

**PROPOSED SENATE
2005-07
OPERATING &
CAPITAL BUDGET
HIGHLIGHTS**

SENATE CHAIR

**SENATE WAYS & MEANS COMMITTEE
MARCH 28, 2005**

TABLE OF CONTENTS

SUBJECT	PAGE
HOW THE SENATE 2005-07 BUDGET WAS CONSTRUCTED	1
BALANCE SHEET	3
FUND TRANSFERS	4
COMPENSATION AND VENDOR POLICY	5
FUNCTIONAL AREAS OF GOVERNMENT	8
HIGHER EDUCATION	8
K-12 EDUCATION	13
HEALTH CARE	17
CHILDREN’S SERVICES	21
LONG-TERM CARE	22
DEVELOPMENTAL DISABILITIES	23
OTHER HUMAN SERVICES	24
NATURAL RESOURCES	26
CRIMINAL JUSTICE/PUBLIC SAFETY	29
ALL OTHERS	32
REVENUE ADJUSTMENTS	36
CAPITAL BUDGET	40

HOW THE SENATE 2005-07 BUDGET WAS CONSTRUCTED

STATE FISCAL PICTURE FOR 2005-07

In 2005-07, Washington State once again faces a budget deficit. Even with the stronger state economy, the state faces a \$1.7 billion problem.

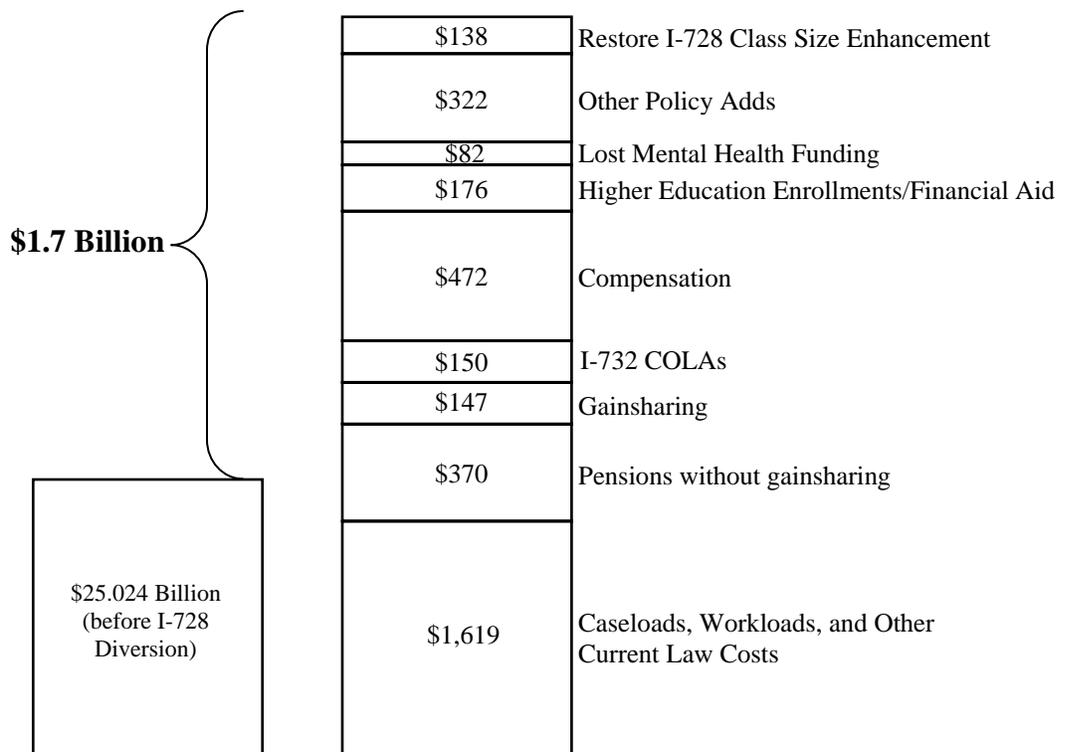
During the recent recession, chronic budget problems were created due to increases in the number of people demanding state services and the increased cost of those services. Budgets adopted during the last three years were balanced, in part, by:

- denying cost-of-living increases for state employees, public school employees, and groups and individuals who contract to provide state services;
- deferring payments to the state’s pension system;
- restricting access to higher education; and
- deferring funds needed to reduce public school class sizes.

Two unanticipated problems emerged that further added to the budget problem:

- 1) Federal funding was cut. The \$250 million of temporary federal support in 2003-05 was eliminated and the state lost an additional \$200 million for 2005-07. The largest example is the \$82 million reduction in funding for community mental health services.
- 2) The State Actuary’s 2004 valuation report found that the rates the state paid on behalf of state employee pensions failed to recognize the cost of gainsharing. Gainsharing occurs when the state pension system experiences extraordinary returns on its investment. This alone, created an additional need for \$149 million from the state general fund.

The chart below illustrates the current fiscal dilemma.



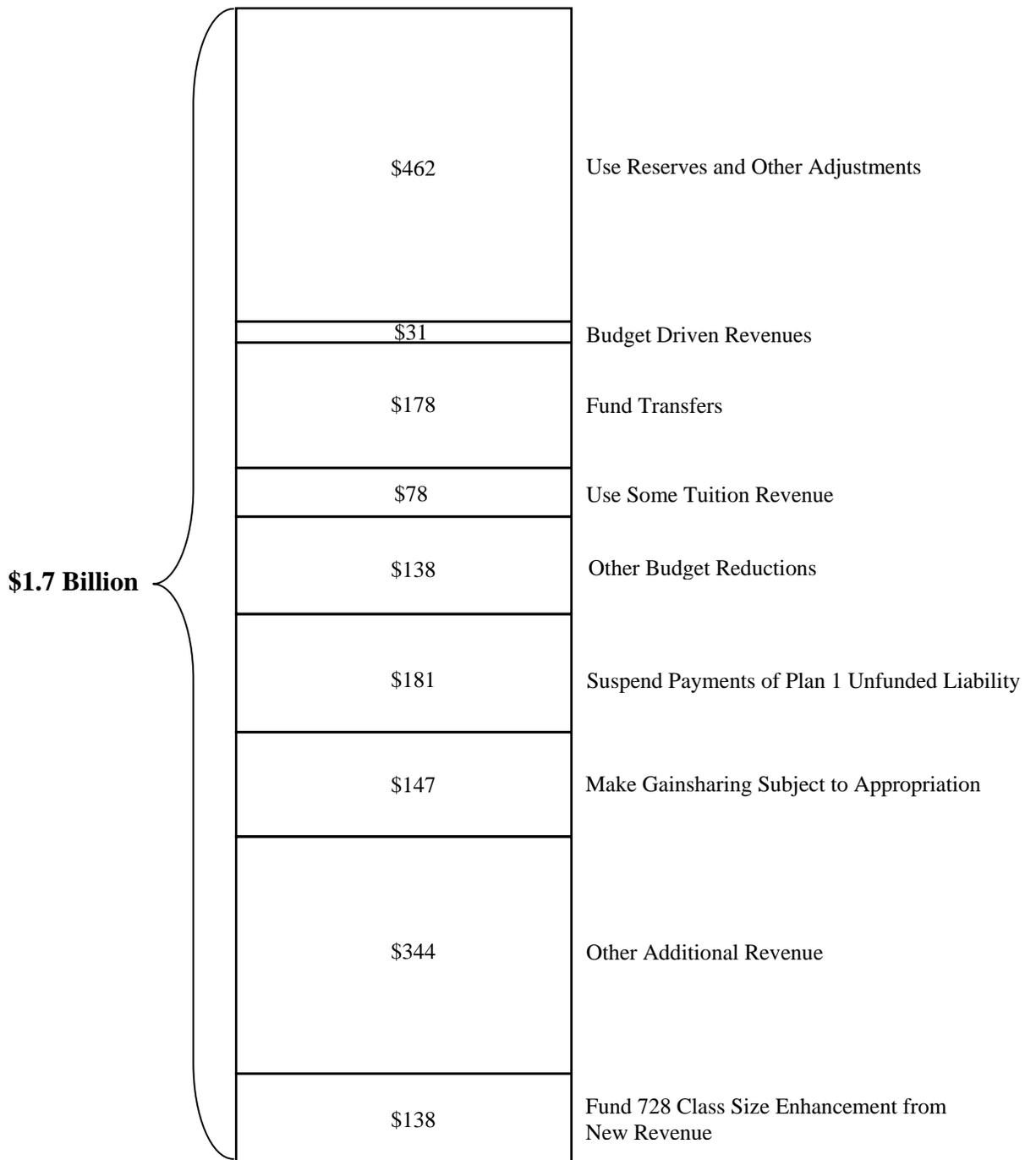
SENATE BUDGET PRINCIPLES

The Senate budget is based upon three principles:

1. Address the increased demand for needed state services.
2. Avoid general tax increases.
3. Be fiscally responsible.

As the following chart shows, the Senate budget solves the problem by increasing taxes \$482 million; making \$544 million of reductions; and using reserves, fund balances, and budget driven revenue totaling \$671 million.

The Solution



BALANCE SHEET

2005-07 Balance Sheet

RESOURCES	
Beginning Balance	\$676.0
November Revenue Forecast	\$24,721.8
March 2005 (economic changes)	438.3
March 2005 (court decisions)	<u>(274.8)</u>
March Revenue Total	\$24,885.3
Fund Transfers	178.1
Budget Driven Revenue	31.1
Suspend I-728 Property Tax Diversion	138.2
Excess Revenue - Student Achievement	165.2
Revenue Package	<u>178.6</u>
Resource Total	\$26,252.4
APPROPRIATIONS	
2005-07 Budget	\$26,038.7
RESERVES	
Ending Balance	\$213.7

FUND TRANSFERS

Fund Transfers

(dollars in thousands)

Fund Name	
PEBB Fund Balance	\$80,000
Health Services Account	\$45,000
Reduce GFS back fill to Water Quality	\$25,000
Pollution Liability Insurance Program Trust	\$15,000
State Treasurer's Service Account	\$10,500
State Convention & Trade Center	\$10,300
State Toxics Account	\$7,200
Dept of Retirement Systems Expense	\$2,000
Litter Account	\$2,000
Financial Svcs Regulation Account	\$1,557
DNR Equipment Fund	\$1,000
Flood Control Account	\$1,000
Secretary of State Revolving Account	\$500
Transfer to VRDE	(\$3,000)
Transfer to PSEA	(\$20,000)
Total	\$178,057

COMPENSATION AND VENDOR POLICY

STATE EMPLOYEE COMPENSATION

INCREASE SALARIES FOR NON-REPRESENTED EMPLOYEES - \$107.0 MILLION GENERAL FUND-STATE, \$121.0 MILLION OTHER FUNDS

The Senate budget provides funding for cost-of-living adjustments (COLAs) of 3.2 percent on July 1, 2005 and 1.6 percent on July 1, 2006 for non-represented employees in general government and higher education. Funding is also provided for salary increases for job classifications identified as being compensated at a level more than 25 percent below the market rate in the Department of Personnel's 2002 Salary Survey.

EMPLOYEE HEALTH BENEFIT CHANGES - \$118.0 MILLION GENERAL FUND-STATE, \$89.0 MILLION OTHER FUNDS

The Senate budget increases funding for state employee health benefits in general government and higher education. The increases for represented state employees comply with the collective bargaining agreements reached by the Governor's Office of Labor Relations and the unions representing state employees in general government and higher education. The amount paid by employing agencies increases from \$584.58 per employee per month in fiscal year 2005 to \$663.00 per employee per month in fiscal year 2006. In fiscal year 2007, the employer contribution per represented employee is \$744.00 per month, while the employer rate per non-represented employee is only \$618.00 per month.

This level of funding is set so that the employee share of medical premiums cost no more than 12 percent (assuming a 8.5 percent annual rate of inflation). If medical insurance costs grow faster than 8.5 percent per year, the Legislature intends to appropriate additional funds to cover the cost of inflation, up to a maximum of 11 percent.

INCREASE SALARIES FOR REPRESENTED EMPLOYEES - \$107.0 MILLION GENERAL FUND-STATE, \$81.0 MILLION OTHER FUNDS

The Senate budget provides funding for cost-of-living adjustments (COLAs) and other salary increases for represented employees as called for in the collective bargaining agreements reached by the Governor's Office of Labor Relations and the unions representing state employees in general government and higher education. Although the exact provisions vary between contracts, most include COLAs of 3.2 percent on July 1, 2005 and 1.6 percent on July 1, 2006. The contracts also call for salary increases for job classifications identified as being compensated at a level more than 25 percent below the market rate in the Department of Personnel's 2002 Salary Survey.

REDUCTIONS

PENSION FUNDING CHANGES - \$312.0 MILLION GENERAL FUND-STATE, \$127.0 MILLION OTHER FUNDS

The Senate budget reflects statutory changes that will be made to the pension funding statutes related to the gainsharing benefits in Plans 1 and 3 of the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and School Employees' Retirement System (SERS), which will require legislative approval of

gainsharing disbursements and defer recognition of future benefit costs. Additionally, the Senate budget suspends employer contributions toward the unfunded liabilities in Plan 1 of PERS and TRS during the 2005-07 biennium. As a result of these changes, employer contribution rates for the fiscal biennium are reduced from the State Actuary's current law recommendations of 5.73 percent for PERS, 6.74 percent for TRS, 7.56 percent for SERS to 3.38 percent for PERS, 2.74 percent for TRS, and 3.51 percent for SERS. Under Governor Gregoire's pension proposal, the employer rates would be 1.20 percent for PERS, 0.57 percent for TRS, and 1.30 percent for SERS. After these savings, the Senate still provides \$200 million more in General Fund-State funds than Governor Gregoire's budget for the state retirement systems.

K-12 COMPENSATION

INCREASE SALARIES FOR SCHOOL EMPLOYEES - \$139.0 MILLION GENERAL FUND-STATE, \$0.61 MILLION GENERAL FUND-FEDERAL

The Senate budget provides a cost-of-living adjustment (COLA) as required by Initiative 732. Specifically, funding is provided for a COLA of 1.2 percent for the 2005-06 school year and 1.7 percent for the 2006-07 school year.

HEALTH BENEFIT CHANGES - \$135.0 MILLION GENERAL FUND-STATE, \$0.6 MILLION GENERAL FUND-FEDERAL,

The Senate budget provides funding to increase the K-12 monthly benefit rate from \$582.47 per employee in the 2004-05 school year to \$631.98 in the 2005-06 school year and \$685.70 in the 2006-07 school year. The increases in the K-12 funding rates correspond to similar increases in the state employee rates. This level of funding is set so that the employee share of medical premiums cost no more than 12 percent (assuming a 8.5 percent annual rate of inflation). If medical insurance costs grow faster than 8.5 percent per year, the Legislature intends to appropriate additional funds to cover the cost of inflation, up to a maximum of 11 percent.

VENDORS, INCLUDING HOME CARE WORKERS

INCREASES

INCREASE VENDOR RATES - \$98.0 MILLION STATE FUNDS, \$61.0 MILLION FEDERAL

Individuals and organizations that contract with the state to provide health and human services will receive inflationary cost-of-living increases that will average 1.2 percent in September 2005, and an additional 1.7 percent in September 2006. The increase will apply to thousands of different individual and organizations, including foster families, child care agencies, nursing homes, hospitals, physicians, dentists, pharmacies, mental health treatment providers, community residential care facilities, and many others.

HEMOCARE WORKER COLLECTIVE BARGAINING AGREEMENT - \$31.0 MILLION GENERAL FUND-STATE, \$30.3 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding to implement the provisions of the collective bargaining agreement between the state and the approximately 22,000 individuals who contract with it to provide in-home care for elderly and disabled people. Major provisions of the 2005-07 agreement include annual wage increases averaging 26 cents

per hour; state contributions averaging \$506 per covered worker per month for medical, dental, and vision insurance; vacation leave at 1 hour per 50 worked; and state withholding of worker income tax.

INCREASE COMMUNITY PSYCHIATRIC HOSPITAL RATES – \$6.4 MILLION GENERAL FUND-STATE

The number of community hospital beds available for short-term, emergency treatment of persons committed under the Involuntary Treatment Act (ITA) decreased 12 percent between 2000 and 2004. To prevent further erosion of essential treatment capacity, the Senate budget provides funding to increase, by an average of about 40 percent, the rate paid for treatment of medically indigent patients in hospitals that accept ITA patients.

INCREASE AGENCY HOMECARE WORKER WAGES - \$4.9 MILLION GENERAL FUND-STATE, \$4.9 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding so that agencies that contract with the state to deliver home care services can provide the same wage increase for their employees as provided for those who contract and collectively bargain directly with the state.

INCREASE CHILDREN'S LONG-TERM INPATIENT (CLIP) RATES - \$1.4 MILLION GENERAL FUND-STATE, \$1.4 MILLION GENERAL FUND-FEDERAL

The Senate budget provides a 25 percent increase in payment rates for the Children's Long-Term Inpatient Program (CLIP) residential treatment facilities. The CLIP facilities provide inpatient treatment for children with severe psychiatric impairments who cannot be adequately served in less restrictive settings. One CLIP facility closed in summer 2004 due to financial difficulties. The three remaining facilities are operating with substantial deficits and are at risk of closure if state payment rates are not increased.

FUNCTIONAL AREAS OF GOVERNMENT

HIGHER EDUCATION

NEW ENROLLMENTS

INCREASE GENERAL ENROLLMENTS - \$55.5 MILLION GENERAL FUND-STATE

The Senate budget provides funds to increase the capacity of colleges and universities by 7,143 general enrollments. At the 4-year schools and branch campuses, where a general fund-state subsidy of \$5,500 per FTE is assumed, 4,000 new enrollments are provided. Of the new 4-year enrollments, 400 each are provided to UW-Tacoma and WSU-Vancouver. Seventy percent of new 4-year enrollments are reserved for transfers from Washington community and technical colleges. At the community and technical colleges, a general fund subsidy of \$4,563 per FTE is assumed and 3,143 enrollments are added. In addition, the Senate budget provides \$500,000 each to WSU-Vancouver and UW-Tacoma to assist their transition from branch campuses serving upper division students to four-year campuses enrolling freshmen and sophomores, as well as upper division students.

INCREASE HIGH DEMAND ENROLLMENTS - \$8.7 MILLION GENERAL FUND-STATE; \$3 MILLION ADMINISTRATIVE CONTINGENCY ACCOUNT

The Senate budget provides funding to increase capacity at community and technical colleges to deliver training and degree programs in high demand fields. A general fund subsidy of \$8,000 per FTE is assumed for 977 new enrollments in fields demanded by students or employers.

EXPAND ADULT BASIC EDUCATION - \$4.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding to strengthen and expand Adult Basic Education programs at the community and technical colleges.

JOB SKILLS PROGRAM - \$6.0 MILLION ADMINISTRATIVE CONTINGENCY ACCOUNT

The Senate budget provides funding for the job skills program with federal Reed Act monies. Funds will be matched by employers as part of the requirements of the job skills program.

VETERINARY MEDICINE - \$2.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding to replace the loss of funds as a result of Oregon State University's termination of its contract with Washington State University's Doctor of Veterinary Medicine program.

FINANCIAL AID

EXPAND THE STATE NEED GRANT - \$108.4 MILLION GENERAL FUND-STATE

The Senate budget expands financial eligibility for the state need grant into the lower middle class by increasing the effective income cutoff to 70 percent of the State's median family income (MFI) – approximately \$46,600 per year for a family of four. This represents an expansion of service to the most Washington residents ever and is the first

expansion of the eligibility cut-off for low income families since the program was established in 1969. The 70 percent MFI cut-off means that over 68,000 students will be eligible to receive the award. The Senate budget also provides funding to cover the impact of tuition increases and new state-funded enrollments.

ELIMINATE THE PROMISE SCHOLARSHIP - \$12.7 MILLION GENERAL FUND-STATE

The Senate budget eliminates funding for the Promise scholarship; the last grant recipients are the 2004 high school graduates. Savings of \$12.7 million are directed to expand the state need grant.

INCREASE STATE WORK STUDY AND WASHINGTON SCHOLARS - \$3.5 MILLION GENERAL FUND-STATE

The Senate budget increases funding for the State Work Study program by \$2.9 million and the Washington Scholars program by \$623,000 to reflect increases in tuition and new enrollments.

COMPENSATION

INITIATIVE 732 COLA -- \$10.9 MILLION GENERAL FUND-STATE

The Senate budget provides funding for a cost-of-living adjustment at the consumer price index of 1.2 percent in FY 2006 and 1.7 percent in FY 2007 for eligible faculty and classified staff at the community and technical colleges.

COMMUNITY COLLEGE FACULTY INCREMENT -- \$1.8 MILLION GENERAL FUND-STATE

State funds and salary turnover savings authority are combined to help community and technical colleges fund increments awarded to full-time faculty.

PART-TIME FACULTY EQUITY PAY - \$1.8 MILLION GENERAL FUND-STATE

The Senate budget provides resources to address salary equity for part-time instructors at the 34 community and technical colleges.

TUITION

Governing boards will decide the appropriate level of tuition for most students, except resident undergraduates. For resident undergraduates, the Senate proposes the following annual increases in tuition over the rates charged by the institution in the previous academic year: seven percent a year at the research institutions, six percent a year at the comprehensive institutions and The Evergreen State College, and five percent a year at the community and technical colleges.

REDUCTIONS

REDUCE UNIVERSITY AND COLLEGE OPERATING COSTS -- \$78 MILLION GENERAL FUND-STATE

The Senate budget reduces general fund expenditures by \$78 million, representing 50 percent of the increased tuition revenue that the institutions may expect in the 2005-07 biennium.

FACILITY PRESERVATION - \$67.0 MILLION GENERAL FUND-STATE

In addition to the fund transfer that occurred in the 2003-05 biennial budget, the Senate budget transfers an additional \$15 million of the maintenance and operations budget for the higher education institutions from the general fund to the education construction account in the capital budget.

REDUCE NON-INSTRUCTION PROGRAMS - \$10.8 MILLION GENERAL FUND-STATE

The Senate budget makes a 1 percent general fund-state reduction to all non-instruction programs.

MISCELLANEOUS

LIFE SCIENCE RESEARCH - \$1.0 MILLION GENERAL FUND-STATE

The Senate budget provides an additional \$1.0 million for research in life- or bio-sciences. Such research helps Washington retain its place as one of the most important life-sciences research centers in the country, and may help the formation of new industries and companies in the Puget Sound region.

UW TACOMA AUTISM CENTER - \$0.7 MILLION GENERAL FUND-STATE

The Senate budget provides funding to maintain an Autism Center at the University of Washington (UW) Tacoma campus. The facility will continue to operate as a satellite facility to the Autism Center at the UW Medical Center in Seattle.

KOREAN STUDIES ENDOWED CHAIR - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding to establish an endowed chair in Korean studies at the University of Washington, Seattle.

JEFFERSON COUNTY PILOT PROJECT -- \$0.4 MILLION GENERAL FUND STATE

The Senate budget provides continued funding for a demonstration project to increase opportunities and participation in post-secondary education in rural areas of Jefferson County.

SOUTHWEST WASHINGTON ALLIED HEALTH AND HUMAN SERVICES EDUCATIONAL CONSORTIUM - \$0.1 MILLION GENERAL FUND STATE

The Senate budget provides funding to establish a southwest Washington allied health and human services educational consortium at Washington State University, Vancouver, Clark College and Lower Columbia College.

Senate Budget for Higher Education
General Fund-State in Thousands

	<u>Amount</u>
2003-05 Estimated Expenditures	\$2,695,678
<i>Carryforward and Maintenance Changes</i>	\$97,122
<u>Compensation</u>	
COLA-Nonrepresented	\$63,053
Health Care Benefits	48,780
Pension Rate Increases	24,030
Salary Surveys	13,088
Collective Bargaining Agreements	12,383
Pension Policy Adjustment	11,223
Initiative 732 COLA	10,984
Pension Rate Savings	(17,917)
Faculty Increments	1,800
Part-Time Faculty Equity	1,800
Classification Revisions	547
Total Compensation	\$169,771
<u>Increases & Enhancements</u>	
State Need Grant	\$108,404
General Enrollment Increases	54,515
High-Demand Enrollments	8,720
Operating Costs/Exist Capital Proj	6,144
Adult Basic Education	4,000
State Work Study	2,916
Veterinary Medicine	2,028
Other	1,330
Lower Division Planning Funds	1,000
Life Science Research	1,000
UW-Tacoma Autism Center	700
Washington Scholars	623
Korean Studies Endowed Chair	500
Ghost Shrimp Research	400
Jefferson County Pilot Project	350
SW WA Allied Health Consortium	100
Increases & Enhancements	\$192,730
<u>Reductions & Decreases</u>	
Tuition Rate Increase	(\$78,128)
Maintenance and Operations Shift	(14,999)
Terminate Promise Scholarship	(12,617)
Non-Instruction Reduction	(10,336)
General Inflation	(2,098)
WAVE Program	(49)
Reductions & Decreases	(\$118,227)
Total 2005-07 Budget	\$3,037,074
<i>Dollars Increase from 2003-05</i>	<i>\$341,396</i>
<i>Percentage Increase from 2003-05</i>	<i>11.2%</i>

Senate Proposed 2005-07 Biennial Budget
Higher Education New Enrollments
Student FTEs By Campus

	FY 2006	FY 2007	Total
Four Year Colleges			
UW-Seattle	308	308	616
UW-Tacoma	200	200	400
UW-Bothell	72	72	144
Total University of Washington	580	580	1,160
WSU-Pullman	261	261	522
WSU-Vancouver	200	200	400
WSU-Tri-Cities	45	45	90
Total Washington State University	506	506	1,012
Central Washington University	314	314	628
Eastern Washington University	369	369	738
The Evergreen State College	111	111	222
Western Washington University	120	120	240
Total Comprehensives	914	914	1,828
Total Four Year	2,000	2,000	4,000
Two Year Colleges			
Community & Technical Colleges			
High Demand	488	489	977
General Enrollments	1,572	1,572	3,143
Total Two Year	2,060	2,061	4,120
Total New Enrollments	4,060	4,061	8,120

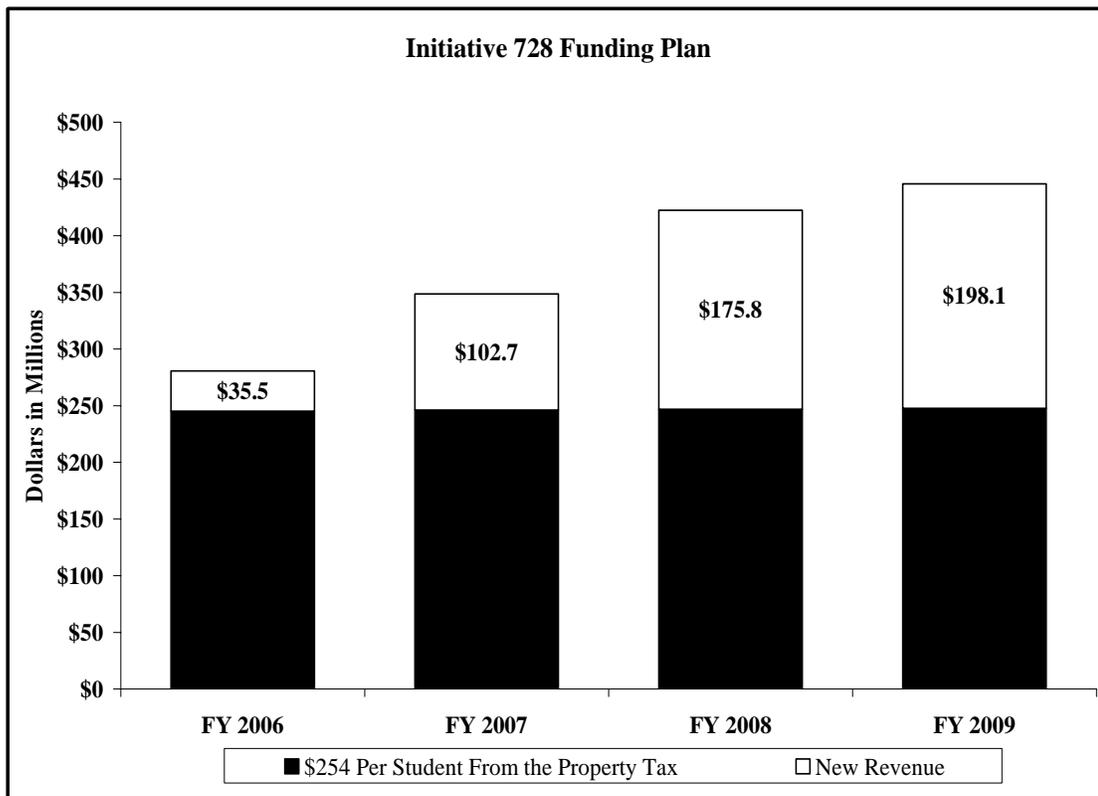
K-12 EDUCATION

INCREASES

INITIATIVE 728 STEP UP - \$138.2 MILLION STUDENT ACHIEVEMENT FUND-STATE

The Student Achievement Fund was authorized by voter approval of Initiative 728 in 2000. Districts use funds to lower class sizes by hiring more teachers and making necessary capital improvements, create extended learning opportunities for students, provide professional development for educators, and provide early childhood programs.

Under current law, the property tax transfers into the Student Achievement Fund will change from \$254 per student to \$300 per student in the 2005-06 school year and \$375 per student in the 2006-07 school year. Legislation proposes to maintain the property tax transfers into the Student Achievement Fund at \$254 per student. However, the legislation also includes the restoration of the reconfigured estate tax and an increase in cigarette taxes to support the increased per student distributions.



ENHANCE SPECIAL EDUCATION SAFETY NET - \$18.9 MILLION GENERAL FUND-STATE, \$3.0 MILLION GENERAL FUND-FEDERAL

The Senate budget increases funding for the special education safety net to reflect the impact of two rule changes. The application threshold for individual high cost students, based on services provided in their individual education plan (IEP), will increase to match the new federal definition for high cost. In addition, the current maintenance of effort requirement will be eliminated in the school district application form documenting

financial need. This change will provide greater equity among districts and allow more districts to access the safety net grant process.

EXPAND LEARNING ASSISTANCE PROGRAM - \$17.4 MILLION GENERAL FUND-STATE

Chapter 20, Laws of 2004 (ESSB 5877) specifies that beginning in the 2005-06 school year, the Learning Assistance Program (LAP) formula will be based 50 percent on test scores and 50 percent of one or more family income factors. The actual formula is to be determined through the appropriation act. The Senate budget increases LAP funding for the implementation of the required formula change and provides funding so that districts that are projected to receive less funding under the new formula would still be allocated at least the same amount of LAP funding the district received in the 2004-05 school year.

FUND SCIENCE ASSESSMENT - \$4.5 MILLION GENERAL FUND-STATE

In FY 2006, there are insufficient federal funds to cover the federally-mandated reading and math assessments in grades 3, 5, 6, and 8 and develop and implement a new science assessment, which will be required by the federal government in 2008. For this reason, the Senate budget supports the costs to administer and score the Washington Assessment of Student Learning (WASL) for science with state funding.

ASSESSMENT SYSTEM CHANGES - \$3.5 MILLION GENERAL FUND-STATE

Chapter 19, Laws of 2004 (3ESHB 2195), while defining graduation requirements for 2008 to include demonstrated mastery of state standards, also provided policy support for multiple re-take test opportunities for students and the development of options for an objective alternative assessment. The Senate budget provides funding for these next steps to fully implement the 2008 graduation requirement.

COMPREHENSIVE EDUCATION FINANCE STUDY - \$1.7 MILLION GENERAL FUND-STATE

The Senate budget provides funding for SSB 5441 (education study), which provides for comprehensive finance studies on early learning, K-12, and higher education. The legislation establishes a steering committee that will direct and coordinate the studies and develop recommendations. The steering committee is required to provide interim reports to the appropriate policy and fiscal committees of the Legislature by November 15, 2005 and June 16, 2006. The final report and recommendations of the steering committee shall be submitted by November 15, 2006.

ONE-TIME GRANTS FOR FUEL COST - \$1.5 MILLION GENERAL FUND-STATE

Diesel fuel prices have increased significantly in the last two years. Some school districts have indicated that these increases have caused them to reduce transportation for extracurricular activities and make other reductions. For the 2005-06 and 2006-07 school years, the Senate budget provides one-time allocations to school districts to compensate for recent increases in fuel prices.

OTHER K-12 ENHANCEMENTS AND INCREASES - \$5.1 MILLION GENERAL FUND-STATE

The Senate budget also provides funding for a variety of smaller K-12 increases. Specifically, funding is provided for the following: the development of a new core student record system and maintenance of the current K-12 payment system (\$2 million); incentive grants to encourage school districts to enroll higher numbers of students in vocational Skills Centers pursuant to SSB 5717 (\$1.2 million); expansion of mentor opportunities for students at 16 high schools which are part of the Washington Achievers

Scholars program (\$1 million); the implementation of SSB 5349 which establishes a pilot program to implement research-based dyslexia instruction programs (\$677,000); coordination and direct services to support schools in instruction around conservation and natural resources (\$156,000); and developing and disseminating curriculum and other materials documenting women's role in World War II (\$150,000).

REDUCTIONS

ELIMINATE READING CORPS - \$7.4 MILLION GENERAL FUND-STATE

The Senate budget eliminates state funding for the Washington Reading Corps (WRC). The program provides state grants to assist in the coordination of reading tutors and volunteers.

SCHOOL BUS REPLACEMENT - \$6.5 MILLION GENERAL FUND-STATE

The final report on K-12 School Bus Bidding and Purchasing, issued by the Joint Legislative Audit and Review Committee in February 2005, noted that the present method for reimbursing districts for school bus purchases results in wide annual fluctuations in state payments to districts. To address this issue, the school bus depreciation payments will be based on a five-year average of prices for each bus category. In the final year on the depreciation schedule, the payment for a bus will be adjusted so that the total depreciation payments and assumed investment returns will be sufficient to replace the bus according to the current low bid price for that bus category. These changes provide additional stability and predictability for state expenditures and school district revenues, and maintains the current policy of providing the replacement value by the end of the depreciation payments.

NATIONAL BOARD CERTIFICATION - \$5.0 MILLION GENERAL FUND-STATE

The certification process by the National Board for Professional Teaching Standards (NBPTS) requires an educator to demonstrate teaching practices that meet high and rigorous standards. For several years, Washington State has supported this effort by providing annual bonuses of \$3,500 for national board certified teachers. For the 2005-07 biennium, the annual bonus is reconfigured as a one-time bonus and will only be funded for teachers achieving their national certification in the 2005-06 and 2006-07 school years.

OTHER NON-BASIC EDUCATION REDUCTIONS - \$10.4 MILLION GENERAL FUND-STATE

The Senate budget makes a variety of reductions in non-basic education programs. Many of the reductions focus on reducing administrative costs or eliminating lower priority programs or activities. Some examples include: transferring funding for small information technology grants to the capital budget (\$3.9 million); reducing state funding for the Pacific Science Center and LASER science programs (\$2.3 million); lowering the costs associated with the alternative certification routes which are alternatives to the traditional teacher preparation programs (\$1.1 million); eliminating funding for the Academic Achievement and Accountability Commission and associated staff positions (\$620,000); and reducing state funding for a various K-12 training programs.

Senate Budget for K-12 Public Schools
GF-S and Student Achievement Funds in Thousands

	<u>Amount</u>
2003-05 Spending Level (After '04 Supp)	\$10,574,788
<u>Caseload & Compensation</u>	
Caseload and Other Increases*	\$435,940
Initiative 732 COLA (1.2%, 1.7%)*	138,975
Health Benefit Changes	135,082
Pension Rate Increases*	352,226
Pension Rate Savings	(250,531)
Caseload & Compensation	\$811,692
<u>Increases & Enhancements</u>	
Student Achieve Fund I-728 Step Up *	\$138,238
Special Education Safety Net	18,945
Expand Learning Assistance Program	17,448
Science WASL	4,471
Assessment System Improvements (2SSB 5638)	3,542
Comprehensive Education Finance Study - OFM (E2SSB 5441)	1,741
Core Student Record System	1,559
One-Time Grant for Fuel Costs	1,534
Skills Center Incentive Grants (SSB 5717)	1,181
Washington Achievers Scholars	1,000
Dyslexia Pilot Program (ESSB 5349)	677
Apportionment and Financial Systems	400
Environmental Education Coordination	156
Women's Role in World War II	150
Increases & Enhancements	\$191,042
<u>Reductions & Decreases</u>	
Reading Corps	(\$7,426)
School Bus Depreciation	(6,482)
National Board Certification Bonus	(5,044)
Transfer to Capital Budget	(3,918)
Pacific Science Center	(1,224)
Alternative Routes to Teaching	(1,096)
LASER Science Program	(1,080)
Mathematics Initiative	(1,030)
Responsibilities of K-12 Boards (ESSB 5732)	(620)
Summer Accountability Institutes	(500)
Non-Violence Leadership Training	(292)
Web-Based Instructional Network	(252)
Middle Management Reduction	(211)
General Inflation	(183)
Reductions & Decreases	(\$29,358)
Total 2005-07 Budget	\$11,548,164
<i>Dollar Increase from 2003-05</i>	<i>\$973,376</i>
<i>Percentage Increase from 2003-05</i>	<i>9.2%</i>

* These items are included in the maintenance level budget.

HEALTH CARE

INCREASES

MAINTAIN CURRENT MEDICAL ASSISTANCE SERVICES - \$647.0 MILLION STATE FUNDS, \$172.0 MILLION GENERAL FUND-FEDERAL

The Senate budget provides a 21 percent increase in state funding in order to maintain current Medicaid eligibility and coverage policies. A little more than one-third of the expenditure increase is due to covering more people. An average of 900,000 persons per month are projected to receive Medicaid- and state-funded medical assistance coverage next biennium, compared to an average of 860,000 persons per month during the 2003-05 budget period. The number of persons covered is projected to grow 3.6 percent per year, about three times faster than total state population. About half of the increase is due to higher medical costs per person served, which are projected to grow about 3.4 percent per year next biennium. Almost all of this share of the increase is due to increased service utilization or to the introduction of new, more expensive procedures, rather than to higher payment rates for existing services. The remaining 15 percent of the \$647 million increase in state-fund expenditures is due to the loss of federal financial assistance that was available on a one-time basis during the 2003-05 fiscal period.

NON-MEDICAID COMMUNITY MENTAL HEALTH SERVICES - \$82.2 MILLION GENERAL FUND-STATE

Under new federal rules and policies, the state's community mental health system is no longer able to use savings achieved through Medicaid managed care for people and services that would not otherwise be eligible for Medicaid. The Senate budget provides state revenues to replace all of the lost federal funding. Continuation of at least the current level of community mental health services is essential to public safety and to the basic quality of life in our communities. Two-thirds of "non-Medicaid" community mental health funding is expended on crisis and commitment, community hospitalization, and residential care for people with acute or chronic mental illness. The rest is spent on limited outpatient care, medications, and medication monitoring for over 25,000 children and adults, most of whom have very low incomes and serious mental impairments, but who cannot, or have not yet, qualified for Medicaid.

OFFENDER PSYCHIATRIC SERVICES - \$8.0 MILLION GENERAL FUND-STATE, \$1.5 MILLION OTHER FUNDS

The Senate budget provides funding for eight additional psychiatrists and psychologists to conduct outpatient evaluations of competency to stand trial; and to open an additional legal offender ("forensic") ward at Western State Hospital. The state psychiatric hospitals are legally responsible for evaluating competency to stand trial, for providing treatment to restore competency for defendants judged incompetent for trial, and for providing supervision and ongoing treatment for defendants found not guilty by reason of insanity. Steady increases in the demand for these services have substantially exceeded the hospital's capacity to complete required evaluations within acceptable timeframes.

MAINTAIN BASIC HEALTH PLAN ENROLLMENT AT 100,000 - \$44.0 MILLION HEALTH SERVICES ACCOUNT

The Senate budget provides funding to cover the cost of projected medical inflation so that the Basic Health Plan can continue to provide subsidized insurance coverage for 100,000 low-income Washingtonians without reducing current benefit or subsidy levels.

12-MONTH CHILDREN'S MEDICAL COVERAGE – \$32.6 MILLION STATE FUNDS, \$33.6 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding to implement the Governor's directive that, beginning in May 2005, children's continued eligibility for state medical assistance will be reviewed annually, rather than every six months. Additionally, once determined eligible, children will remain eligible until their next annual review, rather than losing coverage if family income or circumstances change. These changes are expected to result in an average of approximately 25,000 children per month retaining state medical assistance coverage in Fiscal Year 2005.

OMNIBUS MENTAL AND SUBSTANCE ABUSE DISORDERS ACT (SENATE BILL 5763) - \$27.2 MILLION GENERAL FUND-STATE, \$5.1 MILLION GENERAL FUND-FEDERAL

Senate Bill 5763 has three major components with determinable fiscal impact in the upcoming biennium, including: (1) a significant expansion of substance abuse treatment; (2) pilot projects and evaluations to test integrated and intensive approaches to persons with mental and substance abuse disorders; and (3) a requirement for integrated mental health and substance abuse assessment. While not all costs of the bill can be determined, the Senate budget addresses the programmatic costs needed to fund these components of the bill, which all have a null and void clause.

Additionally, based on the results of a 2002 cost offset study by the DSHS Research and Data Analysis Division, and with additional input from the Joint Legislative Audit and Review Committee, the Senate budget assumes that the substance abuse treatment expansion would result in "cost avoidance" in medical assistance and long-term care of \$14.4 Million in General Fund-State and \$12.6 Million in General Fund-Federal during the 2005-07 biennium. This is used to offset the specific funding added to the Senate budget contingent upon enactment of the bill, which includes:

- \$25.3 Million in state funds, and \$14.3 Million in federal funds to double the amount of substance abuse treatment over the fiscal year 2004 level by the second year of the 2005-07 biennium, for Medicaid-eligible adults. This funding covers aged, blind, disabled, and other Medicaid-eligible persons, including clients of the General Assistance or Temporary Assistance to Needy Families programs, and expands services to pregnant and parenting women and their children.
- \$5 Million in state funds and \$1.7 Million in federal funds to provide substance abuse treatment to an additional 1,000 youth per year who are under 200 percent of the federal poverty level.
- \$2 Million in state funds to provide supplemental vendor rate increases to residential treatment providers to facilitate the substance abuse treatment expansions. This level is in addition to \$4.1 Million in total funds provided elsewhere in the budget for substance abuse providers as a vendor rate increase.
- \$1.1 Million in state funds and \$1.2 Million in federal funds for contracted substance abuse services for the child welfare system.

- \$7.3 Million in state funds to implement pilot projects in four sites, including two cross-systems crisis responder pilots that utilize an integrated involuntary treatment act approach and two intensive chemical dependency case management pilots. This funding also includes about \$600,000 for the Washington State Institute for Public Policy to evaluate the results of the pilots and conduct two other studies in the bill and to report to the Legislature on cost-effectiveness and outcomes.
- \$655,000 in state funds and \$466,000 in federal funds to develop an integrated mental health/substance abuse screening and assessment tool to be used by the Mental Health Division and Division of Alcohol and Substance Abuse in DSHS. The Senate budget also provides funding for training and quality assurance.
- \$100,000 in state funds for the Joint Legislative Audit and Review Committee to conduct a study of potential facilities that could be converted to regional jails that provide services to persons who need mental health treatment.

PREMIUM-FREE CHILDREN'S MEDICAL COVERAGE - \$8.8 MILLION STATE FUNDS, \$9.2 MILLION GENERAL FUND-FEDERAL

The Department of Social and Health Services will continue to provide premium-free medical and dental coverage for children with family incomes between 150-200 percent of poverty, which is about \$1,900 to \$2,600 per month for a family of three. Such families were previously budgeted to pay premiums of \$10 per child, up to \$30 per month, beginning in July 2005.

DRUG PURCHASING CONSORTIUM – \$0.4 MILLION HEALTH SERVICES ACCOUNT, \$5.1 MILLION ENROLLMENT FEES

As provided in Senate Bill 5471, the Health Care Authority will organize a drug purchasing consortium that will include all state agencies and any private organization or uninsured state resident who chooses to join. By building upon the state's current evidence-based preferred drug list, the consortium is expected to leverage discounted prices by combining the purchasing power of consortium members. State funds are provided to cover the initial costs of designing and organizing the consortium. Ongoing operating costs are to be covered by enrollment fees charged to consortium participants.

ELECTRONIC MEDICAL RECORDS ADVISORY BOARD - \$0.3 MILLION HEALTH SERVICES ACCOUNT

As provided in Senate Bill 5064, the Health Care Authority will develop strategies for promoting adoption of electronic medical records and other health information systems that are inter-operable, and consistent with national standards. The strategies are to be developed in consultation with an advisory board that includes health care professionals, and information technology experts.

DECREASES

PRESCRIPTION DRUG CO-PAY – \$8.2 MILLION GENERAL FUND-STATE SAVINGS, \$6.7 MILLION GENERAL FUND-FEDERAL SAVINGS

Beginning in January 2006, medical assistance recipients will pay \$3.00 per prescription filled. Washington is one of only 14 states that do not currently require a nominal co-pay for prescription drugs, and \$3.00 is the co-pay most typically charged by the states that

require them. In accordance with federal law, the co-pay will not apply to children, pregnant women, or persons enrolled in managed care.

MEDICAL EQUIPMENT AND SUPPLY COST MANAGEMENT – \$6.8 MILLION GENERAL FUND-STATE SAVINGS, \$6.8 MILLION GENERAL FUND-FEDERAL SAVINGS

The growth in expenditures on incontinence supplies, medical nutritional supplements, wheelchairs, special bed and bath equipment, and other medical supplies is to be reduced by five percent in Fiscal Year 2006, and by 10 percent in Fiscal Year 2007. This is to be accomplished through strategies such as selective contracting, reducing rates to better reflect the best available market price, and more stringent reviews of the initial and ongoing medical necessity of proposed purchases.

ADDITIONAL DRUG COST MANAGEMENT – \$6.4 MILLION STATE FUND SAVINGS, \$5.5 MILLION GENERAL FUND-FEDERAL SAVINGS

The Medical Assistance Administration will achieve savings by establishing a preferred drug in approximately 30 additional therapeutic classes. The preferred drug will be the least costly, equally effective drug identified through clinical evidence reviews conducted by a contracted pharmacy benefits management firm. The contracted firm will also negotiate discounts with manufacturers of more costly drugs for their inclusion on the preferred drug list.

CO-PAY FOR NON-EMERGENCY TRANSPORTATION – \$5.4 MILLION GENERAL FUND-STATE SAVINGS, \$5.3 MILLION GENERAL FUND-FEDERAL SAVINGS

Beginning July 2005, all medical assistance recipients will pay \$1.00 per trip for transportation to doctors' offices, dental appointments, adult day care and adult day health programs, mental health counseling, and all other non-emergency medical services. The medical assistance program pays for approximately 3.1 million such trips per year, at an average cost of about \$16.00 per trip. The co-pay is expected to both defray the public's cost of this service, and to encourage more cost-conscious use.

MANAGEMENT OF HIGH-UTILIZING PATIENTS – \$5.3 MILLION GENERAL FUND-STATE SAVINGS, \$5.3 MILLION GENERAL FUND-FEDERAL SAVINGS

An additional 1,500 medical assistance clients whose medical histories demonstrate a clear pattern of over-utilization and inappropriate use of medical services will be assigned a single primary care physician, pharmacy, and other medical providers from whom they may obtain services. Clients currently experiencing such assignments have shown a 48 percent decrease in emergency room use, a 41 percent decrease in office visits, and a 29 percent decrease in the number of prescriptions purchased.

DISCONTINUE "PHARMACY CONNECTIONS" – \$0.8 MILLION HEALTH SERVICES ACCOUNT SAVINGS

The Pharmacy Connections program was expanded in 2003 to assist low-income people learn about and apply for manufacturer drug discount programs for which they may be eligible. Drug manufacturers, in coordination with a number of local patient advocacy and assistance groups, have undertaken a broadly-publicized effort that provides a very similar service. Consequently, the state-funded effort is discontinued. Part of the savings are invested into a 25 percent increase in the educational events conducted by Area Agencies on Aging to help seniors learn more about the safe and effective use of drugs, and their options under the new Medicare Part D program.

CHILDREN'S SERVICES

INCREASES

REFORM CHILD PROTECTIVE SERVICES / CHILD WELFARE SERVICES - \$3.9 MILLION GENERAL FUND-STATE, \$1.7 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding to narrow the focus of child protective services to only conduct investigations. The budget also provides staff and funding to enhance voluntary in-home child welfare services so that fewer children will be placed in out-of-home care and that those in care will be visited at least once every thirty days by their caseworker.

MENTAL HEALTH TRANSITIONAL FOSTER CARE MODEL – \$1.1 MILLION GENERAL FUND-STATE, \$0.7 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding to implement an evidence-based model under which children with intensive mental health needs will be served in foster homes that receive special funding, training, and support. The model will serve 18 children per month, with foster homes clustered in three geographic areas in the state that presently have few or no other children's long-term treatment options.

ESTABLISH CHEMICAL DEPENDENCY SPECIALISTS - \$1.1 MILLION GENERAL FUND-STATE, \$1.1 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding to establish chemical dependency specialist services at each local child welfare office. These specialists will assist at-risk families get the help they need and, whenever safe, keep children in their homes.

EXPAND CHILDREN'S ADVOCACY CENTERS - \$0.7 MILLION GENERAL FUND-STATE

Children's Advocacy Centers provide a child-focused, multi-disciplinary based program that uses "best practices" in child abuse investigations. The Senate budget provides funding for seven existing community centers and start-up funds for up to four additional centers. Centers receiving funds are required to provide at least 50 percent of the state contribution.

DECREASES

MANAGE FOSTER CARE AND ADOPTION COSTS - \$6.1 MILLION GENERAL FUND-STATE, \$3.3 MILLION GENERAL FUND-FEDERAL

The foster care and adoption support average monthly cost has seen growth for several years. The Senate budget limits the projected growth in monthly costs to the vendor rate increase, which provides an additional 1.2 percent in 2006 and 1.9 percent in 2007. The department will report to the legislature on the specific cost containment approaches used.

LONG-TERM CARE

INCREASES

FARMER'S MARKET NUTRITION PROGRAMS – \$0.5 MILLION GENERAL FUND–STATE, \$0.8 MILLION GENERAL FUND–FEDERAL

The number of Women, Infants, and Children (WIC) participants who will be able to purchase fresh fruits and vegetables at farmers markets will approximately double, due to an additional \$400,000 per year of federal funds for the program. The Senate budget provides state funds to replace private funds that were available on a one-time basis, so that the increased number of lower income seniors who have been able to shop at farmers markets over the past two years can continue to do so.

DECREASES

ADDITIONAL ESTATE RECOVERIES – \$4.8 MILLION GENERAL FUND-STATE SAVINGS, \$4.8 MILLION GENERAL FUND-FEDERAL SAVINGS

The Department of Social and Health Services will increase efforts to recover the cost of publicly-funded care from the estates of deceased Medicaid recipients. Specific changes include earlier initiation of probate proceedings, improved notification of a client's death, and the statutory authority to place liens on the property of clients who are unlikely to return to their usual residence.

LIMIT COPEs ENROLLMENT GROWTH – \$4.6 MILLION GENERAL FUND-STATE SAVINGS, \$4.1 MILLION GENERAL FUND-FEDERAL SAVINGS

Growth in the number of persons receiving community-based care through the Community Options Program Entry System (COPEs) waiver program will be limited to 1.0 percent per year, the projected growth in the total state population aged 75 and older. This will allow an average of about 23,450 people per month to receive home- and community-based waiver services during the 2005-07 biennium, approximately 500 fewer than would be served if the program continued to grow without limits. To manage within these enrollment limits, the Department of Social and Health Services may need to establish waiting lists for services, as is done in most other states. If waiting lists are established, the department is directed to prioritize access to service for persons with the greatest care needs, and who are at greatest risk of requiring nursing home or other out-of-home placement, rather than prioritizing by the date of application.

RAISE LEVEL OF CARE STANDARD – \$3.2 MILLION GENERAL FUND-STATE SAVINGS, \$4.0 MILLION GENERAL FUND-FEDERAL SAVINGS

In order to qualify for publicly-funded long-term care in home- and community-based settings, elderly and disabled persons will need to require at least limited assistance with at least 4 of 7 basic activities of daily living. Currently, individuals must need limited assistance in at least three such areas. Persons currently receiving care in community residential settings who do not meet the higher eligibility standard will continue to be served, without the benefit of federal matching funds, but no new applicants with such lower levels of care will be admitted to residential care.

OTHER

NURSING HOME TAX PHASE-OUT – \$21.5 MILLION TAX REDUCTION

The \$6.50 per patient day quality maintenance fee imposed in 2003 will be reduced by 30 percent beginning July 2005, and eliminated over the course of the two subsequent biennia. After accounting for the reduced state expenditures to cover the cost of the fee on behalf of Medicaid-funded patients, the net revenue loss to the state is approximately \$14 million in the first biennium.

DEVELOPMENTAL DISABILITIES

INCREASES

INCREASE RESIDENTIAL PLACEMENTS - \$3.5 MILLION GENERAL FUND-STATE, \$3.5 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding for 63 new community placements, including 24 placements for individuals needing community protection placements and an additional 39 other community placements or a one percent growth. Priority for the placements will include children aging out of other state services, clients without residential services who are in crisis and at risk of needing an institutional placement, and current waiver clients.

EXPAND EMPLOYMENT AND DAY SERVICES - \$2.2 MILLION GENERAL FUND-STATE, \$0.7 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding for employment and day transition services for an additional 400 clients, which will be phased in during the biennium. The funding is targeted at those clients receiving federal Medicaid waiver services and for non-waiver clients. Eligible youths transitioning from high school are the priority to receive employment and day program funding.

STANDARDIZE AGENCY PROVIDER RATES - \$2.0 MILLION GENERAL FUND-STATE, \$2.0 MILLION GENERAL FUND-FEDERAL

The Joint Legislative Audit Review Committee recommended that there be increased uniformity in the rates paid to supported living agency providers for administrative costs. The Senate budget includes funding for the lowest paid providers. This funding is in addition to the agency provider vendor rate increase.

BOYLE / ARC LAWSUIT SETTLEMENT - \$1.8 MILLION GENERAL FUND-STATE, \$1.5 MILLION GENERAL FUND-FEDERAL

The Senate budget includes funding to meet the terms of the settlement agreement in two lawsuits covering waiver services. Funding is provided to implement a computerized case management system by July 1, 2008, pay for a compliance monitor, and establish resources to address quality assurance for compliance in each region.

INCREASE FAMILY SUPPORT - \$1.6 MILLION GENERAL FUND-STATE, \$1.5 MILLION GENERAL FUND-FEDERAL

The Senate budget includes funding serve approximately 750 additional families who are not currently receiving services. Family support provides assistance to families that allow individuals with developmental disabilities to remain in their homes.

DECREASES

IMPLEMENT RESIDENTIAL HABILITATION CENTER EFFICIENCIES - \$1.7 MILLION GENERAL FUND-STATE, \$1.6 MILLION GENERAL FUND-FEDERAL

The Senate budget anticipates a reduction of staff and funding for Fircrest School and other residential habilitation centers that will be achieved by aligning staffing levels more closely with occupancy and minimum national standards and federal requirements.

OTHER HUMAN SERVICES

DSHS – ECONOMIC SERVICES

INCREASES

INCREASE CHILD CARE SUBSIDY - \$15.0 MILLION GENERAL FUND-STATE

Family child care homes and child care centers will receive an additional \$15 million for rate increases to subsidize child care paid by the State for low-income and at-risk families. This funding will facilitate child care access and quality. This funding is in addition to approximately \$11 million for child care vendor rate increases in the 2005-07 biennium.

MAINTAIN TEMPORARY ASSISTANCE TO NEEDY FAMILIES - \$15.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding to continue activities for the temporary assistance to needy families program (TANF). This program provides cash grants to families with children and pregnant women. This funding will help the state meet its requirement to maintain a specific level of funding.

IMPLEMENT SCHOOL READINESS ASSISTANCE - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding to print and distribute the Washington State Early Learning and Development Benchmarks to child care providers, preschool teachers, and parents. These benchmarks identify what children should know and be able to do at kindergarten entry. These funds also provide resources to develop training on using the benchmarks.

EXPAND TEAMCHILD - \$0.1 MILLION GENERAL FUND-STATE

The Senate budget provides funding to expand the TeamChild program. TeamChild helps troubled youth secure the community-based services they need by providing civil legal advocacy and offers juvenile courts practical and less costly alternatives to incarceration. This funding is in addition to the program's base of \$500,000 for the 2005-07 biennium.

DECREASES

ACHIEVE SAVINGS IN GENERAL ASSISTANCE UNEMPLOYABLE PROGRAM (GA-U) - \$18.0 MILLION GENERAL FUND-STATE

The Senate budget anticipates savings in the General Assistance Unemployable Program through proactive strategies to improve the outcomes for GA-U clients. These strategies include: (1) invest in naturalization to reduce the number of aged clients who no longer qualify for SSI, (2) facilitate an increased number of clients to obtain social security and veterans benefits, (3) benefit from providing medical services through managed care demonstration projects, (4) provide improved mental health, vocational rehabilitation and employment support to reduce times on caseloads, and (5) explore options that would limit medical services only for some clients.

DSHS – OTHER

DECREASES

REDUCE REGIONAL STAFF - \$5.6 MILLION GENERAL FUND-STATE, \$6.8 MILLION GENERAL FUND-FEDERAL

The Senate budget eliminates redundancy and overlap in administrative positions in the Department of Social and Health Services. Non-case carrying staff will be reduced in the Children's Administration, Developmental Disabilities, Long Term Care and the Economic Services Administration.

DEPARTMENT OF LABOR AND INDUSTRIES

INCREASES

ONLINE REPORTING AND CUSTOMER ACCESS - \$13.0 MILLION ACCIDENT AND MEDICAL AID ACCOUNTS-STATE

The Senate budget provides funding for the Department of Labor and Industries (L&I) to complete the online reporting and customer access project (ORCA). This project will increase the services and information available online for customers and expand document imaging to replace paper-based systems.

CRIME VICTIMS COMPENSATION - \$3.3 MILLION GENERAL FUND-STATE, \$1.6 MILLION OTHER FUNDS

The Senate budget provides a total of \$4.9 million for increased Crime Victims Compensation medical expenses.

CENTERS OF OCCUPATIONAL HEALTH AND EDUCATION - \$0.4 MILLION MEDICAL AID ACCOUNT-STATE

The Senate budget provides funding to contract with the University of Washington's Centers of Occupational Health and Education (COHEs). COHEs provide medical treatment for employees injured on-the-job and offers employers training for developing return-to-work options for injured employees. The funding covers COHEs in Spokane, Renton, and two additional locations. One hundred additional doctors will be trained in

current medical treatments for injured workers and return-to-work options for 2,100 injured workers. Fifty additional partner employers and 10 additional unions will be included in training.

JUVENILE REHABILITATION

INCREASES

MAINTAIN FAMILY INTEGRATED TRANSITIONS PROGRAM - \$1.4 MILLION GENERAL FUND-STATE

The Senate budget maintains funding for a program for juvenile offenders with co-occurring substance abuse and mental health disorders in King, Snohomish, Pierce, and Kitsap counties. Federal Juvenile Accountability Incentive Block Grant funding for this program was eliminated by Congress in the federal Fiscal Year 2005 budget. The program, involving the family and a therapeutic team, begins treatment in the juvenile rehabilitation institution and continues for up to six months after release. The pilot program was evaluated by the Washington State Institute for Public Policy and was shown to have a 13 percent lower rate of recidivism, and provide \$3.15 in benefits to taxpayers and victims per each dollar of cost.

EXPAND ENHANCED PAROLE SERVICES TO ALL OFFENDERS - \$0.9 MILLION GENERAL FUND-STATE, \$224,000 GENERAL FUND-FEDERAL

The Senate budget assumes that enhanced parole services will be made available to all offenders, including some youth who currently receive a minimal 30-day post-release supervision period without benefit of research-based therapies. Enhanced parole services use an approach known as “functional family therapy,” shown by the Washington State Institute for Public Policy to reduce recidivism.

NATURAL RESOURCES

DEPARTMENT OF ECOLOGY

INCREASES

CLEAN UP MORE TOXIC WASTE SITES - \$9.0 MILLION STATE TOXIC CONTROL ACCOUNT

An additional \$9 million in the State Toxic Control account is included in the capital budget. This amount is in addition to \$92 million of local toxic account funding in the capital budget, will increase the pace of cleaning up contaminated sites that present a risk to human health and the environment.

BEYOND WASTE & BUSINESS ASSISTANCE - \$3.4 MILLION STATE TOXIC CONTROL ACCOUNT

The Senate budget provides increased funding to assist businesses to reduce hazardous and solid waste. Program staff will work with businesses to reduce waste, increase organic composting, coordinate “Green Building” practices, implement financial and regulatory incentives, and improve pollution prevention plans.

2005 EMERGENCY DROUGHT - \$1.8 MILLION STATE EMERGENCY WATER PROJECTS REVOLVING ACCOUNT

The Senate budget provides funding for the 2005 emergency drought declared by the Governor. The Senate budget also provides \$8.2 million in the capital budget which will fund planning, design, purchase, and construction of water saving irrigation improvement projects.

REDUCE PBTs IN THE ENVIRONMENT - \$1.4 STATE TOXIC CONTROL ACCOUNT

The Senate budget provides enhanced funding for reducing persistent bioaccumulative toxins (PBTs). The Department of Ecology will implement a proposed Polybromated Diphenyl Ethers (PBDE) chemical action plan, monitor for mercury in fish, and continue implementing the overall PBT strategy.

WATER QUALITY IN HOOD CANAL AND OTHER MARINE WATERS – \$1.0 MILLION GENERAL FUND-STATE, \$0.6 MILLION AQUATIC LANDS ACCOUNT

The Senate budget provides funding for SSB 5431, which addresses water quality problems in Hood Canal and other Puget Sound waters. Additionally, the Senate budget provides assistance to the fourteen local health jurisdictions with marine shorelines to develop and implement management plans and data systems to assure that septic systems are properly inventoried, monitored, and maintained. Failing septic systems are a significant threat to water quality and public health, particularly in shellfish areas. Twenty-two of Washington's ninety-six commercial shellfish growing areas are threatened with closure, and harvesting is prohibited at seven areas because of bacteriological contamination. The Senate budget also provides an additional \$1 million in the capital budget to assist homeowners repair failing septic systems.

OIL SPILL ADVISORY COUNCIL - \$0.7 MILLION OIL SPILL PREVENTION ACCOUNT

The Senate budget creates the Oil Spill Advisory Council in the Governor's Office to increase the state's capabilities of oil spill prevention, preparedness, and response capabilities.

DEPARTMENT OF FISH AND WILDLIFE

INCREASES

IMPLEMENT AGENCY REQUEST LEGISLATION - \$2.6 MILLION WILDLIFE ACCOUNT-STATE

Various legislation proposed by the Department of Fish and Wildlife will generate revenue, while at the same time provide additional fish and wildlife-related recreational and commercial opportunities. The Senate budget provides a combination of one-time and ongoing funding from revenues generated to write rules, make habitat improvements, monitor harvest activities, administer programs, etc.

TECHNOLOGY/INFRASTRUCTURE IMPROVEMENTS - \$0.8 MILLION WILDLIFE ACCOUNT-STATE

The Senate budget provides funding to evaluate the Department of Fish and Wildlife's recreational license sales system and, if necessary, select a new vendor to design and deploy the next generation licensing system to replace the current Washington Interactive

Licensing Database. The Senate budget also provides funding for replacement of servers and implementation of phase II of the Hydraulic Permit Management System.

OVERSIGHT COUNCIL/COMMISSION - \$0.8 MILLION WILDLIFE ACCOUNT-STATE; \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding for the Aquatic Invasive Species Council (SSB 5385) to oversee and provide direction and coordination for combating and preventing harmful invasive species. The Senate budget also provides one-time funding to create the Ocean Policy Review Commission to examine issues relating to Washington State's coastal and ocean resources.

NASELLE HATCHERY - \$0.5 MILLION WILDLIFE ACCOUNT-STATE

The Senate budget provides additional funding to allow the Naselle Hatchery to continue production and release of anadromous fish into Willapa Bay.

DECREASES

STATE WILDLIFE ACCOUNT REDUCTION PLAN - \$2.1 MILLION WILDLIFE ACCOUNT - STATE

State Wildlife Account reductions are necessary to keep the account solvent. Hatcheries to be reduced or eliminated include: Bogachiel/Eels, Brinnon Shellfish, and Garrison. Activities include the Go Play Outside contract; the Keeping Common Species Common and Marine Resources programs, district office and biological field staff; low-use access sites; print shop, and administration/business services.

DEPARTMENT OF NATURAL RESOURCES

INCREASES

SHELLFISH SETTLEMENT - \$9.0 MILLION GENERAL FUND-STATE, \$2.0 MILLION AQUATIC LANDS ENHANCEMENT ACCOUNT.

The Senate budget provides one-time funding to settle claims involving tribal rights to harvest shellfish from tidelands used by commercial shellfish growers. The funding is contingent on federal matching funds of \$22 million.

INCREASE FUNDING FOR FOREST AND FISH COMMITMENTS - \$2.9 GENERAL FUND-STATE

The Senate budget increases funding to fulfill compliance monitoring commitments in the Forest and Fish Report. This funding is required as part of the Habitat Conservation Plan (HCP) which the state is preparing to obtain assurances from the federal government that the state is meeting the requirement under the federal Endangered Species Act and Clean Water Act.

ENHANCE FUNDING FOR WILDFIRE ACTIVITY - \$2.3 GENERAL FUND-STATE

The Senate budget increases funding in anticipation of a drier fire season. The drought is likely to increase the cost of fire suppression. The Senate budget also provides funding to purchase improved emergency fire shelters for fire fighters.

ENHANCE MAINTENANCE OF DNR CAMPSITES - \$1.4 GENERAL FUND-STATE

The Senate budget provides funding to improve maintenance of 25 recreation sites and 140 miles of trails on Department of Natural Resources lands. The money will also expand the department's recreation-volunteer coordination capacity.

STATE PARKS & RECREATION

INCREASES

CABINS AND YURTS - \$1.0 MILLION PARKS RENEWAL AND STEWARDSHIP ACCOUNT-STATE

The Senate budget provides a combination of one-time and ongoing funding for installing and operating cabins, yurts and other rentable structures in three parks (Battle Ground, Cape Disappointment and Dosewallips) in order to extend the camping season and generate new revenue.

PARKS MAINTENANCE/OPERATION - \$0.8 MILLION PARKS RENEWAL AND STEWARDSHIP ACCOUNT-STATE; \$1 MILLION GENERAL FUND-STATE

The Senate budget provides a combination of one-time and ongoing funding for operating and maintaining state parks. Funding is also provided to replace furnishings at Fort Worden State Park and to hire staff to improve interpretation services and collect fees at Cape Disappointment State Park.

STATE CONSERVATION COMMISSION

INCREASES

SUSTAINING CONSERVATION OPERATIONS - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding for supplementary basic funding to the state's lowest-income conservation districts. This funding is contingent on passage of SHB 1462, which amends the state's conservation district statute.

CRIMINAL JUSTICE/PUBLIC SAFETY

CRIMINAL JUSTICE TRAINING COMMISSION

INCREASES

IMPROVE TECHNOLOGY FOR THE WASHINGTON ASSOCIATION OF SHERIFFS AND POLICE CHIEFS (WASPC) - \$0.2 MILLION NEAR GENERAL FUND-STATE

The Senate budget provides funding for new servers to maintain WASPC's public information website on registered sex offenders and to purchase a National Incident-Based Reporting System (NIBRS) program and data converter. The converter allows law enforcement agencies with incompatible records to transfer information to each other on

crime scene data and suspect characteristics and to assist with solving crime across jurisdictions.

DECREASES

ADJUST CLASS SIZE FOR CORRECTIONAL ACADEMIES - \$0.5 MILLION NEAR GENERAL FUND-STATE

The Senate budget takes a reduction that recognizes a 20 percent decrease in the level of enrollment in correctional academies between Fiscal Year 2002 and Fiscal Year 2005. Remaining funding should be sufficient to offer training classes for state and local correctional officers, with a projected class size of 22 rather than the current 15, still a which is a lower class size than in previous years.

DEPARTMENT OF CORRECTIONS

INCREASES

INTERSTATE COMPACT ON OFFENDER SUPERVISION - \$0.8 MILLION GENERAL FUND-STATE

The Senate budget assumes enactment of House Bill 1402, which would bring the state into compliance with the Interstate Compact on Adult Offender Supervision (ICAOS). By participating in the ICAOS, offenders who are released from a Washington facility and move to another state would still be subject to community supervision. In exchange, Washington State receives notification of out-of-state offenders who need supervision who move to Washington. The state is then required to supervise these offenders under the terms of the compact. The funding level in the Senate budget assumes about 200 out-of-state misdemeanor offenders will need to be supervised during the 2005-07 biennium.

CORRECTIONAL INDUSTRIES - \$0.8 MILLION GENERAL FUND-STATE

The Senate budget adds funding to purchase equipment and pay for utilities necessary to add 170 new offender jobs. Due to the 2004 state Supreme Court decision in *Waterjet v. Yarbrough*, the Department of Corrections can no longer use private employers in its facilities, and 250 related offender jobs were eliminated. The new jobs would be in compliance with the Supreme Court decision and would include print shop work, food packing, expanded laundry services, and expanded pheasant production. Offenders who work are required to pay child support, restitution, supervision costs, and keep a portion of their pay for savings.

DECREASES

DELAY OPENING OF NEW UNITS AT STATE PENITENTIARY - \$7.4 MILLION GENERAL FUND-STATE

The Senate budget assumes a one-time savings by delaying for four months the move of 892 offenders into units currently under construction at the State Penitentiary in Walla Walla. Offenders would occupy the units beginning in August of 2007, rather than in April of 2007, and would either remain in current Penitentiary housing or in out-of-state rental beds. Savings are realized as a result of delaying the significant start-up costs of opening the 892 new units. Construction delays have already occurred at this site.

MAKE SUPERVISION OF GROSS MISDEMEANANTS CONSISTENT WITH FELONS - \$3.0 MILLION GENERAL FUND-STATE

The Senate budget assumes enactment of Senate Bill 5256 (misdemeanants), which eliminates supervision for 3,000 certain gross misdemeanants sentenced in superior court annually. Supervision requirements are maintained for misdemeanor offenders who are assessed as high risk (those with violent or sex offense histories), or those with domestic violence, residential burglary, or methamphetamine manufacture/dealing convictions. This would conform misdemeanor supervision to felony supervision law under Senate Bill 5990, enacted by the 2003 Legislature.

ELECTRONIC MONITORING PILOT OF COMMUNITY SUPERVISION VIOLATORS - \$2.2 MILLION GENERAL FUND-STATE

The Senate budget assumes enactment of SB 5166 (electronic monitoring system), which creates a one-year pilot project using electronic monitoring in lieu of jail or prison sanction time when a low-risk offender violates the terms of their community supervision. The savings assumes that 100 low-risk offenders per day will be on electronic monitoring rather than incarcerated.

WASHINGTON STATE PATROL

INCREASES

IMPROVE CRIME LAB AND DNA ANALYSIS - \$4.6 MILLION GENERAL FUND-STATE

The Senate budget provides funding for 20 additional forensic scientists and related staff and supplies to reduce turnaround times and avoid backlogs in crime scene and DNA analysis provided to local law enforcement. The new scientists and staff will be added to the existing crime labs in Marysville, Tacoma, and Seattle; to the newly expanded crime lab in Spokane; and to the new crime lab in Vancouver.

JUDICIAL AGENCIES

INCREASES

EXPANSION OF PARENTS' REPRESENTATION PROGRAM IN DEPENDENCY AND TERMINATION CASES - \$8.9 MILLION GENERAL FUND-STATE

The Senate budget expands the current parents' representation program in Pierce and Benton-Franklin courts to two-thirds of the rest of the state by the end of the biennium. The program ensures adequate representation of indigent parents who are in danger of losing permanent custody of their children and connects parents with services they need to keep or regain custody. Results in the existing counties have shown improved reunifications and reduced foster care time pending trial. The new funding also helps relieve the burden on the counties, as counties currently pay 100 hundred percent of defense costs (the State Attorney General already pays for prosecution costs).

ASSISTANCE TO LOCAL GOVERNMENT WITH JUDICIAL COSTS FOR COURTS OF LIMITED JURISDICTION - \$7.3 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

The Senate budget provides funding to pay one-half of district court judges' salaries and half of elected municipal court judges salaries beginning in Fiscal Year 2007, assuming enactment of Senate Bill 5454 (court operations). Payment of salaries will be partially funded in the long-term by increased court fees under Senate Bill 5454. The bill makes treatment of judicial salaries for courts of limited jurisdiction consistent with the state's current payment of one-half the salaries of superior court judges.

MAINTAIN AND IMPROVE JUDICIAL INFORMATION SYSTEM - \$ 3.9 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE, \$9.7 M DEDICATED FUNDS

The Senate budget provides funding to replace outdated and obsolete computer equipment for local courts used to operate the judicial information system (JIS). Dedicated JIS funds paid by special assessments on traffic fines are used to continue to expand the JIS system.

IMPROVE ACCESS TO AND QUALITY OF THE JUSTICE SYSTEM - \$2.3 MILLION NEAR GENERAL FUND-STATE

The Senate budget expands programs in a number of areas to improve the quality of the justice system, including:

- \$1.1 million to provide training to public defenders and provide two resource staff for counties at the state Office of Public Defense. This amount includes \$600,000 in state funds to maintain training previously funded with the discontinued federal Byrne Grant.
- \$530,000 to provide adequate compensation for contracted appellate public defenders and other judicial vendors and to add appellate court staff to prevent case backlogs.
- \$300,000 to train and support additional court-appointed special advocates/guardians ad litem (CASA/GAL), volunteers who support children involved in dependency proceedings.
- \$200,000 to provide funding to the Supreme Court's Access to Justice Board to improve coordination of indigent civil legal services.
- \$143,000 to provide additional training for court interpreters.

ALL OTHERS

GOVERNMENT EFFICIENCY AND ACCOUNTABILITY - \$46.3 MILLION – GENERAL FUND, STATE

The Senate budget assumes increased efficiency and accountability to promote responsible stewardship of state government resources. Reductions are made by reducing middle management positions, implementing strategic purchasing initiatives based on lessons learned from the private sector, and eliminating double-filled personnel positions.

ATTORNEY GENERAL'S OFFICE

INCREASES

CONSUMER PROTECTION ENHANCEMENT - \$1.6 MILLION GENERAL FUND-STATE

The Senate budget provides additional funding to expand the delivery of consumer protection services in the Attorney General's Office, including the establishment of an Office of Privacy Protection. These funds will be used for consumer education and outreach, complaint resolution, and efforts to reduce identity theft and internet fraud.

COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

INCREASES

EARLY CHILDHOOD EDUCATION AND ASSISTANCE (ECEAP) - \$5.2 MILLION GENERAL FUND-STATE

The Early Childhood Education and Assistance Program (ECEAP) is a comprehensive, family-focused preschool program designed to help low-income and at-risk children and their families. The Senate budget increases ECEAP funding to provide for 500 additional placements.

COMMUNITY SERVICES BLOCK GRANT (CSBG) - \$2.0 MILLION GENERAL FUND-STATE

The Senate budget provides \$2 million for community action agencies to continue local planning and delivery of emergency services to partially offset a \$7.4 million federal CSBG grant reduction.

HOMELESS DATA MANAGEMENT - \$1.3 MILLION GENERAL FUND-PRIVATE/LOCAL

The Senate budget provides funding to allow the Department of Community, Trade and Economic Development to administer a statewide homeless management information system (HMIS). The HMIS will satisfy the federal HUD McKinney-Vento requirement that recipients of federal funds must create and maintain a HMIS system.

HOUSING ASSISTANCE - \$1.3 MILLION WASHINGTON HOUSING TRUST ACCOUNT

The Senate budget provides funding to reflect a one percent increase to hire additional staff to monitor housing projects and provide technical assistance to housing providers. This funding is contingent on the passage of HB 1074.

EMERGENCY FOOD ASSISTANCE - \$1.3 MILLION GENERAL FUND-STATE

The Senate budget provides a combination of one-time and ongoing funding for food banks to obtain and distribute nutritious food and to purchase equipment to transport and store perishable products.

COMMUNITY MOBILIZATION - \$1.2 MILLION VIOLENCE REDUCTION AND DRUG ENFORCEMENT ACCOUNT-STATE

The Senate budget provides funding to increase the number of grants to community organizations that develop and implement comprehensive strategies to prevent and reduce alcohol, tobacco, and other drug abuse and violence.

SMALL COMMUNITIES INITIATIVE - \$0.24 MILLION PUBLIC WORKS ASSISTANCE ACCOUNT-STATE

The Senate budget provides funding to add one additional staff person to work with and assist very small, rural communities that are struggling with compliance of health and environmental regulations concerning failing water or wastewater systems.

ECONOMIC DEVELOPMENT GRANT PROGRAM - \$0.25 MILLION GENERAL FUND-STATE
SB 5330 creates the Economic Development Grant Program. The Senate budget provides funding to implement this program.

OTHER ENHANCEMENTS - \$0.79 MILLION GENERAL FUND-STATE

The Senate budget provides funding to continue domestic violence legal advocacy services (\$340,000); for the Center for Advanced Manufacturing (\$250,000); for HistoryLink (\$150,000); and Women's Hearth (\$50,000).

DECREASES

BYRNE GRANT REDUCTIONS - \$8.6 MILLION GENERAL FUND-STATE

The Senate budget recognizes that the federal fiscal year 2005 enacted budget combined and reduced two existing grants used to prevent violence and substance abuse, the Byrne Grant and the Local Law Enforcement Block Grant (LLEBG), into a new grant known as the Justice Assistance Grant. While the LLEBG portion is unaffected, the level of funding for Byrne Grant programs is cut by over 50 percent. Remaining federal funding is distributed according to the recommendations of CTED and Governor Gregoire. In addition, the Senate budget uses state funds to replace funding for domestic violence legal advocacy and training for public defenders.

DEPARTMENT OF ARCHAEOLOGY AND HISTORIC PRESERVATION

CREATION OF DEPARTMENT OF ARCHAEOLOGY AND HISTORIC PRESERVATION - \$0.013 MILLION GENERAL FUND-STATE

The Senate budget provides funding to implement 2SSB 5056 which transfers the Office of Archaeology and Historic Preservation from the Department of Community, Trade and Economic Development and creates a new department.

SECRETARY OF STATE

INCREASES

ELECTION REFORMS - \$0.4 MILLION GENERAL FUND-STATE, \$27 MILLION GENERAL FUND-FEDERAL

Federal funds made available to the state under the federal Help America Vote Act (HAVA) will improve state election administration and voter outreach and education. In addition, state funds will allow the Secretary of State to increase the frequency of review of county election procedures.

WASHINGTON STATE HISTORICAL SOCIETY

INCREASES

LEWIS AND CLARK BICENTENNIAL - \$0.52 MILLION GENERAL FUND-STATE,
The Senate budget provides one-time funding for programs related to the Lewis and Clark bicentennial commemoration. Corps of Discovery II, a national traveling exhibit, will travel through Clarkston, Dayton, Kennewick, Stevenson, Toppenish, Vancouver, and Pacific County. One-time funding is also included for reimbursement of costs incurred by county law enforcement agencies from providing additional security for events.

WASHINGTON STATE MILITARY DEPARTMENT

INCREASES

HOMELAND SECURITY FUNDING - \$127.6 MILLION GENERAL FUND-FEDERAL
The Senate budget provides Homeland Security funding based on recommendations from the Domestic Security Executive Group, the Committee on Homeland Security, and the federal government. Federal rules require that a minimum of 80 percent of these awards be passed through to local jurisdictions. The remaining 20 percent will be spent by state agencies on activities that support the Washington State Homeland Security Strategic Plan.

MT. ST. HELENS EMERGENCY COMMUNICATIONS - \$0.9 MILLION DISASTER RESPONSE ACCOUNT

The Senate budget provides one-time funding to the Cowlitz County 911 Communications Center for the purposes of purchasing interoperable radio communication technology for emergency communications in the Mt. St. Helens area.

GENERAL

PUBLIC BENEFIT ACCOUNT

Senate Bill 5287 establishes the public benefit account. This bill places a five percent state tax on card rooms, generating \$24 million in revenue, which is deposited into the public benefit account. The Senate budget provides funding for the following items out of this new account: expansion of breast and cervical cancer screenings through the Department of Health; support for Pierce County Alliance's Methamphetamine Family Services Treatment Program and the Safe Streets of Tacoma's methamphetamine prevention services; training and technical assistance to trial courts to improve indigent defense representation and operation of a pilot program for criminal indigent defense through Office of Public Defense; expansion of civil legal representation of indigent persons through the Department of Community, Trade, and Economic Development; and enhancement of quality arts programs provided through the Washington State Arts Commission.

REVENUE ADJUSTMENTS

Senate Revenue Plan

(in millions)

	2006	2007	2005-07
I-728			
6096 Funding I-728 - Estate Tax	\$37.7	\$97.5	\$135.2
5829 Authorizing Cigarette Tax	\$85.1	\$83.1	\$168.2
Revenue Package			
B&O for Meat Processing	\$11.1	\$11.6	\$22.7
Extended Warranty Sales Tax	\$10.5	\$13.2	\$23.7
\$1 Liquor Liter Tax	\$23.6	\$26.1	\$49.7
Nursing Home Maint. Fee	(\$10.3)	(\$11.2)	(\$21.5)
Revenue Bills			
5673 High Technology B&O Credit	\$10.9	\$11.5	\$22.4
5794 Puyallup Compact	\$8.0	\$9.3	\$17.3
5948 Modifying Unclaimed Property Provisions	\$13.2	\$1.1	\$14.3
1315/6061 Tracking Transfers of Controlling Interest in Real Estate	\$2.8	\$2.8	\$5.6
5487 Liquor Control Board Retail Business Plan	\$1.8	\$3.1	\$4.9
5281 Real Estate Excise Tax Fees & Electronic Processing	(\$3.9)	\$51.6	\$47.7
5829 Authorizing Cigarette Tax	\$2.7	\$2.6	\$5.3
Tax Cuts			
5154 Historic Property Tax	(\$0.01)	(\$0.02)	(\$0.03)
5111 Solar Energy Equipment Incentives	(\$0.07)	(\$0.07)	(\$0.13)
5857 Community Health Centers	(\$0.11)	(\$0.13)	(\$0.24)
1120 Community & Technical College Capital Projects Account	(\$0.20)	(\$0.15)	(\$0.35)
5101 Renewable Energy Incentives	(\$0.24)	(\$0.24)	(\$0.47)
5999 Parking and business improvement areas	(\$0.47)	(\$0.08)	(\$0.55)
5782 Linked Deposit Program	(\$0.18)	(\$0.41)	(\$0.58)
5623 Regional Transit Authorities Sales Tax Exemption	(\$0.4)	(\$0.5)	(\$1.0)
5663 Agricultural Field Burning Sales Tax Exemption		(\$2.55)	(\$2.55)
1394 Business and Professions Account	(\$3.76)	(\$3.93)	(\$7.69)
Total	\$187.8	\$294.2	\$482.0

REVENUE INCREASE MEASURES

ESTATE TAX - \$135.2 MILLION STUDENT ACHIEVEMENT FUND-STATE

SSB 6096 reinstates and modifies the recently invalidated state estate tax for persons who die after the effective date of the act. Estates below \$1.5 million for calendar year 2005 and \$2.0

million thereafter are exempt. Revenues are deposited into the Student Achievement Fund to fund Initiative 728.

CIGARETTE TAX - \$173.5 MILLION STUDENT ACHIEVEMENT FUND/GENERAL FUND-STATE
SSB 5829 raises the cigarette tax \$.60 a pack from July 1, 2005 through June 30, 2006.

Beginning July 1, 2007 the cigarette tax is raised and additional \$.20 a pack. The funds from the increased tax are deposited in the Student Achievement Fund to fund I-728. Any excess funds above what is required to fund I-728 are transferred to the general fund.

REVENUE PACKAGE - \$73.7 MILLION GENERAL FUND-STATE

- Legislation limits the preferential 0.138 percent business and occupation tax rate for manufacturing and wholesaling of meat products to activities where: (1) the finished product is a perishable meat product; (2) dehydration, curing or smoking is used to produce a finished meat product that is not canned; or (3) hides, tallow, meat meal and other meat by-products are produced at a licensed rendering plant.
- Legislation also redefines retail sales to include extended warranties. As a result, the sales and use tax applies to the retail sale and use of extended warranties. The seller's business and occupation tax rate will change from the 1.5 percent service rate to the 0.471 percent retailing rate.
- Further, the legislation increases the tax on liquor by \$1.00 per liter and
- lowers the quality maintenance fee for nursing homes from \$6.50 to \$4.50 for the 05-07 biennium, \$3.00 for the 07-09 biennium, and \$1.50 for the 09-11 biennium, after which the fee is no longer imposed.

HIGH-TECHNOLOGY BUSINESS & OCCUPATION TAX CREDIT - \$22.4 MILLION GENERAL FUND-STATE INCREASE

SSB 5673 corrects the high-technology business & occupation tax credit for research & development expenditures for manufacturers.

CIGARETTE TAX COMPACT WITH THE PUYALLUP TRIBE OF INDIANS - \$17.3 MILLION GENERAL FUND-STATE INCREASE

SB 5794 authorized the Governor to enter into an agreement with the Puyallup Tribe of Indians regarding the taxation of cigarettes under which the tribe must impose a tax of \$11.75 per carton, in lieu of state cigarette and state and local sales and use taxes. The state receives 30 percent of the tribal tax revenue.

MODIFYING UNCLAIMED PROPERTY PROVISIONS – \$14.2 MILLION GENERAL FUND-STATE INCREASE

SB 5948 allows the Department of Revenue to redeem mutual funds and other dividend reinvestment plans that have been deemed unclaimed property. The bill also removes the requirement that the Department print in the newspaper each name of persons with claims to unclaimed property. Instead, they are required to publish summary information of how owners may obtain this information.

TRACKING TRANSFERS OF CONTROLLING INTEREST IN REAL ESTATE - \$6.0 MILLION GENERAL FUND-STATE INCREASE

SB 6061 requires entities which are required to file annual reports with the Secretary of State to disclose any transfer of controlling interest in an entity and any interest in real property. This

requirement will help the Department of Revenue track transfer of controlling interest in real property to determine when the real estate excise tax is applicable.

LIQUOR CONTROL BOARD RETAIL BUSINESS PLAN - \$5.0 MILLION GENERAL FUND-STATE INCREASE

SSB 5487 requires the Liquor Control Board to open at least 20 stores on Sunday and monitor the outcome of these openings. Agency stores will also have the option to open on Sunday. In addition, the Liquor Control Board is required to implement a plan of in-store merchandising, including point-of-sale advertising and merchandising of brands.

REAL ESTATE EXCISE TAX FEES AND ELECTRONIC PROCESSING - \$47.6 MILLION GENERAL FUND-STATE INCREASE

ESSB 5281 allows county treasurers to assess an additional fee on real estate excise tax transactions until June 30, 2010. The fee will be used to develop and implement an electronic processing and reporting system for REET affidavits, including making the system compatible with the systems and procedures used by the Department of Revenue, County Assessor, and the County Auditor. Additionally, the payment of collected real estate excise tax shall be remitted to the Department of Revenue on the last working day of the month, as opposed to the 20th day of the subsequent month.

REVENUE REDUCTION MEASURES

HISTORIC PROPERTY - \$0.3 MILLION GENERAL FUND-STATE DECREASE

SSB 5154 exempts from the leasehold excise tax leases of city property that is listed on a federal or state register of historical sites and is within a national historic reserve.

INCENTIVES FOR MANUFACTURERS OF SOLAR ENERGY EQUIPMENT - \$0.13 MILLION GENERAL FUND-STATE DECREASE

2SSB 5111 provides a reduced business and occupation tax rate of 0.138 percent for businesses who manufacture solar energy systems. In addition, businesses located in a county with less than 4 persons per square mile have a sales and use tax exemption on the construction of new buildings, a B&O tax job credit of \$3000 for each full time position, and a property tax exemption on machinery and equipment used in manufacturing.

COMMUNITY HEALTH CENTERS - \$0.24 MILLION GENERAL FUND-STATE DECREASE

SB 5857 extends the deduction under the business and occupation tax for amounts received as compensation for health care services covered under Medicare, medical assistance, children's health, and the basic health plan to nonprofit community health centers and networks of nonprofit community health centers.

COMMUNITY AND TECHNICAL COLLEGE CAPITAL PROJECTS ACCOUNT- \$0.4 MILLION GENERAL FUND STATE

HB 1120 allows the community and technical college capital projects account to retain its interest earnings. The interest earnings currently go to the general fund.

PROVIDING RENEWABLE ENERGY INCENTIVES - \$0.47 MILLION GENERAL FUND-STATE

SSB 5101 allows individuals, businesses and local governments to receive incentive payments from their light and power business for electricity they generate on their own property from wind, solar, or anaerobic digesters. Each light and power business is allowed a credit against

their public utility tax for incentives payments made limited to one quarter of one percent of its taxable power sales, or \$25,000, whichever is greater.

PARKING AND BUSINESS IMPROVEMENT AREAS - \$0.15 MILLION GENERAL FUND-STATE DECREASE

SSB 5999 exempts from state and city business and occupation taxes amounts received by a chamber of commerce or similar business association from cities or counties to administer a parking and business improvement area.

LINKED DEPOSIT PROGRAM- \$583,000 GENERAL FUND-STATE DECREASE

SB 5782 eliminates the sunset date of the linked deposit program and transfers the responsibility for monitoring the performance of the program loans from the Department of Community, Trade, and Economic Development to the Office of the Minority and Women's Business Enterprises.

SALES TAX EXEMPTION FOR REGIONAL TRANSIT AUTHORITIES - \$0.96 MILLION GENERAL FUND-STATE DECREASE

SSB 5623 removes maintenance services for bus, rail, or rail fixed guideway equipment performed for a regional transit authority by another transit agency from the definition of a retail sale, thus exempting the services from the sales tax. The B&O rate on such services will increase from .471 percent to 1.5 percent.

SALES TAX EXEMPTION FOR EQUIPMENT USED FOR AGRICULTURAL FIELD BURNING - \$2.6 MILLION GENERAL FUND-STATE DECREASE

2SSB 5663 provides a sales and use tax exemption for machinery and equipment used to reduce the practice of field stubble burning for cereal grains and turf grass grown for seed production. The exemption also applies to the construction of hay sheds. The exempt machinery and equipment are specifically identified. The exemption expires January 1, 2011. The property tax exemption for machinery and equipment and the B&O tax credit for field burning costs set to expire January 1, 2006 are each repealed.

BUSINESS AND PROFESSIONS ACCOUNT – \$7.7 MILLION GENERAL FUND-STATE DECREASE

SHB 1394 establishes a business and professions account. The fees from licensing and regulating thirteen business and professions that had been deposited into the General Fund will now be deposited in this account. The business and professions are: auctioneers; landscape architects; private investigators; bail bond agents; employment agencies; sellers of travel; timeshares; cosmetologists, barbers, and manicurists; court reporters; security guards; collection agencies; camping resorts; and notaries public.

CAPITAL BUDGET

CAPITAL BUDGET -- BIENNIAL COMPARISON

--- Millions of Dollars ---

	2003-05		2005-07 Prop.		Percent Change	
	Bonds	Total	Bonds	Total	Bonds	Total
Gov't Operations	180.9	685.5	178.5	623.2	-1%	-9%
Human Services	253.3	345.7	292.6	341.4	16%	-1%
Natural Resources	228.0	621.9	307.4	823.0	35%	32%
Transportation	22.4	37.9	0.5	0.5	-98%	-99%
Higher Education	693.7	871.0	676.2	923.1	-3%	6%
Public Schools *	110.6	407.9	56.2	525.7	-49%	29%
Other Education	12.4	12.4	16.0	16.0	29%	29%
Projects Total	1,501.3	2,982.4	1,527.4	3,252.9	2%	9%

* *Bond amounts in Public Schools do not include bonds transferred through the Trust Land Transfer Program.*

The proposed Senate capital budget increases bond spending by two percent and total spending by nine percent. Major changes include:

- ✓ Construction of a new 1,300 bed prison at Coyote Ridge in Connell.
- ✓ An increase of \$118 million for school construction.
- ✓ A \$52 million increase in higher education construction.
- ✓ Large increases in Natural Resources for Water Pollution Control loans, clean up of toxic sites, and the Washington Wildlife and Recreation Program.

K-12 CAPITAL CONSTRUCTION

A total of \$517 million is funded for K-12 construction assistance grants and other school construction projects. This amount includes an additional \$64.9 million for: (1) a proposed area cost allowance enhancement to the current matching formula to help offset the difference between actual and state formula construction costs of schools; and (2) an increase in the amount of funded square feet per student at all grade levels. Finally, a total of \$17.9 million is provided for design, new construction, and small maintenance projects and equipment replacement at the ten vocational Skills Centers throughout the state.

The Senate budget includes \$3.5 million for the second phase of a school mapping and safety project initiated, which was in the 2003-05 biennium. The Senate budget also includes \$2.9 million for the construction of an additional dorm at the Chewelah Peak Environmental Learning Center.

HIGHER EDUCATION CAPITAL CONSTRUCTION

The Senate proposed capital budget provides \$672 million in state bonds and \$923 million in total funds for higher education. This includes \$396 million in state bonds for the community and technical college system and \$276 million in state bonds for the 4-year institutions. The Senate accepts the recommendations of the prioritized capital project list for the 4-year schools and funds additional projects that reflect the statewide needs of expanding access and prioritizing facilities that benefit multiple schools.

Major 4-year projects include:

- Renovation of the Daniel J. Evans Library at The Evergreen State College
- Academic Instruction Center at Western Washington University
- Dean Hall Restoration Design at Central Washington University
- Renovation of Architecture Hall and Guggenheim Hall at the University of Washington
- Bioproducts Research Facility at WSU-Tri-Cities
- Riverpoint Nursing Building at WSU-Spokane
- Student Services Center Construction and Design of 2 Classroom Buildings at WSU-Vancouver

The budget also provides \$225 million in total funds for minor works and facility preservation at the 4-year campuses.

Major 2-year projects include:

- Bates Technical College: Learning Resource Center
- Edmonds Community College: Instructional Lab
- Everett Community College: Pilchuck/Glacier
- Green River Community College: Science Building
- Lower Columbia Community College: Instructional Fine Arts Building
- Peninsula Community College: Science and Technology Building Replacement
- Spokane Falls Community College: Business and Social Science Building
- Wenatchee Valley Community College: Anderson Hall and Portable Replacement
- Yakima Valley Community College: Glenn/Anthon Replacement

A NEW STATE PRISON

To relieve overcrowding, the capital budget funds the construction of a new prison at Coyote Ridge Correctional Center in Connell, Washington. The prison will include 1,280 medium security beds, 512 of which will be less expensive “hybrid” beds within a high security perimeter. In order to reduce operating costs for this prison, the department is directed to design the new prison with an assumption that some of the support and administrative functions will be provided by staff within the region, including the State Penitentiary.