



**PROPOSED SENATE
2013-15
OPERATING BUDGET**

OVERVIEW

**ESSB 5034
STRIKING
AMENDMENT**

**SENATE WAYS & MEANS COMMITTEE
JUNE 8, 2013**

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THE SENATE 2013-15 BUDGET SOLUTION

STATE FISCAL PICTURE FOR 2013

According to the state forecast economist, Washington's recovery from the 2007-09 economic recession lags significantly behind other post-recession recoveries; the state's revenue collections returned to pre-recession levels five years after the beginning of the recession. By comparison, the 2001 recession saw revenue recovery three years after its onset. Based on the slowly recovering economy and the relatively flat March 2013 revenue forecast change for the 2013-15 biennium, the baseline deficit based on the costs of maintaining current programs and services is estimated at approximately \$900 million.

The Senate budget also makes several policy level enhancements, primarily in education. These include: (1) over \$1 billion for K-12 education by continuing the phase-in of HB 2776 requirements and enhancing other basic education programs; (2) making over \$100 million in policy level enhancements in state funding for higher education; and (3) \$23 million for expanded preschool through the Department of Early Learning.

In total, based on the assumptions used in the development of the Senate budget, there is a projected \$2.4 billion deficit for the upcoming 2013-15 biennium. The Senate budget solution includes leaving approximately \$597 million in reserves.

SOLVING THE \$2.4 BILLION BUDGET PROBLEM

The Senate's budget proposal solves the \$2.4 billion shortfall in the 2013-15 biennium through: (1) \$1.9 billion in spending controls and savings; (2) \$202 million in fund transfers; (3) \$262 million of capital budget and other revenue redirections, and (4) \$63 million of other resource changes.

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

2013-15 BUDGET SAVINGS - \$1.9 BILLION

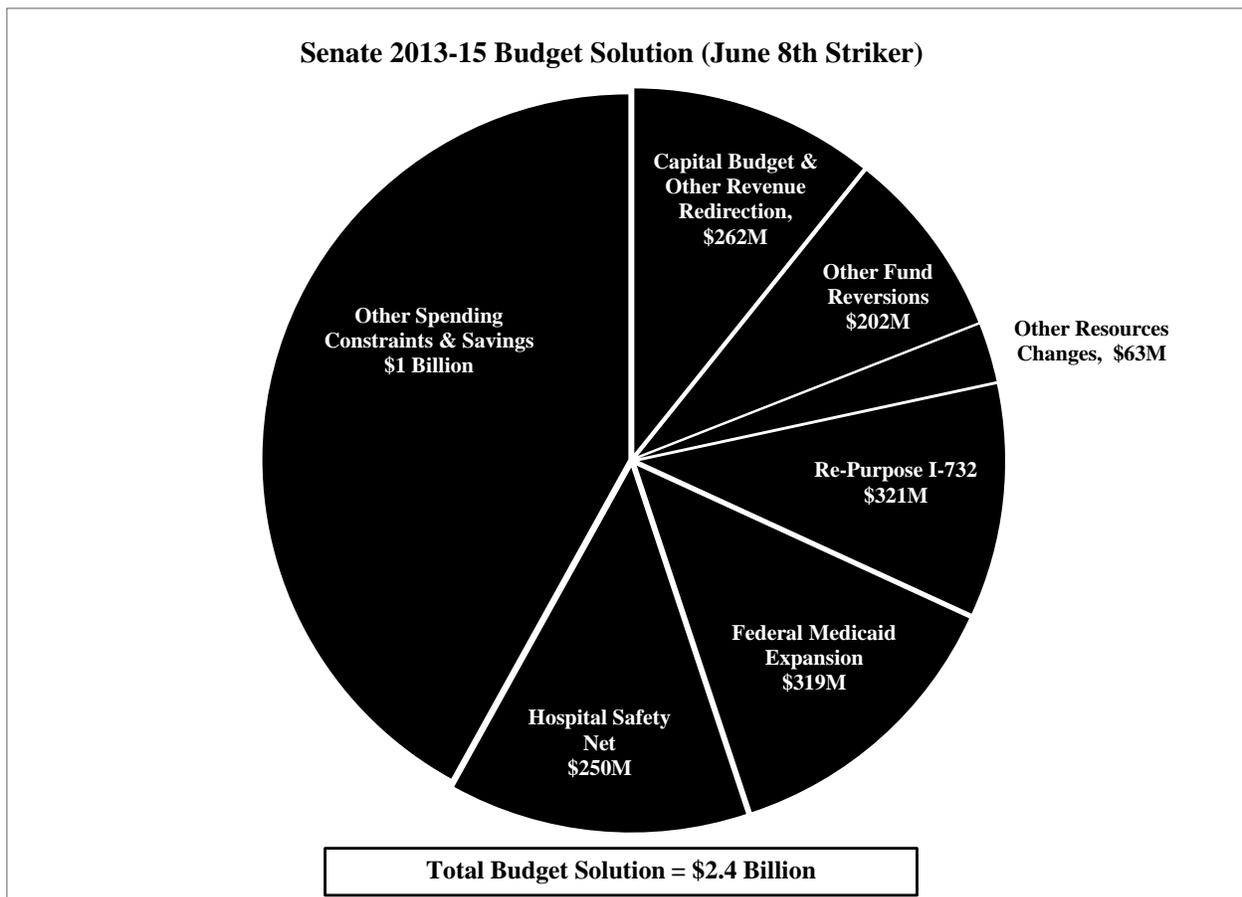
Major spending constraints in the Senate budget include: (1) \$321 million by Re-Purposing Initiative 732; (2) \$318 million through federal Medicaid expansion; (3) \$250 million by temporarily extending the hospital safety net; (4) \$124 million in administrative efficiencies; (5) \$55 million in savings by aligning health benefit eligibility for state, higher education and K-12 employees with the federal Affordable Care Act; (6) \$113 million in changes to the Housing and Essential Needs (HEN) program and support for the Aged, Blind and Disabled (ABD); and (7) \$147 million in caseload and policy changes affecting Temporary Assistance to Needy Families (TANF) and Working Connections Child Care (WCCC).

The remaining \$586 million in savings reflect changes in all areas of government.

CAPITAL BUDGET/OTHER REVENUE REDIRECTION & OTHER RESOURCE CHANGES - \$502 MILLION

The Senate budget makes \$465 million in transfers from various funds to maximize General Fund-State resources. Some of the largest transfers include a permanent redirection of \$262 million in capital budget resources and other revenue. Additionally, \$202 million in other fund transfers and reversions are made. The largest fund transfers include \$46 million from the Life Science Discovery Fund, \$46 million from the Public Works Assistance Account and \$20 million from the State Treasurer's Service Account.

The Senate budget assumes a net increase of \$63 million in new revenues. This increase results from a combination of \$11 million in legislation reducing revenue and \$74 million in legislation/budget actions increasing revenue. The latter includes: (1) \$42 million from additional efforts around the collection of existing use taxes; (2) \$7.1 million from enhanced liquor revenue collection by the Department of Revenue; and (3) \$25.3 million from a 50 percent reduction in the amount of liquor excise tax distributed to local governments.



MAKING THE BUDGET SUSTAINABLE

The actions taken in the Senate budget reflect the provisions of Chapter 8, Laws of 2012, 1st Special Session (SSB 6636) which require the budget be balanced for the fiscal period for which the budget is

written as well as the succeeding fiscal biennium. This budget proposal meets that requirement leaving projected total reserves of approximately \$597 million at the end of the 2013-15 biennium and \$1.4 billion at the end of the 2015-17 biennium. See Appendix C for more information.

Part of the budget sustainability is created by an education financing plan that redirects capital budget resources and other revenue to the Education Legacy Account (\$262 million), re-purposes Initiative 732 to K-12 funding (\$321 million) and establishes spending limits on non-education programs. See Appendix D for more information.

ADDITIONAL REVENUE AND EXPENDITURES

In addition to the adjusted expenditures in the proposed striking amendment to ESSB 5034, the revised Senate budget plan includes three pieces of separate legislation dealing with additional revenue and spending.

First, SB 5871 converts the nonresident sales tax exemption into a remittance program and generates \$47.3 million in the 2013-15 biennium. Out-of-state residents must pay the sales tax, but may apply to the Department of Revenue (DOR) once each calendar quarter for a refund of Washington sales taxes paid in the prior calendar year. Remittance claims must exceed \$25.

Second, PSSB 5872 (restoring the estate tax) amends the definition of "transfer" to specifically include property where the decedent economically benefitted in the property. The definition of "Washington taxable estate" is modified to include an interest in QTIP regardless of when the property interest was acquired. The current applicable exclusion amount is increased by the Seattle consumer price index, beginning in 2014. The high end of the graduated rate schedule that is applied to the Washington taxable estate is increased from 19 to 20 percent. The value of qualifying family owned business interests is deducted from the estate tax when acquired by a family member. The estimated \$160 million in additional revenue is appropriated for: (1) the housing and essential needs program; (2) for allocation to state agencies by the office of financial management to restore a portion of the funding reductions reflecting state agency administrative efficiencies; (3) to restore incapacity evaluations and supplemental security income facilitation services; and (4) to restore and continue the aged, blind, and disabled cash programs.

Third, SSB 5873 (telecommunication taxation reform) eliminates the sales tax exemption on land lines, requires the collection of E-911 taxes on prepaid phones by the retailer, eliminates the taxes for WTAP and TRS and funds for 5 years a state universal communications services program. The legislation is estimated to generate approximately \$85 million in net revenue in the 2013-15 biennium. The bill uses the revenues raised to make appropriations for: (1) vendor rate increases for child care providers; (2) funding an information technology project dealing with in-home care providers; (3) a judicial information case management systems funding for the courts; (4) restoring civil legal aid services; (5) restoring a portion of the health insurance subsidy for certain state and school retirees; (6) fully funding adult dental services; and (7) restoration of central service agency funding.

Senate June 8 Striking Amendment Balance Sheet
(Near GF-S & Opp Pathways in Millions)

	<u>2011-13</u>	<u>2013-15</u>
Beginning Balance	(60)	219
Revenue		
November Revenue Forecast	30,935	33,044
March Forecast Change	74	(19)
Bracken Decision	(3)	(160)
Total Revenue	<u>31,006</u>	<u>32,865</u>
Other Resource Changes		
Transfers To The Budget Stabilization Account	(268)	(307)
Other Previously Enacted Fund Transfers	379	-
2012 Adjustment to Working Capital Reserve (SHB 2822)	238	-
Other Adjustments (CAFR, Child Reinvestment Transfer)	(5)	(6)
Property Tax to Education Legacy (2014-2018-50%, 100% After)	-	-
Repurpose Initiative 732	-	-
Capital Budget & Other Revenue Redirection	-	262
Other Fund Transfers & Reversions	2	203
Budget Driven Revenue	-	7
Revenue Legislation	-	(11)
Collection of Existing Use Tax	-	42
Liquor Excise Tax	-	25
Other Resource Changes	<u>346</u>	<u>215</u>
Total Resources	<u>31,291</u>	<u>33,299</u>
Spending		
2011-13 Enacted Budget/2013-15, 2015-17 ML	31,249	33,736
2013 Supplemental Budget	(11)	-
2013-15 Policy Level Changes (Net)	-	(338)
Actual/Projected Reversions	(166)	(120)
Total Spending	<u>31,072</u>	<u>33,278</u>
Ending Balance & Reserves		
<i>Unrestricted Ending Fund Balance</i>	219	21
<i>Budget Stabilization Account Balance</i>	268	576
Total Reserves	<u>488</u>	<u>597</u>

FUNCTIONAL AREAS OF GOVERNMENT

K-12 PUBLIC SCHOOLS

OVERVIEW

The Senate budget increases funding for K-12 public schools in the 2013-15 biennium by \$1.5 billion compared to current biennium funding. This represents an increase of 11 percent, compared to K-12 enrollment growth of 0.9 percent. The budget provides state funding of \$7,728 per-pupil for the 2014-15 school year, a 14 percent increase over the state funding level of \$6,782 per-pupil in the current school year.

The budget fully funds school districts' documented costs of pupil transportation to and from school and for materials, supplies, and operating costs (MSOC). The budget continues to phase in funding for full-day kindergarten in high-poverty schools.

Additionally, funding for under-achieving students is nearly doubled. The Learning Assistance Program (LAP) allocations are increased and the Senate budget assumes reforms to the program requiring allocations to be spent on educational strategies that have been shown, through research, to be effective.

INCREASES

FULL FUNDING OF MATERIALS, SUPPLIES, AND OPERATING COSTS (MSOC) - \$521.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

The budget allocates funding to schools for operating costs through a per-student formula for materials, supplies, and operating costs (MSOC). SHB 2776 (Chapter 236, Laws of 2010) set targets for enhancements to, among other areas, state allocations for MSOC. The statutory targets were based on data collected by OSPI about costs incurred by school districts. Target MSOC rates are re-based to the reported 2011-12 school year actuals, adjusted for inflation. State allocations for the 2013-14 school year are increased over maintenance level by \$83.65 which represents a 17 percent enhancement. For the 2014-15 school year, state allocations are increased over maintenance by \$500.42 per student, which represents an 87 percent increase over maintenance level and fully funds districts' actual costs.

LEARNING ASSISTANCE PROGRAM (LAP) - \$240.8 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Basic-education funding for the Learning Assistance Program (LAP) for under-achieving students is nearly doubled. The LAP increases are coupled with program reforms specified in Engrossed Second Substitute Senate Bill 5330 (improving student achievement and outcomes) requiring LAP funds to be used for interventions and activities for which there is evidence, through research, that they are effective in improving academic achievement.

FULL FUNDING OF PUPIL TRANSPORTATION - \$197.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

The transportation funding formula was revised as part of the reform package under Chapter 548, Laws of 2009 (ESHB 2261). The new formula was effective September 1, 2011, and phases in full funding of the cost of transporting students "to and from school" as part of basic education. The formula requires state allocations to be calculated using a regression analysis of major cost

factors that are expected to adjust the prior year's actual pupil-transportation costs. The new funding formula is fully funded and implemented beginning in the 2013-14 school year.

FULL-DAY KINDERGARTEN- \$41.1 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding for statewide full-day kindergarten is to be phased-in on a schedule set by the Legislature, beginning with schools with the highest percentage of low-income students, until full statewide implementation is achieved in the 2017-18 school year. Once fully implemented, full-day kindergarten will be part of the program of basic education. Funding for full-day kindergarten is expanded from the current 22 percent of kindergarten enrollment to 30 percent in the 2013-14 school year and to 35 percent in the 2014-15 school year, with first priority to those elementary schools with the highest percentage of students eligible for the federal Free and Reduced-Price Lunch program.

TRANSFORMING PERSISTENTLY FAILING SCHOOLS - \$10.3 MILLION NEAR GENERAL FUND-STATE

In April, the Legislature enacted Engrossed Second Substitute Senate Bill 5329, transforming persistently-failing schools, which directs the Office of Superintendent of Public Instruction (OSPI) to design a system of support, assistance, and intervention for schools in need of improvement – including persistently lowest-achieving schools. Grant funds are appropriated, beginning in the 2014-15 school year, to implement school improvement models in the lowest achieving schools.

TEACHER EVALUATION TRAINING - \$10.2 MILLION NEAR GENERAL FUND- STATE

Chapter 35, Laws of 2012 implemented, statewide, the principal and teacher evaluation system begun as pilots two years previously. Funding was provided to train all administrative staff in the new system and for a professional development program for teachers, including a comprehensive on-line training package. The teacher training base-budget funding is enhanced.

BILINGUAL STUDENT TRANSITION - \$5.7 MILLION NEAR GENERAL FUND- STATE

Additional, non-basic education funding is provided for students who exit the transitional bilingual instructional program (TBIP) the prior school year. The funding begins in the 2014-15 school year, is based on the cost of 3.0 additional hours of instruction per week, and must be used to provide academic support for exited students, if needed, or may be used within the TBIP.

STRATEGIC INNOVATION GRANT - \$5.0 MILLION NEAR GENERAL FUND- STATE

A Strategic Innovation Grant program is created, providing funds to school districts to help implement compensation systems that are evidence-based and research-based. Grants will provide incentives for hard-to-fill subject areas and challenging schools' assignments, among others.

MAJOR SAVINGS

CAREER & TECHNICAL EDUCATION (CTE) MSOC - \$49.2 MILLION NEAR GENERAL FUND-STATE

The biennial omnibus budget establishes MSOC rates for certain programs of instruction including skills center education and career and technical education (CTE) programs. MSOC rates for CTE enrollments are re-based to school districts' reported 2011-12 school year actuals, with restoration of a 15 percent withholding for central administration, and adjusted for inflation for the 2013-14 and 2014-15 school years. In addition a rate floor is established whereby if, at any time, the general education MSOC rate is higher than the calculated CTE MSOC rate, the general education rate will be provided instead. This results in a CTE MSOC rate that is 33

percent lower in the 2013-14 school year than the 2012-13 school year, and 22 percent lower in the 2014-15 school year. Compared to the general education rate, the 2013-14 CTE rate will be 44 percent higher and the 2014-15 rate will be equivalent.

CONSOLIDATE GRANTS & PROGRAMS - \$37.2 MILLION NEAR GENERAL FUND- STATE REDIRECTED FUNDS

The Senate budget eliminates earmarked funding for a number of grants and initiatives. The increase in Learning Assistance Program (LAP) includes an enhancement of an equivalent amount of funding. In the 2013-15 biennium, districts may use LAP funds for those programs for which there is research-based evidence of effective student outcomes, consistent with Engrossed Second Substitute Senate Bill 5330, improving student achievement and student outcomes. School districts may coordinate implementation of the programs statewide, regionally, or individually. However, the programs or initiatives are not a component of the basic education program and do not represent an individual entitlement to any particular student.

ASSESSMENT REFORM - \$17.1 MILLION NEAR GENERAL FUND-STATE SAVINGS

The Senate budget assumes implementation, by the 2014-15 school year, of the comprehensive English language arts and mathematics assessments developed by the multi-state Smarter Balance Assessment Consortium. The mathematics end-of-course (EOC) assessments are not administered after the 2014-15 school year. After a transition period from the current assessments, for high-school graduation purposes, the graduating class of 2018 must meet the state standard on the Smarter Balance English language arts and mathematics assessments.

EARLY LEARNING

OVERVIEW

The Department of Early Learning (DEL) administers a number of programs related to assisting children from birth to five. The Department's Near General Fund budget will increase by slightly less than 20 percent in the 2013-15 biennium in the Senate budget proposal. The majority of that increase is in the Early Childhood Education and Assistance Program (ECEAP), which is the largest state funded program in the Department of Early Learning and the Senate's most important early learning priority.

INCREASES

INCREASE ECEAP PROGRAM BY 10 PERCENT - \$22.4 MILLION GENERAL FUND-STATE

The Senate budget increases ECEAP slots and reimbursement rates by 10 percent. ECEAP slots will increase by 860 slots while increasing the average reimbursement from \$6,800 to \$7,500. Funding is also provided for the Washington State Institute of Public Policy (WSIPP) to conduct a comprehensive evaluation of the ECEAP program and provide recommendations for program improvements. DEL is also provided with additional staffing to enhance oversight of the program.

INCREASE HOME VISITING SERVICES - \$1 MILLION GENERAL FUND-STATE

The Senate budget provides \$1million in state funds to expand research-based home visiting services. These funds are primarily contracted through the public-private partnership Thrive by Five, which provides private matching funds for state and federal home visiting resources.

CONTINUE DEVELOPMENT OF ELECTRONIC TIME AND ATTENDANCE AND PAYMENT SYSTEM FOR CHILD CARE - \$1.4 MILLION GENERAL FUND-STATE

Funding is provided to continue implementation of a state-wide system for tracking the provision of subsidized child care and making payments to providers. Funding is also provided to develop an electronic process for applying for subsidized child care. These systems will assist in eliminating overpayments and fraud.

MAJOR SAVINGS

ADMINISTRATIVE AND SMALL PROGRAM REDUCTIONS - \$1.7 MILLION GENERAL FUND-STATE SAVINGS

Savings are achieved through discontinuing state funding for the Child Care Resource and Referral, which is primarily funded with federal resources (\$1.1 million) and eliminating training for Friend and Neighbor care providers (\$100,000). Savings are also achieved through applying LEAN management techniques to reduce administrative expenses.

HIGHER EDUCATION

OVERVIEW

Core academic functions of higher education are funded with state funds (Near General Fund plus Opportunity Pathways Account) and tuition. In the 2011-13 biennium, these two sources together provided \$5.1 billion for the higher education system, which includes financial aid. In state funds alone, approximately \$2.7 billion was appropriated for the higher education system and, of this amount, approximately \$2.1 billion (78 percent) was appropriated to the public colleges and universities.

Tuition increases during this period were budgeted to be 16 percent each year at the University of Washington, Washington State University, and Western Washington University; 14 percent each year at Central Washington University and The Evergreen State College; 11 percent each year at Eastern Washington University; and 12 percent each year at the community and technical colleges. Although with passage of Engrossed Second Substitute House Bill 1795 (higher education opportunity act) in 2011, four-year institutions of higher education were given tuition setting authority for resident undergraduate students through the 2017-19 biennium, only one institution, the University of Washington, opted to invoke their tuition-setting authority and increased tuition for resident undergraduates by 20 percent for the 2011-12 academic year, rather than the 16 percent that was budgeted by the Legislature.

For the 2013-15 biennium, a total of \$3.0 billion in state funds is appropriated in support of the higher education system; \$2.4 billion (78 percent) of which is appropriated to the public colleges and universities. Compared to the 2011-13 biennium, this represents a 11.5 percent increase in state funds to the institutions of higher education and a 11.2 percent increase in state funds to the higher education system overall. With this level of funding, the Senate's budget:

- Assumes no increases in resident undergraduate tuition rates for the 2013-15 biennium;
- Provides \$58 million to support the core academic functions of the institutions of higher education;
- Distributes \$50 million in funding in recognition of the performance of the institutions of higher education in meeting statewide goals and objectives relating to retention and completion; and

- Funds commitments in the College Bound Scholarship Program.

INCREASES

HIGHER EDUCATION FUNDING - \$58.2 MILLION GENERAL FUND-STATE

Funding is provided to support the core academic functions of the institutions of higher education.

PERFORMANCE FUNDING - \$50.0 MILLION GENERAL FUND-STATE

Funding is provided in recognition of the institutions of higher education performance in support of statewide goals relating to student retention and degree completion.

COLLEGE BOUND - \$33.7 MILLION GENERAL FUND-STATE; \$1.0 MILLION OTHER FUNDS

Funding is provided for College Bound Scholarship payouts anticipated in the 2013-15 biennium, which includes College Bound students receiving priority for State Need Grant funds.

ADDITIONAL DEGREE PROGRAMS - \$7.8 MILLION GENERAL FUND-STATE; \$1.9 MILLION TUITION

Funding is provided for the Washington State University to expand their medical programs in Spokane. Within available resources, Washington State University will also reestablish a forestry degree program. With state funds, the SBCTC will create two applied baccalaureate degree programs that support the continuation of secondary education programs in science, technology, engineering, and math pursuant to Second Substitute Senate Bill 5624 (STEM or career and tech ed) and will establish a maritime industries training program at South Seattle Community College.

OCEAN ACIDIFICATION - \$1.1 MILLION STATE TOXICS CONTROL ACCOUNT; \$0.7 MILLION AQUATIC LANDS ENHANCEMENT ACCOUNT

Funding is provided to establish the Center on Ocean Acidification within the University of Washington to coordinate and conduct research to understand, monitor, and adapt to increasingly acidic waters.

MAJOR SAVINGS

RE-SUSPEND FINANCIAL AID PROGRAMS - \$19.1 MILLION GENERAL FUND-STATE SAVINGS

Savings are achieved by continuing the 2011-13 biennial suspension of new awards in the Washington Scholars and Washington Award for Vocational Excellence (WAVE) programs; the health professionals and future teacher conditional scholarship programs; and suspension of the Community Scholarship Matching Grant Program, state contributions to 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.

EMPLOYEE COMPENSATION

INCREASES

RESTORE TEMPORARY SALARY REDUCTIONS FOR K-12 PUBLIC SCHOOL EMPLOYEES - \$166 MILLION NEAR GENERAL FUND-STATE

State salary allocations for K-12 public school employees were temporarily reduced for the 2011-12 and 2012-13 school years. The temporary reductions were 1.9 percent for classified and certificated instructional staff and 3.0 percent for certificated administrative staff. The temporary reductions are restored for the 2013-14 and 2014-15 school years.

RESTORE THREE PERCENT SALARY REDUCTION FOR STATE EMPLOYEES; RESTORE RELATED HIGHER EDUCATION FUNDING REDUCTION -- \$171 MILLION NEAR GENERAL FUND-STATE

Funding is provided to restore the three percent salary reduction for state employees earning more than \$2,500 per month, and to restore related higher education funding reductions.

FUND COLLECTIVE BARGAINING AGREEMENTS FOR STATE EMPLOYEES - \$ 39.7 MILLION NEAR GENERAL FUND-STATE

All state and higher education employee collective bargaining agreements negotiated pursuant to chapter 41.80 RCW for the 2013-2015 biennium are ratified. Included in the compensation provisions are a new step M (2.5% increase) for the general service salary schedule, and personal leave day backfill funding. Higher education appropriations, including the funding to restore the three percent reduction from 2011-13, provide sufficient funding for implementing the higher education agreements.

RETIREMENT - INCREASE RETIREMENT CONTRIBUTION RATES AS RECOMMENDED BY THE STATE ACTUARY - \$245 MILLION NEAR GENERAL FUND-STATE

Funding is provided to increase employer contribution rates for state retirement plans, including increased contributions towards the PERS 1 and TRS 1 unfunded liabilities, consistent with recommendations of the Office of the State Actuary.

MAJOR SAVINGS

RE-PURPOSE INITIATIVE 732 COST-OF-LIVING ADJUSTMENTS (COLAs) - \$320.7 MILLION NEAR GENERAL FUND-STATE SAVINGS

Initiative 732 (I-732) provides an annual cost-of-living (COLA) increase for K-12 public school, community and technical college, and other education employees based on the Seattle Consumer Price Index (CPI) for the prior calendar year. The 2011-13 budget suspended I-732. In the Senate proposal, the I-732 provisions are repealed and the amounts that otherwise would have been allocated for that purpose are re-purposed for education enhancements.

HEALTH BENEFITS - ALIGN K-12 EMPLOYEE ELIGIBILITY WITH THE FEDERAL AFFORDABLE CARE ACT - \$ 46 MILLION NEAR GENERAL FUND- STATE SAVINGS

Savings are achieved by reducing insurance allocations for part-time K-12 employees beginning in the 2014-15 school year to more closely align with the employer shared responsibility requirements of the federal Affordable Care Act. Beginning January 1, 2014, part-time employees who are not eligible for employer-provided health benefits will be eligible, depending on their household income, for federal premium credits and out-of-pocket subsidies provided through the Washington Health Benefit Exchange. \$10 million of the savings from reducing insurance

allocations for part-time K-12 employees for the 2014-15 school year are provided to school districts to reimburse part-time employees for Washington Health Benefit Exchange premium costs.

HEALTH BENEFITS - ALIGN STATE AND HIGHER EDUCATION EMPLOYEE ELIGIBILITY WITH THE FEDERAL AFFORDABLE CARE ACT - \$ 8.4 MILLION NEAR GENERAL FUND-STATE SAVINGS

Savings are achieved by aligning the insurance benefit eligibility rules for part-time state and higher education employees with the employer shared responsibility requirements of the federal Affordable Care Act beginning July 1, 2014. Employees who work less than full-time as defined by federal rules will not be eligible for coverage under the Public Employees Benefits Board (PEBB) plans, and will thereby become eligible, depending on their household income, for federal premium credits and out-of-pocket subsidies provided through the Washington Health Benefit Exchange beginning January 1, 2014. \$ 2.5 million of the savings from the eligibility change are provided to reimburse part-time employees for Washington Health Benefit Exchange premium costs.

HEALTH BENEFITS - CONTRIBUTION RATE REDUCTION - \$ 64.2 MILLION NEAR GENERAL FUND-STATE SAVINGS (\$46.1 MILLION STATE SAVINGS; \$18.1 MILLION K-12 SAVINGS)

Savings are achieved from reductions in state contributions for employee insurance benefits resulting from favorable claims experience, adjusting the premium subsidy provided to state and K-12 retirees covered by Medicare, charging a \$25 per month premium surcharge to state and higher education PEBB members who smoke or use other tobacco products, and charging a \$50 per month surcharge to PEBB members who cover a spouse where the spouse is eligible for coverage in his or her employer health plan.

RETIREMENT - ESTABLISH A NEW DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN OPTION FOR PUBLIC EMPLOYEES. (SSB 5851) -\$2.3 MILLION NEAR GENERAL FUND STATE SAVINGS

SSB 5851 establishes a new defined contribution retirement savings plan option for public employees. Savings are achieved from reductions in state agency and K-12 employer contributions.

LOW-INCOME MEDICAL ASSISTANCE

OVERVIEW

The Senate budget striking amendment authorizes \$11.9 billion in spending during the 2013-15 biennium to cover all or part of the cost of medical and dental care for an average of 1.5 million low-income children and adults each month. \$4.3 billion of the \$11.9 billion is the state general fund share and represents approximately 13 percent of total General Fund-State spending.

The 2013-15 Senate budget state general fund spending is \$224 million (5 percent) more than the current biennium, but through efficiencies and other offsets, \$493 million (10 percent) less than the amount needed to maintain current service coverage and payment policies through 2015.

The Senate budget saves state spending primarily through expanding Medicaid under federal health care reform, extends but phases down the Hospital Safety Net Assessment program, and makes changes to managed care premiums.

INCREASES

FEDERAL HEALTH REFORM WELCOME MAT EFFECT AND OTHER FEDERAL CHANGES - \$65 MILLION GENERAL FUND-STATE, \$225 MILLION OTHER FUNDS

The state will incur costs as a result of federal health care reform, regardless of whether the state chooses to expand Medicaid. The state will incur costs from persons who are currently eligible for Medicaid but not enrolled and who will enroll as a result of individual mandate, increased outreach, and simplification of eligibility rules. By fiscal year 2015, the welcome mat effect is expected to include approximately 44,500 people.

ADULT DENTAL: PREVENTATIVE AND DENTURES - \$13.3 MILLION GENERAL FUND-STATE, \$28.3 MILLION OTHER FUNDS

The Senate proposal restores fillings, root canals, and other restorative dental benefits for low income adults who are not currently eligible for this benefit beginning January 1, 2014.

SOLE COMMUNITY HOSPITALS - \$2.0 MILLION GENERAL FUND-STATE, \$2.0 MILLION OTHER FUNDS

Sole Community Hospitals are anticipated to receive additional funding under the Hospital Safety Net Assessment program, the Senate proposal provides additional funding for Medicaid services to Sole Community Hospitals to keep their services available in rural areas.

MAJOR SAVINGS

FEDERAL MEDICAID - \$318 MILLION GENERAL FUND-STATE SAVINGS, \$1.2 BILLION OTHER FUNDS

As a state option, the Senate proposal expands Medicaid coverage to include all legal residents with adjusted gross family incomes below 138 percent of the federal poverty level beginning January 1, 2014. Full Medicaid expansion, including the welcome mat population, is expected to increase the persons covered by the state Medicaid program by ~280,900 people in 2015. This is a 22% increase over the current forecasted levels for 2015 without federal health reform effects.

The Senate proposal is able to save \$316 million state general fund spending by streamlining and reducing duplicate coverage or services provided under federal health care reform. These programs and services are provided across several agencies including the Health Care Authority (\$239 million), Department of Social and Health Services (\$66 million), Department of Health (\$8.3 million) Department of Corrections (\$2.1 million), and the Department of Labor and Industries (\$1 million).

HOSPITAL SAFETY NET ASSESSMENT PROGRAM - \$238 MILLION GENERAL FUND-STATE SAVINGS, \$815M OTHER FUND INCREASES

The Hospital Safety Net Assessment program is set to expire on July 1, 2013. Funding is provided restoring the program for a six-year period. Savings are achieved by allowing the state to use Safety Net funds in lieu of the state general fund for Medicaid hospital services. The program will be incrementally decreased over the six years to zero at its expiration. The phase-down of this program coincides with the ramp up of federal health care reform enrollment to a steady state with normal growth.

MANAGED CARE CHANGES - \$20.4 MILLION GENERAL FUND-STATE SAVINGS, \$18.1 MILLION OTHER FUND SAVINGS

The Senate proposal changes managed care in three ways to achieve savings and provide for administrative simplicity.

1. The current Medicaid managed care contract rates are expiring in December 2013 and will be renegotiated with the state. Savings and efficiencies are achieved by the Health Care Authority negotiating contract extensions for managed care premiums for the Health Options Blind Disabled population to the weighted average of the four least expensive plans effective January 1, 2014 (\$18 Million General Fund-State Savings);
2. Starting January 1, 2014, savings are achieved by moving foster children and adoptive children from medical care delivered through fee-for-service to managed care (\$1.7 Million General Fund-State savings); and
3. Starting January 1, 2014, Federally Qualified Health Centers (FQHC) and Rural Health Centers (RHC) enhancement payments are rolled into the per member per month payment to managed care plans. While no savings is assumed, this shift in payment policy should be less administratively burdensome for the clinics and the Health Care Authority.

LONG TERM CARE, DEVELOPMENTAL DISABILITIES

OVERVIEW

The Aging and Long-Term Support (formerly Long Term Care or LTC) and Developmental Disability Administration (formerly Division of Developmental Disabilities or DDD) program areas within the Department of Social and Health Services (DSHS) are often discussed together. These two administrations operate very similar programs, use some of the same providers, and serve similar clients. In the Senate striking amendment, these two programs combined account for approximately \$2.8 billion in General Fund-State expenditures for the 2013-15 biennium.

The Senate budget includes funding for 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. Through maintenance level, the general fund-state appropriation for these programs increased a little over six percent from the 2011-13 level and the most significant cost driver at carryforward level and maintenance level are the caseload and percapita cost increases for the forecasted caseloads. The Senate budget has additional policy level increases, mostly due to fully funding the homecare worker arbitration award such that the ending budget for LTC and DDD is slightly more than a ten percent increase over the 2011-13 budget.

INCREASES

ARBITRATION AWARD FOR INDIVIDUAL PROVIDERS - \$113 MILLION GENERAL FUND-STATE

The 2013-15 arbitration award for homecare individual providers is fully funded. This includes wage and health care increases in both years of the biennium, a paid holiday, an increase in the number of miles for which providers can be reimbursed, and pay differentials for workers who obtain certification and who complete advanced training.

ARBITRATION AWARD AGENCY PARITY - \$33 MILLION GENERAL FUND-STATE

Current statute requires that agency homecare workers receive parity to the economic items awarded to the individual providers. The Senate budget fully funds the agency parity with the arbitration award described above.

ADDITIONAL CLIENT CAPACITY - \$14 MILLION GENERAL FUND-STATE

In addition to the formally forecasted caseload items, the Senate budget funds additional client capacity in both the DDD and LTC programs. Medicaid waiver slots for all students transitioning from high school during the 2013-15 biennium are funded as are nursing facility slots for the newly constructed Veteran's Home in Walla Walla.

MAJOR SAVINGS

NURSING HOME RATE CHANGES - \$36 MILLION GENERAL FUND-STATE SAVINGS

The planned rebase of nursing home cost reports to a more recent year is delayed for the entire biennium. Two rate component add-ons, the comparative add-on and the acuity add-on, which were established in 2011 are extended. The result is nursing facility Medicaid rates will essentially remain at current levels.

ADULT FAMILY HOME LICENSE FEES - \$4 MILLION GENERAL FUND -STATE SAVINGS

The Senate budget assumes a \$50 per bed increase in the adult family home license fee. Unlike several other residential providers, the regulatory program for adult family homes (licensure, inspection, complaint investigation, etc.) is partially subsidized with a general fund state appropriation. The proposed increase will result in license fee revenue supporting about 60 percent of the state funded used for adult family home regulation and licensure.

MENTAL HEALTH

OVERVIEW

The Mental Health program includes funding for the Medicaid and non-Medicaid community mental health services provided by the Regional Support Networks (RSN) as well as funding for the three state operated mental health institutions. The 2013-15 Senate budget includes increases at carryforward and maintenance level largely associated with funding forecasted increases in the mental health Medicaid caseload. These increases total \$53 million general fund-state and are somewhat offset with reductions at policy level. The policy level reductions total a little over \$19 million and are driven by reductions in needed state funding associated with federal Medicaid expansion.

INCREASES

ENHANCED INVOLUNTARY COMMITMENT LAW - \$16 MILLION GENERAL FUND - STATE

The Legislation enacted in 2010 (Second Substitute House Bill 3076) expanded the factors that can be used when making determinations for [involuntary] detention and commitment. These changes were subsequently delayed until July 1, 2015. Engrossed Second Substitute 5480 was enacted in the 2013 regular session and modified the implementation date to July 1, 2014. The Senate striking amendment provides funding for Regional Support Networks (RSNs) to develop and implement a variety of community services that will serve as alternatives to the need for additional state hospital capacity for involuntary commitment.

STATE HOSPITAL SECURITY ENHANCEMENTS - \$7 MILLION GENERAL FUND - STATE

The state psychiatric hospitals are required to maintain certification through The Joint Commission, a non-profit entity that certifies numerous health care programs throughout the United States. A recent review of Eastern State Hospital (ESH) resulted in several safety

citations. The Senate striking amendment fully funds the staffing and infrastructure enhancements needed to maintain certification for ESH. In addition, other staffing enhancements and facility improvements at both state hospitals are funded to ensure staff and patient safety.

ADULT BEHAVIORAL HEALTH AND ACCOUNTABILITY - \$4.6 MILLION GENERAL FUND-STATE
Funding is provided for the implementation of several pieces of Legislation enacted in the 2013 regular session that are intended to improve the behavioral health system. Engrossed Substitute House Bill 1519 (health care coordination) requires the use of evidence based practices and the creation of performance measures for service coordination organizations. Second Substitute Senate Bill 5732 (behavioral health services) requires the establishment of enhanced services facilities to provide community placements for individuals who reside in state hospitals, but do not respond to treatment. Substitute Senate Bill 5551 (competency to stand trial) requires additional resources to meet timely completion of competency evaluations for in-custody defendants and Engrossed Second Substitute House Bill 1114 (criminal incompetency/commitment) modifies procedures and standards for involuntary treatment of persons who have been deemed incompetent to stand trial for violent felonies.

ELECTRONIC MEDICAL RECORDS - \$4 MILLION GENERAL FUND -STATE
Funding is provided for the department to plan, procure, and implement the core elements of an electronic medical record system that is compliant with the world health organization's tenth revision of the international classification of diseases medical classification system.

OTHER HUMAN SERVICES

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) AND CHILD CARE

OVERVIEW

Coming into the 11-13 biennium, the TANF, child care, and WorkFirst programs, known as the "TANF box", were projected to have a \$400 million deficit, which was addressed through a number of reforms and eligibility, benefit level, and administrative reductions. These actions created additional caseload savings beyond what was necessary for closing the deficient and an additional \$126 million of general fund-state was removed from the TANF Box in the 2012 supplemental budget. Caseloads and costs continue to come in below forecasted projections, which have created additional savings in the 13-15 biennium. The TANF Box was estimated to have over \$140 million in caseload savings in state fiscal years 2013, 2014 and 2015. The Senate budget makes a number of other policy changes, in addition to these caseload savings.

SAVINGS

TANF REDUCTIONS - \$147 MILLION GENERAL FUND-STATE SAVINGS

In the 2013-15 biennium, the budget assumes \$126 million in caseload savings related to TANF cash assistance and child care subsidies. Funding is reduced for WorkFirst partners in recognition of declining caseloads (\$14.5 million). Spending on TANF cash grants is expected to decline due to adopting a policy of not increasing cash grants for additional household members (\$2.7 million) and length of stay reductions expected under implementation of the TANF redesign (\$4 million). The redesign of the TANF program will ensure that clients receive more targeted services, which will get them into the workforce faster.

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 and compliance with the Affordable Care Act, the Senate budget continues reform of the Aged, Blind or Disabled program and associated Housing and Essential Needs program.

INCREASES

STATE FOOD ASSISTANCE PROGRAM - \$9.4 MILLION GENERAL FUND-STATE

In 2013, the state reduced the benefit available for individuals who are not eligible for federal food stamp programs. The benefit was reduced to 50 percent of the federal food benefit. This increase raises the benefit to 75 percent of the federal food benefit for the 13-15 biennium.

ELIGIBILITY EXPANSION UNDER THE AFFORDABLE CARE ACT - \$5.5 MILLION GENERAL FUND-STATE

Funding is provided to maintain Economic Services as the primary access point to state benefits including health care benefits supplied through the Health Benefit Exchange. Funding is also provided to conduct a study of the state's eligibility systems to determine if these processes can be streamlined and which roles the various entities providing benefits should play.

MAJOR SAVINGS

AGED, BLIND, OR DISABLED PROGRAM REFORM - \$40.9 MILLION GENERAL FUND-STATE SAVINGS

As of July 1, 2013, the Aged, Blind, or Disabled program is eliminated and cash assistance for disabled clients who are expected to be eligible for the Social Security Insurance (SSI) program and disabled legal immigrants who are barred from receiving SSI payments is also eliminated. These clients will be eligible for services through the Housing and Essential Needs (HEN) program (see below). Cash assistance is maintained for pregnant women who are unable to receive assistance through TANF under the Pregnant Women Assistance Program. Aid to aged immigrants, which is maintained under the State Aged Assistance Program, is reduced from \$197 to \$99 per month.

INCAPACITY EXAMINATIONS AND SSI FACILITATION - \$10.5 MILLION GENERAL FUND-STATE SAVINGS

Under the Affordable Care Act (ACA), the state no longer needs to conduct disability examinations in order to determine eligibility for medical coverage. These examinations are eliminated beginning January 1, 2014, when the ACA takes effect. Economic Services has also assisted individuals with applying for SSI benefits. As of July 1, 2014, no new clients will be eligible for facilitation and all state funded facilitation services are eliminated as of July 1, 2015.

HOUSING AND ESSENTIAL NEEDS REFORM - \$59.1 MILLION GENERAL FUND-STATE SAVINGS

Funding for the Housing and Essential Needs program is adjusted to reflect actual monthly expenditures from July through December 2012. Beginning July 1, 2013, the disabled population from the former Aged, Blind, and Disabled program that meets the housing eligibility requirements will also be served by the Housing and Essential Needs program. Funding from the state general fund for the Housing and Essential Needs program is reduced by \$31.2 million, and an increased appropriation is made from housing dedicated accounts. Funding for Independent

Youth Housing, for homeless family shelters, and 75 percent of emergency shelter prevention are continued. Other housing activities supported by dedicated housing accounts are reduced. *See also summary of Housing and Essential Needs reform item in the Department of Commerce section.*

DSHS - CHILDREN'S ADMINISTRATION

OVERVIEW

The Senate budget largely refrains from reducing Children's Administration's budget as deeply as other budgets. The proposed Senate budget is focused on implementing a new approach to child welfare, Family Assessment Response (FAR) and preserving as many of the current programs as possible. In the proposed Senate budget, the Children's Administration's Near General Fund budget increases by 1.1 percent in the 13-15 biennium.

INCREASES

FAMILY ASSESSMENT RESPONSE IMPLEMENTATION AND CHILD PROTECTIVE SERVICES - \$5.8 MILLION GENERAL FUND-STATE, \$13.5 MILLION OTHER FUNDS

Funding is provided to implement FAR, which engages families who would normally have been investigated by child protective services in a voluntary assessment and services. The purpose of FAR is to safely prevent out-of home foster care placements by engaging with and providing basic needs for families. Funding is provided for additional services and concrete good for participating families and for additional staff who will engage families. Funding is also provided to reduce response and investigation times of potential child abuse or neglect cases.

EXTENDED FOSTER CARE SERVICES - \$3.5 MILLION GENERAL FUND-STATE, \$1 MILLION GENERAL FUND-FEDERAL

Funding is provided to implement Engrossed Second Substitute Senate Bill 5405 (extended foster care), which allows youth exiting the foster care system who are engaged in activities which remove barriers to employment to receive extended foster care services until they reach age 21.

MAJOR SAVINGS

FAR CASELOAD SAVINGS - \$1 MILLION GENERAL FUND-STATE SAVINGS

The proposed Senate budget assumes a 30 percent decline in out of home placements for cases referred to the FAR pathway in the final six months of state fiscal year 2015.

ADOPTION INCENTIVE GRANT - 1.6 MILLION GENERAL FUND-STATE SAVINGS

The Children's Administration is earning a federal Adoption Incentive Grant for completed adoptions. Grant funds will be used as a one-time replacement for state general funds.

ADOPTION SUPPORT - \$1.6 MILLION GENERAL FUND-STATE SAVINGS

The proposed Senate budget aims to control adoption costs by capping adoption support payments at 50 percent of the foster care maintenance payments for children with no special needs.

RECEIVING CARE CENTERS AND OTHER SAVINGS - \$1.6 MILLION GENERAL FUND-STATE SAVINGS

State funding for Receiving Care Centers is eliminated as of July 1, 2014. Contracts for educational coordinators are reduced by 20 percent and unnecessary funding for training is eliminated.

CORRECTIONS & OTHER CRIMINAL JUSTICE

OVERVIEW

The Senate proposed budget provides just over \$1.8 billion in state general funds for corrections and other criminal justice which includes the Department of Social and Health Services Juvenile Rehabilitation Administration and the Special Commitment Center for sexually violent predators. Funded levels represent a 0.5 percent decrease from the 2011-13 biennium. Offender caseloads specific to adult prisons are projected to continue a moderate upward trend over the next 15 years. Strategic choices in the Department of Corrections (DOC) budget are made to standardize the system where inconsistencies occur, create efficiencies by utilizing resources that are readily available, and implement offender programming reform provisions using evidence-based practices that are proven to reduce recidivism. These items work in tandem to reduce the forecasted prison caseloads, thereby mitigating the need for taxpayer funds to be used to open or build new prison units.

The forecasted demand for prison beds projects the state will need to open two new prison units this biennium and build a new prison by the year 2022. However, many steps have been taken by the Legislature in recent years to reduce offender recidivism among juveniles and adults and the growth trend has been decreasing with regularity over the past few years. The Senate proposed budget makes additional reforms to the adult corrections system which will delay the need to open new prison units while maintaining public safety.

INCREASES

UTILIZE EXISTING RESOURCES - \$3 MILLION GENERAL FUND-STATE

A net increase results based on funds provided and savings achieved from the following two areas which create overall efficiencies by utilizing existing resources:

Several local jails report surplus bed capacity while the State experiences periodic overflow at its prison reception center and numerous demands on its offender bus transports. The Senate proposed budget provides \$4 million pursuant to Senate Bill 5892 (reducing corrections costs) to rent jail beds for prison-bound offenders who have 120 days or less remaining on their sentence when they would otherwise transfer from jails to the DOC. This item will reduce crowding in the reception center and help keep the state from being required to open or build additional prison units.

A savings of \$1 million is achieved by returning the stewardship of McNeil Island to the DOC as a Correctional Industries program. The U.S. General Services Administration has said the state is out of compliance with its correctional use deed and has expressed concern about the lack of maintenance of the property. Correctional Industries will implement efficiencies by using offender job skills while simultaneously providing the minimum maintenance and preservation necessary to remain in compliance with the federal deed for McNeil Island.

PRISON SAFETY - \$3.5 MILLION GENERAL FUND-STATE

Funding is provided to increase correctional officer staffing levels in two areas: (1) Stand-alone minimum security facilities on graveyard shift and (2) medium security housing units on the day shift. In addition, funding is provided to upgrade the prison radio infrastructure.

OFFENDERS WITH SPECIAL NEEDS - \$1.2 MILLION GENERAL FUND-STATE, \$.4 REINVESTING IN YOUTH FUND

Additional mental health staffing is funded to provide added support to adult offenders with developmental disabilities and to juvenile offenders suffering from mental illness.

MAJOR SAVINGS

DELAY OPENING PRISON UNITS - \$12.6 MILLION GENERAL FUND-STATE SAVINGS

Two new medium custody units at Washington State Penitentiary are delayed in opening due to a trend in declining forecasted prison populations and strategic choices by the Senate to reduce the future need for prison beds. Reforms pursuant to Senate Bill 5892 (reducing corrections costs) and investments in the DOSA program are expected to reduce the forecasted Adult Daily Prison (ADP) population by at least 481 beds.

SYSTEM STANDARDIZATION - \$3 MILLION GENERAL FUND-STATE SAVINGS

Strategic policy actions are taken pursuant to Senate Bill 5892 (reducing corrections costs) to standardize two areas in the correctional system where inconsistencies continue to occur:

The Drug Sentencing Grid is modified so that any offender who commits a Seriousness Level 1 Drug offense and has a criminal history score within the range of 3-5, will serve their sentence in jail unless an exceptional sentence is imposed. Currently, two drug offenders who have committed an identical Seriousness Level 1 drug offense and have identical criminal history scores may be sentenced to either prison or jail. This item reduces the growing demand for prisons by 126 beds.

Rates are standardized statewide so that all health care provided to offenders through hospital contracts will be reimbursed using the same payment methodology at no more than the amount payable under the Medicaid reimbursement structure. Currently, rates charged to the DOC and local jails for offender health care are inconsistent, allowing differential payments to be made for the same health services depending on where the offender is housed. Further, when an offender is released and is no longer under the correctional jurisdiction, he or she is typically either Medicaid eligible or part of the uncompensated medical care pool.

OFFENDER PROGRAMMING REFORMS- \$3 MILLION GENERAL FUND-STATE SAVINGS

Funds provided and savings achieved from reforming offender programming results in a net savings. These reforms take place in two areas:

A temporary savings of \$6.7 million is achieved through a process to reform offender programming. The 2012 Supplemental Appropriations Act required the DOC to implement an evidence-based Risk Needs Responsivity (RNR) model which pairs supervision with treatment. The DOC is revamping the way programming is provided to offenders in prisons and in community supervision to follow the RNR model. During this transition DOC is realizing under expenditures. Some of the one-time savings from under expenditures are used to consult with Washington State Institute for Public Policy on evidence-based, research-based programming and to hire a consultant who can facilitate and provide project expertise on the implementation plan and timeline.

\$4.1 million is provided to expand the Drug Offender Sentencing Alternative (DOSA) residential program. This program is provided as a community alternative by the courts for otherwise prison-

bound offenders who are in need of chemical dependency treatment and supervision. The expansion will reduce the forecasted average daily population for prison beds by 272.

CENTRALIZED PRISON PHARMACY - \$2.5 MILLION GENERAL FUND-STATE SAVINGS

Five independent prison based pharmacies will be consolidated into two (one on the Eastern side and one on the Western side of the state). Savings is achieved from a reduction in pharmacy waste and reduced staffing requirements.

DEPARTMENT OF HEALTH

MAJOR SAVINGS

LOCAL PUBLIC HEALTH FUNDING - \$936 THOUSAND GENERAL FUND-STATE SAVINGS, \$25 MILLION TRANSFER

The Senate proposal collapses the three disparate public health funding streams into a single block grant dispersed through the Treasurer's Office per the current formulas. Savings are achieved by eliminating the DOH indirect charge, FTE, and related programming. Local Health Jurisdictions will be required to report to the legislature each November measures that show whether their programs are achieving intended outcomes and spending information by category of spending.

USE OF DEDICATED FUNDS - \$6.4 MILLION GENERAL FUND-STATE SAVINGS

There are several health programs that rely on both General Fund-State and dedicated funds for the same or similar activities. The budget reduces state general fund in those areas where the state general fund is either subsidizing activities paid for by dedicated accounts or those areas where activities could be paid for by dedicated accounts and those dedicated accounts have excess fund balance. The major items where dedicated funds are used in lieu of general fund are: HIV Drug Rebates, \$3.4 million; Water Protection Program, \$645 thousand; and Public Health Laboratories, \$2.4 million.

NATURAL RESOURCES

OVERVIEW

The 2013-15 biennial budget for natural resources is approximately \$1.5 billion and represents approximately 2.6 percent of the overall budget. Of this \$1.5 billion, the general fund accounts for less than 17 percent or approximately \$250 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 state parks; and forest fire protection.

Since the 2011-13 fiscal biennium, the General Fund-State appropriation for the natural resources has been reduced by 6 percent or approximately \$17 million.

INCREASES

SUPPORT FOR STATE PARKS - \$4.7 MILLION GENERAL FUND-STATE, \$12.4 MILLION WASTE REDUCTION, RECYCLING, AND LITTER CONTROL ACCOUNT

Funding is provided to preserve the state's essential activities necessary to meet the operational needs of the state park system.

**IMPROVING WATER QUALITY PROTECTION ON AGRICULTURAL LANDS - \$1.0 MILLION
STATE TOXIC CONTROL ACCOUNT, \$1.0 MILLION GENERAL FUND-FEDERAL, \$546,000
GENERAL FUND-STATE**

Funding is provided to support continued implementation of Voluntary Stewardship Program in Thurston and Chelan counties. Support is also provided for Whatcom County and South Yakima County conservation districts to meet the dairy nutrient management program requirements to protect drinking water aquifers from nitrate contamination.

**TRAINING FOR STORMWATER-REDUCING, LOW-IMPACT DEVELOPMENT PRACTICES - \$2.0
MILLION ENVIRONMENTAL LEGACY STEWARDSHIP ACCOUNT**

Funding is provided for training of local government and developers on the benefits of low-impact development for reducing stormwater impacts.

MAJOR SAVINGS

**SHIFT A PORTION OF THE DEPARTMENT OF ECOLOGY COSTS - \$29.1 MILLION GENERAL
FUND-STATE TO STATE TOXICS CONTROL ACCOUNT**

Ongoing funding is provided for activities in air quality, water quality, shorelands, and environmental assessment and administration programs from the State Toxics Control Account.

ADMINISTRATIVE SAVINGS AND EFFICIENCIES - \$24.6 MILLION GENERAL FUND-STATE

Funding is reduced to reflect efficiencies, vacancies, and other actions to achieve savings.

**SHIFT FUNDING OF PROGRAMS TO AQUATIC LANDS ENHANCEMENT ACCOUNT (ALEA) - \$10
MILLION GENERAL FUND-STATE TO AQUATIC LANDS ENHANCEMENT ACCOUNT**

Ongoing funding is provided for programs related to commercial shellfish management, aquatic invasive species, hydraulic permit approvals, and hatchery operations is transferred from General Fund-State to the Aquatic Lands Enhancement Account.

REDUCE FUNDING FOR WATERSHED PLANNING - \$2.9 MILLION GENERAL FUND-STATE

Funding is reduced in watershed planning and technical assistance. The remaining funding will provide support to carry out projects in the Dungeness, Walla Walla, and Wenatchee basins; and fund implementation activities in the Chelan, Dungeness, Lower Lake Roosevelt, Lower Spokane, and Methow basins.

GENERAL GOVERNMENT

JUDICIAL BRANCH AGENCIES

INCREASES

TECHNOLOGY PROJECTS - \$5.2 MILLION JUDICIAL INFORMATION SYSTEM -STATE

Appropriations are made from the Judicial Information System (JIS) Account for the information networking hub, internal and external equipment replacement, and for an electronic content management systems for the appellate courts.

MAJOR SAVINGS

JUDICIAL STABILIZATION FUNDS - \$11.8 MILLION GENERAL FUND-STATE SAVINGS

Temporary surcharges on some court fees originally authorized in the 2009 legislative session will be extended through the 2013-2015 biennium. 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. These surcharges are estimated to raise \$5.9 million in additional revenue for the state.

JUDICIAL INFORMATION SYSTEM - \$20.0 MILLION GENERAL FUND-STATE SAVINGS

Funding for the Administrative Office of the Courts is shifted from General Fund-State to the Judicial Information System (JIS) Account.

OTHER CHANGES - \$ 9.6 MILLION GENERAL FUND-STATE SAVINGS

In addition to the changes discussed above, the appropriations for judicial branch agencies are reduced through administrative efficiencies (\$5.5 million), appropriations to the Office of Civil Legal Aid are reduced (\$3.0 million), and appropriations in the Administrative Office of the Courts are reduced to reflect decreased payments to counties for collection of legal financial obligations (\$740,000) and efficiencies by combining commissions (\$300,000).

DEPARTMENT OF COMMERCE

MAJOR SAVINGS

STREAMLINING ECONOMIC DEVELOPMENT ACTIVITIES - \$9.5 MILLION GENERAL FUND-STATE SAVINGS

Grants for microenterprises, agriculture incubators, global health, innovation partnership zones, manufacturing are eliminated (\$1.8 million) and grant services are eliminated (\$1.2 million). The Strategically Targeted Academic Research grant is eliminated (\$3.7 million). The Economic Development Commission is eliminated (\$882,000). Other business service activities, including international trade services, are reduced (\$1.9 million).

HOUSING AND ESSENTIAL NEEDS REFORM - \$59.1 MILLION GENERAL FUND-STATE SAVINGS

Funding for the Housing and Essential Needs program is adjusted to reflect actual monthly expenditures from July through December 2012. Beginning July 1, 2013, the disabled population from the former Aged, Blind, and Disabled program that meets the housing eligibility requirements will also be served by the Housing and Essential Needs program. Funding from the state general fund for the Housing and Essential Needs program is reduced by \$31.2 million, and an increased appropriation is made from housing dedicated accounts. Funding for Independent Youth Housing, for homeless family shelters, and 75 percent of emergency shelter prevention are continued. Other housing activities supported by dedicated housing accounts are reduced. *See also summary of Housing and Essential Needs reform item in the Department of Social and Health Services, Economic Services Administration section.*

OTHER CHANGES

MAJOR SAVINGS

ADMINISTRATIVE EFFICIENCIES AND SAVINGS -- \$124 MILLION NEAR GENERAL FUND-- STATE SAVINGS

Funding is reduced to reflect administrative efficiencies and other actions that agencies will take to lower costs. To the extent possible, agencies are encouraged to use LEAN management principles and employee-driven input to improve agency operational efficiency and to have a measureable impact on services delivered to the public. These savings total \$66 million.

Information technology savings total \$15 million. The Office of Financial Management (OFM) will reduce allotments to all agencies to reflect efficiencies in information technology expenditures statewide.

The OFM will reduce allotments to all agencies to reflect available fund balances in dedicated revolving funds used for central services to state agencies, and more efficient delivery of consolidated central services to state agencies. These consolidations and efficiencies are projected to save \$43 million.

FUND SHIFT - \$10.8 MILLION ENHANCED 911 ACCOUNT-STATE SAVINGS

General fund-state appropriations are reduced, appropriation authority is increased to support the military department from the Enhanced 911 Account for the 2013-15 biennium.

STRUCTURED SETTLEMENTS - \$10.0 MILLION GENERAL FUND-STATE SAVINGS

Savings of \$10 million state general fund are achieved pursuant to either Engrossed Substitute Senate Bill 5127 (structured settlements) or Engrossed Substitute Senate Bill 5128 (injured worker compensation). Each bill modifies existing structured settlement options. The state general fund savings are from reduced worker compensation charges to the state.

APPENDIX A

2013 Supplemental & 2013-15 Fund Reversions

(Dollars In Millions)

	<u>2011-13</u>	<u>2013-15</u>
Other Fund Transfers		
Life Science Discovery Fund	-	46.0
Public Works Assistance Account	-	45.0
Pollution Liability Insurance Account	-	5.0
Flood Control Assistance Account		2.0
Professional Engineers Account	-	1.9
Employment Training Finance Account	-	2.0
Tuition Recovery Trust Account	-	2.5
State Treasurer's Service Account	2.0	20.0
Energy Freedom Fund	-	2.0
Higher Education Institutions - Local Account (Foreign Student Surcharge)	-	59.2
Washington Housing Trust Account	-	3.3
Electrical License Account	-	3.4
Real Estate Commission Account	-	3.4
Business and Professions Account	-	3.6
Certified Public Accountants Account	-	3.2
Other Fund Transfers	2.0	202.5

APPENDIX B

BUDGET DRIVEN REVENUE

	Budget Driven Revenue (millions)		
Agency/Subject		FY 14	FY 15
DOR-Liquor Auditing		\$4.8	\$4.8
LCB- I-502 funding		(\$1.6)	(\$0.9)
Total		\$3.2	\$4.0

LIQUOR AUDITING - 9.6 MILLION GENERAL FUND STATE INCREASE

Funding is provided for additional audit staff to establish new auditing and administrative processes and documentation for liquor tax collections. With these additional resources, the department will generate an additional \$4.8 million per year in revenues through the enforcement of liquor taxes.

INITIATIVE 502 IMPLEMENTATION COSTS - \$2.5 MILLION GENERAL FUND STATE DECREASE

Funding is provided for the implementation of Initiative 502 (an act relating to marijuana) which creates the necessity of additional rulemaking, information technology, and licensing activities related to marijuana production, distribution, and sales. Expenditure authority is increased in the Liquor Revolving Account to reflect these costs which has a direct impact to the state general fund.

REVENUE ADJUSTMENTS

Revenue Adjustments						
Prefix	Bill #	Brief Title	FY 2014	FY 2015	2013-2015	2015-2017
SB	5627	Taxation of commuter air carriers	0.032	0.032	0.064	0.068
E2SSB	5078	Modifying property tax exemption for nonprofit fairs	0.000	0.000	0.000	0.000
ESSB	5656	Revising business licensing	0.000	0.000	0.000	0.000
E2SSB	5680	Providing information to businesses	0.000	0.000	0.000	0.000
E2SSB	5688	City B&O taxes	0.000	0.000	0.000	0.000
SB	5806	Repeals the timber credit	0.000	0.000	0.000	0.000
ESB	5843	Requires tax preferences to have expiration date and legislative intent	0.000	0.000	0.000	0.000
SSB	5418	County Levies	0.000	0.000	0.000	0.000
SSB	5442	Collecting deferred property taxes	0.000	0.000	0.000	0.000
SSB	5776	Current Use Interest and Penalty	0.000	0.000	0.000	0.000
SB	5715	Addresses evading taxes by electronic means	0.000	0.000	0.000	0.000
SSB	5561	Provides B&O tax exemption for dairy products	0.000	0.000	0.000	(0.529)
SB	5453	Extending beekeeper exemptions	(0.006)	(0.006)	(0.012)	(0.006)
SSB	5865	Exempting from use tax certain purchases from nonprofit organizations or libraries	(0.008)	(0.010)	(0.018)	(0.020)
SSB	5831	Provides sales and use tax exemption for clay targets	(0.013)	(0.016)	(0.029)	(0.035)
SSB	5072	Sales/use tax exemption for disabled vets for equipment and services for motor vehicle	(0.027)	(0.035)	(0.062)	(0.078)
SB	5342	Sales/use tax exemption for restaurants flavoring food	(0.038)	(0.048)	(0.086)	(0.115)
SB	5154	Cooperative Finance Org	(0.160)	(0.160)	(0.320)	(0.320)
SB	5101	S&U exemption for data for international investments firms	(0.322)	(0.425)	(0.747)	(0.983)
SSB	5613	Cover charges for dancing not considered retail sales	(0.394)	(0.498)	(0.892)	(1.071)
SSB	5752	Solar B&O Extension	0.000	(0.974)	(0.974)	(1.151)
SB	5862	Provides tax exemptions for mint growers and processors	(0.133)	(0.160)	(0.293)	(0.320)
SSB	5283	B&O tax exemption for Health Benefit Exchange	(0.764)	(0.822)	(1.586)	(0.360)
SB	5866	Hog Fuel	(0.895)	(0.976)	(1.871)	(1.952)
SB	5622	Taxation of large airplanes	(0.627)	(1.504)	(2.131)	(3.014)
SSB	5848	Modifies tax exemption for blood banks	(0.943)	(1.196)	(2.139)	(2.602)
Other Revenue						
	TBD	Collecting use taxes currently due	40.600	1.500	42.100	1.500
Total Revenue Legislation			36.302	-5.298	31.004	-10.988

*** DOES NOT INCLUDE SEPARATE LEGISLATION DEALING WITH THE NONRESIDENT SALES TAX EXEMPTION, BRACKEN AND OTHER ESTATE TAX CHANGES, AND THE SALES TAX EXEMPTION ON TELEPHONE LAND LINES AND OTHER TELECOMMUNICATION RELATED TAX CHANGES.**

BILLS

TAXATION OF CERTAIN COMMUTER AIR CARRIERS - \$.06 MILLION GENERAL FUND STATE INCREASE

Senate Bill 5627 (taxation of commuter air carriers) exempts commuter air carriers operating on private property from the personal property tax and subjects them to the aircraft excise tax. A separate aircraft excise tax schedule is created for such carriers.

MODIFYING THE PROPERTY TAX EXEMPTION FOR NONPROFIT FAIRS - NO IMPACT TO GENERAL FUND STATE

Engrossed Second Substitute Senate Bill 5078 (nonprofit fairs) removes the revenue restrictions to qualify for a property tax exemption for nonprofit fair associations having property valued at less than \$15 million, that receive funding from the fair fund, and which were previously a county run fair.

REQUIREMENTS REGARDING BUSINESS LICENSE SYSTEMS - NO IMPACT TO GENERAL FUND STATE

Engrossed Second Substitute Senate Bill 5656 (business license systems) requires that all cities that impose a business and occupation (B&O) tax must have their general business licenses issued and renewed through the state's BLS or a city-developed portal by July 1, 2016. Cities that do not impose a business and occupation tax must have their general business licenses issued and renewed through the state's BLS or a city-developed portal by January 1, 2019.

PROMOTING ECONOMIC DEVELOPMENT BY PROVIDING INFORMATION TO BUSINESSES - NO IMPACT TO GENERAL FUND STATE

Engrossed Second Substitute Senate Bill 5680 (providing information to businesses) requires all regulatory agencies that have a business license to fully participate with the business license service by providing the Department of Revenue with the application and information necessary to complete the application for the business license.

REGARDING STATE AND LOCAL BUSINESS AND OCCUPATION TAX SYSTEMS - NO IMPACT TO GENERAL FUND STATE

Engrossed Second Substitute Senate Bill 5688 (state and local business and occupation tax) requires the Department of Revenue to establish a workgroup to review issues of simplification, uniformity, classification, apportionment, and nexus related to B&O taxation.

REPEALING AN OBSOLETE PROVISION FOR CREDIT AGAINST PROPERTY TAXES PAID ON TIMBER ON PUBLIC LAND - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 5806 (obsolete timber credit) repeals an obsolete property tax credit for taxes paid on privately owned timber standing on public lands.

REQUIRING INTENT AND EXPIRATION DATE FOR TAX PREFERENCES - NO IMPACT TO GENERAL FUND-STATE

Engrossed Senate Bill 5843 (strengthening the review of the legislature's goals for tax preferences by requiring that every new tax preference provide an expiration date, where applicable, and statement of legislative intent) requires that any bill introduced which adopts a new tax preference or expands or extends an existing tax preference include legislative intent provisions that might provide context and/or data for purposes of reviewing the preference. Further, tax preferences must include a specific expiration date where applicable.

COUNTY PROPERTY TAX LEVIES - NO IMPACT TO GENERAL FUND STATE

Substitute Senate Bill 5418 (county property tax levies) clarifies county authority to annually adjust funding for county mental health, developmental disability, and veterans' assistance programs no lower than the change in the county levy.

COLLECTING DEFERRED PROPERTY TAXES - NO IMPACT TO GENERAL FUND STATE

Proposed Substitute Senate Bill 5442 (deferred property taxes) provides that proceeds from the sale of property acquired by the county due to property tax foreclosure must first be applied to pay DOR for taxes deferred under the senior and limited-income property tax deferral program.

INTEREST AND PENALTY PROVISIONS FOR THE CURRENT USE PROPERTY TAX PROGRAM - NO IMPACT TO GENERAL FUND STATE

Senate Bill 5776 (current use program) changes the penalty and interest provisions for removal of property from a current use classification. After the initial ten years, property owners may withdraw their properties from classification and no longer must provide two years' advance notice of withdrawal. The interest rate on the additional tax is reduced from 12 percent to the federal short-term rate plus two percent.

ADDRESSING THE EVASION OF TAXES BY THE USE OF ELECTRONIC MEANS - \$20 MILLION GENERAL FUND STATE DECREASE

Senate Bill 5715 (addressing sales suppression technology) criminalizes the possession, purchase, installation, transfer, manufacture, creation, design, update, repair, use, or sale of an automated sales suppression device. Additional mandatory fines are set for those who furnish, update, or repair automated sales suppression devices. DOR is provided with the authority to revoke a business' certificate of registration if it's found using one of these devices. A certificate cannot be reinstated unless the business agrees to have its sales transactions electronically monitored for five years at its own expense.

B&O TAXATION OF DAIRY PRODUCTS - NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 5561 (dairy products exemption) provides a B&O tax exemption for sales of dairy products to purchasers who use the dairy product as an ingredient or component in the manufacturing of a dairy product. Dairy products are defined by reference to the Code of Federal Regulations and include byproducts such as whey and casein, and products comprised of not less than 70 percent dairy products by weight or volume.

EXTENDING THE EXPIRATION DATE OF TAX EXEMPTIONS FOR HONEY BEEKEEPERS - \$.012 MILLION GENERAL FUND STATE DECREASE

Senate Bill 5453 (honey beekeepers tax exemption) extends the tax exemptions for honey beekeepers for three years, to July 1, 2016.

PROVIDING SALES AND USE TAX EXEMPTIONS FOR CLAY TARGETS PURCHASED BY NONPROFIT GUN CLUBS - \$.029 MILLION GENERAL FUND STATE DECREASE

Substitute Senate Bill 5831 (clay targets tax exemption) provides nonprofit gun clubs sales and use tax exemptions for the clay targets they purchase for use in clay target shooting for which a fee is charged. The buyer must provide the seller with an exemption certificate.

SALES TAX EXEMPTION FOR CERTAIN AUTOMOBILE ADAPTIVE EQUIPMENT FOR VETERANS - \$.1 MILLION GENERAL FUND STATE DECREASE

Substitute Senate Bill 5072 (sales tax exemption) provides a sales and use tax exemption for prescribed add-on automotive adaptive equipment for veterans or members of the armed forces, including charges for labor and services in respect to installation and repair of such equipment.

The exemption only applies if the eligible purchaser is reimbursed in whole or part for the purchase by the federal government.

PROVIDING RESTAURANTS WITH A SALES AND USE TAX EXEMPTION FOR CERTAIN ITEMS THAT IMPART FLAVOR TO FOOD DURING THE COOKING PROCESS - \$.086 MILLION GENERAL FUND STATE DECREASE

Senate Bill 5342 (exemption for items that impart flavor to food) provides restaurants sales and use tax exemptions for products that impart flavor to food during the cooking process. The product must be completely or substantially consumed during the cooking process or entirely comprised of wood.

BUSINESS AND OCCUPATION TAX EXEMPTION FOR COOPERATIVE FINANCE ORGANIZATIONS - \$.3 MILLION GENERAL FUND DECREASE.

Senate Bill 5154 (cooperative finance organizations) provides a B&O tax exemption to cooperative finance organizations on amounts derived from loans to rural electric cooperatives or other nonprofit or governmental providers of utility services organized under the laws of Washington.

SALES AND USE TAX EXEMPTION FOR INTERNATIONAL INVESTMENT FIRMS - \$.7 MILLION GENERAL FUND STATE DECREASE

Senate Bill 5101 (international investment firms) provides a sales and use tax exemption for the sale of standard financial information to qualifying international investment management companies.

PROVIDING THAT CERTAIN COVER CHARGES FOR THE OPPORTUNITY TO DANCE ARE NOT CONSIDERED RETAIL SALES - \$.892 MILLION GENERAL FUND STATE DECREASE

Substitute Senate Bill 5613 (opportunity to dance cover charge) excludes the opportunity to dance in exchange for a cover charge from amusement and recreation services. Therefore, it is no longer subject to retail sales tax or the retailing classification of the B&O tax, but rather the service and other activities B&O tax classification.

BUSINESS AND OCCUPATION TAX RATE OF CERTAIN SOLAR ENERGY SYSTEMS - \$1 MILLION GENERAL FUND STATE DECREASE

Substitute Senate Bill 5752 (solar energy systems) extends the expiration of the preferential B&O tax rate for manufacturers and wholesalers of solar energy systems using photovoltaic modules or stirring converters, or of solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers, from June 30, 2014 to June 30, 2016.

PROVIDING FARMERS WITH TAX EXEMPTIONS FOR PROPANE OR NATURAL GAS USED EXCLUSIVELY TO DISTILL MINT OIL - \$.293 MILLION GENERAL FUND STATE DECREASE

Substitute Senate Bill 5862 (exemptions for mint farmers) provides sales and use tax exemptions to mint farmers for the purchase of propane or natural gas used exclusively to distill mint on a farm.

PROVIDING A B&O TAX EXEMPTION TO THE WASHINGTON HEALTH BENEFIT EXCHANGE - \$1.586 MILLION GENERAL FUND STATE DECREASE

Substitute Senate Bill 5283 (exempts from the B&O tax grant money received from the state or federal government) provides a B&O tax exemption to the Washington Health Benefit Exchange, both prospectively and retroactively, for amounts received in the form of grants from the state of Washington or the federal government.

EXTENDING THE SALES AND USE TAX EXEMPTION FOR HOG FUEL USED TO PRODUCE ELECTRICITY, STEAM, HEAT, OR BIOFUEL - \$1.875 MILLION GENERAL FUND STATE DECREASE

Senate Bill 5866 (hog fuel exemption) extends the expiration date of the sales and use tax exemption for hog fuel by eleven years, to June 30, 2024. Taxpayers claiming an exemption must file an annual survey with DOR. DOR and ESD must provide information to JLARC, who in turn must review the performance of the tax preference and report their findings to the Legislature by December 31, 2019. Taxpayers who claim the exemption, and subsequently close a facility resulting in a loss of jobs in Washington, must immediately pay back the amount of the tax exemption claimed for the previous two calendar years.

TAXATION OF LARGE AIRPLANES - \$2.1 MILLION GENERAL FUND STATE DECREASE

Senate Bill 5622 (taxation of large airplanes) provides a sales and use tax exemption for large private aircraft owned by nonresidents. Additionally, labor and services for repairing, cleaning, altering, or improving large private aircraft owned by a nonresident are exempt from sales and use tax.

MODIFYING NONPROFIT TAX EXEMPTION FOR QUALIFYING BLOOD, TISSUE, OR BLOOD AND TISSUE BANKS - \$2.139 MILLION GENERAL FUND STATE DECREASE

Substitute Senate Bill 5848 (qualifying blood and blood and tissue banks) expands the definitions of qualifying blood and qualifying blood and tissue banks to include testing or processing of blood, on behalf of itself or other qualifying blood banks or qualifying blood and tissue banks so that they are exempt from the B&O, retail sales, use, and property taxes.

OTHER REVENUE

COLLECTING SALES/USE TAXES CURRENTLY DUE TO THE STATE - \$42 MILLION GENERAL FUND STATE INCREASE

Currently the state is has approximately \$800 million per biennium in sales from remote sellers in which sales tax is not collected and the collection from the owed use tax on such sales is difficult to enforce. The Senate is working with the Department of Revenue and industry to develop a way through compliance of existing laws or through legislation to collect a portion of the unpaid taxes.

APPENDIX C

Preliminary Budget Outlook Based on Senate (June 8th Striker)

(Near GF-S & Opportunity Pathways Account in Millions)

	FY 2013	2011-13	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17
Beginning Balance	(365)	(60)	219	61	219	21	28	21
Current Revenues								
Nov 2012 Forecast	15,829	30,935	16,133	16,911	33,044	17,545	18,295	35,840
March 2013 Forecast Change	74	74	(3)	(16)	(19)	(25)	(11)	(37)
Bracken Decision	(3)	(3)	(119)	(41)	(160)	(41)	(38)	(78)
Other Resource Changes								
Transfer to BSA	(138)	(268)	(140)	(167)	(307)	(175)	(182)	(357)
Previously Enacted Fund Transfers (Net)	135	379	-	-	-	-	-	-
2012 Adjustment to Working Capital Reserve (SHB 2822)	238	238	-	-	-	-	-	-
Adjustment to CAFR	-	(5)	-	-	-	-	-	-
Transfer to Child and Family Reinvestment Account (RCW 74.13.107)	-	-	(4)	(2)	(6)	(2)	(2)	(4)
2013 Session Changes								
Property Tax to Education Legacy (2014-2018-50%, 100% After)	-	-	-	-	-	-	-	-
Repurpose Initiative 732 (Shows As Reduced Spending)	-	-	-	-	-	-	-	-
Capital Budget & Other Revenue Redirection	-	-	130	133	262	266	266	533
Other Fund Transfers	2	2	138	64	203	-	-	-
Budget Driven Revenue	-	-	3	4	7	4	4	8
Revenue Legislation	-	-	(4)	(7)	(11)	(7)	(7)	(14)
Collection of Existing Use Tax	-	-	41	2	42	2	2	3
Liquor Excise Tax	-	-	13	13	25	-	-	-
Total Revenues and Resources	15,771	31,291	16,406	16,954	33,299	17,588	18,355	35,915

	FY 2013	2011-13	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17
Appropriations								
Enacted Appropriations (All Actions Through December 2012)	15,623	31,249	15,626	15,623	31,249	15,623	15,623	31,246
<u>2013 Session Changes</u>								
2013 Supplemental Budget ML	18	18						
2013 Supplemental Budget PL	(29)	(29)						
2013-15 Carryforward								
Restore 3% Salary Reduction (State and Higher Ed)			85	85	171	85	85	171
Restore K-12 Salary Reduction (1.9% CIS & Classified, 3% Admin)			73	92	166	92	92	185
One-Time CHIPRA Bonus			32	48	80	48	48	95
Other K-12 Steps (including one-time savings)			43	80	124	80	80	161
Other Carryforward Steps			130	36	166	36	36	72
2013-15 Carryforward			15,990	15,965	31,955	15,965	15,965	31,930
2013-15 Maintenance Level								
Initiative 732 (K-12 & CTCs)			108	213	321	320	435	755
Pension Rate Changes			113	132	245	247	274	521
K-12 Public Schools (excluding above)			50	120	169	226	334	560
Hospital Safety Net Expiration			129	131	260	137	143	279
Health Care Caseload and Utilization			129	208	337	306	408	714
Federal Affordable Care Act			22	55	77	57	60	117
DSHS Mental Health, Long Term Care and Developmental Disabilities			38	78	116	115	153	268
DSHS Children's Services and Economic Services			(6)	1	(5)	16	40	56
Corrections, Juvenile Rehabilitation and Special Com. Center			16	18	34	37	56	93
Special Appropriations (public health, K-20, etc)			59	52	110	72	52	123
Debt Service for Currently Authorized Projects			(4)	65	61	115	105	219
Paid Family Leave			7	7	14	23	23	46

	FY 2013	2011-13	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17
Wildland Fire Suppression			9	9	18	9	9	18
All Other Steps			13	11	23	32	40	72
2013-15 Maintenance Level			16,672	17,064	33,736	17,676	18,096	35,771
2015-15 Policy Level								
Basic Education (HB 2776 & LAP Enhancement)			280	720	1,000	817	828	1,645
Home Care Worker Arbitration Award			56	90	146	90	90	179
Additional Pre-school Slots			9	13	22	13	13	26
College Bound Scholarships			14	20	34	20	20	40
Higher Education Institutional Funding & Performance			54	54	108	54	54	108
Debt Service for \$1.7 billion in General Obligation bonds			2	19	20	29	49	78
ITA - 2SHB 3076 Laws of 2010			6	10	16	10	10	20
Initiative-732 COLAs--K-12 and Community Colleges			(108)	(213)	(321)	(320)	(435)	(755)
Renew Hospital Safety Net GF-S Offset			(136)	(114)	(250)	(87)	(65)	(152)
Federal Affordable Care Act			(87)	(231)	(319)	(248)	(230)	(478)
Paid Family Leave			(7)	(7)	(14)	(23)	(23)	(46)
Administrative, IT & Centralized Efficiencies			(62)	(62)	(124)	(62)	(62)	(124)
Employee Exchange Options (State, Higher Ed, K-12)			-	(55)	(55)	(69)	(69)	(137)
ABD & HEN Changes (includes \$30M fund shift)			(51)	(62)	(113)	(62)	(62)	(124)
TANF/WCCC Caseload & Policy Changes			(72)	(76)	(148)	(76)	(76)	(152)
Delay Nursing Home Rebasing			(16)	(20)	(37)	-	-	-
State Employee Health Benefits (PEBB Fund Balance)			(11)	(6)	(17)	-	-	-
State & Local Toxic Fund Shifts			(15)	(15)	(30)	(15)	(15)	(30)
Reduce Explicit Medicare Retiree Subsidy			(12)	(19)	(31)	(19)	(19)	(37)
Managed Care Premium Adjustment			(6)	(13)	(19)	(13)	(14)	(27)
Workers Compensation Legislation			(5)	(5)	(10)	(5)	(5)	(9)
DASA County Grant Reduction			(8)	(8)	(16)	(8)	(8)	(16)

	FY 2013	2011-13	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17
Other Changes (On-Going & One-Time)			(92)	(94)	(185)	(84)	(94)	(177)
2013-15 Policy Level			16,405	16,993	33,398	17,619	17,985	35,605
Actual/Estimated Reversions	(60)	(166)	(60)	(60)	(120)	(60)	(60)	(120)
Revised Appropriations	15,552	31,072	16,345	16,933	33,278	17,559	17,925	35,485
Projected Unrestricted Ending Balance	219	219	61	21	21	28	430	430
Budget Stabilization Account								
Beginning Balance	130	1	268	409	268	576	751	576
Transfer From GFS	138	268	140	167	307	175	182	357
Interest Earnings	0	0	0	0	0	0	0	0
Ending BSA Balance	268	268	409	576	576	751	933	933
Combined Near GF-S Unrestricted &	488	488	470	597	597	779	1,364	1,364

APPENDIX D

Components of Education Financing Plan

(Dollars in Millions)

	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
Capital Budget Related (To Education Legacy Account)			
Use School Trust Revenue in Operating	166	133	133
All Solid Waste Tax (Public Works)	-	42	68
Portion of Real Estate Excise Tax (Public Works)	44	54	57
Public Utility Tax (Public Works)	33	34	36
Capital Budget Related (To Education Legacy Account)	243	263	294
Capital Budget Related (To General Fund-State)			
Eliminate GF-S Transfer to School Construction	N/A	200	200
<i>Debt Service Reduced Spending - Property Tax to Ed Legacy (FY 2014-2018 50%, 100% After)</i>	5	31	72
Capital Budget Related (To General Fund-State)	5	231	272
Total Capital Budget	243	494	566
Other Revenue Redirection (To Education Legacy)			
Unclaimed Lottery Prizes	18	18	18
REET Penalties	1	1	1
Other Revenue Redirection (To Education Legacy)	19	19	19
Revenue Redirection	262	513	585
Repurpose I-732 (Shows in Reduced Spending)	321	755	1,182
New Non-Education 601 Spending Limit	TBD	TBD	TBD
Total (Without I-601 Limit)	583	1,267	1,767

* The revenue from the federal authorization of the Streamlined Sales Tax legislation would be dedicated in the Education Legacy Account.