

**2007-09
OPERATING &
CAPITAL BUDGET
HIGHLIGHTS**

**CONFERENCE
COMMITTEE**

**SENATE WAYS & MEANS COMMITTEE
APRIL 21, 2007**

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BALANCE SHEET

Biennial Balance Sheet (Dollars in Millions)

RESOURCES		
	2005-07	2007-09
Beginning Balance	\$869.7	\$788.2
Revenue		
November Revenue Forecast	\$27,365.8	\$29,533.4
March Update	144.3	(17.8)
Revenue Legislation	-	(29.2)
Budget Driven Revenue	-	9.8
Transfers	-	32.4
Total	\$27,510.1	\$29,528.5
Other Resources		
Emergency Reserve / Rainy Day	(27.2)	(134.0)
Other Transfers and Adjustments	200.2	-
Total	\$173.0	(\$134.0)
Total Revenues and Resources	\$28,552.7	\$30,182.7
APPROPRIATIONS		
2005-07 Appropriations	\$27,764.5	-
2007-09 Operating Budget	-	29,624.1
Total Spending	\$27,764.5	\$29,624.1
RESERVES		
Ending Balance	\$788.2	\$558.6
Emergency Reserve	\$31.4	-
Rainy Day Fund	-	134.0
Rainy Day Balance (incl ERF)	\$31.4	\$165.4
Total Reserves	\$819.6	\$724.0

SPENDING LIMIT ADJUSTMENTS

State Expenditure Limit (Dollars in Millions)

	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Unadjusted Limit	14,131.90	16,118.47	16,973.86
Adjustments to The Expenditure Limit			
2007 Supplemental -- Program Cost Shifts			
DSHS: Mental Health State Hospital Revenues	(4.348)		
DSHS: Mental Health Medicaid Part D	(2.536)		
DSHS: MAA CPE Program Update	29.052		
2007-09 Biennial Budget -- Program Cost Shifts			
LSC: Other M/L Adjustments		(0.000)	
Human Rts: Replace Lost Federal Funds		0.219	
Vets: Federal and State Fund Shifts		(1.068)	(0.418)
CTED: Tourism Expansion		(0.586)	
DSB: Maintain Services		0.096	0.082
DOH: Local Health Assessments		0.107	
DOH: Metabolic Treatment Program		0.130	
DOH: Molecular Lab Federal Rev Loss		0.083	
DOE: Meeting Federal Air Requirements		0.325	
DOE: Wastewater Treatment Loan Processing		0.290	
DSHS: Econ Svcs Child Support Match		6.163	2.053
DSHS: Mental Health Hospital Revenues		0.044	(1.395)
DSHS: FMAP		(67.991)	(12.965)
DSHS: Medicare Part D		(14.893)	(0.436)
DNR: Fire Suppression 10 Year Average		0.380	
2007-09 Biennial Budget -- Legislation Impacting The Limit			
SSB 5557 Rural Counties		(2.100)	
EHB 2388 Public Facility Districts		(1.500)	
HB 1705 Health sciences and services		(1.300)	
SSB 5568 City lodging taxes - Yakima			(0.246)
SB 5089 Streamlined Sales Tax			(31.600)
Revised Limit (GFS Only in FY 07, Multiple Funds In FY08/09)	14,154.07	16,036.87	16,928.94
Expenditures	14,143.56	15,817.70	16,633.43
Remaining Capacity Under The Expenditure Limit	10.508	219.169	295.510
Fiscal Growth Factor		1.054	1.053

FUNCTIONAL AREAS OF GOVERNMENT

K-12 EDUCATION/EARLY LEARNING

IMPROVING EDUCATOR COMPENSATION

INITIATIVE 732 INCREASE - \$379.0 MILLION GENERAL FUND-STATE

Funding is provided for Initiative 732 cost-of-living increases of 3.7 percent for the 2007-08 school year and 2.8 percent for the 2008-09 school year for state-funded certificated instructional staff, administrators, and classified staff.

EMPLOYEE HEALTH BENEFIT INCREASES - \$66.4 MILLION GENERAL FUND - STATE

Funding for health care benefits for K-12 employees is increased from \$682 per month currently to \$707 per month in the 2007-08 school year and \$732 per month in the 2008-09 school year. The proposal maintains parity with the average provided for state employees' coverage through the Public Employees Benefits Board.

SALARY EQUITY PROPOSALS - \$64.2 MILLION GENERAL FUND-STATE

Beyond the Initiative 732 salary increases, for all three types of K-12 staff (certificated instructional staff, administrators, and classified staff) funded by the state, additional increases are provided each year of the next biennium to increase the salary allocations for school districts that historically have received lower salary allocations from the state. As a result of these increases, there will be greater equity in the salary allocation distributed through state funding formulas.

NATIONAL BOARD CERTIFICATION - \$7.4 MILLION GENERAL FUND-STATE

In recognition of the importance and value of National Board teacher certification, funding is provided for the following: (1) \$6.4 million to increase the annual bonus for teachers obtaining their National Board certification from \$3,500 currently to \$5,000 in the 2007-08 school year and adjusted by inflation in subsequent school years; and (2) \$1.0 million to provide an additional \$5,000 annual bonus for National Board certified teachers working in high poverty schools.

EDUCATIONAL STAFF ASSOCIATES - \$4.3 MILLION GENERAL FUND-STATE

Funding is provided for Engrossed Second Substitute House Bill 1432 (educational staff associates) which allows educational staff associates such as nurses, guidance counselors, and speech/language pathologists, to receive credit on the state salary schedule for up to 2 years of prior work experience in settings other than public schools.

ADDRESSING CURRENT FUNDING NEEDS

INITIATIVE 728 STEP-UP - \$139.9 MILLION STUDENT ACHIEVEMENT FUND-STATE

The Student Achievement Fund was authorized by voter approval of Initiative 728 in 2000. Districts use funds to lower class sizes by hiring more teachers and making necessary capital improvements, create extended learning opportunities for students, provide professional development for educators, and provide early childhood programs. Funding is provided to increase the per student allocation from \$375 currently to \$450 in the 2007-08 school year and \$459 in the 2008-09 school year.

FUNCTIONAL AREAS OF GOVERNMENT

SPECIAL EDUCATION ENHANCEMENTS - \$60.6 MILLION GENERAL FUND-STATE, \$14.6 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for: (1) removing 3 and 4 year olds from the 12.7 index used for special education funding; (2) enhancing the rate paid for 3 and 4 year olds receiving special education services from 93 percent of the basic education allocation to 115 percent; (3) creating a new safety net category for districts that draw a large number of students in need of special education services; and (4) increasing the amount provided for each special education student by \$73 per year.

CLASSIFIED STAFFING RATIO ENHANCEMENT - \$25.8 MILLION GENERAL FUND-STATE

Funding is provided to enhance the classified staff ratio in the general apportionment formula for school districts. Currently, the formula allocates one classified staff for every 60 students enrolled. The new formula will allocate classified staff at a rate of 1 per 59 students.

PUPIL TRANSPORTATION - \$25.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided to allocate additional resources to school districts for their pupil transportation program. The Office of Superintendent of Public Instruction, in consultation with the Joint Legislative Audit and Review Committee, will develop a method of allocating these funds to school districts. The methodology will be based primarily on the findings and analysis from the Joint Legislative and Audit Review Committee's K-12 pupil transportation study completed in December 2006.

LEARNING ASSISTANCE PROGRAM - \$0.6 MILLION GENERAL FUND-STATE, \$16.2 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

The state's Learning Assistance Program (LAP) provides additional resources to school districts for instructional staff, consultant teachers, special instructional programs, tutoring, and counseling. By increasing the LAP staff units, funding is increased for the Learning Assistance program by approximately 10 percent. This additional funding will allow school districts and schools to provide additional opportunities for struggling students.

TECHNOLOGY UPGRADES AND IMPROVEMENTS - \$12.4 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided to allow school districts and schools to update and improve their technology capacity. Specifically, this one-time funding is based on providing \$3,000 for each elementary school, \$6,000 for each middle or junior high school, and \$11,000 for each high school. The funding is intended to augment existing technology purchases and aid in the further use of technology in improving instruction.

BASIC EDUCATION FORMULA - \$0.4 MILLION GENERAL FUND-STATE

Pursuant to Engrossed Second Substitute Senate Bill 5627 (basic education funding), the Washington State Institute of Public Policy (WSIPP) will staff a Joint Task Force to review all current basic education funding formulas, develop a new funding structure, and develop a new basic education definition.

FUNCTIONAL AREAS OF GOVERNMENT

PROVIDING ADDITIONAL STUDENT SUPPORTS

ALL DAY KINDERGARTEN PHASE-IN - \$51.2 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Beginning in the state's highest poverty schools, funding is provided to phase in a full day kindergarten program. Funding is estimated to support a full day program for approximately 10 percent of the state's kindergarten enrollment during the 2007-08 school year, and 20 percent during the 2008-09 school year. The Office of the Superintendent of Public Instruction will fund as many schools as possible within the budgeted amount, and prioritize schools based on poverty level.

VOCATIONAL EQUIPMENT REPLACEMENT - \$9.4 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided to continue the allocation originally provided in the 2006 supplemental budget to allow vocational and Skills Center programs to replace and upgrade equipment. In both years of the biennium, the funding will be distributed based on \$75 per vocational student and \$125 per student at Skills Centers.

SKILLS CENTER ENROLLMENT EXPANSION - \$7.7 MILLION GENERAL FUND-STATE, \$0.4 MILLION STUDENT ACHIEVEMENT FUND-STATE

Pursuant to Substitute Senate Bill 5790 (skills centers), funding is provided for the costs associated with allowing each student attending a Skills Center to be counted up to 1.6 full-time equivalent students, combining their enrollment at their resident high school and Skills Center. The additional funding will remove a potential financial disincentive for the resident high school to allow students to attend the Skills Center and will allow Skills Center to expand program offerings.

BUILDING BRIDGES FOR DROP OUTS - \$5.0 MILLION GENERAL FUND-STATE

Funding is provided for the implementation of Second Substitute House Bill 1573 (authorizing a statewide program for comprehensive dropout prevention, intervention, and retrieval). Specifically, via this legislation, a grant program is established for school districts to implement comprehensive dropout prevention and retrieval programs.

MIDDLE SCHOOL CAREER AND TECHNICAL EDUCATION PROGRAMS - \$3.0 MILLION GENERAL FUND-STATE

Pursuant to Second Substitute House Bill 1906 (math and science), funding is provided to enhance allocations to some middle and junior high school career and technical education programs. In order to receive the funding, the middle or junior high school program must meet the approval requirements for vocational programs.

AFTER SCHOOL GRANTS - \$3.0 MILLION GENERAL FUND-STATE

Funding is provided to allow the Office of the Superintendent of Public Instruction to award after-school program grants pursuant to Engrossed Substitute Senate Bill 5841 (enhancing student learning opportunities). Priority for the grants will be given to grant requests that focus on improving reading and mathematics proficiency for students who attend schools that have been identified based on the federal No Child Left Behind Act

FUNCTIONAL AREAS OF GOVERNMENT

and include a proposal related to providing free transportation for those students in need that are involved in the program.

ELIMINATION OF BREAKFAST AND LUNCH CO-PAY - \$4.8 MILLION GENERAL FUND-STATE

Under current federal income guidelines, students qualify for free lunch at 130 percent of the federal poverty level and reduced price lunch at 185 percent of the federal poverty level. Typically, students eligible for reduced price lunch pay a 40 cent co-pay. Funding was provided in the 2006 supplemental budget to eliminate breakfast co-pays for students eligible for the reduced price lunch program. This resulted in an increase in the number of students participating in the program. Funding is provided to allow districts to continue to offer breakfast to students eligible for reduced price lunch at no cost to the student. Additionally, funds are provided to eliminate the lunch, as well as breakfast, co-pay for students in grades K-3.

K-3 DEMONSTRATION PROJECTS - \$3.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for grants to allow three demonstration schools to implement best practices in developmental learning in kindergarten through third grade. Specifically, the funding will provide resources for class sizes of 18 students, instructional coaches, and six additional professional development days for teachers. Two of the demonstration schools will be in schools participating in the Thrive-by-Five early learning partnerships in the Highline and Yakima school districts and one will be in the Spokane school district.

ENGLISH LANGUAGE LEARNERS - \$1.3 MILLION GENERAL FUND-STATE

Funding is provided to establish three pilot programs targeted at large middle and high schools to implement emerging best practices in staff development and planning focused on supporting development of academic English for students for whom English is their second language.

LEADERSHIP ACADEMY - \$1.3 MILLION GENERAL FUND-STATE

Funding is provided for a leadership academy designed to provide professional growth opportunities for school administrators. A public/private partnership that includes several private foundations, the Washington Association of School Administrators, the Association of Washington School Principals, and several state agencies, including the Professional Educator Standards Board, will collaborate on the development of the Academy curriculum. Funding is provided to support field testing, program refinement, and the participation of approximately 75 school leaders in the second year of the biennium.

HIGH SCHOOL COMPLETION - \$1.0 MILLION GENERAL FUND-STATE

Funding is provided to implement House Bill 1051 (high school completion program), which creates a pilot program at two community and technical colleges (CTC) to allow students meeting eligibility criteria specified in the legislation to continue their studies at the CTC and earn a high school diploma. The program is designed for students who are under age 21 and that have completed all state and local graduation requirements except

FUNCTIONAL AREAS OF GOVERNMENT

obtaining the Certificate of Academic Achievement or the Certificate of Individual Achievement.

MAKING TARGETED INVESTMENTS IN MATH AND SCIENCE

MATH/SCIENCE PROFESSIONAL DEVELOPMENT - \$39.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for: (1) three professional development days for each of middle and high school math and science teacher in the state; (2) specialized training for one math and one science teacher in each middle and high school to develop building-level expertise on the new math and science standards; and (3) two professional development days for fourth and fifth grade teachers to support district efforts to align instruction with new math and science state standards. These professional development days are in addition to the existing two Learning Improvement Days (LID) provided in existing state funding formulas for all certificated instructional staff.

PROMOTING ACADEMIC SUCCESS (PAS) FOR 12TH GRADE - \$12.1 MILLION GENERAL FUND-STATE

In the 2006 supplemental budget, funding was provided for the Promoting Academic Success (PAS) program to assist 11th grade students who are not successful in one or more subjects of the WASL. Additional funding is provided to serve 12th graders that still have not been successful on the WASL. This means that it would be possible for a student to receive PAS funding in their junior year, and again in their senior year.

2007 WASL CHANGES - \$10.8 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for the implementation of ESSB 6023 (regarding alternative assessments), including: (1) reviewing, developing, and implementing approved alternative assessments; (2) developing and piloting end of course examinations; (3) provide funding to school districts for the administration of diagnostic assessments; and (4) the increased costs associated with additional full time equivalent students as a result of any additional course taking requirements specified in the legislation.

INCREASE NUMBER OF TEACHERS - \$6.6 MILLION GENERAL FUND-STATE

Funding is provided to: (1) expand the Alternative Routes to Teacher Certification Program to produce an estimated 400 new teachers in math, science, special education or English as a Second Language; (2) create the Retooling To Teach Math and Science Program to produce an estimated 300 new teachers in those areas; and (3) increase the pipeline of paraeducators eligible for the Alternative Routes program.

EXPAND LASER - \$6.0 MILLION GENERAL FUND-STATE

State funding for LASER is expanded to reach additional classrooms each year. LASER provides complete toolkits for hands-on science projects, teacher training, research-based models for learning, and community support.

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MATH/SCIENCE REGIONAL SUPPORT - \$5.5 MILLION GENERAL FUND-STATE

In order to support the additional professional development opportunities provided through the Education Reform program, funding is provided to each of the nine Educational Service Districts for a professional development specialist in mathematics in the 2007-08 school year and an additional specialist in science in the 2008-09 school year.

MATH AND SCIENCE INSTRUCTIONAL COACHES - \$5.4 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for 25 math instructional coaches in the 2007-08 and 2008-09 school years, and 25 science instructional coaches in the 2008-09 school year. Each coach will receive five days of training at a coaching institute prior to each being assigned to serve two schools.

MATH AND SCIENCE STANDARDS AND CURRICULUM - \$2.3 MILLION GENERAL FUND-STATE, \$2.4 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided to: (1) recommend new math standards aligned with international standards; (2) identify mathematics basic curricula, diagnostic, and supplemental materials that align with the new international math standards; (3) support the development of state standards in science that reflect international content and performance levels; (4) evaluate science textbooks, instructional materials and diagnostic tools to determine the extent to which they are aligned with international standards; and (5) develop science WASL knowledge and skill learning modules to assist students performing at tenth grade Level 1 and Level 2 in science to improve their performance.

OTHER MATH AND SCIENCE ITEMS - \$2.2 MILLION GENERAL FUND-STATE, \$0.4 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Other math and science items included in the budget include: (1) funding for the State Board of Education, and Professional Educators Standards Board to perform a variety of activities, with much of it focused on math and science; (2) paying for costs associated with high school students taking a college readiness test during 11th grade; and (3) providing after-school grants to community organizations that partner with school districts to provide mathematics support activities.

OTHER K-12 ITEMS

OTHER K-12 ENHANCEMENTS AND INCREASES - \$25.2 MILLION GENERAL FUND-STATE

Funding is provided for a variety of K-12 enhancements and programs including: (1) \$4.2 million for the Achievement Gap program in Seattle provided in the Department of Community, Trade and Economic Development's budget; (2) \$1.6 million for school safety; (3) \$1.5 million for an outdoor education grant in the State Parks and Recreation Commission's budget; (4) \$1.3 million for the Digital Learning Commons in the Department of Information Services' budget; (5) \$1 million for a pilot program designed to provide indigenous learning curriculum and standards in on-line learning programs; (5) \$0.8 million for the impacts associated with "simple majority" legislation for school levies; and (6) \$6 million for miscellaneous other smaller enhancements and increases.

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K-12 SAVINGS AND REDUCTIONS - \$27.0 MILLION GENERAL FUND-STATE SAVINGS

Funding is adjusted for: (1) the anticipated reauthorization of the federal Secure Rural Schools Act (SRSA) which provides transitional assistance to rural counties and school districts affected by the decline in revenue from timber harvests in federal lands; and (2) the elimination of the Staffed Residential Homes pilot program established in the 2006 supplemental budget.

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Final Budget for K-12 Education	
(State Funds in Thousands)	
	<u>State Funds</u>
2005-07 Spending Level (After '06 Supplemental)	\$11,789,895
2007-09 Carryforward and Maintenance Changes	\$841,207
<u>Improving Educator Compensation</u>	
Initiative 732 Salary Increases (Included at Maintenance Level)	\$379,035
Health Benefit Rate Increase	66,362
Teacher Salary Equity	44,991
Classified Staff Salary Equity	15,148
Administrator Salary Equity	4,055
Increase National Board Bonus	6,351
National Board Bonus - Challenging School	1,000
Educational Staff Associates - HB 1432	4,291
Improving Educator Compensation	\$521,233
<u>Addressing Current Funding Needs</u>	
Initiative 728 Step Up (Included at Maintenance Level)	\$139,876
Special Education Funding Enhancement	75,198
Classified Staff Ratio	25,824
Transportation Assistance	25,000
Learning Assistance Program Increase	16,855
Technology Upgrades & Improvements	12,400
Basic Education Formula Development - SSB 5627 - WSIPP	435
Addressing Current Funding Needs	\$295,588
<u>Providing Additional Student Supports</u>	
All Day Kindergarten Phase In	\$51,236
Vocational Equipment Replacement	9,387
Skills Center Enrollment Expansion - 2SSB 5790	8,119
Building Bridges for Drop Out - 2SHB 1573	5,000
Eliminate Lunch Co-Pay for K-3 Students	3,267
K-3 Demonstration Projects - 2SSB 5841	3,047
Middle School Career & Technical Education - 2SHB 1906	3,000
After School Grants - 2SSB 5841	3,000
Gifted Education	2,436
Maintain Breakfast Program	1,507
English Language Learners	1,345
Leadership Academy	1,300
High School Completion - HB 1051	1,000
Providing Additional Student Supports	\$93,644
<u>Making Targeted Investments in Math and Science</u>	
Math and Science Professional Development	\$30,549
PAS for 12th Grade	12,115
2007 WASL Changes	10,750
Elementary Math/Science Professional Development	8,950
Increase Number of Math & Science Teachers	6,594
Expand LASER	6,000
Math & Science Regional Support	5,491
Math & Science Instructional Coaches	5,376
Math/Science Standards & Curriculum	4,634
State Board of Education	801
College Readiness Test for 11th Graders	675
Statewide Pro-Certification Assessment Development	434
After School Math Programs	400
Middle/High School Applied Math/Science/Engineering Program	282
Making Targeted Investments in Math and Science	\$93,051
Other K-12 Enhancements and Increases	\$25,187
K-12 Savings or Reductions	(\$27,013)
Revision to Pension Rates	(\$99,682)
Total 2007-09 Budget	\$13,533,110
<i>Dollar Increase from 2007-09 Biennium</i>	<i>\$1,743,215</i>
<i>Percentage Increase from 2007-09 Biennium</i>	<i>14.8%</i>

FUNCTIONAL AREAS OF GOVERNMENT

EARLY LEARNING

INCREASED ACCESS TO EARLY CHILDHOOD EDUCATION AND ASSISTANCE PROGRAM (ECEAP) - \$22.1 MILLION GENERAL FUND-STATE

Funding is provided to increase the number of children receiving early childhood education and assistance program services by 2,250 slots at a rate of \$6,500 per slot. An estimated 10,500 children are currently eligible for, but not served by, ECEAP or the federal Head Start program.

EARLY CHILDHOOD EDUCATION AND ASSISTANCE PROGRAM VENDOR RATE EQUALIZATION - \$12.0 MILLION GENERAL FUND-STATE

Funds are provided for the department to increase the minimum provider per slot payment to \$6,500 in Fiscal Year 2008. Any provider receiving slot payments higher than \$6,500 is to receive a two percent vendor rate increase in Fiscal Year 2008. All providers are to receive a two percent vendor rate increase in Fiscal Year 2009. The current rate paid to vendors varies between \$5,200 per slot to \$7,200 per slot, with an average of \$5,596 per slot. Under the Conference Committee's vendor rate equalization plan, the average slot will rise to \$6,543, an increase of 17 percent.

HOME VISITATION SERVICES - \$3.5 MILLION GENERAL FUND-STATE

A total of \$3.5 million is provided for additional home visiting services to serve approximately 929 families a year. The additional funding is for investments in home visiting services that emphasize improved outcomes in early childhood development, school readiness, and early detection of developmental delays.

CONTINUING ACCESS TO LOW-INCOME PRESCHOOL PROGRAMS - \$2.2 MILLION GENERAL FUND-STATE

Funding is provided for a child care grant program for public community colleges and public universities. Several child care programs at the public community colleges and public universities face staff reductions or threats of closure as the cost of staff salaries have not kept pace with the revenues available from Head Start, ECEAP, or child care programs. A community college or university may be eligible to apply for up to \$25,000 per year from the department for each program.

QUALITY RATING AND IMPROVEMENT SYSTEM DEVELOPMENT AND PILOTING - \$6.7 MILLION GENERAL FUND-STATE

A total of \$6.7 million is provided to develop and pilot the quality rating and improvement system. This funding will be used to leverage private funding. The department will pilot the system in communities located throughout the state, with four of the pilots to be located in communities within the following counties: King, Kitsap, Spokane, and Yakima. The department will analyze the sites and report preliminary findings to the legislature by December 1, 2008. The following is provided within this funding:

- \$0.3 million to support the Early Learning Advisory Committee.
- \$1.5 million for professional development and training for providers.

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- \$1.0 million for grants to providers to improve facilities.
- \$1.3 million for mentoring and technical assistance.
- \$1.7 million to support the Child Care Resource and Referral Network for increased services.
- \$0.2 million for external assessments of providers.
- \$0.7 million for the department to staff the system.

FAMILY SUPPORTS - \$2.0 MILLION GENERAL-FUND STATE

The budget provides funding for a variety of parent, friend, family, and neighbor supports, including play and learn resources, parent education workshops, enhancements to the parent resource and referral telephone hotline, booklets on child care, and a public awareness campaign. This includes \$400,000 in one-time funding for the department to conduct a survey of parents to determine the types of early learning services and materials parents are interested in receiving from the state. The department shall report the findings to the appropriate policy and fiscal committees of the legislature by October 1, 2008.

EARLY READING INITIATIVES - \$2.0 MILLION READING ACHIEVEMENT ACCOUNT-NON APPROPRIATED

Funding is provided to: (1) implement an early reading grant program for evidence-based or promising community-based initiatives that develop pre-reading and early reading skills through parental and community involvement, public awareness, coordination of resources, and partnerships with local school districts; and (2) to provide statewide support to community-based reading initiatives. The \$2.0 million provided is in addition to \$1.0 million in existing resources for this program.

CHILD CARE WAGE LADDER - \$1.0 MILLION GENERAL-FUND STATE

The child care career and wage ladder program is increased by \$1.0 million for the 2007-09 biennium. A total of \$3.0 million is provided for the program, once the base funding and the enhancement are combined.

HIGHER EDUCATION

NEW ENROLLMENTS

A total of \$107 million is provided to increase enrollment at the state's colleges and universities by 9,700 students over the next two years. This is an unprecedented level of enrollment growth. It responds to the fact that the number of young people graduating from public school will reach historically high levels during the upcoming biennium, and that post-secondary education is ever more essential to economic opportunity and growth. Anticipated enrollment growth by university and college campus is displayed on page 19 and the following page.

FUNCTIONAL AREAS OF GOVERNMENT

GENERAL ENROLLMENT INCREASES - \$58.2 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT-STATE

Enrollment not targeted to particular areas of economic or social need is budgeted to increase by 6,000 students over the next two years. Of those, 3,400 are expected to enroll in community and technical colleges, and 2,600 in the four-year universities. Over a third of the general community college enrollments are expected to be adults who are seeking a high school equivalency diploma, to learn English as a second language, or to acquire the other basic math and literacy needed to function in society. Of the general enrollment growth at the four-year universities, 550 are budgeted to be at the graduate level, and 1,500 of the additional students are expected to enroll at the satellite campuses in Bothell, Tacoma, the Tri-Cities, and Vancouver.

MATH AND SCIENCE ENROLLMENT INCREASES - \$17.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Enrollment in math- and science-related fields is budgeted to increase by 1,250 students. One thousand of these new enrollments would be at the four-year universities, in fields such as engineering, nursing, bio-chemistry, computer science, and electronics. An additional 250 are specifically targeted to community college students preparing to teach at the preschool level, to equip them to instill math and science awareness in early learners.

OTHER HIGH-DEMAND ENROLLMENT INCREASES - \$31.2 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT-STATE

Over 2,400 new enrollments are funded in other high-demand fields such as teaching English as a second language, special education, construction management, and allied health technology.

TUITION AND FINANCIAL AID

To help cover the cost of inflation in utility and other operating costs, and program enhancements identified by the institutions, the budget authorizes resident undergraduate tuition increases of seven percent per year at the two research universities; five percent per year at the four regional universities; and two percent per year at the community and technical colleges. Despite these increases, resident undergraduate tuition at Washington's four-year universities continues to be considerably lower than at comparable institutions in other states. To help students and families manage these increased costs, the budget increases financial aid by \$79 million, in the following areas:

EXISTING DIRECT FINANCIAL AID PROGRAMS - \$37.1 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT-STATE

Approximately 81,500 students per year are budgeted to receive direct state financial aid through the State Need Grant, the State Work Study program, the Washington Scholars program, and the Washington Award for Vocational Excellence program. To keep pace with projected enrollment growth, this is 1,500 more than are presently assisted through these programs. Additionally, funding is provided to cover the full cost of the authorized tuition increase for students enrolled in these programs.

FUNCTIONAL AREAS OF GOVERNMENT

OPPORTUNITY GRANTS - \$15.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

A new grant program is established to assist students who are pursuing career and technical training in high-demand fields. The program will provide one year of tuition and fees at the community and technical college rate, plus \$1,000 for materials and supplies. Eligible students are those with family incomes below 200 percent of the federal poverty level who are enrolled in job-specific training programs in occupations in which employer demand exceeds the supply of qualified applicants.

EXPAND STATE NEED GRANT ELIGIBILITY - \$9.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Eligibility is expanded for the State Need Grant to include students whose family incomes are between 66 and 70 percent of the state median. For a family of four, 70 percent of the median is approximately \$50,000 per year, compared to the current eligibility limit of \$46,500. For a single student with one dependent, 75 percent of the median is approximately \$35,000 per year, compared to the current eligibility limit of \$31,500. Approximately 1,600 additional students are expected to receive assistance each year as a result of this expansion.

COLLEGE BOUND SCHOLARSHIP - \$8.1 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

In order to encourage more low-income young people to succeed in high school and aspire to college, a new grant program is established and endowed. The College Bound Scholarship guarantees a four-year, full tuition-and-fee scholarship at any public college or university in the state, plus \$500 per year for books, beginning in fall 2012. To qualify for the scholarship, a student must be eligible for the free- and reduced-price school lunch program during their 7th grade; must complete high school with a "C" average and no felony convictions; and must have a family income below 65 percent of the state median for up to two years prior to college enrollment.

COMMUNITY AND TECHNICAL COLLEGE TUITION SUBSIDY - \$5.5 MILLION GENERAL FUND-STATE

State funds are provided to cover the difference between the authorized two percent annual increases, and the revenues that would be generated by a three percent annual increase. Together, these revenues will be sufficient for the colleges to cover approximately 3.5 percent annual inflation in their non-compensation costs.

GET READY FOR MATH AND SCIENCE - \$5.0 MILLION EDUCATION LEGACY TRUST ACCOUNT

Funding is provided to establish a new public/private scholarship program for students who have excelled in math or science on the Washington Assessment of Student Learning, the Scholastic Aptitude Test (SAT) or the American College Test (ACT). The scholarships are for up to five years, require the student to major in a math or science-related program at a Washington college or university, and to work in Washington state in a math or science-related field for three years after receiving their degree. State funds are to be matched on a dollar-for-dollar basis by private funds raised by a non-profit program administrator.

FUNCTIONAL AREAS OF GOVERNMENT

PASSPORT TO COLLEGE PROMISE SCHOLARSHIP - \$3.3 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

A new program is established to provide current and former foster care youth with the comprehensive educational planning, financial aid, and student support services many need to succeed in higher education. Key components of the program include outreach to current foster care youth to help them learn about and plan for college admission; scholarships equivalent to full tuition and fees at the University of Washington, for use at any school in the state; and financial incentives for colleges and universities to enroll more former foster care youth and to provide them extra academic and personal support services. Eligible students are those who turn age 18 in the state's care, after having spent at least one year in foster care after age 15. The first cohort of approximately 300 young people is budgeted to enroll in college in fall 2008.

FUTURE TEACHER SCHOLARSHIPS - \$1.3 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

A total of \$1.3 million is provided to award approximately 100 additional scholarships each year to students who commit to teach in shortage areas such as mathematics, bilingual, and special education. Funds are also provided for the Higher Education Coordinating Board to enroll and to monitor completion of scholarship commitments by these and the approximately 800 other students for whom new scholarship awards are budgeted in the K-12 portion of the budget.

INCREASED TUITION WAIVER AUTHORITY - \$1.1 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Additional state funding is provided to enable Central Washington University and The Evergreen State College to waive more of the tuition that would otherwise be collected from state-supported students. These two schools are presently authorized to waive eight percent and six percent of tuition, respectively, compared to 10 percent at Western Washington University, and 11 percent at Eastern Washington University. The budget anticipates increasing waiver authority at both Central Washington University and The Evergreen State College to 10 percent over a five-year period.

NEED GRANT FOR STUDENTS TAKING 3-5 CREDITS - \$1.0 MILLION GENERAL FUND-STATE

Funds are provided so that financially needy students enrolled in one or two classes totaling 3-5 credits per quarter may receive need grant assistance with tuition and living expenses. Grants will be pro-rated so that, for example, a student taking 3-5 credits will receive one-quarter as much assistance one taking 12-15.

STUDENT OUTREACH AND SUPPORT

BUILDING COLLEGE AWARENESS - \$2.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided to extend the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR-UP) to half (25) of the low-income school districts that do not presently have a structured college access program.

FUNCTIONAL AREAS OF GOVERNMENT

STUDENT RETENTION AND COMPLETION STRATEGIES - \$10.3 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT

In addition to enrolling more students, more needs to be done to help them complete a degree efficiently and on time. The budget invests in three different approaches. First, \$7 million is provided for distribution across all of the public colleges and universities in order to approximately double current federally-funded advising, mentoring, and tutoring services that are specifically targeted to low-income and first-generation students. Second, \$2.3 million is invested in a comprehensive strategy developed by Eastern Washington University for improving its undergraduate retention and graduation rates by 15 percent over the next three years. Finally, \$1.1 million is provided to assist the regional universities provide interpreters, adaptive technologies, and other supports for the increasing number of students with disabilities who are enrolling in our public colleges and universities.

INTERNATIONAL LEARNING OPPORTUNITIES - \$750,000 EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for the University of Washington to enable more students to participate in international educational experiences, particularly those with lower incomes who would otherwise not have the opportunity to study abroad. With this increased state support, it is expected that, by 2011, approximately 2,600 students per year will participate in foreign study and volunteer opportunities.

COMPENSATION

A total of \$397.0 million (\$209.6 million General Fund-State) is budgeted for the annual cost-of-living and health benefit rate increases described on pages __ and __. In addition to those standard increases, the enhancements outlined on the following page are included.

PART-TIME COMMUNITY COLLEGE FACULTY - \$11.2 MILLION GENERAL FUND-STATE

Funding is provided to narrow the gap between full- and part-time faculty pay. In addition to the standard cost-of-living increases, funding is sufficient for average part-time faculty salaries to increase by approximately four percent in Fiscal Year 2008, and by an additional four percent in Fiscal Year 2009.

COMMUNITY COLLEGE SALARY INCREMENTS - \$7.5 MILLION GENERAL FUND-STATE

Funding is provided for annual faculty merit and longevity increases, as provided in local collective bargaining agreements.

RESEARCH AND PROGRAM DEVELOPMENT

SPOKANE MEDICAL AND DENTAL SCHOOL EXPANSION - \$11.2 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided to establish extensions of the University of Washington Schools of Medicine and Dentistry in Spokane. The medical school extension will educate twenty first-year medical students each year in cooperation with Washington State University, and will result in an 80-student expansion of the medical school over four years. The

FUNCTIONAL AREAS OF GOVERNMENT

dental school extension will educate eight first-year dental students each year in cooperation with Eastern Washington University, and will result in a 24 student expansion over four years. These will be the first increases in the number of Washington residents enrolled in either school in more than a decade. Other key components of the expansion include the development of new practicum, internship, and residency opportunities in eastern Washington for these and other medical and dental students, and further development of Spokane's role as a biomedical research base by providing researchers with the opportunity to combine their work with a University of Washington faculty appointment.

GLOBAL HEALTH TEACHING AND RESEARCH - \$6.3 MILLION GENERAL FUND-STATE

Funding is provided to support expansion of research and teaching activities in the new Department of Global Health at the University of Washington. The department focuses on achievement of sustainable improvements in global health through inter-professional education, collaborative research, professional service in public health policy and practice, and delivery of medical care in under-resourced areas.

APPLIED AGRICULTURAL RESEARCH - \$6.0 MILLION GENERAL FUND-STATE

State funds are provided for Washington State University to conduct research projects that will produce immediate practical outcomes for the state's agriculture industry through the development of value-added agricultural projects, and the development of economically- and environmentally-sustainable production techniques. Funds are also provided for operation and maintenance of the new research and extension facility in Mount Vernon.

BIO-PRODUCTS TECHNOLOGY - \$4.0 MILLION GENERAL FUND-STATE

A total of \$4.0 million is provided for Washington State University, in coordination with the Washington State Department of Agriculture and the Pacific Northwest National Laboratories, to implement a comprehensive program of applied research on bio-fuels production. This will include the identification of Washington-grown crops most suitable to bio-energy production; development of methods for producing those crops economically; invention of more efficient bio-fuel conversion processes; and the development of co-products from bio-fuel crops.

APPLIED SCIENCES LAB - \$3.0 MILLION GENERAL FUND-STATE

State funds are provided to promote the development of the Spokane-based Applied Sciences Library into a strong, self-sustaining research organization over the next four years. The laboratory emphasizes applied research, technology transfer, and the development of spin-off companies in the physical sciences and engineering.

VANCOUVER ELECTRICAL ENGINEERING PROGRAM - \$2.0 MILLION GENERAL FUND-STATE

A total of \$2.0 million is provided for Washington State University to establish a new program in electrical and electronic engineering at its Vancouver campus. The program will combine quality undergraduate instruction with applied research support to regional high-tech industries.

FUNCTIONAL AREAS OF GOVERNMENT

ADVANCED MATERIALS SCIENCE CENTER - \$1.2 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for Western Washington University to establish an interdisciplinary Advanced Materials Science and Engineering Center. The Center will provide undergraduate-focused education and research that integrates chemistry, physics, and engineering into the development and production of materials that are employed in industries such as aerospace, microelectronics, and biotechnology.

BIOLOGICAL RESEARCH IN NEUROSCIENCES - \$1.1 MILLION GENERAL FUND-STATE

Western Washington University will expand its "BRAIN" curriculum, which prepares undergraduates for biological research positions in industry and academia through integrated study in chemistry, biology, and psychology.

FACILITIES AND EQUIPMENT

CAPITAL CONSTRUCTION AND REPAIRS - \$809.2 MILLION STATE GENERAL OBLIGATION BONDS; \$173.4 MILLION HIGHER EDUCATION CAPITAL ACCOUNTS; \$82.8 MILLION EDUCATION CONSTRUCTION ACCOUNT

The capital budget provides a total of almost \$1.1 billion for facility construction, improvements, and repairs at the state colleges and universities, a 15 percent increase over the current biennium. Of that total, \$547 million is appropriated for projects at the 11 four-year university campuses, and \$518 million is appropriated for the community and technical colleges. Major new construction and renovation projects, totaling almost \$700 million, are budgeted to be undertaken at seven four-year and 14 community college campuses. The remaining \$365 million will pay for facility repairs and improvements at all of the public college and university campuses, and for planning and design of facilities that will be constructed in future biennia.

UNIVERSITY OF WASHINGTON TOWER - \$3.9 MILLION GENERAL FUND-STATE

The university recently purchased the former Safeco Tower in the Seattle university district. This permits the university to free up space on the central campus for instructional and student support services by relocating some administrative activities into the Tower, and to consolidate leased space into a central-owned facility close to campus. State funds are provided for operating and maintenance costs on the portion of the Tower associated with state-supported administrative and instructional activities.

COMMUNITY AND TECHNICAL COLLEGE EQUIPMENT - \$2.0 MILLION GENERAL FUND-STATE

Funds are provided for community and technical colleges to purchase professional and technical equipment that is consistent with current industry standards. Equipment such as ventilators, digital imaging technology, hybrid automotive equipment, industrial electronics, and virtual clinical instruction tools are often unaffordable within a college's routine equipment replacement budget.

FUNCTIONAL AREAS OF GOVERNMENT

Higher Education Budgeted Enrollment Increases by Academic Year

	FTE Student Enrollment				
	Budgeted Level FY 07	Increase for FY 08	Total Budgeted FY 08	Increase for FY 09	Total Budgeted FY 09
Community & Technical Colleges	133,227	2,795	136,022	2,955	138,977
Four-Year Schools	91,686	1,900	93,586	2,084	95,670
University of Washington	36,776	875	37,651	875	38,526
Seattle	33,367	415	33,782	415	34,197
Bothell	1,540	220	1,760	220	1,980
Tacoma	1,869	240	2,109	240	2,349
Washington State University	21,400	400	21,800	450	22,250
Pullman/Spokane	18,982	130	19,112	160	19,272
Tri-Cities	730	70	800	65	865
Vancouver	1,688	200	1,888	225	2,113
Eastern Washington University	8,946	50	8,996	188	9,184
Central Washington University	8,692	260	8,952	370	9,322
The Evergreen State College	4,143	22	4,165	48	4,213
Western Washington University	11,729	293	12,022	153	12,175
Total Higher Education	224,913	4,695	229,608	5,039	234,647

FUNCTIONAL AREAS OF GOVERNMENT

JUDICIAL AGENCIES

JUDICIAL ENHANCEMENTS

CORE CASE MANAGEMENT SYSTEM - \$20.5 MILLION JUDICIAL INFORMATION SYSTEMS-STATE

Funds are provided to plan, procure, and implement a modern and integrated statewide court case management system for Washington state courts. The current system was built during the 1970s and 1980s, and is used at every court level in the state to manage criminal and civil cases and to collect and distribute revenue. The Administrative Office of the Courts must complete feasibility studies before initiating work.

PUBLIC DEFENSE IMPROVEMENT AT THE TRIAL LEVEL - \$7.1 MILLION GENERAL FUND-STATE

Funding is provided to increase the state's contribution to counties to improve the quality and caseload standards for public defense services at the trial level.

PARENTS' REPRESENTATION PROGRAM EXPANSION - \$6.6 MILLION GENERAL FUND-STATE

Funding is provided to expand the Parents' Representation Program, which provides counsel to indigent parents involved in dependency and termination cases.

CIVIL LEGAL AID ENHANCEMENTS - \$5.3 MILLION GENERAL FUND-STATE

Funding is provided to establish a legal aid presence in eight underserved rural areas of the state as well as to provide access to 190,000 low-income residents of King County. A three percent vendor rate increase over the biennium to the Northwest Justice Project, the single contractor of civil legal aid services, is also included in this amount.

BECCA FUNDING - \$3.9 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

The Becca laws require schools to inform students' parents of unexcused absences. If a student has seven unexcused absences in a month, or ten in an academic year, the school district must file a truancy petition in juvenile court. \$3.3 million in funding is provided to county juvenile courts and \$0.6 million to school districts to offset the costs associated with processing Truancy, At Risk Youth (ARY), and Children in Need of Services (CHINS) petitions.

REMOVAL OF LANGUAGE BARRIERS AT THE SUPERIOR COURT LEVEL - \$2.0 MILLION PUBLIC BENEFIT AND RESEARCH SERVICES ACCOUNT-STATE

The Administrative Office of the Courts (AOC) will provide partial reimbursement to the Superior courts for the cost of providing certified and registered spoken language interpreters and qualified interpreters in visual languages. AOC will assist Superior courts in developing and implementing limited English proficiency plans and will also translate critical court forms for statewide use.

FUNCTIONAL AREAS OF GOVERNMENT

DISSOLUTION PROCEEDINGS (SECOND SUBSTITUTE SENATE BILL 5470) - \$1.0 MILLION GENERAL FUND-STATE

Funding is included for the following items:

- \$0.7 million to the counties to provide guardian ad litem services for the indigent at a reduced or waived fee.
- \$0.3 million to the Administrative Office of the Courts and Department of Social and Health Services to implement data tracking provisions.
- \$0.2 million for the Supreme Court to convene a task force on dissolution, dispute resolution, and domestic violence.
- \$0.1 million to the Administrative Office of the Courts to develop training materials for the family court liaisons.
- \$0.09 million to the county clerks for reimbursement costs related to the family law handbook.

SUPREME COURT AND COURT OF APPEALS SALARY INCREASES - \$1.9 MILLION GENERAL FUND-STATE

Funding is provided to salary increases for the Supreme Court Law Clerks and eligible Court of Appeals employees.

COURT OF APPEALS JUDGES PER DIEM - \$0.2 MILLION GENERAL FUND-STATE

Funding for implementation of Chapter 34, Laws of 2007 (Senate Bill 5351) is included to provide for the reimbursement of work-related travel expenses from a judge's customary residence to the division headquarters and back. Judges elected from, or residing in, the county in which the division is headquartered are not eligible for work-related travel expenses.

GUARDIANSHIP ENHANCEMENTS

COURT APPOINTED SPECIAL ADVOCATES (CASA) ENHANCEMENT - \$6.0 MILLION GENERAL FUND-STATE

Funding is provided for the local Court Appointed Special Advocate (CASA) programs to hire volunteer coordinators, in order to increase the ratio of volunteer coordinators to volunteers according to National CASA best practice standards. CASA programs train volunteer advocates to act as guardians ad litem for abused and neglected children in the dependency court system.

CREATION OF THE PUBLIC GUARDIANSHIP OFFICE - \$1.5 MILLION GENERAL FUND-STATE

Funding and staff are provided for implementation of Substitute Senate Bill 5320 (public guardianship). The bill creates an Office of Public Guardianship as an independent agency of the judiciary to provide guardianship services to low-income individuals who have been determined by the court to need the services of a guardian.

FUNCTIONAL AREAS OF GOVERNMENT

GUARDIAN GRIEVANCE INVESTIGATION - \$0.2 MILLION GENERAL FUND-STATE

Funding is provided for staff and resources to enhance the Certified Professional Guardian Program. There are approximately 16,000 open guardianships in Washington State at any given time. By law, oversight of these cases is assigned to the courts. Additional support for investigations and monitoring is provided to facilitate ongoing court involvement and supervision in certified professional guardianship cases.

CHILDREN AND FAMILIES

DSHS – CHILDREN’S ADMINISTRATION - ENHANCEMENTS

PARENT AND CAREGIVER SUPPORTS - \$4.5 MILLION GENERAL FUND-STATE; \$1.9 MILLION GENERAL FUND-FEDERAL

Funds are provided to implement Substitute House Bill 1333 (child welfare). Of the amounts provided, \$0.3 million is provided for implementation of the bill, and \$6.1 million is provided for court-ordered remedial services for parents and caregivers involved in dependency proceedings who are determined by the court to be unable to pay for services, pursuant to the specifications of the bill. If the bill is not enacted by June 30, 2007, the amounts provided shall lapse.

SAVINGS FROM INCREASED KINSHIP CARE PLACEMENTS - \$5.7 MILLION GENERAL FUND-STATE; \$5.8 MILLION GENERAL FUND-FEDERAL

Savings to the foster care program are reflected resulting from increased placements with kinship providers, who are relatives or other suitable persons with whom the child has a relationship. House Bill 1377 (placement of children) expands the definition of persons who may qualify as a kinship provider. Prior to placement, the department deems these placements to be safe and appropriate. The Caseload Forecast Council estimates approximately 8,000 children will be in foster care during the 2007-09 biennium. This legislation would reduce that amount by 271 children in Fiscal Year 2008, followed by an additional 771 children in Fiscal Year 2009.

IMPLEMENT 30 DAY VISITS - \$4.6 MILLION GENERAL FUND-STATE; \$2.0 MILLION GENERAL FUND-FEDERAL

Funding is provided to complete the phase-in of Child Welfare Services staff to achieve the goal of face-to-face contact with children, parents, and/or caregivers every 30 days, for both in-home dependencies and out-of-home placements by the end of calendar year 2008.

INCREASED SUPPORT FOR KINSHIP CARE PLACEMENTS - \$4.4 MILLION GENERAL FUND-STATE; \$0.5 MILLION GENERAL FUND-FEDERAL

Funding is provided to increase support services to children placed with relatives.

INDIAN CHILD WELFARE PROGRAM - \$1.8 MILLION GENERAL FUND-STATE

Additional funding is provided to the Indian Child Welfare (ICW) program. The base funding for this program is approximately \$5 million General Fund-State and supports contracts with each of the 29 federally-recognized tribes and five Recognized American

FUNCTIONAL AREAS OF GOVERNMENT

Indian Organizations (RAIO). Contracts include services that mirror those delivered by the department. Direct service delivery funding has not been increased since the 1997-99 biennium. This funding is to assist with the implementation of new state and federal laws and to help reduce the number of fatalities for children covered by ICW contracts.

INTENSIVE FAMILY PRESERVATION SERVICES - \$1.6 MILLION GENERAL FUND STATE
Funding is provided to replace the loss of federal funds for Intensive Family Preservation Services (IFPS). The Washington State Institute for Public Policy has determined that IFPS programs adhering closely to the Homebuilders model significantly reduce out-of-home placements and subsequent abuse and neglect. They estimate that such programs produce \$2.54 of benefits for each dollar of cost.

CHILD WELFARE PROCEEDINGS - \$1.4 MILLION GENERAL FUND-STATE; \$0.6 MILLION GENERAL FUND-FEDERAL

Funding is provided to implement Second Substitute House Bill 1334 (child welfare proceedings). The bill requires DSHS to provide relevant original supporting documents to the court in dependency proceedings.

PRACTICE MODEL IMPLEMENTATION - \$1.1 MILLION GENERAL FUND-STATE; \$0.5 MILLION GENERAL FUND-FEDERAL

Funding is provided for the department to implement a new practice model to improve social workers' interviewing skills and their interactions with families. The model builds upon evidence-based practices to reduce repeat cases of abuse and neglect. The base budget includes \$3.7 million for classroom style training. This increase will provide training to social workers in the field.

CHILDREN'S ADVOCACY CENTERS - \$1.0 MILLION GENERAL FUND-STATE; \$0.4 MILLION GENERAL FUND-FEDERAL

Funding is provided for Children's Advocacy Centers. These centers offer a single location where professionals coordinate their investigations of child abuse and provide a child-friendly setting allowing for one forensic interview and one examination that is used by all the investigators. This minimizes the need for traumatized children to have to go through repetitive investigations. A 50 percent match will be required of each center receiving state funding.

ADDITIONAL FOSTER CARE CLOTHING - \$0.5 MILLION GENERAL FUND-STATE; \$0.2 MILLION GENERAL FUND-FEDERAL

An additional \$200 clothing voucher is provided for foster care children who have been in care for six months. The department currently provides a \$100 clothing voucher for foster youth upon entry into out-of-home care. Approximately 50 percent of the current foster care caseload will receive the voucher.

PEDIATRIC INTERIM CARE - \$0.5 MILLION GENERAL FUND-STATE

Funding is provided for a five percent rate increase each year for the pediatric interim care facility, and to expand the number of beds provided from 13 to 17.

FUNCTIONAL AREAS OF GOVERNMENT

DSHS – CHILDREN’S ADMINISTRATION - VENDOR RATE INCREASES

TARGETED VENDOR RATE INCREASES - \$13.4 MILLION GENERAL FUND-STATE; \$5.7 MILLION GENERAL FUND-FEDERAL

Funding is provided for a targeted rate increases of 3.2 percent in Fiscal Year 2008 and 2.0 percent in Fiscal Year 2009 for foster parent payments and crisis residential centers (CRCs), and for a targeted rate increase of 5.0 percent in Fiscal Year 2008 and 5.0 percent in Fiscal Year 2009 for behavioral rehabilitation services (BRS).

DSHS – CHILDREN’S ADMINISTRATION - INFORMATION TECHNOLOGY

CONTINUED IMPLEMENTATION OF THE STATEWIDE AUTOMATED CHILD WELFARE INFORMATION SYSTEM - \$10.0 MILLION GENERAL FUND-STATE; \$10.0 MILLION GENERAL FUND-FEDERAL

Funding is provided to continue development of a statewide automated child welfare information systems (SACWIS) designed to be a comprehensive automated case management tool to support social worker case management practice. SACWIS development began in Fiscal Year 2007 and will replace the current caseworker system. It is expected to be fully functional in Fiscal Year 2010.

DSHS – ECONOMIC SERVICES

WORKFIRST PROGRAM ENHANCEMENTS

CHILD CARE COLLECTIVE BARGAINING COSTS - \$51.4 MILLION GENERAL FUND-STATE

Funding is provided for the collective bargaining agreement between the Department of Early Learning (DEL) and family child care workers. Some funding for the collective bargaining agreement is provided in the DSHS budget, to be distributed with the provider payments made by DSHS on DEL's behalf. The funding provided directly to DEL will cover subsidy and licensing training and agency implementation costs.

CHILD CARE CENTER PARITY - \$32.4 MILLION GENERAL FUND-STATE

Rate increases of 7 percent in Fiscal Year 2008 and 3 percent in Fiscal Year 2009 are provided to licensed child care centers for state-subsidized child care services, commensurate with the collectively bargained increase provided to licensed family care providers.

POST TANF PROGRAM - \$7.9 MILLION GENERAL FUND-STATE

Funds are provided to establish a Post-Temporary Assistance for Needy Families (TANF) program to increase long-term self-sufficiency.

INFANT EXEMPTION - \$3.1 MILLION GENERAL FUND-STATE

Funding is provided to implement Second Substitute Senate Bill 6016 (workfirst). The bill extends the exemption for program participation for a single parent of an infant from when the infant is three months of age to six months of age.

FUNCTIONAL AREAS OF GOVERNMENT

INCREASING KINSHIP CARE PLACEMENTS - \$2.8 MILLION GENERAL FUND-STATE

Funding is provided for an increase in Temporary Assistance for Needy Families (TANF) child-only grants to support additional children in foster care to be placed with relatives or other suitable persons with whom the child has a relationship as a result of House Bill 1377 (placement of children).

FULL FAMILY SANCTIONS - \$0.5 MILLION GENERAL FUND-STATE

Funding is provided for the WorkFirst Pathway to Engagement program. Through this program, the department and community partners will identify additional services needed for workfirst clients in sanction status. The department shall then contract for such services to be provided to those clients voluntarily choosing to accept them.

CHILD SUPPORT PROGRAM CHANGES

CHILD SUPPORT MATCHING FUNDS - \$14.4 MILLION GENERAL FUND-STATE; \$16.1 MILLION GENERAL FUND-FEDERAL

Washington state has used federal child support incentive funds as state match for federal child support matching funds. The federal Deficit Reduction Act has repealed the authority to use these child support incentive funds as state match. Funding is provided to continue the child support program based on Fiscal Year 2006 grant amounts. This assumes a five percent decline in the award as a result of the trend in prior years' grant amounts.

CHILD SUPPORT PASS THROUGH TO FAMILIES RECEIVING ASSISTANCE - \$4.6 MILLION GENERAL FUND-STATE; \$4.6 MILLION GENERAL FUND-FEDERAL

The Deficit Reduction Act gives states the option to pass through, or pay child support payments, to families receiving Temporary Assistance for Needy Families (TANF) cash assistance. Substitute Senate Bill 5244 (implementing the deficit reduction act) provides the department authority to initiate the pass through option. Effective October 1, 2008, The state will implement the pass-through option of up to \$100 for a one-child family, or up to \$200 for a family with two or more children. The federal government will waive the federal share. Funding is provided to notify pass-through recipients, make support enforcement management system changes, and adjust the levels of child support retained by the state.

ALLOWING FAMILIES RECEIVING ASSISTANCE TO RETAIN PAST-DUE CHILD SUPPORT - \$1.0 MILLION GENERAL FUND-STATE; \$1.1 MILLION GENERAL FUND-FEDERAL

The federal Deficit Reduction Act (DRA) of 2005 limits the allowable child support assignment to the state to only the amount of child support due to the custodial parent for each month that Temporary Assistance for Needy Families (TANF) is paid to the family. Funding is provided to make necessary support enforcement system changes to allow the Division of Child Support to meet the changes required by the federal government. Substitute Senate Bill 5244 (deficit reduction act) aligns state law with federal DRA requirements.

FUNCTIONAL AREAS OF GOVERNMENT

CHILD SUPPORT MANDATORY FEE - \$0.9 MILLION GENERAL FUND-STATE; \$1.7 MILLION GENERAL FUND-FEDERAL

The federal Deficit Reduction Act requires states to assess a \$25 mandatory fee for the use of Division of Child Support services. Of the revenue collected, 66 percent must be paid to the federal government. The collected revenue will be recorded as a negative expenditure. This item is contingent upon passage of Substitute Senate Bill 5244 (deficit reduction act).

OTHER

SAVINGS FROM ADDITIONAL SSI FACILITATORS - \$8.8 MILLION GENERAL FUND-STATE

A total of \$1.6 million is provided to hire 10 additional Supplemental Security Income (SSI) disability facilitators to assist disabled General Assistance clients who meet federal disability standards with application and enrollment onto the federal disability program. These targeted efforts are expected to generate \$10.4 million in additional recoveries from the federal government during Fiscal Year 2008 and Fiscal Year 2009.

LIMITED ENGLISH PROFICIENCY PATHWAY - \$3.0 MILLION GENERAL FUND-STATE

Funding is provided to increase Limited English Proficiency Pathway services.

NATURALIZATION SERVICES - \$1.5 MILLION GENERAL FUND-STATE

Funding is provided for the Department to increase contracted naturalization services.

DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

DISPUTE RESOLUTION CENTERS AND DOMESTIC VIOLENCE GRANTS - \$4.0 MILLION GENERAL FUND-STATE

Dispute Resolution Centers (DRCs) are funded through a surcharge on court filing fees capped at the same level per case filed since 1991. DRCs are mandated to provide services independent of a clients' ability to pay, guaranteeing that all citizens have access to a low-cost resolution process. \$1 million in additional funding will build statewide capacity for dispute resolution centers, and provide new services such as: dissolutions involving children, parenting seminars, youth gang facilitations, training of neighborhood associations, prisoner education, and elder and small claims court mediations. \$3 million is provided to continue domestic violence legal advocacy services subject to a reduction in federal funding.

INDEPENDENT YOUTH HOUSING PROGRAM - \$1.0 MILLION INDEPENDENT YOUTH HOUSING ACCOUNT-STATE

Funding is provided to implement Second Substitute House Bill 1922, which creates the Independent Youth Housing Account and provides housing stipends and case management services to foster youth, ages 18-23, who have exited the state dependency system.

FUNCTIONAL AREAS OF GOVERNMENT

CRIMINAL JUSTICE/PUBLIC SAFETY

CRIME REDUCTION

To reduce crime, significant investments are made in adding prison capacity and expanding treatment programs for juvenile and adult offenders.

PRISON CAPACITY

With \$62.6 million provided, by the end of the 2007-09 biennium there will be 2,959 more adult offender beds than at the beginning of the biennium. This capacity includes funding to operate beds added in the 2005-07 capital budget, work release beds, and rental beds to house violators of community supervision:

Institutions	
Coyote Ridge Corrections Center	1,792
Cedar Creek Corrections Center	100
Larch Corrections Center	80
Mission Creek Corrections Center for Women	180
Institutions Total	2,152
Work Release	120
Rental Beds and Other Emergency Beds	687
TOTAL	2,959

In addition, via the Capital budget, \$20.3 million in state bonds and \$17 million in certificate of participation authority is provided to construct 476 additional beds that will be available to house offenders beginning in 2009. These include:

Coyote Ridge Corrections Center	256
Mission Creek Corrections Center for Women	100
Work Release	120
Total	476

EXPANDED TREATMENT PROGRAMS

Guided by the October 2006 report: "Evidence-Based Public Policy Options to Reduce Future Prison Construction, Criminal Justice Costs and Crime Rates" by the Washington Institute for Public Policy (WSIPP), a total of \$44.3 million is invested in programs to prepare adult offenders to return to communities and treatment programs for juveniles to prevent continued criminal activity. According to WSIPP, these investments in juvenile and adult offender

FUNCTIONAL AREAS OF GOVERNMENT

treatment and reentry programs will reduce demand for prison beds by 1,444 in 2017 and 3,289 in 2030.

OFFENDER REENTRY INITIATIVE - \$28.3 GENERAL FUND-STATE

Funding is provided via the Department of Corrections and the Department of Community, Trade and Economic Development for the Offender Reentry Initiative and programs directed under Engrossed Substitute Senate Bill 6157 (offenders recidivism). These programs include establishment of community transition coordination networks, transitional housing for offenders, drug treatment, basic and vocational education, and life skills training.

PROGRAMS FOR JUVENILE OFFENDERS - \$14.6 GENERAL FUND-STATE; \$1.4 MILLION REINVESTING IN YOUTH ACCOUNT-STATE

A total of \$16 million is provided for juvenile therapies and treatment via DSHS - Juvenile Rehabilitation Administration and local juvenile courts. These programs include functional family therapy, aggression replacement training, multi-systemic therapy, multidimensional foster care, consolidated juvenile services, integrated treatment model, and juvenile drug courts.

OTHER RELATED INVESTMENTS

AUTO THEFT - \$14.0 MILLION WASHINGTON AUTO THEFT PREVENTION AUTHORITY ACCOUNT-STATE

Engrossed Third Substitute House Bill 1001 (auto theft) increases penalties for juveniles and adults to take a motor vehicle without permission and creates the Washington Auto Theft Prevention Authority Account in the Washington Association of Sheriffs and Police Chiefs. The bill also imposes a mandatory surcharge on traffic infractions, the revenue from which will fund education, prevention, law enforcement and confinement activities.

CORRECTION WORKER TRAINING - \$3.8 MILLION GENERAL FUND-STATE

Funding is provided to expand training of new Department of Correction's workers to staff new prison capacity.

FORENSIC LABORATORY STAFFING - \$3.8 MILLION GENERAL FUND-STATE; \$0.8 MILLION OTHER FUNDS

An additional 20 staff are funded at the Washington State Patrol crime laboratories, filling the capacity created by capital construction completed in the 2005-07 biennium. A total of \$4.6 million is provided for the staff increase.

VENDOR RATE INCREASES - \$3.4 MILLION GENERAL FUND-STATE; \$0.2 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

Funding is provided for vendor rate increases of 3.2 percent in Fiscal Year 2008 and two percent in Fiscal Year 2009 for education, chemical dependency, housing, and other therapeutic providers at the Department of Corrections (\$3.1 million); Juvenile

FUNCTIONAL AREAS OF GOVERNMENT

Rehabilitation Administration (\$0.2 million); and Criminal Justice Training Commission/Washington Association of Sheriffs and Police Chiefs (\$0.2 million).

ADDITIONAL BASIC LAW ENFORCEMENT ACADEMIES - \$3.3 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

Funds are provided for the Criminal Justice Training Commission to conduct 10 additional Basic Law Enforcement Academies in Fiscal Year 2008 and four in Fiscal Year 2009.

JAIL BOOKING REPORTING AND VICTIM INFORMATION SYSTEMS - \$2.3 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

Funding is provided to the Washington Association of Sheriffs and Police Chiefs (WASPC), to administer the Jail Booking and Reporting System and the Statewide Automated Victim Information and Notification system. \$2.3 million is provided to WASPC through the Criminal Justice Training Commission.

CRIME VICTIMS SERVICE CENTERS - \$2.0 MILLION GENERAL FUND-STATE

Funds are provided to the Office of Crime Victims Advocacy for the crime victims service centers.

HEALTH CARE (PHYSICAL, BEHAVIORAL, AND PUBLIC)

PHYSICAL HEALTH

DSHS – MEDICAL ASSISTANCE ADMINISTRATION – ENHANCEMENTS

CHILDREN’S HEALTH CARE COVERAGE AND OUTREACH - \$13.2 MILLION GENERAL FUND-STATE; \$16.6 MILLION HEALTH SERVICES ACCOUNT-STATE; \$27.1 MILLION GENERAL FUND-FEDERAL

Funding is provided for outreach and health care coverage for an additional 39,000 children by June 2009, in accordance with Chapter 5, Laws of 2007 (Second Substitute Senate Bill 5093). This bill creates an entitlement program for all children up to 250 percent of the federal poverty level, and beginning January 2009, expands health care coverage to children under 300 percent of the federal poverty level within appropriated funds. \$4.4 million of these funds are provided for the department to conduct outreach and educational efforts and streamline the eligibility application and renewal process in order to enroll and retain more children in continuous health care coverage.

DENTAL CARE ENHANCEMENTS - \$2.3 MILLION GENERAL FUND-STATE; \$6.7 MILLION HEALTH SERVICES ACCOUNT-STATE; \$8.0 MILLION GENERAL FUND-FEDERAL

Funding is provided for a number of enhancements in dental care, including:

- Dental disease preventative care by primary care providers, and a rate increase for the Access to Babies and Children Dentistry (ABCD) program
- Expansion of dental services for adults and a rate increase for children in the area of endodontics or root canal therapy

FUNCTIONAL AREAS OF GOVERNMENT

- Continuation and expansion of the dental residency program in both Eastern and Western Washington.

HOSPITAL PAYMENT RATES - \$0.7 MILLION GENERAL FUND-STATE; \$4.0 MILLION HEALTH SERVICES ACCOUNT-STATE; \$5.5 MILLION GENERAL FUND-FEDERAL

The department will transition to a new Medicaid hospital inpatient reimbursement system in July 2007, based on recommendations by an independent contractor. The new system will incorporate more current cost and claims data, provide for more equitable payment rates across similar services, and improve the state's ability to control costs. To facilitate the transition to this new system, funding is provided to increase payment rates for high-cost children's inpatient services and to pay rehabilitation services at the statewide average rate.

CHRONIC CARE MANAGEMENT - \$1.2 MILLION GENERAL FUND-STATE; \$0.6 MILLION GENERAL FUND-FEDERAL

Funding is provided to expand the chronic care model to include the medical home concept in the Medical Assistance Administration, and for two separate evaluations of the chronic care model as employed in the Department of Health and across the Department of Social and Health Services.

FOSTER CARE PROGRAM EXPANSIONS - \$0.3 MILLION GENERAL FUND-STATE; \$1.4 MILLION HEALTH SERVICES ACCOUNT-STATE; \$1.8 MILLION GENERAL FUND-FEDERAL

Funding is provided for two enhancements related to foster care children:

- Medicaid coverage is expanded to children who age out of foster care until they turn 21, in accordance with Engrossed Second Substitute House Bill 1201 (foster care youth medical).
- Funding is provided to establish the Center for Foster Care Health Services, which will gather, organize, and maintain health histories of foster care children.

DSHS – MEDICAL ASSISTANCE ADMINISTRATION – OTHER VENDOR RATE INCREASES

PEDIATRIC SERVICES RATE INCREASE - \$8.9 MILLION HEALTH SERVICES ACCOUNT-STATE; \$10.0 MILLION GENERAL FUND-FEDERAL

In order to improve access to health care for children, effective January 2008, funding is provided to raise Medicaid reimbursement for pediatric services by 48 percent, which is roughly equivalent to 90 percent of the Uniform Medical Plan reimbursement rate, for fee-for-service providers.

ADULT OFFICE VISIT RATE INCREASE - \$3.0 MILLION GENERAL FUND-STATE; \$8.5 MILLION GENERAL FUND-FEDERAL

Effective January 2008, funding is provided to raise Medicaid reimbursement for adult office services by 12 percent for fee-for-service providers, to improve access to a medical home.

FUNCTIONAL AREAS OF GOVERNMENT

PRIVATE DUTY NURSING RATE INCREASE - \$1.1 MILLION GENERAL FUND-STATE; \$2.7 MILLION HEALTH SERVICES ACCOUNT-STATE; \$4.0 MILLION GENERAL FUND-FEDERAL

Effective July 2007, funding is provided for a ten percent rate increase for Private Duty Nursing services, which provide nursing care to approximately 200 children with disabilities through the Medically-Intensive Home Care Program and to 75 clients over age 18 who would otherwise be institutionalized in skilled nursing facilities or receive care in hospitals. (Note: The total funding includes \$1.1 million General Fund-State reflected in the Long-Term Care budget.)

DSHS – MEDICAL ASSISTANCE ADMINISTRATION – INFORMATION TECHNOLOGY

PROVIDER ONE – MEDICAID MANAGEMENT INFORMATION SYSTEM REPLACEMENT PROJECT - \$15.1 MILLION GENERAL FUND-STATE; \$49.0 MILLION GENERAL FUND-FEDERAL

Funding is provided to continue implementation of Provider One, the system that will replace the department's primary provider payment system, the Medicaid Management Information System (MMIS), which is expected to be operational by February 2008.

HEALTH CARE AUTHORITY – ENHANCEMENTS

WASHINGTON HEALTH INFORMATION PARTNERSHIP - \$3.1 MILLION HEALTH SERVICES ACCOUNT-STATE

Funding is provided for the establishment of the Health Insurance Partnership and premium assistance program, pursuant to Engrossed Second Substitute House Bill 1569 (reforming the health care system) and related sections of Engrossed Second Substitute Senate Bill 5930 (blue ribbon commission). The Health Insurance Partnership is a modified version of the Small Employer Health Insurance Partnership (SEHIP) program that has been established in statute within the Authority. The program will be available for small businesses with 2 - 50 employees, with a premium subsidy for employees with incomes below 200% of the federal poverty level.

WASHINGTON STATE QUALITY FORUM - \$1.3 MILLION HEALTH SERVICE ACCOUNT-STATE

The Washington State Quality Forum is established in accordance with Second Substitute Senate Bill 5930 (blue ribbon commission). The 11-member board will collaborate with the Puget Sound Health Alliance to collect and disseminate research and data on quality health care, adopt evaluation measures to compare health care cost, quality, and provider performance, and produce an annual quality report.

BASIC HEALTH PLAN EXPANSION - \$8.2 MILLION HEALTH SERVICES ACCOUNT-STATE

The Basic Health Plan enrollment is expanded by an additional 1,200 slots by January 2008, increasing to 3,000 slots by January 2009, to allow health care coverage for a total of 109,500 adults and children below 200 percent of the federal poverty level.

Additionally, pursuant to of Engrossed Second Substitute Senate Bill 5930 (blue ribbon commission), eligibility for foster parents in the Basic Health Plan is expanded up to 300% of the federal poverty level.

FUNCTIONAL AREAS OF GOVERNMENT

PRESCRIPTION DRUG CONSORTIUM - \$0.9 MILLION HEALTH SERVICES ACCOUNT - STATE

Funding is provided to continue the operation of the Prescription Drug Purchasing Consortium, which allows local governments, private entities, and individuals who are uninsured or underinsured to benefit from the consortium's purchasing power. An interstate agreement with Oregon will expand the purchasing program.

HEALTH CARE AUTHORITY – INFORMATION TECHNOLOGY

HEALTH CARE INFORMATION SYSTEMS UPGRADES - \$4.0 MILLION HEALTH SERVICES ACCOUNT-STATE; \$22.5 MILLION HEALTH CARE AUTHORITY ADMINISTRATION-STATE

Funding is provided to replace the benefit administration and insurance accounting information technology system for the Basic Health Plan (BHP) and Public Employees Benefit Board (PEBB) programs, and for a feasibility study toward implementation of the BHP data warehouse, which will manage claims and acquire data from health care plans that provide coverage to Basic Health members.

BEHAVIORAL HEALTH

MENTAL HEALTH - ENHANCEMENTS

“NON-MEDICAID” COMMUNITY MENTAL HEALTH SERVICES - \$6.2 MILLION GENERAL FUND-STATE

In addition to the compensation and inflationary increases summarized above and on the next page, state funding for people and services not covered by the state and federal Medicaid program is increased by three percent. Regional Support Networks are encouraged to use a portion of this increase to provide local financial support for mental health clubhouses.

CHILDREN’S MENTAL HEALTH - \$5.7 MILLION GENERAL FUND-STATE; \$3.0 MILLION GENERAL FUND-FEDERAL

Funding is provided to improve children's mental health services, pursuant to Second Substitute House Bill 1088 (children's mental health). Wraparound services pilot programs designed to reduce inpatient psychiatric hospitalization and out-of-home placement of children will be developed in up to four Regional Support Networks. In addition, funding is provided to expedite Medicaid enrollment or reinstatement for youth leaving confinement; to establish a psychiatric consultation service for primary care providers; to support a children's mental health center focused on evidence-based mental health services at the University of Washington; to reexamine children's access to care standards; and to expand the Medicaid Healthy Options and fee-for-service children's outpatient mental health benefits from 12 to 20 visits per year. Funding is also provided to expand the types of service providers that may be reimbursed for children's outpatient mental health services under the Medicaid fee-for-service program.

FUNCTIONAL AREAS OF GOVERNMENT

MARTY SMITH BILL - \$3.7 MILLION GENERAL FUND-STATE

Under legislation enacted by the 2007 Legislature (Substitute House Bill 1457), mental health professionals are to have the option of being accompanied by a second trained professional when conducting crisis intervention and outreach visits in a private setting. They are also to be equipped with a cell phone or other emergency communication device, and to have prompt access to any available information concerning potential dangers posed by the person served. Additionally, all community mental health workers are to receive annual training in safety procedures and violence prevention techniques.

EXTENSION OF MENTAL HEALTH BENEFITS FOR GENERAL ASSISTANCE – UNEMPLOYABLE MANAGED CARE PILOT - \$3.4 MILLION GENERAL FUND-STATE

Funding is provided to add a mental health service component to the general assistance - unemployed (GA-U) medical care services care management pilot project in King and Pierce counties. The mental health service component may include care coordination, mental health services, and integrated medical and mental health service delivery for GA-U clients with mental health disorders, as well as primary care provider training and education.

STATE HOSPITAL SAFETY ENHANCEMENTS - \$3.3 MILLION GENERAL FUND-STATE

Funds are provided to increase staff at Western State Hospital during mealtimes to reduce the risk of assaults on other patients and staff; to train staff on how to identify and defuse situations that can lead to violence; and to establish a program that will assist injured Western State Hospital employees return to work more quickly.

MENTAL HEALTH - VENDOR RATE INCREASES

VENDOR RATE INCREASE - \$22.4 MILLION GENERAL FUND-STATE; \$13.9 MILLION GENERAL FUND-FEDERAL

Funds are provided to increase funding for community mental health services by 3.0 percent effective July 2007, and by an additional 3.0 percent effective July 2008. The Legislature expects that at least two-thirds of this increase will be used to increase compensation for direct care and direct care support staff by approximately 4 percent each year. Funds are also provided for increased indirect costs in areas such as utilities, supplies, rent, insurance, and administrative and other support staff.

COMMUNITY HOSPITAL PAYMENT RATES - \$8.9 MILLION GENERAL FUND-STATE; \$3.0 MILLION GENERAL FUND-FEDERAL

Funding is provided for two changes in community hospital payment rates and methods. First, payment rates for indigent psychiatric patients not eligible for Medicaid are increased to 85 percent of the Medicaid level. They presently average less than 60 percent of that level. The total value of this increase is approximately \$12.8 million, but funds available within the base budget are re-programmed to offset \$8.1 million of the increased cost. Second, Medicaid payment rates for psychiatric inpatient care are to be set at the statewide industry average per diem cost, adjusted for regional wage differences and for differences in graduate medical education costs, or a percentage of each hospital's actual estimated cost for delivering such care during the base year, whichever is greater.

FUNCTIONAL AREAS OF GOVERNMENT

SUBSTANCE ABUSE - ENHANCEMENTS

The Conference Committee budget recognizes the slower than anticipated growth of the 2005-07 treatment expansion for Medicaid-eligible adults and low-income youth, and adjusts the overall levels of funding by \$5 million General-Fund State. However, funding is significantly increased for payment rates for providers to support the availability of treatment (see vendor rates on the following page), and new treatment dollars are strategically invested in the following areas:

STATE MATCH FOR COUNTIES ENACTING LOCAL TAXES FOR METHAMPHETAMINE ADDICTION - \$1.2 MILLION GENERAL FUND-STATE

Funding is provided for the six counties that have enacted the local tax for chemical dependency and mental health services authorized under RCW 82.14.460, including Spokane, Skagit, Clallam, and Jefferson, Clark and Okanogan. To meet Legislative intent under Chapter 339, Laws of 2006 (Engrossed Second Substitute Senate Bill 6239), \$0.1 million in annual incentive funding is provided to counties that authorized the tax. The funds shall be used by counties for additional mental health or substance abuse treatment for persons with methamphetamine addiction, and may not be used to supplant existing funds. (Note: This item is budgeted in Special Appropriations to the Governor.)

PRIORITIZE TREATMENT FOR PARENTS - \$1.0 MILLION GENERAL-FUND STATE

Funding is provided to allow treatment for an additional 200 parents per year who are in danger of losing custody of their children. Currently, treatment is prioritized for Medicaid populations and pregnant women, but parents who need treatment are not always Medicaid-eligible, and may not be able to access it as quickly as needed to avoid losing custody.

EXPAND PARENT-CHILD ASSISTANCE PROGRAM (PCAP) - \$0.2 MILLION GENERAL FUND-STATE

Funds are provided to expand the PCAP program in Spokane County. PCAP provides intervention and case management with substance abusing pregnant women and parents, and has been shown by the Washington State Institute for Public Policy to have a high benefit to cost ratio.

PIERCE COUNTY PROMETA TREATMENT PILOT PROGRAM - \$0.5 MILLION GENERAL FUND-STATE

One-time funding is provided for the Division of Alcohol and Substance Abuse (DASA) to contract with Pierce County for a pilot program of family therapeutic court services using the Prometa treatment protocol. Prometa is pharmaceutical intervention that has shown some promise in reducing methamphetamine addiction. \$105,000 of the funding is for DASA to contract with an independent outside entity to evaluate the pilot program, and to report to the Legislature by June 30, 2009.

FUNCTIONAL AREAS OF GOVERNMENT

SUBSTANCE ABUSE - VENDOR RATE INCREASES

OUTPATIENT TREATMENT PROVIDER RATE INCREASE - \$13.3 MILLION GENERAL FUND-STATE; \$3.6 MILLION GENERAL FUND-FEDERAL

Funds are provided to cover 60 percent of outpatient treatment providers' actual treatment costs, based on the results of the November, 2006 Sorensen study. Currently, the state reimburses about 52 percent of the average outpatient costs. The 2005-07 budget assumed a doubling of treatment over 2005 levels for selected populations. Additional funding is needed to ensure the solvency of providers and availability of treatment for both the expansion and the underlying caseload. The funding level provided gives a 15 percent increase in the first year and a two percent increase in the second year.

PUBLIC HEALTH

DEPARTMENT OF HEALTH - ENHANCEMENTS

VACCINE PROGRAM MAINTENANCE AND EXPANSION - \$23.0 MILLION HEALTH SERVICES ACCOUNT-STATE

In addition to funding for increased utilization of current recommended vaccines, the state's universal vaccine system is expanded to include vaccinations recently approved in the federal Vaccination for Children program. The Centers for Disease Control (CDC) recommends vaccinating females age 11 to 13 for human papilloma virus (HPV), which was recently discovered to cause 70 percent of cervical cancer cases. Funding is also provided to vaccinate infants for rotavirus, a leading cause of childhood diarrhea.

LOCAL PUBLIC HEALTH ENHANCEMENT - \$20.0 MILLION HEALTH SERVICES ACCOUNT-STATE

Local public health funding is increased to support the five primary functions of the 35 local health jurisdictions (LHJs) statewide: controlling communicable disease, promoting health and preventing chronic disease, providing access to health services, assessing health status, and providing protection from environmental health threats. As a requirement for continued funding, LHJs must report on performance measures that will be submitted to the Department of Health for evaluation. The department must report to the Governor and Legislature on the distribution of funds and compliance with performance measures and health status indicators.

FAMILY PLANNING SERVICES - \$5.8 MILLION GENERAL FUND-STATE

Increased funding is provided so that family planning clinics can serve clients who are no longer eligible under the Medicaid Take Charge Family Planning Waiver. Funding is also provided for the department's Infertility Prevention Project.

FUNCTIONAL AREAS OF GOVERNMENT

LIFELONG AIDS ALLIANCE AND MEDICAL NUTRITIONAL THERAPY - \$1.6 MILLION GENERAL FUND-STATE

Funding is provided to the Lifelong AIDS Alliance to replace lost federal funding and for medical nutritional therapy, which coordinates the nutritional needs with medications of clients with HIV/AIDS and other low-income clients with chronic illnesses.

NEURODEVELOPMENTAL CENTERS - \$1.3 MILLION GENERAL FUND-STATE

Funding is provided for the department's Neurodevelopmental Center System, which provides therapy and medical services for low-income children with developmental disabilities.

PANDEMIC FLU PREPAREDNESS - \$1.0 MILLION GENERAL FUND-STATE

Funding is provided to purchase and store antiviral medications to be used in accordance with the state pandemic influenza response plan. Antivirals will be purchased from the U.S. Department of Health and Human Services in order to take advantage of federal subsidies.

HOSPITAL ACQUIRED INFECTIONS - \$1.0 MILLION GENERAL FUND-STATE

Funding is provided for to implement Second Substitute House Bill 1106 (hospital acquired infections), which requires hospitals to collect data on health care-associated infections and grant the department access to this information. The department will produce annual reports comparing health care-associated infection rates at individual hospitals beginning December 2009.

DEPARTMENT OF HEALTH - INFORMATION TECHNOLOGY

HEALTH PROFESSIONS LICENSING SYSTEM - \$1.8 MILLION HEALTH PROFESSIONS ACCOUNT-STATE; \$0.5 MILLION GENERAL FUND-LOCAL

Funding is provided to complete the implementation of the Department of Health's Integrated Licensing and Regulatory System (ILRS), an automated health professions licensing system. The new system will replace and consolidate four outdated software systems that support the disciplinary activities used to regulate health care providers, facilities, and services. Projected expenditures include additional software modules within the system that are necessary to support online license applications, renewals, payments, and complaint handling.

OTHER HEALTH INFORMATION TECHNOLOGY – DEPARTMENT OF INFORMATION SERVICES

MEDICAL RECORD BANKING PILOT PROJECT - \$3.2 MILLION GENERAL FUND-STATE

The medical records banking pilot project, based recommendations from the Health Information Infrastructure Advisory Board, is a consumer-driven medical records system where providers and participants can “deposit” and “withdraw” medical information. Project funding includes completion of an implementation plan, establishing standards and oversight for health record banks, and implementation of pilot sites.

FUNCTIONAL AREAS OF GOVERNMENT

INTEGRATED HOSPITAL INFORMATION SYSTEM FOR EASTERN STATE HOSPITAL - \$2.3 MILLION GENERAL FUND-STATE

Funding is provided to connect Eastern State Hospital (ESH) to the Integrated Hospital Information System (IHIS). The IHIS is intended to improve coordination between ESH and community clinics and to provide remote access to specialist services and training programs. Prior to any purchase of goods or services, a feasibility plan must be approved by the Information Services Board.

CRITICAL PATIENT INFORMATION INITIATIVE - \$2.0 MILLION HEALTH SERVICES ACCOUNT-STATE

Funding is provided for a feasibility study and pilot project to develop a web-enabled emergency medical response health management record system to provide integrated care management. If funding is sufficient for implementation, the record system will begin to provide services to Emergency Medical Personnel within two years in King, Snohomish, Thurston, and Whatcom counties. Specific evaluation criteria will be developed and a performance report is due by June 2009.

HEALTH INFORMATION TECHNOLOGY GRANTS - \$1 MILLION HEALTH SERVICES ACCOUNT – STATE

Funding is provided to distribute grants to small health care providers to encourage investment in electronic medical records.

LONG-TERM CARE, DEVELOPMENTAL DISABILITIES, VETERANS AFFAIRS

LONG-TERM CARE

ENHANCEMENTS

CLIENT SAFETY AND MONITORING IMPROVEMENTS - \$1.2 MILLION GENERAL-FUND STATE; \$1.2 MILLION GENERAL-FUND FEDERAL

State funds of \$0.5 million are provided for expanded visits to Adult Family Homes (AFHs) and Boarding Homes (BHs). To provide adult protective complaint investigation for AFHs and BHs at the same standard as for other long-term care settings, \$0.4 million in funds are provided. To improve complaint investigation, \$0.3 million in funding is provided for monitoring of developmental disabilities community residential/supported living.

SUPPORT FOR CAREGIVERS/RESPIRE - \$2.4 MILLION GENERAL-FUND STATE

Funds are provided to increase support to unpaid family caregivers providing services to the elderly and adults in need of long-term care by an additional 460 families in Fiscal Year 2006 and 600 families in Fiscal Year 2007, an increase of eight percent. Funding also includes creation of an improved assessment for the level of respite care needed.

FUNCTIONAL AREAS OF GOVERNMENT

KINSHIP CARE NAVIGATION AND SUPPORT - \$0.8 MILLION GENERAL-FUND STATE

Funding is provided for Area Agencies on Aging (AAAs) to provide kinship navigator services to grandparents and other kinship caregivers of children. Funding is increased for existing services in Seattle and Yakima, and to expand the availability of such services to additional locations throughout the state.

PERSONAL NEEDS ALLOWANCE INCREASE - \$0.6 MILLION GENERAL-FUND STATE; \$0.6 MILLION GENERAL-FUND FEDERAL

Funds are provided for an increase in Fiscal Year 2008 and Fiscal Year 2009 to the personal needs allowance (PNA). The PNA is the portion of a person's income that they are allowed to retain if they reside in state-funded care. A 3.3 percent increase per year, or about a \$2 increase per month each year, is provided for approximately 13,500 eligible clients in community residential settings, and about a \$1.80 increase per month per year for approximately 10,900 eligible clients in institutional settings. This funding level includes Medicaid-eligible persons served by the Divisions of Long-Term Care, Mental Health, and Developmental Disabilities.

LONG-TERM CARE OMBUDSMAN - \$0.5 MILLION GENERAL FUND STATE

Funds are provided to expand the number of ombudsmen accessing adult family homes. Currently, only 24 percent of adult family homes statewide receive regular ombudsmen services. (Note: this item is budgeted in the Department of Community, Trade, and Economic Development, not in DSHS.)

VENDOR RATE INCREASES

RATE INCREASE FOR ADULT FAMILY HOMES AND BOARDING HOMES - \$15.4 MILLION GENERAL FUND-STATE; \$16.0 MILLION GENERAL FUND-FEDERAL

A total of \$10.1 million in funds are provided for an enhanced vendor rate increase of six percent in Fiscal Year 2008 and two percent in Fiscal Year 2009 for boarding homes (BHs). A total of \$5.3 million is provided for adult family homes (AFHs) to receive a rate increase of 3.2 percent in Fiscal Year 2008 and two percent in Fiscal Year 2009. Some BHs and AFHs have had difficulty maintaining or increasing Medicaid beds, which can sometimes avoid more expensive nursing home placement. Funding levels reflect rate increases for both long-term care and developmental disabilities, and include increases to exceptional rates.

COLLECTIVE BARGAINING AGREEMENT FOR HOME CARE INDIVIDUAL PROVIDERS - \$48.1 MILLION GENERAL FUND-STATE; \$50.1 MILLION GENERAL FUND-FEDERAL

Pursuant to the interest arbitration award issued in 2006, individual provider (IP) home care worker wages are increased to \$10.22 per hour by the end of the 2007-09 biennium. IPs will receive differential pay when they serve as mentors or trainers and will be offered reimbursement for client-related travel in their personal vehicles. Resources are also provided to increase vacation accrual levels. The health care contribution level is increased by 10 percent, from \$532 per month to \$585 per month, effective July 1, 2008. Total funding covers IPs for all DSHS services, including Long-Term Care, Developmental Disabilities, and Children in Families Administration and mentoring funds in the Home Care Quality Authority.

FUNCTIONAL AREAS OF GOVERNMENT

HOME CARE AGENCY PROVIDER PARITY - \$24.6 MILLION GENERAL FUND-STATE; \$25.7 MILLION GENERAL FUND-FEDERAL

Funding is provided for a wage and benefit increase for agency provider (AP) home care workers commensurate with the compensation-related provisions of the interest arbitration award for individual providers, including an equivalent increase in health care benefit contributions. Total funding covers APs for all DSHS services, including Long-Term Care, Developmental Disabilities, and Children in Families Administration.

NURSING HOMES - \$29.5 MILLION GENERAL FUND-STATE; \$31.2 MILLION GENERAL FUND-FEDERAL

Funding is provided to rebase the direct care, therapy care, support services, and operations rate components to the calendar year 2005 cost report and to increase them by 3.2 percent effective July 1, 2007. Pursuant to Substitute Senate Bill 6158, these rate components will be rebased each biennium. Included within the total is \$8.8 million in state funding and \$9.3 million in federal funding for Fiscal Year 2009 for potential additional rate increases or other recommendations to be determined by a Joint Legislative Task Force on Long-Term Care Residential Payment Systems that will report to the Legislature by December 31, 2007.

COMMUNITY BASED PROVIDER & AREA AGENCY ON AGING (AAA) SERVICES - \$3.0 MILLION GENERAL FUND-STATE; \$2.2 MILLION GENERAL FUND-FEDERAL

Funds are provided for a two percent increase in Fiscal Year 2008, and a two percent increase in Fiscal Year 2009 for AAA administration and services including case management, nursing, adult day health, respite care, Elder Place (PACE), CHORE, and Senior Citizens Services Act items.

HOME CARE AGENCY SUPERVISION/ADMINISTRATION - \$2.4 MILLION GENERAL FUND-STATE; \$2.5 MILLION GENERAL FUND-FEDERAL

Funds are provided for a two percent increase in Fiscal Year 2008, and a two percent increase in Fiscal Year 2009 for home care agency administrative and supervision costs. Costs for home care agency workers are covered by the "home care agency provider parity" item on the previous page. The funding level covers home care agencies for both Long-Term Care and Developmental Disabilities clients.

DEVELOPMENTAL DISABILITIES

ENHANCEMENTS

COMMUNITY RESIDENTIAL SUPPORTS (MEDICAID HOME AND COMMUNITY-BASED WAIVERS) - \$23.0 MILLION GENERAL FUND-STATE; \$24.3 MILLION GENERAL FUND-FEDERAL

Funding is provided for approximately 350 total community residential placements by the end of the biennium for individuals on Medicaid community-based waivers who need behavior and/or habilitative supports in addition to personal care to remain in the community. In total, this amounts to about a two percent annual growth in community

FUNCTIONAL AREAS OF GOVERNMENT

residential waiver services for non-community protection clients. Funding covers specialized therapies and employment services, as well as residential supports. These items are explained in detail below:

- Expanded Community Residential Services for Children and Adults – A total of \$14.2 million in state funds, plus federal matching funds, is phased in for 236 placements for children at risk of institutionalization; youth aging out of Children's Administration or Juvenile Rehabilitation Administration services; clients without residential services who are in crisis and at immediate risk of needing institutional placement; and residents of Residential Habilitation Centers who choose to live in community settings. Funding to begin 56 of these placements during the current biennium is included in the 2007 Conference Committee Budget.
- Public Safety Community Residential Supports – A total of \$8.8 million in state funds, plus federal matching funds, is phased in for 112 clients being diverted or discharged from state psychiatric hospitals; participants in the Dangerous Mentally Ill Offender Program; participants in the Community Protection Program; and mental health crisis diversions. Funding to begin 16 of these placements during the current biennium is included in the 2007 Conference Committee Budget.

EMPLOYMENT AND DAY SERVICES (HIGH SCHOOL TRANSITION) - \$5.1 MILLION GENERAL-FUND STATE; \$2.1 MILLION GENERAL FUND-FEDERAL

Funding for employment services is phased in for about 720 to 750 individuals with developmental disabilities graduating from high school or who graduated in previous years. Services include job creation and job supports for paid employment. Funding also includes partnership funding with high schools.

FAMILY SUPPORT AND RESPITE - \$4.9 MILLION GENERAL-FUND STATE

Funds are provided for a 30 percent increase in family support services. State-only services will be phased in for an additional 1,300 families by the end of Fiscal Year 2009, according to the program requirements of Second Substitute Senate Bill 5467 (developmental disabilities), which establishes a new, consolidated family support program based on assessed need. The funding level provided covers an average of \$3000 per year, enough to allow 16 respite hours per month.

AGING CAREGIVERS - \$1.1 MILLION GENERAL-FUND STATE; \$1.2 MILLION GENERAL-FUND FEDERAL

Funds are provided to cover community-based waiver services for about 30 persons living with family caregivers over the age of 70. Funds will be used to transition individuals to adult family homes or other community residential settings, and to provide employment and day services for those not currently receiving them.

ADDITIONAL CASEWORKERS - \$0.8 MILLION GENERAL-FUND STATE; \$0.8 MILLION GENERAL-FUND FEDERAL

Funds are provided for an additional eight case resource managers and two support staff for the Division of Developmental Disabilities to add to the areas of highest need as they

FUNCTIONAL AREAS OF GOVERNMENT

consolidate and expand the family support program and expand waiver services. Funds may also be used to reduce caseloads in the Community Protection Program.

DEVELOPMENTAL DISABILITIES LEGAL SERVICES - \$0.5 MILLION GENERAL FUND STATE

Funding is provided to the Developmental Disabilities Council to contract for legal services for individuals with developmental disabilities entering or currently residing in the Department of Social and Health Services Division of Developmental Disabilities Community Protection Program. Services shall be prioritized for individuals needing legal services who do not have a paid legal guardian. (Note: this item is budgeted in the Department of Community, Trade, and Economic Development, not in DSHS.)

AUTISM-RELATED ENHANCEMENTS - \$0.3 MILLION GENERAL FUND-STATE

A total of \$0.1 million is provided for the continuation of the Autism Task Force established by the 2005 Legislature. The Task Force will continue through June, 2008, and will prioritize its 2006 recommendations and create a guidebook. \$0.07 million in one-time funds is provided to produce a DVD in English and Spanish for parents and educators on working with individuals with autism. Funding of \$0.06 million is provided to the University of Washington-Tacoma Autism Center and funding of \$0.06 million is provided to Eastern Washington University Northwest Autism Center in Spokane, to provide training to families, educators, and health-care practitioners. (Note: This item is not reflected in DSHS's budget. Rather, Task Force funding is budgeted in the Department of Health and other funding is reflected in the Universities' budgets.)

VENDOR RATE INCREASES

COMMUNITY RESIDENTIAL (SUPPORTED LIVING AND GROUP HOMES) - \$13.5 MILLION GENERAL FUND-STATE; \$14.2 MILLION GENERAL FUND-FEDERAL

Funds are provided for an average enhanced rate increase of five percent in Fiscal Year 2008 and two percent in Fiscal Year 2009 to the benchmark rate for provider wages and benefits. The providers assist individuals with developmental disabilities on Medicaid community-based waivers who need behavior and/or habilitative supports in addition to personal care to remain in the community instead of in institutions. This rate increase affects over 6,000 providers and supports the infrastructure needed for the Conference Committee's budget proposed increase in community residential Medicaid waiver enrollment above.

RATE INCREASE FOR EMPLOYMENT AND DAY PROVIDERS (HIGH SCHOOL TRANSITION) - \$1.9 MILLION GENERAL FUND-STATE; \$0.8 MILLION GENERAL FUND-FEDERAL

Funds are provided for a 1.6 percent increase in Fiscal Year 2008, and a one percent increase in Fiscal Year 2009 for counties and their contractors that provide assistance to people with developmental disabilities in gaining and maintaining paid employment.

FUNCTIONAL AREAS OF GOVERNMENT

VETERANS AFFAIRS

ENHANCEMENTS

VETERANS' HOMES NURSING HOME CARE IMPROVEMENTS - \$1.7 MILLION GENERAL FUND-STATE

Funding is provided to increase the hours of care at the state veterans' homes at Retsil, Orting, and Spokane. Funds cover 15 new full-time staff to meet the U.S. Department of Veterans Affairs staffing requirement of 2.5 nursing care hours per resident per day.

EXPAND VETERANS' CONSERVATION CORPS - \$1.3 MILLION GENERAL FUND-STATE

\$1.0 million in funds are provided to expand the Veterans Conservation Corps (VCC) in accordance with Second Substitute Senate Bill 5164. The expanded program will provide training and certification for veterans who provide full-time volunteer conservation work. Funding assumes participation of about 30 veterans per year, and covers the cost of educational stipends, contracts, and administration. \$0.3 million in funding is provided to continue the VCC program established in 2005-07.

RETSIL TRANSITIONAL HOUSING AND EMPLOYMENT - \$0.6 MILLION GENERAL-FUND STATE; \$0.7 MILLION GENERAL-FUND FEDERAL

Funds are provided to establish a transitional housing program for homeless veterans on the Retsil Veterans Home campus, following capital improvements made last biennium. The program will serve up to 40 veterans with temporary housing, assessment, treatment, and vocational training.

EXPANDED SERVICES TO FAMILIES AND RETURNING VETERANS - \$0.3 MILLION GENERAL FUND-STATE

A total of \$0.05 million is provided for the "Operation Military Kids" initiative to do outreach to teachers and students about Post Traumatic Stress Disorder (PTSD) and other challenges to military families. \$0.2 million in funding is provided for additional PTSD treatment for veterans returning from Iraq and Afghanistan, an increase of 11 percent.

OTHER HUMAN SERVICES

EMPLOYMENT SECURITY DEPARTMENT

ENHANCEMENTS

STATE CHOICE UNEMPLOYMENT INSURANCE SYSTEMS -\$12.3 MILLION FEDERAL (REED ACT)

Reed Act funding is provided to administer state policy-driven unemployment insurance (UI) program costs. The federal funds for the UI program administration has declined as a result of the implementation of the Resource Justification Model. This step funds specific programs that are in place as a result of state legislation.

FUNCTIONAL AREAS OF GOVERNMENT

UNEMPLOYMENT INSURANCE REEMPLOYMENT SERVICES - \$10.3 MILLION ADMINISTRATIVE CONTINGENCY ACCOUNT-STATE; \$5.8 MILLION EMPLOYER SERVICES ACCOUNT-STATE

Increased funding is provided to the department to continue ongoing services to employers and job seekers. This will replace federal funding that has declined over the past five years.

INFORMATION TECHNOLOGY

UNEMPLOYMENT INSURANCE TAX INFORMATION SYSTEM - \$12.1 MILLION FEDERAL (REED ACT)

Funding is provided through the Reed Act for the Department of Information Systems to begin replacement of the Employment Security Department's mainframe unemployment insurance tax information system (TAXIS) and its ancillary subsystems. These systems were originally implemented in 1984. The Employment Security Department has hired a consultant to develop a requirements and feasibility study for unemployment insurance tax computer systems. Funding is to be released upon approval by the Information Services Board. The Department of Information Services will consult with the Employment Security Department on the replacement of the system.

DEPARTMENT OF LABOR AND INDUSTRIES

ENHANCEMENTS

SAFETY AND HEALTH INVESTMENTS - \$8.0 MILLION MEDICAL AID ACCOUNT-STATE

Funding is provided for the department to establish a program of new projects designed to demonstrate or validate new and improved techniques to safeguard the health and safety of employees. The projects funded must involve workplaces insured by the medical aid fund, and give priority to fostering accident prevention through cooperation between employers and employees or their representatives.

IMPROVING VOCATIONAL REHABILITATION SERVICES - \$3.4 MILLION MEDICAL AID ACCOUNT-STATE

Funding is provided for Chapter 72, Laws of 2007 (Engrossed Substitute Senate Bill 5920) to support legislative reform to the vocational rehabilitation system to improve outcomes for injured workers who receive vocational services. This includes the various staffing costs needed to implement the legislation.

CONTROLLING PHYSICAL THERAPY AND OCCUPATIONAL THERAPY COSTS - \$2.4 MILLION MEDICAL AID ACCOUNT-STATE

Physical and occupational therapy costs the workers' compensation system \$63 million annually, or 12.8 percent of the total health care benefits paid. The department currently reviews the effectiveness of physical therapy at the 40th visit. Occupational therapy is not reviewed at all. Much of the treatment beyond 24 visits does not appear to improve a worker's outcome, and in some cases, extends disability because a more effective treatment plan has not been implemented. Funding is provided to conduct utilization

FUNCTIONAL AREAS OF GOVERNMENT

reviews at visit 24, as recommended by the profession, and to hire staff to enter data from the utilization review into the claimant's file. It is estimated that this earlier review will save the Medical Aid Account \$5.0 million per biennium in benefits by eliminating inappropriate therapy.

WORKPLACE SAFETY EDUCATION - \$1.3 MILLION ACCIDENT ACCOUNT-STATE, \$0.2 MILLION MEDICAL AID ACCOUNT-STATE

Funding is provided to increase the quantity and quality of workplace safety education, consultation services, and training in consultation and compliance. Funds also will be used to foster recognition, cooperative programs, and partnerships and alliances aimed at small businesses and high hazard industries.

TIMELY REIMBURSEMENT OF MEDICAL PROVIDERS - \$1.3 MILLION MEDICAL AID ACCOUNT-STATE

Fewer doctors are willing to treat injured workers in the workers' compensation system. Funding is provided to address the providers' concerns by making it easier to use the complex workers' compensation system, reduce the time needed to process bills, and expedite bill payments. Health care provider account representatives will work with providers to remove barriers and solve billing issues.

CRANE SAFETY LEGISLATION - \$1.1 MILLION ACCIDENT ACCOUNT-STATE; \$0.2 MILLION MEDICAL AID ACCOUNT-STATE

Funding is provided for implementation of Chapter 27, Laws of 2007 (ESHB 2171- crane safety). The bill requires the department to establish a construction crane certification program and a construction crane operator certification program.

RETROSPECTIVE RATING REVIEW - \$0.6 MILLION MEDICAL AID ACCOUNT-STATE

Funding is provided for the department to contract with one or more independent experts to evaluate and recommend improvements to the retrospective rating plan. The evaluation should include how risks are pooled, the effects of including worker premium contributions in adjustment calculations, incentives for accident and illness prevention, return-to-work practices, and other sound risk management strategies that are consistent with recognized insurance principles.

PERMANENT TOTAL DISABILITY STUDY - \$0.6 MILLION ACCIDENT ACCOUNT-STATE

Funding is provided for an independent study of employer claims in which workers were granted permanent total disability pension benefits under the workers' compensation system. The number of workers who were awarded such benefits has increased over the past five years. The study will include analysis of the causes of the recent increase, including changes in injured worker demographics, and politics that affect benefit decisions. A comparison with other states and jurisdictions of Washington's permanent disability claims experience and injured worker outcomes will also be provided, along with future anticipated permanent disability trends.

FUNCTIONAL AREAS OF GOVERNMENT

INFORMATION TECHNOLOGY

PHASED REPLACEMENT OF THE WORKERS' COMPENSATION CLAIMS MANAGEMENT COMPUTER SYSTEM - \$2.6 MILLION ACCIDENT ACCOUNT-STATE; \$2.6 MILLION MEDICAL AID ACCOUNT-STATE

The worker compensation claims management computer system is 20 years old and increasingly difficult to maintain and modify. Funding is provided to analyze and map the existing complex systems in order to develop a detailed plan for modernization. The plan will also incorporate additional business process improvements including those identified in the Online Reporting and Customer Access project.

CLAIM AND ACCOUNT CENTER UPGRADE - \$2.0 MILLION ACCIDENT ACCOUNT-STATE; \$2.0 MILLION MEDICAL AID ACCOUNT-STATE

Funding is provided for the next installment of online transactions for the department's Claim and Account Center (CAC). The CAC was launched in January 2005, giving employers, workers, and providers online tools to deal with their claims and accounts. New services identified for the 2007-09 biennium include a secure mailbox system to exchange e-mails and expanded access to claim information and Internet-based business transactions.

ADDITIONAL FRAUD AUDITS - \$1.8 MILLION ACCIDENT ACCOUNT-STATE; \$1.8 MILLION MEDICAL AID ACCOUNT-STATE

Funding is provided to prevent fraud and abuse in the workers' compensation system through technology enhancements to meet the department's goal of auditing four percent of employers each year. It is projected that an additional \$1.2 million in premiums will be collected in Fiscal Year 2008 and Fiscal Year 2009 and \$2.1 million will be collected each year thereafter.

EXPRESS FILE ENHANCEMENTS - \$1.1 MILLION ACCIDENT ACCOUNT-STATE; \$1.1 MILLION MEDICAL AID ACCOUNT-STATE

Funding is provided to update the nine year old express filing system that more than 30,000 employers use each quarter to file, amend, and pay their workers' compensation premiums on-line. Problems will be corrected that currently prevent the system from being used by large service companies managing payrolls for thousands of employers. It will be converted to standard web technology to prepare the application for integration into the statewide portal and to make it easier to do business online.

CONTRACTOR AND ELECTRICAL DATA SYSTEM - \$0.6 MILLION GENERAL FUND-STATE; \$1.8 MILLION ELECTRICAL LICENSE ACCOUNT-STATE

Funding is provided to upgrade and improve the functionality, speed, and usability of the department's contractor registration and electrical licensing computer system. The obsolete contractor registration information system will be retired and necessary functionality added to the department's existing QuickCards application. These improvements will provide the public with more complete information regarding a contractor's record of compliance, prepare QuickCards for future integration into a statewide portal, and fix significant operating difficulties encountered by staff when helping customers.

FUNCTIONAL AREAS OF GOVERNMENT

NATURAL RESOURCES

PUGET SOUND

PUGET SOUND AND SALMON RECOVERY - \$226 MILLION TOTAL FUNDS

\$226 million in total funds is provided in the Capital Budget for Puget Sound cleanup and salmon recovery.

CREATE PUGET SOUND PARTNERSHIP - \$1.0 MILLION GENERAL FUND-STATE; \$5.6 MILLION WATER QUALITY ACCOUNT-STATE

Funding is provided to create the Puget Sound Partnership, a new state agency, focused on cleaning up and restoring the environmental health of Puget Sound.

DEPARTMENT OF AGRICULTURE

ANIMAL HEALTH/EMERGENCY RESPONSE - \$1.1 MILLION GENERAL FUND-STATE

Funding is provided to address threats to animal health from the transport of domesticated animals, as well as the introduction of diseases from wild species. An increase in enforcement and response capability is provided.

AGRICULTURAL WORKER TRAINING - \$0.5 MILLION GENERAL FUND-STATE

Funds are provided for a nonprofit organization to provide agricultural workers training in a variety of farm and life skills.

DEPARTMENT OF ECOLOGY

LOCAL GOVERNMENT STORMWATER GRANTS - \$9.0 MILLION TOXICS CONTROL ACCOUNT-LOCAL

Funding is provided for grants to local governments for municipal stormwater programs including implementation of phase II municipal stormwater permits, stormwater source control for toxics in association with clean-up of contaminated sediment sites, and stormwater source control programs for shellfish protection districts.

PUGET SOUND ACTION PLANS - \$4.0 MILLION GENERAL FUND-FEDERAL

Ensuring a sustainable Puget Sound by 2020 is a priority for the Governor and the Puget Sound Partnership. Appropriation authority for U.S. Environmental Protection Agency grants is provided to develop an action plan to protect and restore Puget Sound.

LITTER PREVENTION - \$2.8 MILLION WASTE REDUCTION/RECYCLING/LITTER CONTROL ACCOUNT-STATE

Funding is provided for ongoing litter prevention advertising in addition to increased and strategically targeted litter enforcement and roadside clean-up efforts.

FUNCTIONAL AREAS OF GOVERNMENT

HELP SMALL BUSINESSES AND CITIZENS SAFELY MANAGE HAZARDOUS AND SOLID WASTE - \$2.0 MILLION TOXICS ACCOUNT-LOCAL

Funding is provided to assist small businesses and citizens to safely manage hazardous and solid waste in Puget Sound counties. Nearly 70 percent of the hazardous waste generators in the state are in the Puget Sound region.

WATERSHED PLAN ADOPTION AND IMPLEMENTATION - \$2.0 MILLION GENERAL FUND-STATE

Funds are provided to support watershed plan adoption and watershed plan implementation to address local water needs, reduce pollution, and protect fish habitat.

ENVIRONMENTAL MITIGATION - \$1.9 MILLION GENERAL FUND-STATE

One-time funding is provided for follow-up mitigation compliance, to increase capacity for processing wetland mitigation bank proposals, and to provide technical assistance to improve environmental compliance and increase permit efficiency. Land developers are required to minimize impacts on wetlands and other aquatic resources by replacing these lost resources. Numerous studies show that traditional approaches to wetland mitigation fail roughly 50 percent of the time.

CONVERTING ORGANIC WASTE TO REDUCE WASTE - \$1.3 MILLION WASTE REDUCTION-STATE; RECYCLING AND LITTER CONTROL ACCOUNT-STATE

Funding is provided for the department and Washington State University to develop new composting conversion processes and markets for organic materials to reduce public health threats by providing alternatives to field burning. Re-use of organic materials is expected to increase by 400,000 tons. Despite many successful compost projects, Washington disposes of an enormous amount of organic materials in landfills. The 2005 Biomass Inventory identified 17 million tons of under-utilized organic materials in the state. There is potential for reducing landfill impact by turning this waste into energy, recycled products, and/or compost.

PUBLIC PARTICIPATION GRANTS - \$1.8 MILLION TOXICS CONTROL ACCOUNT-STATE; \$1.8 MILLION TOXICS CONTROL ACCOUNT-LOCAL

Funding is provided to bring the public participation grants up to the mandated level of one percent of the Hazardous Substance Tax. In addition, \$0.8 million of this funding is provided to expand public education in Puget Sound to further the goals established by the Puget Sound Partnership.

DEPARTMENT OF FISH AND WILDLIFE

STATE WILDLIFE ACCOUNT BACKFILL - \$2.5 MILLION GENERAL FUND-STATE

The State Wildlife Account, primarily funded by hunting and fishing license and permit fees, is projected to have a negative fund balance of \$4.5 million at the end of the 2007-09 biennium. One-time funding is provided to cover the projected shortfall in Fiscal Year 2008 until a longer-term solution can be found.

FUNCTIONAL AREAS OF GOVERNMENT

HATCHERY OPERATIONS/MAINTENANCE - \$2.4 MILLION GENERAL FUND-STATE

Funding is provided to maintain fish production at various hatcheries and for the maintenance of hatchery buildings, rearing structures, fish loss prevention alarm systems, and electrical and plumbing systems.

WOOTEN WILDLIFE AREA RESTORATION - \$1.4 MILLION STATE WILDLIFE ACCOUNT-STATE AND FEDERAL

Funding is provided to complete habitat restoration activities and address wildlife area stewardship needs. Funds will also be used to conduct thinning activities to protect and restore habitat for fish and wildlife. In August 2005, the School wildfire burned 14,000 acres of the Wooten Wildlife Area, killing the majority of trees in the area. To address safety concerns and generate restoration funds to respond to the habitat losses, the salvage logged approximately 2,500 acres. The department is given expenditure authority for both the federal and state revenue generated from the Wooten salvage timber sale.

AQUATIC INVASIVE SPECIES - \$0.6 MILLION GENERAL FUND-STATE; \$0.4 MILLION AQUATIC INVASIVE SPECIES ACCOUNT-STATE

Improperly exchanged ballast water may introduce new invasive species into the Puget Sound and Ocean waters. Funding is provided for the department to continue the Ballast Water Management Program in Puget Sound, as well as to develop a programmatic environmental impact statement (EIS) to address the department's plan for treatment and immediate response to the introduction of a prohibited aquatic invasive species.

GRIZZLY BEAR OUTREACH AND ENVIRONMENTAL IMPACT STATEMENT - \$0.6 MILLION GENERAL FUND-STATE

One time funding is provided for the department to assist in the development of a federal environmental impact statement (EIS) for grizzly bear recovery in the North Cascades, and to disseminate information about grizzly bears in the North Cascades.

DEPARTMENT OF NATURAL RESOURCES

SUPPLEMENTAL WILDFIRE SUPPRESSION - \$34.9 MILLION GENERAL FUND-STATE

With over 380,000 acres burned, the 2007 wildfire season has been one of the worst in state history. The department is responsible for the cost of wildlife suppression on state protected lands and receives base funding of approximately \$13.2 million per year. Funding is provided for additional fire suppression costs of \$34.9 million, for a total cost to the state general fund for Fiscal Year 2007 of approximately \$48.1 million.

SUSTAINABLE HARVEST IMPLEMENTATION - \$16.3 MILLION RESOURCE MANAGEMENT COST ACCOUNT-STATE

Funding is provided to increase silvicultural activities on state lands in pursuit of the 2005 sustainable harvest plan's conservation, ecological, and forest structure goals. The department will be in the fourth and fifth year of implementing the ten-year sustainable harvest plan adopted by the Board of Natural Resources in 2005. The plan calls for increasing the timber harvest on state lands while significantly improving the

FUNCTIONAL AREAS OF GOVERNMENT

ecological health of the forests. In the 2005-07 biennium the legislature authorized an additional \$11.0 million to implement the plan on a phased approach.

FOREST PRACTICES FEDERAL BACKFILL - \$4.0 MILLION FOREST AND FISH SUPPORT ACCOUNT-STATE

Chapter 300, Laws of 2006 (Substitute Senate Bill 6874) created the Forest and Fish Support Account to continue implementation of the Forest and Fish report after federal funding ends. Ongoing funding and staffing is provided for adaptive management research and monitoring, and tribal and state and local government participation in the program. This research and monitoring provides the Forest Practices Board with science-based feedback on whether the forest practices rules and guidance for aquatic resources are achieving resource protection goals and objectives.

SMALL FOREST LANDOWNERS - \$1.9 MILLION GENERAL FUND-STATE

A combination of one-time and ongoing funding and staff are provided for a rule-based process to develop fifteen-year permits for small forest landowners in an effort to reduce regulatory uncertainty.

FOREST HEALTH - \$1.9 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6141 (forest health) creates a three-tiered system to address forest health issues. Funding is provided for the department to take a lead role in developing and administering a comprehensive forest health program for the state.

FOREST FIRE PROTECTION/AVIATION/SAFETY/RESEARCH - \$1.5 MILLION GENERAL FUND-STATE; \$2.3 MILLION OTHER FUNDS

Ongoing funding is provided to double the number of participants completing key firefighting courses to ensure the future availability of adequate numbers of trained and experienced personnel to fight fires, and to retrofit eight department fire fighting helicopters to meet the Federal Aviation Administration's airworthiness requirements. The department's appropriation authority for the Forest Fire Protection Assessment (FFPA) Account is also increased consistent with the FFPA increases. Additionally, funding is provided to the University of Washington to study forest health.

DERELICT VESSELS - \$1.0 MILLION GENERAL FUND-STATE; \$2.5 MILLION DERELICT VESSEL REMOVAL ACCOUNT-STATE

Funding is provided for removal of dry docks and approximately 26 other derelict and abandoned vessels that pose a public nuisance or safety hazard.

INTERAGENCY COMMITTEE FOR OUTDOOR RECREATION

BOATING ACTIVITIES – \$ 2.0 MILLION GENERAL FUND-STATE

A boating activities grant program is created pursuant to Substitute House Bill 1651 (boating activities) for the improvement of boating activities. Funding will support boater safety, boater education, boating-related law enforcement, and boating-related environmental programs, such as pumpout stations, to enhance clean waters for boating

FUNCTIONAL AREAS OF GOVERNMENT

PARKS AND RECREATION COMMISSION

PREVENTATIVE PARK MAINTENANCE AND HISTORIC - \$3.0 MILLION GENERAL FUND-STATE

The State Park system includes 120 developed parks, 40 marine parks, and numerous monuments and historic structures. Funding is provided to complete one-third of identified preventive maintenance tasks, which include maintaining wells and irrigation systems, painting and roofing structures, and repairing docks and boat launches. Funding is also provided for the commission to partner with the Washington State Historical Society to collect, catalogue, and protect approximately 100,000 historical artifacts, beginning with those artifacts most at risk for damage or deterioration.

CAMA BEACH PARK OPERATIONS - \$2.0 MILLION GENERAL FUND-STATE

Cama Beach State Park is a new park located on Camano Island and is scheduled to open this biennium. The park has numerous cabins and buildings from its history as a 1930's private fishing resort, and archeological excavations have confirmed that the site was historically used by tribal groups. Funding is provided for the operations of Cama Beach State Park.

RECREATIONAL BOATING - \$1.7 MILLION GENERAL FUND-FEDERAL

Federal expenditure authority is raised in anticipation of increased funding for the commission's recreational boating program. These additional funds will be devoted to increasing rates of life jacket use among children, reducing teak surfing accidents, and enhancing local resources for delivering mandatory boater education classes.

RAISING FUNDS FOR STATE PARKS - \$1.6 MILLION PARKS RENEWAL AND STEWARDSHIP ACCOUNT-STATE

Spending authority is provided from revenue that will be generated by Substitute House Bill 2275 (raising funds for state parks). The bill allows motor vehicle owners to make a voluntary donation of \$5.00 to fund state parks at the time of initial or renewal registration.

PARKS FORESTRY IMPROVEMENTS - \$1.0 MILLION GENERAL FUND-STATE

Funding is provided to reduce risk from hazardous trees and the buildup of forest fuels. The commission will add an Eastern Washington arbor crew to its existing Olympia-based arbor crew, as well as inventory, develop, and implement forest-health plans for selected parks where wildfire fuel loads pose a significant threat.

WASHINGTON STATE CONSERVATION COMMISSION

IMPLEMENTING CONSERVATION PRACTICES/FARM PLANS - \$6.7 MILLION WATER QUALITY ACCOUNT

Funding is provided for development and implementation of farm conservation plans that specify best-management practices designed to improve water quality and habitat, and/or prevent soil erosion.

FUNCTIONAL AREAS OF GOVERNMENT

NON-LIVESTOCK, NON-COMMERCIAL LAND OWNER ASSISTANCE - \$5.6 MILLION WATER QUALITY ACCOUNT

Funding is provided for non-livestock, non-commercial land owner assistance, to include technical assistance, grant moneys, engineering service, and project oversight.

Conservation Districts have identified \$19.2 million worth of non-livestock, non-commercial farm conservation plans and watershed restoration projects to improve water quality, quantity, and streambank stabilization.

ENVIRONMENTAL HEALTH

DEPARTMENT OF HEALTH

WASTEWATER MANAGEMENT/SHELLFISH SURVEY- \$2.4 MILLION GENERAL FUND- STATE; \$0.6 MILLION AQUATIC LANDS ENHANCEMENT ACCOUNT-STATE

A total of \$2.8 million is provided for continued administration of wastewater management activities, technical assistance, and regulatory oversight of large onsite sewage systems; including funding to local health jurisdictions to implement their on-site sewage system management plans. \$0.2 million in state funds is also provided to the Shellfish Program to complete shoreline surveys, to identify and assess pollution sources, and to provide remedial activities around commercial and recreational shellfish harvesting areas.

ALL OTHERS

DEPARTMENT OF FINANCIAL INSTITUTIONS

IMPROVING EXAMINATION AND OVERSIGHT CAPACITY FOR THE DEPARTMENT OF FINANCIAL INSTITUTIONS - \$4.4 MILLION FINANCIAL SERVICES REGULATION ACCOUNT-NON-APPROPRIATED

Funding is provided to the department to expand exams, enforcement, and oversight of consumer loan companies, mortgage brokers, check cashers and sellers, escrow agents, money transmitters, and currency exchangers.

OFFICE OF FINANCIAL MANAGEMENT

HEALTH RESOURCES STRATEGY - \$1.3 MILLION GENERAL FUND-STATE

Funding is provided for the establishment of a technical advisory committee to develop a statewide health resources strategy, addressing a number of issues including the availability of health care facilities and services. An initial strategy will be submitted to the Governor and Legislature by January 1, 2010.

FUNCTIONAL AREAS OF GOVERNMENT

SECRETARY OF STATE

PRESIDENTIAL PRIMARY- \$9.7 MILLION GENERAL FUND-STATE

Funding is provided for the 2008 Presidential Primary, including publication of a Voters Pamphlet.

PRIMARY ELECTION VOTERS' PAMPHLET - \$1.0 MILLION GENERAL FUND-STATE

Funding is provided to publish and distribute a voters' pamphlet for the 2008 primary election.

OTHER

INFORMATION TECHNOLOGY POOL - \$26.2 MILLION GENERAL FUND STATE; \$54.2 MILLION OTHER FUNDS

Via the 2007 supplemental budget, funding is appropriated into the Data Processing Revolving Fund for new information technology projects in the upcoming biennium. This approach follows the recommendation of the Joint Legislative Audit and Review Committee report entitled "Evaluation of Budget Process for Information Technology Projects." The funds are under the joint control of the Office of Financial Management (OFM) and the Department of Information Services (DIS). The pool allows OFM and DIS to seek opportunities to reduce costs and achieve economies of scale by leveraging statewide investments in systems and data, and other common or enterprise-wide solutions. DIS shall report to OFM and the Legislative Evaluation and Accountability Program (LEAP) each October on the status of projects and planned allocation from this appropriation. The list of projects and maximum funding level can be found in Appendix A.

WOMEN'S SUFFRAGE CENTENNIAL PROJECT - \$0.5 MILLION GENERAL FUND-STATE

Washington was the first state in the 20th century to grant women the right to vote. One-time funding is provided to fund the Women's Suffrage Centennial Project for exhibits and community demonstrations marking the 100th anniversary of women's right to vote in Washington State.

ECONOMIC DEVELOPMENT

OVERVIEW

A total of \$169.8 million in funding is provided for economic development, including \$82.1 million invested in the operating budget, \$79 million in economic development-specific capital projects, and \$8.7 million in other legislation for tax expenditures or revenue diversions.

OPERATING BUDGET

COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

The following funds are provided to the Department of Community, Trade and Economic Development for economic development activities in the operating budget. The major investments include:

- Tourism Expansion - \$7.8 million other funds for the department's tourism activities and grants for tourism promotion, including \$0.3 million for nature tourism, \$0.5 million for 2010 Olympics marketing, and \$0.05 million for Washington State Games.
- Associate Development Organizations (ADOs) - \$5.0 General Fund-State million to implement Second Substitute Senate Bill 5092 (associate development organizations) and more than doubles the state support for ADOs.
- Innovation Partnership Zones - \$2.5 million General Fund-State is provided for Innovation Partnership Zones and provides funding to attract significant entrepreneurial researchers (STARS) to lead innovation research teams. The capital budget provides \$5.0 million for grants to innovation partnership zones.
- Economic Development Commission - \$0.5 million General Fund State to implement Second Substitute Senate Bill 5995, which establishes the Economic Development Commission as an independent state agency.
- Microenterprise Development - \$0.5 million General Fund-State to implement the provisions of Second Substitute Senate Bill 5652 (microenterprise organizations). The department will make grants to microenterprise organizations to provide training and technical assistance for the smallest of small businesses.

Other related investments include:

- Affordable Housing for All - \$31.4 million other funds for low income housing assistance and homeless housing programs.
- Small Business Development Centers - \$0.7 million General Fund-State
- NW Agriculture Business Center - \$1.0 million General Fund-State
- Clean and Renewable Energy – \$6.0 million General Fund-State which includes \$4.0 million for the conversion of older dirty diesel school busses to cleaner fuels and investments in biofuels and \$2.0 million for state agencies to purchase “green” power
- Family Prosperity Assistance - \$2.8 million General Fund-State to assist low-income people build long term assets and for individual development accounts

ECONOMIC DEVELOPMENT

UNIVERSITY OF WASHINGTON

A total of \$6.4 million General Fund-State is provided to the University of Washington for Global Health Teaching and Research.

WASHINGTON STATE UNIVERSITY

A total of \$16.4 million Near General Fund-State is provided in the operating budget to Washington State University for economic development activities. Major investments include:

- Health Sciences Expansion - \$6.7 million Education Legacy Trust Account and Higher Education Operating Fees
- Applied Sciences Laboratory - \$3.0 million General Fund-State
- Electrical Engineering Start-Up - \$2.0 million General Fund-State
- Bio-Products Technology - \$4.0 million General Fund-State

WESTERN WASHINGTON UNIVERSITY

A total of \$1.2 million is provided to Western Washington University in the operating budget via the Education Legacy Trust Account for the Advanced Material Center.

CAPITAL BUDGET

Major economic development investments are made through the capital budget and include:

- Community Economic Revitalization Board - \$12.7 million state bonds and \$7.3 million Public Facility Construction Loan Revolving Account
- Innovation Partnership Zone Grants - \$5.0 million state bonds
- Job Development Grants Fund - \$49.9 million Job Development Account
- Rural Washington Loan Fund - \$4.1 million Rural Washington Revolving Loan Fund

OTHER LEGISLATION

A total of \$8.7 million is provided for economic developments as a result of other legislation, which includes the following:

- Public Facilities Districts (Engrossed House Bill 2388) - \$3.6 million in General Fund-State reductions are made, which provides funding for theaters in Yakima and Longview, an equestrian center in Lewis County, and an events center in Kent.
- Economic Development Facilities - \$5.1 million in General Fund-State reductions are made as a result of Engrossed Second Substitute Senate Bill 5557, which increases the rural county sales and use tax credit for all qualified counties to finance economic development facilities.

ECONOMIC DEVELOPMENT

- Local Infrastructure Financing Tools – Second Substitute House Bill 1277 increases the annual state contribution to encourage private development projects.
- Health Sciences and Services – Engrossed Second Substitute House Bill 1705 provides a funding mechanism for a local government to create health sciences and services authorities to promote bioscience-based economic development, which advance new therapies and procedures to promote public health.

COMPENSATION

STATE EMPLOYEE COMPENSATION

REPEAL OF GAIN-SHARING - \$106.4 MILLION GENERAL FUND-STATE SAVINGS; \$6.1 MILLION OTHER FUND SAVINGS

Savings are assumed resulting from the replacement of gain-sharing benefits with an alternative package of retirement benefits.

COLLECTIVE BARGAINING AGREEMENTS - \$257.6 MILLION GENERAL FUND-STATE; \$194.3 MILLION OTHER FUNDS

Funding is provided for the economic provisions of the collective bargaining agreements reached with the labor unions representing employees in higher education and state agencies. Specific salary terms vary from contract to contract but generally include:

- Across the board salary increases of 3.2 percent effective July 1, 2007 and 2.0 percent effective July 1, 2008.
- Continuation of the 1.6 percent salary increase that was provided on September 1, 2006.
- Additional increases for employees who are compensated at less than 75 percent of market rates.
- Employer contributions for health benefits equal to 88 percent of employee premium costs. Currently estimates of contribution rates are \$707 per employee per month in Fiscal Year 2008 and \$732 per employee per month in Fiscal Year 2009.

The cost of compensation increases for state-supported employees at the four-year universities is allocated proportionately between state funds and tuition. Approximately \$12.3 million in tuition funds are budgeted for this purpose.

NON-REPRESENTED STAFF SALARY AND HEALTH BENEFITS - \$151.6 MILLION GENERAL FUND-STATE; \$146.3 MILLION OTHER FUNDS

Funding is provided for salary and health benefit increases for non-represented employees in general government and higher education. These include:

- Across the board salary increases of 3.2 percent effective September 1, 2007 and 2.0 percent effective September 1, 2008.
- Continuation of the 1.6 percent salary increase that was provided on July 1, 2006.
- Additional increases for employees who are compensated at less than 75 percent of market rates.
- Funding for health benefits at the same rates called for in the collective bargaining agreements for represented employees.

PLAN 1 COST-OF-LIVING ADJUSTMENTS (COLA) - \$4.5 MILLION GENERAL FUND-STATE; \$1.1 MILLION OTHER FUNDS

Funding is provided for additional employer contributions towards retirement systems resulting from modifications to the eligibility criteria for the Uniform COLA for retired members of the

COMPENSATION

Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1) pursuant to Chapter 89, Laws of 2007 (Senate Bill 5175). Under the new criteria, a member will be eligible for a Uniform COLA increase if he or she has been retired for at least one year by July 1st and reaches age 66 by December 31st. Under current law, a member must reach age 66 by July 1st in order to receive the increase.

**COMMUNITY AND TECHNICAL COLLEGE STAFF SALARY INCREASES - \$34.2 MILLION
GENERAL FUND-STATE, \$1.6 MILLION OTHER FUNDS**

Funding is provided for Initiative 732 cost-of-living adjustments of 3.7 percent in the 2007-08 school year and 2.8 percent in the 2008-09 school year for eligible community and technical college employees.

REVENUE ADJUSTMENTS

Note: The bills outlined in this section are separate pieces of legislation and require action independent of the budget.

		<i>dollars in thousands</i>
Bill	Title	07-09
EHB 1902	Farm machinery - sales/use tax	(\$6,432)
SSB 5089	Streamlined sales & use tax	(\$5,900)
2SSB 5557	Economic dev facilities	(\$5,114)
EHB 2388	Financing regional centers	(\$3,618)
E2SHB 1705	Health sciences and services	(\$3,046)
ESHB 1981	Financial information	(\$2,653)
SHB 1513	Forest products businesses	(\$2,071)
SHB 1891	Sale of prescription drugs	(\$2,000)
HB1512	Linked Deposit	(\$1,129)
SHB 2158	Vehicle sale to nonresident	(\$941)
SHB 1566	Rural county tax credit	(\$870)
HB 1549	Unprocessed milk	(\$306)
SSB 5568	City lodging taxes	(\$246)
SB 5468	Tax programs	(\$217)
SB 5551	Liquor and Tobacco	(\$187)
HB 1443	Agricultural commodities	(\$179)
SSB 5009	Biodiesel fuel for farm use	(\$130)
ESHB 2352	Farming & farming services	(\$111)
SHB 2008	Quinault Indian Reservation	(\$80)
SB 5607	Historical property	(\$41)
SB 5572	Excise tax relief	(\$36)
E2SSB 5862	Passenger-only ferry service	(\$19)
SHB 2335	Amateur radio repeaters	(\$5)
2SHB 1277	Local infrastructure finance	\$0
SHB 1381	Laws relating to taxes	\$0
HB 1450	Low income households	\$0
SHB 1508	Resale of natural gas	\$0
HB 1674	Spokane Cigarette Contract	\$0
2SHB 1811	Automatic sprinkler systems	\$0
E2SHB 1910	Multi-dwelling units	\$0
HB 2032	Fruit & vegetable processing	\$0
ESHB 2164	Multiple-unit housing	\$0
SSB 5085	Interest on Transp Account	\$0
SB 5434	Tangible personal property	\$0
SB 5498	Local taxing districts	\$0
SB 5512	Hospital benefit zones	\$0
SSB 5715	Insurance soliciting	\$0
HB 1185	Timber purchases	\$2
SHB 1002	Sales & use tax on vessels	\$1,291
SB 5919	Insurance premiums	\$1,940
HB 1805	Homestead Exemption	\$2,868
TOTAL		(\$29,230)

REVENUE ADJUSTMENTS

REVENUE ADJUSTMENTS

SALES AND USE TAXATION OF REPAIRS TO FARM MACHINERY AND EQUIPMENT - \$6.4 MILLION GENERAL FUND-STATE REDUCTION

Engrossed House Bill 1902 extends the sales and use tax exemption for replacement parts for farm machinery and equipment to include replacement parts for farm vehicles. Labor to install replacement parts on qualifying farm machinery and equipment, as well as repairs made to such equipment, is exempt from sales and use tax.

STREAMLINED SALES AND USE TAX - \$5.9 MILLION GENERAL FUND-STATE REDUCTION

Chapter 6, Laws of 2007 (Substitute Senate Bill 5089) makes Washington fully compliant with the Streamlined Sales and Use Tax Agreement. This legislation provides incentives for remote sellers to voluntarily collect sales or use tax on in-state sales and changes sales and use tax sourcing requirements from the current origin base sourcing to destination based sourcing beginning July 1, 2008. This creates revenue shifts between local jurisdictions. The bill provides full mitigation to those local jurisdictions that are negatively impacted by the change in sourcing rules. Additionally, relief is provided for small businesses to help them comply with the sourcing changes.

ECONOMIC DEVELOPMENT FACILITIES - \$5.1 MILLION GENERAL FUND-STATE REDUCTION

Engrossed Second Substitute Senate Bill 5557 increases the rural county sales and use tax credit for economic development from 0.08 percent to 0.09 percent for all counties that currently qualify for the credit.

FINANCING REGIONAL CENTERS WITH TEN THOUSAND SEATS OR LESS - \$3.6 MILLION GENERAL FUND-STATE REDUCTION

Engrossed House Bill 2388 allows the city of Kent and Lewis county to create a Public Facility District (PFD). These PFDs may impose a 0.033% sales tax that is credited against the state portion of the sales tax to fund regional centers. Further, PFDs in Yakima and Longview may impose a 0.025% and .020% sales tax, respectively, that is credited against the state tax for purposes of improving theaters.

CREATING HEALTH SCIENCES AND SERVICES AUTHORITIES - \$3.0 MILLION GENERAL FUND-STATE REDUCTION

Engrossed Second Substitute House Bill 1705 provides funding for the creation of a Health Sciences and Services Authority to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. Funding is provided from a 0.020 percent sales tax that is credited against the state portion of the sales tax within the boundary of the authority.

THE TAXATION OF ELECTRONICALLY DELIVERED FINANCIAL INFORMATION - \$2.7 MILLION GENERAL FUND-STATE REDUCTION

Engrossed Substitute House Bill 1981 provides a sale and use tax exemption for electronically delivered standard financial information to financial institutions and investment management companies.

REVENUE ADJUSTMENTS

FOREST PRODUCT BUSINESSES - \$2.1 MILLION GENERAL FUND-STATE REDUCTION

Chapter 38, Laws of 2007 (Substitute House Bill 1513) expressly applies the reduced B&O tax rate for timber activities to pay-as-cut sales. Pay-as-cut sales are exempt from real estate excise tax, if the seller reports and pays income under the reduced B&O rate. Small harvesters may claim a \$100,000 B&O deduction, replacing the B&O exemption for small harvesters.

PROVIDING A BUSINESS AND OCCUPATION TAX DEDUCTION FOR THE SALE OF CERTAIN PRESCRIPTION DRUGS - \$2 MILLION GENERAL FUND-STATE REDUCTION

Substitute House Bill 1891 provides a B&O tax deduction for physicians and clinics from sales of prescription drugs for infusion or injection. The deduction is limited to amounts covered, or required as co-payments or deductibles, under a government-sponsored health care service program.

INCREASING THE AMOUNT THE TREASURER MAY USE FOR THE LINKED DEPOSIT PROGRAM - \$1.1 MILLION GENERAL FUND-STATE REDUCTION

The linked deposit program provides loans to minority and women-owned businesses. Engrossed Substitute House Bill 1512 increases the amount of money available for use in the linked deposit program and establishes priorities for businesses participating in the program.

VEHICLE SALES TO NONRESIDENTS - \$0.9 MILLION GENERAL FUND-STATE REDUCTION

Chapter 135, Laws of 2007 (Substitute House Bill 2158) provides that persons who sell motor vehicles to nonresidents at retail cannot be found liable for the retail sales tax if the seller retains copies of a currently valid out-of-state driver's license; a copy of a rental agreement or property tax statement from the previous year, or any other document deemed acceptable by the Department of Revenue; and a notarized affidavit. The nonresident sales tax exemption expressly includes motor vehicle parts sold to nonresidents.

RURAL COUNTY TAX CREDIT - \$0.9 MILLION GENERAL FUND-STATE REDUCTION

Substitute House Bill 1566 makes the rural county job creation B&O tax credit easier to claim by changing the base year from a calendar year to the previous four calendar quarters, expanding the definition of a "qualified employment position" to include positions that are temporarily vacant or seasonal, and permitting businesses to apply for the tax credits within 90 days after creating and filling the new employment positions.

UNPROCESSED MILK - \$0.3 MILLION GENERAL FUND-STATE REDUCTION

Chapter 131, Laws of 2007 (House Bill 1549) creates a B&O tax exemption for wholesales of grains and dried legumes to wholesale sales of unprocessed milk.

CITY LODGING TAXES - \$0.3 MILLION GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 5568 extends the exception to the general rule that a city hotel-motel tax must be credited against a county hotel-motel tax. The exception allows Yakima County to impose a two percent hotel-motel tax which is credited against the state portion of the sales tax simultaneously with a city without any adjustments. The sunset date for this exception is extended from January 1, 2013, to January 1, 2021.

REVENUE ADJUSTMENTS

TAX PROGRAMS - \$0.2 MILLION GENERAL FUND-STATE REDUCTION

Chapter 111, Laws of 2007 (Senate Bill 5468) allows the Department of Revenue to send certain notification by email rather than by mail if the taxpayer gives authorization. The bill provides a penalty waiver provision for centrally assessed utilities if they can show they are late with the reporting responsibilities for good cause. The bill also provides for the option to send electronically, and eliminates the fees required for, applications and renewals for property tax exemptions.

ENHANCING ENFORCEMENT OF LIQUOR AND TOBACCO LAWS - \$0.2 MILLION GENERAL FUND-STATE REDUCTION

Senate Bill 5551 grants the Liquor Control Board (LCB) the authority to inspect the books and records of common carriers in enforcing the cigarette tax law, and to inspect books and records of vehicle rental agencies used to transport cigarettes and other tobacco products. Licensed cigarette wholesalers and retailers are allowed a B&O tax exemption for the stamping allowance. A credit is provided for other tobacco products tax paid for tobacco products sold to the United States or its agencies or to federally recognized Indian tribes and tribal entities.

AGRICULTURAL COMMODITIES - \$0.2 MILLION GENERAL FUND-STATE REDUCTION

House Bill 1443 provides a public utility tax deduction for amounts derived from transporting agricultural commodities from points of origin in Washington to interim storage facilities in the state.

BIODIESEL FUEL FOR FARM USE - \$0.1 MILLION GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 5009 provides a retail sales tax exemption for biodiesel fuel used for nonhighway farm purposes.

PROVIDING EXCISE TAX RELIEF FOR CERTAIN FARM SERVICES - \$0.1 MILLION GENERAL FUND-STATE REDUCTION

Engrossed Substitute House Bill 2352 allows a B&O exemption for custom farming services performed by eligible farmers for other farmers, such as custom plowing, cultivation, planting. Farm management services, contract labor services, and services for farm animals are exempt from the B&O tax if performed by a person related to the farmer or the custom farm operator. Persons hauling agricultural products or farm machinery are exempt from the public utility tax if the service is provided to a farmer or a person performing custom farming service, but only if the hauling is done by a related person.

TRIBAL TIMBER HARVEST EXCISE TAX CONTRACT WITH THE QUINAULT NATION - \$0.08 GENERAL FUND-STATE REDUCTION

Chapter 69, Laws of 2007 (Substitute House Bill 2008) authorizes the Governor to enter into a timber harvest excise tax agreement with the Quinault Nation. The tribal timber harvest excise tax must be equal to 100 percent of the state timber harvest excise tax. Tax revenues retained by the tribe will be used for essential government services. This legislation provides a reimbursement to counties (indeterminate at this time) from the state's timber tax distribution account for forest excise tax revenues that counties would no longer receive if an agreement goes into effect.

REVENUE ADJUSTMENTS

HISTORICAL PROPERTY - \$0.04 MILLION GENERAL FUND-STATE REDUCTION

Chapter 90, Laws of 2007 (Senate Bill 5607) allows an exemption from the leasehold excise tax for leasehold interests in historic property that are owned by the United States government, listed on any federal or state register of historical sites, and wholly contained within a national historic reserve.

EXCISE TAX RELIEF - \$0.04 MILLION GENERAL FUND-STATE REDUCTION

Senate Bill 5572 provides an exemption from the B&O tax for amounts received by a public development authority (PDA) for providing services to a limited liability company if: the PDA is the managing member; a limited partnership if the PDA is the general partner; or a single asset entity required under a governmental housing assistance program if the entity is controlled by the PDA. This legislation also provides an exemption from sales and use tax for amounts received by a PDA for the provision of services, if the amounts received are exempt from B&O tax under this act.

PASSENGER-ONLY FERRY SERVICE - \$0.02 MILLION GENERAL FUND-STATE REDUCTION

Engrossed Second Substitute Senate Bill 5862 provides a sales and use tax exemption for fuel purchased by a public transportation benefit area, a county-owned ferry, or county ferry district for use in passenger-only ferry vessels.

EXEMPTING CERTAIN AMATEUR RADIO REPEATERS FROM LEASEHOLD EXCISE TAXES - \$0.005 MILLION GENERAL FUND-STATE REDUCTION

Chapter 21, Laws of 2007 (Substitute House Bill 2335) exempts leasehold interests in public facilities that are used for the placement of amateur radio repeaters are the leasehold excise tax if the repeaters are made available to public agencies for emergency communications.

LOCAL INFRASTRUCTURE FINANCING TOOLS - NO IMPACT TO GENERAL FUND-STATE

Second Substitute House Bill 1277 increases the annual state contribution to LIFT projects from \$5 million to \$7.5 million per year. The increase impacts the state general fund beginning Fiscal Year 2010. This legislation also extends the application deadline for new lift projects by local governments to 2008. Public improvement costs may be paid on a pay-as-you-go basis for either a limited time or, if no bonds are issued, the local funds may be used for pay-as-you-go.

TECHNICAL CHANGES TO TAX LAWS - NO IMPACT TO GENERAL FUND-STATE

Chapter 54, Laws of 2007 (Substitute House Bill 1381) provides technical corrections to the tax code, including correcting drafting errors, removing inaccurate references, deleting obsolete provisions, and making necessary statutory clarifications.

MODIFYING LOW-INCOME PROPERTY TAX EXEMPTIONS - NO IMPACT TO GENERAL FUND-STATE

House Bill 1450 adds that the public funding requirement to qualify for the low-income property tax exemption can be met if the nonprofit received financial assistance from a federal program administered by a city or county government or a document recording fee surcharge imposed for the purpose of affordable housing development or to reduce homelessness. A property tax assessment may not consider a highest and best use for a

REVENUE ADJUSTMENTS

property that is not permitted for that property under existing zoning or land use planning ordinances, statutes, or other government restrictions. For property assessments, consideration should be given to any agreement with a government agency that restricts rental income, appreciation, and liquidity, and to the impact of government restrictions on operating expenses and ownership rights.

RESALE OF NATURAL GAS - NO IMPACT TO GENERAL FUND-STATE

Chapter 58, Laws of 2007 (Substitute House Bill 1508) allows a business and occupation (B&O) tax exemption for the sale of natural or manufactured gas by a consumer if the amount of gas sold by the business in that calendar year is no more than 20 percent of the amount of natural or manufactured gas that is consumed in the U.S. in the same calendar year.

AUTHORIZING THE GOVERNOR TO ENTER INTO A CIGARETTE TAX CONTRACT WITH THE SPOKANE TRIBE - NO IMPACT TO GENERAL FUND-STATE

House Bill 1674 allows the Governor to enter into a cigarette tax contract with the Spokane Tribe, in addition to the 25 other tribes listed in RCW 43.06.460 that can enter into a cigarette contract with the state.

REGARDING AUTOMATIC SPRINKLER SYSTEMS IN NIGHTCLUBS - NO IMPACT TO GENERAL FUND-STATE

Second Substitute House Bill 1811 changes the definition of "nightclub" to reflect the 2006 International Building Code standards. The date by which automatic sprinklers must be installed in nightclubs is extended to December 1, 2009. The special property tax exemption for nightclub owners installing sprinklers is expanded to include lessees.

TAX INCENTIVES FOR MULTIPLE-DWELLING UNITS IN URBAN CENTERS THAT PROVIDE AFFORDABLE HOUSING - NO IMPACT TO GENERAL FUND-STATE

Engrossed Second Substitute House Bill 1910 modifies the current multi-unit property tax exemption. The current exemption is reduced from ten years to eight years. However, if certain affordable housing requirements are met, the exemption is expanded to 12 years. In addition, the amount of cities that qualify are increased.

FRUIT AND VEGETABLE PROCESSING AND STORAGE TAX DEFERRAL - NO IMPACT TO GENERAL FUND-STATE

House Bill 2032 provides an immediate effective date to apply to the Department of Revenue for the fruit and vegetable processing and storage tax deferral program. In order to qualify, applications must be filed prior to the initiation of construction of a facility, or the purchase of machinery and equipment. Under existing law, the deferral program takes effect on July 1, 2007.

INSTITUTIONS OF HIGHER EDUCATION AND MULTIPLE-UNIT HOUSING WITHIN THE BOUNDARIES OF THE CAMPUS FACILITIES MASTER PLAN FOR PROPERTY TAX EXEMPTION PURPOSES - NO IMPACT TO GENERAL FUND-STATE

Engrossed Substitute House Bill 2164 provides that, as of July 1, 2007, a city may not designate an area within the campus facilities master plans of the branch campuses of the

REVENUE ADJUSTMENTS

University of Washington as a residential targeted area for the purposes of the multiple-unit housing property tax exemption.

INTEREST ON TRANSPORTATION ACCOUNTS – NO GENERAL FUND-STATE IMPACT

Substitute Senate Bill 5085 allows transportation accounts to retain 100 percent of their interest earnings. The bill takes effect July 1, 2009.

IMPORT AND EXPORT COMMERCE - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 5434 creates an express exemption from B&O and retail sales taxation for the sale of tangible personal property in import or export commerce, codifying the existing administrative rule.

LOCAL TAXING DISTRICTS - NO IMPACT TO GENERAL FUND-STATE

Engrossed Senate Bill 5498 authorizes a levy lid lift of up to six years for any taxing district. For levy lid lifts and the county sales and use tax, the definition of "existing funds" is modified to exclude losses due to lost grants or loans, extraordinary events, certain changes in contract terms, or major nonrecurring capital expenditures.

MODIFICATIONS TO THE HOSPITAL BENEFIT ZONE TAX INCREMENT FINANCING - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 5512 modifies the Hospital Benefit Zone (HBZ) program by allowing a local government with a HBZ to use tax increment financing revenues for payment of other bonds used to pay for public improvements within the HBZ and to pay the cost of public improvements directly (pay-as-you-go), rather than limiting revenues to payment of the principal and interest on the revenue bonds. The bill makes other changes to clarify the legislative intent, to allow additional flexibility for the use of revenues, to add boundary requirements, to require the annual report be filed with the State Auditor, and to provide technical corrections.

INSURANCE SOLICITING - NO GENERAL FUND-STATE IMPACT

Chapter 117, Laws of 2007 (Substitute Senate Bill 5715) modifies licensing provisions selling, soliciting, or negotiating insurance. The bill takes effect July 1, 2009.

REPORTING OF TIMBER PURCHASES - \$0.002 MILLION GENERAL FUND-STATE INCREASE

Chapter 47, Laws of 2007 (House Bill 1185) extends the 2007 sunset date of the reporting requirements for certain timber purchases to 2010. Information gathered in the reports is used by the Department of Revenue to establish tables of stumpage values, which are used to calculate the excise tax due from certain timber harvesters.

MODIFYING THE SALES AND USE TAXATION OF VESSELS - \$1.3 MILLION GENERAL FUND-STATE INCREASE

Chapter 22, Laws of 2007 (Substitute House Bill 1002) provides a retail sales tax exemption for vessels 30 feet or longer sold to bona fide residents of another state or possession or province of Canada. The vessel owner must purchase and display a 12 month use permit, costing \$500 for vessels 50 feet in length or less and \$800 for vessels over 50 feet in length.

REVENUE ADJUSTMENTS

PROVIDING RELIEF FROM RETALIATORY TAXES ON INSURANCE PREMIUM TAXES - \$1.9 MILLION GENERAL FUND-STATE INCREASE

Substitute Senate Bill 5919 provides that neither the regulatory surcharge, nor the related policyholder surcharge, is to be considered part of a policy's premium for any purpose, including collection of premium taxes and calculation of an agent's commission. This will result in a revenue increase to the General Fund from those companies that pay taxes on the State of Incorporation basis.

INCREASING THE HOMESTEAD EXEMPTION AMOUNT - \$2.9 MILLION GENERAL FUND-STATE INCREASE

Substitute House Bill 1805 increases the real property homestead exemption, which protects a debtor's equity in residential property, to \$125,000. The bill provides that the homestead exemption does not apply to debts for sales taxes that are collected and held in trust by the property owner. A Department of Revenue tax warrant for other unpaid taxes becomes a lien on the value of the homestead property in excess of the homestead exemption limit from the time the tax warrant is filed in superior court.

BUDGET-DRIVEN REVENUE

LIQUOR CONTROL BOARD - \$3.9 MILLION GENERAL FUND-STATE INCREASE

Funds are provided to the Liquor Control Board to open 29 additional stores on Sundays. The Board shall report back to the legislature in January 2009 on the effect these additional store openings have made on sales.

DEPARTMENT OF REVENUE - \$2.8 MILLION GENERAL FUND-STATE INCREASE

Funding is provided for the department to implement legislation enacted in 2005 regarding vehicle licensing and registration enforcement. The department will work with the Washington State Patrol and the Department of Licensing to increase the enforcement of laws requiring Washington residents to obtain their driver's licenses and to register their vehicles in the state. These efforts are expected to generate \$2.8 million in General Fund-State revenue.

JOINT LEGISLATIVE SYSTEMS COMMITTEE - \$1.8 MILLION GENERAL FUND-STATE INCREASE

The fee revenues of the Joint Legislative Systems Committee, which had previously been deposited to a dedicated account, will be paid to the General Fund pursuant to Senate Bill 5957 (chapter 18, Laws of 2007).

DEPARTMENT OF LABOR AND INDUSTRIES - \$0.7 MILLION GENERAL FUND-STATE INCREASE

Funds are provided to the Department to meet the additional demand in reviewing factory assembled structures created by the opening of a new modular home factory in Burlington. Increased fee revenue is expected as a result of the additional reviews.

REVENUE ADJUSTMENTS

ELECTRONIC WASTE AUTHORITY - \$0.5 MILLION GENERAL FUND-STATE LOAN

In 2006, Engrossed Substitute Senate Bill 6424 (Electronic Product Recycling) created the Washington Materials Management and Financing Authority to develop and implement an electronic waste recycling program for managing electronic waste. Funding is provided via the Department of Ecology for a loan to the Authority to pay for program start up costs.

LIQUOR CONTROL BOARD - \$.04 MILLION GENERAL FUND-STATE INCREASE

Funds are provided for 92.5 liquor store FTE's. The funding comes as a result of the FTE pilot project and the recommendation of an optimal staffing level from a consultant's analysis of the FTE pilot project. In addition, funding is provided for a sales inventory and operations planning program coordinator and a category management program in order to increase the efficiency of their business practices producing more revenue. The net increased revenue from these programs, along with the additional spending, results in the increased budget-driven revenue.

CAPITAL BUDGET

OVERVIEW

CAPITAL BUDGET -- BIENNIAL COMPARISON

--- Millions of Dollars ---

	2005-07		2007-09 Prop.		Percent Change	
	Bonds	Total	Bonds	Total	Bonds	Total
Gov't Operations	226.8	693.1	429.7	892.8	89%	29%
Human Services	337.9	382.1	223.2	301.6	-35%	-21%
Natural Resources	297.2	901.4	503.7	1,036.2	69%	15%
Higher Education	699.1	945.5	788.2	1,065.9	13%	13%
Public Schools *	139.1	620.6	190.4	965.0	55%	55%
Other Education	8.4	8.4	35.2	35.2	319%	319%
Projects Total	1,704.8	3,551.0	2,170.4	4,296.7	27%	21%

* *Bond amounts in Public Schools do not include bonds transferred through the Trust Land Transfer Program.*

Bond spending is increased by 27 percent and total spending by 21 percent. Major changes include:

- An increase of \$492 million for education, including a \$344 million increase for public schools (a 55 percent increase).
- \$226 million for Puget Sound clean up and salmon recovery.
- \$158 million for state correctional facilities.
- \$100 million for Washington Wildlife and Recreation Program.
- Authorization to construct a new State Heritage Center to secure and display the state's most important historical documents, permanent archives, and the state library.

K-12 CAPITAL CONSTRUCTION

A total of \$880 million is provided for K-12 construction assistance grants. This amount continues the improvements made in the 2005-07 biennium and covers expected inflationary increases of 5.3 percent in the first year and 3.9 percent in the second year. A total of \$75 million is provided for Skill Centers and \$4 million for small school repair grants. Funding of \$1 million each is also provided for the Island Wood and Chewelah Peak Environmental Learning Centers and \$6.2 million for school mapping to increase student safety.

CAPITAL BUDGET

HIGHER EDUCATION CAPITAL CONSTRUCTION

A total of \$1.1 billion is provided for higher education facilities, \$788 million in state bonds. This includes \$518 million for the state's community and technical colleges and \$547 million for the four-year institutions.

Major projects for the four-year schools include:

- Renovation of Savery Hall at the University of Washington
- Completion of the Biotechnology/Life Sciences building at Washington State University in Pullman
- The Undergraduate Classroom building and the Applied Technology Building at Washington State University in Vancouver
- Renovation of Hargreaves Hall at Eastern State University
- Renovation and expansion of Dean Hall at Central Washington University
- Furnishing and equipping the new Academic Instructional Center at Western Washington University and renovate some of the building systems at Miller Hall
- Renovation of the Student Activities Building at The Evergreen State College

\$199 million in total funds is also provided for minor works and facility preservation at the four-year campuses.

Major projects for the 2-year schools include:

- Bellevue Community College: Science and Technology
- Cascadia Community College: Center for Arts, Technology, Communication
- Centralia Community College: Science Building
- Clark College: East County Satellite
- Everett Community College: University Center - North Puget Sound
- Olympic College: Humanities and Student Services
- Pierce College - Fort Steilacoom: Science and Technology
- Pierce College Fort Steilacoom: Cascade Core Phase I
- Pierce College Puyallup: Communication Arts/Health Building
- Seattle Central Community College: Edison North Renovation
- Skagit Valley College: Science Building Replacement
- South Puget Sound Community College: Building 22 Renovation
- South Puget Sound Community College: Science Complex
- Bates Technical College: Learning Resource Center
- Edmonds Community College: Instructional Lab

CAPITAL BUDGET

- Everett Community College: Pilchuck/Glacier
- Green River Community College: Science Building
- Lower Columbia Community College: Instructional Fine Arts Building
- Peninsula Community College: Science and Technology Building Replacement
- Spokane Falls Community College: Business and Social Science Building
- Wenatchee Valley Community College: Anderson Hall and Portable Replacement
- Yakima Valley Community College: Glenn/Anthon Replacement

PUGET SOUND CLEAN-UP

\$226 million is provided for Puget Sound clean-up and salmon recovery projects. This includes \$18 million for Puget Sound storm water projects, \$5 million for Puget Sound Aquatic Cleanup, \$41 million for Puget Sound restoration and acquisition grants, \$13 million for Puget Sound nearshore salmon restoration, and \$4 million to remove creosote logs from Puget Sound.

HABITAT AND RECREATION

\$100 million is provided for the Washington Wildlife and Recreation Program which funds local and state park projects, habitat preservation, trails, water access, farmland and riparian protection. A total of 121 projects are funded through the program. In addition, \$99 million is provided for the Trust Land Transfer Program to provide recreation lands and habitat protection for wildlife. The Parks and Recreation Commission capital budget totals \$59 million and \$68 million is provided for projects for the Department of Fish and Wildlife. \$5 million is also provided for three Mountains to Sound Greenway projects – the Squak Trail upgrade, City to Mountains Regional Trail Gap Funding, and State Route 18-Interstate 90 Interchange Protection.

Appendix A

2007-09 Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts Per Project, by Agency
LEAP Document IT-2007

(Dollars in Thousands)

		Maximum Authorized		
		FTEs	Near GF-S	Total
Governmental Operations				
<i>Secretary of State</i>				
1.	Digital Depository of State Publica	2.0	331	331
2.	Digital Archives Functionality	2.5	0	3,202
	Total	4.5	331	3,533
<i>Asian-Pacific-American Affairs</i>				
3.	Website and Database Enhancements	0.0	52	52
<i>Office of the Attorney General</i>				
4.	Computer System Upgrade	0.0	0	200
<i>Caseload Forecast Council</i>				
5.	Computer Upgrades Per 3-Year Cycle	0.0	26	26
<i>Department of Financial Institutions</i>				
6.	Information Technology	1.0	0	2,926
<i>Dept of Community, Trade, & Economic Development</i>				
7.	Grants, Contracts, Loan Mgmt System	0.0	1,453	2,718
8.	Creating a Data Warehouse	3.0	1,046	1,046
	Total	3.0	2,499	3,764
<i>Office of Financial Management</i>				
9.	E-Commerce Initiative	0.0	100	100
10.	Constituent Relations Mgmt System	2.0	0	965
11.	Grants, Contracts and Loan Mgmt Sys	7.4	0	5,464
12.	Roadmap	6.5	0	1,945
	Total	15.9	100	8,474
<i>Office of Administrative Hearings</i>				
13.	Electronic Case Management System	0.0	0	80
<i>Department of Personnel</i>				
14.	HRMS Upgrade to MySAP 2005	0.0	0	4,000
15.	HRMS Leave Processing	0.0	0	500
	Total	0.0	0	4,500
<i>State Lottery Commission</i>				
16.	Firewall Installation	0.0	0	72

The appropriation is sufficient to support 90 percent of the projects funded from the near general fund accounts.

**2007-09 Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts Per Project, by Agency
LEAP Document IT-2007**

(Dollars in Thousands)

		Maximum Authorized		
		FTEs	Near GF-S	Total
<i>Gambling Commission</i>				
17.	Software Upgrade	0.0	0	80
<i>Hispanic Affairs</i>				
18.	Website and Database Enhancements	0.0	52	52
<i>African-American Affairs</i>				
19.	Website and Database Enhancement	0.0	52	52
<i>Retirement Systems</i>				
20.	Computer Infrastructure Upgrade	0.0	0	649
<i>Tax Appeals Board</i>				
21.	Database/Website Upgrade	0.0	127	127
<i>Municipal Research Council</i>				
22.	Website Search Engine	0.0	0	76
<i>Department of General Administration</i>				
23.	Facilities Control Systems	1.0	0	542
<i>Department of Information Services</i>				
24.	Expand Justice Information Network	1.0	2,954	2,954
<i>Office of the Insurance Commissioner</i>				
25.	Expand e-Commerce Opportunities	2.0	0	1,766
<i>State Board of Accountancy</i>				
26.	Enhancement Database Structure	0.0	0	60
<i>Liquor Control Board</i>				
27.	IT Weekend Coverage for Stores	0.6	0	86
28.	Data Warehouse System	1.0	0	1,468
29.	Increase IT Service Support	8.0	0	1,277
	Total	9.6	0	2,831
<i>Utilities & Transportation Commission</i>				
30.	Office Systems Migration	0.0	0	850

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2007-09 Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts Per Project, by Agency
LEAP Document IT-2007
(Dollars in Thousands)

		Maximum Authorized		
		FTEs	Near GF-S	Total
<i>Board of Volunteer Firefighters</i>				
31.	Replace Legacy Data Base System	0.0	0	257
<i>Military Department</i>				
32.	Tsunami/Earthquake Program Support	1.0	168	168
33.	Emergency Alert System Upgrades	0.0	276	276
	Total	1.0	444	444
<i>Archaeology & Historic Preservation</i>				
34.	Maintain Grant-Funded GIS System	0.0	120	120
35.	Information Technology Support	0.0	250	250
	Total	0.0	370	370
Other Human Services				
<i>Health Care Authority</i>				
36.	Health Record Banks Pilot Project	0.0	3,200	3,400
37.	Health Information Tech Grants	0.0	1,000	1,000
38.	Basic Health Program Data Warehouse	1.0	772	866
	Total	1.0	4,972	5,266
<i>Criminal Justice Training Commission</i>				
39.	Incident-Based Reporting	0.0	130	130
<i>Department of Labor & Industries</i>				
40.	Upgrade Apprentice Tracking System	0.0	0	337
41.	Claim & Acct Ctr (ORCA)-IT Upgrade	7.7	0	3,970
42.	Additional Fraud Audits & IT	6.6	0	3,579
43.	Express File Enhancements	2.3	0	2,104
44.	Phased Replacement of Legacy System	6.6	0	5,160
45.	Contractor & Electrical Data System	4.2	587	2,347
46.	Using Web Portal Technology	0.0	14	876
	Total	27.4	601	18,373
<i>Department of Health</i>				
47.	Health Prof Licensing Sys (ILRS)	8.1	0	2,286
<i>Department of Veterans' Affairs</i>				
48.	Mitigate I/T Operational Risks	0.0	233	233

The appropriation is sufficient to support 90 percent of the projects funded from the near general fund accounts.

**2007-09 Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts Per Project, by Agency
LEAP Document IT-2007**

(Dollars in Thousands)

		Maximum Authorized		
		FTEs	Near GF-S	Total
<i>Department of Corrections</i>				
49.	Accessibility to Offender Data	0.0	3,853	3,853
50.	Software Sustainability	0.0	2,603	2,603
	Total	0.0	6,456	6,456
DSHS				
<i>Administration & Supporting Services</i>				
51.	Payroll System-Individual Providers	0.0	159	250
Natural Resources				
<i>Department of Ecology</i>				
52.	Grants, Contracts, Loan Mgmt System	0.0	892	2,746
53.	Well Construction & License System	1.0	0	650
54.	Water Rights Database Enhancement	2.0	0	300
	Total	3.0	892	3,696
<i>State Parks & Recreation Commission</i>				
55.	Computer Leasing Program	1.0	446	446
56.	Replace Critical IT Equipment	0.0	340	340
	Total	1.0	786	786
<i>Conservation Commission</i>				
57.	Watershed Data Pilot Project	0.0	500	500
<i>Department of Fish & Wildlife</i>				
58.	WDFW Network Renewal	0.0	302	302
59.	WDFW Enterprise IT Conversion	0.0	1,387	1,387
	Total	0.0	1,689	1,689
<i>Department of Natural Resources</i>				
60.	Region Telephone Systems	0.0	112	334
61.	Payroll Systems Replacement Study	2.3	128	379
62.	Data Storage System Expansion	0.0	0	66
	Total	2.3	240	779

The appropriation is sufficient to support 90 percent of the projects funded from the near general fund accounts.

**2007-09 Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts Per Project, by Agency
LEAP Document IT-2007
(Dollars in Thousands)**

		Maximum Authorized		
		FTEs	Near GF-S	Total
Transportation				
<i>State Patrol</i>				
63.	Statewide Interoperability	6.0	3,000	5,100
64.	Communications Antenna and Feed-Lin	0.0	79	79
65.	Technology Staffing and Tools	2.0	814	814
66.	Business Continuity	0.3	795	795
67.	Electronic Traffic Info Processing	0.0	13	13
68.	ACCESS Network Support	3.5	655	655
69.	Death Investigation System	0.8	0	535
	Total	12.6	5,356	7,991
Other Education				
<i>Eastern Washington State Historical Society</i>				
70.	Digital Access to Collections	0.8	93	98
Statewide Total		95.2	29,114	83,270

The appropriation is sufficient to support 90 percent of the projects funded from the near general fund accounts.

Appendix B

April 20, 2007

13:01 hours

2007-09 Omnibus Operating Budget
Information Technology Pool
Maximum Amounts Transferrable From Dedicated Accounts
LEAP Document ITA-2007
(Dollars in Thousands)

Fund Title	Maximum Amount
001-2 General Fund-Federal	2,204
001-7 General Fund-Local	457
001-C General Fund-Medicaid	81
006-1 Archives & Records Management Acct-State	1,254
014-1 Forest Development Account-State	150
027-1 Reclamation Account-State	800
02A-1 Surveys and Maps Account-State	4
02G-1 Health Professions Account-State	1,829
02J-1 Certified Public Accountants' Acct-State	60
02K-1 Death Investigations Account-State	535
02R-1 Aquatic Lands Enhancement Account-State	18
03T-1 Dependent Care Administrative Acct-State	7
041-1 Resource Management Cost Account-State	238
044-1 Waste Reduct/Recycle/Litter Control-State	163
04H-1 Surface Mining Reclamation Account-State	10
058-1 Public Works Assistance Account-State	490
05K-1 County Research Services Acct-State	12
06C-1 City & Town Research Services-State	64
072-1 St/Loc Impr Rev Acct Water Sup Fac-State	109
095-1 Electrical License Account-State	1,770
10G-1 Water Rights Tracking System Acct-State	150
111-1 Public Service Revolving Account-State	850
138-1 Insurance Commissioner's Regulatory-State	1,766
150-1 Low-Income Weatherization Assist-State	205
173-1 State Toxics Control Account-State	309
174-1 Local Toxics Control Account-State	1,034
204-1 Vol Firefight/Resv Officer Admin-State	257
405-1 Legal Services Revolving Account-State	200
418-1 St Health Care Authority Admin Acct-State	200
422-1 General Admin Services Account-State	406
441-1 Local Government Archives Account-State	1,948
484-1 Administrative Hearings Revolving-State	80
501-1 Liquor Revolving Account-State	2,831
532-1 Washington Housing Trust Account-State	526
578-1 Lottery Administrative Account-State	72
600-1 Dept of Retirement Systems Expense-State	590
608-1 Accident Account-State	8,120
609-1 Medical Aid Account-State	7,882
727-1 Water Pollution Control Revolving-State	239
887-1 Public Facility Const Loan Revolv-State	44
Total	37,964