

HOUSE BILL REPORT

SHB 1325

As Amended by the Senate

Title: An act relating to capital projects for social service organizations.

Brief Description: Providing facilities for social service organizations.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Ogden, Mitchell, Costa, Hankins, O'Brien and Mason).

Brief History:

Committee Activity:

Capital Budget: 2/21/97, 3/4/97 [DPS].

Floor Activity:

Passed House: 3/13/97, 95-1.

Senate Amended.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Ogden, Ranking Minority Member; Sullivan, Assistant Ranking Minority Member; Costa; Hankins; Koster; Lantz; Mitchell; D. Sommers and H. Sommers.

Staff: Karl Herzog (786-7271).

Background: A variety of social service organizations located in communities around the state provide services to individuals, families, seniors, and youth. These organizations may be housed in leased facilities, donated facilities, or facilities owned by the organization.

The Department of Community, Trade and Economic Development (CTED) administers a number of programs to assist community-based organizations in providing social services. In addition, CTED administers a competitive capital construction grant program for arts organizations.

During the 1995-97 biennium, the Legislature appropriated \$4 million to CTED for grants to 16 nonprofit community action agencies to assist in acquiring, developing, or rehabilitating buildings for the purpose of providing community-based family services. The list of authorized agencies was originally proposed by the Washington

State Association of Community Action Agencies. The capital appropriation provided grants for up to 25 percent of project capital costs.

The Office of Financial Management (OFM) provides budget planning and fiscal management services for state agencies and the executive branch.

Each non-federal entity that receives over \$300,000 annually in federal funds is required by federal law to undergo a single audit that covers all of the operations of the entity. The audit must examine the entity's financial statements, schedule of expenditures, effectiveness of internal controls, and compliance with contracts, grants, laws, and regulations.

Summary of Bill: A process is established for soliciting and ranking applications for nonresidential capital projects for social service organizations. If the Legislature appropriates moneys to assist nonprofit organizations in acquiring, constructing, or rehabilitating facilities used for the delivery of nonresidential social services, the Legislature may direct the CTED to establish a competitive process to prioritize applications for the assistance. CTED must conduct a statewide solicitation of project applications, and evaluate and rank applications using objective criteria, including an examination of existing assets of the organization. Applicants must demonstrate that the state assistance will increase the efficiency or quality of the social services provided to citizens. State assistance is limited to up to 25 percent of the total cost of the project. CTED must submit a prioritized list of recommended projects to the Legislature by November 1 following the effective date of the appropriation. CTED may not sign contracts with organizations for funding assistance until the Legislature has approved a specific list of projects.

State agencies are required to report all entities that receive over \$300,000 in state moneys annually for the provision of social services to the OFM; the OFM must select two groups of entities from these reports for audit. The first group must be randomly selected, the second group must be selected based on a risk assessment using specified risk factors. Each selected entity must complete a comprehensive entity-wide audit. Minimum audit requirements are specified. The OFM must adopt policies and procedures for conducting the audits. The OFM may deem audits conducted in conformance with federal requirements to meet the state audit requirements. Audits must be delivered to the OFM and the state agency by April 1 in the year following the selection of the entity for audit. Entities must resolve any audit findings within six months of the delivery of the audit. Entities may not enter into new contracts with state agencies until all audit findings are resolved.

EFFECT OF SENATE AMENDMENT(S): CTED contracts providing state grant assistance to social service organizations for capital improvements must require the repayment of both principal and interest costs of the grant if the capital improvements are used for purposes other than that specified in the grant. CTED must develop and distribute a model contract containing this provision. The responsibilities related to

the auditing of entities receiving over \$300,000 in state funds for the provision of social services are transferred from the Office of Financial Management to the Office of the State Auditor. Federal audits are automatically deemed to meet the state audit requirements. Only major audit findings must be resolved before an entity can enter into new contracts with state agencies, rather than all findings.

Appropriation: None.

Fiscal Note: Requested on substitute bill on March 5, 1997.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Competitive pools are good for the state, and reduce individual project requests to the Legislature. The bill will allow the state to take the lead in selecting projects, and ensure an equitable and public process. These investments protect some of the state's most vulnerable citizens - children. There is a shift in state policy away from central administration of social services towards community based and non-profit delivered services. Moneys currently available for these services are focused on programs and not facilities. An investment in infrastructure for these organizations will free up resources that can be used to provide services. State funding provides credibility to projects during fund raising efforts. The bill will allow organizations to continue to provide services as welfare reform is put in place.

Testimony Against: None.

Testified: Representative Val Ogden, prime sponsor; Majken Ryherd Keira, Washington Association of Community Action Agencies; Doreen Marchione, N.E. King County Multi-Service Center; Jack Feury, Children's Home Society of Washington; Sharon Osborne, Children's Home Society of Washington; and Pam Toal and Gary Burns, Olympia Family Support Center (all pro).