



Proposed 2009-11 Biennial Operating Budget & 2009 2nd Supplemental

Summary

**Striking Amendment to
SHB 1244 - H3439.2/09**

By Representative Linville
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Summary

Three-year Budget Proposal

The proposed striking amendment to SHB 1244 makes changes to the current budget for fiscal year 2009 (part of the current 2007-09 biennium) as well as creates an initial budget for the next biennium (2009-11). The changes in the proposed striking amendment for fiscal year 2009 are in addition to those already made in House Bill 1694, passed earlier this session.

Context

Since the legislature adopted the 2008 Supplemental Budget a year ago, the economic picture has worsened. When the Governor crafted her budget proposal in December, the general fund revenue forecast, over the three year period, had already declined by approximately \$2.6 billion. Since then, the general fund revenue forecast has declined an additional \$2.9 billion. Over the last year, the general fund revenue forecast has declined by \$5.5 billion.

When the Governor prepared her budget in December, she expected approximately \$1.1 billion in additional federal funding (primarily increased FMAP and TANF contingency funds). The state now expects to receive approximately \$2.9 billion of additional federal funding.

In other words, since the Governor made her budget proposal, federal assistance has increased by almost \$2 billion while projected state revenues have declined by almost \$3 billion.

Budget Shortfall

The 2009 legislature faces a three-year budget shortfall that has been described as being between seven and ten billion dollars (depending on what items are included in the shortfall calculation). In adopting HB 1694, the legislature reduced the budget shortfall. Other items that impact the calculation of the shortfall include assumptions about items such as reserves, COLAs and other policy items.

Three Year Shortfall (Before HB 1694)

2009-11 forecasted NGF-S revenues (after BSA transfer):	\$30.2 billion
2009-11 Near General Fund-State (NGF-S) maintenance level:	<u>\$37.0 billion</u>
Maintenance level shortfall	-\$ 6.8 billion
Plus enhancements (see below)	<u>-\$ 0.3 billion</u>
Total 2009-11 shortfall	-\$ 7.1 billion
Plus 2007-09 Shortfall (prior to HB 1694)	-\$ 1.2 billion
Plus Leave an Ending Balance (offset future revenue/cost changes)	<u>-\$ 0.6 billion</u>
Three Year Shortfall	-\$ 8.9 billion

Three Year Budget Actions (Including HB 1694)

HB 1694 (Reductions and Fund Transfers)	\$0.4 billion
Suspend I-732 & Pension Changes	\$0.8 billion

Other NGFS Reductions in the proposed striking amendment	\$3.2 billion
Additional Federal Funds	\$3.0 billion
Use Budget Stabilization Funds	\$0.4 billion
Fund Transfers & Other Resource Changes	<u>\$1.1 billion</u>

Three Year Budget Actions **\$8.9 billion**

Not included in the calculation of the budget shortfall or budget actions are policy enhancements the legislature typically considers but that are not funded in this proposal. Examples include COLAs (other than those required under current statute), additional higher education enrollments to keep pace with population, and other enhancements that would make the shortfall even greater if these were included in the shortfall calculation.

Examples of policy enhancements included in the shortfall calculation (\$356m) include: maintaining the current funding ratio for health benefits (88%/12%), debt service for a 2009-11 Capital Budget, caseload growth in DD waiver programs, and policy legislation passing the House of Representatives.

Additional Federal Resources

Washington expects to receive approximately \$3.0 billion in increased federal resources that help offset state costs. The majority (but not all) of those resources are from the American Reinvestment and Recovery Act (ARRA). The net effect is to allow the state to forgo other related budget actions (making deeper reductions and/or further increasing resources) that, without the additional resources, would have been necessary.

	<u>FY 2009</u>	<u>2009-11</u>	<u>3 Year Total</u>
FMAP (Primarily DSHS)			
ESHB 1694	205,000		205,000
PSHB 1244	310,104	1,295,553	1,605,657
Fiscal Stabilization (PSHB 1244)			
K-12	362,000	376,579	738,579
Higher Ed		81,421	81,421
Public Safety		182,433	182,433
Other Federal			
ESHB 1694	133,190		133,190
PSHB 1244		71,480	71,480
	<u>1,010,294</u>	<u>2,007,466</u>	<u>3,017,760</u>

Other Federal includes TANF contingency, child support match, SCHIP and other items. It does not include money that goes directly to K-12 nor federal increases for items such as Byrne grant, CSBG and homeless programs.

Fund Consolidation

The majority of the summary materials reference Near General-State (NGFS). This is a grouping of individual state accounts and includes the General Fund, the Student Achievement Fund, the Health Services Account, the Public Safety and Education Account including the Equal Justice Subaccount, the Violence Reduction and Drug Enforcement Account, the Water Quality Account, the Pension Funding Stabilization Account, and the Education Legacy Trust Account. All but the last two accounts are also statutorily subject to the state expenditure limit.

The proposed striking amendment to SHB 1244 assumes that the accounts currently subject to the state expenditure limit are all combined into the state general fund. Calculations of transfers to the Budget Stabilization Account have been adjusted in accordance with that assumption.

Proposed Striking Amendment To SHB 1244

Two Biennia Balance Sheet

Near General Fund in Millions

	2007-09	2009-11
Beginning Balance	2,105	596.0
Revenue		
November Revenue Forecast	31,214	32,765
March Revenue Change	(776)	(2,262)
Transfer to Budget Stabilization Account	(125)	(263)
Revenue Changes	-	101
Total Revenue	30,312	30,341
Other Resource Changes		
Prior Fund Transfers (2007 & 2008)	117	-
ESHB 1694 Fund Transfers	91	-
Use Budget Stabilization Account	400	45
Use Capital Budget Resources	77	700
Other Fund Transfers	25	136
Budget Driven Revenue	(1)	142
Other Changes	19	1
Other Resource Changes	728	1,024
Total Resources	33,145	31,962
Spending		
Enacted Budget in 2007-09 and 2009-11 Proposed	33,655	31,390
2008 Actual Spending Adjustment	(16)	
ESHB 1694 (Early Action)	(635)	
2009 Supplemental	(456)	
Total Spending	32,549	31,390
Ending Balance & Reserves		
<i>Unrestricted Ending Fund Balance</i>	596	572
<i>Budget Stabilization Account Balance</i>	114	250
Total Reserves	710	822

2009-11 Omnibus Operating Budget
Proposed House Striker
NGF-S + Fed Stimulus
(Dollars in Thousands)

<i>Additional Federal Resources</i>	
Stimulus Package (FMAP)	-1,295,553
SCHIP & Related	-54,133
Child Support Stimulus Match	-10,200
Other	-7,147
Additional Federal Resources Total	-1,367,033
<i>Employee Compensation</i>	
Actuarial Pension Change	-448,633
Suspend I-732 COLAs	-387,931
Other	800
State Employee/K-12 Health Benefits	93,757
Employee Compensation Total	-742,007
<i>K-12 Education</i>	
Reduce Student Achievement Program	-600,001
Reduce Levy Equalization	-60,292
Professional Development Changes	-39,736
Remove Learning Improvement Days	-35,668
Other K-12 Reductions	-32,305
WASL Changes	-8,454
Library Services	-8,000
LASER	-5,000
Building Bridges Grants	-3,650
Math Helping Corps	-3,528
Admin Reductions (Incl. 1% & Freeze)	-3,406
21st Century After School Programs	-3,000
Focused Assistance to Schools	-2,000
Alternate Routes	-1,716
Diagnostic Testing	-500
Adjust K-4 Allocation	757
Conditional Funding Natnl Bd Bonus	3,000
Other Enhancements	9,050
K-12 Education Total	-794,449
<i>Higher Education</i>	
Student Services and Instruction	-310,413
Other Non-Instructional Reductions	-127,498
Academic & Institutional Support	-118,465
Adjust SNG Award Amounts	-9,654
Adjust Need Grant for Extra Pell	-9,614
Suspend College Bound Pre-Payments	-7,400
Other	-4,132
Other Budget Reductions	-3,343
Limit SNG Levels at Private Schools	-1,755
Passport to College	-75
Other Enhancements	6,667
Maintain Current Fin Aid Policy	82,193
Higher Education Total	-503,489

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Early Learning

Other	-6,613
Admin Reductions (Incl. 1% & Freeze)	-3,132
Head Start and ECEAP	-2,300
Other Enhancements	350
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Early Learning Total	-11,695

Health Care

Reduce Basic Health Plan	-255,166
Pharmacy Initiatives	-84,140
Hospital Rate Reduction/Efficiencies	-74,966
Modify Vaccine Program	-55,300
Admin Reductions (Incl. 1% & Freeze)	-40,471
GAU/ADASTA Medical	-40,120
Healthy Options Premium Rates	-32,604
DSH Restructure	-30,707
Reduce Enhancement For FQHCs	-25,000
Other	-23,132
County Public Health Assistance	-20,000
Graduate Medical Education Payments	-19,600
Pediatric Rate Decrease	-17,881
Reduce Funding for DME	-14,924
Reduce Alien Emergency Medical	-13,868
Eliminate Health Insurance Partnership (HIP)	-11,834
GA-U Outpatient DSH Program	-10,892
Reduce Maternity Support Services	-8,208
Dental Reduction	-7,304
Adult Office Visit Rate Reduction	-4,053
Reduce State Family Planning Grants	-4,000
Cost Control in Other Services	-3,943
Reduce AIDSNET Grants	-1,067
Cap HIV Early Intervention Program	-1,000
Childrens Health	850
Other Enhancements	2,407
ProviderOne Implementation	19,674
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Health Care Total	-777,249

Long Term Care, DD, and Mental Health

Nursing Home Rate Reduction	-37,749
Reduce RSN Funding	-33,109
DD/LTC: Reduce In-Home Hours	-32,657
Adult Day Health	-19,305
DD/LTC: Reduce Residential Rates	-18,370
DD Employ & Day to Waiver	-14,052
No Relatives as Agency Providers	-12,072
Other	-8,820
Home Care Training	-7,975
MH Other Reductions	-7,767
DD Residential To Waiver	-4,937

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Admin Reductions (Incl. 1% & Freeze)	-4,889
Reduce State Hospital Staffing	-4,285
MH Inv Service Grants	-3,051
DDD County Contracts	-2,107
Other Enhancements	1,520
LTC Enhanced Community Services	3,939
IP & AP Health Care	4,360
DSHS/DD: Increase Community Placements	4,803
Long Term Care, DD, and Mental Health Total	-196,523
 <i>Other Human Services</i>	
Admin Reductions (Incl. 1% & Freeze)	-79,777
WorkFirst Accountability	-68,653
Other	-21,465
GAU:Cash Grant	-18,600
Reduce Low-Income Treatment/Detox	-12,382
BRS Reductions	-7,585
Increase SSI Facilitators	-6,238
FPC, CC&F, GJJAC	-5,653
Secure CRC's	-4,360
Children's Rate Reduction	-4,238
Chemical Dependency Professionals	-3,000
Family Preservation Services	-3,000
Refugee Employment Services	-3,000
Continuum of Care Svcs	-1,994
Foster Parent Child Care	-1,535
Childrens: Family Rec. Svcs	-538
Foster Care Length of Stay	-296
Childrens Supervised Visitation	603
Length of Stay Funding	1,800
State Food Assistance Program	2,516
Other Enhancements	3,697
WorkForce Employment & Training	7,000
Other Human Services Total	-226,698
 <i>Corrections and Other Criminal Justice</i>	
Reduce Community Supervision	-47,838
Admin Reductions (Incl. 1% & Freeze)	-20,149
DOC Facility Closures	-12,000
JRA Facility Closures	-12,000
Home Detention for Violators	-11,129
Reduce Offender Re-Entry	-10,624
Other	-8,991
Offender Deportation	-8,326
WSP & CJTC	-7,405
Eliminate Enhanced Parole in JRA	-5,332
Property Crimes Threshold	-4,360
Housing Voucher for ERD	-4,090

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End Offender Re-Entry Pilot	-3,626
Increased DOSA Beds	-3,434
SCC: Residential Staffing Reductions	-3,204
Sentence Discretion	-375
Other Enhancements	2,274
CJTC Workload Increase	3,796
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Corrections and Other Criminal Justice	-156,813
Total	
 <i>Natural Resources</i>	
Admin Reductions (Incl. 1% & Freeze)	-28,650
Parks Opt-Out	-22,979
Dept of Natural Resources: Other	-10,929
Fish & Wildlife: Other	-9,233
Reduce Fish Production/Hatchery Closures	-8,100
Parks Reductions	-7,015
Red. Watershed Grants/Assist/Study	-6,167
Reduce Water Rights Processing	-2,880
Efficient Fire Suppression	-2,719
Dept of Agriculture	-1,809
Other	-1,245
Puget Sound Partnership	-1,127
Consv. Commission	-1,050
Dept of Ecology	-824
Other Enhancements	2,373
Water Pollution Control Revol Acct	9,200
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Natural Resources Total	-93,154
 <i>Capital</i>	
Parks Maint and Access Improvements	-19,362
Other	8,797
Debt Service for 2009-11 Capital Budget	54,925
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Capital Total	44,360
 <i>All Other</i>	
Other	-35,993
Shift Workforce Employment & Training	-29,136
Admin Reductions (Incl. 1% & Freeze)	-26,375
Use Document Fees	-21,600
Judicials	-16,689
Legislative	-15,057
Refinance Judicial	-10,681
Use Auto Theft Funds	-4,000
Remove Public Broadcast Grants	-3,250
CSBG Funding	-2,700
DOR: Additional Auditors	6,405
Other Enhancements	16,018
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All Other Total	-143,058

2009-11 Omnibus Operating Budget
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(Dollars in Thousands)

Grand Total	<u><u>-4,967,808</u></u>
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Operating Budget Transfers & Budget Driven Revenues

(Dollars, in Millions)

	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
Already Enacted Transfers From 2009			
HB 1694 (Early Action Savings Bill)	91.3	-	91.3
	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
Use Budget Stabilization Account (Rainy Day)	400.0	45.1	445.1
Capital Related Transfers	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
Education Construction Account/Lottery (includes multi-state)**	-	193.8	193.8
CEPRI	-	11.1	11.1
Thurston County Capital Facilities	-	8.4	8.4
State Toxics	2.0	29.7	31.7
Local Toxics	75.0	73.1	148.1
Aquatic Lands Enhancement Account - State	-	10.1	10.1
Energy Freedom	-	6.0	6.0
Public Works Assistance	-	368.0	368.0
Capital Related Transfers	<u>77.0</u>	<u>700.1</u>	<u>777.1</u>
Other Fund Transfers	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
Convention & Trade Center	-	22.0	22.0
Life Sciences Discovery	-	26.0	26.0
Performance Audit (Balance from 05-07)	-	29.2	29.2
Tobacco Prevention & Control	-	20.0	20.0
Economic Development Strategic Reserve	-	5.0	5.0
Customized Training Account	3.0	-	3.0
Pension Funding Stabilization (see below)	-	-	-
Wa. Distinguished Professorship Trust Account	5.0	-	5.0
College Faculty Awards Trust Account	4.9	-	4.9
Wa. Graduate Fellowship Trust Acct.	1.4	-	1.4
Natural Resources Equipment Revolving	3.3	-	3.3
DRS Expense Account	-	1.5	1.5
Judicial Information Services (JIS) Account	5.0	5.0	10.0
Waste Reduction & Recycling Account	-	4.0	4.0
Flood Control Assistance Account	-	2.0	2.0
State Emergency Water Projects Account	-	0.4	0.4
GET Ready for Math and Science Scholarship Account	1.9	-	1.9
Treasurer	-	20.8	20.8
Other Fund Transfers	<u>24.5</u>	<u>135.9</u>	<u>160.4</u>
Budget Driven Revenue	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
DOR Collection Efforts	-	60.1	60.1
Lottery Unclaimed Property	-	11.0	11.0
Liquor Related - GFS (Incl. PSEA&VRDE)	(0.9)	9.2	8.3
Assume Retail Price Increase on Liquor*	-	62.0	62.0
Budget Driven Revenue	<u>(0.9)</u>	<u>142.3</u>	<u>141.4</u>
Other	<u>FY 09</u>	<u>2009-11</u>	<u>3 Yr Total</u>
HB 2300 Multi-state Games**			
Grand Total	591.9	1,023.4	1,615.3

*Not displayed are transfers from one NGFS account to another NGFS account.

** See Ed Construction transfer which includes \$11.5 million

Assumed Finance Legislation

(Dollars, In Millions)

Title	FY09-11
6173 Sales tax compliance	102.6
6169 Enhancing tax collection tools	8.8
1067 Limited Partnership Act	1.2
5571 Electr methods/revenue dept	0.2
5321 Local & state sales & use tx	0.0
5368 Annual property valuation	0.0
5433 Local option tax provisions	0.0
1290 Tourism Promotion	0.0
1751 Rural county credit	0.0
1815 Current use ag products	0.0
1597 Tax administration	0.0
5511 City-county assistance accts	0.0
5566 Excise and sales & use taxes	0.0
5568 Tax collection tools	0.0
5680 Nonprofit organizations	0.0
5909 High tech sales & use tax	0.0
6096 Vessels in foreign commerce	0.0
6116 King County Financing	0.0
1733 Horse boarding	0.0
1579 Noprofit legal services	-0.1
1287 Commuter airplanes	-0.1
5470 Low-income senior housing	-0.1
1062 Electrolytic process tx exem	-0.3
1481 Electric vehicles	-0.3
2130 Renewal energy facilities	-1.5
5045 Community revitalization	-2.3
2075 Taxation of electronic products	-2.8
6170 Enviromental tax incentives	<u>-4.0</u>
	101.2



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