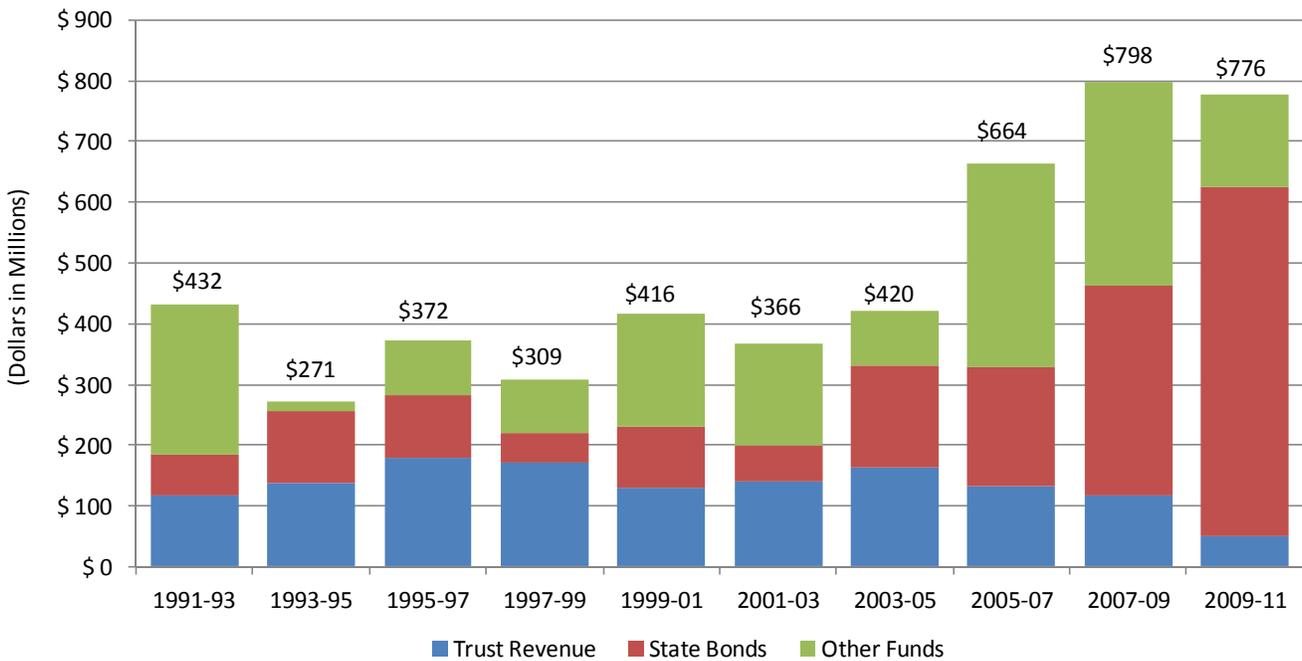
State Board for Community and Technical Colleges (RCW 28B.50.050) - The board consists of nine members appointed by the Governor and confirmed by the Senate. The board has general supervision and control over the community and technical colleges, including budgeting, distributing funds, and preparing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

Education

Overview of 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 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**



Source: Legislative Evaluation and Accountability Program Committee

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. Programs include:

- K-12 School Construction Assistance Grants
- Small Repair and Energy Efficiency Grants
- 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 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 School Construction Assistance Grants Program, a school district must have a space or remodeling need and must secure voter approval of a bond 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 standards/allocations and a state funding assistance percentage (matching ratio) based on the relative property wealth of the district.

The School Construction Assistance Program 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;
- Most bus garages;
- Sales and/or use taxes levied by local government agencies other than those taxes generally levied throughout the Washington; and
- Portable classrooms

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 need for state grant assistance provided to local school districts for construction and modernization of school facilities is based on four main factors:

- Student enrollment;
- Building age and condition;
- Changes in education programs; and
- Local funding capabilities.

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.

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 Assistance Percentage |
|--------------------------|---|---------------|---|------------------------------|---|-------------------------------------|

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

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

2. Construction (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 for fiscal year 2010 is \$174.26 per square foot, and \$180.17 for fiscal year 2011.

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 less wealthy school districts. The state funding assistance percentage ranges from an established floor of 20 percent to a ceiling of 100 percent for the poorest school district.

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 1.8 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 2010 Annual Report, the total market value of all the Permanent Common School Fund is \$187.9 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.

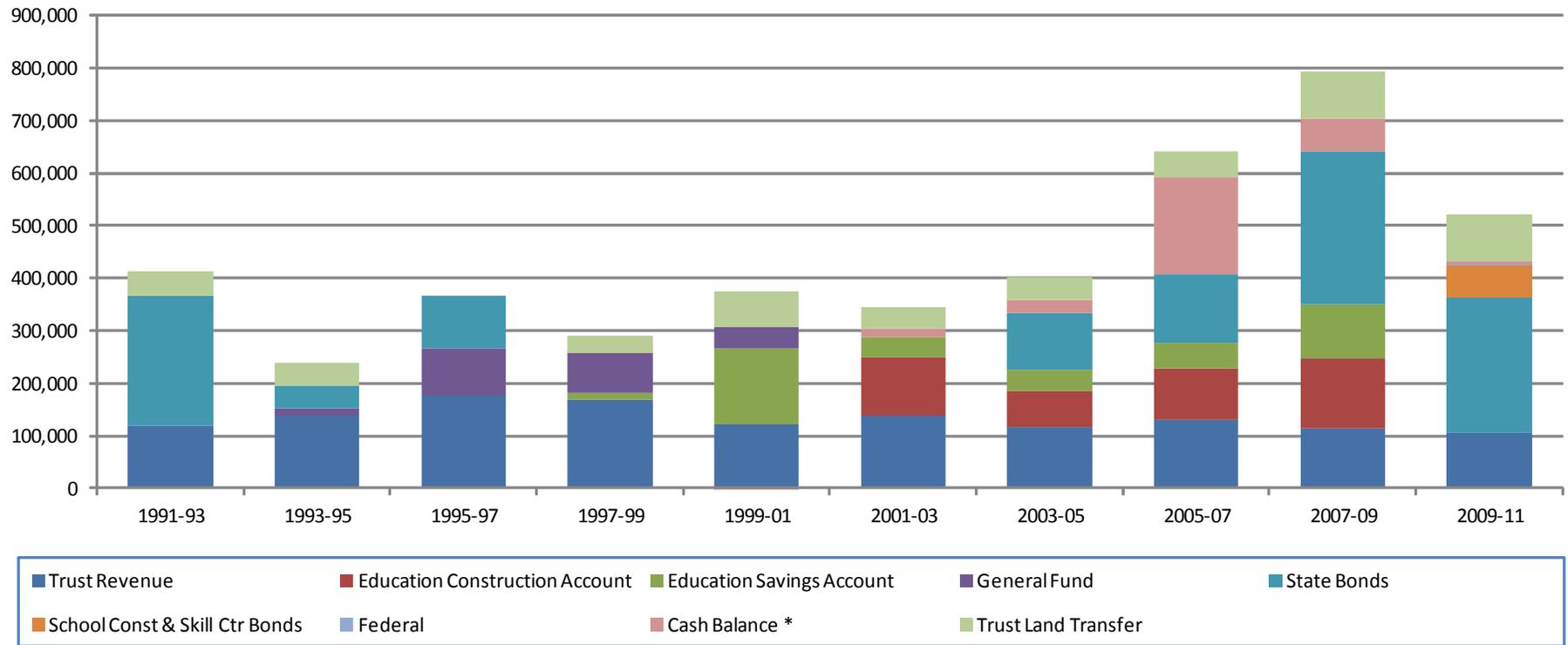
The Common School Construction Fund: This fund was created by the 1967 amendment for the exclusive purpose of financing the construction of facilities for the common schools. Revenue to this fund is from the harvest of timber on school trust lands, from agricultural and real estate leases on school trust lands, and 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 to 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 House Budget 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 clarifies 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.

State Funds Appropriated for School Construction by Fund Source

(Dollars in Thousands)



| | 1991-93 | 1993-95 | 1995-97 | 1997-99 | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Trust Revenue | 118,100 | 137,100 | 175,600 | 169,000 | 122,200 | 138,500 | 117,600 | 129,500 | 113,170 | 105,080 |
| Education Construction Account | 0 | 0 | 0 | 0 | 0 | 111,800 | 67,400 | 99,737 | 133,930 | 0 |
| Education Savings Account | 0 | 0 | 0 | 13,000 | 144,600 | 36,700 | 40,500 | 48,766 | 103,100 | 0 |
| General Fund | 0 | 15,300 | 90,000 | 75,000 | 39,000 | 0 | 0 | 0 | 0 | 0 |
| State Bonds | 247,500 | 41,800 | 100,000 | 0 | 0 | 0 | 107,100 | 130,200 | 289,661 | 259,000 |
| School Const & Skill Ctr Bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 59,428 |
| Federal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,700 |
| Cash Balance * | 0 | 0 | 0 | 1,000 | -2,000 | 18,000 | 25,700 | 183,863 | 64,738 | 6,636 |
| Trust Land Transfer | 46,200 | 43,800 | 0 | 31,500 | 68,100 | 40,000 | 44,000 | 49,700 | 87,160 | 89,110 |
| Total | \$411,800 | \$238,000 | \$365,600 | \$289,500 | \$371,900 | \$345,000 | \$402,300 | \$641,766 | \$791,759 | \$520,954 |

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

Small Repair and Energy Efficiency Grants

The Small Repair Grant program was established in 2002 to assist schools with urgent repair needs, such as a leaky roof or an out-of-date fire suppression system, to ensure the health and safety of students. School districts have applied for \$60 million in small repair projects since 2002. One-third of them, approximately \$19.4 million, have been funded with state and federal funds. Project selection criteria require that each project must address emerging and urgent health and safety projects in the most needy school facilities. Screening criteria review both the condition of the facility and the school district's finances. Finally, applying school districts must have an ongoing and effective facility maintenance plan. Grants of up to \$100,000 are offered through the program.

During the 2009-11 biennium, the Legislature appropriated \$66.9 million to implement energy efficiency projects in K-12 public schools through performance-based contracting. The energy efficiency improvement grants provide funding assistance for energy cost savings projects in school facilities utilizing performance-based contracting, which provides guaranteed construction costs and guaranteed energy and water savings. State grant funds are used to supplement district resources which may come from existing district funds, utility incentives, and/or low interest loans. After project costs are paid, school districts can redirect the energy operational cost savings toward other school district priorities. The OSPI scored and prioritized applications based on the following criteria: (1) leveraged local resources such as utility incentives, loans, district capital or district operating funds; (2) expediency of the project; (3) adoption of policies to comply with RCW 70.235.070 related to the distribution of funds for infrastructure and capital development projects; and (4) cost of energy saved.

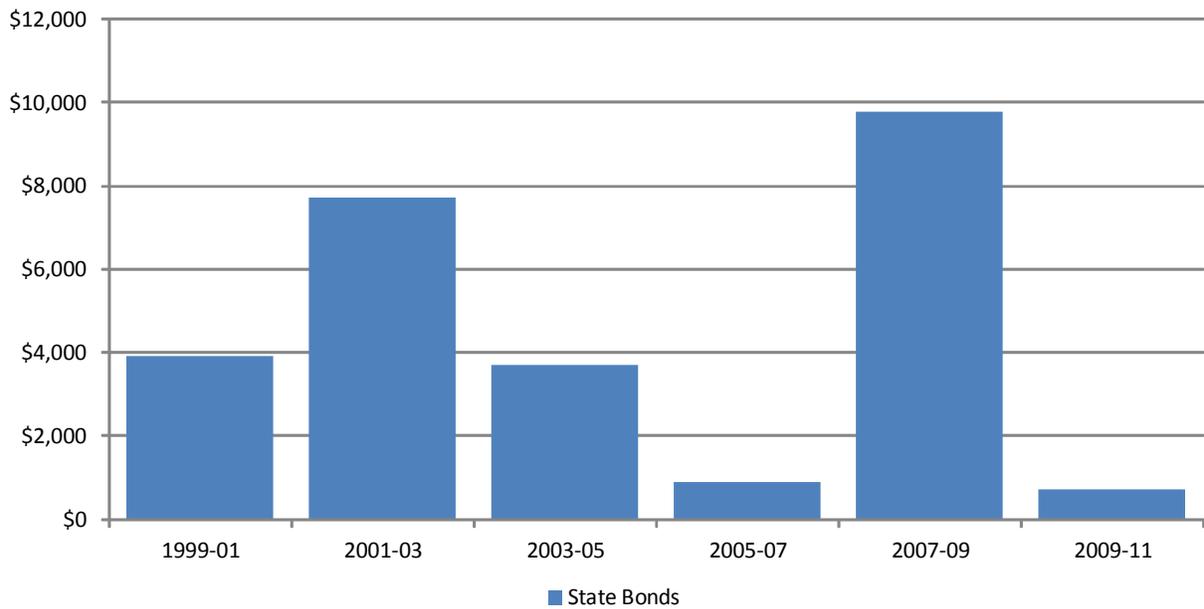
Vocational Skills Centers

Skills centers are regional secondary schools that serve high school students from multiple school districts. They provide instruction in preparatory programs that are either too expensive or too specialized for school districts to operate individually. Currently, there are 11 skills centers in Washington State.

State School for the Blind

The Washington State School for the Blind, in operation since 1886, is a residential school for blind and partially sighted students of school age who are residents of the state of Washington.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| State Bonds | 3,914 | 7,711 | 3,717 | 900 | 9,770 | 720 |
| Total | \$3,914 | \$7,711 | \$3,717 | \$900 | \$9,770 | \$720 |

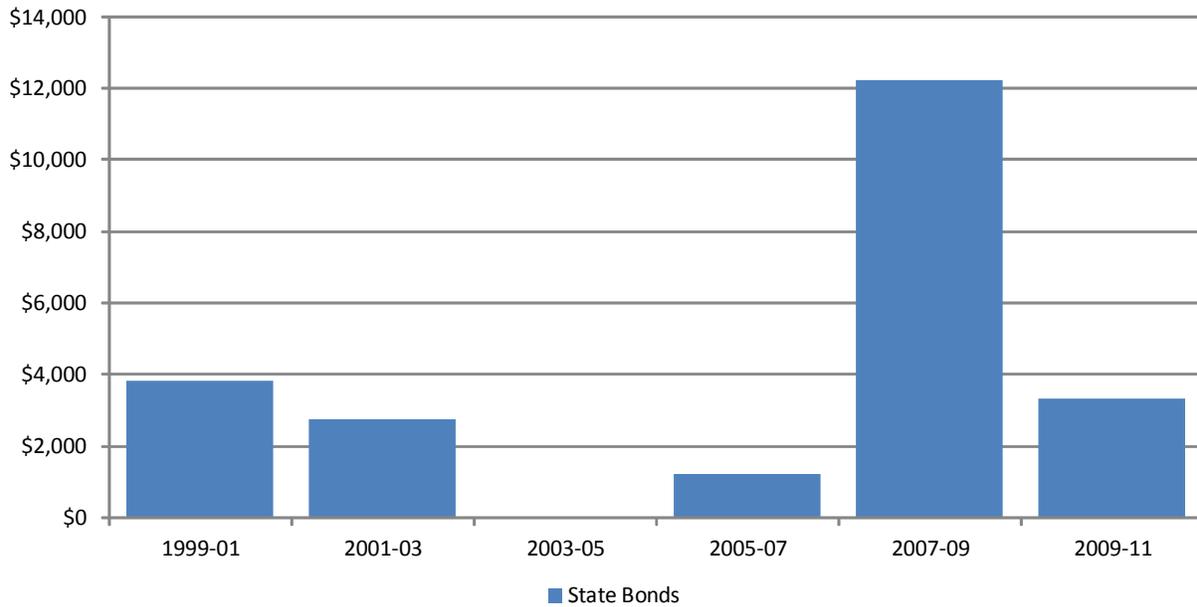
Source: Legislative Evaluation and Accountability Program Committee

Center for Childhood Deafness and Hearing Loss

The Center for Childhood Deafness and Hearing Loss, in operation since 1886, provides educational services to Washington students ages 3 to 21 who are deaf or hard of hearing.

Center for Childhood Deafness & Hearing Loss Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| State Bonds | 3,840 | 2,760 | 0 | 1,201 | 12,225 | 3,320 |
| Total | \$3,840 | \$2,760 | \$0 | \$1,201 | \$12,225 | \$3,320 |

Source: Legislative Evaluation and Accountability Program Committee

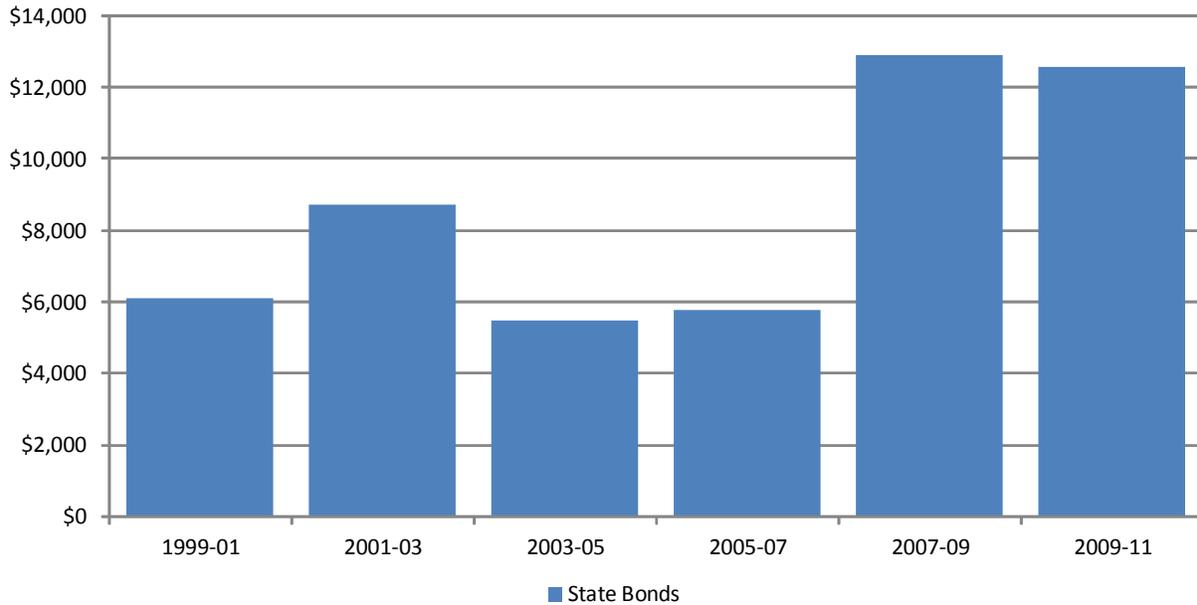
Washington State Historical Society

Founded in 1891, the Washington State Historical Society (WSHS) offers resources and services to visitors interested in Washington State history. They have 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 cost of local capital projects undertaken by non-profit organizations, tribes, and various local governments. 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. Since 1997, over forty-one million dollars have been appropriated to support 189 projects.

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



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|--------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| State Bonds | 6,119 | 8,702 | 5,488 | 5,792 | 12,902 | 12,577 |
| Total | \$6,119 | \$8,702 | \$5,488 | \$5,792 | \$12,902 | \$12,577 |

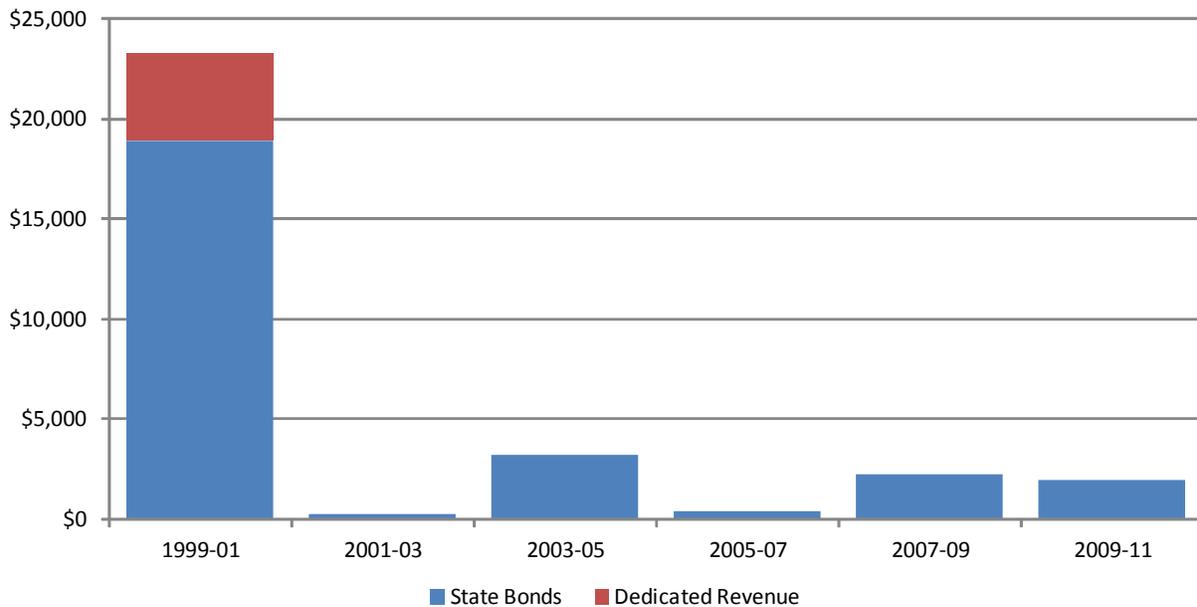
Source: Legislative Evaluation and Accountability Program Committee

Eastern Washington State Historical Society

Founded in 1916 and located in Spokane, Washington, the Eastern Washington State Historical Society (Northwest Museum of Arts and Culture) offers resources and services to visitors interested in Washington State history.

Eastern Washington State Historical Society Capital Budget Appropriations History

(Dollars in Thousands)



| | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 |
|-------------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| State Bonds | 18,892 | 250 | 3,200 | 406 | 2,261 | 1,939 |
| Dedicated Revenue | 4,373 | 0 | 0 | 0 | 0 | 0 |
| Total | \$23,265 | \$250 | \$3,200 | \$406 | \$2,261 | \$1,939 |

Source: Legislative Evaluation and Accountability Program Committee

