

# 2008 Supplemental Omnibus Budget Overview

## Operating Only

The enacted budget appropriates an additional \$215 million General Fund-State (GF-S) in the 2008 supplemental budget, leaving a total of \$850 million in reserve, of which \$405 million is in the ending fund balance and \$446 million is in the new Budget Stabilization Account (BSA).

### **Budget Context**

In April 2007, the Legislature enacted the 2007-09 biennial operating budget with a projected GF-S ending fund balance of \$560 million and BSA ending balance of \$165 million, for a total of \$725 million in reserve in these two accounts. (The Legislature assumed the BSA would be approved by the voters in November 2007, which it was.)

The revenue forecast increased in June and September of 2007 before declining in November 2007 and February 2008. The cumulative effect of the forecast updates was to increase reserves to \$970 million, with \$524 million in the GF-S ending balance and \$446 million in the BSA ending balance.

By February 2008, the costs of maintaining current programs and services, in the near general fund, had increased by \$189 million from the levels estimated in April 2007.

When the Governor released her budget proposal in December, the Governor used the caseload and revenue forecasts from November 2007. As is traditionally done, the Legislature based their budget proposal on caseload and revenue forecasts updated the following February. From the November to the February forecasts, projected revenue declined by \$423 million, while the projected cost of maintaining current service levels increased by \$75 million.

### **Expenditure Changes**

Before a partial veto, the total “Near” General Fund-State (NGF-S) appropriation level in the 2008 supplemental totaled \$306 million, including \$189 million of maintenance level increases and the following policy level changes:

- \$50 million of K-12 increases (including the Special Education Medicaid change);
- \$27 million of increases for long-term care, developmental disabilities, and mental health;
- \$10 million for higher education;
- \$30 million for corrections and criminal justice;
- \$16 million for housing;
- \$27 million of lawsuit costs;
- \$72 million of other spending; and
- Savings of \$115 million from the Public Employees Benefits Board rate reductions.

The Governor, through a series of partial vetoes, reduced the Supplemental Budget NGF-S change from \$306 million (\$230 million of that in the state general fund) to \$291 million (\$215 million of that in the state general fund).

### **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 applies 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 2007-09 biennium and how those amounts were modified by the 2008 supplemental budget.

### **Fee Authorization**

Pursuant to Initiative 960, increases were authorized, subject to designated limits, for specified fees in the Department of Labor and Industries, Department of Health, Department of Ecology, Department of Agriculture, and Department of Licensing.

Authority is affirmed for both four-year and two-year colleges and universities to increase 2008-09 resident undergraduate tuition rates over tuition rates charged to resident undergraduates for the 2007-08 academic year based at the same levels authorized in the 2007-09 omnibus appropriations act (University of Washington and Washington State University – up to 7 percent; Central Washington University, Eastern Washington University, The Evergreen State College, and Western Washington University – up to 5 percent; and the Community and Technical Colleges – up to 2 percent). In addition, institutions are provided authority to increase tuition for graduate, professional, and non-resident undergraduate students as well as to increase other specified fees such as student services and activities fees.

### **Other Resource Changes**

The budget also transferred a net of \$101 million from various dedicated accounts into the state general fund, and assumed \$1 million in net budget driven revenue.

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

(Dollars in Thousands)

	<b>2007-09 Biennium</b>		
	<b>Base</b>	<b>Supp</b>	<b>Revised</b>
<b><i>Funds Subject to the Limit</i></b>			
General Fund-State (GF-S)	29,622,901	215,303	29,838,204
Public Safety & Education Account-State (PSEA-S)	174,883	14,620	189,503
Equal Justice Subacct of the PSEA-State (EJA-S)	12,705	0	12,705
Water Quality Account-State (WQA-S)	101,557	-6,239	95,318
Violence Reduction/Drug Enforcement-State (VRDE-S)	120,792	-3,694	117,098
Student Achievement Fund-State (SAF-S)	869,771	-1,432	868,339
Health Services Account (HSA-S)	1,455,303	76,803	1,532,106
<b>Subject to the Limit Total (LMT-S)</b>	<b>32,357,912</b>	<b>295,361</b>	<b>32,653,273</b>
<b><i>Other Near General Fund-State Funds</i></b>			
Education Legacy Trust Account-State (ELT-S)	558,486	-4,549	553,937
Pension Funding Stabilization Acct-State (PFSA-S)	448,009	0	448,009
<b>Total Near General Fund-State (NGF-S)</b>	<b>33,364,407</b>	<b>290,812</b>	<b>33,655,219</b>

*Note: Includes only appropriations from the Omnibus Operating Budget enacted through the 2008 legislative session and appropriations contained within other legislation shown on page 17.*

## 2007-09 Estimated Revenues and Expenditures

### General Fund-State

(Dollars in Millions)

<b>RESOURCES</b>	
<b>Beginning Fund Balance</b>	780.5
November 2007 Forecast	29,886.4
February 2008 Update	-423.4
<b>Total Revenue</b>	29,462.9
Legislation with Revenue Impacts	-6.3
Transfer to Budget Stabilization Account	-136.1
Budget Driven Revenue	1.3
Transfers to/from Other Funds (2007)	39.8
Transfers to/from Other Funds (2008)	101.0
<b>Total Revenues and Resources</b>	30,243.2
<b>EXPENDITURES</b>	
2007-09 Enacted Budget	29,622.9
2008 Supplemental Budget	230.4
Effect of Governor's Partial Veto	-15.1
<b>2007-09 Appropriations</b>	29,838.2
<b>RESERVES</b>	
<b>Projected General Fund Ending Balance</b>	<b>404.9</b>
Emergency Reserve Fund (ERF) Beginning Balance	293.3
New Deposits	0.0
Interest	9.1
Transfer To Budget Stabilization Account	-302.4
<b>Projected Emergency Reserve Fund Ending Balance</b>	<b>0.0</b>
Budget Stabilization Account Beginning Balance	0.0
Transfer To Budget Stabilization Account (From ERF)	302.4
Interest	7.1
New Deposits	136.1
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>445.7</b>
<b>Total Reserves (General Fund plus Budget Stabilization)</b>	<b>850.6</b>

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

	<b>2007-09</b>
<b>Transfers to General Fund-State</b>	
Education Legacy Trust Account	67.0
Treasurers Service Account	11.0
Pension Funding Stabilization Account	10.0
Economic Development Strategic Reserve	4.0
Dept of Retirement Systems Expense Account	5.0
Public Safety & Education Account	6.0
Convention & Trade Center Capital Account	52.0
Convention & Trade Center Operating Account	5.0
<b>Total</b>	<b>160.0</b>
 <b>Transfers from General Fund-State</b>	
Columbia River Water Delivery Account *	-6.0
Health Services Account	-53.0
<b>Total</b>	<b>-59.0</b>
 <b>Net Transfers to/from General Fund-State</b>	 <b>101.0</b>

\* Note: Transfer made in Chapter 82, Laws of 2008 (E2SSB 6874).

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

(Dollars in Millions)

	<u>FY 2008</u>	<u>FY 2009</u>
<b>Unadjusted Limit (FY 2008: Adopted by ELC 11/2007)</b>	<b>16,002.1</b>	<b>16,850.1</b>
(FY 2009 limit rebased to FY 2008 expenditures)		
<b>Adjustments to the Expenditure Limit</b>		
<b>2007-09 Program Costs Shifts</b>		
FY 2009 Changes Adopted by the ELC		-54.4
<b>2008 Supplemental -- Program Cost Shifts</b>		
State Patrol: Fingerprint ID Account/Criminal Records		-3.0
State Patrol: Cost Allocation Adjustment	-1.5	
Admin Office of Courts: Judicial Information Fund - Adjustment	-1.5	
Dept Comm, Trade, & Econ Dev: Administrative Contingency Transfer	-0.9	
Comm & Tech College System: Job Skills Fund Source Change		-3.0
DSHS Children & Family Svcs: Targeted Case Management	4.6	9.3
DSHS Children & Family Svcs: Mandatory Caseloads	-4.4	1.0
DSHS Children Family Svcs: Foster Care Passport to College		0.1
DSHS: Reduced Federal Financial Participation	2.1	0.2
DSHS Mental Health: State Hospital Revenues	-4.8	-0.2
DSHS Economic Services: Federal Food Stamp Program-Bonus	-2.9	2.9
DSHS Medical Assistance: Medicare Part D Clawback/FMAP		1.3
DSHS Medical Assistance: Medicare Part D Clawback Adjustment	-3.1	-3.1
DSHS Medical Assistance: Hospital Hold Harmless Adjustment	-8.7	14.8
DSHS Vocational Rehab: Technical Adjustment/Compensation	-1.1	-0.5
DSHS Admin: Fund Source Adjustment	-0.4	0.0
DSHS: FMAP Changes		27.6
Dept of Health: Early Hearing Loss Program (Fed Loss)		0.3
Dept of Health: Local Funding Adjustments	-0.1	-1.3
Dept of Health: Core Public Health Functions	0.1	0.3
Dept of Health: Title XIX Changes	0.4	0.4
Veterans' Affairs: Federal and Local Fund Adjustments	-0.5	-1.3
Conservation Commission: Move Livestock Projects to Capital	-2.0	
Dept Fish & Wildlife: HPA Backfill Technical Correction	-0.6	0.6
Puget Sound Partnership: Low Impact Development Fund Shift	-0.3	
<b>2008 Supplemental Budget -- Legislation Impacting the Limit</b>		
SSB 6297 -- Prosecutor Salaries		-0.9
E2SSB 6874 -- Columbia River Water		-6.0
<b>Revised Limit</b>	<b>15,976.5</b>	<b>16,835.1</b>

*Notes: Adjustments are for display purposes only and are not official until adopted by the State Expenditure Limit Committee (ELC).  
The limit for FY 2009 is rebased to FY 2008 projected actual spending (FY 2008 appropriations are used as the proxy).  
Fiscal Growth factors for FY 2008 (5.53 percent) and FY 2009 (5.57 percent) are as adopted at the November 2007 ELC meeting.*

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

Bill Number and Subject	Session Law	Agency	GF-S	Total
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**OPERATING APPROPRIATIONS**

**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
<b>Total</b>			<b>2,630</b>	<b>20,630</b>

**2008 Legislative Session**

2SHB 1273 - Financial Fraud & ID Theft	C 290 L 08	Dept Community, Trade, & Econ Dev	0	488
SB 6272 - Financial Literacy	C 3 L 08	Department of Financial Institutions	1,500	1,500
SB 6335 - Homeless Families Services	C 2 L 08	Special Approps to the Governor	6,000	6,000
<b>Total</b>			<b>7,500</b>	<b>7,988</b>

**CAPITAL APPROPRIATIONS**

**2008 Legislative Session**

HB 3375 - Flood Relief--Funding	C 180 L 08	Office of Financial Management	0	50,000
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