

# **2015 Supplemental Capital Budget**





STATE OF WASHINGTON  
DEPARTMENT OF COMMERCE

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[www.commerce.wa.gov](http://www.commerce.wa.gov)

October 24, 2014

David Schumacher  
Director, Office of Financial Management  
Post Office Box 43113  
Olympia, WA 98504-3113

Re: Department of Commerce 2015 Supplemental Capital Budget Request

Dear Mr. Schumacher:

On behalf of the Department of Commerce, I am presenting the 2015 Supplemental Capital Budget request. This request includes two technical corrections being submitted through the Capital Budget System that were not moved forward last year due to the 2014 Supplemental Capital Budget not passing. In addition, we are requesting that you include the following changes within the capital budget bill:

- Per the attached Washougal Four Corners Letter, ensure that the budget bill funds the intended project for Washougal for their Wastewater Treatment Plant instead of the Storm Water Decant Facility
- Remove the language in the ESSB 6002, Section 805 of the operating budget bill that transfers funds from the Drinking Water Assistance Account (04R) to the Drinking Water Assistance Repayment Account (07R) for fiscal year 2015

Thank you in advance for your consideration of our proposals. We look forward to working with the Governor and the OFM team as you put together the statewide budget recommendation.

Sincerely,

Brian Bonlender  
Director

Enclosure





# Department of Commerce

Innovation is in our nature.

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# **Department of Commerce 2015 Supplemental Prioritization**

The following are Commerce's technical correction requests in order of priority as determined by the Commerce Director:

1. Project # 30000189: Clean Energy and Energy Freedom Program
2. Project # 91000582: Drinking Water State Revolving Fund Loan Program

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## Capital Project Request

2013-15 Biennium

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Version: AX 2015 Supplemental Submittal

Report Number: CBS002

Date Run: 10/15/2014 7:17AM

Project Number: 91000582

Project Title: Clean Energy and Energy Freedom Program

**Description**

Starting Fiscal Year: 2014

Project Class: Grant

Agency Priority: 1

**Project Summary**

The Department of Commerce requests a technical correction to classify funds received in the 2013-15 biennium as program income rather than American Recovery and Reinvestment Act (ARRA) funds.

**Project Description****What is the proposed project?**

During the 2011-13 Biennium Department of Commerce received federal ARRA funds to provide grants and loans for energy efficiency, renewable, and clean technology projects. The current project (91000582) continues to provide these grants and loans. However, instead of using new federal ARRA funds, Commerce will use the repayment of these loans to provide grants and loans, which therefore should be classified as program income.

**What opportunity or problem is driving this request?**

This request is to fix the classification of funds to better portray Commerce's and the State of Washington's accounting procedure for these projects. While these funds still carry a federal flavor, they are not received as new federal funds and therefore should not be classified as such. With this fix these projects will now show as a dedicated state account that will continue to provide the types of projects the original federal grant allowed.

**How does the project support the agency and statewide results?**

This program enables Commerce to support a variety of energy efficiency, renewable, and clean technology projects which are priority areas for the Dept. of Commerce and the Governor.

**What are the specific benefits of this project?**

This program continues to provide an opportunity for Washington businesses and citizens to develop new energy savings and clean energy producing projects resulting in retention and creation of jobs.

**How will clients be affected and services change if this project is funded?**

We funded 39 projects in the original project and will continue to fund more as loans are repaid.

**How will other state programs or units of government be affected if this project is funded?**

The original funds were initially directed toward the private sector, but the more recent loans are going to public agencies primarily for energy efficiency. New loans will be awarded based on criteria set out by the legislature and guidelines, which are yet to be developed.

**What is the impact on the state operating budget?**

No operating impact.

**Why is this the best option or alternative?**

These funds continue to benefit the state by using the repayments to continue the program.

**What is the agency's proposed funding strategy for the project?**

Continue to provide grants and loans for energy efficiency, renewable, and clean technology projects using the loan repayments.



## Capital Project Request

2013-15 Biennium

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Version: AX 2015 Supplemental Submittal

Report Number: CBS002

Date Run: 10/15/2014 7:17AM

Project Number: 30000189

Project Title: Drinking Water State Revolving Fund Loan Program

**Description**

Starting Fiscal Year: 2014

Project Class: Grant

Agency Priority: 2

**Project Summary**

The Department of Commerce requests a technical fix for the state match for the Drinking Water State Revolving Fund (DWSRF) program. The DWSRF program provides low interest loans to municipal and privately owned water systems to address critical public health needs. The state matching funds are required to access the capitalization grant from the Environmental Protection Agency (EPA). The Department of Commerce requests a transfer from State Building Construction Account, Fund 057 to the State Taxable Building Construction Account, Fund 355 as the proceeds will be used for loans. In addition, the Department of Commerce requests the transfer of funds from the State Taxable Building Construction Account, Fund 355 to Drinking Water State Assistance Account, Fund 04R.

**Project Description****What is the proposed project?**

Congress created the Drinking Water State Revolving Fund program in 1996 with the reauthorization of the federal Safe Drinking Water Act. In accordance with RCW 70.119A.170, the DWSRF program makes our state's communities more livable by providing low-interest loans and technical assistance to public water systems statewide. The purpose of the loans is to facilitate effective planning, design, financing, and construction of improvements aimed at increasing public health protection and compliance with drinking water regulations. The DWSRF program is designed to become a long-term financing tool capitalized with both federal and state funds. Without state funds, the federal funds would not be available to the state.

**What opportunity or problem is driving this request?**

In the 2013-2015 capital budget bill state match funds for the DWSRF were erroneously appropriated from the State Building Construction Account, Fund 057. These match funds will be used for loans for public water systems to address public health issues. Since non-taxable bond proceeds cannot be used for loans, we request that Fund 355, State Taxable Building Construction Account be used instead. In addition, to comply with EPA guidelines regarding state match funds, the Department of Commerce requests transfer of those funds to Fund 04R - Drinking Water Assistance Account.

**How does the project support the agency and statewide results?**

One of the goals of the Department of Commerce is to grow a diversified economy. Among the approaches to be used to accomplish this, the Department of Commerce supports increasing community readiness and capacity for development by supporting adequate infrastructure. These resources will assist communities in addressing public health needs for drinking water.

**What are the specific benefits of this project?**

These funds would continue to provide funding to local governments and private water systems to address public health issues related to drinking water. The Department of Commerce is not requesting administrative funds or FTE's to implement this supplemental request. To leverage approximately \$20 million of federal funds for the DWSRF program, \$4.4 million of state match is required and can be accomplished with this technical correction.

**How will clients be affected and services change if this project is funded?**

These funds would allow local governments and private water systems to address public health issues related to drinking water.

**How will other state programs or units of government be affected if this project is funded?**

N/A

**What is the impact on the state operating budget? Why is this the best option or alternative?**

N/A

**Why is this the best option or alternative?**

This is the only option as taxable exempt bonds are not allowed for the use of loans

**What is the agency's proposed funding strategy for the project?**

Move appropriation from Fund 057 to Fund 355.

Capital Project Request

2013-15 Biennium

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Version: AX 2015 Supplemental Submittal

Report Number: CBS002

Date Run: 10/15/2014 7:17AM

Project Number: 30000189

Project Title: Drinking Water State Revolving Fund Loan Program

**Description**

**Location**

City: Statewide

County: Statewide

Legislative District: 098

**Project Type**

Loans

Grant Recipient Organization: varies

RCW that establishes grant: 70.119A170

**Application process used**

Drinking Water loan applications are received and ranked by the Office of Drinking Water at the Department of Health to provide loans to public water systems enabling them to comply with state and federal drinking water regulations and provide customers with safe, reliable drinking water.

**Growth Management impacts**

N/A

**Funding**

Acct Code	Account Title	Estimated Total	Expenditures		2013-15 Fiscal Period	
			Prior Biennium	Current Biennium	Reapprops	New Approps
04R-1	Drinking Water Asst.-State					
057-1	State Bldg Constr-State	(8,800,000)				(8,800,000)
07R-1	Drinking Water Repay-State					
355-1	St. Bld Const Acct-State	4,400,000				4,400,000
	<b>Total</b>	<b>(4,400,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,400,000)</b>

**Future Fiscal Periods**

	2015-17	2017-19	2019-21	2021-23
04R-1 Drinking Water Asst.-State				
057-1 State Bldg Constr-State				
07R-1 Drinking Water Repay-State				
355-1 St. Bld Const Acct-State				
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Operating Impacts**

**No Operating Impact**

**Narrative**

Department of Commerce administration is provided through an interagency agreement with Department of Health.

**Project Class: - State**

04R-1	Drinking Water Asst.	State	40,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
07R-1	Drinking Water Repay	State	840,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
15P-1	Energy Recovery	State	4,000,000					
355-1	St. Bid Const Acct	State	40,400,000					
<b>Project Class: - State Total</b>			<b>924,400,000</b>	<b>170,000,000</b>	<b>170,000,000</b>	<b>170,000,000</b>	<b>170,000,000</b>	<b>170,000,000</b>

**Agency Account Summary**

04R-1	Drinking Water Asst.	State	40,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
07R-1	Drinking Water Repay	State	840,000,000	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000
15P-1	Energy Recovery	State	4,000,000					
355-1	St. Bid Const Acct	State	40,400,000					
<b>Version Total</b>			<b>924,400,000</b>	<b>170,000,000</b>	<b>170,000,000</b>	<b>170,000,000</b>	<b>170,000,000</b>	<b>170,000,000</b>

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Washington  
State  
Legislature



October 23, 2013

Brian Bonlender  
Director, Department of Commerce  
1011 Plum Street SE  
P.O. Box 42525  
Olympia, WA 98504-2525

Dear Mr. Bonlender:

Section 1077 of the enacted 2013-15 Capital Budget (ESSB 5035) provides \$1 million from the State Building Construction Account to the Department of Commerce for the Washougal Storm Water Decant Facility under "Projects for Jobs and Economic Development."

As a result of the budget development process last session, the Legislature inadvertently funded the Washougal Storm Water Decant Facility instead of the Washougal Wastewater Treatment Plant, a project that also requested \$1 million from the 2013-15 Capital Budget.

While the Washougal Decant Facility is a worthwhile project that will eventually bring efficiencies to the city's storm water treatment systems, it is our understanding that the city is not mandated to complete the decant facility. On the other hand, it is our understanding that the city is currently under a mandate to complete the wastewater treatment plant upgrades; therefore it is a much higher priority for the city.

We respectfully request that the Department of Commerce refrain from entering into a contract with the City of Washougal for their storm water decant facility, with the understanding that it is our intention to re-direct the \$1 million appropriation to the wastewater treatment plant in the 2014 Supplemental Capital Budget.

Thank you in advance for your consideration. Please contact us or Capital Budget staff in the House (Susan Howson 360-786-7142) or Senate (Brian Sims, 360-786-7431) if we can be of assistance.

Sincerely,

Representative Hans Dunshee  
Chair  
House Capital Budget Committee

Representative Richard DeBolt  
Ranking Republican Member  
House Capital Budget Committee

Senator Jim Honeyford  
Capital Budget Chair  
Senate Ways and Means Committee

Senator Sharon Nelson  
Capital Budget Ranking Democratic Member  
Senate Ways and Means Committee

Washington  
State  
Legislature



cc: Susan Howson, House Capital Budget Committee  
Brian Sims, Senate Ways and Means Committee  
Michael Kendall, Department of Commerce

## ELECTRONIC SUBMITTAL CONFIRMATION FORM

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Agency Number: 103

Agency Name: Department of Commerce

Agencies are required to provide electronic access to each decision package in their budget request as part of the submittal process. Confirm Option 1 or 2 below:

Option 1:

This agency posts all decision packages for our 2015-17 budget request to our public facing website at the following URL:

URL: <http://commerce.wa.gov/about/Legislative/Pages/default.aspx>

Option 2:

This agency does not post decision packages and has forwarded copies via e-mail to [OFM.Budget@ofm.wa.gov](mailto:OFM.Budget@ofm.wa.gov).

These decision packages conform to our agency's ADA accessibility compliance policy.

Agency Contact: Wendi Gunther

Contact Phone: 360-725-2710

Contact E-mail: Wendi.gunther@commerce.wa.gov

Date: 10/23/14