



# **PROPOSED SENATE 2011-13 OPERATING BUDGET**

## **OVERVIEW**

# SENATE CHAIR

**SENATE WAYS & MEANS COMMITTEE  
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# **THE SENATE 2011-13 BUDGET SOLUTION**

## **STATE FISCAL PICTURE FOR 2011**

Economists determined that June of 2009 was the official end of the 2008 recession. However, the economy is still in the process of making a full recovery. Further, the corresponding increase in revenue collections is yet to occur. As a result of the lagging recovery, as well as increasing caseloads and other budget pressures, a budget gap of \$1.2 billion (based on the latest revenue forecast) developed for fiscal year 2011. The Legislature passed "early action" legislation in December 2010 and February 2011 designed to partially address the budget gap for the current fiscal year. The "early action" measures that the Legislature enacted included \$726 million in various spending reductions and \$230 million in resource changes, primarily fund transfers.

As the state's economist said of the current economic period: "[T]he economic outlook remains clouded with a great deal of uncertainty." As evidence of this uncertainty and weaker than expected economic activity, the March 2011 revenue forecast was reduced by over \$800 million for the remainder of fiscal year 2011 and for upcoming 2011-13 biennium.

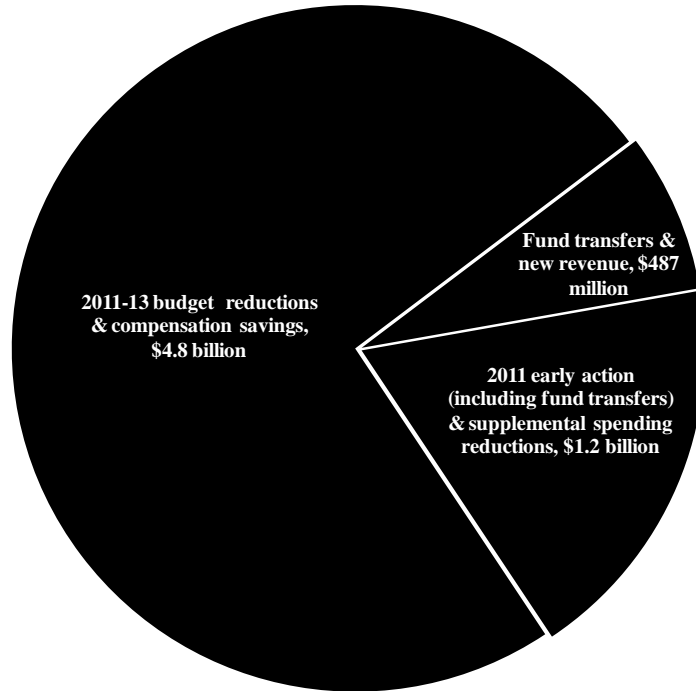
Based on the lowered March 2011 revenue forecast of the 2009-11 and 2011-13 biennia, the shortfall for fiscal year 2011 accrued to a total of \$1.2 billion. Further, lower revenue estimates, combined with the other assumptions used in the development of the Senate budget, resulted in a projected \$5.3 billion deficit for the upcoming 2011-13 biennium. This deficit projection was based on the anticipated spending needs of current law, including the costs of maintaining current programs and services and as well as some selected policy level increases. The shortfall also included the backfill of over \$2.3 billion in one-time federal stimulus funds that are no longer available to support education and human service programs. In recognition of the volatile revenue situation, the Senate budget solution includes leaving approximately \$738 million in reserves.

## **SOLVING THE \$6 BILLION BUDGET PROBLEM**

In addition to solving the remainder of the budget gap for fiscal year 2011 (not addressed in the December and February "early action" legislation), the Senate's budget proposal solves the \$5.3 billion shortfall in the 2011-13 biennium by: (1) making \$4.8 billion in spending and compensation reductions; (2) \$455 million in fund transfers; and (3) raising \$32 million in net new revenues.

In other words (as depicted on the chart on the next page) the Senate budget solves the majority of the budget problem through spending reductions.

### Senate's Proposed Three Year Budget Solution



*Total Budget Solution = \$6.5 Billion*

## MAKING THE BUDGET SUSTAINABLE

The actions taken in the Senate budget recognize the fiscal reality that necessitates making significant reductions in state services and programs. At the same time, the Senate's approach is to partially use the fiscal downturn as an opportunity to put the state on more sound fiscal footing. While some of these initiatives will have an immediate impact on the state budget, many of these efforts are designed to make for more sustainable state budgeting in the future.

Initiatives in the Senate approach include: (1) Senate Joint Resolution 8215 (debt reduction act of 2011) which reduces bonded construction debt and provides more predictable debt service payments associated with the capital budget; (2) Senate Joint Resolution 8206 (extraordinary revenue growth) which sets aside extraordinary revenue growth into the Budget Stabilization Account; (3) ending the automatic cost of living increase for retirees in the older pension plans which reduces long term liability; (4) reforming the Guaranteed Education Tuition Program to make it more sustainable and less likely to need general fund-state support; (5) modifying the retire-rehire program; and (6) changing tuition policy to provide additional flexibility and to allow for longer term fiscal planning by institutions of higher education.

## **2011-13 BUDGET REDUCTIONS - \$4.8 BILLION**

Major reductions in the Senate budget include: (1) \$861 million by eliminating the Initiative 728 class size distributions to school districts; (2) \$212 million by eliminating K-4 class enhancement which is partially offset by maintain the funding for high poverty schools; (3) \$95 million by implementing average daily attendance in K-12 public schools a program which was designed, in part, to reduce truancy and improve graduation rates; (4) \$535 million in reductions to state higher education institutions which is partially offset by tuition increases; (5) \$361 million from ending future automatic cost of living increases for Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1 plan members; (6) \$428 million by making a three percent salary reduction to state, higher education and K-12 employees; (7) a \$122 million reduction to the Basic Health Plan; (8) \$110 million from reducing hospital payments by seven to eight percent; (9) \$51 million from reducing the Disability Lifeline-Medical program; (10) \$98 million from a 10 percent reduction to Medicaid personal care hours; and (11) \$184 million by reforming the Disability Lifeline cash program.

These reductions provide examples of the largest reductions. However, the Senate budget makes reductions in all areas of state government. Given the magnitude of the budget problem, one of the Senate's guiding principles is that all areas of state government need to be subjected to review for reduction. Ultimately no area of the budget could be spared from sharing in the budget solution.

## **FUND TRANSFERS & NEW REVENUE - \$487 MILLION**

The Senate budget makes \$455 million in transfers from various funds to maximize General Fund-state resources. Some of the largest transfers include: (1) \$204 million from suspending the transfer to the Education Construction Account for the 2011-13 biennium; (2) \$85 million from Liquor Revolving Account by continuing the markup on distilled spirits; (3) \$50 million from the Public Works Trust Fund; (4) \$45 from the Education Savings Account; (5) \$25 million from Treasurers Service Account; and (6) \$10 million from a 3.4 percent reduction to various distributions to local governments.

The Senate budget assumes a net increase of \$32 million in new revenues. This increase results from a combination of \$24 million in legislation reducing revenue and \$56 million in legislation/budget actions increasing revenue. The latter includes: (1) \$35 million from permanently redirecting revenues from the Life Science Discovery Fund to the state general fund; (2) \$14.5 million from enhanced revenue collection by the Department of Revenue; and (3) \$6.6 million from changes in liquor retail operations, such as opening six new contract stores and five new co-located stores.

**Near General Fund-State and Opp Pathways Balance Sheet**  
*(Dollars in Millions)*

|   | <u>2009-11</u> | <u>2011-13</u> |
|---|----------------|----------------|
| <b>Beginning Balance</b>                                | <b>310</b>     | <b>39</b>      |
| <b>Revenue</b>  |                |                |
| November Revenue Forecast                               | 28,558         | 33,218         |
| December 2010 Legislation With Revenue Impacts          | 70             | (30)           |
| March Forecast Change                                   | (139)          | (661)          |
| 2011 Budget Driven Revenue                              | -              | 21             |
| 2011 Revenue Legislation (Net Change)                   | -              | 11             |
| Merge Portion of Education Legacy Account               | -              | -              |
| <b>Total Revenue</b>                                    | <b>28,489</b>  | <b>32,559</b>  |
| <b>Other Resource Changes</b>                           |                |                |
| Transfers To The Budget Stabilization Account           | (246)          | (281)          |
| Use of Budget Stabilization Account                     | 267            | -              |
| Other Previously Enacted Fund Transfers                 | 1,251          | (204)          |
| Prior Period Adjustments & Other Changes                | 21             | 2              |
| Fund Transfers HB 3225 & ESHB 1086                      | 185            | -              |
| Capital Fund Transfers                                  | -              | 273            |
| Public Works Trust Fund Changes                         | -              | 50             |
| 2011 Other Fund Transfers                               | 21             | 132            |
| <b>Other Resource Changes</b>                           | <b>1,499</b>   | <b>(29)</b>    |
| <b>Total Resources</b>                                  | <b>30,298</b>  | <b>32,569</b>  |
| <b>Spending</b>   |                |                |
| <b>2009-11 Enacted Budget/2011-13 Maintenance Level</b> | <b>31,085</b>  | <b>36,279</b>  |
| December 2010 (HB 3225)                                 | (492)          | -              |
| February 2011 (ESHB 1086, including vetoes)             | (234)          | -              |
| 2011 Supplemental                                       | (100)          | -              |
| 2011-13 Policy Level Changes (Net)                      | -              | (4,165)        |
| <b>Total Spending</b>                                   | <b>30,258</b>  | <b>32,113</b>  |
| <b>Ending Balance &amp; Reserves</b>                    |                |                |
| <i>Unrestricted Ending Fund Balance</i>                 | 39             | 456            |
| <i>Budget Stabilization Account Balance</i>             | -              | 282            |
| <b>Total Reserves</b>                                   | <b>39</b>      | <b>738</b>     |



# FUNCTIONAL AREAS OF GOVERNMENT

## EMPLOYEE COMPENSATION

### MAJOR SAVINGS

#### **ELIMINATE FUTURE PLAN 1 COST-OF-LIVING ADJUSTMENTS - \$360.5 MILLION GENERAL FUND-STATE SAVINGS; \$63.3 MILLION OTHER FUNDS SAVINGS**

Savings are achieved by ending future automatic benefit increases in the Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1 (PERS 1 and TRS 1) under the Uniform Cost-of-Living (Uniform COLA) provisions established in 1995. The basic minimum benefit amount in the plans (currently \$42.63 per month per year of service) will continue to be increased by the Uniform COLA increase amount, and the alternative minimum benefit for members retired at least 20 years is raised to \$1,500 per month rather than \$1,194 per month, effective July 1, 2011. As a result of these changes, the unfunded accrued actuarial liability in PERS and TRS Plans 1 is reduced by approximately \$4 billion.

#### **K-12 EMPLOYEE SALARY REDUCTION - \$251.2 MILLION NEAR-GENERAL FUND-STATE SAVINGS**

Allocations to school districts for K-12 employees' salaries will be reduced by 3 percent for each of two upcoming school years, consistent with 3 percent reductions for general state employees. However, a \$10 million mitigation pool is established in the Office of the Superintendent of Public Instruction to proportionately restore earnings for employees with current salaries under \$30,000.

#### **THREE PERCENT SALARY REDUCTION FOR STATE EMPLOYEES - \$175.9 MILLION GENERAL FUND-STATE SAVINGS; \$85.5 MILLION OTHER FUNDS SAVINGS**

Expenditures on state employee salaries are reduced through a 3 percent reduction in employee salaries, excluding employees earning less than \$2,500 per month. The reduction is temporary through the 2011-13 fiscal biennium only. The reductions will be implemented consistent with collective bargaining agreements ratified for the 2011-13 biennium. Employees subject to the 3 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 salary reduction.

#### **TEMPORARY LAYOFFS FOR HIGHER-COMPENSATED STATE EMPLOYEES - \$40.6 MILLION GENERAL FUND-STATE SAVINGS; \$21.3 MILLION OTHER FUNDS SAVINGS**

Savings are achieved through temporary layoffs for higher-paid state employees. The hours of temporary layoff required are: (1) for employees earning at least \$50,000 per year but less than \$75,000 per year, sixteen hours each fiscal year; (2) for employees earning at least \$75,000 per year but less than \$100,000 per year, thirty-two hours per fiscal year; (3) for employees earning at least \$100,000 per year but less than \$125,000 per year, forty-eight hours per fiscal year; and (4) for employees earning \$125,000 per year or more, sixty-four hours per fiscal year.

Elected officials, correctional officers, community corrections officers, academic faculty at institutions of higher education, and employees of the Washington State Patrol, transportation agencies, agricultural commodity commissions, the University of Washington Medical Center, Harborview Medical Center, certain programs of the Department of Social and Health Services (DSHS), and employees of agencies employing fewer than ten full-time equivalent positions are exempt from the temporary layoffs.

**LEOFF 2 CONTRIBUTION RATE REVISIONS - \$15.0 MILLION GENERAL FUND-STATE SAVINGS**

Contribution rates for the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) are reduced to the rates calculated according to the actuarial funding method by the State Actuary: 7.40 percent for members; 4.44 percent for employers; and 2.96 for the state. State contributions to LEOFF 2 are adjusted to match revised contribution rates.

**NO LOCAL PUBLIC SAFETY BENEFIT ENHANCEMENT ACCOUNT TRANSFER - \$5.0 MILLION GENERAL FUND-STATE SAVINGS**

Under legislation enacted in 2008, the state treasurer must transfer money to the Local Public Safety Enhancement Account (LPSEA) starting in calendar year 2011, and every two years thereafter, if the prior fiscal biennium's general state revenues exceed the previous fiscal biennium's revenues by more than 5 percent, subject to appropriation. Funds in the LPSEA may be used for public safety programs and retirement benefit increases for law enforcement officers and fire fighters. No transfer will be made in 2011.

**RETIREMENT INCENTIVE SAVINGS - \$3.2 MILLION GENERAL FUND-STATE SAVINGS**

Savings are achieved through reduced K-12 salary expenditures due to additional retirements expected among experienced teachers. A \$250 per month health benefit subsidy is provided for up to three years under Senate Bill 5846 (health benefit subsidies) to members of the Teachers' Retirement System Plan 1 (TRS) who retire before the end of October 2011. It is assumed that the retiring teachers will be replaced by less experienced teachers who receive lower salaries, resulting in savings in excess of the incentive payment and other costs.

## **K-12 PUBLIC SCHOOLS**

### **OVERVIEW**

The Senate budget preserves funding for programs of basic education and funds growth of student enrollment and inflationary cost increases, providing \$378 million more in state funds in the 2011-13 biennium than were provided for such programs in the 2009-11 biennium. The budget fully funds several important non-basic education programs including the gifted program, full-day kindergarten for the 20 percent of students in the poorest schools, and levy equalization payments to school districts with high local tax rates. The Senate budget retains funding for teacher bonuses for certification by the National Board for Professional Teaching Standards by limiting the receipt of the base and the challenging-schools bonus to a three year period for each teacher.

The Senate budget also provides educational enhancements in several key areas. For example, the Senate budget maintains the momentum of public school funding improvements by restoring reductions to class-size funding in the lower grades in schools with high rates of poverty, enhancing funding for pupil transportation, and accelerating the launch of the new statewide system of principal and teacher evaluations that was approved by the Legislature in 2010.

Many Senate budget changes are aimed toward reform as well as achieving spending reductions. Examples include implementing average daily attendance counts to discourage student truancy, restructuring bilingual education funding formulas to provide transition assistance for successful exit from the program, and setting up a voluntary program of consolidated K-12 employee health benefits purchasing.

## **INCREASES**

### **K-3 CLASS SIZE FUNDING - \$64.3 MILLION NEAR GENERAL FUND-STATE**

Funding for lower class sizes in grades kindergarten through four was eliminated in the December, 2010 early action supplemental with the policy carried into the 2011-13 biennium. The Senate budget provides \$64.3 million to restore and enhance lower-class sizes for schools with more than 50 percent of students eligible for free- or reduced-price lunch. The maximum average K-3 class size under the definition of basic education is 25.23 full-time equivalent students per teacher. The Senate budget provides funding to achieve 22.76 students per teacher in high poverty schools.

### **PUPIL TRANSPORTATION ENHANCEMENT - \$5.0 MILLION NEAR GENERAL FUND-STATE**

A new funding formula will take effect September 2011 with the beginning of the next school year. The Senate budget, in addition to providing for maintenance-level growth in areas such as ridership and employee pension costs, adds \$5 million to enhance funding for pupil transportation.

### **PRINCIPAL & TEACHER EVALUATION SYSTEM - \$3.0 MILLION NEAR GENERAL FUND-STATE**

In 2010, the Legislature enacted legislation to make significant changes in teacher and principal evaluation systems, including the introduction of a four-level evaluation ranking rather than the current two-level satisfactory and unsatisfactory system used by most districts currently. The Senate budget adds \$3 million to increase the number of school districts participating on a pilot basis to lead up to statewide implementation in school year 2013-14.

## **MAJOR SAVINGS**

### **INITIATIVE 728 STUDENT ACHIEVEMENT PROGRAM - \$860.7 MILLION NEAR GENERAL FUND-STATE SAVINGS**

The Student Achievement Fund was authorized by voter approval of Initiative 728 in 2000. Districts use funds, primarily, to lower class sizes by hiring more teachers and providing professional development. The per-student allocation was reduced in the budget for school year 2009-10 and eliminated for school year 2010-11. The elimination of the per-pupil distribution is extended in the Senate's budget with the intention of incorporating the funding into a revised financial plan for implementation of basic education reforms.

### **K-3 CLASS SIZE FUNDING REDUCTION - \$211.6 MILLION NEAR GENERAL FUND-STATE SAVINGS**

Funding for lower class sizes in grades kindergarten through grade 4 was eliminated in the December, 2010 early action supplemental. This policy is carried forward into the 2011-13 biennium. The reduction increased class sizes in grades K-3 from 23.11 full-time equivalent students per teacher to the maximum required size under the definition of basic education of 25.23 students per teacher; and increased class sizes in grade 4 to the maximum of 27.00 students per teacher from a class size of 26.15. The Senate budget provides \$64.3 million to restore and enhance smaller class sizes of 22.76 students per teacher in grades K-3, for schools with more than 50 percent of students eligible for free- or reduced-price lunch.

### **AVERAGE DAILY ATTENDANCE - \$95.0 MILLION NEAR GENERAL FUND-STATE SAVINGS**

Beginning in school year 2011-12, enrollment counts used as the basis for allocation of state public school funds will be adjusted to reflect daily unexcused absences. It is hoped that a direct tie between funding allocations and attendance will yield a decrease in truancy and improved graduation rates through a combination of increased focus on student attendance and development of effective truancy prevention strategies.

**ALTERNATIVE LEARNING EXPERIENCE FUNDING - \$25.8 MILLION NEAR GENERAL FUND-STATE SAVINGS**

Beginning in school year 2011-12, the basic education allocation for alternative learning experience programs is reduced by 10 percent.

## **EARLY LEARNING**

### **OVERVIEW**

The Early Childhood Education and Assistance Program (ECEAP) is the largest state funded program in the Department of Early Learning and the Senate's highest early learning priority. The Senate budget expands the number of slots available by 480 per year. This expansion is offset through provider rate reductions and instituting a \$5 per month copayment for ECEAP families for no increase or decrease in state funds.

The Senate budget provides \$1.8 million in state funds to expand evidence based home visiting services. The state funds allow the state to draw down \$2.6 million in federal funds. The public-private partnership of Thrive By Five has pledged private matching funds as a result of the state and federal investment.

### **MAJOR SAVINGS**

**ADMINISTRATIVE AND SMALL PROGRAM REDUCTIONS - \$4.5 MILLION GENERAL FUND-STATE SAVINGS**

Savings are achieved through carrying forward the 2011 administrative cut into the 2011-13 biennium (\$1.5 million) as well as discontinuing state funding for the Career and Wage Ladder (\$3 million).

## **HIGHER EDUCATION**

### **OVERVIEW**

The continued difficult state fiscal situation necessitates additional reductions in the state's investment in higher education. The Senate proposed 2011-13 state appropriations to the public colleges and universities are \$617.5 million (22.1 percent) below the amount needed to continue the current level of programs and activities. Of this amount, state appropriations to community and technical colleges are \$200.3 million (14.4 percent) below the state maintenance level and state appropriations to the four year institutions are \$417.3 million (29.8 percent) lower.

To offset this reduction in state funds, the Senate budget proposes to increase tuition using a differential method that recognizes the unique missions and student populations of the state's two- and four-year institutions. As a result, the Senate budget proposes to increase tuition by 16 percent each year at the University of Washington, Washington State University, and Western Washington University; by 14 percent each year at Central Washington University and The Evergreen State College; by 11 percent each year at Eastern Washington University; and by 12 percent each year at the community and technical colleges. After accounting for tuition increases anticipated in the 2011-13 biennium, the higher education system will experience an overall net reduction of 5.1 percent.

Additionally, the Senate proposes to provide the four-year institutions greater flexibility in the future by granting them full tuition setting authority beginning in the 2013-15 biennium through the 2017-19 biennium consistent with Senate Bill 5915 (higher education funding). With this legislation, institutions will be required to negotiate a performance contract with the Office of Financial Management and the Higher Education Coordinating Board if they plan to increase tuition beyond 11 percent in one year for

the University of Washington, Washington State University, and Western University and beyond 9 percent in one year for Central Washington University, Eastern Washington University, and The Evergreen State College. Each four year institution will also be required to eliminate any tuition increase beyond this threshold for those students with incomes below 125 percent of the median family income.

Although the higher education system will experience an overall reduction with the Senate budget proposal, after accounting for tuition the reduction is less than what is proposed in both the Governor's and the House of Representative's budget proposals. Both of these proposals overestimate tuition revenues due to the assumption that all categories of students will experience the same percentage increase. Because the full amount of these revenue estimates will not be realized, the Senate interprets this assumption as an additional reduction to the two- and four-year institutions. The following provides a comparison of the three budget proposals:

|  | Near General Fund-State<br>(\$ in millions) |                  |                  |
|--|---|------------------|------------------|
|  | Governor                                    | House            | Senate           |
| Institutional Reductions (incl. Compensation Reductions) | (\$571.8)                                   | (\$603.3)        | (\$642.7)        |
| Reduction due to Overstated Tuition Revenue              | (\$52.3)                                    | (\$74.4)         | -                |
| <b>Total Reductions</b>                                  | <b>(\$624.1)</b>                            | <b>(\$677.8)</b> | <b>(\$642.7)</b> |
| Tuition Increases  | \$329.7                                     | \$379.1          | \$376.4          |
| <b>Net Reductions</b>                                    | <b>(\$294.5)</b>                            | <b>(\$298.6)</b> | <b>(\$266.2)</b> |

## INCREASES

### **MAINTAIN FINANCIAL AID POLICY - \$124.4 MILLION GENERAL FUND-STATE**

Funding is provided for the State Need Grant and State Work Study programs to offset the cost to recipients of resident undergraduate tuition increases of 16 percent each year at the University of Washington, Washington State University, Western Washington University; 14 percent each year at Central Washington University and The Evergreen State College; 11 percent at Eastern Washington University; and 12 percent each year at the community and technical colleges.

### **WORKER RETRAINING - \$15.0 MILLION GENERAL FUND-STATE**

Ongoing funding is provided for an additional 1,617 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.

## MAJOR SAVINGS

### **INSTITUTIONAL REDUCTIONS - \$535.5 MILLION NEAR GENERAL FUND-STATE SAVINGS**

Two- and four-year institutions will experience a 22.1 percent reduction from their maintenance level funding. These reductions will be partially offset by tuition increases for an overall net reduction to the higher education system of 5.1 percent. An additional \$107.2 million will be realized as a result of temporary layoffs and a three percent salary reduction. For additional information on these reductions, please see the compensation section on page 6.

### **STATE WORK STUDY REDUCTIONS - \$23.2 MILLION GENERAL FUND-STATE SAVINGS**

Funding for the State Work Study program is reduced by: (1) making permanent the changes made in the 2010 supplemental budget, including increasing the required employer share of wages and discontinuing non-resident student eligibility for the program; and (2) further

increasing the required employer share of wages from 50 percent to 80 percent for for-profit entities and from 30 percent to 48 percent for non-profit entities.

**STATE NEED GRANT REDUCTIONS - \$19.6 MILLION GENERAL FUND-STATE SAVINGS**

In the 2009-11 biennium, the Legislature provided additional funds to the State Need Grant to offset the 14 percent tuition increases at the four-year institutions and the 7 percent tuition increases at the community and technical colleges. As a result, State Need Grant awards given to students who attend private schools also increased to match the amounts awarded to students at research institutions. Funding for the State Need Grant program is reduced to align increases in awards given to private institutions with their average annual tuition increase experience of 3.5 percent each year.

**ADDITIONAL FINANCIAL AID REDUCTIONS - \$18.9 MILLION GENERAL FUND-STATE SAVINGS**

State funds are reduced for a variety of smaller financial aid programs administered by the Higher Education Coordinating Board including suspending new awards in the Washington Scholars and Washington Award for Vocational Excellence (WAVE) programs; suspension of new awards from the health professionals and future teacher conditional scholarship programs; and suspension of the Community Scholarship Matching Grant Program, the Foster Care Endowed Scholarship, and student support fees provided via the Western Interstate Commission for Higher Education. Students who are currently receiving awards through Washington Scholars, WAVE, the health professionals conditional scholarship program, or the future teacher conditional scholarship program will not be impacted by this reduction.

**COMMUNITY AND TECHNICAL COLLEGES EFFICIENCIES - \$15 MILLION GENERAL FUND-STATE SAVINGS**

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.

**TUITION CHARGED TO RUNNING START- \$7.5 MILLION GENERAL FUND-STATE SAVINGS**

Pursuant to Senate Bill 5924 (running start), state general fund savings are realized as a result of charging non-needy students enrolled in Running Start 10 percent of tuition.

**ELIMINATION OF THE HIGHER EDUCATION COORDINATING BOARD - \$2.6 MILLION GENERAL FUND-STATE SAVINGS**

Pursuant to Second Substitute Senate Bill 5182 (student financial assistance), 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 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.

## **LOW-INCOME MEDICAL ASSISTANCE**

### **OVERVIEW**

The proposed Senate budget authorizes expenditures of \$10.7 billion on medical assistance for low-income persons during the 2011-13 biennium. Of the total amount, \$4.5 billion is provided from state general funds, comprising 13 percent of total General Fund-State expenditures; \$400 million is provided from the hospital safety net assessment enacted in 2010; and the balance is federal funding, primarily

from Medicaid. These expenditures will pay all or part of the cost of medical and dental care for an average of 1.25 million children and adults each month during the biennium, 18 percent of the state population.

Total authorized expenditures are \$521 million (5 percent) more than will actually be expended upon low income medical assistance during the current biennium, but \$973 million (8 percent) less than the amount needed to maintain current service coverage and payment policies through 2013. Of the \$973 million of medical expenditure reductions in the Senate proposal, \$651 million are from state general funds, a 13 percent reduction from the program maintenance baseline.

The Senate proposal recognizes that 2011-13 is a critical transition period for Washington's publicly funded health care system. Tens of thousands of additional residents who have lost jobs and income in the deep economic downturn have sought coverage under the public safety net at a time when funding for that net is severely constrained. The major expansion of federally-funded, state-administered medical coverage planned for 2014 promises to provide more secure coverage for them and hundreds of thousands more Washingtonians, but requires major new efforts on behalf of state government and all parts of the delivery system to serve them efficiently and well.

The Senate proposal therefore seeks to maintain publicly-funded coverage for as many eligible persons as possible during the transition to 2014. It does this by employing a broad range of benefit- and cost-management strategies to reduce costs without reducing the number of persons covered. These include identifying other payers to share in the cost of coverage; implementing new approaches to care management in order to reduce unnecessary service utilization; no longer paying for services such as adult dental care and hearing aids; asking recipients to pay more toward the cost of the services they receive, and hospitals and clinics to find ways to operate with less state payment. Despite these efforts, about a quarter (\$180 million) of the state general fund reductions in the Senate proposal will be from establishing waiting lists for enrollment in coverage programs where the state has the authority to do so, resulting in payment for about 40,000 (3 percent) fewer persons per month than would otherwise be covered.

## **INCREASES**

### **RURAL HEALTH CENTER PRENATAL & WELL-CHILD VISITS - \$2.9 MILLION GENERAL FUND-STATE, \$2.9 MILLION OTHER FUNDS**

As provided in Senate Bill 5682, qualified rural health clinics (RHCs) will be paid their standard cost-related encounter rate for prenatal and well-child services provided to women and children enrolled in the state Medicaid and State Children's Health Insurance programs.

### **MEDICAID DEMONSTRATION WAIVER - \$350,000 GENERAL FUND-STATE, \$350,000 OTHER FUNDS**

As provided in Senate Bill 5596, the state will seek greater flexibility from the federal government in design and management of its Medicaid program. The project design includes: the ability to provide a modified benefit package modeled on the essential benefits package proposed for national health reform; differentiation of benefits based on enrollee age, disability, and medical condition; to implement reasonable and enforceable cost-sharing; streamlining and more frequent verification of the eligibility determination; and the adoption of new payment mechanisms that contain costs while improving health.

## MAJOR SAVINGS

### **BASIC HEALTH PLAN - \$122 MILLION GENERAL FUND-STATE SAVINGS, \$20.2 MILLION OTHER FUND SAVINGS**

New admissions to the state-subsidized Basic Health Plan will continue to be frozen through the end of the 2011-13 biennium. As a result, enrollment in the program is expected to decrease by about 5,000 persons per year, to an average of 39,000 people per month in fiscal year 2012, and an average of 34,000 per month in fiscal year 2013.

### **HOSPITAL PAYMENT RATES - \$110.5 MILLION GENERAL FUND-STATE SAVINGS, \$110.6 MILLION OTHER FUND SAVINGS**

In 2010, Medicaid inpatient payment rates were increased by 17.7 percent for most hospitals, and outpatient payment rates were increased by an average of 42 percent. For non-rural, non-governmental hospitals, these rates are reduced by 8 percent and 7 percent, respectively, effective July 1, 2011. These reductions are based upon an analysis showing that Medicaid inpatient payment rates for such hospitals are presently an average of 6 percent higher, and outpatient payment rates an average of 5 percent higher, than the federal Medicare program would pay for the same service.

### **DISABILITY LIFELINE MEDICAL - \$50.6 MILLION GENERAL FUND-STATE SAVINGS, \$42.8 MILLION OTHER FUND SAVINGS**

Enrollment in the medical component of the disability lifeline program is limited to 11,750 persons per month, about 6,000 fewer than are presently enrolled. Current enrollees will continue to be covered, but new admissions will be limited until the enrollment target is reached, which is expected to occur in October. Persons will then be enrolled from the waiting list to replace those no longer requiring coverage.

### **COMMUNITY CLINIC PAYMENT RATES - \$48.3 MILLION GENERAL FUND-STATE SAVINGS, \$50.8 MILLION OTHER FUND SAVINGS**

Federally-qualified health centers and rural health clinics received enhanced payments under the federal/state Medicaid program in order to promote access to primary care for low-income people in medically-underserved areas. These payment rates, which increased by about 32 percent between 2008 and 2010, are reduced by approximately 16 percent.

### **HOSPITAL SAFETY NET FUND BALANCE - \$40 MILLION GENERAL FUND-STATE SAVINGS, \$40.0 MILLION OTHER FUND EXPENDITURE**

A portion of the state's expenditures on hospitals that would otherwise be paid from the state general fund will instead be covered with funds available in the Hospital Safety Net Assessment Fund.

### **INCREASED THIRD-PARTY LIABILITY AND AUDIT RECOVERIES - \$39.8 MILLION GENERAL FUND-STATE SAVINGS, \$39.6 MILLION OTHER FUND SAVINGS**

The medical assistance program has contracted with a private firm on a contingency basis to identify additional recipients who have other private or public insurance coverage that can pay for their medical care. This is expected to result in an approximately 10 percent increase in the number of recipients for whom such coverage is identified, for a net state savings of approximately \$24 million. Funding is also provided for additional audit and coordination of benefits staff that are expected to recover and avoid approximately \$14 million of state medical expenditures, an approximately 7:1 net return on investment.



**NON-EMERGENT USE OF EMERGENCY ROOMS - \$33 MILLION GENERAL FUND-STATE SAVINGS; \$38.8 MILLION OTHER FUND SAVINGS**

Effective July 1, 2011, the medical assistance program will pay for no more than three emergency room visits for a non-emergent condition per enrollee per year. Hospitals may directly bill enrollees for the fourth and subsequent visits for non-emergent conditions, and are encouraged to work with enrollees and primary care providers to avoid earlier such visits. Non-emergent conditions include ear infections, colds, sore throats, sinusitis, dermatitis, sunburn, migraines and other headaches, and joint or back pain.

**ADULT DENTAL CARE - \$28.6 MILLION GENERAL FUND-STATE SAVINGS, \$28.9 MILLION OTHER FUND SAVINGS**

The medical assistance program will pay for restorative and preventive dental care only for those adults who are pregnant, residing in a nursing home or intermediate care facility, or receiving services through a developmental disabilities or long-term care home- and community-based services waiver. Emergency dental care will continue to be available for all adults covered by state medical assistance programs.

**SUSPEND COMMUNITY SUPPORT GRANTS - \$25.6 MILLION GENERAL FUND-STATE SAVINGS**

The Health Care Authority provides grants to low-income community clinics and to community groups seeking to devise local solutions to health care access problems. No grants will be provided during the 2011-13 biennium.

**HEALTHY OPTIONS MANAGED CARE RATES - \$27.0 MILLION GENERAL FUND-STATE SAVINGS, \$30.4 MILLION OTHER FUND SAVINGS**

The medical assistance program will place significant emphasis upon price in the 2012 competitive procurement for health insurers to deliver services under the existing Healthy Options managed care program for non-disabled children and adults. This is expected to result in lower payments than would occur under the baseline system of negotiated rate-setting.

**MEDICARE PART D CO-PAYMENTS - \$14 MILLION GENERAL FUND-STATE SAVINGS**

The state will no longer cover the cost of their co-pays for persons who are enrolled in both the federal Medicare and the state/federal Medicaid programs.

**REDUCE MATERNITY SUPPORT SERVICES - \$14.1 MILLION GENERAL FUND-STATE SAVINGS, \$13.9 MILLION OTHER FUND SAVINGS**

The Maternity Support Services program provides assessment, education, intervention, and counseling for pregnant and postpartum women who are at risk of poor birth outcomes. Funding for this program is reduced by approximately 35 percent. The department is to prioritize evidence-based practices, and to continue to target the available funds toward pregnant women at the highest risk of poor birth outcomes.

**DRUG CO-PAYS - \$10.3 MILLION GENERAL FUND-STATE SAVINGS, \$10.3 MILLION GENERAL FUND-FEDERAL SAVINGS**

The medical assistance program will seek a federal Medicaid waiver to allow implementation during the second year of the 2011-13 biennium of enforceable co-payments that will promote more cost-effective use of prescription drugs. The co-payments are expected to apply to all medical assistance enrollees, and are expected to include a tiered strategy under which there would be no co-pay for most generic drugs; a \$15 co-pay for preferred brand-name drugs; and 50 percent co-insurance for non-preferred drugs.

**IMMIGRANT CHILDREN'S HEALTH PROGRAM - \$6.3 MILLION GENERAL FUND-STATE SAVINGS, \$720,000 OTHER FUND SAVINGS**

Enrollment in the state program that provides subsidized medical coverage for children who are ineligible for federally-funded programs because of their immigration status is limited to 22,500 per month, about 10 percent fewer than would otherwise be enrolled. Additionally, state subsidies will no longer be provided for coverage of children whose family incomes exceed 200 percent of the federal poverty level.

**PREMIUM INCREASES - \$8.8 MILLION GENERAL FUND-STATE SAVINGS, \$10.6 MILLION OTHER FUND SAVINGS**

The medical assistance program will seek a federal Medicaid waiver to allow the state to charge: (1) \$10 monthly premiums for medical coverage of children with gross family incomes between 150-200 percent of the federal poverty level; (2) to increase by \$10 per month the \$20 and \$30 monthly premiums that are presently charged families with incomes between 200-250 percent and 250-300 percent of the poverty level, respectively; and (3) to charge \$200-\$300 delivery fees on a tiered basis for births to families with gross incomes between 150-300 percent of the poverty level.

**SUPPLEMENTAL SECURITY INCOME (SSI) MANAGED CARE - \$7.7 MILLION GENERAL FUND-STATE SAVINGS, \$8.5 MILLION OTHER FUND SAVINGS**

During the second year of the 2011-13 biennium, all elderly and disabled supplemental security income (SSI) recipients are expected to transition into either fully-capitated medical managed care, or into primary care medical homes operating on a risk-sharing basis. This is expected to result in reduced expenditures through more cost-effective care management, coordination, and delivery.

**INCREASED UTILIZATION MANAGEMENT - \$7.2 MILLION GENERAL FUND-STATE SAVINGS, \$6.2 MILLION OTHER FUND SAVINGS**

The medical assistance program will initiate increased medical necessity review and prior authorization of advanced imaging; certain orthopedic, spinal, and nerve surgeries; and drugs where there is evidence of over-utilization, off-label use, excessive dosing, duplicative therapy, or opportunities to shift utilization to less expensive, equally effective formulations.

**EYEGASSES AND HEARING AIDS - \$4.6 MILLION GENERAL FUND-STATE SAVINGS, \$4.6 MILLION OTHER FUND SAVINGS**

The medical assistance program will no longer pay for adult hearing aids and eyeglasses during the 2011-13 biennium. As provided in Senate Bill 5352, medical assistance recipients will be able to purchase eyeglasses from optical providers at the discounted correctional industries production rate. Children will continue to receive coverage for both eyeglasses and hearing aids.

**ADULT THERAPIES - \$4.1 MILLION GENERAL FUND-STATE SAVINGS, \$4.1 MILLION OTHER FUND SAVINGS**

The medical assistance program will limit coverage of occupational, physical, and communication disorder therapies to 12 visits per year for adults with injuries to the brain, hips, knees, or spine, and to six visits per year for persons with all other injuries.

**SELECTIVE CONTRACTING FOR EQUIPMENT AND SUPPLIES - \$3.6 MILLION GENERAL FUND-STATE SAVINGS, \$3.6 MILLION GENERAL FUND-FEDERAL SAVINGS**

The medical assistance program will competitively contract with manufacturers and/or distributors of incontinence supplies, nutritional supplies, and wheelchairs.

**INTERPRETER SERVICES - \$2.8 MILLION GENERAL FUND-STATE SAVINGS, \$5.4 MILLION OTHER FUND SAVINGS**

By January 1, 2012, the medical assistance program will replace the current system for delivery of spoken-language interpreter services with a more cost-effective one. Under the new system, one or two specialty contractors, operating within state-defined protocols for service quality, appropriateness, and timeliness, will be responsible for selecting and arranging the most cost-effective method for delivery of spoken-language interpretation appropriate to the patient's medical needs and the service-delivery setting. Such methods may include telephonic or video remote services for which the contractor sub-contracts with a qualified provider of such services, or face-to-face interpreter services for which the contractor sub-contracts with a language access provider resident in and certified by the state.

## **LONG TERM CARE, DEVELOPMENTAL DISABILITIES**

### **OVERVIEW**

The Aging and Disability Services Administration (ADSA) administers the Long Term Care (LTC) and [Division of] Developmental Disabilities (DDD) programs. In the Senate proposed budget, these two programs combined account for approximately \$2.6 billion in General Fund-State expenditures for the 2011-13 biennium.

### **INCREASES**

The Senate budget includes funding for increasing caseloads for the LTC and DDD forecasted populations--nursing home residents, Medicaid personal care, and COPES waiver clients--as well as increases in per capita costs for all forecasted populations and DDD residential clients.

**HEALTH BENEFIT INFLATION FOR INDIVIDUAL PROVIDERS - \$5.5 MILLION GENERAL FUND-STATE**

Health benefit inflation of 7 percent in fiscal year 2012 for individual providers. The health care contribution for individual providers will increase from \$620 per member per month to \$663 per member per month. The contribution will remain the same for fiscal year 2013.

**EXPANSION OF THE FAMILY CAREGIVER SUPPORT (FCS) PROGRAM - \$7 MILLION GENERAL FUND-STATE**

The FCS program is aimed at providing assistance to non-paid family caregivers of elderly relatives in order to support the caregiver and enable the elderly relative to remain in their homes longer and postpone increases in the forecasted caseload. The budget invests additional funds and assumes a corresponding reduction in caseload growth.

### **MAJOR SAVINGS**

**REDUCTION IN MEDICAID PERSONAL CARE (MPC) HOURS - \$98 MILLION GENERAL FUND-STATE SAVINGS**

The MPC program utilizes a client assessment to determine an individual's need for assistance with activities of daily living - such as bathing, meal preparation, toileting, medication management, and others. Based on the client's need, hours of personal care assistance are authorized on a monthly basis. The Senate budget assumes that the total hours will be reduced an average of ten percent; however, the reduction will be tiered such that the most acute clients receive the smallest percentage reduction.

**ESTABLISH NURSING FACILITY SAFETY NET ASSESSMENT - \$30 MILLION GENERAL FUND - STATE SAVINGS**

The Senate budget assumes the creation of a nursing facility safety net assessment pursuant to Substitute Senate Bill 5581 (nursing home safety net). The safety net assessment utilizes a new revenue stream and leverages additional federal funding for skilled nursing facility Medicaid payments. All revenues from the safety net assessment are utilized for payments - \$30 million for existing base payments and \$96 million in enhanced payments. The later amount also draws down matching federal payments.

**DELAY ENHANCED TRAINING REQUIREMENTS - \$22 MILLION GENERAL FUND-STATE SAVINGS**

The Senate assumes the partial delay of the enhanced training requirements of Initiative 1029. Enhanced basic training will only go into effect for non-family member individual providers and all agency providers. All other enhanced basic training requirements along with continued education, advanced training, enhanced background checks and other requirements of the Initiative are assumed to be delayed.

**REFORM DDD EMPLOYMENT AND DAY PROGRAMS - \$14 MILLION GENERAL FUND-STATE SAVINGS**

DDD clients typically receive supported employment services as a component of their Medicaid waiver. Additionally, clients may qualify for adult day health services. The Senate proposed budget assumes the adult day health program is added to the LTC COPES waiver; thus, making it inaccessible for DDD waiver clients. However, the Senate budget assumes the DDD supported employment program is restructured to include a community access program and a day program alternative. DDD clients will work with the contracted employment vendor for nine months to seek employment. After nine months, the client will be provided with a choice of the community access or day program in lieu of supported employment. Savings are realized in both the adult day health and employment programs.

**REDUCE AGENCY PROVIDER HEALTH BENEFITS - \$10.4 MILLION GENERAL FUND-STATE SAVINGS**

Health benefit contributions for eligible agency providers are reduced from a maximum of \$621 per member per month to \$450 per member per month.

**CONSOLIDATE RESIDENTIAL HABILITATION CENTERS - \$8.8 MILLION GENERAL FUND-STATE SAVINGS**

The Senate proposed budget assumes the closure of Frances Haddon Morgan Center and Rainier School. Savings are realized by financing the closure with an investment from the State Efficiency and Restructuring Account and from the comparative cost of care differential between institutional-based and community care. The Senate budget provides transition and parent mentor teams, short-term and crisis community respite facilities, additional supported living and state-operated community capacity, and reinvests over \$6 million of the resulting savings in additional community services and access or individuals with developmental disabilities.

## **MENTAL HEALTH**

### **INCREASES**

**INTEGRATED BEHAVIORAL HEALTH HOMES - \$5.1 MILLION OTHER FUNDS**

The mental health program, in partnership with the medical assistance program and community mental health centers, will implement projects for improving integration and coordination of behavioral health and medical care for persons with serious and persistent mental illness. The

projects will build and train teams of mental health and medical professionals to provide effective diagnosis and coordinated treatment of medical and behavioral health conditions, with particular emphasis upon adherence to safe and effective medication regimes and appropriate use of primary and emergency medical care services. The projects are expected to serve an average of 750 persons with serious and persistent mental illness by the end of the first year, and an average of 2,200 persons per month by the end of the second. The state share of this effort will be funded from settlement payments obtained for lawsuits involving the drug Seroquel. Once the projects are established, federal Medicaid funds are expected to cover 90 percent of care coordination costs for the subsequent two years.

## **SAVINGS**

### **COMMUNITY NON-MEDICAID FUNDING - \$17.4 MILLION GENERAL FUND-STATE SAVINGS**

The "state-only" funding provided to Regional Support Networks (RSNs) for services and individuals not eligible for the federal Medicaid program is reduced by 7 percent. This results in a cumulative 18 percent reduction from the level of funding initially budgeted for such services in fiscal year 2009. RSNs are to prioritize use of the remaining funds for crisis response, involuntary commitment, emergency hospitalization, and residential support services.

### **STATE HOSPITAL STAFFING - \$8.1 MILLION GENERAL FUND-STATE SAVINGS**

Staffing at Western State Hospital is reduced by approximately 1.5 percent. Staffing at Eastern State Hospital and at the Child Study and Treatment Center are each reduced by 3 percent. Savings are to be achieved through managing vacancies, limiting overtime, and staff reorganization.

### **WESTERN STATE HOSPITAL CIVIL COMMITMENT WARD CLOSURE - \$6.6 MILLION GENERAL FUND-STATE SAVINGS**

A 30-bed ward serving patients civilly committed for treatment was closed in October 2010, and the patients relocated to vacancies on other hospital wards.

### **JAIL-BASED COMPETENCY EVALUATIONS - \$4.4 MILLION GENERAL FUND-STATE SAVINGS**

As provided in Senate Bill 5114 (competency evaluation and restoration procedures), most evaluations of defendants' mental competency to stand trial will in future be conducted by a single evaluator, and will be completed in jail or in another community facility rather than in the state hospitals. This is expected to permit closure of a forensic admissions ward at Western State Hospital. The department will shift sufficient qualified evaluators from inpatient to outpatient evaluations so that the change will result in no net increase in the time defendants spend in local facilities awaiting competency evaluation. To allow time to assure that the necessary staff re-assignments and procedural changes are fully in place and functional, the admissions ward is not budgeted to close until January 2012.

## **OTHER HUMAN SERVICES**

### **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) AND CHILD CARE**

#### **OVERVIEW**

The TANF, child care, and WorkFirst program, known as the TANF Box, was estimated to have a \$400 million deficit for the 2011-13 biennium. To address this deficit the Governor made several eligibility, benefit level, and administrative reductions. After these Governor directed reductions, the TANF box was still estimated to have a shortfall of \$50 million. The Senate makes several reforms to the TANF Box through the budget and legislation.

## **REFORM**

All families receiving TANF cash benefits must participate in work or work activities as a condition of benefit receipt. The Senate suspends mandatory work or work activity participation for any family with a child under the age of six (school age) for one year and then phases these families back in during the second year. During fiscal year 2012 the WorkFirst programs are to be restructured and become performance based. This includes funding and providing services beyond the state partner agencies. The Senate also increases the number and visibility of fraud detection in public assistance programs through more staff and increased technology. The Working Connections Child Care program will also move to electronic form of time and attendance.

## **SAVINGS**

### **TANF REDUCTIONS - \$70.2 MILLION SAVINGS**

The proposed Senate budget makes several changes to the cash benefits program including: (1) implementing an income eligibility test for a care giver who is providing for a child outside of the child's home; and (2) applying the sixty-month time limit to any family where the parent is in the home. Major child care reductions include: (1) reduced child care for those whose WorkFirst participation is suspended; (2) moving to six-month certifications; and (3) requiring child support for Working Connections Child Care participants. WorkFirst savings is found through suspension of services and moving to performance based contracts. The Senate estimates a \$20 million ending fund reserve to pay for any unforeseen costs.

## **DSHS - ECONOMIC SERVICES ADMINISTRATION**

### **OVERVIEW**

Economic Services is the main entry point for all DSHS services such as cash assistance, medical, food, and other social services. To achieve savings the Senate budget reforms the Disability Lifeline (DL) program, maintains several reductions made in the 2009-11 biennium into the 2011-13 biennium, and reduces state only funded programs.

### **MAJOR SAVINGS**

#### **DISABILITY LIFELINE PROGRAM - \$184 MILLION GENERAL FUND-STATE SAVINGS**

The Senate budget reforms the Disability Lifeline cash program. First, the cash benefit for the Disability Lifeline-Unemployable (DL-U) clients is eliminated, but is replaced with giving homeless DL-U clients priority for housing resources funded by the Home Security Fund in Department of Commerce.

The Disability Lifeline-Expedited (DL-X) cash program is also reformed by creating two separate components - a housing component for homeless clients and a non-housing component for clients with shelter. The housing component clients will be eligible for a housing voucher close to fair market value of up to \$674 per month per client and \$50 cash per month. The state can be reimbursed by the federal government for successful SSI applicants allowing the state to pull in about \$470 per month more in federal funds than is currently being generated. This is based on \$14 million in Home Security Funds being used to pay for the necessary up-front costs as the federal recoveries will be reinvested back into the program. The non-housing component will continue to receive the cash benefit at the fiscal year 2011 reduced levels.

**STATE FOOD ASSISTANCE PROGRAM - \$16.8 MILLION GENERAL FUND-STATE**

The state food assistance program provides a basic food benefit to individuals not eligible for the federal food stamp program. The proposed Senate budget reduces the benefit amount by 50 percent in the second year of the biennium only. This savings is based on resolution of legal issues that would allow this reduction to be implemented at that time.

**CHILD SUPPORT PASS-THROUGH PAYMENTS AND IRS REDISTRIBUTION - \$25 MILLION GENERAL FUND-STATE SAVINGS, \$25 MILLION FEDERAL SAVINGS**

Savings are achieved by suspending the child support pass-through provision allowed under the Federal Deficit Reduction Act and using IRS distributions to pay for state administrative costs.

**DSHS - CHILDREN'S ADMINISTRATION**

**OVERVIEW**

The Senate budget for the Children's Administration is focused on transitioning to performance based contracting and preserving as many of the current programs as possible.

**INCREASES**

**PERFORMANCE BASED RISK POOL - \$6.5 MILLION GENERAL FUND-STATE, \$3.5 MILLION GENERAL FUND-FEDERAL**

Funding is provided to mitigate risk with implementation of the new performance based system of child welfare. The department has authority to offset costs above the initial baseline.

**MAJOR SAVINGS**

**PERFORMANCE BASED CONTRACT SERVICES - \$19 MILLION GENERAL FUND-STATE, \$9 MILLION GENERAL FUND-FEDERAL**

The proposed Senate budget reduces performance based contracting services, including: (1) Behavioral Rehabilitative Services (\$6 million General Fund-State); (2) in-home intervention services (\$5 million General Fund-State); and (3) foster care assessment programs (\$2 million General Fund-State).

**CHILDREN'S ADMINISTRATION DIRECT SERVICES - \$26 MILLION TOTAL FUNDS**

The proposed Senate budget reduces services outside of performance based contracting services. These services include foster parent child care and reduced foster care caseload costs through expediting permanency and voluntary placement agreements.

**ADMINISTRATIVE REDUCTIONS - \$7 MILLION GENERAL FUND-STATE, \$10 MILLION GENERAL FUND-FEDERAL**

The proposed budget reduces administrative expenditures and 249 full time equivalent staff positions by regional consolidation and other efficiency efforts.

**ADOPTION SERVICES - \$4.9 MILLION GENERAL FUND-STATE, \$3.7 MILLION GENERAL FUND-FEDERAL**

The proposed Senate budget aims to dampen adoption costs in three ways by capping adoption support payments at 90 percent of the foster care maintenance payments, discontinuing payments for children who are adopted after July 1, 2011 with no needs, and eliminating funding for exceptional costs.

# **CORRECTIONS & OTHER CRIMINAL JUSTICE**

## **OVERVIEW**

The Senate proposed budget implements a strategic crime reduction policy of releasing certain offenders 60-days earlier than scheduled. Savings from early release are reinvested in evidence-based programs for adult and juvenile offenders. The reinvestments reduce the likelihood that offenders will commit crimes again and return to prison; thus, these targeted investments are intended to reduce recidivism. Further, the Washington State Institute for Public Policy estimates that the net effect of early release and programs to reduce recidivism will lower crime in Washington. The Senate budget also reduces supervision for certain offenders who are not involved in a treatment program, reflecting evidence-based studies which show that supervision without treatment is not effective at reducing crime.

## **INCREASES**

### **PRISON SAFETY ENHANCEMENTS - \$5 MILLION WASHINGTON AUTO THEFT ACCOUNT, \$1.0 MILLION GENERAL FUND-STATE**

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

### **EXPANSION OF TREATMENT - \$5 MILLION GENERAL FUND-STATE**

With a portion of the savings from the release of low and moderate risk offenders, the budget makes investments in evidence-based treatment programs in DOC, the Juvenile Rehabilitation Administration and in local juvenile courts.

### **HOUSING VOUCHER EXPANSION - \$844,000 GENERAL FUND-STATE**

Vouchers will be increased from 165 to 238 each month -- facilitating the Department's release of offenders on their earned release date and mitigating a risk factor in offender recidivism -- homelessness.

## **MAJOR SAVINGS**

### **CLOSE MCNEIL ISLAND/OPEN LARCH UNIT - \$18.3 MILLION GENERAL FUND-STATE SAVINGS**

The Senate budget captures the 2011-13 savings associated with the closure of McNeil Island Corrections Center on April 1, 2011. The savings are partially offset by the opening of the second unit at the Larch Corrections Center in Yacolt.

### **CONTINUE 2011 SUPPLEMENTAL SAVINGS - \$53.6 MILLION GENERAL FUND-STATE SAVINGS**

Savings are achieved by continuing saving and reductions begun in fiscal year 2011 as a result of the Governor's across-the-board reductions. These include: eliminate staff positions (\$18.6 million), reduce administrative costs (\$2.8 million), changing agency staffing structure (\$7.2 million), holding positions vacant (\$7.9 million), reduce DOSA bed utilization (\$3.4 million) and achieve program under-expenditures (\$7.8 million).

### **REDUCE RENTAL RATE FOR VIOLATORS - \$8.7 MILLION GENERAL FUND-STATE SAVINGS**

The Department will negotiate lower contract amounts for housing offenders in local and tribal government jails. The base rate will not exceed \$77 per day per offender.



**REDUCE SUPERVISION OF JAIL OFFENDERS - \$8.1 MILLION GENERAL FUND-STATE SAVINGS**

The Department will reduce their supervision of 1,625 offenders from jail and court. Excluded from this group are those in treatment programs, those with a high violent risk profile, and offenders with a conviction of a domestic violence offense.

**60-DAY EARLY RELEASE - \$6.4 MILLION GENERAL FUND-STATE SAVINGS**

Offenders with a profile of risk to reoffend as low, moderate and high nonviolent will be released 60 days early. Excluded from this release are offenders in drug and sex offender treatment alternatives and with a current conviction of sex, violent or crimes against a person. The average daily population (ADP) will be reduced by 252.

**RELEASE OFFENDERS ON THEIR EARNED RELEASE DATE - \$4.2 MILLION GENERAL FUND-STATE SAVINGS**

An additional 163 ADP savings are achieved by releasing offenders on their earned release date. These savings are partially invested in an expansion of the housing voucher program, which mitigates a risk factor in offender recidivism - homelessness.

**EARLY DEPORTATION OF ALIEN OFFENDERS - \$2.5 MILLION GENERAL FUND-STATE SAVINGS**

Engrossed Substitute House Bill 1547 (criminal alien offenders) authorizes the deportation of alien offenders, except those serving a sentence for a violent offence, sex offense or a crime against a person.

## **DSHS-SPECIAL COMMITMENT CENTER**

### **INCREASES**

**MCCUISTION LEGAL COSTS - \$17.9 MILLION GENERAL FUND-STATE**

Funding is provided to pay for increased legal services related to increased legal expenses resulting from the Washington Supreme Court's ruling in In re detention of McCuiston concerning the due process rights of sexually violent predators. The case is scheduled for reconsideration by the Washington Supreme Court.

**MCNEIL ISLAND OPERATIONS - \$6.0 MILLION GENERAL FUND-STATE**

McNeil Island Corrections Center closed on April 1, 2011. Prior to its closure the Department of Corrections provided the staff necessary for marine and island operations. The staff necessary to continue these functions are transferred to the Department of Social and Health Services.

### **MAJOR SAVINGS**

**REDUCE SECURE COMMUNITY TRANSITION FACILITY (SCTF) STAFFING RATIOS - \$4.5 MILLION GENERAL FUND-STATE SAVINGS**

Substitute House Bill 1247 (secure transition facilities) modifies the staffing ratios at SCTFs to a more efficient staffing workload.

## **OTHER CRIMINAL JUSTICE**

### **INCREASES**

#### **RURAL DRUG ENFORCEMENT - \$2 MILLION GENERAL FUND-STATE**

Funding is provided through the Criminal Justice Training Commission for grants to counties historically underserved by federally funded narcotics task forces.

### **MAJOR SAVINGS**

#### **KING AIR AIRPLANES - \$1 MILLION GENERAL FUND-STATE SAVINGS**

The Senate budget directs the Washington State Patrol to sell its two King Air aircraft. The state will contract with private charter entities and commercial providers to meet its air travel needs. The State Patrol must sell the planes by no later than June 30, 2012.

## **DEPARTMENT OF HEALTH**

### **MAJOR SAVINGS**

#### **LOCAL PUBLIC HEALTH FUNDING - \$12 MILLION GENERAL FUND-STATE SAVINGS**

In 2007, the Legislature provided an additional \$20 million in funding to local public health jurisdiction based on the recommendation of the Blue Ribbon Commission on Health Care. The funding was accompanied by a mandate to define core public health functions and for local public health jurisdictions to report on outcomes. Local public health jurisdictions will still receive \$71.2 million in funding from the Department of Health for the 11-13 biennium.

#### **FAMILY PLANNING GRANTS - \$4.5 MILLION GENERAL FUND-STATE SAVINGS**

The Department of Health provides family planning funding to a network of local providers throughout the state. These funds can be used for a variety of family planning activities and serves clients who earn 250 percent or less than the federal poverty level. The Senate budget assumes a 22 percent reduction to these grants.

## **NATURAL RESOURCES**

### **OVERVIEW**

The 2011-13 biennial budget for natural resources is approximately \$1.3 billion and represents approximately 2.6 percent of the overall budget. Of this \$1.3 billion, the general fund accounts for less than 21 percent or approximately \$319 million. Some of the primary activities funded with these resources include environmental protection; water quality; fish, shellfish, and game harvest; food safety and commodity control; land and resource management; operation and maintenance of camp sites; and forest fire protection.

Given the current economic forecast, the General Fund-State appropriations for the natural resource agencies were reduced and crafted with the following goals:

1. Protect and preserve the health of the state's natural resources,
2. Continue to provide public access to the state's natural resources; and
3. Transition as much as possible to a user-supported funding structure.

## INCREASES

### **PROTECT AND RESTORE PUGET SOUND - \$18 MILLION GENERAL FUND-FEDERAL**

The Department of Fish and Wildlife is entering into agreement with the US Environmental Protection Agency for \$18 million in funds to protect and restore near shore habitats in the Puget Sound. Funding will be distributed to improve the efficiency of existing stewardship programs.

## MAJOR SAVINGS

### **MAKING NATURAL RESOURCES AGENCIES USER-SUPPORTED - \$49 MILLION GENERAL FUND-STATE SAVINGS**

The Parks and Recreation Commission, the Department of Fish and Wildlife, and the Department of Natural Resources will all transition to a more user-supported funding structure. The agencies will issue annual passes that cost \$30 and will allow purchasers to access all state parks and DFW and DNR recreational areas. The agencies will also offer \$10 passes that will afford purchasers the same access for a single day. Campers, hunters, and fishers, off-road vehicle owners, and recreational boaters who already pay for access to specific recreation areas through existing permit and registration fees will not be required to purchase either the annual or day-use permits for those specific recreation areas.

### **HUNTING AND FISHING LICENSES - \$4 MILLION GENERAL FUND-STATE SAVINGS, \$6 MILLION STATE WILDLIFE ACCOUNT**

The Department of Fish and Wildlife will be changing its hunting and fishing license fees. The department has reviewed its fee structure as compared to other states and in consultation with stakeholders. Forty percent of current fees will either decrease in value or be eliminated. The remaining 60 percent will increase. On average, the fees will increase by 16 percent for residents; 12 percent for non-residents, 2 percent for youths; and decrease by 4 percent for persons with disabilities and veterans.

### **ADMINISTRATIVE SAVINGS AND CONSOLIDATION - \$5 MILLION GENERAL FUND-STATE SAVINGS**

Back-office functions will be reduced in the Parks and Recreation Commission, the Department of Fish and Wildlife, the Department of Natural Resources, the Department of Agriculture, and the Department of Ecology. Agency General Fund-State appropriations for administration will be reduced by approximately 12 percent and executive administration will be reduced by approximately 15 percent. The agencies are encouraged to work together to achieve efficiencies in managing the natural resources of the state.

## OTHER CHANGES

### MAJOR SAVINGS

#### **MANAGEMENT EFFICIENCIES - \$14.8 MILLION GENERAL FUND-STATE SAVINGS**

Agencies are required to implement management and administrative reforms, such as delayering and streamlining of support functions that will result in increased efficiency. For most agencies, management reductions of 5 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 work sessions.

**MASTER LICENSE SERVICE (MLS) PROGRAM - \$14.3 MILLION MASTER LICENSE FUND TRANSFER**

Substitute Senate Bill 5911 (master license service prog.) transfers all powers, duties, and functions of the MLS program from the Department of Licensing to the Department of Revenue (DOR) by July 1, 2011. DOR is able to simplify the licensing process by combining multiple functions of registering and renewing business licenses. Through their well established relationships with businesses and local governments and improvements through technology, DOR will be able to expand access to the MLS system as well as streamline functions of the system.

**SUSPEND PRESIDENTIAL PRIMARY - \$10 MILLION GENERAL FUND-STATE SAVINGS**

Reimbursement is provided to counties for the state's share of expected presidential primary costs in 2012 as required by statute.

**JUDICIAL STABILIZATION FUNDS - \$6 MILLION GENERAL FUND-STATE SAVINGS**

Additional surcharges on some court fees originally authorized in the 2009 legislative session will be made permanent. Funding from those fees is split equally with local courts. The state portion of the funding will be deposited into the Judicial Stabilization Trust Account and used to support the Administrative Office of the Courts, Office of Civil Legal Aid, and Office of Public Defense. These additional surcharges are estimated to raise \$6 million in additional revenue for the state and \$12 million in total.

**ARTS COMMISSION AND HISTORICAL SOCIETIES - \$2.7 MILLION GENERAL FUND-STATE SAVINGS**

Savings are achieved at the State Arts Commission, Washington State Historical Society, and Eastern Washington State Historical Society through a combination of administrative efficiencies and reduced operations. It is expected that historical society expenses will be reduced in part by opening the Washington State History Museum in Tacoma and the library of the Eastern Washington State Historical Society in Spokane one day less each week.

**CONTRACTING FOR SERVICES - \$1.9 MILLION GENERAL FUND-STATE SAVINGS**

The Senate directs the newly created Department of Enterprise Services to contract out bulk printing and mail operations, real estate lease brokering services and management of the state motor pool. Projected savings take place in the last six months of the 2011-13 biennium.

# APPENDIX A



**2011 Supplemental & 2011-13 Fund Transfers**  
*(Dollars in Millions)*

|   | <u>2009-11</u> | <u>2011-13</u> |
|---|----------------|----------------|
| <b>2011 Supplemental: Transfers To GFS</b>                |                |                |
| <i>HB 3225</i>  | <i>54.0</i>    | -              |
| <i>2011 ESHB 1086 Supplemental: Transfers From GFS</i>    | <i>(12.4)</i>  | -              |
| <i>ESHB 1086</i>  | <i>143.4</i>   | -              |
| <b>Capital Fund Transfers</b>                             |                |                |
| Suspend GFS transfer to Education Construction Acct.      | -              | 204.0          |
| Education Savings Account                                 | -              | 45.0           |
| CEP&RI Acct.  | -              | 9.0            |
| Thurston County Capital Facilities Acct.                  | -              | 8.0            |
| Aquatic Lands Enhancement Acct.                           | -              | 7.0            |
| <b>Capital Fund Transfers</b>                             | -              | <b>273.0</b>   |
| <b>Other Fund Transfers</b>                               |                |                |
| Liquor Revolving Account (Continue Liquor Mark-up)        | -              | 85.0           |
| Treasurers Service Account                                | -              | 25.0           |
| City & County Distributions (Varied)                      | -              | 10.0           |
| Economic Development Strategic Reserve Account            | -              | 4.2            |
| Waste Reduction/Litter Acct.                              | -              | 4.0            |
| Flood Control Assistance Acct.                            | -              | 2.0            |
| Liquor Control Board Construction and Maintenance Account | -              | 1.0            |
| Department of Retirement Systems Expense Account          | -              | 0.5            |
| <b>Other Fund Transfers</b>                               | -              | <b>131.7</b>   |
| <b>Public Works Trust Fund</b>                            | -              | <b>50.0</b>    |
| <b>Grand Total - Transfers to GF-S</b>                    | <b>185.0</b>   | <b>454.7</b>   |





# APPENDIX B



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

*(Dollars in Millions)*

| Bill  | 2009-11                          | 2011-13        |                |
|---|----------------------------------|----------------|----------------|
| <b>December 2010 Legislation</b>                                    | <b>70.3</b>                      | <b>(30.1)</b>  |                |
| <b>2011 Revenue Reduction Legislation</b>                           |                                  |                |                |
| Placeholder                      Other Legislation                  | 0.0                              | (10.0)         |                |
| HB 1902                              Child Welfare Services B&O tax | 0.0                              | (1.9)          |                |
| SB 5083                              Real estate firms B&O tax      | 0.0                              | (1.8)          |                |
| SB 5289                              Property management/B&O tax    | 0.0                              | (0.6)          |                |
| SB 5501                              Taxation of employee meals     | 0.0                              | (0.6)          |                |
| ESHB 1224                            Mental Health Services         | 0.0                              | (0.2)          |                |
| HB 1347                              Sales & use tax exemptions     | 0.0                              | (0.1)          |                |
| EHB 1490                              B & O Tax Deduction           | 0.0                              | (0.0)          |                |
| 2SSB 5458                            Medicaid Fraud                 | 0.0                              | (8.6)          |                |
| <b>2011 Revenue Reduction Legislation</b>                           | <b>0.0</b>                       | <b>(23.8)</b>  |                |
| <b>2011 Revenue Increase Legislation</b>                            |                                  |                |                |
| Move Portion of Life Science Discovery to GF-S                      | 0.0                              | 35.0           |                |
| <b>2011 Revenue Increase Legislation</b>                            | <b>0.0</b>                       | <b>35.0</b>    |                |
| <b>2011 Revenue Legislation Net Change</b>                          | <b>0.0</b>                       | <b>11.2</b>    |                |
| <b>Budget Driven Revenue</b>  |                                  |                |                |
| <u>Agency</u>   | <u>Other Revenue Adjustments</u> | <u>2009-11</u> | <u>2011-13</u> |
| Liquor  | Budget Related                   | 0.0            | 6.6            |
| DOR   | Budget Related                   | 0.0            | 14.5           |
| <b>Budget Driven Revenue</b>  |                                  | <b>0.0</b>     | <b>21.1</b>    |
| <b>Total Net GFS Impact</b>   |                                  | <b>0.0</b>     | <b>32.3</b>    |

## BUDGET DRIVEN REVENUE

### LIQUOR CONTROL BOARD - \$6.6 MILLION GENERAL FUND-STATE INCREASE

Budget driven revenue is increased by several revenue generating initiatives and administrative cuts to the Liquor Control Board.

### DEPARTMENT OF REVENUE - \$14.5 MILLION GENERAL FUND-STATE INCREASE

Funding is provided for additional staff to collect state tax revenues. The Department of Revenue will add additional tax collection staff including taxpayer account administrators, compliance staff, and auditors. On average, each employee will bring in \$420,000 per fiscal year in revenue.

## REVENUE ADJUSTMENTS

### Revenue Bills & Other Revenue Actions

(dollars in thousands)

| Bill      | Title                                 | FY11-13    |
|-----------|---------------------------------------|------------|
| ESHB 1224 | B&O deduction/mental health           | (\$227)    |
| HB 1239   | Delinquent excise taxes/lien          | \$0        |
| ESHB 1346 | Tax law changes                       | \$0        |
| HB 1347   | Sales & use tax exemptions            | (\$129)    |
| EHB 1357  | Taxes/electronic means                | \$0        |
| EHB 1490  | B&O tax deduction                     | (\$9)      |
| ESHB 1826 | Taxpayer appeal protections           | \$0        |
| ESHB 1902 | Child welfare service/B&O tx          | (\$1,871)  |
| SB 5044   | Tax preference review                 | \$0        |
| SB 5083   | Real estate firms B&O tax             | (\$1,773)  |
| SSB 5167  | Tax statute clarifications            | \$0        |
| ESB 5169  | Forest land compensating tax          | \$0        |
| SSB 5222  | Public port districts/levies          | \$0        |
| SB 5289   | Property management/B&O tax           | (\$582)    |
| SSB 5359  | Contiguous land/property tax          | \$0        |
| SB 5501   | Taxation of employee meals            | (\$576)    |
| SSB 5525  | Hospital benefit zones                | \$0        |
| SB 5526   | Stirling converters                   | \$0        |
| SB 5587   | Low-income prop tax deferral          | \$0        |
| 2SSB 5595 | PUD privilege tax                     | \$0        |
| SB 5628   | Emer medical services levy            | \$0        |
| ESB 5638  | Flood control zone districts          | \$0        |
| SB 5806   | Veteran lottery raffle                | \$0        |
| SSB 5834  | Lodging tax/arts & heritage           | \$0        |
| SB 5849   | Estates and trusts                    | \$0        |
|           | Other legislation                     | (\$10,000) |
|           | Life Sciences Discovery Fund Redirect | \$35,000   |

**Total** \$19,833

#### **ALLOWING A TAX DEDUCTION FOR AMOUNTS RECEIVED WITH RESPECT TO MENTAL HEALTH SERVICES - \$227,000 GENERAL FUND-STATE DECREASE**

Engrossed Substitute House Bill 1224 (concerning a business and occupation (B&O) tax deduction for amounts received with respect to mental health services) allows nonprofit mental health service providers a deduction from B&O tax for amounts which they receive from a Regional Support Network for services provided under a government funded health program.

**ALLOWING A LIEN TO SECURE PAYMENT OF DELINQUENT EXCISE TAXES IN LIEU OF A WARRANT - NO IMPACT TO GENERAL FUND-STATE**

House Bill 1239 (concerning a notice of lien to secure payment of delinquent excise taxes in lieu of a warrant) allows that, in lieu of filing a tax warrant with a superior court that encumbers all real and personal property, the Department of Revenue may file a notice of lien for any specific real property in which the taxpayer has an ownership interest if the total amount of the warrant exceeds \$25,000 and the Department determines that issuing the notice of lien would best protect the state's interest in collecting the amount due on the warrant.

**TAX LAW CHANGES - NO IMPACT TO GENERAL FUND-STATE**

Engrossed Substitute House Bill 1346 (tax law changes) makes several adjustments to the tax code, including: clarifications to the trailing nexus statutes; removal of two redundant annual tax incentive accountability report and survey statutes; clarification that a seller has no obligation to collect use tax if federal law prohibits collection; and reduction of the scope of the January 2012 tax exemption study to include only those tax exemptions which are likely to increase state revenue if the exemption was repealed.

**CONCERNING THE SALES AND USE TAX EXEMPTION FOR MANUFACTURING, RESEARCH & DEVELOPMENT, OR TESTING OPERATIONS - \$129,000 GENERAL FUND-STATE DECREASE**

House Bill 1347 (concerning sales and use tax exemptions for manufacturing, research and development, or testing operations) limits the sales and use tax exemption for machinery and equipment to businesses that are taxed under the manufacturing category. HB 1347 also allows a sales and use tax exemption for machinery and equipment used for research and development operations at public research institutions (the University of Washington, Washington State University, Western Washington University, Central Washington University, Eastern Washington University, and The Evergreen State College).

**ACHIEVING OPERATIONAL EFFICIENCIES AT THE DEPARTMENT OF REVENUE THROUGH THE EXPANDED USE OF ELECTRONIC MEANS TO REMIT AND REPORT TAXES - NO IMPACT TO GENERAL FUND-STATE**

Engrossed House Bill 1357 (achieving operational efficiencies at the Department of Revenue through the expanded use of electronic means to remit and report taxes) achieves \$906,000 in administrative savings in the 2011-13 biennium and thereafter by reducing the processing of returns by requiring electronic filing and payment of taxes taxpayers filing on a quarterly basis. The existing 10 percent penalty for disregarding specific written instructions applies to taxpayers who must e-file, but fail to comply with written instructions to do so. E-filing may be waived for taxpayers who make a request and show "good cause" (such as lack of equipment or internet access).

**DEDUCTION FROM THE B&O TAX FOR CERTIFIED COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS - \$9,000 GENERAL FUND-STATE DECREASE**

Engrossed House Bill 1490 (B&O tax deduction for certified community development financial institutions) allows a B&O tax deduction on interest received from loans issued as part of a first-time home buyers program for nonprofit organizations certified as a certified community development financial institution under federal law.

**PROVIDING TAXPAYERS ADDITIONAL APPEAL PROTECTIONS FOR VALUE CHANGES - NO IMPACT TO GENERAL FUND-STATE**

Engrossed Substitute House Bill 1826 (providing taxpayers additional appeal protections for value changes) requires that a county Board of Equalization must waive the property tax valuation appeal deadline if a request is made within a reasonable time after the normal filing deadline under the following circumstances: the taxpayer's property was in the revaluation area;

the taxpayer was not sent a property value change notice; and the property value did not change from the previous year.

**CONCERNING A B&O TAX DEDUCTION FOR CHILD WELFARE SERVICES - \$1.9 MILLION GENERAL FUND-STATE DECREASE**

Engrossed Substitute House Bill 1902 (concerning a B&O tax deduction for child welfare services) allows a deduction from B&O tax to nonprofit health or social welfare organizations for amounts received as compensation for providing child welfare services provided under a government funded program. ESHB 1902 also allows a deduction for amounts passed through a for-profit or nonprofit entity to a health or social welfare organization.

**CONCERNING THE TAX PREFERENCE REVIEW PROCESS - NO IMPACT TO GENERAL FUND-STATE**

Senate Bill 5044 (concerning the tax preference review process) replaces the mandatory requirement that the Citizen Commission for Performance Measurement of Tax Preferences schedule tax preferences in the order tax preferences are enacted into law with a more flexible approach. The modified approach allows the Joint Legislative Audit and Review Committee to consider the date of enactment as one factor, as well as considering other factors including, but not limited to, grouping preferences for review by type of industry, economic sector, or policy area in determining the schedule. The requirement that an expedited review can only be applied to preferences with a biennial fiscal impact of \$10 million or less is eliminated. The Commission is authorized to recommend an expedited review for any tax preference. In evaluating tax preferences, the JLARC may determine which factors should be included in the review of a particular preference based on the factor's relevance to that preference.

**BASING THE B&O TAX FOR REAL ESTATE FIRMS ON THE COMMISSION AMOUNT RECEIVED BY EACH FIRM IN A TRANSACTION - \$1.8 MILLION GENERAL FUND-STATE DECREASE**

Senate Bill 5083 (clarifying that the basis for B&O tax for real estate firms is the commission amount received by each real estate firm involved in a transaction) provides that any real estate firm which receives a commission at the time of closing on a real estate transaction must pay the B&O tax only upon their respective shares of the commission.

**TAX STATUTE CLARIFICATIONS AND TECHNICAL CORRECTIONS - NO IMPACT TO GENERAL FUND-STATE**

Substitute Senate Bill 5167 (concerning tax statute clarifications and technical corrections, including for the purposes of local rental car taxes) makes technical corrections and clarifications to the tax code, including updating statutory references, merging double amendments, and combining redundant statutes. Further, SSB 5167 removes the requirement that 75 percent of the receipts from the local 1 percent tax on car rentals be used for three of the four statutory purposes permitted: to acquire, construct, maintain, or operate a public sports stadium; to pay for services incidental to a public sports stadium facility; and debt service for the construction of a public sports stadium facility. The fourth statutory purpose for which tax receipts may be used is for youth or amateur sport activities or facilities.

**ENCOURAGING ECONOMIC DEVELOPMENT BY EXEMPTING CERTAIN COUNTIES FROM THE FOREST LAND COMPENSATING TAX - NO IMPACT TO GENERAL FUND-STATE**

Engrossed Senate Bill 5169 (encouraging economic development by exempting certain counties from the forest land compensating tax) expands the exemption from payment of compensating tax for property in the Designated Forest Land classification when sold to a governmental entity in a large population county to include counties which border Puget Sound with a population of at least 245,000.

**INCREASING FLEXIBILITY FOR INDUSTRIAL DEVELOPMENT DISTRICT LEVIES FOR PUBLIC PORT DISTRICTS - NO IMPACT TO GENERAL FUND-STATE**

Substitute Senate Bill 5222 (increasing the flexibility for industrial development district levies for public port districts) amends the provisions of Industrial Development District levies for port districts. SSB 5222 allows port districts to extend the multiyear annual IDD levy, for a period that does not exceed 20 years from the date the initial levy is assessed. The maximum aggregate revenue amount that can be collected is the same as the maximum allowable amount that could have been collected in six years.

**CONCERNING A B&O TAX DEDUCTION FOR PAYMENTS MADE TO CERTAIN PROPERTY MANAGEMENT COMPANIES FOR PERSONNEL PERFORMING ON-SITE FUNCTIONS - \$582,000 GENERAL FUND-STATE DECREASE**

Senate Bill 5289 (concerning a B&O deduction for payments made to certain property management companies for personnel performing on-site functions) permits a B&O tax deduction for amounts that: a nonprofit property management company receives for compensating on-site employees from the owner of property; a property management company receives for compensating on-site employees from a housing authority; and a property management company receives for compensating on-site employees from a limited liability company or limited partnership of which the sole managing member or sole general partner is a housing authority.

**SAME OWNERSHIP OF CONTIGUOUS PARCELS UNDER THE CURRENT USE PROPERTY TAX PROGRAMS - NO IMPACT TO GENERAL FUND-STATE**

Substitute Senate Bill 5359 (concerning contiguous land under current use property tax programs) provides that "same ownership" for purposes of the farm and agricultural classification in the current use property tax program includes a single operation that is owned by the members of the "same family," such as legal entities wholly owned by members of the same family, or a combination of individuals and entities that are wholly owned by members of the family.

**EXEMPTING EMPLOYEE MEALS PROVIDED BY RESTAURANTS WITHOUT SPECIFIC CHARGE - \$576,000 GENERAL FUND-STATE DECREASE**

Senate Bill 5501 (exempting employee meals provided by restaurants without specific charge) provides a B&O tax and sales and use tax exemptions to restaurants for meals provided to employees without a specific charge to the employee.

**MODIFYING THE PROVISIONS OF THE HOSPITAL BENEFIT ZONE PROGRAM - NO IMPACT TO GENERAL FUND-STATE**

Substitute Senate Bill 5525 (modifying the provisions of the Hospital Benefit Zone Program) makes several modifications to the existing program, such as: amending the definition of public improvements to include state highways connected to the zone; allowing the sponsoring local government to modify the public improvements to be financed, so long as the project cost does not increase; including amounts expended by a hospital and federal funds to be considered "local public sources"; excluding from the calculation of "local public sources" such funds derived from the state-subsidized portion loans or grants; and removing requirements that the local tax credited against the state taxes imposed under zone be expended in the fiscal year in which the taxes are received.

**TAX INCENTIVES FOR STIRLING CONVERTERS - NO IMPACT TO GENERAL FUND-STATE**

Senate Bill 5526 (tax incentives for stirling converters) allows businesses that manufacture stirling converters to be eligible to receive a lower B&O tax rate of 0.275 percent. Individuals, businesses, local governments, or community solar project participants that generate electricity from a stirling converter manufactured in Washington are eligible to receive an incentive payment for each kilowatt-hour produced.

**EXPIRING THE LOW-INCOME PROPERTY TAX DEFERRAL PROGRAM - NO IMPACT TO GENERAL FUND-STATE**

Senate Bill 5587 (expiring the low-income property tax deferral program) ends the low-income property tax deferral program in 2011. This will save \$591,000 in expenditures for the 2011-13 biennium.

**CONCERNING THE DISTRIBUTION OF THE PUBLIC UTILITY DISTRICT PRIVILEGE TAX - NO IMPACT TO GENERAL FUND-STATE**

Second Substitute Senate Bill 5595 (concerning the distribution of the public utility district privilege tax) provides that if a county receives privilege taxes because a public utility district is operated by another county which owns fee title to property in a city or town in the county, but the district has no sales of electrical energy in that city or town, the county may retain 70 percent of the tax proceeds and each city or town where property is owned shall divide the remainder equally. This only applies when the city or town is adjoins a reservoir on the Columbia river wholly or partially created by such district's hydroelectric facility which began power generation in 1967.

**ADDRESSING OVERLAPPING EMERGENCY MEDICAL SERVICE DISTRICTS - NO IMPACT TO GENERAL FUND-STATE**

Senate Bill 5628 (concerning a limited property tax exemption from the emergency medical services levy) addresses the City of Milton, which lies in King and Pierce County. The residents of Milton pay two different EMS levies as a result of overlapping jurisdictions. SB 5628 makes the EMS levy uniform for Milton residents by providing an exemption for real and personal property from King County's EMS levy, allowing a city-wide single EMS tax rate.

**EXEMPTING FLOOD CONTROL ZONE DISTRICTS THAT ARE COEXTENSIVE WITH A COUNTY FROM CERTAIN LIMITATIONS ON REGULAR PROPERTY TAX LEVIES - NO IMPACT TO GENERAL FUND-STATE**

Engrossed Senate Bill 5638 (exempting flood control zone districts that are coextensive with a county from certain limitations on regular property tax levies) exempts the regular property tax levy for a flood control district in King County from the \$5.90 limit on junior and senior taxing districts. The levy for such flood control districts is still within the constitutional \$10 limit. If the \$10 limit is exceeded, the flood control districts will be the first priority to be reduced through pro-rationing. Metropolitan Park Districts in King County may, if authorized by a vote of the people, move a portion of their levy outside the \$5.90 aggregate limit if it would otherwise have been pro-rated.

**AUTHORIZING AN ANNUAL, STATEWIDE RAFFLE TO BENEFIT VETERANS AND THEIR FAMILIES - NO IMPACT TO GENERAL FUND-STATE**

Senate Bill 5806 (authorizing an annual, statewide raffle to benefit veterans and their families) authorizes the Lottery Commission to conduct a statewide raffle to benefit veterans and their families. All net revenues received (estimated to be \$660,480 in the 2011-13 biennium) will be deposited into the Veterans Innovations Program Account for purposes of serving veterans and their families.

**PERMITTING COUNTIES TO DIRECT AN EXISTING PORTION OF LOCAL LODGING TAXES TO PROGRAMS FOR ARTS AND HERITAGE - NO IMPACT TO GENERAL FUND-STATE**

Substitute Senate Bill 5834 (permitting counties to direct an existing portion of local lodging taxes to programs for arts and heritage) eliminates the endowment fund used for the arts, heritage and cultural programs, which allows for the principle of the fund to be spent down. At the time the bonds used to pay for the repairs to the Kingdome are retired, the county hotel-motel tax will be distributed into the account dedicated to the arts, culture, and heritage programs until



December 31, 2015. The prohibition for cities in King County imposing the 2 percent state shared hotel-motel tax is extended indefinitely. Beginning January 1, 2021, at least 37.5 percent of the county hotel-motel tax revenues will be distributed to the account dedicated to art museums, cultural museums, heritage museums, the arts, and performing arts. Yakima County can continue to receive hotel/motel tax distributions from within the city of Yakima until 2035. The requirement that Yakima County must do a financial audit of organizations that receive funding from the lodging tax is removed.

**CONCERNING ESTATES AND TRUSTS - NO IMPACT TO GENERAL FUND-STATE**

Senate Bill 5849 (concerning estates and trusts) provides the following for the estates of decedents dying after December 31, 2009 and before December 18, 2010: an allowance for the introduction of extrinsic evidence in order to determine what was the testator's or grantor's intent regarding a formula clause based on the federal estate tax or generation-skipping transfer tax exemptions, even if the will is not ambiguous; the removal of the presumption created by Substitute Senate Bill 6831 (2010) that the formula amount is \$3.5 million, allowing for construction of the formula as meaning \$3.5 million or \$5 million based on the decedent's intent; a change in the time limit for bringing a judicial construction action under RCW 11.108.080 to two years following the death of the decedent's death, as opposed to one year; and, in order to conform to federal disclaimer law, an extension of the time to make a qualified disclaimer of property passing from an estate of decedent dying after December 31, 2009, and prior to December 18, 2010, to the later of nine months following the date of death or September 17, 2010.

**REDIRECTING LIFE SCIENCES DISCOVERY FUNDING - \$35 MILLION GENERAL FUND-STATE INCREASE**

Washington State currently receives an additional strategic contribution payment from the tobacco settlement agreement. The strategic contribution has been used to fund the Life Sciences Discovery Fund, which invests in life sciences research. In the Senate budget, the entire tobacco settlement funding will be deposited into the state general fund. Funding for the Life Sciences Discovery Fund is provided through a transfer from the state general fund. For the 2011-13 biennium, \$20 million is provided for the Life Sciences Discovery Fund.



# APPENDIX C



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

|  | Sen Chair ESHB 1087 | ESHB 1087 Passed<br>Hse | Difference      |
|--|---------------------|-------------------------|-----------------|
| <b>Employee Compensation</b>               |                     |                         |                 |
| Suspend Plan 1 COLA                        | -360,603            | -361,786                | 1,183           |
| K12/CTC: Suspend I-732                     | -289,950            | -299,221                | 9,271           |
| 3% Salary Reduction for K-12 Employees     | -251,218            | 0                       | -251,218        |
| 3% Salary Cut for State Employees          | -177,081            | -177,075                | -6              |
| K12: National Board Bonus                  | -75,827             | -61,208                 | -14,619         |
| Temporary Layoffs                          | -40,894             | 0                       | -40,894         |
| Actuarial Recommended Rates/LEOFF 2        | -15,000             | -15,000                 | 0               |
| LEOFF 2 Benefits Enhancement Fund          | -5,000              | -5,000                  | 0               |
| Teacher Retirement Incentive               | -3,247              | 0                       | -3,247          |
| Retire-Rehire Changes                      | -1,843              | -1,900                  | 57              |
| K12: Freeze Steps                          | 0                   | -56,351                 | 56,351          |
| <b>Employee Compensation Total</b>         | <b>-1,220,663</b>   | <b>-977,541</b>         | <b>-243,122</b> |
| <b>K-12 Education</b>                      |                     |                         |                 |
| Suspend I-728                              | -860,716            | -860,716                | 0               |
| K-4 Class Size                             | -211,575            | -215,651                | 4,076           |
| Average Daily Attendance                   | -94,991             | 0                       | -94,991         |
| Student Assessment System Changes          | -56,393             | -48,433                 | -7,960          |
| Alternative Learning Exp Adjustment        | -25,816             | -53,055                 | 27,239          |
| Other Ed Reform Savings                    | -22,080             | -15,952                 | -6,128          |
| Other OSPI/Statewide Pgrm Savings          | -12,505             | -8,866                  | -3,639          |
| Running Start                              | -6,174              | -6,004                  | -170            |
| Summer Vocational Skills                   | -4,770              | -4,770                  | 0               |
| Alternative Routes                         | -3,184              | -3,496                  | 312             |
| Repay FY11 Contig Funds                    | -2,500              | -2,500                  | 0               |
| Readiness to Learn                         | -719                | 0                       | -719            |
| K-12 Health Benefit Procurement            | -515                | 250                     | -765            |
| BEST Program                               | -400                | -4,000                  | 3,600           |
| Highly Capable Program/Items               | -350                | -420                    | 70              |
| Bilingual Formula Restructure              | -284                | 0                       | -284            |
| Incentives for Evaluations Systems         | 0                   | 5,000                   | -5,000          |
| Kindergarten Phase-In                      | 0                   | 6,420                   | -6,420          |
| PASS Act Program                           | 0                   | 6,566                   | -6,566          |
| Kindergarten Assessments                   | 900                 | 900                     | 0               |
| Other Increases                            | 1,413               | 1,200                   | 213             |
| Teacher and Principal Evaluations          | 3,000               | 3,000                   | 0               |
| Washington IT Academy                      | 4,000               | 2,000                   | 2,000           |
| HB 2776 - Transportation Enhancement       | 5,000               | 5,000                   | 0               |
| K12 Formula Conversion                     | 41,499              | 19,180                  | 22,319          |
| K-3 Class Size in High Pov Schools         | 64,330              | 25,008                  | 39,322          |
| Other                                      | -9,890              | -13,601                 | 3,711           |
| <b>K-12 Education Total</b>                | <b>-1,192,720</b>   | <b>-1,162,940</b>       | <b>-29,780</b>  |
| <b>Higher Education</b>                    |                     |                         |                 |
| 4 Yr/2Yr Reductions (including HERP limit) | -550,495            | -531,816                | -18,679         |
| State Work Study Reductions                | -23,720             | -45,042                 | 21,322          |
| SNG Awards to Private Institutions         | -19,583             | -19,331                 | -252            |
| Suspend/Reduce Other Fin Aid Programs      | -19,275             | -25,472                 | 6,197           |

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

|  | <b>Sen Chair ESHB 1087</b> | <b>ESHB 1087 Passed Hse</b> | <b>Difference</b> |
|--|----------------------------|-----------------------------|-------------------|
| Running Start                                | -7,544                     | 0                           | -7,544            |
| Elimination of HECB                          | -2,625                     | 0                           | -2,625            |
| Policy and Research                          | 0                          | -1,338                      | 1,338             |
| Everett Higher Education                     | 0                          | 109                         | -109              |
| STEM Enrollments                             | 0                          | 1,414                       | -1,414            |
| CTC: Student Achievement Initiative          | 0                          | 7,500                       | -7,500            |
| Other Increases                              | 3,190                      | 3,052                       | 138               |
| Worker Retraining                            | 15,000                     | 0                           | 15,000            |
| Maintain State Need Grant                    | 124,368                    | 108,306                     | 16,062            |
| Other  | -315                       | -3,010                      | 2,695             |
| <b>Higher Education Total</b>                | <b>-480,999</b>            | <b>-505,628</b>             | <b>24,629</b>     |
| <b>Early Learning &amp; Child Care</b>       |                            |                             |                   |
| Eliminate Career and Wage Program            | -3,000                     | -3,000                      | 0                 |
| Child Care Licensing Increases               | -1,294                     | 0                           | -1,294            |
| Other Increases                              | 300                        | 121                         | 179               |
| Child Care Hlth Ben                          | 641                        | 641                         | 0                 |
| Home Visiting                                | 1,266                      | 1,268                       | -2                |
| Other  | -1,700                     | -2,611                      | 911               |
| <b>Early Learning &amp; Child Care Total</b> | <b>-3,787</b>              | <b>-3,581</b>               | <b>-206</b>       |
| <b>Health Care</b>                           |                            |                             |                   |
| Basic Health Plan                            | -122,041                   | -107,925                    | -14,116           |
| Hospital Rate Changes                        | -110,474                   | -110,474                    | 0                 |
| Disability Lifeline                          | -50,610                    | 0                           | -50,610           |
| FQHC Payment methodology                     | -48,262                    | -89,461                     | 41,199            |
| Hospital Safety Net Assessment               | -40,000                    | -30,000                     | -10,000           |
| Increase MAA Audit/Recoveries                | -39,774                    | -39,774                     | 0                 |
| Emergency Room Utilization                   | -32,960                    | -32,960                     | 0                 |
| Adult Dental Services                        | -28,631                    | -28,607                     | -24               |
| Healthy Options Rates                        | -27,022                    | -5,609                      | -21,413           |
| Community Clinic & Grant Funding             | -25,550                    | -13,550                     | -12,000           |
| Alien Medical/Federal Funds                  | -23,908                    | -23,908                     | 0                 |
| Client Cost Sharing                          | -20,998                    | 0                           | -20,998           |
| Other Medical Assistance                     | -16,573                    | -12,568                     | -4,005            |
| Public Health Support/Assistance             | -15,052                    | -9,180                      | -5,872            |
| Maternity Support Program                    | -14,095                    | -10,000                     | -4,095            |
| Medicare Part D Subsidy (co-pay)             | -13,348                    | -13,337                     | -11               |
| School Based Services                        | -8,233                     | -18,078                     | 9,845             |
| SSI Managed Care                             | -7,679                     | -7,670                      | -9                |
| Medical Assistance Drug Savings              | -6,560                     | -1,652                      | -4,908            |
| Children's Health Program                    | -6,289                     | -1,524                      | -4,765            |
| Medicaid Fraud Enforcement                   | -5,860                     | 0                           | -5,860            |
| Eliminate Adult Vision & Hearing             | -4,625                     | 0                           | -4,625            |
| Family Planning Capacity Grants              | -4,500                     | 0                           | -4,500            |
| Durable Medical Equipment                    | -3,565                     | -667                        | -2,898            |
| Medical Interpreter Services                 | -2,758                     | -4,633                      | 1,875             |
| ADATSA                                       | -2,536                     | 0                           | -2,536            |
| DOH Maternal & Children's Health             | -2,206                     | -2,264                      | 58                |
| DSH Changes                                  | 0                          | -21,900                     | 21,900            |

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

|  | <b>Sen Chair ESHB 1087</b> | <b>ESHB 1087 Passed<br/>Hse</b> | <b>Difference</b> |
|--|----------------------------|---------------------------------|-------------------|
| Take Charge Family Planning                            | 0                          | -3,967                          | 3,967             |
| HIV Prevention and Client Services                     | 0                          | -1,780                          | 1,780             |
| Medicaid Demonstration Waiver                          | 351                        | 0                               | 351               |
| ProviderOne  | 470                        | 5,564                           | -5,094            |
| RHC Prenatal & Well-Child Visits                       | 2,860                      | 0                               | 2,860             |
| Other Increases  | 4,994                      | 4,472                           | 522               |
| Tobacco Cessation Activities                           | 8,813                      | 5,774                           | 3,039             |
| Other  | -8,672                     | -6,212                          | -2,460            |
| <b>Health Care Total</b>                               | <b>-675,293</b>            | <b>-581,890</b>                 | <b>-93,403</b>    |
| <b><i>Long Term Care, DD, and Mental Health</i></b>    |                            |                                 |                   |
| Personal Care Hours                                    | -98,102                    | -97,507                         | -595              |
| Nursing Home Quality Incentive Pmt & Rates             | -30,000                    | -53,212                         | 23,212            |
| Delay Mandatory Training (I-1029)                      | -22,125                    | -22,125                         | 0                 |
| RSN Non-Medicaid                                       | -17,390                    | -8,695                          | -8,695            |
| DD Employment & Day Items                              | -14,041                    | -16,906                         | 2,865             |
| Agency Provider Health Benefits                        | -10,391                    | -10,455                         | 64                |
| Close Selected RHCs                                    | -8,940                     | -2,356                          | -6,584            |
| Reduce State Hospital Staff Costs                      | -8,148                     | -8,200                          | 52                |
| Close Western State Hospital Ward                      | -6,644                     | -6,644                          | 0                 |
| DD/Staff & Services                                    | -4,722                     | -4,722                          | 0                 |
| Jail-Based Competency Evaluations                      | -4,350                     | 0                               | -4,350            |
| License Fees & Oversight                               | -3,744                     | -5,848                          | 2,104             |
| LTC/Other  | -3,414                     | -3,074                          | -340              |
| DD/Other   | -3,248                     | -3,248                          | 0                 |
| Reduce DD Residential Services                         | -3,220                     | -3,220                          | 0                 |
| Alien Medical Long Term Placements                     | -2,174                     | -2,174                          | 0                 |
| LTC/Expand Family Caregiver Diversion                  | -1,446                     | -4,596                          | 3,150             |
| Other Mental Health                                    | -871                       | -2,999                          | 2,128             |
| Spokane Acute Care                                     | -750                       | -750                            | 0                 |
| MHD/Maximize Federal Funds                             | -400                       | -1,900                          | 1,500             |
| RSN Medicaid Rates                                     | 0                          | -8,729                          | 8,729             |
| Other Increases  | 1,232                      | 594                             | 638               |
| Home Care Worker Collective Bargaining                 | 2,783                      | 2,979                           | -196              |
| New DD Placements                                      | 5,580                      | 5,580                           | 0                 |
| Other  | -49                        | 0                               | -49               |
| <b>Long Term Care, DD, and Mental Health<br/>Total</b> | <b>-234,574</b>            | <b>-258,207</b>                 | <b>23,633</b>     |
| <b><i>Corrections and Other Criminal Justice</i></b>   |                            |                                 |                   |
| Other DOC Related Items                                | -48,555                    | -47,067                         | -1,488            |
| Early Release & Supervision Changes                    | -14,559                    | -26,003                         | 11,444            |
| Close McNeil/Open Elkhorn                              | -12,253                    | -12,253                         | 0                 |
| SCC Savings  | -9,254                     | -8,596                          | -658              |
| Reduce Rental Rate for Violators                       | -8,737                     | -5,747                          | -2,990            |
| WSP Savings  | -5,304                     | -4,858                          | -446              |
| Juvenile Parole Services                               | -4,993                     | -3,748                          | -1,245            |
| JRA Institutional Costs                                | -4,174                     | -5,110                          | 936               |
| Release Offenders on ERD                               | -4,158                     | 0                               | -4,158            |
| Reduce DOSA Bed Utilization                            | -3,400                     | -3,400                          | 0                 |

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

|   | Sen Chair ESHB 1087 | ESHB 1087 Passed<br>Hse | Difference     |
|---|---------------------|-------------------------|----------------|
| Close Maple Lane School                                 | -3,272              | -3,272                  | 0              |
| Reduce Electronic Home Monitoring                       | -3,012              | -3,012                  | 0              |
| Early Deportation                                       | -2,515              | -3,062                  | 547            |
| Use Auto Theft Funds                                    | -2,500              | -3,680                  | 1,180          |
| Reduce Supervision for FTOW                             | -2,386              | 0                       | -2,386         |
| Reduce Juvenile Court Funding                           | -2,328              | -2,328                  | 0              |
| Local Share in Training Costs                           | -2,200              | -1,296                  | -904           |
| CJTC Related Items                                      | -1,848              | -2,169                  | 321            |
| Sell King Air airplanes                                 | -1,058              | 0                       | -1,058         |
| Other JRA Related Items                                 | -560                | -1,115                  | 555            |
| Persistent Offenders #                                  | -140                | 0                       | -140           |
| Eliminate Tolling for Offenders #                       | 0                   | -5,165                  | 5,165          |
| Reduce Offender Programing                              | 0                   | -4,397                  | 4,397          |
| Housing Voucher Expansion                               | 844                 | 0                       | 844            |
| NIC Report Recommendation Funding                       | 1,009               | 0                       | 1,009          |
| Other Increases   | 1,246               | 2,211                   | -965           |
| WSP Increases   | 1,391               | 1,886                   | -495           |
| Rural Drug Task Forces                                  | 2,000               | 0                       | 2,000          |
| Expansion of Treatment Based on Early<br>Release        | 5,000               | 0                       | 5,000          |
| SCC Trial/Hearings                                      | 19,034              | 22,500                  | -3,466         |
| <b>Corrections and Other Criminal Justice<br/>Total</b> | <b>-106,682</b>     | <b>-119,681</b>         | <b>12,999</b>  |
| <b>Other Human Services</b>                             |                     |                         |                |
| Disability Lifeline Cash Grant                          | -184,303            | -100,343                | -83,960        |
| Family Leave Insurance                                  | -33,177             | -33,177                 | 0              |
| Child Support Pass Through                              | -18,776             | -18,776                 | 0              |
| State-Only Food Assistance Program                      | -16,801             | -30,283                 | 13,482         |
| DL & ADATSA-Impl Fed Waiver 1115                        | -16,110             | -16,110                 | 0              |
| Childrens/Other   | -12,094             | -18,914                 | 6,820          |
| Chemical Dependency Services                            | -12,000             | -7,060                  | -4,940         |
| Economic Svcs/Other Savings                             | -7,418              | -9,499                  | 2,081          |
| Childrens/Regional Staffing                             | -6,408              | -6,408                  | 0              |
| Refugee Employment Services                             | -5,002              | -5,002                  | 0              |
| Family and Children Councils Reform                     | -4,576              | -4,426                  | -150           |
| Crime Victim Compensation                               | -3,965              | -4,115                  | 150            |
| Childrens/Expedite Permanency                           | -3,000              | -3,000                  | 0              |
| Childrens/Foster Parent Child Care                      | -2,607              | -2,607                  | 0              |
| Childrens/Voluntary Placement                           | -2,400              | -2,400                  | 0              |
| Naturalization Services                                 | -2,370              | -3,684                  | 1,314          |
| DSHS/Central Administrative Costs                       | -2,072              | -2,072                  | 0              |
| License Fees & Oversight                                | -1,454              | -1,454                  | 0              |
| Other DASA  | -871                | -871                    | 0              |
| AG Agency Legal Svc Billings                            | 0                   | 3,278                   | -3,278         |
| Other Increases   | 119                 | 760                     | -641           |
| Disability Lifeline Treatment Funding                   | 3,782               | 424                     | 3,358          |
| Other   | -3,439              | -4,184                  | 745            |
| <b>Other Human Services Total</b>                       | <b>-334,942</b>     | <b>-269,923</b>         | <b>-65,019</b> |



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

|  | Sen Chair ESHB 1087 | ESHB 1087 Passed<br>Hse | Difference   |
|--|---------------------|-------------------------|--------------|
| <b><i>Natural Resources</i></b>                    |                     |                         |              |
| Discover Wa. Pass/Land Access Fees                 | -68,687             | -68,687                 | 0            |
| Dept of Ecology/Fund Shift                         | -9,500              | -9,500                  | 0            |
| Dept of Ecology/Other                              | -9,357              | -12,445                 | 3,088        |
| DNR/Other  | -8,939              | -9,104                  | 165          |
| Fish & Wildlife/Other                              | -7,866              | -10,241                 | 2,375        |
| Fish & Wildlife/HPA Fees                           | -2,551              | 0                       | -2,551       |
| Department of Natural Resources                    | -2,168              | -2,000                  | -168         |
| Other Increases                                    | -1,713              | 45                      | -1,758       |
| Agriculture Related                                | -1,007              | -3,468                  | 2,461        |
| Increase Fee Support to Ag Programs                | 0                   | -4,775                  | 4,775        |
| Fair Fund One-time                                 | 0                   | 2,000                   | -2,000       |
| State Parks/Maint & Access                         | 20,000              | 20,000                  | 0            |
| Other  | -4,048              | -4,392                  | 344          |
| <b>Natural Resources Total</b>                     | <b>-95,836</b>      | <b>-102,567</b>         | <b>6,731</b> |
| <b><i>Agency Reorganizations and Transfers</i></b> |                     |                         |              |
| Criminal Justice                                   | -1,644              | -2,320                  | 676          |
| Education Governance                               | -105                | 0                       | -105         |
| Enterprise Services                                | -20                 | 0                       | -20          |
| Health Care Related                                | 0                   | -3,329                  | 3,329        |
| Education Data Center                              | 0                   | 0                       | 0            |
| <b>Agency Reorganizations and Transfers Total</b>  | <b>-1,769</b>       | <b>-5,649</b>           | <b>3,880</b> |
| <b><i>All Other</i></b>                            |                     |                         |              |
| Workers Compensation - ESB 5566                    | -16,076             | 0                       | -16,076      |
| Management Efficiency                              | -14,836             | 0                       | -14,836      |
| Commerce Reductions                                | -13,695             | -24,712                 | 11,017       |
| Department of Revenue                              | -11,945             | -11,372                 | -573         |
| Judicial Agencies                                  | -10,556             | -6,162                  | -4,394       |
| Other/Presid. Primary                              | -10,032             | -10,032                 | 0            |
| Legislative  | -9,178              | -7,129                  | -2,049       |
| Judicial/Utilize JST Account                       | -6,001              | -12,074                 | 6,073        |
| Shift Audit Costs                                  | -5,372              | 0                       | -5,372       |
| Interagency Charges                                | -4,988              | -14,028                 | 9,040        |
| Museums  | -1,981              | 0                       | -1,981       |
| Contracting for Services                           | -1,875              | 0                       | -1,875       |
| Arts Commission                                    | -677                | 0                       | -677         |
| Eliminate Funding for Becca/Truancy                | 0                   | -13,998                 | 13,998       |
| Arts & Heritage Programs                           | 0                   | -10,945                 | 10,945       |
| JIS Funding Shift for IT                           | 0                   | -6,011                  | 6,011        |
| Judicial Increases                                 | 490                 | 265                     | 225          |
| Increase Revenue Compliance                        | 1,454               | 3,188                   | -1,734       |
| Other Increases                                    | 2,095               | 2,541                   | -446         |
| Traditional Housing Operating Rent                 | 8,500               | 0                       | 8,500        |
| State Data Center Rate Increase                    | 10,894              | 5,447                   | 5,447        |
| SERA Account Repayment                             | 12,161              | 10,974                  | 1,187        |
| Debt Service                                       | 28,234              | 28,234                  | 0            |
| June 2011 Apportionment                            | 240,000             | 240,000                 | 0            |

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

|                        | Sen Chair ESHB 1087             | ESHB 1087 Passed<br>Hse         | Difference                    |
|------------------------|---------------------------------|---------------------------------|-------------------------------|
| Other                  | <u>-14,530</u>                  | <u>-18,919</u>                  | <u>4,389</u>                  |
| <b>All Other Total</b> | <b>182,086</b>                  | <b>155,267</b>                  | <b>26,819</b>                 |
| <br>                   |                                 |                                 |                               |
| <b>Grand Total</b>     | <b><u><u>-4,165,179</u></u></b> | <b><u><u>-3,832,340</u></u></b> | <b><u><u>-332,839</u></u></b> |