

Special Appropriations

Local Government Assistance

A total of \$135 million is provided to local jurisdictions to help maintain programs affected by the passage of Initiative 695 (I-695). For counties, the budget provides \$35.5 million in ongoing funding for public safety assistance, court operations, and other services, restoring at least 53 percent of funding lost in each county. For cities, \$66.3 million in ongoing funding is provided for criminal justice, fire and police protection, and other services, restoring at least 37 percent of funding lost in each city and ensuring that no city suffers a budgetary loss in excess of 7.5 percent. Ongoing funding in the amount of \$33.2 million is provided to restore 90 percent of funding losses to public health districts and county public health programs.

Transportation

The budget includes \$177.7 million in special appropriations for transportation and transit programs. A majority of these funds are provided to help offset the loss of Motor Vehicle Excise Tax revenue from the passage of I-695. I-695 assistance includes the following: \$80 million in one-time assistance from the general fund for transit districts; \$50 million in one-time assistance from the general fund to the multimodal transportation account for transit liability payments; \$20 million in ongoing annual assistance from the general fund for ferry operations; and \$12.7 million in one-time assistance for the King Street Station rail maintenance facility. In addition to the I-695 related assistance, \$15 million is provided to Sound Transit to support the development of a light rail extension to Northgate in Seattle.

Digital Government

To facilitate the transition of doing business over the Internet, \$10 million in funding is provided to the Office of Financial Management (OFM) for projects that will permit agencies and their clientele to conduct transactions electronically. In one of the digital government initiatives, OFM will assist the Office of the Secretary of State and the Department of Licensing to convert the master business licensing process to an Internet-based application.

Trade Workers Lawsuit Settlement

Funding is provided for payments to persons employed in certain general government trades job classes between 1988 and 1993, as provided under a 1999 lawsuit settlement. Appropriations of \$3.5 million General Fund-State and \$688,000 in other funds are provided for this purpose.

Shoreline Block Grants

Funding in the amount of \$5 million is provided for grants to cities and counties for lease or less than fee simple acquisition of shoreline areas.

Extraordinary Criminal Justice Assistance

The budget provides \$550,000 for costs associated with aggravated murder cases in Cowlitz, Thurston, and Franklin counties. Within the amount provided, OFM shall determine the amount to be paid to each county based on an assessment of greatest need.

Pension Enhancements

The sums of \$13.5 million from the state general fund and \$12.2 million in other funds are provided for the increased pension costs resulting from Chapter 247, Laws of 2000 (ESSB 6530) to state agencies and higher education institutions, and as the state contribution to the Laws Enforcement Officers' and Fire Fighters' retirement system (LEOFF). The increased pension costs result from lowering the retirement age in LEOFF Plan 2 from 55 to 53, and from reducing the early retirement reduction factors for LEOFF Plan 2, Plans 2 and 3 of the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS). In addition, the rate paid for Department of Retirement System administration will increase as a result of the

creation of a PERS Plan 3 contained in the legislation. (School districts receive another \$26.5 million for the increased pension and administration rates resulting from the legislation.)

Adjust Pension Contribution Rates

The 1998 actuarial valuations conducted by the Office of the State Actuary determined that the contribution rates necessary to meet the state's pension funding goals are lower than the pension rates currently in effect, due primarily to higher-than-expected returns on pension fund investments. To reflect the actuarial valuations, the budget lowers the state and employer contribution rates for PERS, TRS, SERS, and LEOFF. The savings for state agencies, higher education institutions and for the state contribution to LEOFF Plan 2 are \$14.8 million General Fund-State and \$13.6 million in other funds. (Savings for school districts are \$65.8 million General Fund-State.)

Employee Health Benefits

Additional funding is provided to increase the employer funding rate for state employee health benefits. State agencies receive \$2.7 million General Fund-State and \$2.9 million in other funds to pay the increased rate. (Increased funding for this purpose for higher education is included in each institution's budget. Higher education receives a total of \$2.3 million General Fund-State for increased employee health benefit costs.) The Health Care Authority (HCA) is projecting a deficit in the Public Employees' and Retirees' Insurance Account of over \$16 million at the end of the biennium, with no money in the premium stabilization reserves. The projected shortfall results from new estimates for managed care premium trends for calendar year 2001 and higher-than-expected claims in the self-insured Uniform Medical Plan (UMP). The funding addresses the projected increase in managed care premiums, repays reserves used to pay claims in the 1998 settlement of a retirees' lawsuit, and partially addresses the shortfall caused by the increase in UMP claims. The Public Employees' Benefits Board will address the remaining shortfall through increased co-pays, increased employee premiums, or similar adjustments. If the shortfall is addressed solely through employee premium contributions, the HCA estimates the average employee premium could increase from the current \$14.00 per month to at least \$26.50 per month.

The additional funding also includes amounts for enhanced prescription contraceptive benefit and increased assessments for the Washington State High-Risk Insurance Pool that will result from Chapter 79, Laws of 2000 (E2SSB 6067).

The total monthly state agency employer funding rate for insurance benefits in fiscal year 2001 is increased from \$427.46 to \$436.16 per employee.

Registered Nurse Salary Step Increase

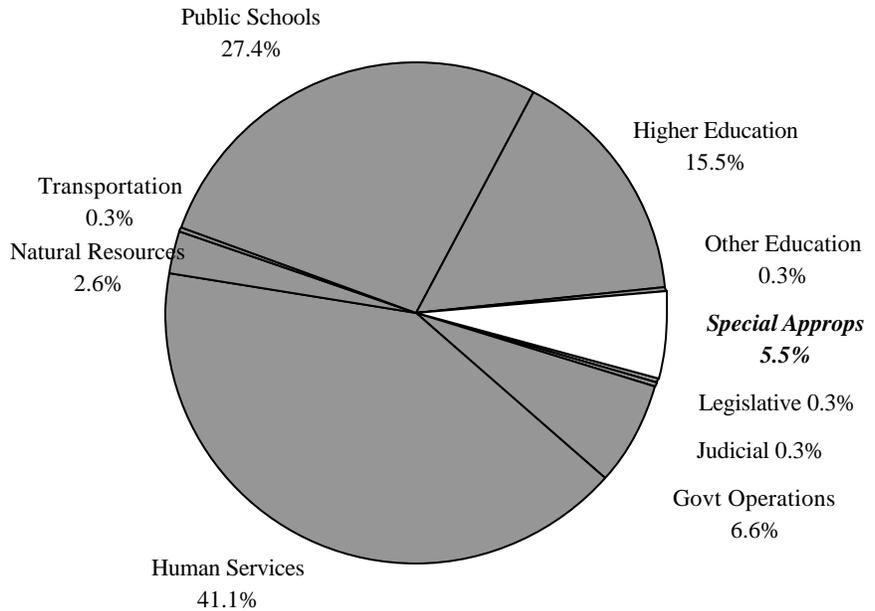
Funding is provided to add one or more steps to the special salary pay range for certain registered nurse job classes that are used in the state mental hospitals and in correctional facilities. The classes include registered nurse 1-3, community nurse specialist, clinical nurse specialist, and nurse practitioner. The additional steps are contingent upon Washington Personnel Resources Board review and upon agreement that the increases will improve recruitment and retention at Western State Hospital and the McNeil Island correctional facility. Appropriations of \$800,000 General Fund-State and \$400,000 General Fund-Federal are made for this purpose.

1999-01 Washington State Operating Budget

Total Budgeted Funds

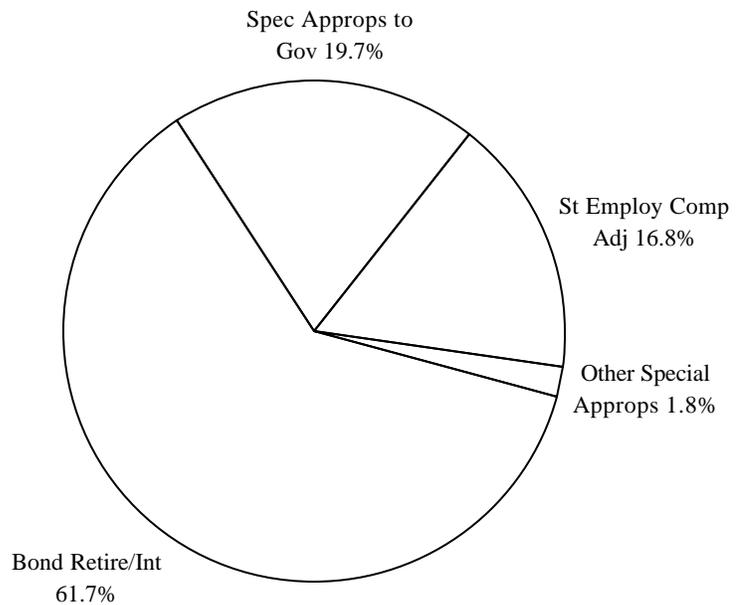
(Dollars in Thousands)

Legislative	124,815
Judicial	123,118
Governmental Operations	2,518,891
Human Services	15,566,757
Natural Resources	997,655
Transportation	110,297
Public Schools	10,398,399
Higher Education	5,875,347
Other Education	101,506
<i>Special Appropriations</i>	<i>2,100,858</i>
Statewide Total	37,917,643



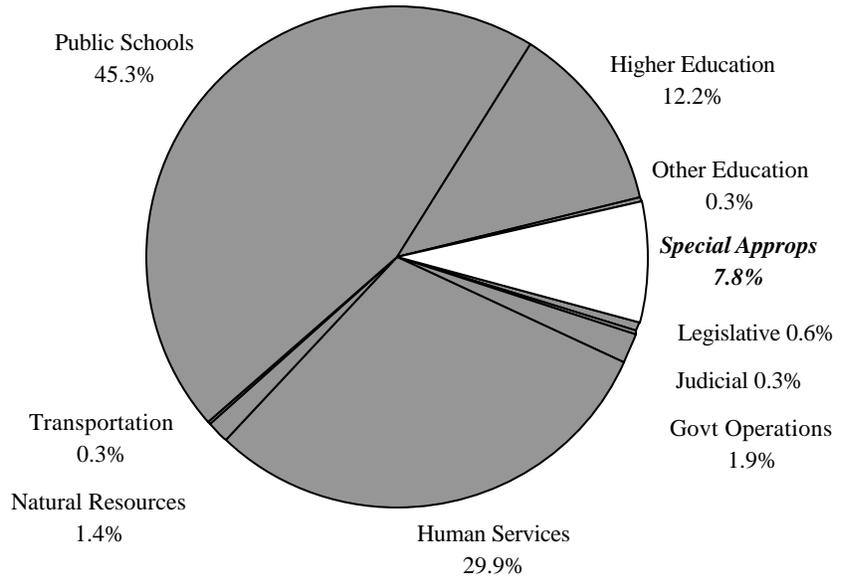
Washington State

Bond Retirement/Interest	1,295,863
Special Approps to Governor	413,305
State Employee Comp Adj	353,171
Other Special Approps	38,519
<i>Special Appropriations</i>	<i>2,100,858</i>



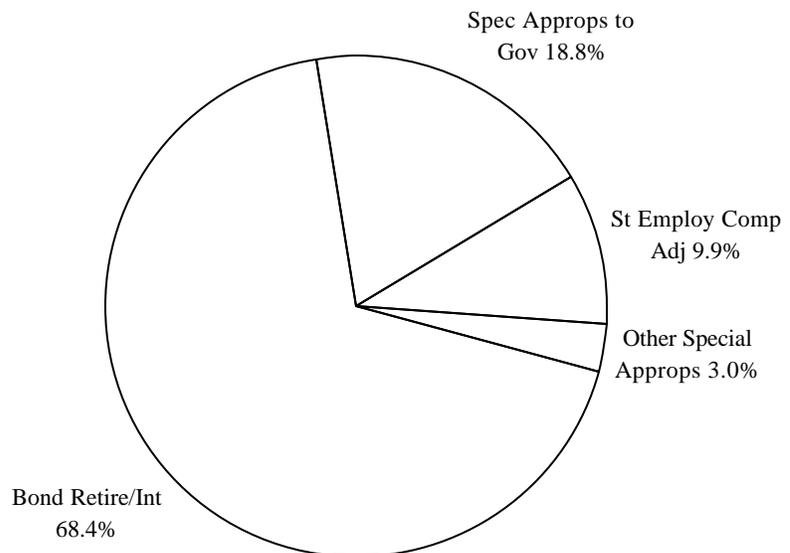
1999-01 Washington State Operating Budget
General Fund-State
(Dollars in Thousands)

Legislative	117,683
Judicial	66,527
Governmental Operations	398,761
Human Services	6,235,457
Natural Resources	299,174
Transportation	52,823
Public Schools	9,442,945
Higher Education	2,547,801
Other Education	54,521
<i>Special Appropriations</i>	<i>1,634,494</i>
Statewide Total	20,850,186



Washington State

Bond Retirement/Interest	1,118,176
Special Approps to Governor	307,014
State Employee Comp Adj	161,024
Other Special Approps	48,280
<i>Special Appropriations</i>	<i>1,634,494</i>



Bond Retirement & Interest

(Dollars in Thousands)

	GF-S	Other	Total
1999-01 Original Appropriations	1,108,747	160,092	1,268,839
Total Maintenance Changes	0	0	0
Policy Changes			
1. Update Projected Debt Serv Payments	9,429	17,595	27,024
2. Debt Service Adjustment	0	0	0
Total Policy Changes	9,429	17,595	27,024
1999-01 Revised Appropriations	1,118,176	177,687	1,295,863
Fiscal Year 2000 Total	659,037	88,514	747,551
Fiscal Year 2001 Total	459,139	89,173	548,312

Comments:

- Update Projected Debt Serv Payments** - Funding is provided to address increased debt service payments due to interest rate changes. (General Fund-State, Other Funds)
- Debt Service Adjustment** - Debt service payments are shifted from FY 2001 to FY 2000 to accommodate the statewide expenditure limit established by Initiative 601.

NOTE: Amounts shown here reflect only the omnibus appropriations act. The remainder of the Bond Retirement & Interest budget is shown in the Transportation Budget Section of this document.

Special Appropriations to the Governor

(Dollars in Thousands)

	GF-S	Other	Total
1999-01 Original Appropriations	27,165	47,238	74,403
Total Maintenance Changes	0	0	0
Policy Changes			
1. Shoreline Block Grants	0	5,000	5,000
2. Extraordinary Criminal Justice Cost	0	-140	-140
3. FDA Excess Funds Distribution	0	10,000	10,000
4. K-20 Network	-1,800	0	-1,800
5. Electronic Commerce	0	10,000	10,000
6. Multimodal Account Funding	50,000	0	50,000
7. RTA Rail Maintenance Facility	12,700	0	12,700
8. Sound Transit Assistance	15,000	0	15,000
9. Ferry Assistance	20,000	0	20,000
10. Lawsuits/Judicial Rulings	3,488	888	4,376
11. Agricultural Trust Management	0	121	121
12. Year 2000 Pool Reduction	-1,534	0	-1,534
13. Local Government Assistance	101,922	33,184	135,106
14. Transit Assistance	80,000	0	80,000
15. Midwifery Program Shortfall	73	0	73
Total Policy Changes	279,849	59,053	338,902
1999-01 Revised Appropriations	307,014	106,291	413,305
Fiscal Year 2000 Total	118,871	41,479	160,350
Fiscal Year 2001 Total	188,143	64,812	252,955

Comments:

- | | |
|--|--|
| <p>1. Shoreline Block Grants - Funding is provided for block grants to cities and counties for the acquisition of less than fee simple interests in shoreline parcels. Of the total, \$1.5 million is provided for a pilot program in Skagit County to implement an agricultural riparian buffer plan. (Salmon Recovery Account)</p> <p>2. Extraordinary Criminal Justice Cost - Funding authority is reduced by \$690,000 to reflect unrealized reimbursement costs for the adjudication of an aggravated murder case in Okanogan County. In addition, FY 2001 funding of \$550,000 is provided for assistance to Franklin County, Cowlitz County, and Thurston County for extraordinary criminal justice costs incurred in the adjudication of aggravated homicide cases, based on the recommendations of the Office of Public Defense developed pursuant to Chapter 303, Laws of 1999 (HB 1599). The additional funding lapses on January 1, 2001. (Public Safety and Education Account-State)</p> <p>3. FDA Excess Funds Distribution - One-time authority is provided to the Department of Natural Resources to distribute excess funds from the Forest Development Account (FDA). Funds credited back to the state shall be placed in the Salmon Recovery Account. (Forest Development Account-State)</p> <p>4. K-20 Network - Funding for the K-20 Technology Network is adjusted to reflect the lower cost of recently-negotiated contracts.</p> <p>5. Electronic Commerce - Funding is provided for the implementation of the Digital Government Initiative. The</p> | <p>Initiative supports the development of additional on-line services through a common state infrastructure system. A portion of the funding will be used specifically to develop applications to allow businesses to file master business licenses over the Internet. Funding is provided in a pooled manner to facilitate consideration of multiple small individual project requests. (Master License Account, Electronic Commerce Revolving Account, Data Processing Revolving Account)</p> <p>6. Multimodal Account Funding - Based on current revenue projections, the Transportation Fund will not have the revenues necessary to make the last two Motor Vehicle Excise Tax (MVET) distributions to public transportation systems in January and April 2000. Funding is provided to the Transportation Fund from the General Fund to partially offset this liability. The balance will come from various other transportation funds.</p> <p>7. RTA Rail Maintenance Facility - Funding is provided from the general fund to the Multimodal Transportation Account for the Sound Transit (Regional Transit Authority [RTA]) rail maintenance facility in FY 2001.</p> <p>8. Sound Transit Assistance - Financial assistance is provided to Sound Transit regional transit authority to support the development of a light rail extension to Northgate in Seattle.</p> <p>9. Ferry Assistance - Ongoing support is provided to the Puget Sound Ferry Operations Account.</p> |
|--|--|

Special Appropriations to the Governor

10. **Lawsuits/Judicial Rulings** - Funding is provided for the following one-time legal costs and settlements: \$24,000 is provided to the Citizens' Commission on Salaries for Elected Officials for legal costs related to a lawsuit; \$200,000 is provided to the Military Department for legal defense costs related to claims of property damage caused by the release of flood waters from dams during the 1996 storm events (funding for the payment of any judgments or settlements is deferred); and \$4,152,000 is provided to the Office of Financial Management for the settlement of a 1991 lawsuit. (General Fund-State, Salary and Insurance Increase Revolving Account, Disaster Response Account)
11. **Agricultural Trust Management** - Chapter 279, Laws of 1999 (SSB 6090), created the Agricultural College Trust Management Account in the state treasury. Funds previously deposited to the Resource Management Cost Account from the proceeds of the sale of resources from agricultural college trust lands were moved into the new account. Additional funds credited to the sale of resources from agricultural college trust lands are made to the Agricultural College Trust Lands Management Account. (Resource Management Cost Account-State)
12. **Year 2000 Pool Reduction** - The Year 2000 pool was created to target funds for agencies to mitigate problems and issues arising from the Year 2000 date change. Appropriation authority is reduced to reflect actual allocations made from the Year 2000 pool and projected unspent moneys.
13. **Local Government Assistance** - Funding is provided to assist local jurisdictions in addressing the financial impacts of Initiative 695, which repealed the Motor Vehicle Excise Tax. Amounts of \$21.7 million for FY 2000 and \$44.6 million for FY 2001 are provided to cities. For counties, \$11.9 million and \$23.7 million are provided in FY 2000 and FY 2001, respectively. For county health departments and public health districts, \$11.1 million for FY 2000 and \$22.1 million for FY 2001 of the Health Services Account are provided for public health purposes. (General Fund-State, Health Services Account)
14. **Transit Assistance** - A one-time amount of \$80 million is distributed to public transportation systems to assist in the continuation of services.
15. **Midwifery Program Shortfall** - A General Fund-State appropriation is provided for deposit to the Health Professions Account to cover a revenue shortfall in the midwifery certification program in the Department of Health.

Sundry Claims

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
Total Maintenance Changes	0	0	0
Policy Changes			
1. Self-Defense Claims	<u>215</u>	<u>0</u>	<u>215</u>
Total Policy Changes	215	0	215
<hr/>			
1999-01 Revised Appropriations	215	0	215
Fiscal Year 2000 Total	215	0	215
Fiscal Year 2001 Total	0	0	0

Comments:

1. **Self-Defense Claims** - On the recommendation of the Division of Risk Management, payment is made under RCW 9A.16.110 for claims for reimbursement of legal costs and other expenses of criminal defendants acquitted on the basis of self-defense. The appropriation reflects the February 11, March 9, and April 25, 2000, updated transmittals from the Division of Risk Management.

Other Appropriations

(Dollars in Thousands)

	GF-S	Other	Total
Total Maintenance Changes	0	0	0
Policy Changes			
1. Efficiency Savings	-3,647	-9,761	-13,408
Total Policy Changes	-3,647	-9,761	-13,408
<hr/>			
1999-01 Revised Appropriations	-3,647	-9,761	-13,408
Fiscal Year 2000 Total	-1,094	-1,952	-3,046
Fiscal Year 2001 Total	-2,553	-7,809	-10,362

Comments:

1. **Efficiency Savings** - The Office of Financial Management is directed to reduce state agency appropriations according to the LEAP Committee document entitled "1999-2001 Efficiency Reductions." Excluded from the reductions are the Parks and Recreation Commission and the Department of Corrections. (General Fund-State, Efficiency Savings Account)

State Employee Compensation Adjustments

(Dollars in Thousands)

	GF-S	Other	Total
1999-01 Original Appropriations	160,547	189,910	350,457
Total Maintenance Changes	71	255	326
Policy Changes			
1. 1998 Pension Valuation Savings	-13,033	-13,564	-26,597
2. Plan 2 Pension System Enhancements	9,302	11,582	20,884
3. PERS 3 Implementation Costs	598	622	1,220
4. Enhanced Prescription Benefit	6	7	13
5. Additional Step for RNs	800	400	1,200
6. HB Trend & UMP Claims	2,661	2,857	5,518
7. Insurance Market Reform	72	78	150
Total Policy Changes	406	1,982	2,388
<hr/>			
1999-01 Revised Appropriations	161,024	192,147	353,171
Fiscal Year 2000 Total	52,589	64,937	117,526
Fiscal Year 2001 Total	108,435	127,210	235,645

Comments:

1. **1998 Pension Valuation Savings** - In August 1999, the Office of the State Actuary released the results of the 1998 actuarial valuation studies for the state pension systems. The valuation studies found that the employer contribution rates necessary to fund current pension benefits were less than the current rates, due primarily to higher-than-expected returns on investments in the pension funds. Starting May 1, 2000, the current Public Employees' Retirement System (PERS) employer rate will be reduced from 4.41 percent of salary to 3.58 percent and the Teachers' Retirement System (TRS) employer rate will be reduced from 8.49 percent to 6.03 percent. (General Fund-State, General Fund-Federal, General Fund-Private/Local, Other Funds)
4. **Enhanced Prescription Benefit** - Funding is provided to increase the FY 2001 employer funding rate for health benefits by \$0.02 for expanded coverage of prescription contraceptives in health plans offered by the Public Employees' Benefits Board (PEBB) beginning January 1, 2001. (General Fund-State, General Fund-Federal, Salary and Insurance Increase Revolving Account)
2. **Plan 2 Pension System Enhancements** - Funding is provided for the increased pension systems costs resulting from the changes to Plan 2 and Plan 3 early retirement reduction factors as provided in Chapter 247, Laws of 2000 (ESSB 6530). Members who have attained the age of 55 and have completed 30 service credit years can elect an early retirement with a benefit that is reduced a flat 3 percent per year for each year the individual is under age 65. (General Fund-State, General Fund-Federal, General Fund-Private/Local, Other Funds)
5. **Additional Step for RNs** - Funding is provided for an additional step or steps for specific registered nurse (RN) job classes used in state mental hospitals, developmental disabilities facilities, correctional facilities, and other similar state institutional settings. Funding is contingent upon Washington Personnel Resources Board review and approval that the additional step or steps will improve recruitment and retention of nurses at Western State Hospital and McNeil Island Correctional Facility. The annual General Fund-State cost of the added step or steps cannot exceed \$800,000. (General Fund-State, General Fund-Federal)
3. **PERS 3 Implementation Costs** - The creation of an optional PERS Plan 3 in Chapter 247, Laws of 2000 (ESSB 6530), will require more than \$10 million in implementation costs by the Department of Retirement Systems (DRS) during the 2001-03 biennium. These are funded from the DRS administrative expense fund, which is charged against all salaries reported for members of the various state retirement systems. The DRS expense fund rate will be increased by 0.04 percent of pay in May 2000 to provide funding for PERS Plan 3 implementation costs. (General Fund-State, General Fund-Federal, General Fund-Private/Local, Other Funds)

State Employee Compensation Adjustments

6. **HB Trend & UMP Claims** - Funding is provided to increase the employer funding rate for employee health benefits by \$8.45 per employee per month beginning July 1, 2000. Of the rate increase, \$4.81 is to accelerate the repayment of reserves used to pay claims in the settlement in *Retired State Employees v. State of Washington*; the rate increase will result in the reserves being paid back by June 30, 2001. Of the rate increase, \$1.82 is for an expected increase in managed care plan premium trends for calendar year (CY) 2001. And finally, \$1.82 of the rate increase is to partially address increased claims costs in the state's self-insured Uniform Medical Plan (UMP). Prior to receiving this additional funding, the Health Care Authority (HCA) was projecting a \$16 million fund deficit by the end of the 1999-2001 biennium, with a zero balance in the UMP premium stabilization reserve. The additional funding will partially address the projected shortfall. HCA and PEBB will consider increases in co-pays and employee premiums to address the remaining shortfall. If the premium trends for CY 2001 are 12 percent, as currently projected by HCA, and if no other changes are made, the average monthly employee premium is projected to be \$26.50 or more beginning January 1, 2001. (General Fund-State, General Fund-Federal, General Fund-Local, Salary and Insurance Increase Revolving Account)
7. **Insurance Market Reform** - Chapter 79, Laws of 2000 (E2SSB 6067), will result in higher assessments on health carriers to subsidize care provided through the Washington State Health Insurance Pool (WSHIP). Funding is provided for the increased assessments on employee health plans provided through PEBB. Funding is also provided for the state's self-insured UMP to pay the assessments; prior to the enactment of Chapter 79, Laws of 2000, UMP did not pay an assessment for the WSHIP. The employer funding rate for health benefits is increased by \$0.23 per employee per month beginning July 1, 2000, to pay for increased assessments beginning January 1, 2001. (General Fund-State, General Fund-Federal, General Fund-Local, Salary and Insurance Increase Revolving Account)

Contributions to Retirement Systems

(Dollars in Thousands)

	GF-S	Other	Total
1999-01 Original Appropriations	49,870	0	49,870
Total Maintenance Changes	0	0	0
Policy Changes			
1. 1998 Valuation Pension Savings	-1,722	0	-1,722
2. LEOFF 2 Benefit Improvements	3,564	0	3,564
Total Policy Changes	1,842	0	1,842
<hr/>			
1999-01 Revised Appropriations	51,712	0	51,712
Fiscal Year 2000 Total	23,832	0	23,832
Fiscal Year 2001 Total	27,880	0	27,880

Comments:

1. **1998 Valuation Pension Savings** - In August 1999, the Office of the State Actuary released the results of the 1998 actuarial valuation studies for the state pension systems. The valuation studies found that the employer contribution rates necessary to fund current pension benefits were less than the current rates, due primarily to higher-than-expected returns on the investments in the pension funds. Funding is adjusted to reflect the decrease in the state contribution rate for the Law Enforcement Officers' and Fire Fighters' (LEOFF) retirement system. Starting May 1, 2000, the LEOFF state rate will be reduced from the current 2.35 percent of salary to 2.16 percent.

2. **LEOFF 2 Benefit Improvements** - Funding is provided to increase the state contribution for the LEOFF retirement system Plan 2 for the increased pension system costs resulting from Chapter 247, Laws of 2000 (ESSB 6530). The LEOFF 2 retirement age is reduced from 55 to 53 and the early retirement reduction factor for those with 20 years of service who are at least age 50 is reduced to 3 percent for each year the member is less than 53 years old. Beginning September 1, 2000, the state contribution for LEOFF 2 will be 2.71 percent.