

SENATE BILL REPORT

SHB 1325

As Reported By Senate Committee On:
Ways & Means, April 3, 1997

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

Brief Description: Providing facilities for social service organizations.

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

Brief History:

Committee Activity: Ways & Means: 4/2/97, 4/3/97 [DPA, DNPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Fraser, Hochstatter, Kohl, Long, McDonald, Rossi, Sheldon, Snyder, Spanel, Swecker, Thibaudeau and Winsley.

Minority Report: Do not pass as amended.

Signed by Senator Loveland.

Staff: Michael Groesch (786-7434)

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.

Each nonfederal 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 Amended 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 CTED to establish a competitive process to prioritize applications for the assistance.

In developing the competitive process, 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 increases 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 office of the State Auditor. The State Auditor 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 State Auditor must adopt policies and procedures for conducting the audits. The State Auditor shall deem audits conducted in conformance with federal requirements to meet the state audit requirements. Audits must be delivered to the State Auditor 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 major audit findings are resolved.

Grants made by the department under the authority of this bill must contain provisions that require the grantee to hold the capital improvement for a period required by the department that is appropriate for the size of the grant. Contracts must also contain provisions requiring that the facility be used for the purposes intended. Failure to meet these provisions will result in repayment of the grant with interest. The department is required to develop model contracts which shall be distributed to legislative committees, the Office of Financial Management and other agencies which provide capital grants to nonstate entities.

Amended Bill Compared to Substitute Bill: The State Auditor's office was given the responsibilities designated to the Office of Financial Management in the amended bill. The consideration of federal audits as meeting the audit provisions of the bill were considered optional rather than mandatory. Any audit finding which is not resolved will act as a prohibition to the granting of new contracts to nonstate entities. The amended version limits the prohibition to major audit findings.

Appropriation: None.

Fiscal Note: Requested on March 26, 1997.

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

Testimony For: This program leverages other funds for the provision of social services and maximizes the use of discretionary funding for direct service. The bill codifies a process which currently exists and represents an appropriate partnership between the state and social service providers. A concern was registered that the audit provisions of the bill may duplicate existing audit activities.

Testimony Against: None.

Testified: Majken Ryherd-Keira, Washington Association of Community Action Agencies (pro); Laurie Lippold, Children's Home Society (pro w/concerns).