



Proposed Striking Amendment to HB 1057 (H-2623.3)

By Representative Hunter

Summary

June 5, 2013

Office of Program Research

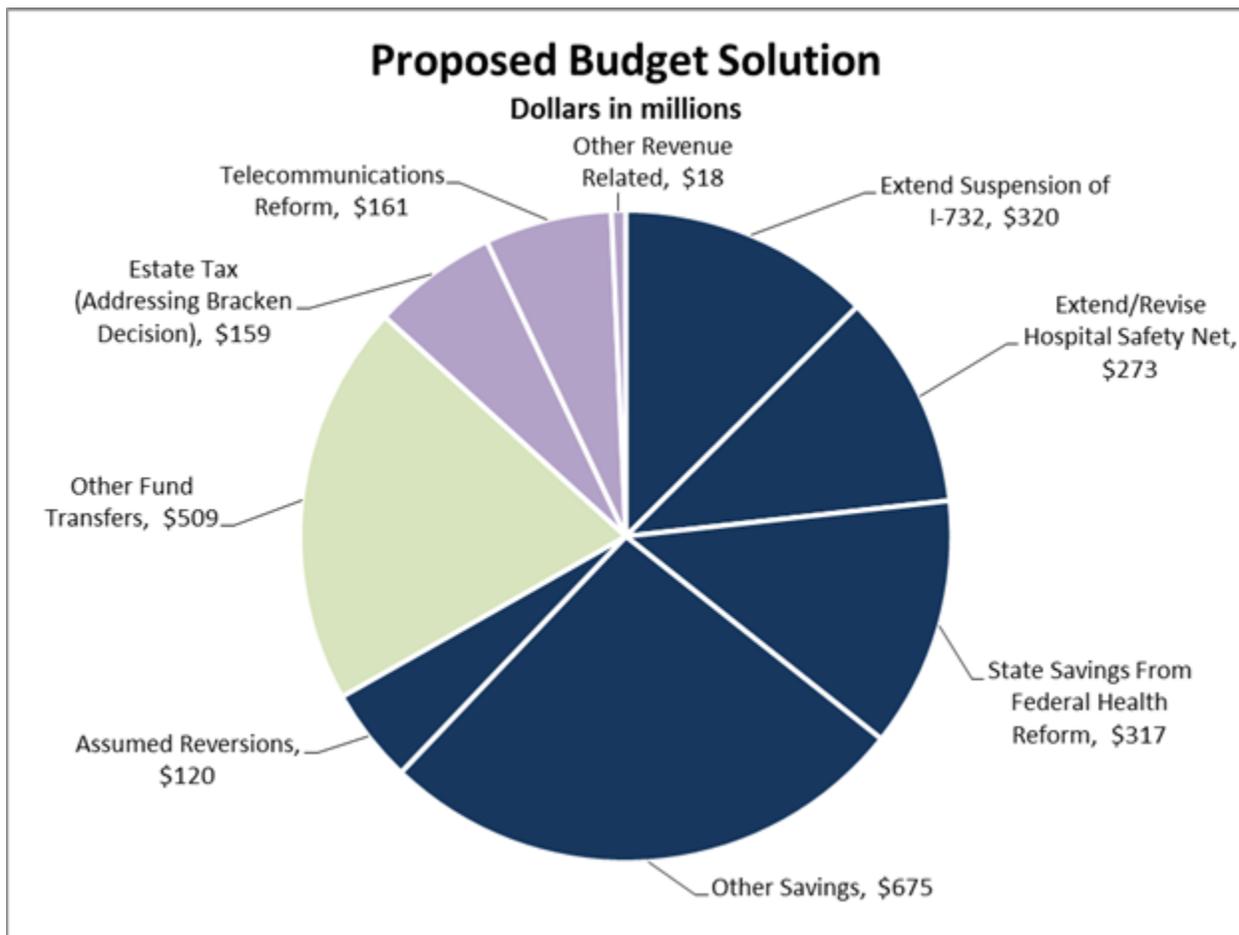
Summary of Proposed Striking Amendment to HB 1057 (H-2623.3)

The Legislature entered the 2013 session with a slowly improving economy, rising caseload and per capita costs, as well as other fiscal issues to consider including how to address the state Supreme Court's McCleary decision (K-12 funding). In the 2013-15 Biennium, the cost of continuing current programs and complying with current laws exceeds forecasted revenue by approximately \$1.1 billion. This is sometimes referred to as the maintenance level shortfall.

The striking amendment by Representative Hunter proposes a 2013-15 operating budget that includes \$1.5 billion in additional policy enhancements (\$955 million of that in K-12 education). Taken together with leaving an ending fund balance, and the maintenance level shortfall, the combined budget problem statement is approximately \$2.6 billion.

The budget proposal addresses this budget problem statement through:

- Fund transfers of \$509 million;
- Reduced spending of about \$1.6 billion;
- Assumed reversion of \$120 million;
- Increased revenue of \$339 million.



The proposal leaves \$606 million in projected total reserves (\$31 million in NGF-S ending fund balances and the remainder in the Budget Stabilization Account).

This proposal, under the provisions of the four-year outlook (Chapter 8, Laws of 2012), is projected to end the 2015-17 biennium with \$928 million in total reserves (\$179 million in NGF-S and the remainder in the Budget Stabilization Account).

Education

K-12:

The larger policy enhancements include:

- \$814 million for House Bill 2776 (Chapter 236, Laws of 2010) and House Bill 2261 (Chapter 548, Laws of 2009) as follows:
 - \$434 million for increased materials, supplies, and operating costs (MSOC);
 - \$208 million to reduce early elementary class size (K-3);
 - \$108 million to expand all-day kindergarten
 - \$89 million for pupil transportation; and
 - \$24 million in savings from eliminating the SHB 2776 hold harmless;
- \$66 million for Learning Assistance Program (LAP) expansion;
- \$20 million for teacher and principal evaluation;
- \$11 million for local effort assistance (LEA); and
- \$10 million for struggling schools.

The larger K-12 policy savings include (see compensation for I-732):

- \$143 million savings from changing the district payment schedule;
- \$30 million savings from changes to the Alternative Learning Experience (ALE) programs;
- \$21 million savings from assessment changes; and
- \$18 million savings from changes to career and technology education MSOC.

Higher education:

The larger policy enhancements include:

- \$39 million for College Bound Scholarships;
- \$29 million for the State Need Grant (related to authorization for institutions to raise tuition as described below); and
- \$11 million for targeted state instructional support.

The larger reductions are \$19 million from re-suspension of smaller scholarship programs (WA Scholars, WAVE, Health Professions Scholarship, and Future Teaches Scholarships). Current recipients are not impacted.

This budget proposal authorizes/assumes resident undergraduate tuition increases of 3 percent per year for all the 4-year institutions and the Community and Technical Colleges. Resident undergraduate tuition is assumed to generate a total of \$88 million for the biennium.

Early Learning and Child Care:

The larger policy enhancements include:

- \$30 million for Early Childhood Education Assistance Program (ECEAP) enhancements; and
- \$16 million for child care subsidy increases.

Health and Human Services

Medicaid expansion under the Affordable Care Act: The budget assumes NGF-S policy savings of approximately \$318 million from opting into the Medicaid expansion. It is estimated that the state will receive additional federal funding of \$1.3 billion and cover an additional 250,000 clients.

Health Care and Human Services:

The larger policy enhancements include:

- \$146 million for home care worker compensation (Individual Provider and Agency Provider) related to the arbitration award;
- \$25 million for telecommunications programs previously funded by dedicated taxes (Washington Telephone Assistance Program, and Telecommunications Relay Service);
- \$17 million for involuntary treatment in mental health; and
- \$11 million for placements for clients with developmental disabilities.

The larger policy savings, in addition to Medicaid expansion discussed above, include:

- \$273 million savings from reauthorizing the Hospital Safety Net Assessments;
- \$126 million in TANF/Working Connections Child Care savings (including fiscal year 2013);
- \$31 million savings from delaying the nursing home rate rebase;
- \$15 million savings from ABD/HEN/housing changes; and
- \$14 million savings from suspending the Paid Family Leave Program.

General Government, Natural Resources, and Other Items

The larger policy enhancements include:

- \$25 million for debt service on anticipated new capital projects; and
- \$24 million in state support for state parks.

The larger policy savings include:

- \$30 million savings from shifting program funding to State and Local Toxics accounts (from NGF-S);
- \$20 million savings from Lean management;
- \$12 million savings from shifting program funding to the Aquatic Lands Enhancement Account (ALEA) (from NGF-S);
- \$12 million savings from shifting program funding to the Judicial Stabilization Account;
- \$11 million savings from shifting selected public safety program funding to the E911 account;
- \$10 million savings from shifting selected audit activities funding to the Performance Audit Account; and
- \$10 million savings from suspending the transfer to the Local Public Safety Account.

Compensation Items

Collective bargaining agreements negotiated with former Governor Gregoire are approved and funded, including \$39 million for step M.

I-732 (Cost Of Living Adjustments) is suspended for the 2013-15 biennium for a savings of \$320 million (impacts K-12 and community and technical colleges).

State employee health benefit funding is reduced based on lower utilization and other lower than anticipated costs, saving about \$17 million.

Temporary salary reductions are restored at maintenance level for state employees and K-12 state-funded employees.

Revenue

Tax legislation assumed in this budget proposal is:

- The Bracken court decision reduced forecasted estate tax revenue to the Education Legacy Trust Account by \$163 million. House Bill 2064 (estate taxes) is estimated to restore \$159 million of that amount.
- House Bill 1971 (telecommunications parity) is estimated to increase GF-S revenue by \$161 million in 2013-15. (The net impact is less as there is \$25 million in spending to support programs previously funded by dedicated taxes.)

Additional revenue items include: (1) Engrossed Substitute House Bill 1947 (exchange operations) redirects \$35 million to support operation of the health benefit exchange; budget driven revenue of \$13.5 million; and (2) increased collection of existing sales tax of \$39.3 million.

Budget-driven revenue, fund transfers, and other items make up the resource changes assumed in the budget proposal. These, and larger budget items, are described in the remainder of this document.

Additional Information

Additional Information About This Proposal:

This information is provided in explanation of a proposed committee striking amendment (H-2623.3) to House Bill 1057 by Representative Hunter. The striking amendment covers both the 2013 Supplemental (amending the existing budget for the 2011-13 Biennium) and the budget for the upcoming 2013-15 Biennium.

The striking amendment and a complete set of materials produced by the House Office of Program Research (OPR) are available at <http://leap.leg.wa.gov/leap/budget/detail/2013/ho1315p.asp>. Additional materials include:

- Agency detail showing line item changes by agency (program level in selected areas such the Department of Social and Health Services and Public Schools); and
- Any supporting schedules referenced in the budget.

Additional Information About This Summary Document:

This summary document was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This summary document is not a part of the legislation nor does it constitute a statement of legislative intent.

This summary document includes:

- A brief introduction;
- Balance sheet and supporting materials;
- A summary grouping of expenditures by major category.

Note: It is possible for similar items to be summarized in slightly different ways. For example, the agency detail document lists items on an agency by agency basis. This summary may total the same item from multiple agencies into a single description. It also may summarize multiple similar items into a single description. For that reason, it is possible that budget items might be grouped differently, even within a single document.

2011-13 and 2013-15 Balance Sheet For H-2623.3

Including 2013 Supplemental Budget

General Fund-State, Education Legacy Trust and Opportunity Pathways Accounts (and Budget Stabilization Account)

Dollars in Millions

	2011-13	2013-15
RESOURCES		
Beginning Fund Balance	(60.4)	209.2
March 2013 Forecast Update	31,009.3	33,025.0
Bracken Decision	(3.2)	(160.3)
Transfer to Budget Stabilization Account	(268.0)	(307.0)
Other Enacted Fund Transfers	378.6	-
Alignment to the Comprehensive Financial Statements	(5.0)	-
Adjustment to Working Capital (HB 2822)	238.0	-
Proposed Changes		
Transfer From Budget Stabilization Account to GFS		-
Other Fund Transfers	1.8	509.1
General Fund: Legislation & Budget Driven	-	178.3
HB 2064 - Estate taxes (Bracken Decision, ELTA)	-	159.3
Total Resources (including beginning fund balance)	31,291.0	33,613.6
EXPENDITURES		
2011-13 Enacted Budget (Incl. 2012 Supp.)		
Enacted Budget	31,249.2	
Actual/Anticipated Reversions	(165.9)	
Proposed Changes		
Maintenance Level Changes	18.2	
Policy Changes	(19.8)	
Total Expenditures	31,081.8	
Proposed 2013-15		
Maintenance Level		33,738.7
Policy Changes		(36.1)
Anticipated Reversions		(120.0)
Total Expenditures		33,582.6
RESERVES		
Projected Ending Balance	209.2	31.0
Budget Stabilization Account Beginning Balance	-	268.0
Transfer from General Fund and Interest Earnings	268.0	307.0
Transfer from Budget Stabilization To GFS		-
Projected Budget Stabilization Account Ending Balance	268.0	575.0
Total Reserves (Near General Fund plus Budget Stabilization)	477.2	606.0

Fund Transfers, Revenue Legislation and Budget Driven Revenues

(Dollars, In Millions)

	<u>2011-13</u>	<u>2013-15</u>
Fund Transfers		
Public Works Assistance Account	-	394.0
Public Facility Construction Loan Account	-	16.0
Life Sciences Discovery Fund	-	28.0
Local Toxics Account	-	21.0
Treasurers Service Account	1.8	20.0
Data Processing Revolving Account	-	16.1
Legal Services Revolving	-	3.0
Personnel Service Account	-	1.5
Waste Reduction/Recycling/Litter Account	-	11.7
Criminal Justice Treatment Account	-	3.2
Flood Control Assistance Account	-	2.0
Health Benefit Exchange Account (Loan Repayment)		0.7
Elim. Statutory Transfer (Opp. Pathway / School Const.; starts 15-17)		
Transfer To Child/Family Reinvestment	-	(8.0)
Subtotal	1.8	509.1
General Fund: Legislation & Budget Driven		
HB 1971 - Communications Services Reform	-	160.8
HB 1947 - HB Exchange Operations	-	(35.5)
SB 5287 - Eliminating Accounts & Funds	-	0.2
Increased Collection of Existing Sales Tax	-	39.3
Budget Driven: DOR Auditors	-	9.6
Budget Driven: Lottery (To Opp Pathways)	-	2.4
Budget Driven: L&I Elevator Operators	-	1.5
Subtotal	-	178.3
Education Legacy Trust: Legislation & Budget Driven		
HB 2064 - Estate taxes (Bracken Decision)	-	159.3
Subtotal	-	159.3
Total	1.8	846.7

Note: Transfers to the Budget Stabilization Account are displayed on the Balance Sheet.

2013-15 Omnibus Operating Budget**H-2623.3**

(Dollars in Thousands)

	NGF+OpPth	Total
<i>Employee Compensation</i>		
I-732 (K-12 and CTCs)	-320,488	-326,409
State Employee Health Insurance	-16,897	-31,742
Re-Suspend National Board Bonus Inflation	-3,167	-3,167
Coll. Bargained Personal Leave Day	1,133	1,717
Additional Pay Step (Step M)	38,620	66,359
Employee Compensation Total	-300,799	-293,242
<i>K-12 Education</i>		
District Payment Schedule	-142,566	-142,566
ALE Programs	-29,934	-29,934
HB 2776: Reduce/Eliminate Hold Harmless	-24,717	-24,717
Assessment Reforms	-21,088	-21,088
Career & Tech. Ed. MSOC	-18,347	-18,347
ALE Audit Recoveries	-8,925	-8,925
Navigation 101	-5,030	-5,030
Initiative 1240 (Charter Schools)	1,357	1,357
Washington Achievers Scholars	3,000	3,000
Other Increases	4,328	4,353
Struggling Schools	10,281	10,281
Levy Equalization	10,713	10,713
Teacher and Principal Evaluation	20,000	20,000
LAP Expansion	65,663	65,663
HB 2776: Pupil Transportation	89,279	89,279
HB 2776: Expand All Day K	107,939	107,939
HB 2776: Reduce Early Elementary Class	207,857	207,857
Size		
HB 2776: Increase MSOC	434,269	434,269
K-12 Education Total	704,079	704,104
<i>Higher Education Institutions</i>		
Resident Undergraduate Tuition	0	88,214
Institute Studies	75	75
Other Increases	2,333	4,603
UW/WSU: Engineering Enrollment	4,000	4,000
CTC: Aerospace & STEM Enrollment	4,128	4,128
Medical Educ. & Biomedical Research	5,100	6,582
CTC: Student Achievement Initiative	7,500	7,500
Clean Energy Institute	9,000	9,000
Targeted State Support	11,002	11,002
Higher Education Institutions Total	43,138	135,104
<i>Higher Education Financial Aid & Other</i>		
Re-suspend WA Scholars and WAVE	-8,385	-8,385
Re-suspend Health Prof Scholarship	-7,650	-7,650
Re-suspend Future Teachers Schol	-2,000	-2,000
Re-suspend Small Grant Program	-1,032	-1,032
DREAM Act.	100	100

2013-15 Omnibus Operating Budget
H-2623.3
(Dollars in Thousands)

	NGF+OpPth	Total
State Need Grant	29,358	29,358
College Bound	39,153	39,153
Higher Education Financial Aid & Other Total	49,544	49,544
Early Learning & Child Care		
Family Childcare Provider CBA	970	970
Home Visiting Expansion	1,000	3,868
Other Increases	3,980	3,980
Improving Child Care Quality	15,748	15,901
ECEAP	30,679	30,679
Early Learning & Child Care Total	52,377	55,398
Health Care		
Fed Medicaid Expansion/Reform	-318,592	904,481
Continue Hospital Safety Net	-273,226	913,218
Managed Care Rates	-9,389	-18,778
12 Month Dispensing	-4,426	-8,852
HealthPath Washington	-3,509	1,331
DOH Drug Rebates	-3,431	0
Foster Care /Adoption to Managed Care	-1,686	-1,035
Fund Shifts	-1,500	0
Public Health Lab Fund Shift	-1,000	0
Public Health Block Grant	-936	-936
Professional Services Supp. Payment	0	38,000
Health Benefit Exchange Operations	0	109,738
Language Access Provider Agreement	434	607
Health Benefit Exchange	676	676
Align Medicaid Benefit Packages	778	1,556
Other Increases	815	9,221
Sole Community Hospitals	900	1,700
ProviderOne Phase 2 Project	1,811	12,614
Rural Health Clinics	2,000	2,040
HCA: Other Increases	2,353	185,791
Medicaid Eligibility Staffing/Related	2,474	20,018
HBE Cost Allocation	2,486	14,159
Autism Services	4,723	9,446
Adult Dental	23,889	73,680
Health Care Total	-574,356	2,268,675
Corrections and Other Criminal Justice		
Drug Treatment Fund Shift	-4,106	0
Program Savings	-3,168	-3,168
Other Savings	-3,083	-1,531
Centralized Pharmacy	-2,190	-2,190
Drug Task Force	-2,000	-2,000
Residential DOSA	-695	-695
JRA: Other Increases	918	1,301
DOC: Equipment & Related	981	981"

2013-15 Omnibus Operating Budget**H-2623.3**

(Dollars in Thousands)

	NGF+OpPth	Total
Other Increases	1,125	1,033
DOC: Incr Prison Staff Ratio	1,844	1,844
DOC: Other Increases	2,977	2,977
Corrections and Other Criminal Justice	-7,397	-1,448
Total		
<i>Long Term Care, DD, and Mental Health</i>		
Delay Nursing Home Rebase	-31,428	-62,856
AFH Inspections/Fees	-4,175	1,862
Other Savings	-2,092	-1,070
Managed Care Rates	-1,126	-2,252
Walla Walla Veterans Home	777	8,282
Criminal Incompetency	1,298	2,152
Community LTC Behavior Support	1,473	2,833
Protecting Vulnerable Adults	1,524	6,614
Adult Family Home Agreement	1,538	3,044
Individual and Family Services	2,000	2,000
Other Increases	2,105	6,233
MHD: Electronic Medical Records	4,134	4,374
In-Home Provider Fiscal Agent	6,441	26,381
Exception To Rule	6,750	13,338
Mental Health Security Enhancements	7,478	9,563
DD Placements	10,653	18,793
Involuntary Treatment	17,726	27,964
Home Care Worker Compensation (AP & IP)	146,126	292,252
Long Term Care, DD, and Mental Health	171,202	359,507
Total		
<i>Other Human Services</i>		
TANF WCCC Caseload Savings	-126,324	-81,050
ABD/HEN/Housing Changes	-15,000	-15,000
Re-Suspend Paid Family Leave Program	-13,600	-13,600
Other Savings	-2,818	-408
Fund Shifts	-1,633	0
Implement Family Assmnt Rspnse Svcs	-763	15,183
IMD Conversions	-266	4,293
Washington Families Fund	0	2,000
Emergency Assistance	0	5,000
ESD: Next Gen Tax System	0	12,386
Other Increases	1,136	11,867
L&I: Increases	1,526	14,595
Disability Standard Change	2,000	2,000
Childrens: Other Increases	2,261	2,784
Other TANF Increases	3,700	3,700
Extended Foster Care	4,486	6,530
Childrens: Increase CPS Staffing	5,575	7,240
Other Human Services Total	-139,720	-22,480"

2013-15 Omnibus Operating Budget**H-2623.3**

(Dollars in Thousands)

	NGF+OpPth	Total
<i>Natural Resources</i>		
State & Local Toxic Related Shifts	-29,640	0
ALEA Related Shifts	-7,005	0
Fund Shifts	-4,878	0
Reduce Watershed Planning Asst.	-2,873	-2,873
PILT Adjustment	-2,073	-3,455
Other Savings	-300	-3,920
Litter Account Reduction	0	-8,931
Marine Spatial Planning	0	-500
Other Increases	1,812	39,389
State Support of State Parks	23,858	23,858
Natural Resources Total	-21,099	43,568
<i>All Other</i>		
Lean Management	-20,000	-20,000
Use Judicial Stabilization Account	-11,793	0
E911 Account Use for Public Safety	-10,842	0
Susp Loc Publ Safety Acct Transfer	-10,000	-10,000
Performance Audit Acct Use	-9,641	0
Fund Shifts	-9,308	0
DCOMM: Other Savings	-7,263	-7,263
Information Technology Savings	-5,000	-5,000
Other Savings	-4,751	-18,103
Innovate WA	-4,609	-4,609
Death Investigation Shifts	-4,226	0
Election & Voters' Pamphlet Savings	-800	-800
DES Savings	0	-20,158
Voter Registration & Online Service	0	-5,314
Legal Services Reduction	0	-3,005
Initiative 502 (Marijuana)	0	2,507
Growth Mgmt Grants	0	4,202
Time, Leave & Attendance System	0	8,013
Next Generation 911 Capability	0	9,000
State Data Center Operations	0	34,404
Initiative 1183 (Liquor)	1,004	1,004
Judicial Increases	1,024	19,022
Central Services	1,538	5,324
Parents Representation Program	3,378	3,378
DCOMM: Other Increases	3,523	5,061
Other Increases	4,813	46,627
Pacific Hospital	4,850	4,850
Disaster Response Account	7,600	11,369
DOR: IT Projects	7,745	12,598
Communications Tax/Prog Changes	24,558	26,854
Debt Service for New Capital Projects	25,087	25,087
All Other Total	-13,113	125,048
Grand Total	-36,144	3,423,778

2011-13 Revised Omnibus Operating Budget (2013 Supp)**H-2623.3**

(Dollars in Thousands)

	NGF+OpPth	Total
<i>Policy Changes</i>		
Earn Federal TANF Contingency Funds	-32,472	0
Other TANF Related Items	-20,000	-65,274
HEN Underexpenditures	-12,000	-12,000
Other Savings	-6,855	-9,000
Underexpenditures in DSHS/Childrens	-4,500	-4,500
Autism Services	369	738
Initiative 1240 (Charter Schools)	527	607
Other Increases	11,096	56,389
Wildfires	44,073	44,073
Policy Changes Total	<u>-19,762</u>	<u>11,033</u>

Four Year Budget Outlook (NGFS + Opportunity Pathways)

(Dollars in Millions)

	<u>2011-13</u>	<u>2013-15</u>	<u>2015-17</u>
Beginning Balance	-60	210	31
Resources			
March Revenue Forecast	31,006	32,865	35,725
Enacted Revenue Transfers	379	0	0
Transfers to Budget Stabilization Account	-268	-307	-353
Fiscal Year 12 Adjustment to State CAFR	-5	0	0
Working Capital Reserve Adjustment	238	0	0
Fund Transfers	2	509	196
General Fund: Legislation & Budget Driven	0	178	181
HB 2064 - Estate taxes (Bracken Decision)	0	159	78
Total Resources	31,291	33,614	35,858
Expenditures			
Maintenance Level	31,268	33,739	35,711
Policy Total (incl. 13-15 items continued into 15-17)	-20	-36	88
Assumed Reversions	-166	-120	-120
Total Resources	31,082	33,583	35,678
Projected GFS Balance	210	31	179
Budget Stabilization Account (BSA)			
Beginning Balance	0	268	575
New Deposits	268	307	353
Withdrawals	0	0	0
Projected BSA Balance	268	575	928

2013

2015



Washington State House of Representatives
Office of Program Research