

2007-09 Omnibus Budget Overview

Operating Only

(Includes 2007 Supplemental Budget)

In March of 2006, the fiscal outlook suggested a slowing economy and increased spending pressures. In addition to expected caseload growth, health care cost increases, and cost-of-living-adjustment (COLA) increases, the 2007-09 biennial budget also needed to address statutory increases in class size funding and large increases in pension funding obligations.

The 2006 Legislature left an ending balance of \$228 million, and in preparation for the 2007-09 biennial budget, the Legislature chose to set aside an additional \$719 million in specific, separate accounts.

Since the end of the 2006 legislative session, the economy has remained stronger than anticipated, particularly in the construction and real estate sectors. The strength in consumer/business spending has been unprecedented, consistently growing faster than income for four years. 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.

For the 2007-09 biennium, the operating budget appropriates a total of \$33.4 billion from near general fund accounts. The “Near General Fund” includes spending from the following accounts: General Fund-State, Health Services Account-State, Violence Reduction and Drug Enforcement Account-State, Public Safety and Education Account-State, Equal Justice Subaccount-State, Water Quality Account-State, Pension Funding Stabilization Account-State, Education Legacy Trust Account-State, and the Student Achievement Fund-State. New enhancements constitute approximately \$2 billion of this total. About half of the enhancements are directed at education, including early learning, public schools, and higher education.

The amount of \$133 million is provided to increase compensation for child care and preschool educators and to expand access to early childhood education programs. In K-12 education, when the \$470 million of enhancements (before the impact of changes to gain sharing) are coupled with the additional compensation and school reform enhancements, including class size support provided through Initiatives 728 and 732, nearly \$1 billion dollars is provided to improve public schools.

In higher education, \$440 million is provided for additional enrollments, financial aid, employee compensation changes, research, and other activities. More than 9,000 new enrollments are provided, and the eligibility for the state need grant is increased from 65 percent to 70 percent of the state median income.

More than \$155 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 and increased funding for public health programs. The sum of \$27 million is provided to reduce future use of prisons through services to offenders reentering the community and expanded intervention services to juveniles. The rates the state pays vendors providing services to clients are increased. Examples include adult family homes, boarding homes, nursing homes, home care workers, hospitals, chemical dependency treatment providers, and community mental health workers.

The budget also assumed \$105 million in savings, across all agencies including K-12, from Chapter 491, Laws of 2007 (EHB 2391 – Gain Sharing and Alternate Benefits). Pension system contribution rates are adjusted to reflect the net impact of ending gain sharing and providing benefit enhancements, including a one-time increase in the Uniform COLA for Plan 1 members and improved early retirement reduction options for Plan 2 and Plan 3 members with 30 or more years of service. The final distribution of gain sharing under current law will be January 1, 2008.

Savings are also assumed in higher education (non-resident graduate student subsidy), K-12 education (staffed residential homes allocation, federal secure rural schools reauthorization), and human services (increased kinship placements, additional Supplemental Security Income facilitators).

Reserves and the Budget Stabilization Account

At the conclusion of the 2007-09 biennium, total reserves are forecasted to be \$725 million. Of that amount, \$560 million is projected to be in the general fund and \$165 million is projected to be in a newly-created, constitutional Budget Stabilization Account (in the event that Engrossed Substitute Senate Joint Resolution [ESSJR] 8206 is ratified).

ESSJR 8206 would amend the state Constitution to establish a Budget Stabilization Account. This legislation requires 1 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; or (2) the Governor declares an emergency and that immediate action is required to preserve public health, protect life, or protect public property. Moneys may be withdrawn and appropriated at any time with a three-fifths vote of the Legislature. (Note: The Budget Stabilization Account would replace the existing Emergency Reserve Fund, which consists of all general fund revenue in excess of the state expenditure limit under Initiative 601.)

The State Expenditure Limit and the “Near General Fund”

Initiative 601, enacted by the voters in 1993, established an expenditure limit for the state general fund. Under legislation enacted in 2005 and taking effect for 2007-09 and thereafter, the state expenditure limit will apply to the state general fund and five additional “related funds”. The funds subject to the limit are: General Fund-State, Health Services Account-State; Violence Reduction and Drug Enforcement Account-State; Public Safety and Education Account-State (including the Equal Justice Subaccount); Water Quality Account-State; and Student Achievement Fund-State.

Throughout this document, the term “Near General Fund” is used. The amounts shown using this definition capture a broader picture of spending than the General Fund by including the accounts subject to the limit listed above as well as two additional accounts. The additional accounts are the Pension Funding Stabilization Account-State and the Education Legacy Trust Account-State.

The report on the following page shows the budgeted amounts for the 2005-07 and 2007-09 biennia for each of the accounts included in Near General Fund-State.

**Washington State Omnibus Operating Budget
Near General Fund-State Summary Report
Includes Other Legislation**

(Dollars in Thousands)

	FY 2006	FY 2007	2005-07	FY 2008	FY 2009	2007-09
<i>Funds Subject to the Limit</i>						
General Fund-State (GF-S)	13,620,939	14,143,560	27,764,499	14,482,137	15,140,764	29,622,901
Public Safety & Education Account-State (PSEA-S)	78,151	84,922	163,073	87,077	87,806	174,883
Equal Justice Subacct of the PSEA-State (EJA-S)	6,350	6,350	12,700	6,352	6,353	12,705
Water Quality Account-State (WQA-S)	23,131	20,836	43,967	63,599	37,958	101,557
Violence Reduction/Drug Enforcement-State (VRDE-S)	54,158	54,512	108,670	59,616	61,176	120,792
Student Achievement Fund-State (SAF-S)	280,758	349,555	630,313	423,414	446,357	869,771
Health Services Account-State (HSA-S)	588,527	635,933	1,224,460	694,946	760,357	1,455,303
Subject to the Limit Total (LMT-S)	14,652,014	15,295,668	29,947,682	15,817,141	16,540,771	32,357,912
<i>Other Near General Fund-State (NGF-S) Funds</i>						
Education Legacy Trust Account-State (ELT-S)	69,512	105,565	175,077	279,286	279,200	558,486
Pension Funding Stabilization Acct-State (PFSA-S)	0	49,043	49,043	166,294	281,715	448,009
Total NGF-S	14,721,526	15,450,276	30,171,802	16,262,721	17,101,686	33,364,407

Note: Includes only appropriations from the Omnibus Operating Budget enacted through the 2007 legislative session and appropriations contained within other legislation shown on page 17.

2007-09 Estimated Revenues and Expenditures

General Fund-State

(Dollars in Millions)

RESOURCES	
Beginning Balance	788.2
November 2006 Forecast	29,533.3
March 2007 Update	-17.8
Current Revenue Totals	29,515.5
Legislation with Revenue Impacts	-29.1
Transfer to Budget Stabilization Account	-134.3
Budget Driven Revenue (Liquor Control Bd, Dept of Revenue)	9.8
Transfer to/from Other Funds	32.4
Total Resources (including Beginning Balance)	30,182.5
EXPENDITURES	
2007-09 Legislative Passed Budget	29,624.1
Governor Vetoes	-1.2
2007-09 Biennial Appropriations	29,622.9
RESERVES	
Projected General Fund Ending Balance	559.6
Emergency Reserve Fund Beginning Balance	31.4
New Deposits	0.0
Transfer to Budget Stabilization Account	-31.4
Projected Emergency Reserve Fund Ending Balance	0.0
Budget Stabilization Account Beginning Balance	0.0
Transfer from Emergency Reserve Fund	31.4
New Deposits	134.3
Projected Budget Stabilization Account Ending Balance	165.7
Total Reserves (General Fund plus Budget Stabilization)	725.3

2007-09 Washington State Omnibus Operating Budget
Cash Transfers to/from the General Fund
(Dollars in Millions)

	2007-09
Transfers to General Fund-State	
Reduce Water Quality Account Transfer	12.4
Treasurers Service Account	20.0
Total	32.4
 Transfers from General Fund-State	
Total	0.0
 Net Transfers to/from General Fund-State	 32.4

Note: Transfers to the Streamlined Sales and Use Tax Mitigation Account are included in the revenue impact for Chapter 6, Laws of 2007 (SSB 5089 - Streamlined Sales Tax), displayed on the 2007-09 Revenue Legislation page.

2007-09 Washington State Omnibus Operating Budget Adjustments to the Initiative 601 Expenditure Limit

(Dollars in Millions)

	FY 2007	FY 2008	FY 2009
Unadjusted Limit (FY 2007: Adopted by ELC 11/06)	14,131.9	16,183.4	16,966.6
(FY 2008 limit rebased to FY 2007 expenditures, including "related funds.") *			
Adjustments to The Expenditure Limit			
2007 Supplemental -- Program Cost Shifts			
DSHS: Mental Health State Hospital Revenues	-4.3		
DSHS: Mental Health Medicare Part D	-2.5		
DSHS: Medical Assistance CPE Program Update	29.1		
2007-09 Biennial Budget -- Program Cost Shifts			
Human Rts: Replace Lost Federal Funds		0.2	
Vets: Federal and State Fund Shifts		-1.1	-0.4
CTED: Tourism		-0.6	
DSB: Maintain Services		0.1	0.1
DOH: Local Health Assessments		0.1	
DOH: Metabolic Treatment Program		0.1	
DOH: Molecular Lab Federal Revenue Loss		0.1	
DOE: Meeting Federal Air Requirements		0.3	
DOE: Wastewater Treatment Loan Processing		0.3	
DSHS: Economic Svcs Child Support Match		6.2	2.1
DSHS: Mental Health State Hospital Revenues		0.0	-1.4
DSHS: FMAP		-69.4	-22.5
DSHS: Medicare Part D		-14.9	-0.4
DNR: Fire Suppression 10-Year Average		0.4	
2007-09 Biennial Budget -- Legislation Impacting the Limit			
E2SHB 1705 -- Health Sciences and Services		-1.3	
HB 1859 -- Statute Law Committee		0.0	
EHB 2388 -- Public Facilities Districts		-1.5	
SSB 5089 -- Streamlined Sales and Use Tax Agreement			-31.6
E2SSB 5557 -- Public Facilities - Economic Development		-2.1	
SSB 5568 -- City Lodging Taxes			-0.2
Revised Limit (GF-S Only in FY 2007, Plus Related Funds In FY 2008/2009)*	14,154.1	16,100.4	16,912.1

* Notes: Spending and the limit are applicable to the state general fund only. Starting in FY 2008, the expenditure limit is calculated and applied against the total of: General Fund-State, Public Safety & Education Account-State, Equal Justice Subaccount of the PSEA-State, Health Services Account-State, Student Achievement Fund-State, Water Quality Account-State, and the Violence Reduction and Drug Enforcement Account-State.

Adjustments are for display purposes only and are not official until adopted by the state Expenditure Limit Committee (ELC). The limit for FY 2008 is rebased to FY 2007 projected actual spending. The limit for FY 2009 is calculated using the FY 2008 limit. Fiscal Growth factors for FY 2008 (5.53%) and FY 2009 (5.38%) are from the November 2006 ELC meeting. In November 2007, the ELC will also revise the fiscal growth factor for FY 2009.

2007-09 Washington State Operating Budget
Appropriations Contained Within Other Legislation
(Dollars in Thousands)

Bill Number and Subject	Session Law	Agency	GF-S	Total
2007 Legislative Session				
SHB 1279 - Poet Laureate Program	C 128 L 07	Special Approps to the Governor	30	30
E2SSB 5659 - Family Leave Insurance Pgm	C 357 L 07	Department of Labor & Industries	0	18,000
ESSB 6157 - Offender Reentry	C 483 L 07	Department of Corrections	2,600	2,600
Total			2,630	20,630

Information Technology Pool

While some information technology projects are directly funded in agency budgets, many other information technology projects are found in the Information Technology Pool rather than in each individual agency. The pool provides up to \$83 million in expenditure authority for up to 70 projects. The operating budget bill contains provisions related to information technology in sections 902 (information systems projects), 903 (information technology enterprise services), 904 (video telecommunication), 962 (interim workgroup) and 1621 (information technology pool funding).

The following pages specify the maximum amount authorized for each individual project funded through the pool (LEAP Document IT-2007) and the total amounts, by fund, that may be transferred into the pool (LEAP Document ITA-2007).

2007-09 Washington State Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts By Project
LEAP Document IT-2007
(Dollars in Thousands)

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

Notes: The appropriation is sufficient to support 90 percent of the projects funded from the near general fund accounts.
For a definition of Near General Fund-State, please see page 12.

2007-09 Washington State Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts By Project
LEAP Document IT-2007
(Dollars in Thousands)

	Maximum Authorized		Total
	FTEs	Near GF-S	
<i>Hispanic Affairs</i>			
18. Website and Database Enhancements	0.0	52	52
<i>African-American Affairs</i>			
19. Website and Database Enhancements	0.0	52	52
<i>Retirement Systems</i>			
20. Computer Infrastructure Upgrade	0.0	0	649
<i>Tax Appeals Board</i>			
21. Database/Website Upgrade	0.0	127	127
<i>Municipal Research Council</i>			
22. Website Search Engine	0.0	0	76
<i>Department of General Administration</i>			
23. Facilities Control Systems	1.0	0	542
<i>Department of Information Services</i>			
24. Expand Justice Information Network	1.0	2,954	2,954
<i>Office of the Insurance Commissioner</i>			
25. Expand e-Commerce Opportunities	2.0	0	1,766
<i>State Board of Accountancy</i>			
26. Enhancement Database Structure	0.0	0	60
<i>Liquor Control Board</i>			
27. Data Warehouse System	1.0	0	1,468
28. Increase IT Service Support	8.0	0	1,277
29. IT Weekend Coverage for Stores	0.6	0	86
Total	9.6	0	2,831
<i>Utilities & Transportation Commission</i>			
30. Office Systems Migration	0.0	0	850
<i>Board of Volunteer Firefighters</i>			
31. Replace Legacy Database System	0.0	0	257
<i>Military Department</i>			
32. Emergency Alert System Upgrades	0.0	276	276
33. Tsunami/Earthquake Program Support	1.0	168	168
Total	1.0	444	444

Notes: The appropriation is sufficient to support 90 percent of the projects funded from the near general fund accounts.
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2007-09 Washington State Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts By Project
LEAP Document IT-2007
(Dollars in Thousands)

	Maximum Authorized		Total
	FTEs	Near GF-S	
<i>Archaeology & Historic Preservation</i>			
34. Information Technology Support	0.0	250	250
35. Maintain Grant-Funded GIS System	0.0	120	120
Total	0.0	370	370
Other Human Services			
<i>Health Care Authority</i>			
36. Basic Health Program Data Warehouse	1.0	772	866
37. Health Information Tech Grants	0.0	1,000	1,000
38. Health Record Banks Pilot Project	0.0	3,200	3,400
Total	1.0	4,972	5,266
<i>Criminal Justice Training Commission</i>			
39. Incident-Based Reporting	0.0	130	130
<i>Department of Labor & Industries</i>			
40. Additional Fraud Audits & IT	6.6	0	3,579
41. Claim & Acct Ctr (ORCA)-IT Upgrade	7.7	0	3,970
42. Contractor & Electrical Data System	4.2	587	2,347
43. Express File Enhancements	2.3	0	2,104
44. Phased Replacement of Legacy System	6.6	0	5,160
45. Upgrade Apprentice Tracking System	0.0	0	337
46. Using Web Portal Technology	0.0	14	876
Total	27.4	601	18,373
<i>Department of Health</i>			
47. Health Prof Licensing Sys (ILRS)	8.1	0	2,286
<i>Department of Veterans' Affairs</i>			
48. Mitigate IT Operational Risks	0.0	233	233
<i>Department of Corrections</i>			
49. Accessibility to Offender Data	0.0	3,853	3,853
50. Software Sustainability	0.0	2,603	2,603
Total	0.0	6,456	6,456
DSHS			
<i>Administration & Supporting Services</i>			
51. Payroll System-Individual Providers	0.0	159	250

Notes: The appropriation is sufficient to support 90 percent of the projects funded from the near general fund accounts.
For a definition of Near General Fund-State, please see page 12.

2007-09 Washington State Omnibus Operating Budget
Information Technology Pool Projects
Maximum Amounts By Project
LEAP Document IT-2007
(Dollars in Thousands)

	Maximum Authorized		Total
	FTEs	Near GF-S	
Natural Resources			
<i>Department of Ecology</i>			
52. Grants, Contracts, & Loan Mgmt Sys	0.0	892	2,746
53. Water Rights Database Enhancement	2.0	0	300
54. Well Construction & License System	1.0	0	650
Total	3.0	892	3,696
<i>State Parks & Recreation Commission</i>			
55. Computer Leasing Program	1.0	446	446
56. Replace Critical IT Equipment	0.0	340	340
Total	1.0	786	786
<i>Conservation Commission</i>			
57. Watershed Data Pilot Project	0.0	500	500
<i>Department of Fish & Wildlife</i>			
58. WDFW Enterprise IT Conversion	0.0	1,387	1,387
59. WDFW Network Renewal	0.0	302	302
Total	0.0	1,689	1,689
<i>Department of Natural Resources</i>			
60. Data Storage System Expansion	0.0	0	66
61. Payroll Systems Replacement Study	2.3	128	379
62. Region Telephone Systems	0.0	112	334
Total	2.3	240	779
Transportation			
<i>State Patrol</i>			
63. ACCESS Network Support	3.5	655	655
64. Business Continuity	0.3	795	795
65. Communications Antenna & Feed Line	0.0	79	79
66. Death Investigation System	0.8	0	535
67. Electronic Traffic Info Processing	0.0	13	13
68. Statewide Interoperability	6.0	3,000	5,100
69. Technology Staffing and Tools	2.0	814	814
Total	12.6	5,356	7,991
Other Education			
<i>Eastern Washington State Historical Society</i>			
70. Digital Access to Collections	0.8	93	98
Statewide Total	95.2	29,114	83,270

Notes: The appropriation is sufficient to support 90 percent of the projects funded from the near general fund accounts.
For a definition of Near General Fund-State, please see page 12.

2007-09 Washington State Omnibus Operating Budget
Information Technology Pool
Maximum Transfers by Fund
LEAP Document ITA-2007
(Dollars in Thousands)

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