

SPECIAL APPROPRIATIONS

Cost-of-Living Adjustments

Funding is eliminated that would have provided a 2.6 percent salary increase in fiscal year 2003 for state classified employees, exempt employees, and employee groups not under the jurisdiction of the Washington Personnel Resources Board, such as assistant attorneys general, judicial employees, and commissioned Washington State Patrol officers. This results in general fund savings of \$28.9 million.

Other General Fund-State salary savings for fiscal year 2003 include eliminating a 2.6 percent increase for higher education employees not covered by Initiative 732, saving \$21.5 million. (See agency detail in the Higher Education Section.) Vendor rate increases of 2.3 percent are reduced to 1.5 percent, saving \$9.4 million. (See agency detail in the Human Services Section and the Department of Community, Trade, and Economic Development.)

State Employee Health Benefits

The state will increase its payments for state and higher education employee health benefits by 6.5 percent in fiscal year 2003, rather than by 8.8 percent as originally budgeted, for a savings of \$3.5 million General Fund-State. Specific impacts upon employee medical benefits and cost-sharing will be determined by the Public Employees' Benefits Board during the summer, following the review of price quotations submitted by participating insurance plans. By way of example, the new state contribution to health benefits is roughly equivalent to what would occur if: (a) office visit co-pays for employees enrolled in managed care plans were increased to \$15, from their current level of \$10; (b) the average employee paid \$57 of their family's monthly medical premium next year, compared to \$37 per month now; (c) the employer contribution to prescription drug benefits is reduced by 10 percent; and (d) recipient co-insurance on the Uniform Medical Plan is increased to 15 percent, from the current level of 10 percent.

Pension Contribution Rate Adjustments

The budget, in separate legislation (Chapter 7, Laws of 2002 – HB 2782), includes reductions in employer and state contributions for the Public Employees' Retirement System (PERS), School Employees' Retirement System (SERS), Teachers' Retirement System (TRS), and Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement Plan 2 and employee contribution rates for the Plan 2 retirement systems. Most of the savings (\$54 million) are in the K-12 system.

The 1995-2000 Experience Study conducted by the Office of the State Actuary showed that the contribution rates for PERS, SERS, TRS, and LEOFF were higher than necessary to fully fund those systems. Effective April 1, 2002, employer contribution rates were reduced from 1.54 percent to 1.10 percent for PERS; 1.54 percent to 0.96 percent for SERS; and 2.75 percent to 1.05 percent for TRS. The basic state contribution rate for LEOFF 2 was reduced from 1.80 percent to 1.75 percent.

Plan 2 employees' contribution rates were reduced from 4.50 percent to 4.39 percent for LEOFF 2; 0.88 percent to 0.65 percent for PERS 2; 0.88 percent to 0.35 percent for SERS 2; and 1.23 percent to 0.15 percent for TRS 2.

Extraordinary Criminal Justice Assistance

An amount of \$394,000 from the Public Safety and Education Account is provided for assistance to Franklin and Stevens Counties for extraordinary judicial and other criminal justice costs incurred in the adjudication of aggravated homicide cases.

Fire Mobilization and Fire Suppression

During the summer of 2001, there were a series of wildfires that significantly affected state and local fire fighting agencies. An additional \$33 million is provided from the Disaster Response Account to cover costs associated

with the 2001 fire season and to replenish the fire contingency pool for future fires. This funding, combined with the \$3 million provided in the original 2001-03 budget, will fund the following costs: \$24.2 million for the Department of Natural Resources and other natural resource agencies costs in fire suppression activities; \$7.8 million for fire mobilizations coordinated by the Military Department; and \$4 million as a contingency for fire mobilization and suppression activities in the future.

Local Government Backfill

After the passage of Initiative 695 in 1999, the Legislature replaced a portion of the lost Motor Vehicle Excise Tax (MVET) funding for local governments for the remainder of fiscal year 2000 and for fiscal year 2001. This backfill was continued in the 2001-03 operating budget, when \$48.3 million was appropriated for Public Health Districts, \$93.1 million for cities, and \$49.5 million for counties.

The 2002 Supplemental Operating Budget did not change the fiscal year 2002 appropriations but did eliminate or modify city and county appropriations for fiscal year 2003. The Public Health district appropriations were left unchanged.

The appropriation to cities was reduced from \$47.3 million to \$8.0 million and the money directed only to those cities hardest hit by the loss of MVET funds as measured by the percentage loss compared with unrestricted revenues. Those cities whose loss was less than 10 percent received no backfill. Those cities where the loss was greater than 10 percent received backfill that grew proportionally with the loss.

The county appropriation was reduced from \$25.1 million to \$5 million and directed to 18 counties most affected by the loss of MVET funds.

Efficiency Reductions

A variety of efficiency reductions were made to state agencies' appropriations, as described below.

- Administrative reductions were made directly to agencies' fiscal year 2003 appropriations. Agencies are expected to achieve these savings in a manner consistent with the agency's mission, goals, and objectives while, to the greatest extent possible, maintaining client services. Examples of actions that may be taken by state agencies include hiring freezes, employee furloughs, and reductions in employee travel and training, equipment purchases, and personal service contracts. For the amount of each agency's reduction, see the table on the following pages.
- Revolving fund appropriations were reduced by \$3.7 million from the state general fund and by \$4.2 million from other funds. State agencies that provide services to other state agencies are directed to reduce their expenditures and to share the savings with their clients. The savings are captured in client state agencies' budgets through reductions in their revolving fund appropriations. The Office of Financial Management will distribute the revolving fund reductions to client state agencies through the allotment process.
- Across-the-board reductions in expenditures for employee travel (\$3.0 million general fund) and equipment purchases (\$2.3 million general fund) to reflect the elimination of nonessential travel and a freeze on equipment purchases. (Reductions in travel and equipment purchases for the Senate and House of Representatives were made directly to the appropriations of the two agencies.)
- A contingency fund of \$1.5 million is provided to the Governor to provide assistance to state agencies that are unable to absorb these efficiency reductions. The Governor may also use his Emergency Fund appropriation for this purpose.

2002 Supplemental Omnibus Operating Budget Efficiency Reductions

(Dollars in Thousands)

	FY 2003	2001-03	
	FTEs	GF-S	Total Funds
Legislative	-14.0	-3,001	-3,030
Judicial	-3.0	-639	-639
Governmental Operations			
Office of the Governor	-2.0	-136	-136
Lieutenant Governor		-23	-23
Public Disclosure Commission		-57	-57
Secretary of State	-3.0	-501	-501
Governor's Office of Indian Affairs		-8	-8
Salaries for Elected Officials		-5	-5
Caseload Forecast Council		-19	-19
Department of Financial Institutions	-2.0		-357
Department of Community, Trade, & Economic Development	-2.5	-274	-274
Economic & Revenue Forecast Council		-15	-15
Office of Financial Management	-3.6	-366	-366
Office of Administrative Hearings	-4.0		-330
Department of Personnel	-6.5		-262
State Lottery Commission	-4.5		-335
Washington State Gambling Commission	-6.0		-450
State Investment Board	-2.0		-194
Department of Revenue	-3.0	-699	-699
Tax Appeals Board		-31	-31
Department of General Administration		-19	-19
Washington Horse Racing Commission	-0.9		-68
Liquor Control Board	-4.0	-45	-2,104
Utilities & Transportation Commission	-4.0		-406
Military Department	-1.0	-269	-269
Public Employment Relations Commission	-1.0	-86	-86
Growth Management Hearings Board		-45	-45
Total Governmental Operations	-50.0	-2,598	-7,059
DSHS	-45.5	-9,204	-14,577
Other Human Services			
Health Care Authority	-9.0		-766
Human Rights Commission	-1.0	-81	-81
Indeterminate Sentence Review Board		-30	-30
Department of Health	-1.3	-421	-995
Department of Veterans' Affairs -- Headquarters	-0.7	-49	-49
Department of Veterans' Affairs -- Field Services	-0.9	-51	-51
Department of Veterans' Affairs -- Institutional Services	-1.9	-144	-144
Department of Corrections -- Admin & Support Services	-14.6	-943	-943
Department of Corrections -- Institutional	-7.1	-2,093	-2,093
Department of Corrections -- Community Corrections	-7.5	-450	-450
Department of Services for the Blind		-81	-81
Sentencing Guidelines Commission		-25	-25
Total Other Human Services	-44.0	-4,368	-5,708

2002 Supplemental Omnibus Operating Budget Efficiency Reductions

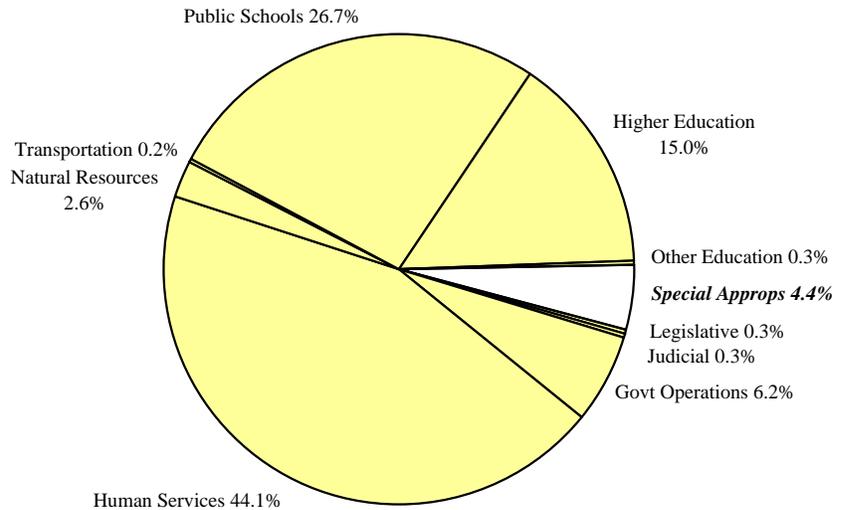
(Dollars in Thousands)

	FY 2003	2001-03	
	FTEs	GF-S	Total Funds
Natural Resources			
Columbia River Gorge Commission		-12	-12
Department of Ecology	-14.0	-1,400	-1,400
State Parks & Recreation Commission	-5.0	-500	-500
Environmental Hearings Office		-25	-25
State Conservation Commission	-1.0	-31	-71
Department of Fish & Wildlife	-5.0	-550	-550
Department of Natural Resources	-12.0	-1,200	-1,200
Department of Agriculture	-2.4	-240	-240
Total Natural Resources	-39.4	-3,958	-3,998
Transportation			
Washington State Patrol	-2.0	-456	-456
Department of Licensing	-0.5	-49	-49
Total Transportation	-2.5	-505	-505
Public Schools	-8.0	-1,436	-1,436
Higher Education	-576.5	-54,567	-54,567
Other Education			
Work Force Training & Education Coordinating Board	-0.1	-87	-87
Washington State Arts Commission	-0.5	-86	-86
Washington State Historical Society	-2.0	-94	-94
Eastern Washington Historical Society	-1.0	-46	-46
Total Other Education	-3.6	-313	-313
Special Appropriations (All Agencies)			
Agency Administrative Contingencies		1,500	1,500
Revolving Fund Reductions		-3,743	-7,984
State Agency Equipment Reduction		-2,300	-2,300
State Employee Travel Reduction		-3,000	-3,000
Total Special Appropriations		-7,543	-11,784
Total Efficiency Reductions	-786.5	-88,132	-103,616

2001-03 Washington State Omnibus Operating Budget Total Budgeted Funds

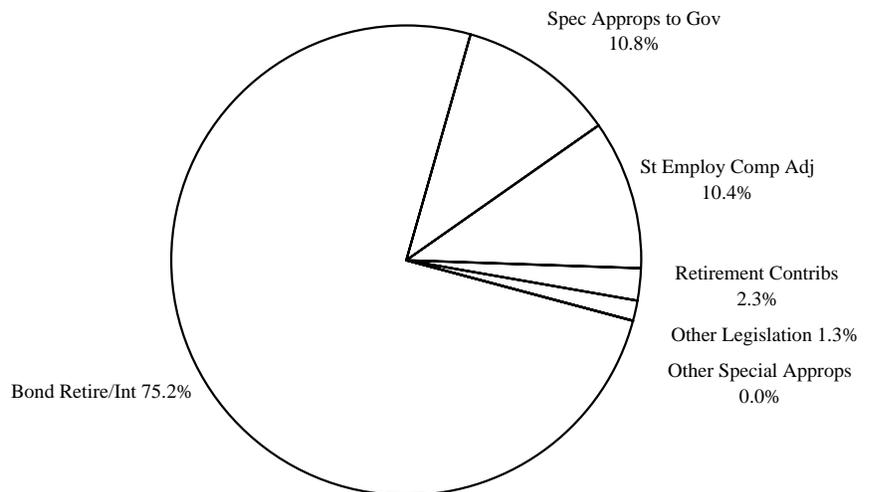
(Dollars in Thousands)

Legislative	136,110
Judicial	140,864
Governmental Operations	2,649,413
Human Services	18,976,685
Natural Resources	1,102,464
Transportation	105,690
Public Schools	11,503,685
Higher Education	6,439,607
Other Education	110,984
<i>Special Appropriations</i>	<i>1,904,368</i>
Statewide Total	43,069,870



Washington State

Bond Retire/Int	1,432,580
Special Approps to Governor	204,773
St Employ Comp Adj	197,491
Retirement Contributions	44,145
Other Legislation	25,100
Other Special Approps	279
<i>Special Appropriations</i>	<i>1,904,368</i>

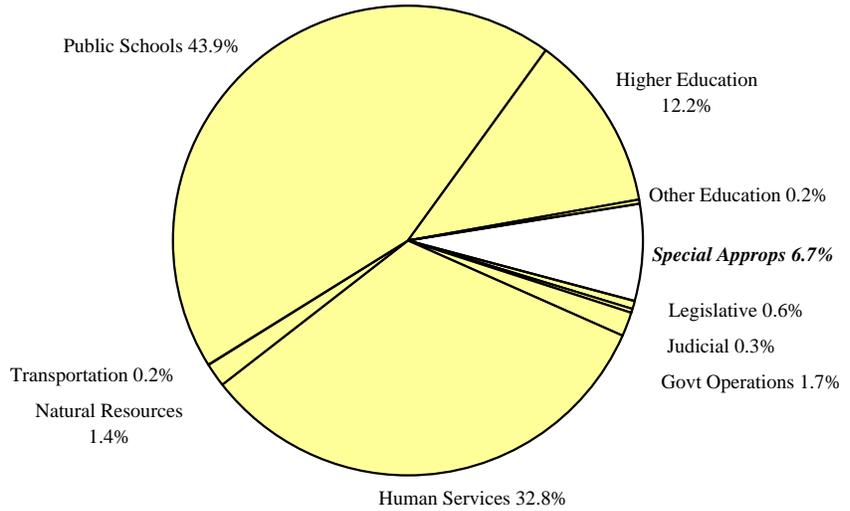


Special Appropriations

2001-03 Washington State Omnibus Operating Budget General Fund-State

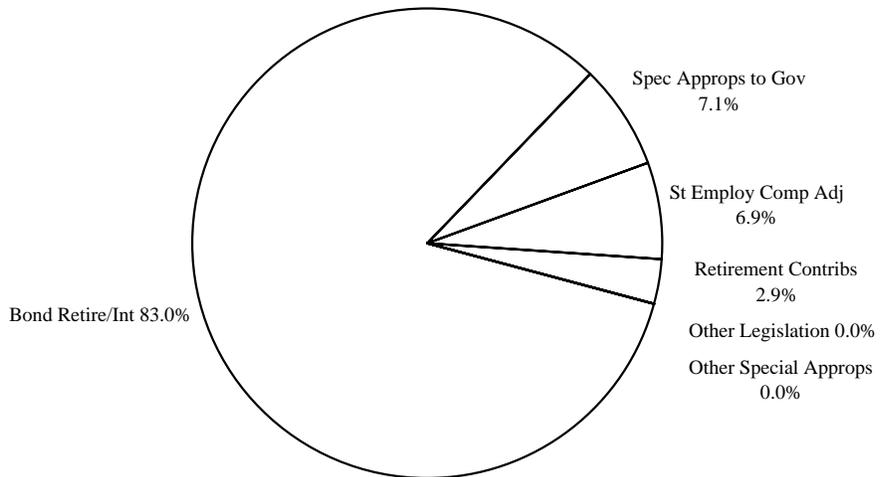
(Dollars in Thousands)

Legislative	129,818
Judicial	73,294
Governmental Operations	383,769
Human Services	7,361,197
Natural Resources	315,637
Transportation	40,166
Public Schools	9,854,332
Higher Education	2,731,564
Other Education	54,473
<i>Special Appropriations</i>	<i>1,506,941</i>
Statewide Total	22,451,191



Washington State

Bond Retire/Int	1,251,110
Special Approps to Governor	107,369
St Employ Comp Adj	103,943
Retirement Contributions	44,145
Other Legislation	100
Other Special Approps	274
<i>Special Appropriations</i>	<i>1,506,941</i>



Special Appropriations

Bond Retirement and Interest

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	1,248,770	196,509	1,445,279
Total Maintenance Changes	0	-15,039	-15,039
Policy Changes			
1. Increase in GF-S Debt Service	2,250	0	2,250
2. Increase in Bond Sale Expenses	90	0	90
Total Policy Changes	2,340	0	2,340
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2001-03 Revised Appropriations	1,251,110	181,470	1,432,580
Fiscal Year 2002 Total	601,206	97,978	699,184
Fiscal Year 2003 Total	649,904	83,492	733,396

Comments:

1. **Increase in GF-S Debt Service** - The increase reflects the increased debt service required by the passage of the supplemental capital budget.
2. **Increase in Bond Sale Expenses** - The increase reflects the increased bond sale expenses required by the passage of the supplemental capital budget.

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

Special Appropriations to the Governor

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Original Appropriations	179,406	64,764	244,170
Policy Changes			
1. DCTED-County Corporation Assist	-25,138	0	-25,138
2. DCTED-Municipal Corporation Assist	-47,252	0	-47,252
3. Fire Contingency Initiative	0	32,983	32,983
4. Extraordinary Criminal Justice Cost	0	394	394
5. Governor's Emergency Fund	7,160	0	7,160
6. Fire Suppression Transfer	0	3,504	3,504
7. Liability Account	25,000	0	25,000
8. Adjust K-20 Network Fund Balance	-11,264	0	-11,264
9. Reduce Technology Pool Funding	-1,000	0	-1,000
10. State Employee Travel Reduction	-3,000	0	-3,000
11. State Agency Equipment Reduction	-2,300	0	-2,300
12. Agency Administrative Contingencies	1,500	0	1,500
13. Small County Assistance	5,000	0	5,000
14. Revolving Fund Reduction	-3,743	-4,241	-7,984
15. Municipal Assistance	8,000	0	8,000
16. Governor Veto	-25,000	0	-25,000
Total Policy Changes	-72,037	32,640	-39,397
2001-03 Revised Appropriations	107,369	97,404	204,773
Fiscal Year 2002 Total	86,460	48,347	134,807
Fiscal Year 2003 Total	20,909	49,057	69,966

Comments:

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| <p>1. DCTED-County Corporation Assist - State assistance provided to county governments following the passage of Initiative 695 is eliminated for counties, effective July 1, 2002. Partial assistance for counties most affected by Initiative 695 is provided under a separate appropriation.</p> <p>2. DCTED-Municipal Corporation Assist - State assistance provided to city governments following the passage of Initiative 695 is eliminated for all cities, effective July 1, 2002. Partial assistance for cities most affected by Initiative 695 is provided under a separate appropriation.</p> <p>3. Fire Contingency Initiative - An additional \$33 million is provided for costs associated with the 2001 fire season and replenishing the fire contingency pool for future fires. This funding, combined with the \$3 million provided in the original 2001-03 budget, will fund the following costs: 1) \$24.2 million for the Department of Natural Resources' (DNR's) and other natural resource agencies' costs in fire suppression activities; 2) \$7.8 million for fire mobilizations coordinated by the Military Department; and 3) \$4 million as a contingency pool for fire mobilization and suppression activities in the future. (Disaster Response Account-State)</p> <p>4. Extraordinary Criminal Justice Cost - Funding is provided for assistance to Franklin and Stevens Counties for extraordinary criminal justice costs incurred in the adjudication of aggravated homicide cases. (Public Safety & Education Account)</p> | <p>5. Governor's Emergency Fund - Funding is provided the Governor for emergency allocations to agencies to facilitate a quick response to critical needs that may emerge during FY 2003. Up to \$5,298,000 of the FY 2003 appropriation is provided for costs associated with implementing Chapter 342, Laws of 2002 (SHB 2926 - Transferring the State Library to the Office of the Secretary of the State).</p> <p>6. Fire Suppression Transfer - A portion of the FY 2003 fire suppression funding for DNR is shifted from the General Fund-State to the Disaster Response Account. (Disaster Response Account)</p> <p>7. Liability Account - The sum of \$25 million from the General Fund-State is deposited to the Liability Account to cover increased costs associated with tort claims and defense. The Governor vetoed this appropriation. (General Fund-State, Liability Account)</p> <p>8. Adjust K-20 Network Fund Balance - The \$11 million appropriation from the General Fund-State to the Education Technology Revolving Account is removed for FY 2003. The fund balance in the Education Technology Revolving Account shall be used to pay operating expenses for the K-20 Network in FY 2003. (Education Technology Revolving Account, General Fund-State)</p> <p>9. Reduce Technology Pool Funding - Funding for the technology pool is reduced by \$1 million.</p> |
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Special Appropriations to the Governor

10. **State Employee Travel Reduction** - State agency expenditures are reduced to reflect the elimination of non-essential travel by state employees and officials. (General Fund-State)
11. **State Agency Equipment Reduction** - State agency expenditures for equipment purchases are reduced.
12. **Agency Administrative Contingencies** - Funds are provided to the Governor for assisting state agencies that are unable to effectively absorb the administrative, travel, and equipment reductions and efficiency savings enacted in this 2002 Supplemental Appropriations Act.
13. **Small County Assistance** - Funding is provided for counties most affected by passage of Initiative 695: Adams, Asotin, Benton, Chelan, Columbia, Douglas, Ferry, Franklin, Garfield, Lincoln, Mason, Okanogan, Pacific, Pend Oreille, Stevens, Wahkiakum, Walla Walla, and Yakima.
14. **Revolving Fund Reduction** - Client state agencies will realize savings of \$3.7 million General Fund-State and \$4.2 million Other Funds as a result of service and rate reductions implemented by the Attorney General, the State Auditor, General Administration, Department of Information Services, the Secretary of State, Office of Administrative Hearings, Department of Personnel, and Department of Retirement Systems. (General Fund-State, Other Funds)
15. **Municipal Assistance** - Funding is provided for assistance to cities most affected by the loss of revenue resulting from Initiative 695 (Repeal of the Motor Vehicle Excise Tax).
16. **Governor Veto** - The Governor vetoed Section 725 of Chapter 371, Laws of 2002, Partial Veto (ESSB 6387), which appropriated \$25 million from the general fund for deposit to the Liability Account, which is used for state tort claims and defense costs.

Contributions to Retirement Systems

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Original Appropriations	44,720	0	44,720
Policy Changes			
1. Pension Contributions	-575	0	-575
Total Policy Changes	-575	0	-575
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2001-03 Revised Appropriations	44,145	0	44,145
Fiscal Year 2002 Total	21,687	0	21,687
Fiscal Year 2003 Total	22,458	0	22,458

Comments:

1. **Pension Contributions** - Effective April 1, 2002, the basic state contribution rate for the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 is reduced from 1.80 percent to 1.75 percent based on the 1995-2000 experience study and 2000 actuarial valuation of the state retirement systems, as provided in Chapter 7, Laws of 2002 (HB 2782).

State Employee Compensation Adjustments

(Dollars in Thousands)

	GF-S	Other	Total
2001-03 Original Appropriations	138,099	139,203	277,302
Policy Changes			
1. Health Benefit Changes	-5,144	-4,942	-10,086
2. State Employee Health Benefit Chgs	6,000	2,000	8,000
3. Pension Rate Change	-6,137	-6,080	-12,217
4. State Employee Salary Increase	-28,889	-36,707	-65,596
5. Salary Reclass Implementation	14	74	88
Total Policy Changes	-34,156	-45,655	-79,811
2001-03 Revised Appropriations	103,943	93,548	197,491
Fiscal Year 2002 Total	40,648	41,370	82,018
Fiscal Year 2003 Total	63,295	52,178	115,473

Comments:

1. **Health Benefit Changes** - The appropriation is reduced to reflect a change in the monthly employer funding rate from \$497.69 per eligible employee to \$482.38. However, a separate appropriation is provided to the Office of Financial Management (OFM) that restores part of this reduction (see item 2 below). Specific impacts upon employee medical benefits and cost sharing will be determined by the Public Employees' Benefits Board during the summer after reviewing the price quotations submitted by participating insurance plans.

General Fund-Federal, General Fund-Private/Local, Salary and Insurance Increase Revolving Fund)

5. **Salary Reclass Implementation** - Funding is provided to correct for salary increases for certain positions which would have received salary increases pursuant to the recommendations of the Personnel Resources Board but which were overlooked in the original 2001-03 biennial budget. Funding is also provided for corrections to state employee COLAs. (General Fund-State, Salary and Insurance Increase Revolving Account)

Solely by way of example and taking into consideration the appropriation to OFM, this level of funding would be adequate if: a) office visit co-pays for employees enrolled in managed care plans were increased to \$15 from their current level of \$10; and b) the average employee paid \$53 of their family's monthly medical premium next year compared to \$37 per month now. (General Fund-State, General Fund-Federal, General Fund-Private/Local, Salary and Insurance Increase Revolving Account)

2. **State Employee Health Benefit Chgs** - Additional funding is provided solely for state employee health benefits. (General Fund-State, General Fund-Federal)

3. **Pension Rate Change** - Employer and employee contribution rates are changed based on the 1995-2000 experience study and 2000 actuarial valuation of the retirement systems. Effective April 1, 2002, the Public Employees' Retirement System (PERS) employer contribution rate is reduced from 1.54 percent to 1.10 percent and the Teachers' Retirement System (TRS) employer contribution rate is reduced from 2.75 percent to 1.05 percent as provided in Chapter 7, Laws of 2002 (HB 2782). (General Fund-State, General Fund-Federal, General Fund-Private/Local, Special Account Retirement Contribution Increase Revolving Account)

4. **State Employee Salary Increase** - Funding is eliminated for a second year cost-of-living adjustment (COLA) for all state classified employees and exempt personnel, except for employees subject to Initiative 732. (General Fund-State,

Sundry Claims

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Original Appropriations	0	0	0
Total Maintenance Changes	274	5	279
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2001-03 Revised Appropriations	274	5	279
Fiscal Year 2002 Total	274	5	279
Fiscal Year 2003 Total	0	0	0

Comments:

Supplemental appropriations are made for claims for damages to crops by wildlife (Wildlife Account-State) and claims for reimbursement for persons acquitted of crimes on the basis of self-defense (General Fund-State).