

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

SENATE CHAIR

**SENATE WAYS & MEANS COMMITTEE
MARCH 28, 2007**

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STATE FISCAL SITUATION

OVERVIEW

The Senate budget provides \$2.1 billion of enhancements from the Near General Fund. About half of the enhancements are directed at education including early learning, public schools, and higher education.

\$133 million is invested to increase compensation for child care and preschool educators, and to expand access to preschool and other early learning activities. When the \$460 million of enhancements are coupled with the additional compensation and class size support provided through Initiative 728 and 732, nearly \$1 billion dollars is provided to improve public schools; the vast majority of which is directed at current funding needs. More than \$400 million is provided for the state's higher education system. An additional 10,000 enrollments are provided and the eligibility for the state need grant is increased from 65 percent to 75 percent of the state median income. More than \$200 million is provided for health care including new programs to cover children up to 300 percent of the federal poverty level, foster children aging out of care, and 3,000 additional Basic Health Care slots. \$47 million is provided to reduce future use of prisons through services to offenders reentering society and expanded intervention services to juveniles.

To prepare for the 2007-09 budget, and address the expected slowing of the state's economy, in the 2006 session the Legislature set aside \$825 million in specific separate accounts in addition to the \$228 million in the ending balance. However, because of the surprising strength of the economy, the official revenue forecast for the last two biennia has increased by more than \$1.5 billion, including \$127 million in the latest March forecast. The latest forecast projects strong revenue growth in 2007 creating roughly \$2 billion in reserves entering the 2007-09 biennium. This is expected to be followed by weak growth in 2008 and a return to average growth in 2009 (see page 4).

The Senate budget assumes leaving \$766.2 million in reserves, including \$158.7 million in the newly created, constitutional "Rainy Day Fund."

BUDGET STABILIZATION ACCOUNT ("RAINY DAY FUND")

The Senate budget assumes the enactment of Senate Joint Resolution 8206 which, if ratified by the voters, amends the state Constitution to establish a Budget Stabilization Account. This legislation requires one percent of general state revenues to be automatically deposited into this new account each fiscal year. Moneys may be appropriated from the Budget Stabilization Account by a majority vote of each house of the Legislature if: (1) forecasted state employment growth for any fiscal year is less than 1 percent; (2) the Governor declares an emergency and that immediate action is required to preserve public health, protect life, or protect public property; or (3) the Governor proclaims a state of emergency as authorized by statute. Other withdrawals from the Budget Stabilization Account may be made only by a three-fifths vote of the Legislature. (Note: The Budget Stabilization Account replaces the existing Emergency Reserve Fund, which consists of all General Fund revenue in excess of the state expenditure limit under Initiative 601.)

STATE FISCAL SITUATION

THE STATE EXPENDITURE LIMIT AND THE "NEAR GENERAL FUND"

Initiative 601, enacted by the voters in 1993, established a state General Fund expenditure limit. Under legislation enacted in 2005, and taking effect for the 2007-09 biennium and thereafter, the state expenditure limit will apply to the state General Fund and five additional funds, which are defined as "related funds": Health Services Account; Violence Reduction and Drug Enforcement Account; Public Safety and Education Account; Water Quality Account; and Student Achievement Fund. The Senate budget assumes enactment of Substitute Senate Bill 5691, which defines those funds subject to the state expenditure limit as the "Near General Fund" and includes, beginning in July 2008, the Education Legacy Trust Account.

BALANCE SHEET

Biennial Balance Sheet (Dollars in Millions)

RESOURCES		
	2005-07	2007-09
Beginning Balance	\$869.7	\$798.8
Revenue		
November Revenue Forecast	\$27,365.8	\$29,533.4
March Update	144.3	(17.8)
Revenue Legislation	-	(56.4)
Budget Driven Revenue	-	7.5
Total	\$27,510.1	\$29,466.7
Other Resources		
Water Quality Transfer	-	12.4
Treasurer's Account Transfer	-	20.0
Emergency Reserve / Rainy Day	(24.7)	(134.0)
Other Transfers and Adjustments	200.2	-
Total	\$175.5	(\$101.6)
Total Revenues and Resources	\$28,555.2	\$30,163.9
APPROPRIATIONS		
2005-07 Appropriations	\$27,297.9	-
2007 Supplemental Budget	458.5	-
2007-09 Operating Budget	-	29,556.4
Total Spending	\$27,756.4	\$29,556.4
RESERVES		
Ending Balance	\$798.8	\$607.6
ERF Spillover	\$24.7	-
Rainy Day Fund	-	134.0
Rainy Day Balance (incl ERF)	\$24.7	\$158.7
Total Reserves	\$823.5	\$766.2

ANNUAL SPENDING DETAIL

Annual Spending

(Dollars in Millions)

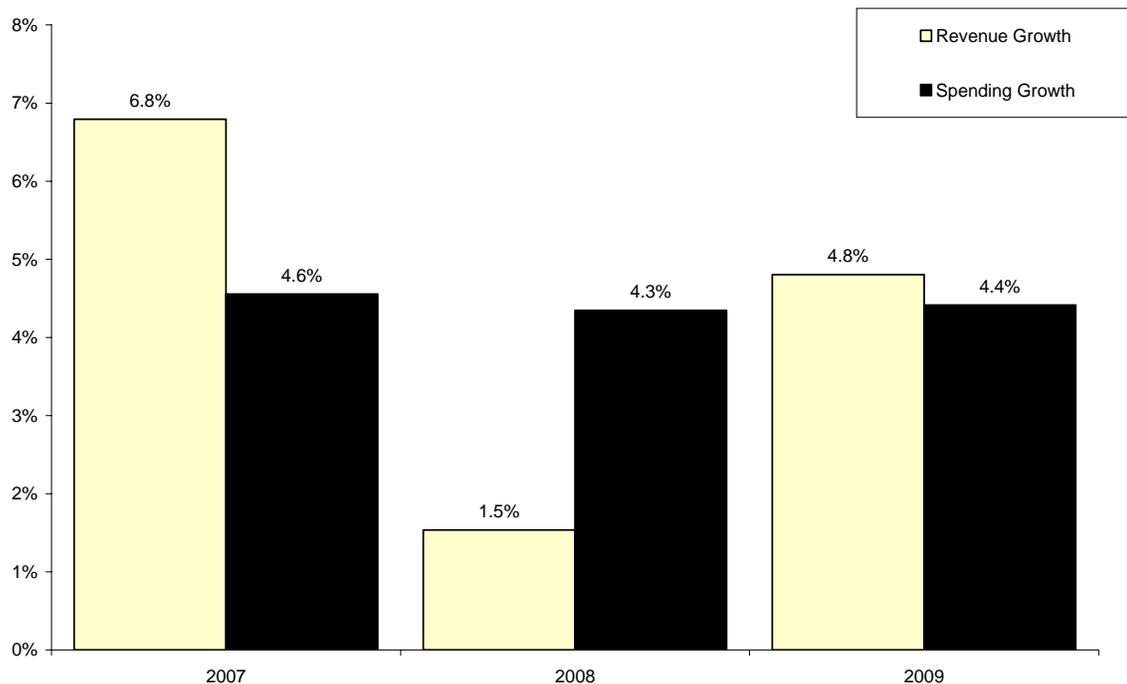
	2006	2007	2008	2009
General Fund	\$13,621	\$14,135	\$14,452	\$15,104
Public Safety & Education Account	78	85	90	89
Equal Justice Subacct of the PSEA	6	6	5	6
Water Quality Account	23	22	64	38
Violence Reduction/Drug Enforcement	54	55	56	57
Student Achievement Account	281	350	423	446
Health Services Account	589	635	698	760
Education Legacy Trust Account	70	106	279	279
Annual Spending (GF and Near GF)	\$14,722	\$15,393	\$16,068	\$16,779
		4.56%	4.38%	4.43%

Annual Revenue

(Dollars in Millions)

Annual Revenue (GF and Near GF)	\$14,432	\$15,413	\$15,650	\$16,401
		6.79%	1.54%	4.80%

Near GF* Spending and Revenue Growth



*Near GF includes GF-State, PSEA, Equal Justice, Water Quality, VRDE, Student Achievement, Health Services Account and Education Legacy.

SPENDING LIMIT ADJUSTMENTS

State Expenditure Limit (Dollars in Millions)

	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Unadjusted Limit	\$14,131.9	\$16,121.3	\$17,270.9
Adjustments to The Expenditure Limit			
2007 Supplemental -- Program Cost Shifts			
DSHS: Mental Health State Hospital Revenues	(4.3)		
DSHS: MAA CPE Program Update	29.1		
2007-09 Biennial Budget -- Program Cost Shifts			
LSC: Other M/L Adjustments		(0.0)	
Human Rts: Replace Lost Federal Funds		0.2	
Vets: Federal and State Fund Shifts		(1.6)	(0.6)
CTED: Tourism Expansion		(0.6)	
DOH: Local Health Assessments		0.1	
DOH: Metabolic Treatment Program		0.1	
DOH: Molecular Lab Federal Rev Loss		0.1	
DOE: Meeting Federal Air Requirements		0.3	
OSPI: Special Education		1.2	
OSPI: Federal Forest Funds		12.8	0.7
DSHS: Family Preservation Services		0.8	
DSHS: Enhanced Recovery Initiative			(0.3)
DSHS: Econ Svcs Child Support Match		6.1	2.3
DSHS: MAA CPE Program Update		15.8	
DSHS: FMAP		(68.0)	(13.0)
DSHS: Medicare Part D		(8.5)	(0.6)
DNR: Fire Supression 10 Year Average		0.4	
2007-09 Biennial Budget -- Legislation Impacting The Limit			
SSB 5557 Rural Counties		(4.3)	
SSB 5085 Interest on Transp Account		(4.9)	
SSB 5184 Public facilities districts - Longview and Yakima		(1.0)	
SSB 5440 Public facilities districts - Kent		(0.7)	
SSB 5616 Health sciences and services		-	
SB 5390 Public facilities districts - Lewis County		(0.2)	
SSB 5568 City lodging taxes - Yakima			(0.2)
SB 5089 Streamlined Sales Tax			(36.6)
Revised Limit (GFS Only in FY 07, Multiple Funds In FY08/09)	\$14,156.6	\$16,069.4	\$17,222.6
Expenditures	\$14,135.5	\$15,789.0	\$16,779.3
Remaining Capacity Under The Expenditure Limit	\$21.1	\$280.4	\$443.3
<i>Fiscal Growth Factor</i>		<i>105.41%</i>	<i>105.31%</i>

FUNCTIONAL AREAS OF GOVERNMENT

K-12 EDUCATION/EARLY LEARNING

SENATE BUDGET PRIORITIES FOR K-12 EDUCATION

- ***IMPROVING EDUCATOR COMPENSATION***

The Senate budget focuses on improving educator compensation by: (1) fully funding Initiative 732 cost-of-living increases; (2) providing funding to address rising employee health care benefit costs; (3) taking several steps to create greater equity in the salary allocations provided to each school district; (4) rewarding the knowledge and skills gained from National Board certification; and (5) creating an incentive for National Board certified educators to teach in high poverty schools.

- ***ADDRESSING CURRENT FUNDING NEEDS***

School districts are faced with many fiscal pressures. In an attempt to assist school districts, the Senate budget fully funds the Initiative 728 step-up and provides additional resources to address needs in special education, the Learning Assistance Program, pupil transportation, and technology. Part of the intent is to provide more flexible funds for school districts.

- ***PROVIDING ADDITIONAL STUDENT SUPPORTS***

The Senate budget includes many items designed to assist students and provide needed supports. Some of these efforts are aimed at providing the more “personalized education” recommended by the Washington Learns Committee. Items funded include: (1) the phase-in of an all day kindergarten program; (2) additional resources to support career and technical education programs; (3) dropout prevention and retrieval programs; and (4) after-school programs.

- ***MAKING TARGETED INVESTMENTS IN MATH AND SCIENCE***

The Senate budget recognizes the challenge of education reform, particularly around math and science. For this reason, many items in the Senate budget focus on: (1) providing professional development and other resources to improve math and science instruction; (2) recruiting additional educators; (3) making changes to the graduation requirement to allow additional time for these investments to take hold; and (4) realigning curriculum based on what has been learned since education reform efforts were initiated.

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.

FUNCTIONAL AREAS OF GOVERNMENT

EMPLOYEE HEALTH BENEFIT INCREASES - \$66.2 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 - \$59.7 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 - \$9.9 MILLION EDUCATION LEGACY TRUST ACCOUNT-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 \$5,100 in the 2008-09 school year; (2) \$2.5 million to cover the \$2,500 assessment fee for an estimated 1,000 National Board recipients; and (3) \$1.0 million to provide an additional \$5,000 annual bonus for National Board certified teachers working in high poverty 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.

SPECIAL EDUCATION ENHANCEMENTS - \$80.2 MILLION GENERAL FUND-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 \$97 per year, which effectively eliminates the "integration of federal funding" provisions made in the 2003-05 budget.

FUNCTIONAL AREAS OF GOVERNMENT

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 an equitable funding methodology to provide additional assistance to school districts for their pupil transportation costs beyond the levels otherwise provided in regular funding formulas.

TECHNOLOGY UPGRADES AND IMPROVEMENTS - \$24.8 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 \$6,000 for each elementary school, \$12,000 for each middle or junior high school, and \$22,000 for each high school. The funding is intended to augment existing technology purchases and aid in the further use of technology in improving instruction.

LEARNING ASSISTANCE PROGRAM - \$1.1 MILLION GENERAL FUND-STATE, \$30.1 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 20 percent. This additional funding will allow school districts and schools to provide additional opportunities for struggling students.

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

Pursuant to Second Substitute Senate Bill 5627 (basic education funding), the Washington State Institute of Public Policy (WSIPP) will staff a technical advisory committee to review all current basic education funding formulas, develop a new funding structure, and develop a new basic education definition. By September 15, 2007, the task force must provide options for allocating school employee compensation, with one outcome based option. By January 1, 2008, the task force must provide a final report and options for revising the rest of the K-12 funding structure, with one outcome-based option. The final report will also contain a recommended timeline for phasing in the new funding structure.

PROVIDING ADDITIONAL STUDENT SUPPORTS

ALL DAY KINDERGARTEN PHASE-IN - \$41.7 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. Pursuant to Second Substitute Senate Bill 5841 (student learning opportunities and achievement), funding for

FUNCTIONAL AREAS OF GOVERNMENT

the all day kindergarten program is provided for each student eligible for free and reduced price lunch.

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 1.4 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.

MIDDLE SCHOOL CAREER AND TECHNICAL EDUCATION PROGRAMS - \$5.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Pursuant to Engrossed Second Substitute Senate Bill 5813 (creating educational opportunities), 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.

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

Funding is provided for the implementation of Engrossed Substitute Senate Bill 5497 (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.

AFTER SCHOOL GRANTS - \$5.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-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 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 EDUCATION LEGACY TRUST ACCOUNT-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

FUNCTIONAL AREAS OF GOVERNMENT

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 - \$4.1 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for grants to allow four 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. At least two of the demonstration schools must be in schools participating in the Thrive-by-Five early learning partnerships in the Highline and Yakima school districts and one must 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.

MAKING TARGETED INVESTMENTS IN MATH AND SCIENCE

SECONDARY MATH/SCIENCE PROFESSIONAL DEVELOPMENT - \$13.1 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for three professional development days for each middle and high school math and science teacher in the state. 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 who

FUNCTIONAL AREAS OF GOVERNMENT

still have not been successful on the WASL. This makes it possible for a student to receive PAS funding in their junior year and again in their senior year.

2007 WASL CHANGES - \$12.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

During the 2007 session, the Legislature is considering a variety of proposals for modifying the current graduation requirements. Funding is provided for the implementation of Engrossed Substitute Senate Bill 6023 (regarding alternative assessments) or Substitute House Bill 2327 (regarding a system of standards, instruction, and assessments for mathematics and science). Specifically, the funding may be used for: (1) reviewing, developing, and implementing approved alternative assessments; (2) developing and piloting end of course examinations; and (3) 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) creating the Retooling To Teach Math and Science Program to produce an estimated 300 new teachers in those areas; and (3) increasing the pipeline of paraeducators eligible for the Alternative Routes program.

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 - \$3.7 MILLION GENERAL FUND-STATE; \$1.6 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.

MIDDLE AND HIGH SCHOOL MATH AND SCIENCE CLASS SIZE PILOT - \$3.1 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided to establish a middle and high school math and science class size pilot program. The funding is intended for at least ten schools in establishing actual average class sizes of 25 in mathematics and science classes in grades 6 through 12. The Office of Superintendent of Public Instruction, in collaboration with the Washington Institute for Public Policy, will select the schools to participate in the pilot program.

SCIENCE STANDARDS AND CURRICULUM - \$1.7 MILLION GENERAL FUND-STATE; \$1.7 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided to support the development of state standards in science that reflect international content and performance levels. In addition, funding is provided to evaluate

FUNCTIONAL AREAS OF GOVERNMENT

science textbooks, instructional materials, and diagnostic tools to determine the extent to which they are aligned with international standards. Additionally, science WASL knowledge and skill learning modules will be developed to assist students performing at tenth grade Level 1 and Level 2 in science to improve their performance.

OTHER MATH AND SCIENCE ITEMS - \$3.3 MILLION GENERAL FUND-STATE, \$0.4 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Other math and science items included in the Senate budget are (1) funding for the Office of Superintendent of Public Instruction, 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.

EXPAND LASER - \$2.2 MILLION GENERAL FUND-STATE

State funding for LASER is expanded to reach an additional 200 classrooms each year. LASER provides complete toolkits for hands-on science projects, teacher training, research-based models for learning, and community support.

OTHER K-12 ENHANCEMENTS AND RESEARCH

OTHER K-12 ITEMS AND CHANGES - \$11.7 MILLION GENERAL FUND-STATE

Funding is provided for a variety of K-12 enhancements and programs including: (1) \$2 million for an outdoor education grant in the State Parks and Recreation Commission's budget; (2) \$1.6 million for school safety; (3) \$1.3 million for the Digital Learning Commons in the Department of Information Services' budget; (4) \$1 million for a World Language pilot program; (4) \$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) \$2.6 million for other increases. Included in this item is the elimination of funding for the Staffed Residential Homes (SRH) pilot program established in the 2006 supplemental budget. This elimination is made due to inconclusive results regarding the costs-benefits of the grant program and the desire to target these funds at addressing the needs of all children rather than those in particular types of facilities.

K-12 RESEARCH AND STUDIES - \$2.7 MILLION GENERAL FUND-STATE

The K-12 related research assigned to the Washington State Institute of Public Policy and funded in the Senate budget include evaluations of K-3 demonstration pilot programs; math and science class size reduction pilots; the instructional coach pilot program; the English Language Learners pilot; the implementation of anti-bullying legislation; and the LASER program. To assist the work of the P-20 council, established by the Governor, funding is provided to the Office of Financial Management (OFM) to create a data system that coordinates and builds upon existing early learning, K-12, and higher education information systems. Additionally, funding is provided to OFM to develop at least two options for a new pupil transportation formula.

FUNCTIONAL AREAS OF GOVERNMENT

Senate Budget Proposal for K-12 Education	
(State Funds in Thousands)	
	<u>State Funds</u>
2005-07 Spending Level (After '06 Supp)	\$11,789,895
2007-09 Carryforward and Maintenance Changes	\$841,275
<u>Improving Educator Compensation</u>	
Initiative 732 Increase (Included at Maintenance Level)	\$379,035
Health Benefit Rate Increase	66,185
Teacher Salary Equity	45,044
Classified Staff Salary Equity	10,560
Administrator Salary Equity	4,058
Increase National Board Bonus	6,351
National Board Assessment Fees	2,500
National Board Bonus-Challenging School	1,000
Improving Educator Compensation	\$514,733
<u>Addressing Current Funding Needs</u>	
Initiative 728 Step Up (Included at Maintenance Level)	\$139,876
Special Education Funding Enhancement	80,210
Learning Assistance Program Increase	31,193
Transportation Assistance	25,000
Technology Upgrades & Improvements	24,800
Basic Education Formula - SSB 5627 - WSIPP	435
Addressing Current Funding Needs	\$301,514
<u>Providing Additional Student Supports</u>	
All Day Kindergarten Phase In	\$41,743
Vocational Equipment Replacement	9,387
Skills Center Enrollment Expansion	8,119
Middle School Career & Technical Education	5,000
Building Bridges for Drop Outs	5,000
After School Grants	5,000
K-3 Demonstration Projects	4,062
Eliminate Lunch Co-Pay for K-3 Students	3,267
Maintain The Elimination of Breakfast Co-Pay	1,507
English Language Learners	1,345
Leadership Academy	1,300
Providing Additional Student Supports	\$85,730
<u>Making Targeted Investments in Math and Science</u>	
Secondary Math/Science Professional Development	\$13,077
PAS for 12th Grade	12,098
2007 WASL Changes	12,000
Increase Number of Teachers	6,594
Math/Science Regional Support	5,490
Math & Science Instructional Coaches	5,376
Science Standards & Curriculum	3,328
Middle and High School Math & Science Class Size Pilot	3,053
Expand LASER	2,158
Other Math & Science Items	3,656
Making Targeted Investments in Math and Science	\$66,830
Other K-12 Enhancements and Research	\$14,476
Revise Pension Gain-Sharing	(\$91,315)
Total 2007-09 Budget	\$13,523,138
<i>Dollar Increase from 2005-07 Biennium</i>	<i>\$1,733,243</i>
<i>Percentage Increase from 2005-07 Biennium</i>	<i>14.7%</i>

FUNCTIONAL AREAS OF GOVERNMENT

EARLY LEARNING

The Senate budget recognizes the need to provide preschoolers from low-income families or with special needs with access to quality learning opportunities prior to starting kindergarten. The budget makes select investments in existing programs with a demonstrated track record in achieving this goal. In new areas, the budget commits funding for additional research and planning to maximize the investment of state resources.

INCREASED ACCESS TO EARLY CHILDHOOD EDUCATION AND ASSISTANCE PROGRAM (ECEAP) - \$29.6 MILLION GENERAL FUND-STATE

Funding is provided to increase the number of children receiving early childhood education and assistance program services by 3,000 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 Senate's vendor rate equalization plan, the average slot will rise to \$6,549, an increase of 17 percent.

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 PLANNING - \$2.5 MILLION GENERAL FUND-STATE

The following funds are provided towards development of a quality rating and improvement system:

- \$0.3 million to support the Early Learning Advisory Committee.
- \$1.7 million to support the Child Care Resource and Referral Network for increased services.
- \$0.8 million for the department to develop a detailed implementation proposal for the voluntary quality rating and improvement system. The department will work with the Early Learning Advisory Committee to develop a rating system for child care providers in the state. An interim report on the proposal will be provided to

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the education and fiscal committees of the legislature by December 1, 2007. After development of the interim proposal, the department will survey eligible child care centers and licensed family home providers to determine the following: 1) interest in participating in the voluntary rating system; 2) the rating of the center or provider on the proposed rating scale; and 3) improvements the center or provider would need to participate in the voluntary system. The department shall compile the survey reports to develop its final implementation proposal, to be reported to the education and fiscal committees of the legislature by October 1, 2008. Implementation costs will be included in the department's 2009-2011 biennial budget request.

FAMILY SUPPORTS - \$0.4 MILLION GENERAL-FUND STATE

Funding is provided for the department to survey 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 education and fiscal committees of the legislature by October 1, 2008.

HIGHER EDUCATION

NEW ENROLLMENTS

A total of \$110 million is provided to increase enrollment at the state's colleges and universities by 10,000 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 22, and summarized below.

GENERAL ENROLLMENT INCREASES - \$62.6 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 6,300 students over the next two years. Of those, 3,600 are expected to enroll in community and technical colleges, and 2,700 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, 500 are budgeted to be at the graduate level, and 1,600 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 - \$17.0 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

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at the pre-school level, to equip them to instill math and science awareness in early learners.

OTHER HIGH-DEMAND ENROLLMENT INCREASES - \$30.9 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT-STATE

Over 2,300 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 faculty and staff salary and benefit increases, as well as inflation in utility and other operating costs, the Senate 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 Senate budget increases financial aid by \$70 million, in the following areas:

EXISTING DIRECT FINANCIAL AID PROGRAMS - \$36.4 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.

EXPAND STATE NEED GRANT ELIGIBILITY - \$19.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

Eligibility is expanded for the State Need Grant to include students whose family incomes are between 66 and 75 percent of the state median. For a family of four, 75 percent of the median is approximately \$54,000 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 \$37,000 per year, compared to the current eligibility limit of \$31,500. Approximately 3,200 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 scholarship 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"

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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.

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

As provided in Second Substitute Senate Bill 5155, 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 Senate budget anticipates increasing waiver authority at both Central Washington University and The Evergreen State College to 10 percent over a five-year period.

FINANCIAL AID INFORMATION OUTREACH - \$1.0 MILLION GENERAL FUND-STATE

A total of \$1.0 million is provided for the Higher Education Coordinating Board to conduct a multi-faceted financial aid information campaign. First, direct outreach is provided to single parents, low-income working adults, first-generation students, and immigrant communities who often do not pursue higher education due to concerns about cost and lack of knowledge regarding the financial aid application process. Second, a Washington-specific scholarship clearinghouse website is maintained to provide Washington students with a single, coordinated site at which they can obtain accurate information about scholarships for which they are particularly likely to be eligible.

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STUDENT OUTREACH AND SUPPORT

BUILDING COLLEGE AWARENESS - \$4.1 MILLION GENERAL FUND-STATE AND EDUCATION LEGACY TRUST ACCOUNT-STATE

Funding is provided for two initiatives to increase college awareness among socio-economic groups who presently participate in higher education at very low rates. First, \$2.5 million 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. Second, \$1.6 million is provided for Central Washington University to implement a comprehensive, four-phase guidance and mentoring program to increase the college participation and success of high school students in north and south central Washington. Counties in these regions presently have some of the lowest college participation rates in the state, and many of the students participating in the program will speak English as a second language and will be the first in their family to attend college.

STUDENT RETENTION AND COMPLETION STRATEGIES - \$10.9 MILLION GENERAL FUND-STATE

In addition to enrolling more students, more needs to be done to help them complete a degree efficiently and on time. The Senate budget invests in several 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. Third, \$0.8 million is provided to implement and test an approach proposed by Washington State University for improving retention and completion of students enrolled in math and science programs.

INTERNATIONAL LEARNING OPPORTUNITIES - \$1.5 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

A total of \$1.5 million 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, the university will be able to double to approximately 3,400 per year the number of students participating in foreign study and volunteer opportunities.

COMPENSATION

A total of \$357.2 million (\$166.7 million General Fund-State) is budgeted for the annual cost-of-living and health benefit rate increases described on pages 57 and 58. In addition to those standard increases, the enhancements outlined on the following page are included.

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FACULTY RECRUITMENT AND RETENTION POOL - \$13.6 MILLION GENERAL FUND-STATE

All of the public four-year universities report significant and increasing problems with faculty recruitment and retention. At most schools, faculty salaries average 10 to 20 percent below those at comparable institutions in other states; more than a third of faculty are approaching retirement; and the universities face particular difficulty competing with private-sector salaries in high-demand fields. To help address these challenges, each four-year university is provided funding for a pool equivalent to 1.5 percent of its annual faculty salary base that can be used to recruit and retain key faculty.

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 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.

BIO-PRODUCTS TECHNOLOGY - \$5.6 MILLION GENERAL FUND-STATE

A total of \$5.6 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.

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APPLIED SCIENCES LAB - \$3.5 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.

ADVANCED TECHNOLOGY INITIATIVE - \$3.0 MILLION GENERAL FUND-STATE

Funding is provided for the University of Washington to recruit several small groups of faculty with expertise in emerging areas of interdisciplinary research. Research areas likely to be supported with these funds include molecular engineering, regenerative sciences, computational intensive research, environmental stewardship, nanotechnology, and/or oceanic seismology.

APPLIED AGRICULTURAL RESEARCH GRANTS - \$2.8 MILLION GENERAL FUND-STATE

State funds are provided for Washington State University to administer two competitive grant pools that will fund small research projects intended to produce immediate practical outcomes for the state's agriculture industry. To assure that funds are allocated to issues of greatest relevance to producers, priorities for the grant competition will be established by an advisory board comprised of food and agriculture industry representatives. One of the two research pools will specifically address "biologically intensive" topics such as organic and sustainable production, and greenhouse gas mitigation.

GLOBAL HEALTH TEACHING AND RESEARCH - \$2.5 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.

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.

ADVANCED MATERIALS SCIENCE CENTER - \$1.2 MILLION GENERAL FUND-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.

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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 proposed Senate 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.

ESCALATING ENERGY COSTS - \$5.6 MILLION GENERAL FUND-STATE

Financial assistance is provided for university campuses that have experienced particularly large increases in electricity and natural gas prices.

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 increase, 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.

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.

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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	2,870	136,097	3,030	139,127
Four-Year Schools	91,686	1,970	93,676	2,144	95,847
University of Washington	36,776	875	37,651	875	38,526
Seattle	33,367	355	33,722	355	34,077
Bothell	1,540	250	1,790	250	2,040
Tacoma	1,869	270	2,139	270	2,409
Washington State University	21,400	420	21,820	460	22,280
Pullman/Spokane	18,982	130	19,112	160	19,272
Tri-Cities	730	90	820	75	895
Vancouver	1,688	200	1,888	225	2,113
Eastern Washington University	8,946	100	9,046	238	9,284
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	4,840	229,753	5,174	234,927

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JUDICIAL AGENCIES

JUDICIAL ENHANCEMENTS

DISSOLUTION PROCEEDINGS (SECOND SUBSTITUTE SENATE BILL 5470) - \$8.0 MILLION GENERAL FUND-STATE

Funding is included for the following items:

- \$4.0 million to the Office of Civil Legal Aid to expand services to indigent persons in matters relating to domestic violence in family law matters.
- \$2.0 million to the county superior courts to train and fund 20 family court liaisons starting January 1, 2008.
- \$0.7 million to the counties to provide guardian ad litem services for the indigent at a reduced or waived fee.
- \$0.6 million to the counties for a reduced or waived fee for pre-decree and post-decree mediation services starting January 1, 2009.
- \$0.2 million for the Supreme Court to convene a task force on dissolution, dispute resolution, and domestic violence.
- \$0.2 million to the Administrative Office of the Courts and Department of Social and Health Services to implement data tracking provisions.
- \$0.09 million to the county clerks for reimbursement costs related to the family law handbook.

CORE CASE MANAGEMENT SYSTEM - \$22.0 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 a feasibility study before initiating work.

PARENTS' REPRESENTATION PROGRAM EXPANSION - \$8.1 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.

PUBLIC DEFENSE IMPROVEMENT AT THE TRIAL LEVEL - \$6.0 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.

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

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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 - \$4.8 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. \$4.0 million in funding is provided to county juvenile courts and \$0.8 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

\$3.5 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. The revenue for this program comes from increased Sunday liquor sales, as directed in Senate Bill 5902 (Sunday sales).

ADDITIONAL STAFF FOR THE COURT OF APPEALS - \$0.8 MILLION GENERAL FUND-STATE

Funding is provided for six additional staff: a chief deputy clerk, judicial administrative assistant, three staff attorneys, and a senior case manager.

COURT OF APPEALS JUDGES PER DIEM (SENATE BILL 5351) - \$0.2 MILLION GENERAL FUND-STATE

Funding for implementation of 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.

SUPREME COURT AND COURT OF APPEALS SALARY INCREASES - \$1.4 MILLION GENERAL FUND-STATE

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

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.

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CREATION OF THE PUBLIC GUARDIANSHIP OFFICE - \$2.0 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.

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 IN FAMILIES ADMINISTRATION - ENHANCEMENTS

EXPANDED SERVICES TO PARENTS IN DEPENDENCY PROCEEDINGS - \$6.4 MILLION GENERAL FUND-STATE; \$3.6 MILLION GENERAL FUND-FEDERAL

As recommended by the Task Force on Child Safety for children in protective services or Child Welfare Services custody, increased funding is provided to the department to offer court-ordered remedial services to parents and caregivers involved in dependency proceedings who are determined by the court to be unable to pay for services. Remedial services are those defined in the federal adoption and safe families act as time-limited, family reunification services. Remedial services include individual, group, and family counseling; substance abuse treatment services; mental health services; assistance to address domestic violence; services designed to provide temporary child care and therapeutic services for families; and transportation to or from any of the services and activities listed above.

SAVINGS FROM INCREASED KINSHIP CARE PLACEMENTS - \$5.4 MILLION GENERAL FUND-STATE; \$5.5 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.

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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.

TRANSITION SUPPORT FOR KIDS AGING OUT OF FOSTER CARE - \$2.5 MILLION GENERAL FUND-STATE

Funding is provided to implement Engrossed Substitute Senate Bill 5909 (needs of children who have been in foster care). The bill provides three types of services to support kids aging out of foster care. First, it gives youth at age 18 up to \$2,000 in vouchers for the first month's rent, security deposit, and incidental items. Second, it creates a pilot program to establish three youth coordinators who will assist youth aging out of care. Finally, it annually allows up to 50 youth who have aged out of care to return to foster care for up to 6 months for additional services.

REACTIVE ATTACHMENT DISORDER PILOT PROGRAM - \$2.0 MILLION GENERAL FUND-STATE

Funding is provided for a pilot project in Clark County to identify reactive attachment disorder in children and provide them with appropriate and recommended intervention services. The pilot project will be open to children already receiving services from the department. The department shall contract with a social service provider in Clark County to deliver a comprehensive and integrated approach to the assessment, diagnosis, and treatment of reactive attachment disorder.

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 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.

INCREASED SUPPORT FOR KINSHIP CARE PLACEMENTS - \$1.4 MILLION GENERAL FUND-STATE; \$0.6 MILLION GENERAL FUND-FEDERAL

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

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ADDITIONAL FOSTER CARE CLOTHING - \$1.1 MILLION GENERAL FUND-STATE; \$0.5 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 \$200 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.

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.

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.

DSHS – CHILDREN IN FAMILIES ADMINISTRATION - VENDOR RATE INCREASES

TARGETED VENDOR RATE INCREASES - \$10.5 MILLION GENERAL FUND-STATE, \$3.2 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 crisis residential centers (CRCs), behavioral rehabilitation services (BRS), and foster parent payments.

DSHS – CHILDREN IN FAMILIES 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.

FUNCTIONAL AREAS OF GOVERNMENT

DSHS – ECONOMIC SERVICES

WORKFIRST PROGRAM ENHANCEMENTS

CHILD CARE COLLECTIVE BARGAINING COSTS - \$83.8 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.

INCREASING KINSHIP CARE PLACEMENTS - \$18.8 MILLION GENERAL FUND-STATE

Funding is provided for child only Temporary Assistance for Needy Families (TANF) grants provided to children in the state's child welfare system who have been placed with relatives. Based on data from the Caseload Forecast Council, there are an estimated 3,554 relative placements who are eligible to receive a TANF child only grant. The department estimates that 63 percent of these placements apply for the grant. The grant amount, as set in rule, is currently \$349 a month.

INFANT EXEMPTION - \$1.5 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.

LIMITED ENGLISH PROFICIENCY PATHWAY AND NATURALIZATION SERVICES

A total of \$104.1 million of General Fund-State is added to the WorkFirst program to fund child care collective bargaining, the infant exemption, and kinship care placements. The increase in funding provides flexibility for the Governor to increase the spending for the Limited English Proficiency pathway by \$3.0 million and Naturalization services by \$1.5 million above the amounts to be spent by the department during the 2005-07 biennium.

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.

FUNCTIONAL AREAS OF GOVERNMENT

CHILD SUPPORT PASS THROUGH TO FAMILIES RECEIVING ASSISTANCE - \$4.7 MILLION GENERAL FUND-STATE; \$4.9 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; \$1.0 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.

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).

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

FUNCTIONAL AREAS OF GOVERNMENT

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 \$53.9 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 treatment and reentry programs will reduce demand for prison beds by 1,444 in 2017 and 3,289 in 2030.

OFFENDER REENTRY INITIATIVE - \$32.9 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 Second Substitute Senate Bill 5070 (reentry of offenders into the community). These programs include establishment of community transition coordination networks, transitional housing for offenders, drug treatment, basic and vocational education, and life skills training.

FUNCTIONAL AREAS OF GOVERNMENT

PROGRAMS FOR JUVENILE OFFENDERS - \$13.9 GENERAL FUND-STATE

A total of \$13.9 million is provided for local juvenile courts via DSHS - Juvenile Rehabilitation Administration for functional family therapy, aggression replacement training, multi-systemic therapy, multidimensional foster care, consolidated juvenile services, integrated treatment model, and juvenile drug courts.

OTHER INVESTMENTS

VENDOR RATE INCREASES - \$5.9 MILLION GENERAL FUND-STATE; \$0.8 MILLION VIOLENCE REDUCTION AND DRUG ENFORCEMENT 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 (\$3.0 million); Juvenile Rehabilitation Administration (\$2.6 million); and DSHS Special Commitment Center (\$1.0 million).

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.

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.

ADDITIONAL BASIC LAW ENFORCEMENT ACADEMIES - \$2.0 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

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

HEALTH CARE (PHYSICAL, BEHAVIORAL, AND PUBLIC)

PHYSICAL HEALTH

DSHS – MEDICAL ASSISTANCE ADMINISTRATION – ENHANCEMENTS

MEDICAL ASSISTANCE CASELOADS AND UTILIZATION CHANGES - \$46.8 MILLION NEAR GENERAL FUND-STATE; \$216.5 MILLION GENERAL FUND-FEDERAL

Funding is provided for the cost of enrollment and utilization increases for the 2007-09

FUNCTIONAL AREAS OF GOVERNMENT

biennium. Increases are significantly lower than in prior biennia primarily due to two factors:

- lower enrollments and projected baseline forecasts in the Categorically Needy (CN) Children's Medicaid and CN Family Medical programs, and
- lower projections of drug costs related to Medicare Part D co-pays and "clawback" payments to the federal government, which are based on estimates of what the state would have paid for drugs prior to Medicare Part D.

CHILDREN'S HEALTH CARE COVERAGE AND OUTREACH - \$13.2 MILLION GENERAL FUND-STATE; \$19.9 MILLION HEALTH SERVICES ACCOUNT-STATE; \$29.7 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.

DENTAL CARE ENHANCEMENTS - \$8.3 MILLION GENERAL FUND-STATE; \$5.5 MILLION HEALTH SERVICES ACCOUNT-STATE; \$8.5 MILLION GENERAL FUND-FEDERAL

Funding is provided for three enhancements in dental care:

- A vendor rate increase for Medicaid dental services of six percent effective July 2007 and two percent effective July 2008
- Expansion of dental services to include endodontics or root canal therapy for both adults and children
- Grants to community clinics to provide dental services to low-income clients (administered by the Health Care Authority)

HOSPITAL PAYMENT RATES - \$4.7 MILLION GENERAL FUND-STATE; \$5.0 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.

FUNCTIONAL AREAS OF GOVERNMENT

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 Substitute Senate Bill 5305 (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 – VENDOR RATE INCREASES

ADULT OFFICE VISIT RATE INCREASE - \$9.3 MILLION GENERAL FUND-STATE; \$8.5 MILLION GENERAL FUND-FEDERAL

Currently Medicaid reimbursement for adult office visits is 63 percent lower than Medicaid reimbursement for children's office visits and are 42 percent of Uniform Medical Plan rates. A rate increase of 16 percent starting January 2008 and two percent in January 2009 raises reimbursement for adult office visits to 51 percent of Uniform Medical Plan rates, in order to improve access for adults to preventive care.

PEDIATRIC RATE INCREASE - \$8.6 MILLION HEALTH SERVICES ACCOUNT-STATE; \$7.9 MILLION GENERAL FUND-FEDERAL

Funding is provided to raise Medicaid reimbursement for pediatric services by eight percent starting January 2008 and two percent starting January 2009 for both Medicaid fee-for-service and managed care providers.

PRIVATE DUTY NURSING RATE INCREASE - \$3.4 MILLION GENERAL FUND-STATE; \$3.6 MILLION GENERAL FUND-FEDERAL

Funding is provided for an eight percent rate increase effective July 2007, and two percent effective July 2008, 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 \$1.0 million General Fund-State reflected in the Long-Term Care budget.

DSHS – MEDICAL ASSISTANCE ADMINISTRATION – INFORMATION TECHNOLOGY

PROVIDER ONE – MEDICAID CLAIMS DATABASE 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.

FUNCTIONAL AREAS OF GOVERNMENT

HEALTH CARE AUTHORITY – ENHANCEMENTS

BLUE RIBBON COMMISSION REPORT RECOMMENDATIONS - \$12.0 MILLION HEALTH SERVICES ACCOUNT-STATE

Funding is provided in accordance with Engrossed Second Substitute Senate Bill 5930, which proposes studies and/or implementation of a number of the recommendations resulting from the Blue Ribbon Commission Report on Health Care Quality and Access. Major components funded in the budget include:

- Medical Record Banking Pilot project, based on the recommendations from the Health Information Infrastructure Advisory Board. Project funding includes completion of an implementation plan, establishing standards and oversight for health record banks, and implementation of pilot sites.
- Washington Health Insurance Connector, which is an insurance exchange to lower the cost of health care for individuals and small employers. An advisory board is established to collaborate with the Health Care Authority to design this entity and produce a report by December 2007 for legislative consideration.
- Washington State Quality Forum, which 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.
- State Employee Health Demonstration Pilot, involving several state agencies which will apply best practices in health promotion and wellness. The project will measure specific reductions in health risk factors related to obesity, diabetes, and absenteeism; and requires an evaluation report.
- Health Care Information Technology Grants to provide financial assistance for small health care providers to implement electronic medical records.
- Other Items that span several agencies, such as a study of a reinsurance/stop loss insurance program, a prescription drug monitoring program, and various reports evaluating health care administrative costs and unnecessary emergency room usage.

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.

COMMUNITY HEALTH COLLABORATIVE GRANT PROGRAM - \$1.0 MILLION HEALTH SERVICES ACCOUNT-STATE

Funding is provided to continue the Community Collaborative Grant program established in Chapter 67, Laws of 2006 (Engrossed Second Substitute Senate Bill 6459), which provides two-year grants to community-based organizations that address access to medical treatment, efficient use of health care resources, and quality care for low income or uninsured persons. The applicant organizations must assure measurable improvements in health access within their service region, demonstrate active collaboration with key

FUNCTIONAL AREAS OF GOVERNMENT

community partners, and provide two dollars in matching funds for each grant dollar awarded.

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

COMMUNITY WORKER WAGE INCREASE - \$12.5 MILLION GENERAL FUND-STATE; \$7.8 MILLION GENERAL FUND-FEDERAL

Funds are provided to increase compensation for social workers, therapists, nurses, and other community mental health agency staff who deliver direct patient care. Funding is sufficient to increase wages, benefits, and other compensation by an estimated five percent effective January 2008, and an additional five percent effective January 2009.

“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.

MARTY SMITH BILL - \$3.8 MILLION GENERAL FUND-STATE

Under legislation expected to be enacted by the 2007 Legislature, 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.

STATE HOSPITAL SAFETY ENHANCEMENTS - \$3.0 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.

FUNCTIONAL AREAS OF GOVERNMENT

MENTAL HEALTH - VENDOR RATE INCREASES

VENDOR RATE INCREASE - \$11.2 MILLION GENERAL FUND-STATE; \$6.5 MILLION GENERAL FUND-FEDERAL

In addition to compensation increases for direct care, funds are also provided for increased indirect costs in areas such as utilities, supplies, rent, insurance, and administrative and other support staff. Funding is sufficient to cover an estimated 3.2 percent increase in such costs effective July 2007, and an additional two percent effective July 2008.

COMMUNITY HOSPITAL PAYMENT RATES - \$4.1 MILLION GENERAL FUND-STATE; \$0.9 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 statewide average Medicaid level. They presently average less than 60 percent of that level. The total value of this increase is approximately \$10 million, but funds available within the base budget are re-programmed to offset \$8.1 million of the increased cost. Second, consistent with the way rates are set for the treatment of physical illnesses, 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 capital costs. To facilitate the transition to this new system, a total of \$3.1 million in funding is provided for a phase-in under which rates will not increase by more than an additional 10 percent per year, or decrease by more than an additional five percent each year, for hospitals that provide over 200 patient days of inpatient psychiatric care per year.

SUBSTANCE ABUSE - ENHANCEMENTS

The Senate 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.)

FUNCTIONAL AREAS OF GOVERNMENT

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) - \$1.0 MILLION GENERAL FUND-STATE

Funds are provided to extend the PCAP program to Clallam County, and to increase by 20 percent the existing programs in Spokane, Yakima, King, and Pierce Counties. 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.

SUPPORT TREATMENT FOR DEAF AND HARD OF HEARING - \$0.5 MILLION GENERAL FUND-STATE

Funding is provided to support inpatient residential treatment for the deaf and hard of hearing. The deaf and hard of hearing need specialized services that accommodate their disability and are not always Medicaid-eligible, so they may not be eligible for prioritized treatment. The funding level should accommodate treatment for an additional 60 persons per year (five fully-funded treatment beds per year).

SUBSTANCE ABUSE - VENDOR RATE INCREASES

OUTPATIENT TREATMENT PROVIDER RATE INCREASE - \$13.9 MILLION GENERAL FUND-STATE, \$5.7 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 50 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.

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.

FUNCTIONAL AREAS OF GOVERNMENT

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

Local public health funding is increased to support the five primary functions of local health jurisdictions (LHJs): controlling communicable disease, promoting health and preventing chronic disease, providing access to health services, assessing health status, and providing protection from environmental health threats. The Blue Ribbon Commission recommendations include awarding basic non-categorical state public health funding to LHJs based on performance measures. LHJs are required to report to the legislature every two years on progress toward public health improvement goals. Of this \$20.0 million enhancement, \$13.6 million are revenues due to a change in taxation of moist snuff that will be deposited into the Health Services Account, in accordance with Substitute Senate Bill 6092.

FAMILY PLANNING SERVICES - \$5.0 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.

LIFELONG AIDS ALLIANCE AND MEDICAL NUTRITIONAL THERAPY - \$2.7 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.

PANDEMIC FLU PREPAREDNESS - \$2.0 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.

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.

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.

FUNCTIONAL AREAS OF GOVERNMENT

OTHER HEALTH INFORMATION TECHNOLOGY – DEPARTMENT OF INFORMATION SERVICES

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 and the city of Vancouver. Specific evaluation criteria will be developed and a performance report is due by June 2009.

HEALTH CARE INFORMATION DEMONSTRATION PROJECT -\$1.0 MILLION GENERAL FUND-STATE

Funding is provided for the Department of Corrections (DOC) to conduct a demonstration project that facilitates and expedites the transfer of inmate health information between state and local correctional facilities. DOC will purchase or contract for the electronic medical record system to include at least one city jail, one county jail, and one state correctional facility.

LONG-TERM CARE, DEVELOPMENTAL DISABILITIES, VETERANS AFFAIRS

LONG-TERM CARE

ENHANCEMENTS

CLIENT SAFETY AND MONITORING IMPROVEMENTS - \$2.5 MILLION GENERAL-FUND STATE; \$2.6 MILLION GENERAL-FUND FEDERAL

A total of \$1.0 million is 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 and ensure a two-year certification cycle, \$1.1 million in funding is also provided for monitoring of developmental disabilities community residential/supported living.

FUNCTIONAL AREAS OF GOVERNMENT

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.

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 annual increase to the personal needs allowance (PNA) as required by Substitute Senate Bill 5517 (personal needs allowance). The PNA is the portion of a person's income that they are allowed to retain if they reside in state-funded care. Under the bill, the increase is equivalent to the percentage increase in their annual federal social security benefits. For Fiscal Years 2008 and 2009, this increase is expected to be 3.3 percent per year, or about a \$2 increase per month each year, 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.

VENDOR RATE INCREASES

RATE INCREASE FOR ADULT FAMILY HOMES AND BOARDING HOMES - \$21.4 MILLION GENERAL FUND-STATE; \$22.4 MILLION GENERAL FUND-FEDERAL

A total of \$11.3 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 10.1 million is provided for adult family homes (AFHs) to receive a higher rate increase of eight percent in Fiscal Year 2008 and two percent in Fiscal Year 2009, recognizing the additional cost of liability insurance required beginning July 2007. 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 - \$47.9 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.

FUNCTIONAL AREAS OF GOVERNMENT

Total funding covers IPs for all DSHS services, including Long-Term Care, Developmental Disabilities, and Children in Families Administration.

**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. Funding is provided for additional rate increases beginning July 1, 2008, in accordance with recommendations from a newly established Joint Legislative Task Force on Long-Term Care Residential Payment Systems. The projected statewide weighted average rate is expected to be \$156.73 per patient day in Fiscal Year 2008 and \$165.60 per patient day in Fiscal Year 2009. Proposed policy legislation for this item is pending.

**AREA AGENCY ON AGING (AAA) SERVICES - \$4.5 MILLION GENERAL FUND-STATE;
\$3.4 MILLION GENERAL FUND-FEDERAL**

Funds are provided for a 3.2 percent increase in Fiscal Year 2008, and a two percent increase in Fiscal Year 2009, equivalent to state employee cost of living increases, for AAA administration and services including case management, nursing, adult day health, respite care, Elder Place (PACE), and Senior Citizens Services Act items.

HOME CARE AGENCY SUPERVISION/ADMINISTRATION - \$3.4 MILLION GENERAL FUND-STATE; \$3.6 MILLION GENERAL FUND-FEDERAL

Funds are provided for a 3.2 percent increase in Fiscal Year 2008, and a two percent increase in Fiscal Year 2009, equivalent to state employee cost-of-living increases, 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.

FUNCTIONAL AREAS OF GOVERNMENT

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 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 Senate Proposed Supplemental 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 Senate Proposed Supplemental Budget.

EMPLOYMENT AND DAY SERVICES (HIGH SCHOOL TRANSITION) - \$5.2 MILLION GENERAL-FUND STATE; \$1.1 MILLION GENERAL-FUND FEDERAL

Funding for employment services is phased in for about 860 individuals with developmental disabilities graduating from high school or who graduated in previous years. Services include job creation and job supports for paid employment.

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

Funds are provided for a greater than 25 percent increase in family support services. State-only services will be phased in for an additional 1,100 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 and requires taxable family income below 400 percent of Federal Poverty Level, at least \$93,000 for a family of four. The funding level

FUNCTIONAL AREAS OF GOVERNMENT

provided covers an average of \$3000 per year, enough to allow 16 respite hours per month.

DEVELOPMENTAL DISABILITIES ENDOWMENT MATCHING FUNDS - \$3.0 MILLION GENERAL FUND-STATE

One-time state funds are provided for matching contributions to private investments in the Developmental Disabilities Endowment Trust Fund. The Trust Fund allows individuals and families to plan for the future when families are no longer able to assist with the care of their son or daughter. The Trust Fund is managed by the State Investment Board, and was established by Chapter 384, Laws of 1999. The funding level provided can support a 25 percent state match for an additional 600 individual trusts. (Note: This item is budgeted in Special Appropriations to the Governor.)

AGING CAREGIVERS - \$1.9 MILLION GENERAL-FUND STATE; \$2.0 MILLION GENERAL-FUND FEDERAL

Funds are provided to cover community-based waiver services for about 40 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 consolidate and expand the family support program and expand waiver services. Funds may also be used to reduce caseloads in the Community Protection Program.

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 December, 2007, 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 each to the University of Washington-Tacoma Autism Center and 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) - \$17.9 MILLION GENERAL FUND-STATE; \$18.9 MILLION GENERAL FUND-FEDERAL

Funds are provided for an enhanced rate increase of six 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

FUNCTIONAL AREAS OF GOVERNMENT

to remain in the community instead of in institutions. Of the total amount, \$3.4 million is provided to adjust the administrative rates beginning in Fiscal Year 2009 for providers below the rate standard set by DSHS. This rate increase affects over 6,000 providers and supports the infrastructure needed for the Senate budget's proposed increase in community residential Medicaid waiver enrollment above.

RATE INCREASE FOR EMPLOYMENT AND DAY PROVIDERS (HIGH SCHOOL TRANSITION)

- \$3.8 MILLION GENERAL FUND-STATE; \$1.7 MILLION GENERAL FUND-FEDERAL

Funds are provided for a 3.2 percent increase in Fiscal Year 2008, and a two percent increase in Fiscal Year 2009, equivalent to state employee cost-of-living increases, for counties and their contractors that provide assistance to people with developmental disabilities in gaining and maintaining paid employment.

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 - \$1.0 MILLION GENERAL FUND-STATE

Funds are provided to expand the Veterans Conservation Corps in accordance with Second Substitute Senate Bill 5164. The expanded program will provide training and certification for veterans as well as conservation work. Funding assumes participation of about 50 veterans per year, and covers the cost of educational stipends, contracts, and administration.

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.

FUNCTIONAL AREAS OF GOVERNMENT

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.

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

FAMILY AND MEDICAL LEAVE - \$18.7 MILLION FAMILY LEAVE ACCOUNT-STATE

Funding is provided for the department to begin implementation of Engrossed Second Substitute Senate Bill 5956 (family and medical leave). The bill establishes a new benefit program entitling a worker to paid leave for up to five weeks per year at a benefit level of \$250 weeks for the following reasons: 1) birth or adoptive placement of a child; 2) a family member's (child, spouse or domestic partner, or parent) serious health condition); or 3) the worker's serious health condition. The paid leave provisions become effective October 1, 2009. The department will charge workers an initial premium of two

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cents per hour effective January 1, 2009. Funding is provided throughout the 2007-09 biennium in order for the department to prepare the administrative and information system changes required to implement and administer the bill according to the effective dates listed above.

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

Funding is provided for Engrossed Substitute Senate Bill 5920 (vocational rehabilitation) 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 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.

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

FUNCTIONAL AREAS OF GOVERNMENT

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

SENATE BUDGET PRIORITIES FOR NATURAL RESOURCES

The Senate budget provides over \$130 million to focus on key natural resources challenges:

- *Cleaning up Puget Sound, as well as preventing its further degradation*
- *Protecting and preserving Washington State's environment and natural resources*
- *Implementing water cleanup plans and expanding use of reclaimed water*
- *Enhancing the state's outdoor recreational opportunities*
- *Promoting forest health*
- *Supporting Washington State agriculture*

PUGET SOUND

PUGET SOUND AND SALMON RECOVERY - \$238 MILLION TOTAL FUNDS

\$238 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.

FUNCTIONAL AREAS OF GOVERNMENT

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.

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

FUNCTIONAL AREAS OF GOVERNMENT

state. There is potential for reducing landfill impact by turning this waste into energy, recycled products, and/or compost.

PUBLIC PARTICIPATION GRANTS - \$0.5 MILLION TOXICS CONTROL ACCOUNT-STATE; \$1.3 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.

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.

FUNCTIONAL AREAS OF GOVERNMENT

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 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.

FUNCTIONAL AREAS OF GOVERNMENT

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.

PARKS AND RECREATION COMMISSION

PREVENTATIVE PARK MAINTENANCE AND HISTORIC - \$3.5 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.

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.

FUNCTIONAL AREAS OF GOVERNMENT

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.

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

ATTORNEY GENERAL'S OFFICE

ATTORNEY SALARY INCREASES - \$6.2 MILLION LEGAL SERVICES REVOLVING ACCOUNT-STATE

Funding is provided for salary increases to attorneys in the Office of the Attorney General to enhance the recruitment and retention of qualified attorneys.

FUNCTIONAL AREAS OF GOVERNMENT

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.

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.

OTHER

INFORMATION TECHNOLOGY POOL - \$18.3 MILLION GENERAL FUND STATE; \$44.2 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 - \$0.9 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 \$140.1 million in funding is provided for economic development, including \$46.3 million invested in the operating budget, \$79 million in economic development-specific capital projects, and \$14.8 million in other legislation for tax expenditures or revenue diversions.

OPERATING BUDGET

COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

A total of \$16.4 million General Fund-State and other funds is 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.
- Associate Development Organizations (ADOs) - \$3.1 General Fund-State million to implement Second Substitute Senate Bill 5092 (associate development organizations) and doubles the state support for ADOs.
- Innovation Partnership Zones - \$4.5 million General Fund-State implements Second Substitute Senate Bill 5090 (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 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.

UNIVERSITY OF WASHINGTON

A total of \$5.5 million is provided to the University of Washington for economic development activities in the operating budget. \$3 million General Fund-State is provided for the advanced technology initiative and \$2.5 million General Fund-State for Global Health Teaching and Research

WASHINGTON STATE UNIVERSITY

A total of \$18.5 million Near General Fund-State is provided in the operating budget to Washington State University for economic development activities. Major investments include:

ECONOMIC DEVELOPMENT

- Health Sciences Expansion - \$6.7 million Education Legacy Trust Account and Higher Education Operating Fees
- Applied Sciences Laboratory - \$3.5 million General Fund-State
- Electrical Engineering Start-Up - \$2.0 million General Fund-State
- Bio-Products Technology - \$5.6 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 \$14.8 million is provided for economic developments as a result of other legislation, which includes the following:

- Public Facilities Districts - \$4.5 million in General Fund-State reductions are made as a result of Substitute Senate Bill 5184, which provides funding for theaters in Yakima and Longview; Senate Bill 5390, which funds an equestrian center in Lewis County; and Substitute Senate Bill 5440, which provides funding for an events center in Kent.
- Economic Development Facilities - \$10.3 million in General Fund-State reductions are made as a result of Second Substitute Senate Bill 5557, which increases the rural county sales and use tax credit for all qualified counties to finance economic development facilities.
- Local Infrastructure Financing Tools – Engrossed Second Substitute Senate Bill 5115 increases the annual state contribution to encourage private development projects.
- Health Sciences and Services – Substitute Senate Bill 5616 encourages local governments 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 - \$94.1 MILLION GENERAL FUND-STATE SAVINGS; \$3.8 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 - \$294.3 MILLION GENERAL FUND-STATE; \$277.8 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 July 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 - \$169.0 MILLION GENERAL FUND-STATE; \$225.1 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 July 1, 2007 and 2.0 percent effective July 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.

The cost of compensation increases for state-supported employees at the four-year universities is allocated proportionately between state funds and tuition. Approximately \$34.9 million in tuition funds are budgeted for this purpose.

COMPENSATION

**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 Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1) pursuant to Senate Bill 5175 (retirement annual increases). 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 GF-S
SSB 5007	Sales & use tax on vessels	\$1,291
SSB 5009	Biodiesel fuel for farm use	(\$118)
SSB 5010	State park foster home pass	(\$24)
SB 5026	Wood waste boiler equipment	(\$1,048)
SSB 5027	Tax relief for zoos	(\$614)
SB 5035	Timber purchases	(\$2)
E2SSB 5070	Offenders	(\$4,650)
2SSB 5085	Interest on Transp Account	(\$9,878)
SSB 5089	Streamlined sales & use tax	(\$5,900)
E2SSB 5115	Local infrastructure finance	\$0
SSB 5143	Open space program	\$0
SSB 5184	Public facilities districts	(\$2,311)
SSB 5238	Light & power businesses	(\$272)
SB 5380	Cigarette tax contracts	\$0
SB 5390	Public facilities districts	(\$542)
SB 5431	Agricultural commodities	(\$179)
SB 5434	Tangible personal property	\$0
SSB 5440	Public facilities districts	(\$1,655)
SB 5454	Rural public utility dist	(\$200)
SB 5468	Tax programs	(\$217)
SSB 5493	Forest products businesses	(\$2,071)
SB 5498	Local taxing districts	\$0
SB 5512	Hospital benefit zones	\$0
2SSB 5557	Economic dev facilities	(\$10,227)
SSB 5560	Laws relating to taxes	\$0
SSB 5568	City lodging taxes	(\$246)
SB 5572	Excise tax relief	(\$36)
SSB 5573	Rural county tax credit	(\$870)
SSB 5575	Resale of natural gas	\$0
2SSB 5586	Cleaner energy	(\$2,000)
SB 5607	Historical property	(\$39)
SSB 5616	Health sciences and services	\$0
SB 5641	Unprocessed milk	(\$306)
E2SSB 5659	Family medical leave	(\$2,660)
SB 5685	High tech research tx credit	(\$1,841)
SSB 5768	Financial information	(\$2,653)
2SSB 5805	Grain elevators	(\$5,585)
E2SSB 5862	Passenger-only ferry service	(\$19)
SB 5902	Liquor sales on Sunday	\$0
SSB 5903	Quinault Indian Reservation	\$0
SSB 5967	Vehicle sale to nonresident	(\$947)
E2SSB 6044	Derelict vessels	(\$2,000)
SB 6092	Moist snuff	\$1,414
TOTAL		(\$56,405)

REVENUE ADJUSTMENTS

REVENUE ADJUSTMENTS

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

Substitute Senate Bill 5007 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.

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.

STATE PARK FOSTER HOME PASS - \$0.02 MILLION GENERAL FUND-STATE REDUCTION
Substitute Senate Bill 5010 creates a foster home pass for licensed foster care families or relative caregivers. When accompanied by a foster child, the pass entitles the holder to free admission and free camping at state parks.

SALES AND USE TAX EXEMPTION FOR WOOD WASTE BOILER EQUIPMENT - \$1.0 MILLION GENERAL FUND-STATE REDUCTION

Senate Bill 5026 provides an exemption from retail sales and use tax for the acquisition of recovered wood waste boiler equipment used primarily in the production of steam for sale. The exemption also applies to repair and replacement parts and to labor and services in installing, repairing, and cleaning recovered wood waste boiler equipments.

TAX RELIEF FOR ZOOS - \$0.6 MILLION GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 5027 creates a set of business and occupation (B&O) tax deductions as well as sales and use tax exemptions for publicly owned and nonprofit operated zoos. Similar deductions and exemptions are currently available to artistic or cultural nonprofit corporations. Qualifying zoos must be either accredited by the Association of Zoos and Aquariums or a nonprofit facility operating for the purpose of conserving endangered or threatened species.

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

Senate Bill 5035 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 to establish tables of stumpage values, which are used to calculate the excise tax due from certain timber harvesters.

REDUCTION OF OFFENDER RECIDIVISM - \$4.7 MILLION GENERAL FUND-STATE REDUCTION

Engrossed Second Substitute Senate Bill 5070 provides a B&O tax credit or utility tax

REVENUE ADJUSTMENTS

credit for employers who hire previously incarcerated individuals and meet certain criteria. The credit is \$1,000 per qualifying employee.

INTEREST ON TRANSPORTATION ACCOUNTS - \$9.9 MILLION GENERAL FUND-STATE REDUCTION

Second Substitute Senate Bill 5085 allows transportation accounts, which currently retain only 80 percent of the interest income they generate, to retain 100 percent of the interest income they generate.

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

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.

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

Engrossed Second Substitute Senate Bill 5115 increases the annual state contribution to LIFT projects from \$5 million to \$10 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 by two years (to 2009). 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.

OPEN SPACE PROGRAM - NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 5143 expands the current use valuation of land underlying residences to parcels less than 20 acres, if the residence is integral to the farm and agricultural use and taxpayers meet certain income thresholds and use requirements.

PUBLIC FACILITIES DISTRICTS - \$2.3 MILLION GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 5184 changes the July 31, 2002 deadline for formation of a public facilities district (PFD) to June 30, 2009 and modifies the requirement that the total tax imposed for both a city and a county cannot be greater than 0.033 percent. This allows a total tax greater than 0.033 percent for a PFD that is a new regional center with 2,000 or fewer permanent seats, or for a PFD that is an existing regional center being improved or renovated and is in a county with a population of less than 300,000 and has 2,000 or fewer permanent seats. This legislation provides funding for theaters in Yakima and Longview.

PUT CREDITS TO LIGHT AND POWER BUSINESSES - \$0.3 MILLION GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 5238 allows a public utilities tax (PUT) credit up to \$80,000 per Fiscal Year for eligible electric utilities that make Renewable Energy Credit purchases

REVENUE ADJUSTMENTS

from electricity derived from the anaerobic decomposition of matter obtained from dairy cows.

CIGARETTE TAX CONTRACTS - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 5380 allows the Spokane Tribe to join the 25 other federally-recognized tribes that can enter into a cigarette contract with the state. Under such contracts, cigarettes sold on Indian lands are subject to a tribal cigarette tax and are exempt from state cigarette and sales and use taxes. The tribal cigarette tax must equal 100 percent of the state cigarette tax and sales and use taxes.

PUBLIC FACILITIES DISTRICTS (PFD) - \$0.5 MILLION GENERAL FUND-STATE REDUCTION

Senate Bill 5390 allows local governments with a PFD that was created prior to September 1, 2007, in a county or counties with no other PFD and in which the total population is greater than 70,000, to impose a sales and use tax at the maximum rate of 0.033 percent for the construction of a regional center. Construction must begin prior to January 1, 2009. The local sales and use tax is credited against the state portion of the sales and use tax and will be used to fund an equestrian center in Lewis County.

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

Senate Bill 5431 provides a PUT deduction for amounts derived from transporting agricultural commodities from points of origin in Washington to interim storage facilities in the state.

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.

PUBLIC FACILITIES DISTRICTS (PFD) - \$1.7 MILLION GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 5440 authorizes a city, with a population of less than 150,000 but greater than 80,000 and in a county with a population greater than one million, to create a PFD if the construction of a regional center begins prior to July 1, 2008. A PFD that meets these requirements may impose a sales and use tax at the maximum rate of 0.033 percent which is credited against the state portion of the sales tax. This will provide funding for a Kent events center.

RURAL PUBLIC UTILITY DISTRICTS - \$0.2 MILLION GENERAL FUND-STATE REDUCTION

Senate Bill 5454 authorizes a rural public utility district (PUD) to offer limited transportation services by establishing a demand responsive transportation system, such as taxi, van, or shuttle bus service, for qualified seniors and persons with disabilities. An eligible PUD that establishes a "special needs transportation fund" may claim a credit against the state PUT. The credit is equal to the amount of contributions to the transportation fund and is limited to \$25,000 per Fiscal Year per eligible PUD.

REVENUE ADJUSTMENTS

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

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.

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

Substitute Senate Bill 5493 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.

LOCAL TAXING DISTRICTS - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 5498 authorizes a levy lid lift of up to six years for any taxing district. It removes the restriction on the use of funds raised in a levy lid lift to supplant existing funds for the same purpose. It removes the restriction on the use of funds raised by a voter-approved county sales and use tax to supplant existing funds for the same purpose.

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, and to provide technical corrections.

ECONOMIC DEVELOPMENT FACILITIES - \$10.3 MILLION GENERAL FUND-STATE REDUCTION

Second Substitute Senate Bill 5557 increases the rural county sales and use tax credit from 0.08 percent to 0.1 percent for all counties that currently qualify for the credit.

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

Substitute Senate Bill 5560 provides technical corrections to the tax code, including correcting drafting errors, removing inaccurate references, deleting obsolete provisions, and making necessary statutory clarifications.

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. Yakima County may only use the funds for constructing or improving facilities. The sunset date for this exception is extended from January 1, 2013, to January 1, 2021.

REVENUE ADJUSTMENTS

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.

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

Substitute Senate Bill 5573 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.

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

Substitute Senate Bill 5575 allows a 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.

PUBLIC UTILITY TAX (PUT) CREDITS FOR CLEANER ENERGY - \$2.0 MILLION GENERAL FUND-STATE REDUCTION

Second Substitute Senate Bill 5586 creates a PUT credit for all light and power businesses for energy efficient investments. The total credits are capped at \$1 million per calendar year.

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

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

HEALTH SCIENCES AND SERVICES - NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 5616 allows sponsoring local governments to create health sciences and services authorities to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. An authority can incur general indebtedness to finance its grants and programs. Taxing authority in earlier versions of the bill were removed.

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

Senate Bill 5641 extends the B&O tax exemption for wholesales of grains and dried legumes to wholesale sales of unprocessed milk.

REVENUE ADJUSTMENTS

FAMILY MEDICAL LEAVE - \$2.7 MILLION GENERAL FUND-STATE REDUCTION

Engrossed Second Substitute Senate Bill 5659 establishes a family medical leave insurance program. Businesses employing 50 or fewer persons can claim a \$1,200 B&O tax credit for each employee hired to replace a person taking family or medical leave.

HIGH TECH RESEARCH TAX CREDIT - \$1.8 MILLION GENERAL FUND-STATE REDUCTION

Senate Bill 5685 returns the calculation of the high tech research and development B&O tax credit to the calculation prior to changes made in 2004. The tax credit is based on a qualifying firm's total expenditures, not just on expenditures in excess of 0.92 percent of the firm's taxable amount.

FINANCIAL INFORMATION - \$2.7 MILLION GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 5768 provides a sales and use tax exemption for sales of electronically delivered standard financial information, if the sale is to an investment management company or a financial institution.

GRAIN ELEVATORS - \$5.6 MILLION GENERAL FUND-STATE REDUCTION

Second Substitute Senate Bill 5805 provides a 50 percent remittance of state sales and use tax paid on equipment, and 100 percent remittance on costs related to construction for grain exporting facilities with a capacity of over three million bushels that are built after January 1, 2007. The bill removes the requirement that warehouses and grain elevators must have initiated construction after May 20, 1997 to be eligible for a remittance.

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.

LIQUOR SALES ON SUNDAY - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 5902 directs the Liquor Control Board (LCB) to expand its Sunday sales operations to include 29 additional state stores. At the start of each Fiscal Year and before distributing the excess funds to the General Fund, the State Treasurer must deduct from the General Fund distribution \$1.95 million to be deposited into the Public Benefit and Research Services Account. Expenditures from the account may only be used by the Administrative Office of the Courts to assist superior courts with language interpreter services and to assist the Municipal Research Council with research and services for ports and special purpose districts.

TRIBAL TIMBER HARVEST EXCISE TAX CONTRACT WITH THE QUINAULT NATION - NO IMPACT TO GENERAL FUND-STATE

Second Substitute Senate Bill 5903 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 may be used for essential government services. This legislation provides a reimbursement to counties (indeterminate at this time) from the state's timber tax

REVENUE ADJUSTMENTS

distribution account for forest excise tax revenues that counties would no longer receive if an agreement goes into effect.

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

Substitute Senate Bill 5967 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.

DERELICT VESSELS - \$2.0 MILLION GENERAL FUND-STATE REDUCTION

Engrossed Second Substitute Senate Bill 6044 provides that in calendar year 2007, and all subsequent years until December 31, 2012, the first \$1.0 million of the watercraft excise tax collected be deposited into the derelict vessel removal account.

MOIST SNUFF - \$1.4 MILLION GENERAL FUND-STATE INCREASE

Substitute Senate Bill 6092 changes the taxation on moist snuff from a rate-based tax to a volume-based tax. The tax on moist snuff is changed from 75 percent of the wholesale price to \$1.88 cents per ounce. Moist snuff sold in containers or packages with a net weight of less than 1.2 ounces are taxed as if they had a net weight of 1.2 ounces. The change in taxation also provides an increase to the Health Services Account of \$13.6 million dollars to provide funding for local public health.

BUDGET-DRIVEN REVENUE

LIQUOR CONTROL BOARD - \$0.4 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.

DEPARTMENT OF REVENUE - \$5.2 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. Funding is provided for the department to collect unpaid taxes by asserting a claim on an individual's real estate property by filing a lien with the county auditor. Without a lien, there is no legal obligation for a taxpayer's debt to be considered in the

REVENUE ADJUSTMENTS

escrow disbursement of excess proceeds on real estate sales. There is a \$29 fee for recording a lien and an additional \$29 charge to release it. The department currently does not file liens. This will generate an estimate \$2.4 million dollars in General Fund-State 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	315.1	777.5	39%	12%
Human Services	337.9	382.1	223.8	302.2	-34%	-21%
Natural Resources	297.2	901.4	513.5	1,035.2	73%	15%
Higher Education	699.1	945.5	809.2	1,065.4	16%	13%
Public Schools *	139.1	620.6	194.4	963.3	40%	55%
Other Education	8.4	8.4	34.2	34.2	308%	308%
Projects Total	1,704.8	3,551.0	2,090.2	4,177.8	22%	18%

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

Bond spending is increased by 22 percent and total spending by 18 percent. Major changes include:

- An increase of \$488 million for education, including a \$343 million increase for public schools (a 55 percent increase).
- \$238 million for Puget Sound clean up and salmon recovery.
- \$156 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 \$882 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 5.5 percent in the first year and 3.9 percent in the second year. A total of \$75 million is provided for Skill Centers and \$3 million for small school repair grants. Funding of \$1 million is also provided for the Island Wood Environmental Learning Center 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, \$809 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

\$238 million is provided for Puget Sound clean-up and salmon recovery projects. This includes \$24 million for Puget Sound storm water projects, \$6 million for Puget Sound Aquatic Cleanup, \$47 million for Puget Sound restoration and acquisition grants, \$12 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, \$96 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 \$65 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
IT Projects Only From SA2**

(Dollars in Thousands)

Governmental Operations

Office of the Secretary of State

1. Digital Archives Functionality 3,202

Comm on Asian-Pacific-American Affairs

2. Website and Database Enhancements 52

Office of the Attorney General

3. Computer System Upgrade 200

Department of Financial Institutions

4. Information Technology 2,926

Dept of Community, Trade, & Economic Development

5. Grants, Contracts, Loan Mgmt System 2,394

6. Creating a Data Warehouse 1,046

Total 3,440

Office of Financial Management

7. E-Commerce Initiative 100

8. Constituent Relations Mgmt System 965

9. Grants, Contracts and Loan Mgmt Sys 5,464

Total 6,529

Office of Administrative Hearings

10. Electronic Case Management System 80

Department of Personnel

11. MySAP 2005 Feasibility Study 300

Washington State Gambling Commission

12. Software Upgrade 80

WA State Commission on Hispanic Affairs

13. Website and Database Enhancements 52

WA State Comm on African-American Affairs

14. Website and Database Enhancement 52

Department of Retirement Systems

15. Computer Infrastructure Upgrade 649

Board of Tax Appeals

16. Database/Website Upgrade 127

Municipal Research Council

17. Website Search Engine 76

**2007-09 Omnibus Operating Budget
IT Projects Only From SA2**

(Dollars in Thousands)

Office of Insurance Commissioner

18. Expand e-Commerce Opportunities 1,766

State Board of Accountancy

19. Enhancement Database Structure 60

Washington State Liquor Control Board

20. Data Warehouse System 1,468

Utilities and Transportation Commission

21. Office Systems Migration 850

Board for Volunteer Firefighters

22. Replace Legacy Data Base System 257

Department of Archaeology & Historic Preservation

23. Maintain Grant-Funded GIS System 120

24. Information Technology Support 250

Total 370

Total Governmental Operations **22,536**

DSHS

Administration and Supporting Services

25. Payroll System-Individual Providers 250

Total DSHS **250**

Other Human Services

Washington State Health Care Authority

26. Health Record Banks Pilot Project 3,400

27. Health Information Tech Grants 1,000

28. Basic Health Program Data Warehouse 100

Total 4,500

WA State Criminal Justice Training Commission

29. Incident-Based Reporting 130

Department of Labor and Industries

30. Upgrade Apprentice Tracking System 337

31. Claim & Acct Ctr (ORCA)-IT Upgrade 3,970

32. Additional Fraud Audits & IT 3,579

33. Express File Enhancements 2,104

34. Phased Replacement of Legacy System 5,160

35. Contractor & Electrical Data System 2,347

Total 17,497

Department of Health

**2007-09 Omnibus Operating Budget
IT Projects Only From SA2**

(Dollars in Thousands)

36.	Health Prof Licensing Sys (ILRS)	2,286
 <i>Department of Corrections</i>		
37.	Accessibility to Offender Data	3,853
38.	Software Sustainability	2,603
	Total	6,456
	 Total Other Human Services	 30,869
 Natural Resources		
<i>Department of Ecology</i>		
39.	Grants, Contracts, Loan Mgmt System	2,746
40.	Well Construction & License System	650
41.	Protect Spokane Area Water Rights	796
42.	Water Rights Database Enhancement	300
	Total	4,492
 <i>Department of Fish and Wildlife</i>		
43.	WDFW Enterprise IT Conversion	1,387
 <i>Department of Natural Resources</i>		
44.	Payroll Systems Replacement Study	379
45.	Data Storage System Expansion	66
	Total	445
	 Total Natural Resources	 6,324
 Transportation		
<i>Washington State Patrol</i>		
46.	Statewide Interoperability	3,000
47.	Communications Antenna and Feed-Lin	79
48.	Technology Staffing and Tools	814
49.	Business Continuity	795
50.	Electronic Traffic Info Processing	13
51.	ACCESS Network Support	655
52.	Death Investigation System	535
	Total	5,891
	 Total Transportation	 5,891
 Other Education		
<i>Eastern Washington State Historical Society</i>		
53.	Digital Access to Collections	98
	 Total Other Education	 98