

Special Appropriations

STATE EMPLOYEE COMPENSATION

Employee Health Benefit Changes – \$118.8 Million General Fund-State, \$89.9 Million Other Funds

The budget increases funding for state employee health benefits in general government and higher education. The increases for represented state employees comply with the collective bargaining agreements reached by the Governor's Office of Labor Relations and the unions representing state employees in general government and higher education. The amount paid by employing agencies increases from \$584.58 per employee per month in fiscal year 2005 to \$663.00 per employee per month in fiscal year 2006. In fiscal year 2007, the employer contribution per represented employee is \$744.00 per month, while the employer rate per non-represented employee is \$618.00 per month.

Funding levels are adequate to limit the employee share of medical premiums costs to no more than 12 percent (assuming an 8.5 percent annual rate of inflation). An additional \$20 million reserve has been set aside in the insurance account to cover the costs of inflation if it is greater than expected. If additional funds are needed to cover the cost of inflation in employee health benefits, the Legislature intends to appropriate such sums as necessary to prevent the average employee share of premium costs rising above 12 percent, up to a maximum of 11 percent annual inflation.

Increase Salaries for Represented Employees – \$104.7 Million General Fund-State, \$77.5 Million Other Funds

Funding is provided to cover the costs of collective bargaining agreements. The agreements generally provide cost-of-living adjustments (COLAs) of 3.2 percent on July 1, 2005, and 1.6 percent on July 1, 2006, with the 1.6 percent increase expiring on June 30, 2007. One exception to this is the agreement with the International Brotherhood of Teamsters; the second-year cost-of-living increase is 2.9 percent. Most agreements provide for the implementation of the Department of Personnel's 2002 Salary Survey for those classifications that are more than 25 percent behind the market rate of compensation.

Increase Salaries for Non-Represented Employees – \$102.1 Million General Fund-State, \$97.7 Million Other Funds

Funding is provided for COLAs of 3.2 percent on September 1, 2005, and 1.6 percent on September 1, 2006. The 1.6 percent increase expires on June 30, 2007. Funding is also provided for job classifications that are more than 25 percent behind the market rate of compensation according to the Department of Personnel's 2002 Salary Survey.

Pension Funding Changes – \$325.3 Million General Fund-State, \$61.5 Million Other Funds

Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044), pertaining to pension funding methodology. The following are suspended for the 2005-07 biennium: (1) contributions towards the cost of future gain-sharing benefits in plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities (UAAL) in PERS Plan 1 and TRS Plan 1. The Select Committee on Pension Policy will study gain sharing during fiscal year 2006. A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS. The employee contribution rates in fiscal year 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2. In fiscal year 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2. For retirement system plans unaffected by gain sharing and amortization of the UAAL, funding is provided for the contribution rates recommended by the Pension Funding Council and adopted by the Law Enforcement

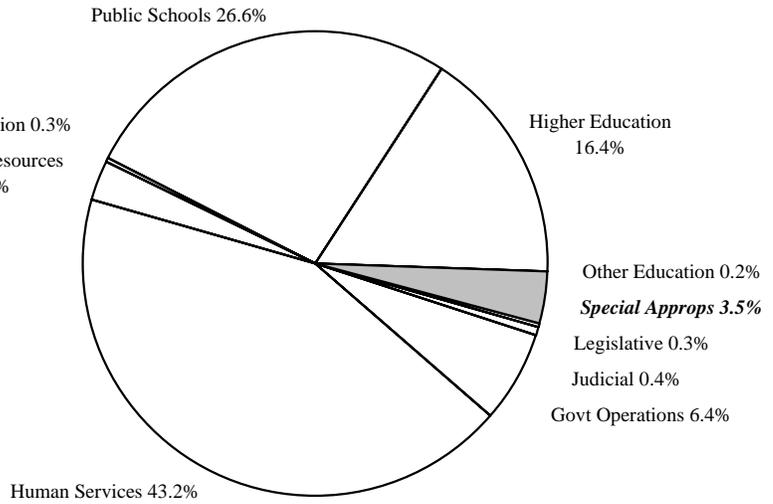
Officers' and Fire Fighters (LEOFF) Plan 2 Board. For the Pension Funding Council, these rates include no resumption of contribution rates for employers and employees in the LEOFF Retirement System Plan 1 during the 2005-07 biennium and a 4.51 percent of pay contribution rate for both employers and employees of the Washington State Patrol Retirement System. The rates adopted by the LEOFF Plan 2 Board incorporate a phased-in schedule of annual contribution rates, including employee contribution rates of 6.75 percent of pay in fiscal year 2006 and 7.55 percent of pay in fiscal year 2007.

2005-07 Washington State Operating Budget

Total Budgeted Funds

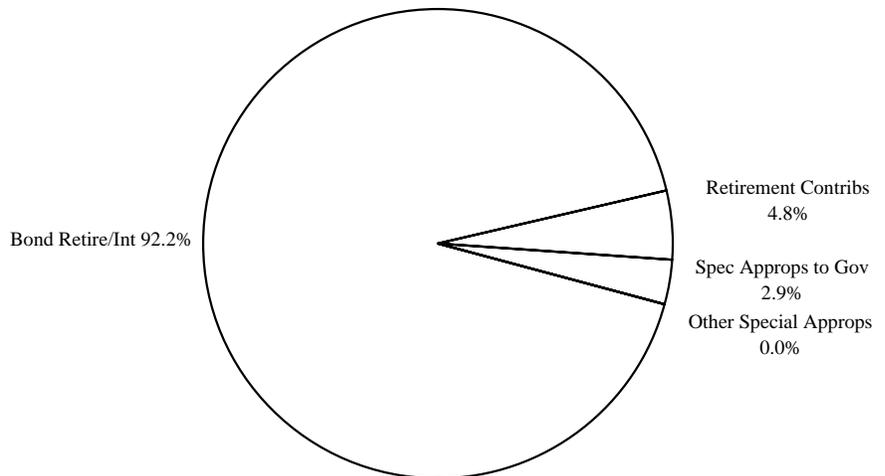
(Dollars in Thousands)

Legislative	148,103
Judicial	205,183
Governmental Operations	3,188,651
Human Services	21,370,163
Natural Resources	1,296,763
Transportation	145,790
Public Schools	13,147,661
Higher Education	8,105,412
Other Education	105,940
<i>Special Appropriations</i>	<i>1,736,187</i>
Statewide Total	49,449,853



Washington State

Bond Retire/Int	1,601,604
Retirement Contributions	83,600
Spec Approps to Gov	50,483
Other Special Approps	500
<i>Special Appropriations</i>	<i>1,736,187</i>



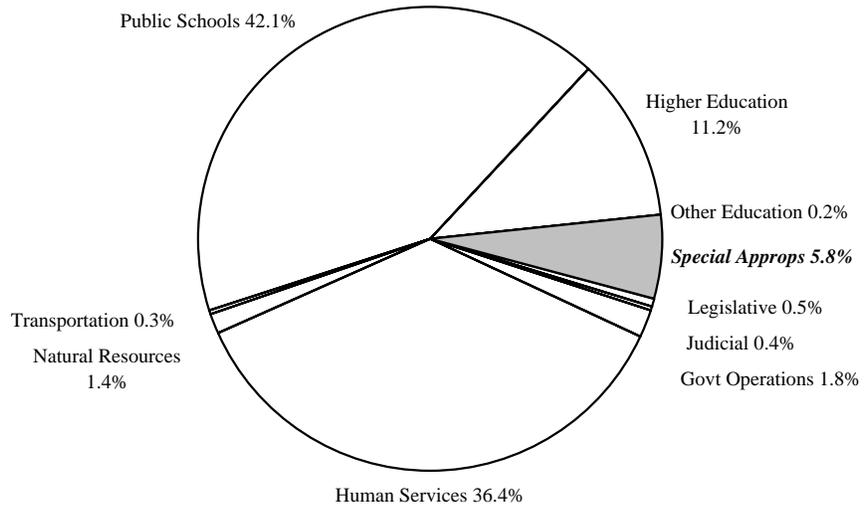
Special Appropriations

2005-07 Washington State Operating Budget

General Fund-State

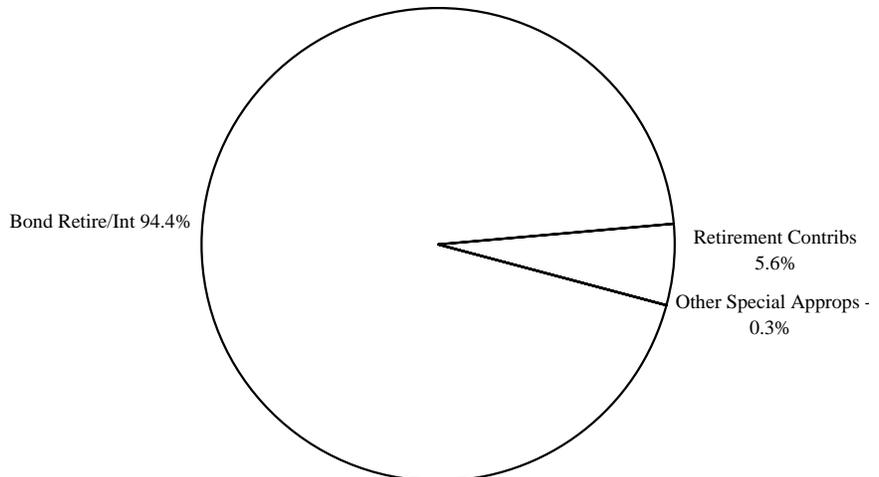
(Dollars in Thousands)

Legislative	140,970
Judicial	95,869
Governmental Operations	460,076
Human Services	9,458,768
Natural Resources	366,902
Transportation	70,464
Public Schools	10,914,763
Higher Education	2,900,607
Other Education	43,974
<i>Special Appropriations</i>	<i>1,500,021</i>
Statewide Total	25,952,414



Washington State

Bond Retire/Int	1,416,608
Retirement Contributions	83,600
Other Special Approps	-187
<i>Special Appropriations</i>	<i>1,500,021</i>



Special Appropriations

Bond Retirement and Interest

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2003-05 Expenditure Authority	1,236,903	202,059	1,438,962
2005 Supplemental *	-1,400	-3,600	-5,000
Total 2003-05 Biennium	1,235,503	198,459	1,433,962
2005-07 Maintenance Level	1,389,422	185,153	1,574,575
Policy Changes			
1. New Debt 2005-07 Capital Budget	27,200	0	27,200
2. General Inflation	-14	-157	-171
Total 2005-07 Biennium	1,416,608	184,996	1,601,604
Fiscal Year 2006 Total	720,389	94,427	814,816
Fiscal Year 2007 Total	696,219	90,569	786,788

Comments:

1. **New Debt 2005-07 Capital Budget** - Funding is provided for debt service and bond sale expenses required for the enacted 2005-07 biennium capital budget.
2. **General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their mission. (General Fund-State, State Building Construction Account-State)

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

* Please see the 2005 Supplemental Operating Budget Section for additional information.

Special Appropriations to the Governor

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	34,986	58,224	93,210
2005 Supplemental *	261,150	0	261,150
Total 2003-05 Biennium	296,136	58,224	354,360
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2005-07 Maintenance Level	18,800	4,000	22,800
Policy Changes			
1. K-20 Telecommunications Network	-3,420	3,000	-420
2. Sex Offender Sentencing Impact	837	0	837
3. Small Agency Info Technology Pool	500	0	500
4. Capitol Building Construction Acct	1,600	0	1,600
5. State Purchasing Strategy	-25,000	0	-25,000
6. Base Realignment and Closure Assist	150	0	150
7. Life Science	150	0	150
8. Mission Critical Staff	4,000	0	4,000
9. Individual Developmt Acct (HB 1408)	1,021	0	1,021
10. Mental Health Task Force (HB 1290)	50	0	50
11. County Public Health Assistance	0	48,000	48,000
12. Extraordinary Criminal Justice Cost	0	70	70
13. Eliminate Double-Filled Positions	-4,000	0	-4,000
14. Emergency Drought Declaration	725	0	725
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Total 2005-07 Biennium	-4,587	55,070	50,483
Fiscal Year 2006 Total	2,395	27,570	29,965
Fiscal Year 2007 Total	-6,982	27,500	20,518

Comments:

1. **K-20 Telecommunications Network** - Funding is provided from Qwest settlement proceeds for the ongoing operational costs and equipment replacement expenses of the K-20 Educational Network for the universities, community and technical colleges, educational service districts, public school districts, and public libraries. (Education Technology Revolving Account-Non-Appropriated)
2. **Sex Offender Sentencing Impact** - In 2004, the Legislature enacted House Bill 2400 (Chapter 176, Laws of 2004), which makes improvements to the Special Sex Offender Sentencing Alternative and imposes a new requirement on counties. Funding is provided to counties to pay for increased jail time and annual hearings after release for special sex offenders. The distribution to counties will be based on a formula provided by the Sentencing Guidelines Commission.
3. **Small Agency Info Technology Pool** - In the 2005-07 biennium, the Small Agency Initiative, a partnership between the Department of Information Services (DIS), Department of General Administration, and the Office of Financial Management (OFM), will continue its work to address the information technology (IT) technical, security, and facility requirements of small agencies. Funds are provided for deposit into the Data Processing Revolving Account for a Small Agency Information Technology Pool to accomplish the following strategies: IT technical/security and facility assessments; critical IT infrastructure equipment acquisition; and resource-sharing of IT infrastructure through co-location with larger agencies or migration to DIS centralized e-mail and server hosting services.
4. **Capitol Building Construction Acct** - Reduced timber sales (as projected in the November 2004 forecast) result in a revenue shortfall to the Capitol Building Construction Account. This is a one-time transfer. Future timber revenues should generate enough funds to meet the debt service for the Legislative Building and Department of Natural Resources Building.
5. **State Purchasing Strategy** - A new Strategic Sourcing Initiative will enable state government to purchase goods and services in a more cost-effective manner. This effort will include an analysis of all aspects of the state purchasing process.
6. **Base Realignment and Closure Assist** - Funding is provided for grants to support projects in Island County, Kitsap County, Pierce County, Snohomish County, and Spokane County when a military base in that county is at risk of being identified for closure on the federal base realignment and closure process. OFM shall establish a process for selecting projects for funding based on criteria used to determine the federal base realignment and closure list as well as recommendations by the Department of Community, Trade, and Economic Development (DCTED) and the Military Department. Final allocation of the grants shall be at the discretion and with the approval of the director of OFM.
7. **Life Science** - The Life Science Discovery Fund Authority is established by Chapter 424, Laws of 2005 (E2SSB 5581) to promote life sciences and related research to be conducted in Washington State. Funding is provided for start-up costs.

Special Appropriations to the Governor

8. **Mission Critical Staff** - Funding is provided for mission-critical staff positions throughout state government that would otherwise be eliminated due to budget reductions in individual agencies. None of these funds may be used, directly or indirectly, to increase employee compensation. The Director of OFM may increase agency allotments to reflect this item. The Governor vetoed this appropriation. See below.
9. **Individual Developmt Acct (HB 1408)** - Funding is provided for the implementation of Chapter 402, Laws of 2005 (SHB 1408 - Individual Development Accounts).
10. **Mental Health Task Force (HB 1290)** - Funds are provided for the task force created in Chapter 503, Laws of 2005, Partial Veto (E2SHB 1290 - Community Mental Health).
11. **County Public Health Assistance** - Assistance is provided to local public health districts to support essential public health services. DCTED will distribute funds to local public health jurisdictions. (Health Services Account-State)
12. **Extraordinary Criminal Justice Cost** - Funding is provided to assist a county experiencing extraordinary costs in a criminal justice case.
13. **Eliminate Double-Filled Positions** - This reduction reflects General Fund-State savings resulting from the elimination of agency exempt employee positions that have been double-filled by two or more employees. The Director of OFM shall reduce agency allotments to reflect the savings. The Governor vetoed this reduction. See below.
14. **Emergency Drought Declaration** - Funds are provided for appropriation to the State Emergency Water Projects Revolving Account.

position in state agencies (section 721). These vetoes, when taken together, did not change the appropriation.

NOTE: Amounts shown here reflect only the omnibus appropriations act. The remainder of the Special Appropriations to the Governor's budget is shown in the Transportation Budget Section of this document.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

Governor's Vetoes:

The Governor vetoed Sections 717, 718, and 721 of Chapter 518, Laws of 2005, Partial Veto, which directed OFM to eliminate agency exempt employee positions that have been double-filled by two or more employees (section 717), allocated replacement funds for critical staffing needs of state agencies (section 718), and required OFM to report to the Legislature on the reduction of 1,000 middle management

Contributions to Retirement Systems

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	54,660	0	54,660
2005-07 Maintenance Level	81,400	0	81,400
Policy Changes			
1. Emergency Medical Technicians	300	0	300
2. Disability Allowance	1,900	0	1,900
Total 2005-07 Biennium	83,600	0	83,600
Fiscal Year 2006 Total	38,750	0	38,750
Fiscal Year 2007 Total	44,850	0	44,850

Comments:

1. **Emergency Medical Technicians** - Funding is provided for the increase in state contributions related to allowing certain emergency medical technicians belonging to the Public Employees' Retirement System Plan 2 to transfer into the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2, pursuant to Chapter 459, Laws of 2005 (SHB 1936). (General Fund-State)

2. **Disability Allowance** - Funding is provided to cover the additional state contributions required for LEOFF Plan 2 as a result of eliminating the actuarial reduction for early retirement applied to the retirement allowance of members disabled as a result of injuries incurred in the line of duty, pursuant to Chapter 451, Laws of 2005 (SSB 5615). (General Fund-State)

Sundry Claims

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2003-05 Expenditure Authority	82	395	477
2005 Supplemental *	155	107	262
Total 2003-05 Biennium	237	502	739
2005-07 Maintenance Level	3	15	18
Policy Changes			
1. General Inflation	-3	-15	-18
Total 2005-07 Biennium	0	0	0
Fiscal Year 2006 Total	0	0	0
Fiscal Year 2007 Total	0	0	0

Comments:

- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their mission.

* Please see the 2005 Supplemental Operating Budget Section for additional information.

State Employee Compensation Adjustments

(Dollars in Thousands)

	GF-S	Other	Total
2003-05 Expenditure Authority	43,464	36,615	80,079
2005 Supplemental *	-381	-337	-718
Total 2003-05 Biennium	43,083	36,278	79,361
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2005-07 Maintenance Level	4,400	-3,900	500
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Total 2005-07 Biennium	4,400	-3,900	500
Fiscal Year 2006 Total	0	0	0
Fiscal Year 2007 Total	4,400	-3,900	500

Comments:

Funding levels for employer contributions to the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) are adjusted consistent with Chapter 370, Laws of 2005 (ESHB 1044 - Pension Funding Methodology).

The following are suspended for the 2005-07 biennium: (1) contributions towards the cost of future gain-sharing benefits in Plans 1 and 3 of PERS, TRS, and SERS; and (2) the cost of amortizing the Unfunded Accrued Actuarial Liabilities (UAAL) in PERS Plan 1 and TRS Plan 1.

The Select Committee on Pension Policy will study gain sharing during FY 2006.

A phased-in schedule of contribution rates is adopted for PERS, TRS, and SERS.

The employee contribution rates in FY 2006 are 2.25 percent of pay for PERS Plan 2, 2.48 percent of pay for TRS Plan 2, and 2.75 percent of pay for SERS Plan 2.

In FY 2007, the employee contribution rates are 3.50 percent of pay for PERS Plan 2, 3.00 percent of pay for TRS Plan 2, and 3.75 percent of pay for SERS Plan 2.

For retirement system plans unaffected by gain sharing and amortization of the UAAL, funding is provided for the contribution rates recommended by the Pension Funding Council and adopted by the Law Enforcement Officers' and Fire Fighters' Plan 2 Board (LEOFF 2 Board).

For the Pension Funding Council, these rates include no resumption of contribution rates for employers and employees in the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 during the 2005-07 biennium, and a 4.51 percent of pay contribution rate for both employers and employees of the Washington State Patrol Retirement System.

The rates adopted by the LEOFF 2 Board incorporate a phased-in schedule of annual contribution rates, including employee contribution rates of 6.75 percent of pay in FY 2006, and 7.55 percent of pay in FY 2007. (General Fund-State, other funds)

NOTE: Amounts shown here reflect only the omnibus appropriations act. The remainder of the State Employee Compensation Adjustments's budget is shown in the Transportation Budget Section of this document.

* Please see the 2005 Supplemental Operating Budget Section for additional information.