



Proposed 2009-11 Biennial Operating Budget & 2009 2nd Supplemental

Summary

March 31, 2009

Representative Linville, Chair
House Ways & Means Committee

Summary

Three-year Budget Proposal

Proposed Substitute House Bill 1244 makes changes to the current budget for fiscal year 2009 (part of the current 2007-09 biennium) as well as create an initial budget for the next biennium (2009-11). The changes in PSHB 1244 to fiscal year 2009 are in addition to those already made in House Bill 1694, passed earlier this session.

Context

Since the legislature adopted the 2008 Supplemental Budget a year ago, the economic picture has worsened. When the Governor crafted her budget proposal in December, the general fund revenue forecast, over the three year period, had already declined by approximately \$2.6 billion. Since then, the general fund revenue forecast has declined an additional \$2.9 billion. Over the last year, the general fund revenue forecast has declined by \$5.5 billion.

When the Governor prepared her budget in December, she expected approximately \$1.1 billion in additional federal funding (primarily increased FMAP and TANF contingency funds). The state now expects to receive approximately \$2.9 billion of additional federal funding.

In other words, since the Governor made her budget proposal, federal assistance has increased by almost \$2 billion while projected state revenues have declined by almost \$3 billion.

Budget Shortfall

The 2009 legislature faces a three-year budget shortfall that has been described as being between seven and ten billion dollars (depending on what items are included in the shortfall calculation). In adopting HB 1694, the legislature reduced the budget shortfall. Other items that impact the calculation of the shortfall include assumptions about items such as reserves, COLAs and other policy items.

Three Year Shortfall (Before HB 1694)

2009-11 forecasted NGF-S revenues (after BSA transfer):	\$30.2 billion
2009-11 Near General Fund-State (NGF-S) maintenance level:	<u>\$37.0 billion</u>
Maintenance level shortfall	-\$ 6.8 billion
Plus enhancements (see below)	<u>-\$ 0.3 billion</u>
Total 2009-11 shortfall	-\$ 7.1 billion
Plus 2007-09 Shortfall (prior to HB 1694)	-\$ 1.2 billion
Plus Leave an Ending Balance (offset future revenue/cost changes)	<u>-\$ 0.6 billion</u>
Three Year Shortfall	-\$ 8.9 billion

Three Year Budget Actions (Including HB 1694)

HB 1694 (Reductions and Fund Transfers)	\$0.4 billion
Suspend I-732 & Pension Changes	\$0.8 billion

Other NGFS Reductions In PSHB 1244	\$3.2 billion
Additional Federal Funds	\$3.0 billion
Use Budget Stabilization Funds	\$0.4 billion
Fund Transfers & Other Resource Changes	<u>\$1.1 billion</u>

Three Year Budget Actions **\$8.9 billion**

Not included in the calculation of the budget shortfall or budget actions are policy enhancements the legislature typically considers but that are not funded in this proposal. Examples include COLAs (other than those required under current statute), additional higher education enrollments to keep pace with population, and other enhancements that would make the shortfall even greater if these were included in the shortfall calculation.

Examples of policy enhancements included in the shortfall calculation (\$356m) include: maintaining the current funding ratio for health benefits (88%/12%), debt service for a 2009-11 Capital Budget, caseload growth in DD waiver programs, and policy legislation passing the House of Representatives.

Additional Federal Resources

Washington expects to receive approximately \$3.0 billion in increased federal resources that help offset state costs. The majority (but not all) of those resources are from the American Reinvestment and Recovery Act (ARRA). The net effect is to allow the state to forgo other related budget actions (making deeper reductions and/or further increasing resources) that, without the additional resources, would have been necessary.

	<u>FY 2009</u>	<u>2009-11</u>	<u>3 Year Total</u>
FMAP (Primarily DSHS)			
ESHB 1694	205,000		205,000
PSHB 1244	321,532	1,301,341	1,622,873
Fiscal Stabilization (PSHB 1244)			
K-12	449,621	259,946	709,567
Higher Ed		110,000	110,000
Public Safety		182,433	182,433
Other Federal			
ESHB 1694	133,190		133,190
PSHB 1244		74,285	74,285
	<u>1,109,343</u>	<u>1,928,005</u>	<u>3,037,348</u>

Other Federal includes TANF contingency, child support match, SCHIP and other items. It does not include money that goes directly to K-12 nor federal increases for items such as Byrne grant, CSBG and homeless programs.

Fund Consolidation

The majority of the summary materials reference Near General-State (NGFS). This is a grouping of individual state accounts and includes the General Fund, the Student Achievement Fund, the Health Services Account, the Public Safety and Education Account including the Equal Justice Subaccount, the Violence Reduction and Drug Enforcement Account, the Water Quality Account, the Pension Funding Stabilization Account, and the Education Legacy Trust Account. All but the last two accounts are also statutorily subject to the state expenditure limit.

PSHB 1244 assumes that the accounts currently subject to the state expenditure limit are all combined into the state general fund. Calculations of transfers to the Budget Stabilization Account have been adjusted in accordance with that assumption.

Proposed House Budget Two Biennia Balance Sheet

Near General Fund in Millions

	<u>2007-09</u>	<u>2009-11</u>
Beginning Balance	2,105	618
Revenue		
November Revenue Forecast	31,214	32,765
March Revenue Change	(776)	(2,262)
Transfer to Budget Stabilization Account	(125)	(263)
Revenue Changes	-	(12)
Total Revenue	30,312	30,228
Other Resource Changes		
Prior Fund Transfers (2007 & 2008)	117	
ESHB 1694 Fund Transfers	91	
Use Budget Stabilization Account	400	45
Use Capital Budget Resources	-	780
Other Fund Transfers	12	149
Budget Driven Revenue	(2)	128
Other Changes	10	66
Other Resource Changes	628	1,168
Total Resources	33,046	32,014
Spending		
Enacted Budget in 2007-09/2009-11 ML	33,655	36,997
2008 Actual Spending Adjustment	(16)	
ESHB 1694 (Early Action)	(635)	
2009 Supplemental	(577)	
2009-11 Net Policy Level Changes		(5,586)
Total Spending	32,428	31,411
Ending Balance & Reserves		
<i>Unrestricted Ending Fund Balance</i>	618	602
<i>Budget Stabilization Account Balance</i>	32	250
Total Reserves	649	852

STATEWIDE ITEMS

Governor-Directed Freeze (-\$62.8 Near General Fund-State)

In response to rising energy prices and other economic conditions, in August 2008, the Governor directed state agencies to cut gasoline consumption and freeze new hiring, out-of-state travel, personal service contracts, and equipment purchases not related to public safety or other essential activities. These savings are continued into the 2009-11 biennium.

Governor-Directed 1% Cut (-\$ 44.6 Near General Fund-State)

In October 2008, Governor Gregoire asked agencies to find an additional \$240 million in savings. These savings are continued into the 2009-11 biennium.

Administrative Efficiency Savings (-\$50.4 million General Fund-State)

State agency General Fund-State funding is reduced to reflect additional administrative efficiencies. Agencies will, to the greatest extent practicable, accomplish these savings by reducing management costs including Washington Management Service (WMS) positions, reductions or freezes in salaries, reducing other administrative costs, and improved efficiencies. Agencies will also work to minimize any impacts to clients and front line staff. Any savings must be consistent with collective bargaining agreements.

State Employee Health Benefits Funding (\$84.1 million General Fund-State; \$68.5 million other funds)

Health benefit funding rates included in state agency budgets for contribution to Public Employees' Benefits Board insurance and benefit programs are increased to \$758 in fiscal year 2010 and \$793 in fiscal year 2011. The share of health benefit costs paid by employees will remain at 12 percent of the total cost for the biennium. The increase in the cost of the health benefits package, between health care inflation and changes to the benefits package, is projected to be 5 percent per year.

K-12 Health Benefits Funding (\$79.1 million General Fund-State)

Health benefit funding rates are increased from \$732 for the 2008-09 school year to \$758 in school year 2009-10 and \$793 in school year 2010-11, equal to the state agency funding rates for fiscal year 2010 and fiscal year 2011.

Pension Funding Method Change (-\$429.5 million General Fund-State; \$78.8 million other funds)

Contributions required by the Washington State Retirement Systems are reduced for the 2009-11 fiscal biennium a result of statutory changes to the system of funding including: (1) a restructuring of the payments due in future biennia for repayment of the Public Employees' Retirement System and Teachers' Retirement System unfunded actuarial accrued liabilities and a reduction of one-half of the previously scheduled payments for the 2009-11 fiscal biennium, and (2) changes to the assumptions used to calculate the contribution rates adopted by the Pension Funding Council and the LEOFF 2 Board, including a reduction of the assumed rates of general salary growth and a postponing of the use of new mortality assumptions and minimum contribution rates.

Performance Audit Account Program Funding (-\$13.5 million General Fund-State; \$13.5 million Performance Audits of Government-State)

Funding for JLARC, GMAP, WSIPP, K-12 budget driver audits and conservation district audits is provided from the Performance Audits of Government Account for the 2009-11 biennium rather than with General Fund-State.

EDUCATION

K-12 PUBLIC SCHOOLS

Fiscal Stabilization Grant and Education Funding (-\$709.0 million General Fund-State, \$1,159.0 million General Fund-Federal)

Additional federal funding is made available through the American Recovery and Reinvestment Act. An amount of \$135 million will support programs for struggling students through existing funding formulas for federal Title 1 programs. An additional \$221 million will be allocated to support services for special education students through formulas contained in the Individuals with Disabilities Education Act (IDEA). An additional \$8.7 million will support enhancements to the use of technology in education as specified in Part D of the Elementary and Secondary Education Act. For these three programs, the House budget proposal provides 20 percent appropriation authority in fiscal year 2009 and the remaining 80 percent in the 2009-11 biennium.

Finally, approximately \$450 million of the federal fiscal stabilization funding supports the Student Achievement Program in fiscal year 2009 and an additional \$260 million in fiscal year 2010.

Enhancements

Redefining Basic Education Funding (\$3.0 million General Fund-State)

Funding is provided for implementation of SHB 2261, which proposes elements of a new school funding structure based on recommendations of the Basic Education Task Force. The funding will support the work of technical experts in developing the formulas, as well as modifications to OSPI information technology systems to support the data requirements of the new system.

Dropout Reengagement System (\$4.1 million General Fund-State)

Funding is provided to implement Substitute House Bill 1418, which creates a statewide dropout reengagement system to bring high school drop-outs back to school in a variety of educational venues to earn their diploma. The reengagement system is coordinated through the educational service districts, and may include community and technical colleges as well as community-based organizations. The funding levels reflect an assumption that 500 high school drop-outs will be reengaged in the school system by the end of the 2011-12 school year.

School District Fund Balance Restoration Grants (\$2.1 million General Fund-State)

Funding is provided for one-time grants to school districts with low fund balances based on 2007-2008 school year financial data. Districts with fewer than 500 students are eligible for grants to restore total fund balance up to 5 percent. Districts with 500 or more students are eligible for grants to restore total fund balance up to 2 percent.

Additional Flexibility for K-4 Certificated Instructional Staff Allocations (\$2.2 million General Fund-State)

Under current law, districts must staff up to 53.2 certificated instructional staff per 1,000 students in grades K-4 to keep the full certificated instructional staff allocation. This proposal eliminates that requirement, and the funding level reflects the estimated biennial amount previously retained by the state that will now go to school districts.

Savings/Reductions

Reduce Student Achievement Program (-\$767.5 million General Fund-State; \$260.0 million General Fund-Federal)

Funding for the Student Achievement Program is reduced. Funding levels reflect per student allocations of \$184 per student in the 2009-10 school year, and \$152 per student in the 2010-11 school year. Approximately \$260 million of federal fiscal stabilization funding made available through the American Recovery and Reinvestment Act supports these per student allocations in the 2009-11 biennium.

Suspend Initiative 732 COLA (-\$357.0 million General Fund-State; -\$2.1 million Education Legacy Trust Account-State)

The annual cost-of-living increases provided to school employees through Initiative 732 are suspended for the 2009-11 biennium. These cost-of-living increases were estimated at 4.2 percent for the 2009-10 School Year and 0.1 percent for the 2010-11 School Year based on the Seattle Consumer Price Index.

Remove Two Learning Improvement Days (-\$71.8 million General Fund-State)

Funding for two learning improvement days allocated through the general apportionment formulas is discontinued. The funding level reflects a 1.1 percent reduction in salary levels on the state salary guide for certificated instructional staff. With this reduction, the average state-funded salary for teachers during the 2009-11 is estimated to be \$52,500.

Professional Development Changes (-\$39.7 million Education Legacy Trust Account-State)

Funding for professional development in the areas of math and science is discontinued. The funding supported additional learning improvement days for middle and high school math and science teachers to receive professional development on new math and science curriculum standards and best practices.

Changes to the State Assessment System (-\$10.1 million General Fund-State)

Funding is reduced by \$2.9 million to reflect projected savings from eliminating the integrated I and integrated II end-of-course high school math tests, as proposed in Second Substitute House Bill 1646. Additionally, a reduction of \$7.2 million reflects projected savings from redesigning the state required assessments, including shortening the tests and including fewer extended response test questions.

Library Services Allocation (-\$8.0 million General Fund-State)

Funding for the school library services allocation in the educator reform budget is discontinued. The allocation supported per student allocations of about \$4 per student to school districts for library-related materials and expenses.

HIGHER EDUCATION

Child Care Development Block Grant: ARRA (\$110.0 million General Fund-Federal; -\$110.0 million General Fund-State)

Funding is provided from the federal fiscal stabilization fund to support higher education programs. A total of \$110.0 million is distributed throughout the four-year colleges and universities and the two-year system. Funding is made available through the American Recovery and Reinvestment Act of 2009.

Enhancements

State Need Grant, State Work Study, Washington Scholars and Washington Award for Vocational Excellence (\$33.9 million General Fund-State)

Funding is provided to increase financial aid awards under the State Need Grant, the State Work Study, the Washington Scholars, and the Washington Award for Vocational Excellence (WAVE) programs to offset the cost to recipients of the resident undergraduate tuition increases of 10 percent at the four-year institutions and 7 percent at the two-year colleges. The Legislative priority is to continue to serve eligible students at or below 70 percent of the state median family income. The Legislature enacts some programmatic changes to these programs for the 2009-11 biennium including: freezing State Need Grant and State Work Study awards for students attending private colleges and universities at the fiscal year 2009 levels, awarding 90 percent of the total available award to Washington Scholar recipients and revising the State Need Grant award distribution schedule.

Authorized Resident Undergraduate Tuition Increases (\$231.3 million Higher Education Operating Fees Account)

The Legislature authorizes higher education institutions to implement no greater than 10 percent tuition increases at the research and regional institutions and no greater than 7 percent tuition increases at the community and technical college system for each year of the biennium. This results in an estimated additional \$231.3 million in tuition revenues collected during the 2009-11 biennium.

Improving Online Educational Opportunities (\$2.2 million General Fund-State)

Funding is provided for the State Board for Community and Technical Colleges to enhance online distance learning and open courseware technology. Funds shall be used to maximize the value and increase access for instructional materials for the greatest number of students.

Savings/Reductions

University and College Operating Costs (-\$713.4 million General Fund-State Reduction)

Given tuition increases authorized for the universities and colleges, the net reduction in General Fund-State support ranges from 10 to 17 percent at the four-year institutions and 13 percent at the two-year system.

Staff and Faculty Compensation (-\$35.0 million General Fund-State)

The 2009-11 budget does not include cost-of-living adjustments (COLA) for state-supported higher education employees including those covered by Initiative 732. Funding this item would have provided \$35.0 million to the community and technical colleges.

DEPARTMENT OF EARLY LEARNING

ARRA

Fiscal Stabilization Grant: ARRA (-\$3 million General Fund-State; \$23.0 million General Fund-Federal)

In the American Recovery and Reinvestment Act (ARRA) of 2009, the federal government provided additional funds under the Child Care Development Block Grant (CCDBG). These funds are to be used in line with current CCDBG policy, with specific amounts set aside for quality improvement programs and infant/toddler programs. For the 2009-11 biennium funding is provided the Child Care Career and Wage Ladder within these funds.

Enhancements

Homeless Care Subsidy Increase (\$2.3 million General Fund-Federal)

Funding is provided to increase the Homeless Child Care (HCC) subsidy rates to be equivalent to those in the 2007-09 family home child care collective bargaining agreement. In addition, the HCC program is expanded to all counties. Increases will also be made to the homeless enhancement bonus that is paid to licensed child care providers as an incentive to accept homeless children into their care.

Savings/Reductions

Vendor Rate Reduction (-\$2.7 million General Fund-State)

A vendor rate reduction is taken in the 2009-11 biennium for enrolled slots in the Early Childhood Education and Assistance Program (ECEAP), the state-funded preschool program. The current average rate per slot is \$6,659. Vendor rates for enrollment slots are reduced by 2.5 percent. This amounts to \$166 reduction per slot per year. There is no change to the number of ECEAP slots from the 2007-09 biennium.

Child Care Resource and Referral (-\$1.7 million General Fund-State)

General Fund-State funding for the Child Care Resource and Referral Network is removed in the 2009-11 budget. The Child Care Resource and Referral Network provides parents with information on child care providers in their area.

HEALTH & HUMAN SERVICES

DSHS - CHILDREN & FAMILY SERVICES

Enhancements

Fostering Connections (\$1 million General Fund-State; \$0.3 million General Fund-Federal)

Funding is provided for the implementation for Engrossed Second Substitute House Bill 1961 (Increasing adoptions act). The bill authorizes the Department to enroll youth into the Foster Care to 21 program within funds appropriated. Spending authority is provided for federal funds that are now available for relative guardianship placements. Additionally, in 2010 the Department is authorized to provide foster care, adoption, and subsidized guardianship services until the youth's 21st birthday if they (a) are enrolled in post secondary education, or (b) participate in a program or activity to promote employment, or (c) engage in employment for 80 hours or more a month, or (d) are incapable of engaging in any of the activities due to a medical condition.

Intensive Family Preservation Services (\$5.0 million General Fund-State)

Funding is provided for Intensive Family Preservation Services (IFPS), which are contracted services for families with children who are at imminent risk of foster care placement or are being reunified. The evidence-based Homebuilder program is funded through this program. Savings from these efforts are captured below.

Savings/Reductions

Reduce Family Reconciliation Services Phase 1 Staff (-\$1.8 million General Fund-State; -\$2.1 million General Fund-Federal)

Funding is reduced for Family Reconciliation Services (FRS) Phase 1 staff by 50 percent. FRS staff provide voluntary services to families of youth ages 13 to 17 that are in crisis.

Reduce Chemical Dependency Professional (-\$2.5 million General Fund-State)

Funding is reduced to reflect a reduction in contracts for Chemical Dependency Professionals with the Division of Alcohol and Substance Abuse. Children's Administration will continue to contract with eight chemical dependency professionals.

Vendor Rate Decrease (-\$9.6 million General Fund-State; -\$4.8 million General Fund-Federal)

The Department of Social and Health Services will reduce rates for child welfare services and child protective services. These reductions excludes Family Foster Home payments and Adoption Support payments.

Reduce Length of Stay Foster Care (-\$11.4 million General Fund-State; -\$6.7 million General Fund-Federal)

Funding is reduced to reflect a decrease in the length of stays in foster care based on the March 2009 forecast. This reduction represents a 5 percent decrease in length of stay in fiscal year 2010 and a 10 percent decrease in fiscal year 2011 based on the average number of days children remain in foster care. A Washington State Institute of Public Policy study estimates the average length of stay in foster care is 524 days.

Expedite Adoptions (-\$2.4 million General Fund-State; -\$1.0 million General Fund-Federal)

Funding is reduced to reflect savings from finalizing the adoption of 600 legally free children. The Adoption Support Program provides a monthly maintenance payment for over 12,000 adopted children.

Eliminate Intensive Resource Homes (-\$2.36 million General Fund-State; -\$0.36 million General Fund-Federal)

Funding is eliminated for the Intensive Resource Homes Pilot. In 2008, funding was provided to implement an intensive resource foster home pilot program in two geographical areas with high concentrations of high-needs children in foster care. The pilot provides intensive resource home providers a monthly stipend, training, and professional consultation.

Eliminate Continuum of Care Services (-\$2.24 million General Fund-State)

Funding is eliminated for Continuum of Care Services which are contracted services available to families involved with child protective services.

Pediatric Interim Care (-\$0.69 General Fund-State)

Funding is reduced to reflect efficiencies in the delivery of pediatric interim care services. The efficiencies include, but are not limited to, increasing capacity for services in community-based settings.

Eliminate Secure Crisis Resident Centers (-\$9.3 million General Fund-State)

Funding is reduced to reflect savings from eliminating Secure Crisis Residential Centers (SCRC). Other adolescent placement options, such as HOPE center beds, semi-secure CRCs and Responsible Living Skills Program are retained.

Behavior Rehabilitation Services Reductions (-\$7.9 million General Fund-State; -\$6.3 million General Fund-Federal)

Funding is reduced for Behavior Rehabilitation Services (BRS). BRS services are provided to children who need behavioral treatment services. Currently, the average length of stay in BRS treatment is 18.3 months with a monthly per capita rate of \$5,464 based on the March 2009 forecast. The department will expand and utilize community-based services to provide intensive support and treatment for youth with behavior issues and reduce BRS treatment time and entry into the BRS treatment system.

DSHS - JUVENILE REHABILITATION ADMINISTRATION

Savings/Reductions

Locally Committed Juveniles (-\$1.9 million General Fund-State)

State funding provided to local communities through the Juvenile Rehabilitation Administration is reduced. These funds are used on a statewide basis for youth sentenced locally. Programs target youth with moderate to high risk of reoffending. Funds are also used for at-risk services (diversion, counseling, etc), the Chemical Dependency Disposition Alternative (CCDA), and the Special Sex Offender Disposition Alternative (SSODA).

Evidence Based Programs (-\$3.46 million General Fund-State)

State funding for evidence-based programs in local jurisdictions and the Juvenile Rehabilitation Administration is reduced. Evidence-based programs are treatments and therapies that have been demonstrated by research to reduce recidivism and lower future criminal justice costs. This reduction is from expansion levels in the 2007-09 budget.

Close Naselle Youth Camp (-\$10.48 million General Fund-State)

Based on continued declines in the Juvenile Rehabilitation Administration's caseload, the Naselle Youth Camp will be closed by January 1, 2010. This closure will reduce JRA's bed capacity by 120 beds. The closure will result in the relocation of juvenile offenders currently placed at Naselle Youth Camp to other institutions.

Community Residential Services (-\$1.3 million General Fund-State)

Funding for the Juvenile Rehabilitation Administration's six residential community facilities is reduced. Community residential facilities provide 24-hour supervision, individual and group counseling, transition services, education, skills training and other programs as needed.

Eliminate Enhanced Parole (-\$5.3 million General Fund-State)

Funding for parole services is reduced. Approximately 30 percent of JRA youth receive Enhanced Parole. Parole services continue treatment and rehabilitative therapy to juveniles and their families as the youth transition back into their communities from JRA custody. Parole services for sex offenders and the highest risk youth are not affected by this change.

Close Basic Training Camp (-\$2.4 million General Fund-State)

Washington State operates a Basic Training Camp in Eastern Washington. The contract for the Basic Training Camp is ended in the 2009-11 budget. Youth currently housed in the Basic Training Camp shall be relocated to other facilities within the juvenile rehabilitation system.

DSHS - MEDICAL ASSISTANCE

Enhancements

Apple Health Outreach (\$1.5 million General Fund-State; \$2.8 million General Fund-Federal)

The Department of Social and Health Services will continue its outreach activities to increase the enrollment of eligible children in the Apple Health for Kids program.

Children's Health Coverage (\$0.5 million General Fund-State; \$0.5 million General Fund-Federal)

Engrossed Substitute House Bill No. 2128 creates an Apple Health executive position and requires that all children enrolled in Apple Health receive an identification card.

Children's Mental Health Visits (\$0.3 million General Fund-State; \$0.3 million General Fund-Federal)

In 2007, the Legislature passed Second Substitute House Bill 1088, which increased the maximum allowable mental health visits for children receiving medical assistance from 12 to 20. That expansion was set to expire on July 1, 2010. Second Substitute House Bill 1373 removes that expiration date.

ProviderOne Implementation (\$20.6 million General Fund-State; \$26.5 million General Fund-Federal)

The Department of Social and Health Services is developing a new payment system called ProviderOne. 2009-11 biennium milestones for the project include completion of the Medicaid Management Information System (MMIS) replacement and replacement of the Social Services Payment System (SSPS).

ProviderOne will also support Aging and Adult Services, DSHS Administration, and Information Systems Services.

Savings/Reductions

Higher Level of Federal Matching Funds for Kids in Families Making Between 133-200 Percent of the Federal Poverty Level (FPL) (-\$46.5 million General Fund-State; \$46.5 million General Fund-Federal)

The Department of Social and Health Services (DSHS) will receive reimbursement for children in families between 133-200 percent of the FPL at the enhanced federal matching rate of 65 percent under the federal Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA).

Coverage For Non-Citizen Children (-\$3.9 million General Fund-State; \$3.9 million General Fund-Federal)

CHIPRA removes the prohibition on Medicaid and Children's Health Insurance Program eligibility for legal immigrant children and pregnant women during their first five years in the United States. This population was funded with state funds, and now Washington will receive federal matching funds.

Emphasize Use of Generic Drugs (-\$38.0 million General Fund-State; -\$45.1 million General Fund-Federal)

The Department of Social and Health Services will encourage the use of generic drugs over brand-name drugs in situations where generic drug alternatives exist. This change is expected to result in a shift from brand name to generic drug utilization of up to 20 percent.

Reduce Over-the-Counter Drugs (-\$16.0 million General Fund-State; -\$19.0 million General Fund-Federal)

The Department of Social and Health Services will stop paying for selected over-the-counter drugs and supplies while maintaining reimbursement for over-the-counter drugs that serve as effective replacements for more expensive prescription drugs.

Reduce Costs For Hemophilia Drugs (-\$8.4 million General Fund-State; -\$10.0 million General Fund-Federal)

The Department of Social and Health Services will purchase Antihemophilic Factor (AHF) products using a single-source contract with a provider that qualifies for drug price discounts under section 340B of the federal Veterans Health Care Act of 1992. State fiscal year 2008 spending for AHF products totaled nearly \$29.9 million. The move to a single-source contract with a 340B-eligible entity should result in savings of up to 32 percent.

Drug Purchasing Initiatives (-\$7.4 million General Fund-State; -\$8.8 million General Fund-Federal)

The Department of Social and Health Services will pursue drug purchasing initiatives aimed at achieving greater cost effectiveness, including establishing a review threshold for long-acting opioid drugs for clients with multiple prescribers, establishing dosage minimums for the drug Seroquel, implementing step therapy for appropriate use of certain drugs, making a maximum daily dose limit for Acetaminophen of 4 grams, and stopping coverage of products that are not approved by the Centers for Medicare and Medicaid Services (CMS).

90-Day Supplies For Low Risk Drugs (-\$6.2 million General Fund-State; -\$7.3 million General Fund-Federal)

The Department of Social and Health Services will reduce pharmacy dispensing charges by requiring pharmacy providers to dispense a 90-day supply of drugs for patients who require maintenance prescriptions of low-risk pharmaceuticals.

Reduce Proton Pump Inhibitors (-\$6.1 million General Fund-State; -\$7.2M General Fund-Federal)

The Department of Social and Health Services will reduce coverage of Proton Pump Inhibitors (PPI) by requiring prior authorization when a prescription for a PPI has continued for more than 90 consecutive days.

Control Brand-Name Drug Costs (-\$3.9 million General Fund-State; -\$4.6 million General Fund-Federal)

The Department of Social and Health Services will reduce reimbursement for brand-name single-source drugs to 16 percent less than the Average Wholesale Price (AWP). Currently, DSHS pays 14 percent less than AWP for these drugs.

Inpatient Hospital Rate Decrease (-\$46.6 million General Fund-State; -\$61 million General Fund-Federal)

The Department of Social and Health Services will reduce rates for inpatient hospital services. Psychiatric hospitals, critical access hospitals, and hospitals with level one trauma centers are excluded from the reduction.

Outpatient Hospital Rate Decrease (-\$28.6 million General Fund-State; -\$22.4 million General Fund-Federal)

The Department of Social and Health Services will reduce rates for outpatient hospital services. Psychiatric hospitals, critical access hospitals, and hospitals with level one trauma centers are excluded from the reduction.

Move All Hospitals to the Outpatient Prospective Payment System (OPPS) (-\$7.8 million General Fund-State; -\$7.8 million General Fund-Federal)

The Department of Social and Health Services will move all reimbursement of outpatient hospital services to OPSS, a diagnostic resource groups (DRG) methodology. This change will affect hospitals that are currently classified as Children's Hospitals and Specialty Hospitals. Critical Access Hospitals (CAH) will not be affected.

Prorated Inpatient Payment Policy (-\$7.0 million General Fund-State; -\$9.3 million General Fund-Federal)

The Department of Social and Health Services will implement a prorated inpatient payment policy for hospitals. Savings would be achieved by conducting reviews of facility-based billings to identify when hospitals inappropriately bill for inpatient services on days when patients are transferred to other facilities with lower costs.

Equalize Rates Paid For Child Birth (-\$1.7 million General Fund-State; -\$2.3 million General Fund-Federal)

The Department of Social and Health Services will adjust the rates for natural and Caesarian-section deliveries to encourage natural deliveries. A marginally higher rate will be paid for natural deliveries and the C-section rate will be reduced, which yields savings on a per-payment basis.

Healthy Options Premium Rates (-\$32.6 million General Fund-State; -\$44.2 million General Fund-Federal)

The Department of Social and Health Services will reduce premiums for Healthy Options managed care by 1 percent in calendar year 2009. The forecast assumed zero growth in premiums for Healthy Options managed care for calendar year 2009. The Department of Social and Health Services will also reduce the amount of growth assumed for Healthy Options managed care premiums in calendar years 2010-2011 to zero percent. The forecast assumed a 2.5 percent per year premium growth rate in 2010-2011.

Pediatric Rate Decrease (-\$5.4 million General Fund-State; -\$7.5 million General Fund-Federal)

The Department of Social and Health Services will reduce rates for pediatric service providers. Pediatric service providers received a 48 percent rate increase in the 2007-09 biennium.

Adult Office Visit Rate Reduction (-\$4.0 million General Fund-State; -\$4.3 million General Fund-Federal)

The Department of Social and Health Services will reduce rates for adult office visits. The Legislature funded a 12 percent rate increase for adult office visits in the 2007-09 biennium.

Disproportionate Share Hospital (DSH) Program Reductions (-\$52.0 million General Fund-State)

Under the DSH program, the federal government provides matching funds for state grants to compensate hospitals for the added costs of serving a disproportionate share of low-income individuals who either are part of the Medicaid program or are uninsured. Washington also administers a Certified Public Expenditures (CPE) program to earn federal Medicaid funds for inpatient claims and DSH payments to participating hospitals. Those hospitals are required to certify their qualifying expenditures that will be used to draw federal Medicaid funds. Hospitals participating in the CPE program are held harmless to a baseline amount that they would have received under the system in place before CPE was implemented. The Department of Social and Health Services will eliminate non-rural and small rural DSH programs and the non-rural state grant for non-DSH hospitals. Eliminating these DSH programs will also reduce the amount to which Washington holds hospitals harmless by removing the DSH programs from the CPE baseline.

Reduce CPE Baseline (-\$5.6 million General Fund-State)

The Department of Social and Health Services will remove DSH programs that no longer exist from the CPE baseline, which will reduce the hold-harmless payments that Washington is required to pay to CPE hospitals. Washington will continue to hold CPE hospitals harmless to remaining DSH programs.

Reduce Graduate Medical Education (GME) Payments (-\$19.6 million General Fund-State)

The Department of Social and Health Services will eliminate supplemental GME payments to Harborview Medical Center and the University of Washington Medical Center. GME is a component in the fee-for-service and managed care rates these facilities receive. This eliminates a duplicate payment and reduces hold harmless grants in the CPE program.

Reduce Enhancement For Federally Qualified Health Centers (FQHC) (-\$15.9 million General Fund-State; -\$22.1 million General Fund-Federal)

The Department of Social and Health Services will reduce enhancement payments made to FQHCs and Rural Health Clinics (RHC). FQHCs and RHCs receive enhancement payments from DSHS and the managed care plans for all of the Healthy Options clients that clinics serve. This adjustment is driven by federal audit findings that Washington's enhancement payments are too large.

Reduce Funding For Durable Medical Equipment (DME) (-\$12.7 million General Fund-State; -\$17.0 million General Fund-Federal)

The Department of Social and Health Services will reduce expenditures on durable medical equipment by eliminating coverage for bath support equipment and limiting supplies of non-sterile gloves, incontinence supplies, diabetic supplies, and enteral nutrition.

Medicare Part D Co-Payments (-\$12.1 million General Fund-State)

The Department of Social and Health Services will eliminate funding for Medicare Part D drug program copayments for clients who are dually eligible for Medicare and Medicaid services. These outlays represent an optional, state-funded service paid on behalf of approximately 50,000 primarily aged, blind, and disabled medical assistance clients each month. Clients will pay higher out-of-pocket costs.

Adult Vision and Hearing (-\$7.2 million General Fund-State; -\$7.8 million General Fund-Federal)

The Department of Social and Health Services will eliminate vision and hearing services for adults. Vision services include the services of optometrists and eyeglasses. Hearing services include hearing aids, audiologist services, and other hearing procedures.

Adult and Children's Endodontics (-\$3.3 million General Fund-State; -\$4.1 million General Fund-Federal)

The Department of Social and Health Services will eliminate a 2007-09 biennium expansion of dental services for adults and children, specifically in the area of endodontics, or root canal therapy. Services were restored for adults, and a rate increase was provided for children's endodontics.

Reduce Maternity Support Services (-\$1.3 million General Fund-State; -\$1.3 million General Fund-Federal)

The Department of Social and Health Services will reduce preventive health care services for pregnant and postpartum women that include: professional observation, assessment, education, intervention, and counseling as provided by an interdisciplinary team comprised of a community health nurse, a nutritionist, and a behavioral health specialist. These services are provided primarily through local health jurisdictions and tribal clinics. Remaining funding will be targeted towards pregnant women with factors that lead to higher rates of poor birth outcomes.

Eliminate Medicare Part C Premiums (-\$1.2 million General Fund-State)

The Department of Social and Health Services will eliminate premium co-payments for 1,033 clients who are dually eligible for Medicare and Medicaid services and are enrolled in Medicare Part C Advantage Plans.

GAU and ADATSA Medical Savings(-\$35.0 million General Fund-State)

GAU is a state-funded program that provides cash and medical benefits for persons who are physically and/or mentally incapacitated and unemployable for 90 days from the date of application. ADATSA is a similar state-funded program that provides cash and medical benefits for persons who are incapacitated and unemployed due to drug or alcohol dependency. Washington will reduce funding for medical benefits for these populations.

Eliminate GAU Mental Health Pilot (-\$3.4 million General Fund-State)

Under a GAU managed care pilot project, GAU clients in King and Pierce counties receive medical assistance through managed care instead of the traditional fee-for-service system. In the 2007-09 biennium, the Legislature added a mental health component to the pilot project. The mental health component will be eliminated.

AGING & DISABILITY SERVICES

Savings/Reductions

Eliminate Adult Day Health (-\$21.0 million General Fund-State; -\$30.0 million General Fund-Federal)

The Adult Day Health (ADH) program is eliminated. Federal regulators have disallowed ADH as a bundled service under the rehabilitation section of the Home and Community Based Services waiver effective July 1, 2009. Due to client acuity, the Bailey Boushay portion of ADH remains funded under the state plan. Of the approximate 2,000 Medicaid clients who receive ADH services, 97 percent also receive services through in-home care and residential services. ADH clients who are not receiving any other service will be referred for a personal care services eligibility determination upon their request.

Homecare Training (-\$11.4 million General Fund-State; -\$14.2 million General Fund Federal)

Initiative 1029, passed by voters in November 2008, adds additional continuing education, advanced training and background check requirements for home care workers. Funding for costs of training requirements scheduled to begin in January 2010 is reduced; remaining funding likely will cover this training for the first couple months of calendar year 2010. Funding for background checks and the development of the training infrastructure is not reduced.

Peer Mentoring for Homecare Workers (-\$2.4 million General Fund-State)

Chapter 361, Laws of 2007 (ESSHB 2284) requires that long-term care workers be offered peer mentorship beginning January 1, 2010 as part of their overall training. The implementation of peer mentoring is suspended for the 2009-11 biennium.

In-Home Care Hours Reduction (-\$37.0 million General Fund-State; -\$55.0 million General Fund-Federal)

Funding is reduced for in-home care hours. The reduction is to be scaled based on the acuity level of care recipients. The largest hour reductions shall be to lower acuity patients and the smallest hour reductions shall be to higher acuity patients.

Rate Reduction for Long-Term Care Residential Facilities (-\$14.0 million General Fund-State; -\$21.0 million General Fund-Federal)

Reimbursement rates for Adult Family Homes and Boarding Homes are reduced for the 2009-11 biennium. Adult Family Homes and Boarding Homes provide residential care to clients of the Long Term Care, Division of Developmental Disabilities Divisions of the Aging and Disabilities Services Administration.

Agency Provider Qualifications (-\$15.2 million General Fund-State; -\$22.5 million General Fund-Federal)

Home care agencies licensed under the Medicaid in-home personal care program will no longer be compensated for employing providers who are either family members of their client or who reside with the client. Home care agencies are paid on average an additional \$5 per hour for activities associated with supervision such as hiring, firing, scheduling, and reviewing and approving hours. Providers who care for clients that are their family members, or who are living with their client, generally do not need the administrative overhead functions of an agency such as scheduling their work day. Agency providers who are family members or who are living with their client may continue to care for their client and be compensated for their time by becoming an Individual Provider. Clients and providers will retain the choice to stay with the agency within the limitations of the new requirements.

DSHS - LONG TERM CARE

Enhancements

Enhanced Community Services (\$3.9 million General Fund-State; \$5.8 million General Fund-Federal)

Funding is provided to move individuals with dementia who are not receiving active treatment in state hospitals into community care long-term care settings. Capacity is created for more community placements to prevent more individuals with dementia who do not require active treatment from entering state hospitals.

Savings/Reductions

Roads to Community Living (-\$2.3 million General Fund-State; -\$3.7 million General Fund-Federal)

Savings are achieved by amending the home and community-based services waiver in conjunction with a federal grant. Clients with complex needs are transitioned from nursing homes to community-based settings with intensive supports to prevent them from returning to the nursing home. These actions are intended to produce a net savings but still provide appropriate services.

Nursing Home Rate Reduction (-\$40.2 million General Fund-State; -\$59.7 million General Fund-Federal)

Nursing home rates increased in the biennial rebase adding approximately 3.2 percent to the fiscal year 2009 funding base. Rate reductions are taken after the rebase and are similar in scale to those taken from other vendors.

Volunteer Chore Program (-\$3.3 million General Fund-State)

Funding is reduced for the Volunteer Chore Program. Clients who receive services from the program do not qualify for Medicaid Personal Care or Long-Term Care waiver services because they have not met the definition of "need" as described by Medicaid or because they are not financially eligible. Volunteers help with household tasks, shopping, moving, minor home repairs, and yard work. Service costs include background checks on volunteers, assessment of service needs and eligibility for participation, and matching seniors to volunteers. Direct payments are made to volunteers for mileage.

DSHS - DEVELOPMENTAL DISABILITIES

Enhancements

Public Safety Placements (\$2.0 million General Fund-State; \$4.0 million General Fund-Federal)

Residential and support services are funded for 32 new clients with developmental disabilities who also have community protection issues. These new placements will serve clients being diverted or discharged from state psychiatric hospitals; participants in the Dangerous Mentally Ill Offender program; participants in the Community Protection program; or mental health crisis diversion outplacements.

Expanded Community Services (\$2.7 million General Fund-State; \$3.9 million General Fund-Federal)

Funding is provided for 60 new clients who need residential, behavior or habilitative support in addition to personal care to remain in the community instead of institutions.

Savings/Reductions

Moving State Only Employment & Day Clients to Federal Waiver Programs (-\$14.0 million General Fund-State; \$15.7 million General Fund-Federal)

The Department of Social and Health Services Division of Developmental Disabilities currently provides employment and day support services to approximately 2,700 individuals using state-only funds. A majority of these individuals are available for Medicaid waiver services funded partially with state dollars and partially with federal dollars. This item transitions state-only employment and day clients to the Basic waiver to capture allowable federal funding. Those who are not eligible for the waiver will maintain state-only employment services.

Moving State Only Residential Clients to Federal Waiver Programs (-\$5.0 million General Fund-State; \$7.3 million General Fund-Federal)

The Department of Social and Health Services Division of Developmental Disabilities currently provides community residential support and services to a variety of individuals using state-only funding. Approximately 75 percent of these individuals are available for Medicaid waiver services funded partially with state dollars and partially with federal dollars. This item transitions currently eligible state-only residential clients to the CORE waiver to capture allowable federal funding.

Administrative Reductions (-\$3.0 million General Fund-State; -\$3.6 million General Fund-Federal)

Overall administrative funding is reduced. All spending reductions should be focused on administrative staffing and expenses.

Employment and Day Efficiencies (-\$2.4 million General Fund-State; -\$3.6 million General Fund-Federal)

The administration of the Employment and Day Program is transferred from the counties to the Division of Developmental Disabilities and overall funding is reduced. Employment services are ongoing support services and training for eligible persons with paid jobs in a variety of settings and work sites.

Hold Vacancies in Community Residential (-\$2.0 million General Fund-State; -\$3.0 million General Fund-Federal)

The Department of Social and Health Services Division of Developmental Disabilities (DSHS-DDD) currently provides community residential support and services in a variety settings. As individuals transition out of residential slots, the DSHS-DDD will hold slots vacant when savings can be achieved.

DSHS - ECONOMIC SERVICES ADMINISTRATION

ARRA

Child Support Stimulus Match (-\$11.5 million General Fund-State; \$11.5 million General Fund-Federal)

The Deficit Reduction Act of 2005 removed competitively awarded incentives to states for efficiently operating a child support system. Under the American Recovery and Reinvestment Act (ARRA) of 2009, the federal government temporarily reinstated this program. Funds shall be available from October 1, 2008, until September 30, 2010.

State Food Assistance Program (\$2.5 million General Fund-State, \$157.0 million General Fund-Federal)

The State's Food Assistance Program is authorized to increase the benefits of the program to maintain parity with the federal Basic Food program (Supplemental Nutrition Assistance Program) as required by law. The increase is a result of the American Recovery and Reinvestment Act (ARRA) of 2009.

Enhancements

Food Stamp Employment and Training (\$9.1 million General Fund-Federal)

The Food Stamp Employment and Training program provides job search and employability training to recipients of Basic Food who are required to register for work and participate in employment and training activities to maintain their eligibility. This program has partnered with State community and technical colleges, and is expanded.

Savings/Reductions

WorkFirst Accountability (-\$68.6 million General Fund-State)

The WorkFirst program provides Temporary Assistance for Needy Families (TANF) grants, supports, and services to pregnant women and families that meet eligibility requirements. Funding is reduced to reflect savings through reductions in the state maintenance of effort agreements with tribes, a reduction in partner agency contracts, and other efficiencies.

Refugee Employment Services (-\$3.0 million General Fund-State)

Due to under expenditure of funds in recent years for Refugee Employment Services, savings is assumed in this program. Refugee employment services is one of several programs provided to refugees by the Economic Services Administration.

Increase SSI Facilitators (-\$6.28 million General Fund-State)

Savings are recognized from the Department hiring 10 Supplemental Security Income (SSI) facilitators. The SSI facilitators expedite the transition process from General Assistance-Expedited (GA-X) program to the federal SSI program. Savings is based on an increase in federal reimbursement of the GA-X cash grant.

Chemical Dependency Professionals (-\$3.0 million General Fund-State)

The Economic Services Administration has ended contracts with the Division of Alcohol and Substance Abuse to have Chemical Dependency Professionals stationed at Community Service Offices (CSO). Clients shall be referred for assessment and treatment by existing CSO staff.

MENTAL HEALTH

Enhancements

Upgrade PYXIS System (\$1.0 million General Fund-State)

State hospitals use a system called Pyxis to dispense medication. The current Pyxis system will no longer be supported by Microsoft. Funding is provided to lease the new version of the system in order to maintain accurate medication dispensing.

Savings/Reductions

SHB 2295 Regional Support Network Restructuring (-\$1.0 million General Fund-State; -\$1.4 million General Fund-Federal)

Substitute House Bill 2295 (DSHS organization) requires the number of Regional Support Networks (RSN) to be consolidated from 13 to not more than 6. Savings assumes it will take approximately 18 months to reorganize the regional support networks and that the 2009-11 biennium will realize 6 months of savings. After implementation and transition, it is estimated that the consolidation of the RSNs will achieve approximately 3 percent savings from current administrative expenditures or approximately \$15m in total funds per year.

Return to work program (-\$1.7 million General Fund-State)

Funding is reduced by 17.0 FTEs that were added in 2007-09 biennial budget for the return to work program at Western State Hospital (WSH). This program allows persons who are injured on the job to return to light duty while they are recovering. This program was expected to offset costs to workers compensation premiums within three years of implementation. The first year of the program would not have been included in WSH claim costs until calendar year 2010. Savings would not likely have been known until 3 full years of claims data are available which would have been in calendar year 2012.

Reduce Staffing (-\$2.5 million General Fund-State; -\$0.5 million General Fund-Federal)

Staffing in the state psychiatric hospitals is reduced by 16.0 full-time equivalent staff (FTEs), or approximately six-tenths of one percent, from the previously budgeted level. This reduction is not intended to be direct care staff. Staffing in department headquarters is reduced by 5.0 FTEs, or approximately 6 percent.

Reduce Non-Medicaid Funding (-\$23.2 million General Fund-State)

The "state-only" funding provided to Regional Support Networks (RSN) for services and individuals not eligible for the federal Medicaid program is reduced by approximately 9 percent. Spending for inpatient, crisis response, and residential services is largely non-discretionary. This reduction is roughly 20 percent to the remaining non-Medicaid expenditures which are primarily administration (RSN and providers) and outpatient services. Outpatient services to 10,000-15,000 non Medicaid clients will potentially be reduced.

Reduce Medicaid Rates (-\$11.2 million General Fund-State; -\$11.3 million General Fund-Federal)

The managed care rates paid to local Regional Support Networks (RSNs) for delivery of community mental health services under the state and federal Medicaid program are reduced by 3.4 percent below the higher rates that would otherwise be paid in the 2009-11 biennium. The department is directed to devise rate adjustment methods that will insure the reduction is distributed uniformly and equitably across all RSNs statewide. Such actions may include but are not limited to methods such as adjusting the "access to care" medical necessity standard so that persons with lower levels of need will no longer have access to community mental health services, or to as much service, as currently; and improved utilization management for use of ongoing expensive services; increased uniformity in provider payment rates; etc . The department is directed to report to the relevant legislative fiscal and policy committees at least 30 days prior to proceeding with the proposed method.

Innovative Services Grants (-\$3 million General Fund-State)

Seven projects that received time-limited state-only innovative services grants during the 2007-09 biennium will end on the contract termination date of June 30, 2009. Contracts are not renewed through the 09-11 biennium and innovative service grant funding is eliminated.

Reduce Children's Evidence Based Practices (-\$1.9 million General Fund-State Savings; -\$0.4 million General Fund-Federal)

Funding for children's mental health Evidence Based Practices (EBP) is reduced to more accurately reflect the actual dollar amounts spent and the number of children being served. These programs currently serve 148 high intensity children (unduplicated) per year. The reduction allows services to continue to the same number of children being served by these programs in fiscal year 2009.

DEPARTMENT OF HEALTH

Savings/Reductions

Reduction of AIDSNET Administration (-\$1.1 million General Fund-State)

Funding is eliminated for regional administrative activities conducted by regional AIDS Networks and the Department of Health shall assume the responsibilities of administering grants to community providers statewide.

HIV Early Intervention Program (-\$1.0 million General Fund-State)

The HIV Early Intervention Program, which pays for certain HIV-related medications and medical care, as well as assistance with insurance premiums for specific HIV positive individuals, is capped at 98 percent of current expenditures.

Reductions to Cancer Screening Programs (-\$4.1 million General Fund-State)

The Washington Breast and Cervical Health Program (WBCHP) and the Washington Colon Health Program (WCHP) provide free cancer exams to individuals between 50 and 64 years old who are below 250 percent of the federal poverty level. Funding first provided in the 2008 supplemental budget to support the loss of federal funding to the WCHP and to expand the program from three counties to nine is eliminated. Funding increases to support digital mammography in the WBCHP are eliminated and overall state contributions are reduced.

Discontinuation of the Universal Vaccine Purchase Program (-\$53.8 million General Fund-State)

The state's operation of a universal vaccine purchase program is discontinued. The purchase of three adolescent vaccines - HPV, meningococcal, and Tdap - is eliminated as of July 1, 2009. By July 1, 2010, coverage for the other vaccines will be discontinued. The vaccines will remain available to children covered by the Vaccines for Children program. The Department is encouraged to seek private funds from insurers to continue the program in the future.

Reduction to State Family Planning Grants (-\$5.5 million General Fund-State)

Funding provided in the 2007-09 biennium for family planning grants is reduced by ten percent in fiscal year 2010 and eliminated in fiscal year 2011. The grants had been intended to increase capacity for DOH-funded family planning clinics for non-DSHS eligible clients as federal rule changes terminated DSHS eligibility for many clients. It is assumed that possible federal rule changes will allow these clients to again be served by DSHS.

Reduction of Local Public Health Funds (-\$20.0 million General Fund-State)

In the 2007-09 biennial budget, \$20 million was provided to local health jurisdictions to be spent on core public health functions of statewide significance as defined in Chapter 259, Laws of 2007 (E2SSB 5930). This source of funding for local public health agencies is eliminated.

Reduce Poison Control Center (-\$2.0 million General Fund-State)

State funding for the statewide poison and drug information service is reduced by half. The Poison Control Center is encouraged to explore long-term alternative funding and efficiency options, including the regionalization of services with other poison control agencies, as well as short-term options through public safety services funds available through the American Recovery and Reinvestment Act of 2009.

Deregulation of Group B Water Standards (-\$1.2 million General Fund-State)

State regulations for Group B drinking water systems are eliminated. Department of Health staff activities related to Group B drinking water systems are discontinued. The Department has been regulating Group B drinking water systems (those which provide drinking water to between two and 14 households and serve less than 25 people per day), despite the federal obligation to only regulate Group A drinking water systems.

State Support for Women, Infants and Children (-\$1.0 million General Fund-State)

State funding support for administrative functions of the Women, Infants and Children program is reduced. Federal funding for the program is approximately \$110 million per biennium. The reduction does not affect food items, but rather reduces the state administrative support for training activities for providers and others.

HEALTH CARE AUTHORITY

Savings/Reductions

Dental Residency Program (-\$1.2 million General Fund-State)

Funding for the dental residency program is reduced by eliminating initial implementation costs. The program will continue to maintain statewide operations. The dental residency program funds residencies in non-teaching hospital settings that treat low-income patients.

Reductions to the Basic Health Plan (-\$251.9 million General Fund-State)

Funding for the Basic Health Plan is reduced by 43 percent in the 2009-11 biennium. The Health Care Authority will streamline administrative procedures and adjust benefit design and cost sharing to allow for the enrollment of as many people as possible with the reduced funds. Enrollment levels are expected to be sustained at 65,000 enrollees.

Discontinuation of the Quality Forum (-\$1.3 million General Fund-State)

Funding for the Quality Forum is eliminated. The Quality Forum was established pursuant to Chapter 259, Laws of 2007 (E2SSB 5930) for the purpose of facilitating the collection, evaluation, and dissemination of health care data.

Delaying Implementation of the Health Insurance Partnership (-\$11.8 million General Fund-State)

The budget eliminates funding for the implementation of the Health Insurance Partnership for the 2009-11 biennium. According to HB 2052 (2009), the Partnership will not begin offering coverage until January 1, 2011 or until sufficient funding for this purpose has been provided. The Health Insurance Partnership provides a subsidy to the employees of certain small businesses that mostly employ low-wage workers.

DEPARTMENT OF VETERANS' AFFAIRS

Savings/Reductions

Federal Funding from GI Bill Change (-\$1.0 million General Fund-State)

Funding is reduced to reflect savings as a result of a federal change to federal education benefits available through the GI Bill. Currently, Veteran Conservation Corps participants may receive a stipend of \$1,000 per month. The U.S. Department of Veterans' Affairs new GI Bill will include monthly stipends for eligible veterans. The Department will maintain the program at current levels with less state funding.

SPECIAL COMMITMENT CENTER

Savings/Reductions

Residential Staffing Reductions (-\$3.2 million General Fund-State)

Funding is reduced to reflect a decrease of 32 residential rehabilitation counselors FTEs assigned to lower acuity housing units.

PAYMENTS TO OTHER AGENCIES

Savings/Reductions

Administrative Reductions (-\$29.0 million General Fund-State)

Overall funding for services provided by other state agencies to The Department of Social and Health Services is reduced.

EMPLOYMENT SECURITY DEPARTMENT

Enhancements

Next Generation Tax System (\$32 million Unemployment Compensation Administration Account-Federal)

Funding is provided for the second phase to replace the mainframe unemployment insurance tax information system (TAXIS) and its ancillary subsystems, which were originally implemented in 1984.

Enterprise Licensing (\$2.6 million Employment Services Administrative Account-State)

Funding is provided to institute an agency enterprise software licensing agreement for Microsoft products by utilizing the Department of Information Services (DIS) negotiated pricing structure.

State Choice UI Program (\$12 million Unemployment Compensation Administration Account-Federal)

Funding is provided for one-time costs to administer state policy-driven unemployment insurance (UI) programs. This item funds specific programs that are in place as a result of state legislation such as state monitoring of job search programs, alternative base year options, shared work programs and other state-specific programs.

DEPARTMENT OF LABOR AND INDUSTRIES

Enhancements

Prevailing Wage Program Services (\$1.7 million Public Works Administration Account-State)

Funding is provided for new staff and technology to improve the effectiveness of the Prevailing Wage Program.

Early Claims Solution Services and Technology (\$5.5 million Accident Fund; \$5.5 million Medical Aid Fund)

Funding is provided to implement an early claims solution process intended to reduce the time needed to process an initial report of accident. New staff and technology will be used to reduce claim handling time from the date of injury to workers' receipt of the first time-loss check by 15 percent.

Detecting Unregistered Employers (\$4.0 million Accident Fund; \$4.0 million Medical Aid Fund)

Funding is provided to develop technology to better detect employer fraud and target employer audits. Funding provides one-time costs for software, contracted programming, project FTEs and some permanent FTEs. This technology will be used to better identify the most significant employer fraud cases and avoid auditing employers who are in compliance.

Savings/Reductions

General Fund Reductions (-\$2.7 million General Fund-State)

Funding for General Fund-State programs is reduced. Reductions will be made at the discretion of the Department.

DSHS - DIVISION OF ALCOHOL AND SUBSTANCE ABUSE

Savings/Reductions

Treatment Rate Reductions (-\$11.7 million General Fund-State; -\$1.5 million General Fund-Federal)

Residential and outpatient alcohol and substance abuse treatment providers have received approximately \$22.8 million in rate increases since the 2005-07 biennium. Savings will be achieved by scaling back those rate increases.

ADMINISTRATIVE AND SUPPORT SERVICES

Savings/Reductions

Family Policy Council Reduction (-\$3.6 million General Fund-State)

Funding for the Family Policy Council (FPC) and its associated grant programs are reduced. The FPC works with the Community Public Health and Safety Networks to reduce interrelated social problems: child abuse and neglect, youth substance abuse, youth violence, domestic violence, youth suicide, teen pregnancy and male parentage, dropping out-of-school, and child out of home placements.

Administrative Reductions (-\$12.0 million General Fund-State)

Overall administrative funding is reduced. All spending reductions will be targeted at administrative staffing and expenses.

PUBLIC SAFETY & THE JUDICIARY

ARRA

Fiscal Stabilization Grant: ARRA (-\$182.4 million General Fund-State; \$182.4 million General Fund-Federal)

Funding is provided from the fiscal stabilization grant to offset reductions that would have otherwise been required in the state operating budget. A total of \$182.4 million made available through the American Recovery and Reinvestment Act of 2009 is provided for incarceration costs in the Department of Correction.

Enhancements

Fiscal Stabilization Grant (ARRA): Edward Byrne Memorial Justice Assistance Grant (JAG) funds (-\$8.1 million General Fund-State; \$8.1 million General Fund-Federal)

Funding is provided from the Byrne/JAG grant to support crime prevention, drug courts, corrections and treatment programs in the Department of Health and Social Services, the Department of Community, Trade and Economic Development, and the Department of Corrections. Since the Governor's budget proposal was released, funding has been made available through the American Recovery and Reinvestment Act of 2009.

DEPARTMENT OF CORRECTIONS

Savings/Reductions

Changes to Community Supervision (-\$55.8 million General Fund-State)

Funding is reduced to reflect savings from the elimination of community supervision for misdemeanor offenders except sex offenders and certain other misdemeanor offenders, and to reflect savings from discontinuing supervision of offenders assessed as low-risk offenders, excluding sex offenders. Funding is also reduced to reflect changes in community custody sentence length which set the community supervision term to three years for sex offenders and serious violent offenders, and one year for other offenders.

Home Detention for Violators (-\$21.1 million General Fund-State)

Funding is reduced by offering home detention instead of jail or prison as an alternative sanction for community custody violators. The savings are based on the assumption that 50 percent of violators in jails or prison would be sanctioned to home detention instead of jail or prison.

Institutions Program Reductions (-\$9.1 million General Fund-State)

Funding is reduced to reflect savings from increases to the dollar threshold for certain property crimes; to reflect savings from 30-day positive incentive time added on top of earned early release, tied to maintaining a DNR job, earning a GED, or completion of a chemical dependency treatment program; and to reflect a net savings to incarceration costs from an increase of 115 additional DOSA beds.

Housing Voucher for Certain Offenders Without Release Plans (-\$5.7 million General Fund-State)

Some offenders in DOC are held beyond their Earned Release Date (ERD) due to the lack of an approved release plan. Most often the release plans are not approved due to the lack of housing. Funding is reduced to reflect a policy of providing housing vouchers of \$15 per day for offenders who have passed their ERD and who do not have an approved release plan due to a lack of housing.

Reduce Offender Re-Entry (-\$8.3 million General Fund-State)

Funding is reduced for the Offender Re-Entry Program to eliminate funding for non-evidence based offender programs. Funding was provided as part of the 2007-09 budget for additional programs such as chemical dependency treatment, basic education, vocational education, mental health services, sex offender treatment, life skills treatment, and job training and placement services. The remaining funds will fully fund evidence-based programs.

CRIMINAL JUSTICE TRAINING COMMISSION

Enhancements

Additional Basic Law Enforcement Academies (\$3.8 million General Fund-State)

The state of Washington accomplishes its initial certification of all full-time peace officers through training at the Basic Law Enforcement Academy. State law mandates that all officers, deputies, and agents must begin basic training within six months of hiring by their respective agencies. Funding is provided for additional Basic Law Enforcement Academy (BLEA) training. This amount will fund an increase of 10 sessions in fiscal year 2010 and 10 sessions in fiscal year 2011, above the base 9 sessions the agency currently has funded.

JUDICIAL AGENCIES

Enhancements

JIS Modernization and Integration (\$6.7 million Judicial Information Systems' Account-State)

One-time funding is provided for the development of a comprehensive enterprise-level information technology strategy and detailed business and operational plans in support of that strategy. The funding will also allow the Administrative Office of the Courts to continue to modernize and integrate current systems and enhance case management functionality on an incremental basis.

Savings/Reductions

Judicial Agencies Efficiency Efforts (-\$18.1 million General Fund-State)

Funding is reduced in recognition of efficiency efforts by judicial branch agencies. This amount represents an 8 percent reduction to the Supreme Court, the Courts of Appeal, the Commission on Judicial Conduct, the State Law Library, the Administrative Office of the Courts, and the Office of Public Defense. Judicial agencies were also impacted by an additional administrative savings reduction allocated to all near general fund agencies in the operating budget.

Funding Changes (-\$22.0 million General Fund-State; \$22.0 million Judicial Stabilization Trust Account)

Funding from the Judicial Stabilization Trust (JST) Account is used for costs associated with the State Law Library, the Courts of Appeal, the Office of Public Defense, the Office of Civil Legal Aid, and the Administrative Office of the Courts. Revenue for the JST Account is assumed to come from increases to appellate court filing fees, court filing fees, and attorney licensing fees as authorized by the Supreme Court.

OTHER

Auto Theft Prevention Funding Switch (-\$9.8 million General Fund-State; \$9.8 million Washington Auto Theft Prevention Authority Account)

Funding from the Washington Auto Theft Prevention Authority Account is provided for various programs related to criminal justice and community building. Funding is provided in the Juvenile Rehabilitation Administration (JRA) and Department of Corrections for costs associated with institutional services; the JRA for youth gang prevention and intervention grants; and the Department of Community, Trade and Economic Development for grants to build local community capacity in disadvantaged neighborhoods.

NATURAL RESOURCES

DEPARTMENT OF ECOLOGY

Enhancements

Protect Puget Sound Shorelines (\$3.0 million Local Toxics Control Account-State; \$0.6 State Toxics Control Account-State)

Pursuant to a negotiated legal settlement in 2003, DOE and local governments are in the process of updating local shoreline master programs. These updates will help to protect shoreline habitat, water quality, and provide local land use certainty, and will help to protect fresh and saltwater shorelines in the Puget Sound region. Funding is provided to complete shoreline master program updates in time to meet statutory and legal settlement deadlines.

Standby Emergency Response Tug (\$3.6 million Local Toxics Control Account-State)

The standby rescue tug stationed at Noah Bay is a preventive measure that reduces the risk of an oil spill. Since 1999, the tug has responded 40 times to ships losing power or steering, or experiencing other problems. One-time funding is provided for a year-round, standby rescue tug for fiscal year 2010. State legislation is anticipated to establish a permanent, industry-funded tug at the entrance of the Strait of Juan de Fuca by fiscal year 2011.

Water Discharge Fees (\$3.0 million Water Quality Permit Account-State)

Funding is provided for Substitute House Bill 1413 (water discharge fees). The bill authorizes the Department to charge an annual fee for domestic wastewater facility permits up to 18 cents per month per residence or residential equivalent that is contributing to the wastewater system, and allows the Department to increase fees up to the fiscal growth factor for fiscal year 2010 and fiscal year 2011. Over \$3.0 million per biennium in revenue will be generated to support National Pollution Discharge Elimination System regulations under the federal Clean Water Act.

Toxic Cleanup Pre-Payment Agreement (\$1.5 million State Toxics Control Account-State)

The Model Toxics Control Act (MTCA) provides for pre-payment agreements whereby willing parties with toxic sites provide funding to DOE to get the toxic sites cleaned up. DOE is negotiating with the City and Port of Tacoma and several oil companies for pre-paid remediation technical assistance and oversight work. The agency expects more of this pre-payment type work to occur during the 2009-11 biennium. DOE is provided one-time expenditure and FTE authority to negotiate and carry out these agreements, which will be paid for by the parties who request them.

Hanford Tank Waste Litigation (\$1.3 million State Toxics Control Account-State)

The U.S. Department of Energy (USDOE) has missed Hanford cleanup milestones, the largest being startup of the Hanford Waste Treatment Plant, originally required to begin treatment operations in 2011, and now delayed until 2019 at the earliest. One-time funding is provided for legal services from the Attorney General's Office and Ecology staff resources to pursue litigation related to the cleanup at the Hanford Nuclear Reservation.

Defense Sites Cleanup Fund Shift (\$1.2 million State Toxics Control Account-State)

Toxic cleanup work on Department of Defense (DOD) sites in Washington State is funded by federal grants. In the future, the Department of Ecology will use a cost-recovery funding approach that enhances and speeds cleanup at DOD sites by reducing the administrative demands associated with federal cleanup grants. Expenditure authority of \$1.2 million is shifted on an ongoing basis from General Fund-Federal to the State Toxics Control Account.

Savings/Reductions

Watershed Implementation Grant Reduction (-\$9.2 million General Fund-State)

The Department of Ecology supports watershed planning and implementation by providing staff support, technical and financial assistance to local groups, and by providing technical studies. Funding and FTEs are reduced for grants to local governments, and for technical assistance.

Water Rights Processing Reduction (-\$6.0 million General Fund-State)

The Department of Ecology is responsible for making decisions on applications for new water rights, and requests for changes and transfers to existing water rights. Funding is reduced for processing water rights decisions during the 2009-11 biennium.

Public Participation Grant Reduction (-\$2.0 million General Fund-State)

Funding is reduced for Public Participation Grants during the 2009-11 biennium. Public Participation Grants provide funding to not-for-profit public interest organizations and citizen groups to encourage public involvement in monitoring the cleanup of contaminated sites and pollution prevention through waste reduction and elimination.

Oil Spill Account Shortfall (-\$1.9 million Oil Spill Prevention Account-State)

The Department of Ecology's Spill Prevention, Preparedness and Response program provides services to protect Puget Sound, the outer coast, and inland waters from the effects of oil spills. Because of cost increases and flat-to-declining revenues, the Oil Spill Prevention Account is facing a projected \$7.5 million shortfall during the 2009-11 biennium. As a result, the agency will do less prevention and preparedness work, including fewer vessel boardings and response readiness drills, and review and approval of fewer prevention and contingency plans.

DEPARTMENT OF FISH & WILDLIFE

Enhancements

Increased Fees to State Wildlife Account (\$5.0 million State Wildlife Account-State)

A fee increase on fishing and hunting licenses is anticipated to generate additional revenue to the State Wildlife Account. State general fund reductions are assumed to be partially offset with increased fees.

Savings/Reductions

Reduce Fish Production (-\$7.5 million General Fund-State)

The Department currently operates 88 fish hatcheries. Seven of these hatcheries will be closed and production will be reduced at other hatcheries as a result of a reduction in state general fund and State Wildlife Account appropriations. The following hatcheries will be closed: Omak, Arlington, McKernan, Mossyrock, Colville, Palmer Ponds, and Bellingham hatchery. Salmon production will be transferred to nearby facilities. Funding is also reduced for shellfish management, including oyster and razor clam seeding, and marine investigations for rockfish conservation.

Reduce Habitat Protection (-\$2.5 million General Fund-State)

The Department provides technical assistance, guidelines, and recommendations internally and to outside sources such as watershed steward lead entity groups. Funding is reduced for technical assistance, including policy development and negotiation, to improve fish, wildlife, and habitat protection.

Reduce Wildlife Management (-\$2.4 million General Fund-State)

Funding is reduced for routine or ongoing collection of non-harvest related data to monitor the status and trend of known species populations and habitats, including an inventory of fish, wildlife and habitats. The ability for the Department to collect data to determine whether elk and deer population levels meet recreational needs will be reduced. In addition, the number of habitat conservation and species management and recovery plans for endangered species recovery planning are reduced.

Reduce Enforcement (-\$1.9 million General Fund-State)

Funding in the Enforcement Program is reduced. Savings will be realized through the elimination of staff, training reductions, and other efficiencies. Seven law enforcement positions that are currently vacant will be eliminated as well as three non-commissioned staff. In service training and firearms training will be reduced. Savings are also assumed in uniform costs and vehicle leases.

DEPARTMENT OF NATURAL RESOURCES

Enhancements

Manage Agricultural Trust Lands (\$0.6 million General Fund-State; \$1.1 million Agricultural Management Account-State)

Expenditure authority and staffing are increased to expand silvicultural activities on state lands in pursuit of the 2004 Sustainable Harvest Plan's (SHP) conservation, ecological, and forest structure goals. This funding equalizes the harvest rate on agricultural lands with other school trusts and produces additional revenue for the school trusts.

Increased Derelict Vessel Removal (\$0.6 million Derelict Vessel Removal Account-State)

Ongoing funding is provided to remove derelict and abandoned vessels that pose a public nuisance and/or safety hazard. Funding will come from the \$1 derelict vessel fee placed on vessel registrations.

Savings/Reductions

Efficient Fire Suppression (-\$4.0 million General Fund-State)

In anticipation of program efficiencies, funding for fire preparedness and emergency fire suppression is reduced.

Correction Camps Program Reduction (-\$1.5 million General Fund-State)

Funding is reduced for the Department's Correctional Camps program. This program provides work opportunities for state inmates in forest management and fire suppression. Reductions are taken from camps in lower fire risk areas. The Monroe, Mission Creek, and Naselle Youth Camp programs will be operational during fire season only.

PARKS & RECREATION COMMISSION

Enhancements

Fee Generated Revenue (\$2.0 million Parks Renewal and Stewardship-State)

The Department will raise fees for its cabins, yurts, and non-primitive camping sites in order to generate additional revenue.

State Park Land Lease Revenue (\$1.5 million Parks Renewal and Stewardship Account-State)

Additional revenue to the Parks Revenue and Stewardship Account is assumed pursuant to Substitute House Bill 2109 (state parks & recreation funding). The bill requires the State Parks and Recreation Commission to review and determine the fair market value for all existing leases for telecommunications service facilities.

Reductions

New Dedicated Revenue Source (\$28.0 million General Fund-State)

The voluntary opt-in \$5 donation on motor vehicle registrations to support state parks is changed to an opt-out donation. These fees will become a new dedicated source of revenue for the State Parks and Recreation Commission and will be deposited in the Parks Renewal and Stewardship Account. An equal amount of state general funds is removed in anticipation of revenue from motor vehicle registrations.

Savings/Reductions

Seasonal Park Closures (-\$2.0 million General Fund-State)

The majority of state parks are used primarily during the spring and summer months. Savings will be realized from seasonal winter closures. These closures will result in lower electricity and other operating costs as well as fewer seasonal employees.

Equipment Savings (-\$2.0 million General Fund-State)

State Parks owns and operates a fleet of vehicles and construction, landscaping, maintenance and other equipment. During the 2007-09 biennium, funding of \$2.0 million was provided to replace vehicles and equipment. This funding is removed for the 2009-11 biennium.

Regional Consolidation (-\$1.0 million General Fund-State)

Funding for headquarters administration is reduced. The State Parks and Recreation Commission will close one regional office.

ENVIRONMENTAL HEARINGS OFFICE

Savings/Reductions

Growth Management Hearings Board Consolidation (-\$0.8 million General Fund-State)

Currently, there are three growth management hearings board offices: Seattle, Olympia, and Yakima. These three hearings boards will be consolidated into the Environmental Hearings Board in Olympia. Board members will remain at nine and will share one staff attorney and one clerical position.

GENERAL GOVERNMENT

GENERAL ADMINISTRATION

The Emergency Food Assistance Program (TEFAP) (\$2.0 million General Fund-Federal)

Stimulus funding from the American Recovery and Reinvestment Act of 2009 is made available to the state's Emergency Food Assistance Program (TEFAP). TEFAP helps to supplement the diets of low-income needy persons, including elderly people, by providing them with emergency food and nutrition assistance.

DEPARTMENT OF COMMUNITY, TRADE, AND ECONOMIC DEVELOPMENT

Fiscal Stimulus: ARRA (\$81.7 million General Fund-Federal)

Stimulus funding from the American Recovery and Reinvestment Act of 2009 is made available to the state's Community Services Block Grant (CSBG) programs, Emergency Food & Shelter programs, Homelessness Prevention programs, and programs that work to reduce Violence Against Women.

DEPARTMENT OF COMMUNITY, TRADE, AND ECONOMIC DEVELOPMENT

Savings/Reductions

Downsize Transitional Housing Operating and Rent program expansion (-\$1.5 million General Fund-State Reduction)

Funding for the Transitional Housing Operating and Rent (THOR) program is reduced. An expansion, authorized in 2008, widened the pool of eligible applicants to the program to include offenders re-entering the community as well as different family structures; this is reduced.

Washington Technology Center Reduction (-\$1.14 General Fund-State)

From a base of \$5.7 million for the biennium, pass through funding to the Washington Technology Center is reduced by \$1.1 million

OFFICE OF THE ATTORNEY GENERAL

Agency Generated Efficiency Savings (-\$16.0 million Legal Services Revolving Account-State)

During the 2007-09 biennium, the Attorney General's Office worked with clients to reduce the overall cost of legal services to the state. Cost savings included new agency qualifications for services rendered, reductions in administrative costs, and eliminating redundant requests for legal opinions and contract reviews. The state will save \$15 million from these efficiencies.

DEPARTMENT OF INFORMATION SERVICES

Enhancements

Department of Information Systems (\$0.2 million General Fund-State, \$0.9 million General Fund-Federal)

Funding is provided for Engrossed Second Substitute House Bill 1701 (Department of information systems). The bill authorizes the Department of Information Services (DIS) to implement a high-speed internet strategy for the state, subject to available funding.

Savings/Reductions

Operational Efficiencies (-\$15.0 million Data Processing Revolving Account-Nonappropriated)

Funding is reduced to reflect efficiencies throughout the Department of Information Services.

K-20 Network Savings (-\$1.9 million Education Technology Revolving Account-State)

Funding for the K-20 Network is reduced during the 2009-11 Biennium to reflect efficiencies and deferred costs.

DEPARTMENT OF LICENSING

Savings/Reductions

Master License Service Efficiencies (-\$2.4 million Master License Account-State)

Funding is reduced as a result of projected decreases in revenue based on current fee rates. The Department will find administrative efficiencies to accommodate these reductions.

LIQUOR CONTROL BOARD

Enhancements

Revenue Generating Activities (\$3.6 million Liquor Revolving Account-State; Liquor Revolving Account-Nonappropriated)

Funding is provided for the Liquor Control Board to pay for the costs associated with revenue generating activities. Activities funded in this item include opening state liquor stores on seven state holidays (not Christmas or Thanksgiving); opening six temporary Liquor Stores in shopping malls for a 60-day window during the holiday season; implementing Sunday liquor sales at nine additional stores; and establishing a partnership with Lottery to introduce electronic lotto in liquor stores.

Ten New Contract Stores (\$1.6 million Liquor Revolving Account-State; Liquor Revolving Account-Nonappropriated)

Funding is provided for the Liquor Control Board to add ten new contract liquor stores in the 2009-11 biennium.

Five New State Stores (\$2.9 million Liquor Revolving Account-State; Liquor Revolving Account-Nonappropriated)

Funding is provided for the Liquor Control Board to add five new state liquor stores in the 2009-11 biennium.

Savings/Reductions

Change to Part-Time Board (-\$0.7 million Liquor Revolving Account-State)

Funding is reduced as the result of proposed legislation that would change the Liquor Control Board from a three-member board compensated at sixty percent of full time to an unpaid part-time voluntary board which will meet at least twelve times a year. The Board will continue to perform quasi-judicial functions and provide administrative, policy, and legislative oversight to the Director of the Liquor Control Board.

Tobacco Enforcement Cost Shift (-\$3.8 million General Fund-State)

Funding is reduced as a result of the shift of the Liquor Control Board's Tobacco Enforcement program costs to the Liquor Revolving Account where they will be absorbed within existing appropriation levels.

MILITARY DEPARTMENT

Enhancements

Enhanced 911 Program (\$7.5 million Enhanced 911 Account-State)

The Military Department's state appropriation is increased to reflect actual state revenues, thereby increasing funding to 911 call centers operated by local governments. The state provides funding to local governments whose costs exceed their local 911 tax collections.

Non-Disaster Mitigation Grants (\$7.8 million General Fund-Federal)

The Military Department is the state administrative agency for federal hazard mitigation grants awarded by the Federal Emergency Management Agency. The Department passes through non-disaster mitigation grant funds awarded to local communities and state agencies. Funds are used to support the development and review of local mitigation plans and grant applications, and to provide technical assistance to local communities.

Savings/Reductions

WIN211 Reductions (-\$1.0 million General Fund-State)

Funding is reduced for Washington Information Network 211 (WIN211), a private non-profit organization that provides social service referral services.

STATE PATROL

Savings/Reductions

King Air Operations (-\$1.1 million General Fund-State)

Funding is eliminated for operation of Washington State Patrol's 1983 and 1995 King Air multi-engine turboprop aircrafts.

Crime Lab Reduction (-\$1.4 million General Fund-State)

Funding is reduced for the crime labs by 5 percent from the 2007-09 biennial funding level. The crime labs provide a variety forensic services for criminal justice agencies.

SPECIAL APPROPS TO THE GOVERNOR

Savings/Reductions

Water Pollution Control Revolving Account (\$9.2 million General Fund-State)

Funding from the Water Quality Account is appropriated to the Water Pollution Control Revolving Account to provide the required 20 percent state match for water pollution control projects.

DEPARTMENT OF REVENUE

Enhancements

Improving Tax Collection (\$10.7 million General Fund-State)

Funding is provided for the Department to invest in new resources, including new auditors, that will improve data analysis and increase efficiency in audit selections and collections. These improvements are estimated to generate net revenue of \$49.3 million to the state and \$7.7 million to local governments.

Savings/Reductions

Electronic Service Delivery (-\$2.3 million General Fund-State)

The Department will realize efficiency savings by requiring electronic filing and payments, and using electronic delivery for tax assessments. Exceptions will be provided for individuals unable to comply with the requirements due to hardship or circumstances beyond their control.

2009-11 Omnibus Operating Budget
House Chair
(Dollars in Thousands)

	Near GF-S	Total
<i>Additional Federal Resources</i>		
Stimulus Package (FMAP)	-1,301,341	-61,600
Fiscal Stabilization Grant	-552,379	0
SCHIP & Related	-54,133	0
Child Support Stimulus Match	-11,500	0
Other	-8,652	82,014
Child Care Federal Stimulus	0	20,060
K12 Federal Stimulus Funding	0	336,826
TANF Contingency Funds	0	156,328
Additional Federal Resources Total	-1,928,005	533,628
<i>Employee Compensation</i>		
Actuarial Pension Change	-431,808	-508,322
Suspend I-732 COLAs	-392,621	-395,261
State Employee/K-12 Health Benefits	164,463	231,775
Employee Compensation Total	-659,966	-671,808
<i>K-12 Education</i>		
Reduce Student Achievement Program	-507,585	-507,585
Remove Learning Improvement Days	-71,807	-71,807
Professional Development Changes	-39,763	-39,763
Other K-12 Reductions	-31,249	-31,249
Focused Assistance to Schools	-8,092	-8,092
Library Services	-8,000	-8,000
WASL Changes	-7,087	-7,087
Navigation 101	-5,938	-5,938
Diagnostic Testing	-4,900	-4,900
Redesign Teacher Mentorship	-4,396	-4,396
Alternate Routes	-3,578	-3,578
Math Helping Corps	-3,528	-3,528
Administrative Reduction	-3,474	-3,474
21st Century After School Programs	-3,000	-3,000
K-12 Education Total	-702,397	-702,397
<i>Higher Education</i>		
Other Budget Reductions: 4 Yr	-459,267	-459,267
Other Budget Reductions: 2 Yr	-219,099	-219,099
Other Budget Reductions	-4,661	-4,661
Tuition Increase	0	231,278
Higher Education Total	-683,027	-451,749
<i>Early Learning</i>		
Other	-7,022	-9,022
Vendor Rate Reduction	-2,738	-2,738
Early Learning Total	-9,760	-11,760

* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

2009-11 Omnibus Operating Budget
House Chair
(Dollars in Thousands)

	Near GF-S	Total
<i>Health Care</i>		
Basic Health Plan	-251,897	-270,386
Hospital Rate Reduction/Efficiencies	-95,659	-196,181
Pharmacy Initiatives	-86,110	-188,089
Other	-63,100	-96,462
Modify Vaccine Program	-53,766	-53,766
DSH Restructure	-52,000	-52,000
GAU Medical	-35,000	-35,000
Healthy Options Premium Rates	-32,604	-76,797
Shift Public Health Funding	-21,000	0
County Public Health Assistance	-20,000	-20,000
Graduate Medical Education Payments	-19,600	-19,600
Reduce Enhancement For FQHCs	-15,905	-31,986
Reduce Funding For DME	-12,655	-29,608
Medicare Part D Co-Payments	-12,137	-12,137
Eliminate Health Insurance Partnership (HIP)	-11,834	-11,834
Adult Vision and Hearing	-7,204	-14,974
Reduce State Family Planning Grants	-5,500	-5,500
Pediatric Rate Decrease	-5,418	-12,945
Adult Office Visit Rate Reduction	-4,053	-8,358
Eliminate GA Mental Health Pilot	-3,378	-3,378
Adult and Children's Endodontics	-3,328	-7,417
Reduce AIDSNET Grants	-1,067	-1,067
Cap HIV Early Intervention Program	-1,000	-1,000
Reduce Tobacco Prevention Funds	0	-6,000
Health Care Total	-814,215	-1,154,485
<i>Long Term Care, DD, and Mental Health</i>		
Nursing Home Rate Reduction	-40,200	-99,919
DD/LTC: Reduce In-Home Hours	-36,996	-91,648
Reduce RSN Funding	-34,407	-45,702
Adult Day Health	-20,666	-51,023
Other	-19,917	-30,506
Home Care Training	-19,017	-39,664
No Relatives as Agency Providers	-15,191	-37,708
DD Employ & Day to Waiver	-14,052	1,640
DD/LTC: Reduce Residential Rates	-13,896	-34,476
MH Other Reductions	-10,287	-11,781
DD Residential To Waiver	-4,937	2,386
Volunteer Chore Program	-3,306	-3,306
MH Inv Service Grants	-3,051	-3,051
DD: Employment/Day Efficiencies	-2,424	-6,020
SHB 2295 RSN restructuring	-1,000	-2,400
Long Term Care, DD, and Mental Health Total	-239,347	-453,178
<i>Other Human Services</i>		
Other	-74,711	-122,092
WorkFirst Accountability	-68,653	-68,653

* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

2009-11 Omnibus Operating Budget
House Chair
(Dollars in Thousands)

	Near GF-S	Total
Children's Other	-28,619	-35,534
Administration Savings	-12,145	-28,645
DASA Rate Reductions	-11,746	-13,250
Children's Rate Reduction	-9,616	-14,424
Secure CRC's	-9,360	-9,360
BRS Reductions	-7,960	-14,282
Foster Care Length of Stay	-7,700	-14,398
Childrens: Administrative Efficiencies	-6,305	-8,403
Increase SSI Facilitators	-6,238	-6,238
FPC, CC&F, GJJAC	-4,161	-4,161
Foster Parent Child Care	-3,071	-3,338
Chemical Dependency Professionals	-3,000	-3,000
Family Preservation Services	-3,000	-3,000
Refugee Employment Services	-3,000	-3,000
Childrens: Family Rec. Svcs	-2,952	-6,440
Continuum of Care Svcs	-2,244	-2,244
Veterans Affairs	-841	-841
Other Human Services Total	-265,322	-361,303
<i>Corrections and Other Criminal Justice</i>		
Reduce Community Supervision	-55,873	-55,873
Other	-39,234	-30,874
Home Detention for Violators	-21,131	-21,131
WSP & CJTC	-11,152	-11,152
Reduce Offender Re-Entry	-10,624	-8,288
Close Naselle Youth Camp	-10,484	-10,484
Housing Voucher for ERD	-5,712	-5,712
Eliminate Enhanced Parole in JRA	-5,332	-5,332
Threshold for Property Crimes	-4,361	-4,361
End Offender Re-Entry Pilot	-3,976	-3,976
Evidence Based Program JRA	-3,463	-4,891
Increased DOSA beds	-3,434	-3,434
SCC: Residential Staffing Reductions	-3,204	-3,204
Close JRA Basic Training Camp	-2,435	-2,435
Reduction to Auto Theft Prevention	0	-9,800
Corrections and Other Criminal Justice	-180,415	-180,947
Total		
<i>Natural Resources</i>		
Parks Opt-Out	-28,000	0
Fish & Wildlife: Other	-25,162	-23,040
Dept of Ecology	-23,421	-42,152
Dept of Natural Resources: Other	-21,713	-21,713
State Parks & Rec: Other	-8,340	-8,340
Reduce Fish Production/Hatchery Closures	-7,487	-7,487
Dept of Agriculture	-5,072	-3,974
Efficient Fire Suppression	-4,075	-4,075
Parks Reductions	-3,928	-3,928
Puget Sound Partnership	-3,348	-2,703

* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

2009-11 Omnibus Operating Budget
House Chair
(Dollars in Thousands)

	Near GF-S	Total
Other	-2,554	-11,378
Consv. Commission	-2,372	-2,372
Natural Resources Total	-135,472	-131,162
Enhancements		
Debt Service for 2009-11 Capital Budget	51,856	61,595
Maintain Current Fin Aid Policy	33,913	33,913
Other	20,650	156,333
ProviderOne Implementation	20,583	47,151
Approp Funds to Water Pollution Cntl Acct	9,200	9,200
DOR: Additional Auditors	6,405	6,405
Backfill Capital Building Construction Acct	5,927	5,927
Dropout Reengagement	4,078	4,078
Enhanced Community Services	3,939	9,782
CJTC Additional Classes	3,796	3,796
Childrens Supervised Visitation	3,563	4,465
Migrate DOC Exchange to DIS	3,539	3,539
Other Higher Ed	3,274	3,274
Basic Education Redefinition	3,000	3,000
DSHS/DD: Increase Community Placements	2,563	6,038
Other K12 Related	2,542	2,542
State Food Assistance Program	2,516	157,016
Nat Resources	2,271	29,629
K12: District Financial Help	2,173	2,173
Adjust K-4 Allocation	2,160	2,160
Childrens Health	1,950	5,250
Criminal Justice Training & Related	1,626	1,626
Early Learn	800	3,142
Case Management System Migration	0	5,000
Convention & Trade Center	0	11,134
Employment Security	0	47,372
Enhanced 911 Program	0	7,487
Food Stamp Employment and Training	0	9,160
Gang Prevention/Intervention	0	3,700
Higher Ed	0	2,996
Enhancements Total	192,324	648,883
All Other		
Other	-69,867	-138,382
Judicials	-21,958	-20,733
Utilize JST Account Funds	-20,596	0
Legislative	-16,106	-16,110
Utilize Performance Audit Account	-13,501	58
Utilize Byrne Grant (ARRA)	-4,173	0
Tobacco Enforcement Cost Shift	-3,820	-3,820
Remove Public Broadcast Grants	-3,250	-3,250
Downsize THOR Expansion	-3,000	-1,500
Reduce CSBG Funding	-2,700	0
Drug Task Force (CTED/CJTC)	-1,575	0
All Other Total	-160,546	-183,737

* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

2009-11 Omnibus Operating Budget
House Chair
(Dollars in Thousands)

	Near GF-S	Total
Grand Total	<u><u>-5,586,148</u></u>	<u><u>-3,120,015</u></u>

* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

House Operating Budget Transfers & Budget Driven Revenues

(Dollars, in Millions)

Already Enacted Transfers From 2009	FY 09	2009-11	3 Yr Total
HB 1694 (Early Action Savings Bill)	91.0	-	91.0
Use Budget Stabilization Account (Rainy Day)	400.0	45.1	445.1
Capital Related Transfers	FY 09	2009-11	3 Yr Total
School Construction Account/Lottery		182.4	182.4
CEPRI		8.5	8.5
State Vehicle Parking		1.1	1.1
Thurston County Capital Facilities		8.4	8.4
State Toxics		11.0	11.0
Local Toxics		69.5	69.5
Parkland Acquisition Account - State		3.0	3.0
Aquatic Lands Enhancement Account - State		5.3	5.3
Waste Tire Removal Account - State		1.0	1.0
Wildlife Account - State		2.0	2.0
Firearms Range Account - State		0.5	0.5
Recreation Resources Account - State		9.8	9.8
NOVA Program Account - State		9.6	9.6
EWU Capital Projects Account - State		3.3	3.3
WSU Building Account - State		15.3	15.3
CWU Capital Projects Account - State		3.2	3.2
UW Building Account - State		19.5	19.5
WWU Capital Projects Account - State		3.1	3.1
TESC Capital Projects Account - State		2.5	2.5
Comm/Tech Col Capital Projects Acct - State		18.5	18.5
Energy Freedom		6.0	6.0
Public Works Assistance		368.0	368.0
Water Quality Capital		28.6	28.6
	-	779.9	779.9
Other Fund Transfers	FY 09	2009-11	3 Yr Total
Life Sciences Discovery		58.0	58.0
Performance Audit (Balance from 05-07)	11.7	-	11.7
Tobacco Prevention & Control		20.0	20.0
Economic Development Strategic Reserve		6.5	6.5
Customized Training Account		3.0	3.0
Pension Funding Stabilization	2.4	-	2.4
Wa. Distinguished Professorship Trust Account		5.0	5.0
College Faculty Awards Trust Account		4.9	4.9
Wa. Graduate Fellowship Trust Acct.		1.4	1.4

	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
Accountancy Account		0.8	0.8
DRS Expense Account		1.5	1.5
Judicial Information Services (JIS) Account		5.0	5.0
Aquatic Lands Enhancement Account		1.5	1.5
Real Estate Commission Account		5.0	5.0
Public Service Revolving Account (PSRA)		4.0	4.0
Waste Reduction & Recycling Account		7.0	7.0
Flood Control Assistance Account		2.0	2.0
State Toxics (Public Participation)		0.9	0.9
Local Toxics (Public Participation)		1.1	1.1
State Drought Preparedness Account		0.8	0.8
State Emergency Water Projects Account		0.4	0.4
Treasurer		20.0	20.0
	14.1	148.7	162.8
Budget Driven Revenue			
	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
DOR Collection Efforts		60.2	60.2
Liquor Related Items - GFS (Incl. PSEA&VRDE)	(1.5)	8.1	6.6
Assume Retail Price Increase on Liquor*		60.0	60.0
	(1.5)	128.3	126.8
Other***			
	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
HB 2300 Multi-state Games**		11.5	11.5
HB 1067 Limited Partnership Act		1.2	1.2
Document Recording Fees**		31.0	31.0
Hydraulic Project Approval (new fee)		7.0	7.0
Banking Related Fees		12.0	12.0
Alcoholic Beverage License Fees**		2.0	2.0
	-	64.6	64.6
Grand Total	503.6	1,166.7	1,670.3

* Transfer back to the state general fund. An additional \$18m would be distributed to local governments.

** Transfer back to the state general fund.

*** Certain other fees (court related, health related, document recording and wildlife) are assumed to be increased. Any spending is from the dedicated funds those revenues would be deposited into.

House Finance Legislation Assumed in Budget

(Dollars, in Millions)

<u>Bill</u>	<u>Title</u>	<u>2009-11</u>
1062	Electrolytic Process Tax Exemption	(0.3)
1287	Intrastate Commuter Aircraft	(0.1)
1321	Radioactive Waste Cleanup	(1.9)
1481	Electric Vehicles	(0.3)
1579	Nonprofit Legal Services	(0.1)
1733	Current Use Valuation Programs	(0.0)
1981	Rural County Tax Credit	(1.0)
2122	Newspaper Industry B & O Tax	(1.4)
2130	Renewable Energy Incentives	(1.5)
2278	Livestock Nutrient Management	(2.5)
2323	Use of Propane By Farmers	(2.6)
		<hr/>
		(11.6)

State Expenditure Limit (Fiscal Years 2009, 2010 and 2011)

(Dollars, in millions)

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Limit (Adopted by ELC 11/08) for FY 2009 & Rebased for FY 2010 & 2011	16,834.5	16,274.5	16,663.1
Adjustments to The Expenditure Limit			
2009 Supplemental -- Program Cost Shifts			
DOR: Tobacco Enforcement	(1.9)		
DSHS/DD: Employment & Day Waiver	(0.3)		
DSHS/DD: Core Waiver	(1.0)		
DSHS/Economic Svcs: Fund Shifts	(3.2)		
DSHS/Economic Svcs: Food Stamp Bonus	(2.0)		
DSHS/Economic Svcs: TANF Contingency	(133.2)	133.2	
DSHS/DASA: One-Time General Fund - State Savings	(15.6)	15.6	
DSHS/MA: Transportation Related FMAP	(0.4)		
DSHS/MA: Move Some Pregnant Women to SCHIP	(2.1)		
DSHS/MA: SCHIP For 113% to 200% of FPL	(4.4)		
DSHS/MHD: Increased DSH Revenues	(2.3)		
DOL: Shift Costs to Transportation Funds	(0.3)		
PSP: Fund Source Correction	(0.2)		
Veteran's Affairs: Maintenance Level Revenue	(0.2)		
* DSHS/MHD: Increased Stimulus DSH Revenues	(1.5)		
* K-12: Fiscal Stabilization Federal Stimulus	(450.0)		
* DSHS (Multiple): Federal Stimulus FMAP in ESHB 1694	(205.0)		
* DSHS (Multiple): Federal Stimulus FMAP in Supplemental	(317.6)		
* DSHS/Economic Svcs: Child Support Stimulus	(6.9)		

State Expenditure Limit (Fiscal Years 2009, 2010 and 2011)

(Dollars, in millions)

2009-11 Biennial Budget -- Program Cost Shifts

JLARC: Transfer to Other Funds	(2.9)	(0.0)
SAO: K12 Budget Driver Audits	(0.7)	(0.0)
Judicial Agencies: Utilize JST Account	(10.3)	
GA: Barrier Free Facilities	(0.1)	
OFM/GMAP: Transfer to Other Funds	(2.4)	
OCLA: Fund Shift	(0.6)	
CTED: THOR Transfer	(0.8)	
CTED: Offender Rentry	(1.2)	
CTED: Drug Court Task Force Backfill	(0.8)	
CTED: CSBG	(1.4)	
DOH: EMS Certification Fees		(0.7)
DOH: Licensing Ambulatory CFL	(0.1)	
DOH: Medical Info CFL	(0.6)	
DSHS (Multiple): FMAP ML	34.8	10.3
DSHS/Childrens: Domestic Violence Cost Shift	(0.3)	
DSHS/Childrens: Sex Abuse Recognition Training	(0.2)	
DSHS/DVR: Leveraging Federal Revenue	(2.1)	
DSHS/MA: Medicare D Clawback	14.5	11.0
DSHS/LTC: Nursing Home License Fee	(0.1)	
DSHS/MHD: State Hospital Revenues	3.4	
DSHS/MA: Higher FMAP for 133% to 200% Kids	(5.0)	(46.5)
DSHS/MA: Interpreter Services Higher Match	(1.3)	(0.7)
DSHS/MA: CPE Funding	(7.2)	
DSHS/MA: Medicaid Match for Legal Immigrants	(2.1)	(0.1)
DSHS/JRA: Auto Theft Prevention	(2.0)	
DSHS/DD: Employment & Day Waiver	(6.7)	(0.2)
DSHS/DD: State Only to Waiver	(1.3)	(0.4)
DSHS/DASA: Drug Court Funding	(1.0)	
Veteran's Affairs: Maintenance Level Revenue	(2.4)	(0.8)
Veteran's Affairs: Transitional Housing	(0.2)	(0.0)
DOC: Auto Theft Transfer	(0.9)	
State Parks: Various Park Related Adjustments	(14.0)	
Agriculture: GFS in Fee Based Programs	(0.5)	
Conservation District: Audits	(0.1)	
Central Services Agency Charges (Primarily Higher Ed)	(1.5)	
PSP: Administrative Cost Shift	(0.1)	
PSP: Coastal Monitoring	(0.3)	
TESC: WSIPP Funding	(0.6)	(0.0)
Spec. App: County Public Health Assistance	(10.5)	
* DSHS (Multiple): Federal Stimulus FMAP	(359.0)	461.9
* K-12: Fiscal Stabilization Federal Stimulus	190.1	259.9
* Higher Education: Fiscal Stabilization Federal Stimulus	(110.0)	110.0
* DOC: Fiscal Stabilization Federal Stimulus	(182.4)	182.4
* DEL: Career & Wage Ladder	(1.5)	
* DSHS/Economic Svcs: Child Support Stimulus	(2.3)	6.9

Revised Limit Related Funds	15,686.6	15,928.7	17,655.9
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Expenditures: Projected FY 2009 Spending 15,470.1

Expenditures: FY 2010 & 2011 (Budgeted/Projected) 15,135.8 15,796.0

Remaining Capacity Under The Expenditure Limit	216.6	793.0	1,859.9
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* These adjustments are related to the federal American Recovery and Reinvestment Act.

2009

2011



Washington State House of Representatives
Office of Program Research