



Proposed 2011-13
Biennial Operating Budget
and 2011 Supplemental

**ESHB 1087 Striking
Amendment (H2897.1)
Summary**

May 24, 2011

Interactions Between ESHB 1087 and HB 3225 and ESHB 1086

There is a potential point of confusion on how previous budget actions (House Bill 3225 in December 2010 and Engrossed Substitute House Bill 1086 in February 2011) interact with Engrossed Substitute House Bill 1087.

2011-13 Biennium

Because the 2011-13 budget development process began almost a year ago, the base used to construct the 2011-13 budget was the 2009-11 budget (including the 2010 supplemental). Normally, that is not an issue as the Legislature does not typically significantly revise current biennium appropriations while crafting a budget for the ensuing biennium. That was not the case this year.

In December 2010, the Legislature passed HB 3225. In February 2011, the Legislature passed ESHB 1086. Both implemented numerous reductions in almost all agencies of state government.

In many instances, the reductions included in this proposal simply are the continuation of reductions first begun in either HB 3225 or in ESHB 1086 (sometimes at a lower or higher level). If a reduction that was part of either HB 3225 or ESHB 1086 is continued (at any level), it shows up as a policy item for the 2011-13 biennium. In other words, the reductions of HB 3225 and ESHB 1086 are not automatically carried in to the future -- and the reductions displayed in the 2011-13 agency detail are **not** on top of those in HB 3225 and/or ESHB 1086.

One other note: because the changes in HB 3225 and ESHB 1086 often applied to the last six months of the biennium, the dollar savings of continuing those reductions in the 2011-13 biennium (a 24-month period) are greater than the dollars saved from those actions in the current biennium.

2009-11 Biennium

In the current (2009-11) biennium, the changes in ESHB 1087 are in addition to those already adopted in the budget. In other words, the reductions made in HB 3225 and ESHB 1086 continue to remain in force during the 2009-11 biennium unless explicitly changed by ESHB 1087 or other legislative action.

Summary of Striking Amendment to ESHB 1087 (H2897.1)

2009-11 (The Current Biennium)

In April 2010, the Legislature adopted the 2010 supplemental budget, leaving a projected general fund ending balance of approximately \$451 million. Over the next three quarters, the revenue forecast for the current biennium was reduced by more than \$1.3 billion, resulting in a projected deficit of \$900 million (a figure that would later worsen).

In December 2010, the Legislature met in special session and adopted House Bill 3225, which addressed \$588 million of the projected deficit (\$490 million through reduced appropriations and \$98 million through increased resources, primarily fund transfers.) In February 2011, the Legislature adopted Engrossed Substitute House Bill 1086, which addressed another \$367 million of the projected deficit (\$242 million through reduced appropriations and the remainder through fund transfers).

The shortfall grew larger when projected caseload increases, the latest projection of federal rates used to match Medicaid, and the March 2011 revenue forecast were all incorporated. If the \$900 million shortfall discussed above is added to the subsequently projected caseload costs and the March 2011 revenue forecast, the shortfall that the Legislature has faced since April 2010 becomes \$1.2 billion. In May 2011, the Legislature learned that the impact of the previously enacted tax penalty and interest waiver program was \$200 million better than originally anticipated, reducing the shortfall to \$1 billion.

This proposal addresses the remainder of the 2009-11 shortfall and leaves a projected near general fund (NGFS) ending balance of approximately \$111 million. There are two main elements to this proposal:

- incorporating the latest projection of federal rates used to match Medicaid expenditure (ARRA FMAP) costs, \$128 million; and
- delaying a portion of the apportionment payments that would otherwise be made to school districts in June 2011 until July 2011. This saves \$115 million in the 2009-11 biennium and increases net 2011-13 costs by an equal amount.

The proposal also makes a variety of other supplemental changes discussed starting on page 15 of this document.

2011-13 (The Ensuing Biennium)

In addition to the shortfall in the current biennium, the Legislature faces a shortfall in the 2011-13 biennium.

The March 2011 revenue forecast projects Near General Fund plus Opportunity Pathways (NGFS+) revenue collections of approximately \$32.5 billion (compared to \$28.5 billion in 2009-11). While revenue collections are projected to increase by almost 6.6 percent per year in fiscal year 2012 and 2013, fiscal year 2013 (\$16.5 billion) is the first year that near general fund revenue collections are expected to exceed fiscal year 2007 collections (\$15.5 billion).

The 2009-11 biennial budget, including the 2010 supplemental, appropriated approximately \$31.1 billion from NGFS+. That budget also used more than \$2.3 billion in one-time federal funds (primarily American Recovery and Reinvestment enhanced FMAP rates, as well as fiscal stabilization grants in the Department of Corrections, in public schools and higher education) that directly offset state expenditures.

Two education-related initiatives (I-732 and I-728) were temporarily suspended in the current biennium but, under current law, would resume in 2011-13. Pension rates are projected to increase by almost \$566 million. Caseloads continue to increase in various programs, including K-12 education, long-term care, and medical assistance programs.

The estimated cost of continuing the 2009-11 budget into 2011-13 is almost \$36.3 billion - about \$3.7 billion more than projected revenues (and \$5.2 billion above the 2009-11 budget after the 2010 supplemental). The gap widens further when \$424 million in additional costs are included, such as repaying the delayed June 2011 apportionment payment, beginning the new education funding formula, increasing the state need grant to keep pace with assumed increases in tuition, and leaving projected reserves of \$723 million.

Altogether, the projected budget problem statement for 2011-13 addressed by this proposal is \$4.9 billion. Total policy level reductions are \$4.5 billion. The remainder of the shortfall is addressed through net fund transfers assuming the beginning balance and other actions.

2011-13 Policy Level Expenditure & Resource Changes

Policy Reductions: The proposal makes approximately \$4.5 billion dollars in NGFS+ reductions. In many cases, the decisions represent a continuation of a funding policy established earlier in either the special session budget bill (HB 3225 from December 2010) or the early action savings bill (ESHB 1086 from February 2011).

Reductions greater than \$50 million include:

- \$1.2 billion for I-728 and I-732.
- \$535 million in a general reduction to higher education institutions (in part, offset with assumed tuition increases).

- \$344 million from changes in how certain future pension benefits are calculated for Plan 1 retirees.
- \$215 million from elimination of the K-4 class size enhancement.
- \$179 million from a K-12 employee salary reduction.
- \$177 million from a 3 percent reduction in state employee salaries.
- \$150 million from hospital rates and related changes.
- \$129 million from changes to the Basic Health Plan.
- \$116 million in reduced Disability Lifeline cash grants (continuation of ESHB 1086 reduction). Note that remaining funding in the cash grant program for Disability Lifeline-Unemployable clients is used for a housing program focused on a similar population.
- \$97 million for reduced personal care hours for long term care and developmentally disabled clients.
- \$61 million from changes to the K-12 National Board Bonus program.
- \$57 million in student assessment system changes.

Policy Adds: The proposal makes approximately \$424 million in NGFS+ policy additions, some of which are related to achieving greater savings. Policy additions include the following items:

- \$115 million repayment of the K-12 apportionment delay in the 2011 supplemental budget.
- \$124 million for the higher education State Need Grant to accommodate authorization to increase tuition.
- \$82 million in K-12 related items (mostly related to converting to a new funding formula).
- \$28 million for increased debt service.
- \$11 million for repayment to the State Efficiency and Reorganization Account.

Selected Resources and Other Items:

- The striking amendment to ESHB 1087 assumes that higher education institutions will implement tuition increases totaling \$376 million for the biennium (this revenue does not go into the NGFS+), and funds the State Need Grant at their level of increases. However, E2SHB 1795 provides tuition setting authority to four-year institutions. Institutions must cover the appropriate amount of State Need Grant that results from tuition increases above those assumed in the budget.
- The proposal assumes fund transfers into the General Fund-State of \$459 million.

Agency Consolidations

ESHB 1087 assumes the following agency consolidations/transfers:

- Medical Purchasing Administration: The DSHS Medical Assistance Administration becomes part of the Health Care Authority.
- Department of Enterprise Services: Certain central service and back office functions are transferred from various agencies into the newly created Department of Enterprise Services. Some agencies are completely merged into the Department of Enterprise Services, and others are partially consolidated into existing agencies.
- The Indeterminate Sentence Review Board is merged into the Department of Corrections, and the Sentencing Guidelines Commission is divided as follows:
 - the research and data functions are transferred to the Caseload Forecast Council; and
 - the policy functions and Sex Offender Policy Board are transferred to the Office of Financial Management.

Near General Fund-State/Opp Pathways Balance Sheet
Proposed Floor Striking Amd to ESHB 1087 (May 24th)
(Dollars in Millions)

	<u>2009-11</u>	<u>2011-13</u>
Beginning Balance	310	111
Revenue		
November Revenue Forecast	28,566	33,211
December 2010 Revenue Legislation	70	(30)
March Forecast Change	(143)	(654)
Interest & Penalty Deferral (Update)	200	-
2011 Budget Driven Revenue (Net Change)	-	58
2011 Revenue Legislation (Net Change)	-	(24)
Total Revenue	28,693	32,561
Other Resource Changes		
Transfers To The Budget Stabilization Account	(246)	(281)
Previous Use of Budget Stabilization Account	273	-
Prior Period Adjustments	19	-
Other Previously Enacted Fund Transfers	1,251	(204)
Dec 2010/Feb 2011 Transfers (HB 3225 and ESHB 1086)	179	-
2011 Use Budget Stabilization Account	-	-
2011 Transfers & Approps To N-GFS	21	459
Other Resource Changes	1,496	(27)
Total Resources	30,499	32,645
Spending		
2009-11 Enacted Budget w/2010 Supp	31,085	
Early Action (HB 3225 and HB 1086)	(726)	
Proposed 2011 Supp (net) & 2011-13	29	32,203
Total Spending	30,388	32,203
Ending Balance & Reserves		
<i>Unrestricted Ending Fund Balance</i>	<i>111</i>	<i>442</i>
<i>Budget Stabilization Account Balance</i>	<i>0</i>	<i>282</i>
Total Reserves	111	723

2011-13 Omnibus Operating Budget**NGF-S + Opportunity Pathways**

(Dollars in Thousands)

	Passed Hse ESHB 1087	Passed Sen Prop. Amd. (May ESHB 1087	24)
Employee Compensation			
Plan 1 Annual Increases/Min. Benefit	-361,786	-362,798	-344,312
K12/CTC: Suspend I-732	-299,221	-289,950	-295,586
3% Salary Cut for State Employees	-177,075	-177,081	-177,067
K12: National Board Bonus	-61,208	-75,827	-61,134
K12: Freeze Steps	-56,351	0	0
Actuarial Recommended Rates/LEOFF 2	-15,000	-15,000	0
LEOFF 2 Benefits Enhancement Fund	-5,000	-5,000	0
Retire-Rehire Changes	-1,900	-1,843	-343
K12: Employee Salary Reduction	0	-253,531	-179,044
Temporary Layoffs	0	-40,894	0
Teacher Retirement Incentive	0	-3,247	-4,378
Average Final Compensation Adjust	<u>0</u>	<u>0</u>	<u>685</u>
Employee Compensation Total	-977,541	-1,225,171	-1,061,179
K-12 Education			
Suspend I-728	-860,716	-860,716	-860,716
K-4 Class Size	-215,651	-212,312	-214,739
Alternative Learning Exp Adjustment	-53,055	-25,816	-41,055
Student Assessment System Changes	-48,433	-51,925	-50,546
Other Ed Reform Savings	-9,952	-16,011	-9,947
Other OSPI/Statewide Pgrm Savings	-8,866	-10,669	-10,422
Running Start	-6,004	-6,004	-6,004
Food Service Related	-6,000	-6,318	-6,000
Summer Vocational Skills	-4,770	-4,770	-4,770
BEST Program	-4,000	-400	-2,000
Alternative Routes	-3,496	-3,184	-3,184
Repay FY11 Contig Funds	-2,500	-2,500	-2,500
Highly Capable Program/Items	-420	-350	-350
Revise Bus Depreciation Formula	0	-91,880	0
Readiness to Learn	0	-719	-719
Bilingual Formula Restructure	0	-284	-284
K-12 Health Benefit Procurement	250	-534	1,200
Washington IT Academy	2,000	4,000	4,000
Other Increases	2,100	2,453	1,889
Teacher and Principal Evaluations	3,000	3,000	3,000
Incentives for Evaluations Systems	5,000	0	0
HB 2776 - Transportation Enhancement	5,000	5,000	5,000
Kindergarten Phase-In	6,420	0	5,023
PASS Act Program	6,566	0	3,000
K12 Formula Conversion	19,180	41,500	25,024

2011-13 Omnibus Operating Budget**NGF-S + Opportunity Pathways**

(Dollars in Thousands)

	Passed Hse ESHB 1087	Passed Sen Prop. Amd. (May ESHB 1087	24)
K-3 Class Size in High Pov Schools	25,008	64,330	33,592
Other	<u>-13,601</u>	<u>-11,430</u>	<u>-10,479</u>
K-12 Education Total	-1,162,940	-1,185,539	-1,141,987
Higher Education Institutions			
4 Yr/2Yr Reductions (including HERP limit)	-531,816	-535,495	-535,495
CTC: Efficiency Savings	0	-15,000	-7,500
Running Start	0	-7,544	0
Worker Retraining	0	15,000	9,000
STEM Enrollments	1,414	0	0
Other Increases	2,161	2,778	2,529
CTC: Student Achievement Initiative	7,500	0	0
Other	<u>-824</u>	<u>0</u>	<u>-824</u>
Higher Education Institutions Total	-521,565	-540,261	-532,290
Higher Education Financial Aid & Other			
State Work Study Reductions	-45,042	-23,720	-30,988
Suspend/Reduce Other Fin Aid Programs	-20,472	-19,275	-19,275
SNG Awards to Private Institutions	-19,331	-14,227	-14,227
For Profit SNG	-5,000	0	-2,500
Elimination of HECB	0	-2,625	-1,312
Opportunity Scholarships (HB 2088)	0	0	5,000
Other Increases	1,000	500	1,100
EOG to State Need Grant	5,200	0	0
Maintain State Need Grant	103,106	124,368	124,368
Other	<u>-3,524</u>	<u>-315</u>	<u>-2,202</u>
Higher Education Financial Aid & Other Total	15,937	64,706	59,964
Early Learning & Child Care			
Eliminate Career and Wage Program	-3,000	-3,000	-3,000
Other Increases	762	941	941
Home Visiting	1,268	1,266	1,268
Other	<u>-2,611</u>	<u>-3,110</u>	<u>-541</u>
Early Learning & Child Care Total	-3,581	-3,903	-1,332
Health Care			
Hospital Rate Changes	-110,474	-110,474	-110,474
Basic Health Plan	-107,925	-122,041	-129,602
FQHC Payment methodology	-89,461	-48,262	-42,035
Increase MAA Audit/Recoveries	-39,774	-39,774	-41,631
Emergency Room Utilization	-32,960	-32,960	-32,960
Hospital Safety Net Assessments	-30,000	-40,000	-40,000

2011-13 Omnibus Operating Budget**NGF-S + Opportunity Pathways**

(Dollars in Thousands)

	Passed Hse ESHB 1087	Passed Sen Prop. Amd. (May ESHB 1087	24)
Adult Dental Services	-28,607	-28,631	-28,631
Alien Medical/Federal Funds	-23,908	-23,908	-23,908
DSH Changes	-21,900	0	-14,441
School Based Services	-18,078	-8,233	-10,750
Community Clinic & Grant Funding	-13,550	-25,550	-25,550
Medicare Part D Subsidy (co-pay)	-13,309	-12,516	-13,297
Maternity Support Program	-10,000	-14,095	-12,048
Public Health Support/Assistance	-9,180	-15,052	-12,542
SSI Managed Care	-7,670	-7,679	-7,679
Other Medical Services	-6,149	-6,149	-6,149
Healthy Options Rates	-5,609	-27,022	-27,022
Medical Interpreter Services	-4,633	-2,758	-2,758
Utilization Management/Prior Auth.	-4,419	-4,419	-4,419
Othr Leg: Take Charge Fam Planning	-3,967	0	-3,850
DOH Maternal & Children's Health	-2,264	-3,006	-1,825
HIV Prevention and Client Services	-1,780	0	0
Medical Assistance Drug Savings	-1,652	-6,560	-5,671
Children's Health Program	-1,524	-6,289	-1,524
Other Medical Assistance	-1,430	-6,005	-3,365
Durable Medical Equipment	-667	-3,565	-3,565
Disability Lifeline	0	-50,610	0
Client Cost Sharing	0	-20,998	-10,324
Medicaid Fraud Enforcement	0	-5,860	-5,860
Eliminate Adult Vision & Hearing	0	-4,625	-4,567
ADATSA	0	-2,536	0
Family Planning Capacity Grants	0	-2,250	-2,250
Basic Health Stabilization (Fund Source)	0	0	-44,000
Reimbursement Methods Waiver	0	0	-8,805
Medicaid Demonstration Waiver	0	351	351
Other Increases	4,472	8,769	7,623
ProviderOne	5,564	470	0
Tobacco Cessation Activities	5,774	4,813	4,778
Other	-6,782	-7,101	-8,074
Health Care Total	-581,862	-674,525	-676,824
Long Term Care, DD, and Mental Health			
Personal Care Hours	-97,507	-98,102	-98,102
Nursing Home Quality Incentive Pmt & Rates	-53,212	-30,000	-41,388
Delay Mandatory Training (I-1029)	-22,125	-22,125	-27,289
DD Employment & Day Items	-16,906	-11,519	-11,519
Agency Provider Health Benefits	-10,455	-10,391	-2,910
RSN Medicaid Rates	-8,729	0	-8,729

2011-13 Omnibus Operating Budget**NGF-S + Opportunity Pathways**

(Dollars in Thousands)

	Passed Hse ESHB 1087	Passed Sen Prop. Amd. (May ESHB 1087	24)
RSN Non-Medicaid	-8,695	-17,390	-8,695
Reduce State Hospital Staff Costs	-8,200	-8,148	-8,148
License Fees & Oversight	-6,776	-3,852	-3,320
Close Western State Hospital Ward	-6,644	-6,644	-6,644
DD/Staff & Services	-4,722	-4,722	-4,722
LTC/Expand Family Caregiver Diversion	-4,596	-1,446	-573
DD/Other	-3,248	-3,255	-3,255
Reduce DD Residential Services	-3,220	-3,220	-3,220
LTC/Other	-3,074	-3,456	-3,116
Other Mental Health	-2,821	-1,649	-2,821
RHC Consolidation/Community Transition	-2,356	-8,940	0
Alien Medical Long Term Placements	-2,174	-2,174	-2,174
MHD/Maximize Federal Funds	-1,900	-1,900	-1,900
Jail-Based Competency Evaluations	0	-4,350	0
Other Increases	566	2,186	1,941
Home Care Worker Collective Bargaining	2,979	2,783	2,783
New DD Placements	<u>5,580</u>	<u>5,580</u>	<u>5,580</u>
Long Term Care, DD, and Mental Health Total	-258,235	-232,734	-228,221
Corrections and Other Criminal Justice			
Other DOC Related Items	-47,067	-48,555	-48,430
Early Release & Supervision Changes	-31,168	-16,945	-9,366
Close McNeil/Open Elkhorn	-12,253	-12,253	-12,253
SCC Savings	-8,596	-8,596	-8,596
Reduce Rental Rate for Violators	-5,747	-8,737	-7,035
JRA Institutional Costs	-5,110	-4,174	-4,642
WSP Savings	-4,858	-5,304	-5,568
Reduce Offender Programming	-4,397	0	-1,397
Juvenile Parole Services	-4,303	-4,993	-4,303
Use Auto Theft Funds	-3,680	-4,656	-4,610
Reduce DOSA Bed Utilization	-3,400	-3,400	-3,400
Close Maple Lane School	-3,272	-3,272	-3,272
Early Deportation	-3,062	-2,515	-3,975
Reduce Electronic Home Monitoring	-3,012	-3,012	-3,012
Reduce Juvenile Court Funding	-2,328	-2,328	-2,328
CJTC Related Items	-1,848	-1,848	-1,848
Local Share in Training Costs	-1,617	-2,200	-1,617
Other JRA Related Items	-560	-560	-560
Release Offenders on ERD	0	-4,158	0
Sell King Air airplanes	0	-1,058	0
Violator Bed Savings	0	0	-8,552
Housing Voucher Expansion	0	844	844

2011-13 Omnibus Operating Budget**NGF-S + Opportunity Pathways**

(Dollars in Thousands)

	Passed Hse ESHB 1087	Passed Sen Prop. Amd. (May ESHB 1087	24)
NIC Report Recommendation Funding	0	1,009	0
Rural Drug Task Forces	0	2,000	2,000
Expansion of Treatment	0	5,000	1,000
WSP Increases	1,886	1,391	1,391
Other Increases	2,211	1,246	2,411
SCC Trial/Hearings	<u>22,500</u>	<u>19,034</u>	<u>0</u>
Corrections and Other Criminal Justice Total	-119,681	-108,040	-127,118
Other Human Services			
Disability Lifeline Cash Grant	-183,578	-184,303	-179,890
Family Leave Insurance	-33,177	-33,177	-33,177
State-Only Food Assistance Program	-30,283	-16,801	-30,283
Childrens/Other	-19,262	-27,006	-8,877
Child Support Pass Through	-18,776	-18,776	-18,776
DL & ADATSA-Impl Fed Waiver 1115	-16,110	-16,110	-16,110
Economic Svcs/Other Savings	-9,499	-9,499	-9,499
Chemical Dependency Services	-7,060	-12,000	-7,060
Childrens/Regional Staffing	-6,408	-6,408	-6,408
Refugee Employment Services	-5,002	-5,002	-5,002
Family and Children Councils Reform	-4,426	-3,176	-3,026
Crime Victim Compensation	-4,115	-3,965	-4,115
Naturalization Services	-3,684	-2,370	-2,370
Childrens/Expedite Permanency	-3,000	-3,000	-3,000
Childrens/Foster Parent Child Care	-2,607	-2,607	-2,607
Childrens/Voluntary Placement	-2,400	-2,400	-1,440
DSHS/Central Administrative Costs	-2,072	-2,072	-2,072
License Fees & Oversight	-1,454	-1,454	-1,454
Other DASA	-871	-871	-871
Performance Risk Pool	0	6,460	0
Fund Source Chg (Trans Youth Svcs)	0	10,279	0
Disability Lifeline Treatment Funding	424	3,782	424
Other Increases	760	119	919
AG Agency Legal Svc Billings	3,278	0	0
Essential Needs and Housing Suppt	83,235	0	64,132
Other	<u>-3,836</u>	<u>-3,091</u>	<u>-3,612</u>
Other Human Services Total	-269,923	-333,448	-274,174
Natural Resources			
Discover Wa. Pass/Land Access Fees	-68,687	-68,687	-68,687
Dept of Ecology/Other	-12,445	-11,507	-11,886
DNR/Other	-10,354	-8,197	-8,912
Dept of Ecology/Fund Shift	-9,500	-9,500	-9,500

2011-13 Omnibus Operating Budget**NGF-S + Opportunity Pathways**

(Dollars in Thousands)

	Passed Hse ESHB 1087	Passed Sen Prop. Amd. (May ESHB 1087	24)
Fish & Wildlife/Other	-8,241	-8,537	-9,505
Increase Fee Support to Ag Programs	-4,775	0	0
Agriculture Related	-3,468	-855	-1,548
Fish & Wildlife/HPA Fees	-2,000	-2,551	0
DNR/Fund Shift	-750	-750	-750
Other Increases	45	349	75
Reduce Fair Funding	2,000	0	0
State Parks/Maint & Access	20,000	20,000	20,000
Other	<u>-4,392</u>	<u>-4,048</u>	<u>-3,952</u>
Natural Resources Total	-102,567	-94,283	-94,665
Agency Reorganizations and Transfers			
Health Care Related	-3,329	0	-3,329
Criminal Justice	-2,320	-1,644	-1,513
Education Governance	0	-105	0
Enterprise Services	0	-20	-20
Education Data Center	<u>0</u>	<u>0</u>	<u>0</u>
Agency Reorganizations and Transfers Total	-5,649	-1,769	-4,862
All Other			
Commerce Reductions	-24,712	-12,879	-13,439
Interagency Charges	-14,028	-4,988	-5,804
Eliminate Funding for Becca/Truancy	-13,998	0	0
Judicial/Utilize JST Account	-12,074	-6,001	-9,002
Department of Revenue	-11,372	-11,945	-11,945
Arts & Heritage Programs	-10,945	-2,658	-11,456
Other/Presid. Primary	-10,032	-10,032	-10,032
Legislative	-7,129	-9,491	-9,845
Judicial Agencies	-6,162	-6,725	-4,770
JIS Funding Shift for IT	-6,011	-3,000	-6,011
Management Efficiency	0	-17,214	-14,204
Workers Comp Rates	0	-16,076	-6,029
Shift Audit Costs	0	-5,372	-5,372
Central Service Efficiencies	0	-1,875	-1,875
Transitional Housing Operating Rent	0	8,500	0
Judicial Increases	265	490	265
Other Increases	2,541	3,485	3,461
Increase Revenue Compliance	3,188	1,454	1,454
State Data Center Rate Increase	5,447	10,894	5,385
SERA Account Repayment	10,974	12,161	10,974
Debt Service	28,234	28,234	28,234
June 2011 Apportionment	240,000	240,000	115,000

Fund: NGF-P

2011-13 Omnibus Operating Budget
NGF-S + Opportunity Pathways
(Dollars in Thousands)

	Passed Hse ESHB 1087	Passed Sen Prop. Amd. (May ESHB 1087 24)	
Other	<u>-18,919</u>	<u>-14,530</u>	<u>-22,603</u>
All Other Total	155,267	182,432	32,386
Grand Total	<u>-3,832,340</u>	<u>-4,152,535</u>	<u>-4,050,302</u>

K-12 EDUCATION

PUBLIC SCHOOLS

Increases

June 2011 Apportionment (\$115 million General Fund-State)

The 2011-13 operating budget shifts \$128 million of the June 2011 apportionment payments to school districts from the last business day of June 2011 to the first business day of July 2011. Additionally, the 2011 supplemental budget also provides \$13 million in financial contingency funding for districts which meet specific financial hardship criteria resulting from the June 2011 apportionment shift. The 2011-13 biennial budget assumes repayment of this funding during fiscal year 2012. The net increase, combining the cost of the apportionment delay with the repayment of contingency funds, is \$115 million.

K-3 Class Size in High Poverty Schools (\$33.6 million General Fund-State)

Funding is partially restored for lower class sizes in grades K-3 in high-poverty schools. The funding amount assumes class sizes of 24.1 in grades K-3 in schools which have free and reduced-price lunch eligible student populations exceeding 50 percent.

Implement New Funding Formula (\$25.0 million General Fund-State)

Implementation of the new prototypical school model has established new funding formulas for a number of programs, including General Apportionment, the Learning Assistance Program, the Highly Capable Program, and the Transitional Bilingual Program. Funding is provided to hold districts harmless, in total, to per-student funding amounts resulting from these program changes, after adjustments for caseload and staff mix factors, as well as new funding provided through the K-3 class size enhancement in high poverty schools.

Implement Transportation Cost Model Formula (\$5.0 million General Fund-State)

Chapter 236, Laws of 2010 (SHB 2776) implements a new state formula to allocate funding to districts for pupil transportation to and from school. Pupil transportation allocations are converted to the new formula, and base funding levels are enhanced.

Full-Day Kindergarten Phase-In (\$5.02 million General Fund-State)

Funding is provided to continue phasing-in full-day kindergarten programs in high poverty schools. The funding supports approximately 21 percent of Kindergarten enrollment in the 2011-12 school year, and 22 percent of Kindergarten enrollment in the 2012-13 school year.

K-12 Statewide IT Academy (\$4.0 million General Fund-State)

Funding is provided to support a public-private partnership offering free educational software, IT certification, and software training opportunities for students and staff in public schools. The funding amount represents the state match requirement for the program.

PASS Act Program (\$3.0 million General Fund-State)

Funding is provided to implement The Pay for Actual Student Success (PASS) Program established in Chapter 288, Laws of 2011 (E2SHB 1599). The PASS Program establishes performance metrics for measuring extended graduation rates, and promotes investment in four dropout prevention and intervention programs.

Teacher & Principal Performance-Based Evaluation Pilots (\$3.0 million General Fund-State)

Funding is provided to expand the number of school districts participating on a pilot basis to help develop and implement improved teacher and principal evaluation systems under reforms initiated in Chapter 235, Laws of 2010 (E2SSB 6696).

Savings

Suspend Initiative 728 Student Achievement Program Allocations (-\$860.7 million General Fund-State)

Initiative 728 allocations to school districts are suspended for the 2011-13 biennium. Initiative 728, approved by voters in 2000, allocates a per-student dollar amount to districts to be used for class size reduction, extended learning opportunities, early learning programs, or professional development. Per-student allocations would have been approximately \$477 per student for the 2011-12 school year and \$484 per student for the 2012-13 school year.

Suspend I-732 COLA (-\$265.7 million General Fund-State)

The Initiative 732 cost-of-living adjustments are suspended for the 2011-13 biennium. Initiative 732 requires an annual cost-of-living increase for school employees based on the Seattle Consumer Price Index for the prior calendar year. These cost-of-living increases are estimated at 0.3 percent for the 2011-12 school year and 2.5 percent for the 2012-13 school year. Additionally, the statute requires a catch-up cost-of-living increase resulting from the Initiative 732 suspension during the 2009-11 biennium. This requirement is also suspended for the 2011-13 biennium.

1.9% Salary Reductions for Certificated Instructional & Classified Staff, and 3% Reductions for Administrative Staff (-\$179.0 million General Fund-State)

Allocations to school districts for K-12 employees salaries are reduced by 1.9 percent for certificated instructional and classified staff and 3.0 percent for administrative staff in the 2011-12 and 2012-13 school years.

Eliminate K-4 Class Size Reduction (-\$169.6 million General Fund-State)

Continuing the policy in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), funding for K-4 class size reduction is eliminated for the 2011-12 and 2012-13 school years. The formula for allocating funding to districts is adjusted to reflect the following changes in average class sizes: grades Kindergarten through Grade 3 will become 25.23, up from 23.11; and Grade 4 will become 27, up from 26.15. This reflects minimum statutory funding levels in grades K-4 for general education students. A separate budget item partially restores class size funding in grades K-3 in high poverty schools.

National Board Bonus Changes (-\$61.1 million General Fund-State)

Two changes are made to the National Board for Professional Teaching Standards (NBPTS) bonus program. Beginning in the 2011-12 school year, The Office of Superintendent of Public Instruction must pay bonuses on July 1 of each school year, achieving a one-time savings in fiscal year 2012. Additionally, first year national board bonuses will be prorated by a factor of 60 percent (a 40 percent reduction), to reflect the percentage of the school year newly NBPTS-certified teachers are certified. The proration produces a first year base bonus amount of \$3,054, and a first year high poverty school bonus of \$3,000. With the exception of the first year proration, the \$5090 base bonus and \$5000 high poverty school bonus are fully funded in the 2011-13 biennium.

Assessment System Changes (-\$50 million General Fund-State)

Funding is reduced to reflect the implementation of modified graduation requirements in math and science, as well reductions to assessment staffing, contract rates, and diagnostic testing costs. The budget also assumes reduced collection of evidence payments for compilation by districts and scoring by educational service districts. Finally, a \$1.4 million reduction is assumed for agency staffing, \$4.4 million is reduced for development of diagnostic assessments, and \$6.4 million is saved through the use of an inflation-based contract renewal clause in the existing assessment vendor contracts.

Alternative Learning Experience (ALE) Changes (-\$41.1 million General Fund-State)

Funding is adjusted to reflect the changes to Alternative Learning Experience (ALE) programs contained in ESHB 2065. The ALE programs include online learning programs, parent partnership programs where most education occurs in the home under the general supervision of a certified instructor, and contract-based programs that offer a variety of flexible, non-seat time based learning programs for middle and high school students.

Eliminate MSOC from K-4 CSR (-\$24.2 million General Fund-State)

Continuing the policy in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), funding is adjusted to eliminate that portion of maintenance, supplies, and operating costs (MSOC) funding for the 2011-12 and 2012-13 school years that is an enhancement above levels required by statute.

Reduce Food Service Funding (-\$6.0 million General Fund-State)

Continuing the policy in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), funds for the National School Lunch Program program previously used to meet state matching requirements for federal funding are eliminated. School food service programs in the education reform budget are transferred to the school food services budget for the purpose of meeting the federal match requirements.

Running Start (-\$6.0 million General Fund-State)

Running Start is a dual-credit program which allows high school juniors and seniors to attend class at institutions of higher education, and earn high school and post-secondary credits simultaneously. The enrollment and funding rules for the Running Start Program are adjusted to establish a combined enrollment cap of 1.2 FTE. Currently, students can participate in running start programs up to a combined enrollment cap of 2.0 FTEs, allowing full-time enrollment in running start programs, as well as full-time high school enrollment. The budgeted savings assumes an overall enrollment reduction of 680 student FTEs per year.

HIGHER EDUCATION

INSTITUTIONS

Increases

Authorized Tuition Increase (\$379 million Institutions of Higher Education Operating Fee Account-Nonappropriated)

The cost of instruction paid by students through tuition will increase in the 2011-13 biennium. The authorized increase is 13 percent per year at the University of Washington, Washington State University, and Western Washington University; 11.5 percent per year at Central Washington University, Eastern Washington University, and The Evergreen State College; and 11 percent per year at community and technical colleges.

Worker Retraining (\$9 million General Fund-State)

Ongoing funding is provided for an additional 970 worker retraining slots each year at community and technical colleges. Worker Retraining programs provide financial aid and other support services to jobless workers who need to change careers in order to re-enter the workforce.

Savings

Higher Education Reductions (-\$535.5 million General Fund-State)

State support for higher education is reduced. Funds are reduced at each of the state's four-year institutions, as well as the community and technical colleges.

Suspend Initiative 732 (-\$29.1 million General Fund-State; -\$4.0 million other funds)

During the 2009-11 biennium, the Legislature suspended the I-732 cost of living adjustment (COLA) and required that a catch-up COLA be provided in equal increments during the 2011-13 and 2013-15 biennia, so that by the end of the catch-up period, recipients would have received the same salary as if the initiative had not been suspended. The catch-up and cost-of-living increment is suspended for the 2011-13 biennium.

Community and Technical Colleges Efficiencies (-\$7.5 million General Fund-State)

Savings are achieved from various efficiencies implemented in the community and technical college system including: consolidation of college districts; consolidation of administrative and governance functions including, but not limited to, human resources, budget and accounting services, and president's offices; consolidation of student service functions including, but not limited to, financial aid services, student advising, and libraries; compensation reductions; and other administrative efficiencies including, but not limited to, greater use of telephone and videoconferencing and reduced travel costs.

FINANCIAL AID AND OTHER CHANGES

Increases

Maintain State Need Grant (\$124.4 million General Fund-State)

Funding is provided for the State Need Grant (SNG) and State Work Study (SWS) to offset the cost to recipients of resident undergraduate tuition increases of 16 percent per year at the University of Washington, Washington State University, and Western Washington University; 14 percent per year at Central Washington University and The Evergreen State College; 11 percent per year at Eastern Washington University; and 12 percent per year at the community and technical colleges. Under E2SHB 1795, the four-year institutions must maintain the SNG for tuition increases above those assumed in the budget.

Opportunity Scholarship Board (\$5.0 million General Fund-State)

Pursuant to Engrossed Substitute House Bill 2088 (opportunity scholarship board), state funds are provided to match private contributions to the Opportunity Scholarship Program, which provides scholarships to low- and middle-income students who pursue a four year degree in a high-demand field of study.

Savings

State Work Study (-\$31.0 million General Fund-State)

Funding for the State Work Study (SWS) Program is reduced. Changes made during fiscal year 2011 will become permanent, including increasing the required employer share of wages and discontinuing non-resident student eligibility for the SWS Program. Additionally, the Higher Education Coordinating Board/Office for Student Financial Assistance will adjust employer match rates and revise distribution methods to institutions by considering other factors, such as off-campus job development, historical utilization trends, and student need.

State Need Grant Savings (-\$16.7 million General Fund-State)

Funding for the State Need Grant program is reduced by: (1) aligning increases in awards given to private institutions with their average annual tuition increase experience of 3.5 percent each year; and (2) reducing the awards given to for-profit institutions by 50 percent, although students currently receiving these awards will be held harmless for the length of their program.

Suspend Health Professionals Program (-\$7.6 million General Fund-State)

No new Health Professionals Conditional Scholarship Program (HPCS) awards will be made in 2011-13. The Health Professionals Conditional Scholarship Program provides scholarships or loan forgiveness for health professionals who agree to work in rural and underserved areas of the state. Those students who received awards in previous years will maintain those awards until they complete their programs.

Suspend WAVE and Washington Scholars (-\$3.2 million General Fund-State)

The Washington Scholars and the Washington Award for Vocational Excellence programs are suspended for the 2011-13 biennium. Students who received these awards in prior years will receive their grants and will be held harmless to the impact of tuition increases in the 2011-13 biennium, but no new awards will be granted.

Higher Education Coordinating Board Elimination (-\$2.6 million General Fund-State)

Pursuant to Engrossed Second Substitute Senate Bill 5182 (student financial assistance), in fiscal year 2013 the Higher Education Coordinating Board is eliminated and replaced with two state agencies: the Council for Higher Education and the Office of Student Financial Assistance. Savings are expected to be achieved as a result of eliminating, or shifting to other entities, a number of policy, planning, coordination, and research activities previously conducted by the Higher Education Coordinating Board.

Suspend Small Grant Programs (-\$1.9 million General Fund-State)

Funding for the College Assistance Migrant Program (CAMP), the Community Scholarship Matching Grant Program, Leadership 1000, the Western Interstate Commission for Higher Education (WICHE) student exchange, the Foster Care Endowed Scholarship, and Child Care matching grant payments is suspended for the 2011-13 biennium.

DEPARTMENT OF SOCIAL AND HEALTH SERVICES

AGING AND DISABILITY SERVICES

Increases

Homecare Worker Health Benefits (\$2.7 million General Fund-State; \$2.7 million other funds)

The state provides funding for health benefits for approximately 39,000 homecare workers who meet minimum standards for hours worked providing publicly-funded personal care services to senior citizens and clients with developmental disabilities.

The tentative agreement for the collectively bargained home care workers contract converts the way that health benefits are paid from a per-member-per-month payment methodology to a cents-per-hour payment methodology. The final amount in the tentative agreement proposed a 21 percent funding increase for individual provider (IP) health benefits and a 23 percent decrease for agency provider (AP) health benefits, which would have resulted in a reduction of \$30.7 million total funds (\$15.3 million General Fund-State funds) to AP health benefits. However, the tentative agreement included a provision that if agency parity is eliminated, IP health benefits would increase by 7 percent rather than 21 percent. Agency parity is assumed to be eliminated and IP health benefit funding will increase by 7 percent.

Agency provider health benefits will be provided at \$558 per-member-per-month. Homecare agencies will be provided flexibility to negotiate the most comprehensive health benefits package for their employees. Benefits must be provided to workers who care for clients at 86 hours per month or more. At a minimum, comprehensive benefits must be provided to employees who work 140 hours or more.

Savings

Reduce Personal Care Hours (-\$98.1 million General Fund-State; -\$98.1 million other funds)

Personal care services provide assistance with daily living activities to individuals who meet functional and financial eligibility. An average 10 percent acuity-based reduction is made to personal care service hours for adult clients receiving in-home personal care under Medicaid programs. This continues an item that began in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). The actual reduction will range between 6 percent and 18 percent per client depending on acuity. In the most acute care category, a client receives on average 382 hours per month of in-home care. This client's care would be reduced by 6 percent and they would now receive 359 hours of in-home care per month. In the least acute care category, a client receives on average 25 hours per month of in-home care. This client's care would be reduced by 18 percent and they would now receive 21 hours of care.

Delay Mandatory Training (-\$30 million General Fund-State; -\$24.7 million other funds)

Mandatory increases and enhancements to training, new certification requirements, and federal fingerprint background checks for long-term care workers are delayed until the 2013-15 biennium. Fundamental training for in-home care will continue at its current levels of about 28 hours-34 hours, depending on the type of worker. The current state background checks based on a name search will continue to be required. No clients will lose service as a result of this delay.

In addition, contributions paid to the training partnership and for agency parity are reduced from \$0.22 cents per hour to \$0.17 cents per hour. This amount is pursuant to the collective bargained agreement negotiated with the exclusive bargaining representative of individual providers.

DEVELOPMENTAL DISABILITIES

Increases

Community Investments (\$10 million General Fund-State; \$6.4 million other funds)

Several investments are made in community services for clients with developmental disabilities. Funding is provided for community residential placements for 58 individuals who have been identified as aging out of foster care, ready for discharge from juvenile rehabilitation and mental health institutions, or ready for release from the Department of Corrections. In addition, funding is provided to reduce ongoing demand for residential habilitation services. Seven short-term crisis and respite beds in state operated living alternatives (SOLAs) and a mobile treatment team are provided.

Savings

Modifications to Employment and Day Services (-\$11.5 million General Fund-State, - \$8.6 million other funds)

Several changes are made to employment and day services for clients with developmental disabilities.

Adult Day Health (ADH) is moved into the Long Term Care waiver. Approximately 900 clients with developmental disabilities that are currently receiving ADH will be allowed to choose to continue the program by moving onto the long term care waiver, or they may receive employment or Community Access services that are available within the Division of Developmental Disabilities' waiver programs.

The adult working policy for persons with a developmental disability will be reformed. The program will be operated with an employment first philosophy requiring clients to participate in the supported employment program option for a minimum of nine months. After that time, clients can choose to participate in the Community Access Program and the Department is directed to restructure the Community Access Program such that the focus is on providing individualized support to clients and assist them in participating in their community.

LONG-TERM CARE

Savings

Nursing Home Payments (-\$41.4 million General Fund-State; \$93.2 million other funds)

Several component changes are made to the nursing home payment methodology. In addition, a provider assessment fee is established. Although components are modified, assessment fee revenue will be used to pay the providers at the same level as they were in June 2010. In addition, a direct care rate add-on is established for facilities that have taken on higher acuity clients since 2010. The amount will vary by facility and is compensated as an add-on outside of the statewide weighted average rate established in the appropriations act. The direct-care rate add on is typically between \$7-\$10 per patient day depending on the individual facility's growth in direct care from June 2010 to July 2011. If for any reason the waiver for the provider assessment fee is not approved by the Center for Medicare and Medicaid Services, the providers will be subject to rates as calculated by the modified component structure.

ECONOMIC SERVICES ADMINISTRATION

Savings

Disability Lifeline Program (-\$115.8 million General Fund-State)

Consistent with actions taken in Chapter 1, Laws of 2010, 2nd sp. s. (HB 3225) and Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), the Economic Services Administration will reduce the average Disability Lifeline monthly grant for all Disability Lifeline clients by 42.11 percent. This grant reduction includes clients in the Unemployable, Aged, Blind, Disabled, and Expedited programs.

Pursuant to ESHB 2082, the Disability Lifeline program is terminated effective October 31, 2011. ESHB 2082 establishes a Aged, Blind, or Disabled Assistance Program for persons who meet the income and resource eligibility requirements are either over age 65, blind, or likely to meet the federal social security income disability standards.

An Essential Needs and Housing Support Program is established in the Department of Commerce.

State Food Assistance (-\$30.3 million General Fund-State)

Funding is reduced for the State Food Assistance Program. The Department of Social and Health Services will achieve savings by modifying benefit amounts for the State Food Assistance Program.

Eliminate Child Support Pass-Through (-\$18.8 million General Fund-State; -\$18.8 million other funds)

Funding is reduced to reflect the suspension of the child support pass-through which was authorized under the Federal Deficit Reduction Act of 2005.

Naturalization and Refugee and Immigrant Services (-\$7.3 million General Fund-State)

Funding is reduced for the Naturalization Program, which provides services that prepare low-income refugees and legal immigrants for U.S. citizenship testing, and for Refugee Employment Services, which include employment placement assistance, English as a Second Language training, job skills training, and job retention services.

Suspend IRS Re-Distribution (-\$6.3 million General Fund-State; -\$6.3 million other funds)

Funding is reduced to reflect the continued suspension of child support collections distribution made through federal tax intercepts to families which was established under the Federal Deficit Reduction Act of 2005.

ALCOHOL/SUBSTANCE ABUSE

Savings

Implement Federal 1115 Waiver (-\$16.1 million General Fund-State; \$16.1 million other funds)

The Department has implemented a federal waiver for individuals served by Disability Lifeline and the Alcohol and Drug Addiction Treatment Support Act. The waiver allows the Department to draw federal matching funds for medical services provided to individuals in these programs. As a result, the state will save approximately \$16 million in state funds by drawing federal match on alcohol and substance abuse treatment services that were previously funded with 100 percent state dollars. Service levels for these individuals will not be impacted.

Reduce Chemical Dependency Services and Administration(-\$7.9 million General Fund-State, -\$0.4 million other funds)

The Department provides state funded outpatient and residential treatment services for low income individuals who do not qualify for other state assistance programs, as well as non-federally matched services for individuals on Medicaid. Funding for these services is reduced by approximately 11 percent per year. This is approximately 42 percent of the reduction that was made in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). Funding for youth residential, services for pregnant and parenting women, and federally matched treatment services for individuals on Medicaid or receiving medical care through the State's 1115 waiver implemented in January 2011 are maintained. Staffing at the headquarters and regional levels is reduced and a 2 percent annual reduction in administrative costs for counties and tribes is continued.

CHILDREN AND FAMILY

Savings

Reduce Regional Staffing (-\$6.4 million General Fund-State; -\$10.2 million other funds)

The Children's Administration will reduce 244.0 FTE staff and associated funding to achieve savings.

Permanency and Policy Revisions (-\$5.4 million General Fund-State; -\$4.6 million other funds)

Funding is reduced to reflect savings as a result of expediting adoptions for children in their final home awaiting a home study and to reflect policy changes adopted by the Children's Administration regarding the utilization of Voluntary Placement Agreements (VPAs). The revised policy will reduce the utilization of VPAs.

Reduce Behavioral Rehabilitative Services (-\$1.1 million General Fund-State; -\$0.6 million other funds)

Funding for Behavioral Rehabilitative Services (BRS) is reduced. These services are provided to children and youth who are behaviorally and/or emotionally disordered and whose behaviors cannot be maintained in a less intensive setting.

MENTAL HEALTH

Savings

Reduce Regional Support Network Funding (-\$18.2 million General Fund-State, -\$8.7 million other funds)

Regional Support Networks (RSNs) provide inpatient and outpatient mental health services to low income individuals throughout the state. Funding for services to Medicaid eligible individuals is paid through managed care rates paid to RSNs. Regional Support Networks also receive grants for state funds to provide services that are not reimbursable under the Medicaid program and to provide services to low income individuals who are not on Medicaid. Funding for managed care rates is reduced by 3 percent per year from the 2011 levels. Funding for non-Medicaid services is reduced by 4 percent from the fiscal year 2011 level in effect prior to the passage of Chapter 5, Laws of 2011, Partial Veto (ESHB 1086).

State Hospital Reductions (-\$15.0 million General Fund-State; -\$0.3 million other funds)

A variety of reductions at the state hospital were implemented in fiscal year 2011 in accordance with the enactment of Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). These included closure of a 30 bed civil ward at Western State Hospital and implementation of administrative reductions and other efficiencies to achieve savings at all three of the state facilities. Savings achieved through these efforts are carried forward into the 2011-13 biennium.

SPECIAL COMMITMENT CENTER

Increases

Fund McNeil Island Operations (\$6.1 million General Fund-State)

Funding is provided to the Special Commitment Center to take over island operations. The Department of Corrections currently funds the staff necessary for marine and island operations.

Savings

Reduce SCTF Staffing Ratios (-\$3.8 million General Fund-State)

Funds are reduced to reflect a modification in the staffing models for the Secure Community Transitional Facilities (SCTFs). The staffing models for the SCTF operated by the Special Commitment Center are set in statute.

OTHER HEALTH CARE

HEALTH CARE AUTHORITY

Increases

K-12 Health Benefits Consolidated Purchasing Implementation Plan (\$1.2 million General-Fund State)

The Health Care Authority must develop a plan to implement a consolidated health benefits' system for K-12 employees for the 2013-14 school year. The Health Care Authority is required to deliver a report to the Legislature by December 15, 2011, that sets forth the implementation plan to the Legislature. The report prepared by the Health Care Authority shall include a comparison and of the costs and benefits, both long and short term, of the current K-12 health benefits system, the creation of a new K-12 employee benefits pool, and the prospect of enrolling K-12 employees into the health benefits pool for state employees.

Health Benefits Exchange Grants (\$27.3 million other funds)

The Health Care Authority expects to receive federal grant funding under the Patient Protection and Affordable Care Act for planning and implementing a health benefits exchange that will become operational in 2014.

Savings

Basic Health Plan (-\$128.5 million General Fund-State; -\$74.0 million other funds)

Enrollment in the Basic Health Plan (BHP) will be limited to people who are eligible for services under the Medicaid waiver for the BHP beginning March 1, 2011, under Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). New admissions to the BHP will continue to be frozen throughout the 2011-13 biennium. An average of approximately 37,000 persons per month are expected to be covered by the program during FY 2012, and an average of 33,000 per month during FY 2013.

Basic Health Plan Stabilization (-\$44.0 million GF-S; \$44.0 million other funds)

During the 2011-13 biennium, a portion of the Basic Health Plan (BHP) is funded using Tobacco Master Settlement Agreement revenues that otherwise would have been available for the Life Sciences Discovery Fund. Under the federal Patient Protection and Affordable Care Act, current BHP clients will become eligible for Medicaid coverage with full federal funding in 2014.

Hospital Inpatient and Outpatient Rates (-\$110.5 million General Fund-State; - \$110.6 million other funds)

Current inpatient and outpatient hospital rates for Prospective Payment System hospitals are reduced by 8 percent and 7 percent respectively by reducing the rate increases provided under the Hospital Safety Net Assessment Program. These reductions will not apply to payments for psychiatric inpatient services. The additional funds available in the Hospital Safety Net Assessment Fund as a result of these rate reductions will be expended in lieu of General Fund-State payments to hospitals.

FQHC Payment Methodology (-\$42.0 million General Fund-State; -\$44.3 million other funds)

Federal law requires that federally-qualified health centers (FQHCs) and rural health clinics (RHCs) be paid a cost-related per visit rate for services to persons covered by the Medicaid and State Children's Health Insurance programs. In 2009 the Department of Social and Health Services replaced the federal Prospective Payment System (PPS) that was based on 2001 costs adjusted by a national measure of medical inflation with an alternative payment methodology (APM) using a higher Washington-specific inflation measure. The Health Care Authority will adopt a new payment methodology effective July 1, 2011, that will revert to the lower national measure of medical inflation. As a result, payment rates will be an average of approximately 10.6 percent lower than projected under the 2009 APM.

Program Integrity (-\$41.6 million General Fund-State; -\$37.7 million other funds)

The Health Care Authority will improve the review and oversight of Medicaid and other programs. Additional resources are provided to respond to the increasing federal and state focus on avoiding fraud and abuse and to seek coverage or recovery from other medical payers.

Hospital Safety Net Assessments (-\$40.0 million General Fund-State; \$40.0 million other funds)

Under the Hospital Safety Net Assessment Program, the Health Care Authority may currently expend \$49.3 million per biennium from the Hospital Safety Net Assessment Fund in lieu of General Fund-State payments to hospitals. Additional funds from the Hospital Safety Net Assessment Fund are provided in lieu of General Fund-State expenditures for hospitals.

Emergency Room Utilization (-\$33.0 million General Fund-State; -\$38.8 million other funds)

The Health Care Authority will limit reimbursement for non-emergent emergency rooms visits to three per year.

Adult Dental (-\$28.6 million General Fund-State; -\$28.9 million other funds)

Chapter 1, Laws of 2010 2nd sp. s. (HB 3225) eliminated routine and preventive dental services for adults, excluding clients with developmental disabilities (DD). The Health Care Authority will no longer provide coverage of routine and preventive dental services for DD clients. Preventive and restorative dental care will continue to be available for Medicaid recipients who are pregnant, reside in nursing homes or intermediate care facilities, or receive long-term care services under one of the Medicaid home- and community-based services waivers. Funding is also provided to continue the Dental Education in Care of the Disabled (DECOD) program.

Reduce Health Clinic Grant Program (-\$24.0 million General Fund-State)

Chapter 5, Laws of 2011, Partial Veto (ESHB 1086) suspended grants to community health care clinics effective January 1, 2011, and the suspension will continue through the 2011-13 biennium. These grants funded primary care services provided to low-income clients eligible for sliding scale fees.

Healthy Options Rates (-\$27 million General Fund-State; -\$30.4 million other funds)

The medical assistance program will emphasize price in the 2012 competitive procurement for health insurers delivering services under the existing Healthy Options managed care program for non-disabled children and adults. This is expected to result in lower rates than the rates developed under the current system of negotiated rate-setting.

Medicaid Demonstration Waiver (-\$18.8 million GF-S; -\$18.8 million other funds)

Under Engrossed Second Substitute Senate Bill 5596 (Medicaid demonstration waiver), the Health Care Authority will develop and obtain federal approval for a demonstration project that will allow the state greater flexibility in management of its Medicaid program. The project will include flexibility to provide a modified benefit package modeled on the essential benefits package proposed for national health reform; to differentiate benefits based on enrollee age, disability, and medical condition; to implement reasonable and enforceable cost-sharing; to streamline and more frequently verify eligibility determination; and to adopt new payment mechanisms.

Disproportionate Share Hospital (DSH) Program Changes (-\$15.9 million General Fund-State; -\$13.0 million other funds)

Funding levels for the Low-Income, Non-Rural Indigent Assistance, and Small Rural Indigent Assistance Disproportionate Share Hospital (DSH) grant programs are each reduced by 40 percent. The Health Care Authority will begin using federally-matched DSH funds to reimburse hospitals for non-emergency inpatient and outpatient care for children who are not eligible for federal Title XIX or Title XXI matching funds due to their citizenship status.

Medicare Part D Copayments (-\$14.0 million General Fund-State; -\$22,000 other funds)

Coverage of co-payments for prescription drug purchases made by qualifying dually-eligible Medicare and Medicaid clients in the Medicare Part D program was eliminated in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), and that policy will continue through the 2011-13 biennium.

Reduce Maternity Support Program (-\$12.0 million General Fund-State; -\$11.9 million other funds)

Chapter 5, Laws of 2011, Partial Veto (ESHB 1086) temporarily reduced Maternity Support Services (MSS) by 35 percent, beginning March 1, 2011. Alternatively, MSS funding will be reduced by approximately 30 percent in the 2011-13 biennium. Maternity Support Services provide preventive health care services for pregnant and postpartum women that include professional observation, assessment, education, intervention, and counseling as provided by interdisciplinary teams comprised of community health nurses, nutritionists, and behavioral health specialists. The Health Care Authority will target the remaining funding to the highest risk pregnancies, prioritize evidence-based practices, and attempt to develop a mechanism to increase federal funding for MSS by using local funds to match federal funds for MSS services.

School Based Medical Services (-\$11.3 million General Fund-State; \$12.3 million other funds)

The state reimbursed school districts for medical services provided to Medicaid-eligible children who require medical services to support their Individual Education Plans under the Individuals with Disabilities Education Act. Those payments were stopped effective January 1, 2011, under Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). The Health Care Authority will initiate a new intergovernmental transfer program under which the state will provide 40 percent and school districts will provide 60 percent of the required non-federal matching funds for therapies and other qualifying medical services provided to Medicaid-eligible children.

Health Care Consolidation (-\$3.3 million General Fund-State; \$2.1 million other funds)

Pursuant to Second Engrossed Second Substitute House Bill 1738 (Medicaid single state agency), the Medicaid Purchasing Administration (MPA) is transferred out of the Department of Social and Health Services and merged into the Health Care Authority, effective July 1, 2011, and the Health Care Authority will become the state's single state Medicaid agency. This transfer focuses on the medical services provided by MPA. General Fund-State savings are expected from reductions in senior staff and additional federal funding for administrative activities.

Children's Health Program (-\$1.5 million General Fund-State; -\$34,000 other funds)

The Children's Health Program (CHP) provides medical coverage to children who are not eligible for federal Title XIX or Title XXI funding due to citizenship status. Chapter 5, Laws of 2011, Partial Veto (ESHB 1086) required children in the CHP to pay premiums sufficient to cover the full anticipated cost of their care. Now, these children must pay premiums equal to the average state-only per capita cost of coverage for children with family incomes at or below 200 percent of the federal poverty level in the CHP.

DEPARTMENT OF HEALTH

Savings

Blue Ribbon Public Health Funding (-\$10 million General Fund-State)

Public health grants originally funded in 2008 as a result of the omnibus Blue Ribbon Commission Act are reduced by 50 percent.

PUBLIC SAFETY AND THE JUDICIARY

CORRECTIONS

Increases

Prison Safety Enhancements (\$6.0 million other funds)

Funding is provided for prison safety enhancements, including: funding for a study to standardize a body alarm or proximity card system statewide; pilot projects for a body alarm system and a proximity card system; upgrades to the radio system to add panic buttons; expanded use of pepper spray; development and implementation of training for supervisors on enhanced security awareness; additional staff counselor positions; and the addition of custody staff at the Monroe Correctional Complex and the Washington State Penitentiary who are responsible for monitoring the whereabouts of all prison employees.

Savings

Closure Savings from the McNeil Island Corrections Center (-\$18.3 million General Fund-State)

Funding is reduced to reflect net savings in the 2011-13 biennium from the closure of the McNeil Island Corrections Center (MICC) on April 1, 2011, consistent with the policy included Chapter 1, Laws of 2010 2nd sp. s. (HB 3225). The savings from the closure of the MICC are partially offset by the opening of a unit at the Larch Correctional Center.

Violator Bed Cost (-\$7.0 million General Fund-State)

Funding is reduced to reflect savings from directing the Department of Corrections to negotiate in-state bed rental rates for community custody violators that do not exceed \$85 per day plus medical costs for the 2011-13 biennium.

Eliminate Tolling for Offenders (-\$5.2 million General Fund-State; -\$0.2 million other funds)

The Department of Corrections will eliminate 'tolling' or pausing the term of community custody while an offender is confined for violating a sentencing condition. The length of an offender's community supervision will run continuously regardless of whether an offender is incarcerated at any time during the community supervision sentence. The practice of tolling will continue for sex offenders.

Early Deportation of Alien Offenders (-\$4.0 million General Fund-State; -\$0.9 million other funds)

Funding is reduced to reflect savings from early deportation of certain non-citizen drug and property offenders. The proposal assumes that qualifying non-citizen offenders are deported and that qualifying newly sentenced non-citizen offenders are processed for deportation upon arrival to the state prison system.

Reduce Supervision for First Time Offender Waiver (-\$2.3 million General Fund-State; -\$0.1 million other funds)

Funding is reduced to reflect savings from reducing the supervision of offenders on a first time offender waiver (FTOW) from 24 and 12 months to 12 and 6 months.

Reduce Supervision for Certain Jail Offenders (-\$1.9 million General Fund-State; -\$0.1 million other funds)

Funding is reduced to reflect savings from eliminating supervision of offenders from jail who have a low or moderate risk profile, including misdemeanor sex offenders and felony sex offenders. The Department of Corrections will continue to supervise offenders who are at a high risk to re-offend, offenders who have received an alternative sentence and who are therefore receiving treatment, and offenders with a history of domestic violence.

JUDICIAL BRANCH

Savings

Funding Changes (-\$9.0 million General Fund-State; \$9.0 million Judicial Stabilization Trust Account)

Funding from the Judicial Stabilization Trust (JST) Account is used for costs associated with the the Administrative Office of the Courts, the Office of Public Defense, and the Office of Civil Legal Aid. Revenue for the JST Account is assumed to come from extending for the 2011-13 surcharges on court filing fees that were initially implemented in the 2009-11 biennium. Seventy-five percent of the revenue from the surcharges is deposited into the JST Account and 25 percent is retained by the county collecting the fee.

Information Services Division Fund Shift (-\$6.0 million General Fund-State; \$6.0 million other funds)

Funding is provided to shift General Fund-State expenditures for the Information Services Division of the Administrative Office of the Courts to the Judicial Information System Account.

Judicial Agencies Efficiency Efforts (-\$4.6 million General Fund-State)

Funding is reduced in recognition of efficiency efforts by judicial branch agencies. This amount represents an average reduction of 2.4 percent to the base budgets, excluding salaries for elected officials, for the Supreme Court, the Courts of Appeal, the Commission on Judicial Conduct, the State Law Library, the Administrative Office of the Courts, the Office of Public Defense, and the Office of Civil Legal Aid.

NATURAL RESOURCES

MULTIPLE AGENCIES

Recreational Land Access Fees (-\$48.7 million General Fund-State; \$68.5 million other funds)

Chapter 320, Laws of 2011 (2SSB 5622) creates the \$30 annual Discover Pass and the \$10 State Recreational Land Day-Use Permit and requires that these permits be visible in any vehicle located at a recreation site or recreation lands managed by the Department of Natural Resources, the Washington Department of Fish and Wildlife, and the State Parks and Recreation Commission. Proceeds from fees are directed to support the maintenance and operation of state recreational lands, including state parks. In a separate item, the Parks and Recreation Commission is appropriated \$20.0 million General Fund-State as a one-time appropriation for the transition of the State Parks Commission to an entirely fee supported agency.

Consolidation of Natural Resource Agencies and Programs (\$-2.8 million General Fund-State)

Pursuant to Engrossed Second Substitute Senate Bill 5669 (natural resources programs), the Pollution Liability Insurance Agency, certain reclaimed water functions in the Department of Health (DOH), and support functions and budget of the Columbia River Gorge Commission are merged into the Department of Ecology (DOE). Additionally, the Low-Level Radioactive Waste Program is transferred from the DOE to the DOH. Finally, natural resource agencies are directed to conduct actions involving the consolidation of administrative regions, services, and functions.

FISH & WILDLIFE

Puget Sound Federal Funds (\$18.0 million General Fund-Federal)

The Washington Department of Fish and Wildlife is entering into an agreement with the U.S. Environmental Protection Agency (EPA) to protect and restore marine and nearshore habitats of Puget Sound. Funding provided by the EPA will be distributed to state and local partners through a competitive process to fund projects that improve the effectiveness of existing regulatory and stewardship programs, implement protection and restoration projects, prevent or reduce the threats posed by invasive species and oil spills, and address ecosystem problems.

Increase Hunting & Fishing License Fees (-\$4.0 million General Fund-State; \$18.5 million State Wildlife Account-State)

Pursuant to Chapter 339, Laws of 2011 (SSB 5385), State Wildlife Account revenue is increased by making a variety of changes to licenses and endorsement fee schedules. The revenue generated by this legislation, primarily by adjusting fishing and hunting fees, is estimated to mitigate a projected shortfall primarily related to the expiration of a 10 percent surcharge on fishing and hunting licenses enacted during the 2009-11 biennium.

DEPARTMENT OF ECOLOGY

Increases

Stabilize Oil Spill Prevention Account (\$5.0 million State Toxics Control Account-State)

The DOE provides oil spill prevention and preparedness services to protect Puget Sound, the outer coast, the Columbia River, and other inland waters. These activities receive funding from the Oil Spill Prevention Account. Tax revenue into the Oil Spill Prevention Account fluctuates, resulting in periodic shortfalls that have been addressed over the years through fund transfers. Expenditure authority for oil spill prevention and response activities is shifted from the Oil Spill Prevention Account to the State Toxics Control Account.

Protecting Washington Shorelines (\$3.0 million Local Toxics Control Account-State; \$0.6 million State Toxics Control Account-State)

Pursuant to a negotiated legal settlement in 2003, the DOE and local governments are in the process of updating local shoreline master programs. Base operating funding is insufficient to complete shoreline master program updates in time to meet statutory and legal settlement deadlines. The DOE is provided \$3.6 million to speed up completion of shoreline master program updates during the 2011-13 biennium.

Keeping Toxins Out of Puget Sound (\$1.0 million State Toxics Control Account-State; \$1.0 Local Toxics Control Account-State)

The DOE partners with local governments to help businesses correct practices related to hazardous waste management, spill prevention, stormwater pollution, and other environmental rules. Ongoing funding and FTE staff are provided to manage the DOE's portion of these activities. Ongoing grant funding of \$1 million is provided from the Local Toxics Control Account to support local government staff conducting hazardous waste and stormwater technical assistance visits.

Savings

Continued Litter Pickup Reduction (-\$7.0 million Waste Reduction and Recycling Account-State)

The Waste Reduction, Recycling, and Litter Control Account funds litter prevention and pickup activity within the Department of Ecology (DOE). Funding and FTE staff for this activity are reduced. Remaining resources will allow the DOE to operate a scaled-back litter pickup program.

Watershed Planning Reduction (-\$5.9 million General Fund-State)

Funding is reduced for watershed planning technical assistance and grants to local governments in the Shorelands and Environmental Assistance program.

Water Resources Program (-\$2.5 million General Fund-State)

Funding and FTEs are reduced from the Water Resources Program. Proviso language directs \$2.15 million of the General Fund-State appropriation in the Water Resources Program solely for processing the backlog of pending water right permit applications.

Continued Flood Control Grant Reduction (-\$2.0 million Flood Control Assistance Account- State)

The Flood Control Assistance Program provides grants for local flood control planning and maintenance. For the 2011-13 biennium, funding is reduced by 50 percent for these local grants.

Climate Policy Group Reduction (-\$0.9 million General Fund-State)

Funding is reduced by 25 percent for the Climate Policy Group that works on the state integrated climate change response strategy, maintains scientific and technical information on the impacts of climate change in the state, develops greenhouse gas emission reduction strategies, and collaborates with national and regional organizations to address issues related to climate change.

DEPARTMENT OF AGRICULTURE

Eliminate State General Fund Support for Domestic Agricultural Marketing Assistance (-\$0.9 million General Fund-State)

State general fund support for the Washington State Department of Agriculture's domestic marketing program for state agricultural products is eliminated.

Reduce Fair Funding (-\$0.5 million Fair Fund Account-Non-Appropriated)

The Fair Account receives a \$4 million transfer each biennium from the state general fund. The transfer is reduced by \$500,000, leaving \$3.5 million available for fair funding during the 2011-13 fiscal biennium.

STATE CONSERVATION COMMISSION

Conservation District Efficiencies, Temporary Layoffs and Grant Reduction (-\$1.5 million General Fund-State)

The State Conservation Commission (Commission) will reduce pass-through monies to conservation districts by \$400,000. Additionally, the Commission will reduce funding by an additional \$1 million through vacancy management, temporary layoffs and the reduction of grant awards to conservation districts and private entities.

GENERAL GOVERNMENT AND OTHER

LIQUOR CONTROL BOARD

Customer Service Initiatives (\$60.7 million other funds)

Funding is provided to implement customer service initiatives to improve convenience to customers and generate additional revenues. Initiatives include adding six contract and two new state stores to keep pace with population growth; two high-volume specialty stores; standardizing hours of operation; selling retail gift cards; and providing optional delivery to restaurants and other licensed locations. The initiatives are estimated to result in gross sales of \$66.6 million and net revenues of approximately \$6 million.

DEPARTMENT OF ENTERPRISE SERVICES

Department of Enterprise Services (-\$0.5 million General Fund-State; -\$10.8 million other funds)

The Department of General Administration, along with the State Printer and portions of the Department of Information Services, the Office of Financial Management, and the Department of Personnel will merge into the new Department of Enterprise Services. The new Department of Enterprise Services will handle facilities and lease management, fleet management, purchasing and contracts, information systems, printing, accounting, and human resources, which are all central services provided to all state agencies. A transition team will work on identifying efficiencies by consolidating back-office functions, such as internal human resources, accounting, purchasing, contracts, and facilities management.

INFORMATION TECHNOLOGY

State Data Center (\$49.5 million other funds)

Funds are provided for the new State Data Center infrastructure and to set up and operate the new Data Center. Funding is contingent upon establishing the new Office of the Chief Information Officer, consistent with Engrossed Substitute Senate Bill 5931 (streamlining central services), appointing the position, and adopting technical standards for shared services. Once the move is complete, Department of Information Services services, operations, and assets in the current data center will be decommissioned.

Office of the Chief Information Officer and Consolidated Technology Services Agency (-\$7.1 million other funds)

The Office of the Chief Information Officer (OCIO) is created and is responsible for the development and implementation of state strategic information technology initiatives and oversight of information technology resources. The Information Services Board is eliminated and staff are transferred to the OCIO. Delivery of IT services to state agencies is transferred from the Department of Information Services to the newly created Consolidated Technology Services (CTS) Agency pursuant to Engrossed Substitute Senate Bill 5931 (centralizing central services). Services offered by the CTS agency include mainframe computing, network operations, telecommunications, and managing the consolidated Data Center.

SECRETARY OF STATE

Presidential Primary (-\$10.0 million General Fund-State)

Funding for costs associated with the 2012 Presidential Primary are eliminated and the primary is suspended. No Presidential Primary will be held in Washington in 2012.

STATE AUDITOR

Shift Audits to Performance Audit Account (-\$7.5 million other funds)

In the 2011-13 biennium, the Performance Audits of Government Account is reduced to allow the shifting of expenditure authority to four audit-related activities: (1) the Division of Fraud Investigations within the Department of Social and Health Services; (2) the Fraud Ombudsman in the State Auditor's Office; (3) school apportionment audits in the State Auditor's Office; and (4) a portion of the enhanced revenue auditor and collection functions of the Department of Revenue.

DEPARTMENT OF REVENUE

Revenue Enhancements (\$4.6 million General Fund-State)

Funding is provided to continue efforts began in the early action bill in December to collect additional revenue from out-of-state audits. Funding is also provided and for additional staff in 2011 -13 to collect state tax revenues. The additional tax collection staff include taxpayer account administrators, compliance staff, and auditors. On average, each employee is estimated to bring in \$420,000 per fiscal year in revenue. The continuation of the early action efforts are estimated to generate an additional \$39 million, and the additional staff are estimated to generate \$14.5 million, for a total of \$53.5 million in additional revenues.

DEPARTMENT OF COMMERCE

Essential Needs and Housing Support Program (\$64.1 million General Fund-State)

The Disability Lifeline-Unemployable Program is terminated effective October 31, 2011. Funding previously used for cash grants to individuals in the Disability Lifeline-Unemployable Program is transferred to the Department of Commerce to be used to provide grants to counties and non-profit providers for housing and essential needs for individuals in the program within available resources. Assistance cannot be provided in the form of cash grants. The amount transferred for the 2011-13 biennium is \$64.1 million.

Foreclosure Fairness Act (\$15.3 million other funds)

Funding is provided to implement Chapter 58, Laws of 2011 (SHB 1362). The Department of Commerce will use revenues from newly authorized fees paid by financial institutions issuing notices of defaults for contracting for the provision of housing counselors for borrowers and providing a grant to the Office of Civil Legal Aid for increasing access to legal representation of homeowners in matters relating to foreclosure. A portion of the revenues are also provided to the Office of the Attorney General for enforcing consumer protection provisions of the bill and to the Department of Financial Institutions to conduct homeowner outreach and education programs.

Program Reductions (-\$15.8 million General Fund-State, -\$9.5 million other funds)

Funding for a variety of programs is reduced or eliminated. These include programs which provide support for tourism promotion, economic development activities, growth management activities, services to crime victims, homeless and housing assistance; and support for community action agencies. Funding for administration for all divisions of the Department is reduced. Some of the reductions were implemented in fiscal year 2011 in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086).

EMPLOYMENT SECURITY

Next Generation Tax System (\$35.6 million other funds)

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.

Family Leave Insurance (-\$33.2 million General Fund-State)

Funding is reduced to reflect the delay of implementing the Family Leave Insurance program. Under current law, persons meeting eligibility requirements for the Family Leave Insurance program are entitled to benefit payments starting in October 2012.

DEPARTMENT OF REVENUE

Transferring the Administration of the Master License Service (\$16.2 million other funds)

The administration of and all powers, duties, and functions related to the Master License Service (MLS) is transferred from the Department of Licensing to the Department of Revenue (DOR), pursuant to Chapter 298, Laws of 2011 (HB 2017). In utilizing the established relationship with the business community and combining multiple functions of registering and renewing a business in the state, the DOR is to simplify processes and achieve efficiencies that enable the department to focus on technology improvements and increasing MLS participation at the city and local government level.

MILITARY DEPARTMENT

Next Generation 911 Transition (\$8.42 million other funds)

Expenditure authority is provided from the Enhanced 911 Account to continue upgrades of the current 911 telephone system to accommodate Next Generation 911. This upgrade provides a modern internet protocol system that will allow the 911 system to accept information from a wide variety of communication devices during emergencies.

STATEWIDE ITEMS

STATE EMPLOYEE COMPENSATION

Increases

Average Final Salary Adjustments for Retiring Employees (\$0.7 million General Fund-State; \$0.6 million other funds)

Funding is provided for the pension rate impacts from adjusting Average Final Compensation for state or local government employee members of the state retirement systems who have reduced compensation during the 2011-13 fiscal biennium due to reduced work hours, mandatory leave without pay, temporary layoffs, or salary reductions that affect pension benefit calculations and would otherwise have reduced benefits, pursuant to House Bill 2070 (average final compensation for state and local government employees). Additional funding for the impact on state-funded employees in the K-12 system is included in school district allocations.

Savings

Eliminate Future Plan 1 Annual Increases (-\$344.0 million General Fund-State; -\$61.0 million other funds)

The Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1 (PERS and TRS Plans 1) Annual Increase Amount, commonly referred to as the "Uniform COLA" was created in 1995, and is an automatic, annual, service-based adjustment paid every July 1.

The annual increase amount is payable on the first calendar year in which the recipient turns age 66 and has been retired for one year. The annual increase amount is not a percentage increase, but instead is a fixed dollar amount multiplied by the member's total years of service. The dollar amount of the annual increase is currently \$1.88 and increases by 3 percent every year on July 1. For a member with 30 years of service, this would have most recently increased the member's benefit by \$56.40 per month.

Statute specifies that members and retirees do not have a contractual right to future annual increases.

Savings are achieved by ending future automatic benefit increases in the PERS and TRS Plans 1 consistent with the passage of Substitute House Bill 2021 (PERS and TRS Plan 1). The basic minimum benefit amount in the plans continues to be increased by the annual increase amount, and the alternative minimum benefit is raised to \$1,500 per month. The unfunded accrued actuarial liability in PERS and TRS Plans 1 is reduce by about \$4 billion.

3% Salary Reduction for State Employees (-\$175.8 million General Fund-State; - \$85.4 million other funds)

Funding is reduced to reflect a 3 percent cost savings in employee salaries, excluding several groups of employees including those earning less than \$2,500 per month, certain employees of the Washington State Patrol and the Washington State Department of Transportation, and others, consistent with Substitute Senate Bill 5860 (state government employee compensation). The reduction is temporary through the 2011-13 biennium only.

The reductions will be implemented consistent with collective bargaining agreements ratified for the 2011-13 biennium, or for represented groups that are considered for fiscal year 2012 to be in the "tail" or continuing year of a 2009-11 collective bargaining agreement, the reduction will be implemented according to the terms and conditions of the 2009-2011 agreements. For fiscal year 2013, funding is reduced to reflect a 3.0 percent temporary salary reduction for all employees making \$2,500 or more per month through June 29, 2013. Employees subject to the 3.0 percent reduction in salary will receive temporary salary reduction leave of up to 5.2 hours per month. State institutions of higher education are similarly required to implement compensation reductions equivalent to the 3 percent reduction amounts referenced in the omnibus appropriations act.

Management Efficiencies (-\$14.2 million General Fund-State)

Agencies are required to implement management and administrative reforms, such as layering and streamlining of support functions, that will result in increased efficiency and reduce agency expenditures. For most agencies, management reductions of 7 to 10 percent are expected to be achieved over the course of the biennium. State agencies can anticipate continuous legislative policy and fiscal committee examination of the architecture and cost of the state's career and executive workforce, and shall be prepared to provide relevant information in hearings and worksessions.

Post-retirement Employment and Higher Education Retirement Plan Changes (-\$1.83 million General Fund-State; -\$0.2 million other funds)

Savings are achieved through the passage of ESHB 1981, which reduces the pension contribution rates required for state pension plans, and makes a number of changes to the postretirement employment rules, oversight mechanisms, and future enrollee benefits in Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) Plan 1 and the Higher Education Retirement Plan (HERP).

Provisions permitting retirees to in PERS and TRS Plan 1 to receive benefits while employed in retirement system-covered positions for up to 1,500 hours per year are repealed effective January 1, 2012. Positions covered by the HERP are added to those included in the postretirement employment pension restrictions for PERS, TRS, the School Employees' Retirement System, and the Public Safety Employees' Retirement System.

The HERP Supplemental Benefit is eliminated for employees that enter the plan after July 1, 2011, and new employees are provided the option of joining the TRS Plan 3 or PERS Plan 3. General Fund-State contributions to the HERP plan are capped at 6 percent of pay, and a system to begin funding the Supplemental benefits in the HERP and subjecting it to oversight by the State Actuary, the Pension Funding Council, and the Select Committee on Pension Policy are initiated.

2011 and 2011-13 Supplemental Budget Transfers

(Dollars in Millions)

	<u>2009-11</u>	<u>2011-13</u>
Enacted Transfers		
HB 3225 (Special Session Budget Bill)		
Subtotal	54.0	-
HB 1086 (Early Action Savings Bill)		
Subtotal	125.2	-
Proposed Transfers		
2011-13 & 2011 Supplemental		
Aquatic Lands Enhancement Acct.	-	7.0
Liquor Control Board Construction and Maintenance Account	-	1.0
Foster Care Endowed Scholarship Account	-	0.4
Economic Development Strategic Reserve Account	-	4.2
Education Construction Acct. (suspends GFS transfer in)	-	204.0
Public Works Assistance Account	-	50.0
Fair Fund	-	0.5
City & County Distributions (Varied)	-	10.0
Liquor Revolving Account (Continues Liquor Mark-up)	-	85.0
Education Savings Acct. (GFS reversions back to GFS)	-	45.0
Treasurers Service Account	-	25.0
Thurston County Capital Facilities Acct.	-	8.0
CEP&RI Acct.	-	9.0
Flood Control Assistance Acct.	-	2.0
Waste Reduction/Litter Acct.	-	7.0
Department of Retirement Systems Expense Account	-	0.5
Subtotal	-	458.6
2011-13 & 2011 Supplemental		
BSA/Rainy Day (SHB 1250)	-	-
Grand Total - Transfers To GFS	179.2	458.6

2011 Supplemental & 2011-13: Revenue Legislation & Budget Driven Revenue

(dollars, in millions)

Contained In Other Legislation

Bill		2009-11 Total	2011-13 Total
Revenue Decreases			
1224	B&O Deduction/Mental Health	0.0	(0.2)
1347	Sales & Use Tax Exemptions	0.0	(0.9)
1902	Child Welfare Services	0.0	(1.9)
5083	Real Estate Firms B&O Tax	0.0	(1.8)
5289	Property Management/B&O Tax	0.0	(0.6)
5458	Medicad Fraud	0.0	(8.6)
5501	Taxation of Employee Meals	0.0	(0.6)
5534	Newspapers/B&O	0.0	(0.0)
5539	Motion Pictures	0.0	(7.0)
5633	Agricultural Fair Premiums	0.0	(0.0)
5873	Server Equipment Business	0.0	(2.4)
Subtotal		0.0	(23.9)
Revenue Increases*			
	Consolidating Revenue/GFS (see note**)	<u>0.0</u>	<u>0.0</u>
Subtotal		0.0	0.0
Total N-GFS Impact from Legislation		0.0	(23.9)

*Note: Cigarette tax proceeds currently being deposited in to the Education Legacy Trust Account is also assumed to be redirected to GFS (per HB 2019). This has no net N-GFS impact.

Budget Driven Revenue

Agency	Other Revenue Adjustments	2009-11 Total	2011-13 Total
DOR	Other Various Activities	0.0	14.5
DEL	Child Care Licensing Fees	0.0	1.0
DOR	Continue Actions From HB 3225	0.0	39.0
Liquor	Budget Related (Net)	0.0	3.6
	Total N-GFS Impact	0.0	58.1
Total Net N-GFS Impact (Legislation & BDR)		0.0	34.1

2009-11 Revised Omnibus Operating Budget (2011 Supp)**NGF-S + Opportunity Pathways**

(Dollars in Thousands)

	Passed Hse ESHB 1087	Passed Sen Prop. Amd. (May ESHB 1087	24)
K-12 Education			
Delay June Apportionment Pmt	-253,000	-253,000	-128,000
K-12 Contingency Loans to Districts	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
K-12 Education Total	-240,000	-240,000	-115,000
Increases			
Maintenance of Effort	0	0	1,259
Regional Service Technical Corr	0	541	541
RHC Prenatal & Well-Child Visits	0	700	700
Moore, et al. v. HCA	0	864	0
Forest Fire Supression	235	235	235
Prison Safety Enhancements	268	333	333
Other Increases	2,740	2,474	2,741
FQHC Reimbursement Method Chng	7,054	7,054	7,054
TANF Funds	<u>10,000</u>	<u>0</u>	<u>0</u>
Increases Total	20,297	12,201	12,863
All Other			
DOC Underexpenditures	-10,000	-10,000	-10,000
DSHS/Econ Svcs Under Expenditures	-6,000	-5,000	-5,000
ESD Underexpenditure	0	-500	-500
Medication Practice Improvement	0	-150	0
Other	<u>-606</u>	<u>-106</u>	<u>-393</u>
All Other Total	-16,606	-15,756	-15,893
Maintenance Level			
K12	-18,158	-18,158	-18,244
Debt Service and Related Costs	-15,499	-15,499	-15,499
DSHS/Other	-2,578	-2,578	-2,578
DSHS/Medical	-142	-142	-1,323
DSHS/Special Commitment	596	596	596
DSHS/Childrens	3,505	3,505	3,505
DSHS/Long Term Care & DD	4,578	4,578	12,002
Corrections	15,194	15,194	15,194
DSHS/Economic Services	24,808	24,808	24,808
DSHS/ARRA FMAP	128,302	128,302	128,302
Other	<u>2,981</u>	<u>3,035</u>	<u>710</u>
Maintenance Level Total	143,587	143,641	147,473
Grand Total	-92,722	-99,914	29,443

2011

2013



Washington State House of Representatives
Office of Program Research