

**PROPOSED SENATE
2008 SUPPLEMENTAL
OPERATING &
CAPITAL BUDGET
HIGHLIGHTS**

SENATE CHAIR

**SENATE WAYS & MEANS COMMITTEE
FEBRUARY 26, 2008**

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
STATE FISCAL SITUATION	1
BALANCE SHEET.....	2
FUND TRANSFERS.....	3
REVENUE ADJUSTMENTS	4
SPENDING LIMIT ADJUSTMENTS.....	5
FUNCTIONAL AREAS OF GOVERNMENT	6
K-12 EDUCATION	6
LONG-TERM CARE, DEVELOPMENTAL DISABILITIES & MENTAL HEALTH.....	10
OTHER HUMAN SERVICES.....	15
HEALTH CARE.....	18
HIGHER EDUCATION & ECONOMIC DEVELOPMENT	21
CRIMINAL JUSTICE & PUBLIC SAFETY	23
JUDICIAL AGENCIES.....	25
NATURAL RESOURCES.....	25
HOUSING & COMMUNITY SERVICES	28
COMPENSATION	30
REVENUE ADJUSTMENTS	31
CAPITAL BUDGET.....	36
SUMMARY OF SPENDING.....	Appendix A

STATE FISCAL SITUATION

OVERVIEW

The Senate budget appropriates an additional \$239 million in the 2008 supplemental, leaving a total of \$755 million in reserve, of which \$309 million is in the ending fund balance and \$446 million is in the new Budget Stabilization Account.

At the close of the 2007 legislative session, a total of \$725 million was left in reserve. Since then, the General Fund revenue forecasts have increased by \$209 million. As a result of these additional revenues, and the appropriations made in this supplemental budget, the overall level of reserves has increased by \$30 million, bringing the new total to \$755 million.

The Near General Fund appropriations in the 2008 supplemental total \$319 million. This includes:

- \$65 million of K-12 increases;
- \$18.7 million of increased community mental health funding;
- \$27 million of lawsuit costs;
- \$31 million for long-term care and developmental disabilities services; and
- \$189 million of maintenance level increases.

The largest savings in this supplemental budget is the \$115 million PEBB rate reduction.

BALANCE SHEET

2007-09 Balance Sheet

(Dollars in Millions)

RESOURCES

Beginning GF Balance	\$780.5
November 2007 Forecast	29,886.4
February 2008 Update	(423.4)
Resource Changes	39.8
Automatic Transfer to BSA	(136.1)
Net Fund Transfers	29.0
Proposed Revenue Changes	(5.4)
Total Resources	\$30,170.7

APPROPRIATIONS

2007-09 Budget	29,622.9
2008 Supplemental	238.8
Total Appropriations	\$29,861.7

RESERVES

Ending GF Balance	\$309.1
Budget Stabilization Account Balance	445.7
TOTAL RESERVES	\$754.8

FUND TRANSFERS

2008 Fund Transfers

Dollars in Millions

Transfers To GFS

Education Legacy Trust Account	35.0
Treasurers Service Account	11.0
Pension Funding Stabilization Account	10.0
Economic Development Strategic Reserve	4.0
Boating Activities Account*	1.0
Convention & Trade Center	27.0
Total	\$88.0

Transfers out of GFS

Health Services Account	(53.0)
Columbia River Water	-6.0
Total	(\$59.0)

Net Transfers **\$29.0**

* Special appropriation to the General Fund

REVENUE ADJUSTMENTS

Note: The bills outlined in this section are separate pieces of legislation and require action independent of the budget.

Revenue Changes

(Dollars in Thousands)

Title	Description	07-09
6828	Aerospace industry tax	(1,744)
6844	Grocery distribution co-ops	(1,100)
6323	Business tax incentives	(1,019)
6297	Prosecutor Salaries	(923)
6224	Vendor overpayments	(260)
6218	Historic vessels	(102)
6316	Gambling revolving fund	(84)
6468	Honey beekeeper taxation	(74)
5780	Manufactured/mobile home	(7)
6375	Trail grooming services tax	(6)
5256	Veterans/property tax relief	-
6196	Local infrastructure finance	-
6216	Cigarette tax contract	-
2542	Cigarette taxes	-
6389	Military housing	-
2650	Cigarette tax agreement	-
6423	Motion picture program	-
6638	Heritage and arts programs	-
6641	Property tax levy limits	-
6663	Tax program administration	-
6806	Anaerobic digester	-
6851	Inheritance/tax exemption	-
6905	National disaster counties	-
6912	Property tax relief	-
6949	Low Income Property Tax Def	-
6626	Community empowerment zones	-
6809	Earned income tax credit	-
6866	Polysilicon	-
6799	Florists' personal property	147
	Total GF Revenue bills	(\$5,172)
 Non GF Revenue Changes		
6931	Patrol funding	9,894
 Budget Driven Revenue		
	One Time County Payments	(422)
	Liquor Control Board	240
	Total Budget Driven Revenue	(\$182)

SPENDING LIMIT ADJUSTMENTS

State Expenditure Limit (Fiscal Years 2008 and 2009) (Dollars in Millions)

	<u>FY 08</u>	<u>FY 09</u>
Unadjusted Limit (FY08: Adopted by ELC 11/07) (FY 09 limit rebased to FY08 expenditures)	16,002.1	16,860.6
Adjustments to The Expenditure Limit		
2007-09 Program Costs Shifts		
FY 09 Changes Adopted by the ELC		(54.4)
2008 Supplemental -- Program Cost Shifts		
Veterans Affairs: Federal and Local funding adjustments	(0.5)	(1.3)
DSHS:Voc Rehab: Fund Shift	(1.1)	(0.5)
Dept. of Health: Early Hearing Loss program, loss of federal funding	-	0.3
Dept of Health: Local Funding Adjustments	(0.1)	(1.3)
Dept of Health: Core Public Health Functions	0.1	0.3
Federal Cuts to Title XIX	-	0.5
DSHS: MAA Hospital Hold Harmless Adjustment	(8.7)	14.8
Conservation Commission: Water Quality Account: Livestock Projects to Capital	(2.0)	-
Puget Sound Partnership: Water Quality Account: Low-Impact Development Fund	(0.3)	-
Dept of L&I: Shift license fees for explosives from GF to Med. Aid	-	(0.0)
DSHS-Children's Mandatory Caseload: Increase in federal earnings	(4.4)	1.0
DSHS Economic Services: Food Stamp Program-Bonus federal receipt	(2.9)	2.9
DSHS: Children's TCM Service Definition Change	3.5	9.3
DSHS: Children's TCM Service Definition Change Addition Month	1.2	-
DSHS: Administration Fund Source Adjustment	(0.4)	(0.0)
Foster Care Passport to College	-	0.1
Judicial Information Fund Adj	(1.5)	1.5
WSP- Criminal Records activities shifted to Fingerprint ID Account	-	(3.0)
WSP- Cost Allocation	(1.5)	-
Administrative Contingency Transfer	(0.9)	-
DSHS Mental Health: Utter Decision request legislation	-	-
DSHS: Mental Health: Hospital Revenue	(4.8)	(0.2)
Job Skills Fund Source Change	-	(3.0)
DSHS: Reduced federal participation for medical professionals from 75% to 50%	2.1	0.2
DSHS FMAP	-	27.6
DSHS: MAA Medicare Part D Clawback Adjustment	(3.1)	(3.1)
2008 Supplemental Budget -- Legislation Impacting The Limit		
SB 6874: Columbia River Water Delivery		(6.0)
SSB 5691: Defining the near general fund		292.6
Revised Limit (adding Education Legacy in FY 09)*	15,976.7	17,138.9
Expenditures Subject To The Limit	15,971.0	16,987.2
Remaining Capacity Under The Expenditure Limit	6	152

FUNCTIONAL AREAS OF GOVERNMENT

K-12 EDUCATION

COMPENSATION (MAINTENANCE LEVEL)

INITIATIVE 732 INCREASE - \$39.1 MILLION GENERAL FUND-STATE

The Seattle Consumer Price Index (CPI) used to calculate the 2008-09 school year salary increase required by Initiative 732 is higher than originally expected. Funding is provided to cover the increased costs associated with an increase from the 2.8 percent assumed in the original 2007-09 budget to the current projection of 3.9 percent.

POLICY CHANGES

STUDENT LEARNING OPPORTUNITIES - \$26.9 MILLION GENERAL FUND-STATE

Funding is provided for the implementation of Engrossed Substitute Senate Bill 6673 (student learning opportunities) which has provisions aimed at providing additional support and assistance for students not on track to meet the state or local high school graduation requirements, meet standard on the WASL, and/or are English language learners. While there are several components to the legislation, the largest funding aspect is more than a 30 percent increase in Learning Assistance Program (LAP) funding. It is intended that the enhanced LAP funding will allow school districts to provide additional extended learning opportunities to struggling students.

CLASSIFIED STAFFING RATIO ENHANCEMENT - \$12.5 MILLION GENERAL FUND-STATE

After the enhancement in the original 2007-09 budget, the current general apportionment formula allocates one classified staff for every 59 students. Beginning in the 2008-09 school year, additional funding is provided to lower the classified staff ratio to 1 per 58 students.

SPECIAL EDUCATION MEDICAID ENHANCEMENT - \$11.4 MILLION GENERAL FUND-STATE; \$9.8 MILLION HEALTH SERVICES ACCOUNT-STATE

Beginning with the 2007-08 school year, federal regulations have changed the method by which school districts are reimbursed for school-based Medicaid eligible services. The Department of Social Health Services will now reimburse school districts directly and state funding is provided to match federal funds. The net effect will be an anticipated \$21.2 million increase in the amount school districts will receive through the state and federal Medicaid program.

SCHOOL LIBRARIAN ALLOCATION - \$11.7 MILLION GENERAL FUND-STATE

Funding is provided for an allocation of \$12 per student to maintain and improve library materials, collections, and services. It is intended that this funding will be used to augment current funding for library programs.

CAREER AND TECHNICAL EDUCATION - \$3.0 MILLION GENERAL FUND-STATE

Funding is provided for the implementation of Second Substitute Senate Bill 6377 (career and technical education). Of this amount, \$2.7 million is provided for grants and allocations to school districts and skills centers to support additional high demand career

FUNCTIONAL AREAS OF GOVERNMENT

and technical education programs, summer school programs, and other related activities. A maximum of \$300,000 is provided for administrative costs, including the establishment of a career and technical education awareness campaign.

LEVY EQUALIZATION (PER PUPIL INFLATOR) - \$1.8 MILLION GENERAL FUND-STATE

The per pupil inflator is a factor used in the calculation of the amounts that can be collected through local school district levies and it impacts state levy equalization payments. Based on various increases included in the budget, the per pupil inflator is expected to increase to 6 percent in the 2008-09 school year. Funding is provided for the increased state levy equalization costs resulting from this change.

MISCELLANEOUS INCREASES AND SENATE LEGISLATION - \$4.8 MILLION GENERAL FUND-STATE

Funding is provided for a variety of other increases, including: (1) additional funding to continue improvements to the OSPI apportionment system; (2) Substitute Senate Bill 5714 (world language) establishing two pilot programs; (3) a school district grant program to implement Substitute Senate Bill 6438 (local farms and healthy kids); (4) grants at five skills centers to implement Integrated Basic Education and Skills Training programs (IBEST); (5) the task force created in Substitute Senate Bill 6466 (world languages); (6) legislation dealing with improving services to students with autism; and (7) an evaluation of math and science teacher supply and demand issues.

INDIGENOUS LEARNING PILOT ELIMINATION - \$1.0 MILLION GENERAL FUND-STATE SAVINGS

In the original 2007-09 budget, funding was provided for OSPI to contract with a company to develop and implement a pilot program for providing indigenous learning curriculum. Since OSPI was unsuccessful in selecting an appropriate contractor for the pilot, funding is eliminated for the program.

WASL ITEMS

ASSESSMENT CONTRACT RENEWAL - \$25.4 MILLION GENERAL FUND-STATE

In the maintenance level budget, funding is provided for a significant increase in contracted costs related to administering Washington's Assessment of Student Learning (WASL).

SAVINGS FROM WASL CHANGES - \$15.9 MILLION GENERAL FUND-STATE SAVINGS

Savings are achieved by: (1) redesigning the Washington Assessment of Student Learning (WASL) in reading, mathematics, and science by shortening test administration; (2) reducing the number of open-ended response items; (3) potentially decreasing the number of items utilized in the assessment, particularly in grades tested as a result of the federal No Child Left Behind Act; and (4) other efficiencies in the WASL contractor procurement process. As these changes are instituted, it is assumed that funding provided in the original 2007-09 budget will allow school districts to implement diagnostic assessments and progress monitoring that will give more immediate and targeted information to teachers during the school year. As a result, it is assumed that this will

FUNCTIONAL AREAS OF GOVERNMENT

improve the assessment system while maintaining the reliability and validity of the WASL.

WASL LEGISLATIVE WORKGROUP - \$150,000 GENERAL FUND-STATE

As the changes described previously are taking place, funding is provided for the establishment of a legislative workgroup on the Washington Assessment of Student Learning (WASL) to review and evaluate the state's assessment system. Additionally, funding is provided for contracting with independent technical experts to advise the WASL workgroup on best practices in other states and potential options for improving the assessment system. It is anticipated that the workgroup will complete its review by January 1, 2009.

TRANSLATED AND ACCOMMODATED WASL - \$1.7 MILLION GENERAL FUND-STATE

Funding is provided to translate the Washington Assessment of Student Learning (WASL) for math and science in six languages other than English. In addition, funding is provided for enhanced accommodations for students in special education, such as improved Braille forms of the tests and read aloud CDs for dyslexic students.

FUNCTIONAL AREAS OF GOVERNMENT

Senate 2008 Supplemental Budget for K-12 Public Schools	
<i>Near General Fund in Thousands</i>	
	<u>Amount</u>
2007-09 Original Appropriations	\$13,524,072
Caseload and Other Adjustments	\$18,700
Initiative 732 COLA (increased from 2.8% to 3.9%)	\$39,109
<u>Policy Changes</u>	
Student Learning Opportunities	\$26,932
Classified Staff Ratio	12,509
School Librarian Allocation	11,700
Career and Technical Education	3,000
Increased Levy Equalization (Per Pupil Inflatior)	1,895
Apportionment and Financial Systems	1,800
Education Litigation	867
Local Farms & Healthy Kids	600
World Language Pilot Program	500
Integrate ELL and Skills Training	250
Improve Educator Training Phase II	214
Math Standards Review	150
Math Teacher Supply/Demand Study	142
World Language Task Force	114
Anaphylactic Policy	45
Model Autism Guidelines	44
Use of Physical Force	40
Indigenous Learning Pilot Program	<u>-1,000</u>
Policy Changes	\$59,802
<u>WASL Items</u>	
Assessment Contract Renewal	\$25,425
Translated & Accommodated WASL	1,682
WASL Workgroup	150
Transfer WASL Funding to OFM	*
WASL Changes	<u>-15,885</u>
WASL Items	\$11,372
Special Education Enhancement (DSHS- Medical Assistance)	\$21,219
Total Changes	\$150,202
Total 2007-09 Revised Budget	\$13,674,274
<i>Percentage Change from Original Budget</i>	<i>1.1%</i>

* The Senate budget transfers \$11.4 million of increased costs associated with the WASL from OSPI to OFM. It is assumed that OFM will develop an interagency agreement with OSPI for the expenditure of these funds based on compliance with certain requirements.

LONG-TERM CARE, DEVELOPMENTAL DISABILITIES & MENTAL HEALTH

NURSING HOMES

NURSING HOME MEDICAID PAYMENT SYSTEM LEGISLATION

Funding is provided to implement Substitute Senate Bill 6567 (nursing facility payment), which addresses the future and present needs of the nursing home payment system. The current system is overly complex and difficult to understand. It is the state's only Medicaid payment system with its details in statute, and in the last 28 sessions it has been amended 20 times. During the 2008 Interim, the Jt. Legislative Task Force on Long-Term Care Residential Facility Payment Systems, created by the 2007-09 budget, met and made recommendations to improve and simplify the system. Substitute Senate Bill 6567 utilizes the recommendations of the Task Force as a starting point, but makes a number of changes to accommodate stakeholder concerns and address the system's current needs. The legislation:

- Extends the current Legislative Task Force.
- Creates a stakeholder workgroup led by the Office of Financial Management to propose a new nursing facility payment system for implementation by Fiscal Year 2011. The recommendation will be presented to the Task Force by September, 2009. (Stakeholder participation is stronger than that recommended by the Task Force and allows for additional time to develop the proposal.)
- Sunsets the current statute at the end of Fiscal Year 2010 (a year later than recommended by the Task Force).
- Improves the current nursing facility payment system by removing occupancy penalties in rate components that affect patient care, such as support services and therapy care in Fiscal Year 2009 (beginning a year earlier than the Task Force recommended).
- Makes curative, remedial, retroactive changes to the nursing home statute to provide clarification on how the statute should be applied.

EXISTING NURSING HOME FUNDING FROM THE 2007-09 ENACTED BUDGET - \$8.8 MILLION GENERAL FUND-STATE; \$9.1 MILLION GENERAL FUND-FEDERAL

The Senate budget provides direction on how existing funds that were set aside for nursing homes in the 2007-09 enacted budget are to be spent, including:

- \$1.3 million General Fund-State and \$1.3 million General Fund-Federal for a higher than anticipated base rate in Fiscal Year 2009.
- \$1.1 million General Fund-State and \$1.2 million General Fund-Federal to implement improvements under Substitute Senate Bill 6567 (nursing facility payment), which would eliminate minimum occupancy adjustments in support services and therapy care beginning Fiscal Year 2009.
- \$100,000 General Fund-State and \$100,000 General Fund-Federal for DSHS to implement the study of a fair rental capital system and the costs for a stakeholder

FUNCTIONAL AREAS OF GOVERNMENT

workgroup to devise a new nursing home rate system as required under SSB 5657.

- \$6.3 Million General Fund State and \$6.6 Million General Fund-Federal for vendor rate increases to direct care of 3.45 percent and to operations of 0.5 percent.

NEW NURSING HOME FUNDING & WORKER WAGES - \$6.8 MILLION GENERAL FUND-STATE; \$7.1 MILLION GENERAL FUND-FEDERAL

In addition to the existing funding above, new funding for nursing home rates includes:

- \$1.8 Million General Fund-State and \$1.9 Million General Fund-Federal for higher than anticipated rates during the Fiscal Year 2008 (the current fiscal year).
- \$5 Million General Fund-State and \$5.2 Million General Fund-Federal for increases to worker wages and benefits or enriched staffing levels of workers, which affects the support services and direct care portions of the rates. DSHS shall base the increase on the percentage of Medicaid patient days and shall report on the use of the funds.

OTHER LONG-TERM CARE

SHARED LIVING LAWSUIT - \$22.9 MILLION GENERAL FUND-STATE; \$24.0 MILLION GENERAL FUND-FEDERAL

Funding is provided for two interacting items: (1) the 2007 Washington State Supreme Court decision in *Jenkins v. Washington State Department of Social and Health Services* invalidated the "Shared Living Rule" and required that all Medicaid Personal Care clients be treated comparably, regardless of whether their paid providers of home care lived with them in a "shared living" situation or lived elsewhere. This decision requires additional funding for service hours that had previously been denied; (2) The combination of this court decision with the existing contract language of the 2006 Binding Arbitration Collective Bargaining Agreement between SEIU 775NW and the state results in additional service hours being authorized for items that were not funded in the bargaining agreement. This item also includes funding from the Developmental Disabilities budget.

LONG-TERM CARE TASK FORCE INITIATIVES - INCREASED RESPITE CARE AND TRAINING FOR UNPAID CAREGIVERS - \$2.2 MILLION GENERAL FUND-STATE

The following items were funded to implement the Long-Term Care Task Force Initiatives pursuant to Second Substitute Senate Bill 6222 (long term care programs).

- \$1.5 million of funding is provided for an additional 585 unpaid caregivers to receive services such as respite and training to help them to continue providing care for elderly and disabled relatives in their own homes. This represents a 12 percent increase in respite care.
- \$557,000 in funding is provided for six counties to participate in the Senior Falls Prevention program, a combination of exercise programs, risk identification and reduction, and consumer education, to reduce the risk of falls and prevent nursing home placements.
- \$100,000 is provided for the implementation of a dental access project for senior citizens. The department will contract with the University of Washington School

FUNCTIONAL AREAS OF GOVERNMENT

of Dentistry to develop training, begin contracting with local coordinators, and begin the evaluation design. Enhanced reimbursement rates for certified dentists for specific procedures and for medical providers who provide preventative oral health services will be implemented in June 2009.

ADULT FAMILY HOME RATE INCREASE - \$2.2 MILLION GENERAL FUND-STATE; \$2.3 MILLION GENERAL FUND-FEDERAL

Funding is provided for a higher vendor rate increase for adult family homes (AFHs), to recognize additional costs due to state-required liability insurance. The total vendor rate increase in Fiscal Year 2009 will be 4.8 percent, rather than 2.0 percent as authorized in the 2007-09 enacted budget. A lower level of vendor rate increase was provided to AFHs in the 2007-09 budget than to boarding homes, in recognition of new collective bargaining rights for AFH owners over their Medicaid rates, granted under Chapter 184, Laws of 2007 (Substitute House Bill 2111). However, since the owners did not elect a representative by October 1, 2007, bargaining did not take place. This item also includes funding from the Developmental Disabilities budget.

TRAUMATIC BRAIN INJURY COUNCIL - \$800,000 TRAUMATIC BRAIN INJURY ACCOUNT-STATE

Funding is provided to implement Chapter 356, Laws of 2007 (Second Substitute House Bill 2055), which created the Washington Traumatic Brain Injury Strategic Partnership Advisory Council (Council). Council activities are funded by revenues from an additional \$2 fee on traffic infractions deposited into a dedicated account. The funding will cover public awareness campaigns to promote awareness of traumatic brain injuries (TBIs), contracts to support groups to individuals with TBIs and their families, and DSHS support to the Council.

DEVELOPMENTAL DISABILITIES

RESIDENTIAL HABILITATION CENTER (RHC) CHILD POPULATION INCREASE AND EDUCATION-RELATED COSTS - \$4.3 MILLION GENERAL-FUND STATE; \$3 MILLION GENERAL FUND-FEDERAL

The state institutions for developmental disabilities have had an influx of admissions for people under the age of 21. There are currently 17 children at Fircrest RHC and 9 children at Frances Haddon Morgan Center, teenagers whose families who have had difficulty with their son or daughter's intense behaviors as they have matured.

- \$2.9 Million in state funding and matching federal funds is provided for additional staff and other institutional expenses at re-opened cottages at Fircrest RHC.
- \$1.4 Million in state funds is provided for contracts with Bremerton and Shoreline School districts for education-related costs at Fircrest and Frances Haddon Morgan Center RHCs. (This funding is in addition to institutional education allocations within the K-12 budget, and is used to pay for one-on-one aides, transportation, and space improvements.)

FUNCTIONAL AREAS OF GOVERNMENT

NEW IN-HOME INTENSIVE BEHAVIOR SUPPORTS TO PREVENT CHILD ADMISSIONS TO INSTITUTIONS (RHCS) - \$1.2 MILLION GENERAL FUND-STATE; \$1.3 GENERAL FUND-FEDERAL

Funding is provided to implement Substitute Senate Bill 6448 (behavior support services), which creates a new waiver program for children who are at risk of being institutionalized as a result of intense behaviors as they mature. The families of eligible children will receive intensive behavior management training for themselves, other caregivers, and school staff, as well as minor home or vehicle adaptations, respite care, and therapies. The funding reflects a phase-in of services for up to 100 families, with some funding for state-only services while the Division of Developmental Disabilities applies for federal approval of the waiver program.

HYATT LAWSUIT - \$1.0 MILLION GENERAL-FUND STATE

Funding is provided for one-time payment to settle a class action lawsuit filed by the Washington Federation of State Employees, on behalf of Division of Developmental Disabilities case managers, to achieve wage parity with social workers in the Children's Administration. The 2007-09 enacted budget funded compensation items including wage parity effective July 1, 2007; the settlement would cover the period prior to that.

SPEED UP EMPLOYMENT SERVICES - \$286,000 GENERAL-FUND STATE; \$286,000 GENERAL-FUND FEDERAL

Funding is provided to accelerate the rate of employment services provided to high school graduates receiving Home and Community-Based Waiver services and to provide services to 31 additional graduates receiving waiver services. The 2007-09 enacted budget provided funding for 337 high school graduates receiving waivers this adjustment recognizes that there are additional graduates from the class of 2007 and that overall the graduates will need services sooner than previously anticipated.

CAPTURE UNDEREXPENDITURES IN NEW PROGRAMS AND ADJUST FAMILY SUPPORT GROWTH - \$1.1 MILLION GENERAL FUND-STATE REDUCTION; \$209,000 GENERAL-FUND FEDERAL REDUCTION

In order to preserve existing services and focus on children in crisis and at risk of institutionalization, funding is reduced for new programs authorized in the 2007-09 budget that have been slower to ramp up than previously anticipated. No individuals will receive a cut in service. The reductions include:

- \$200,000 General Fund-State and \$209,000 General Fund-Federal one-time reduction for Fiscal Year 2008, to reflect a slower start to new waiver placements for individuals with aging parents or caregivers. As of January, 2008, only 2 individuals had been served rather than the expected 21. After this one-time reduction, the program should continue to grow as previously expected.
- \$816,000 General Fund-State reduction to reflect a slower rate of assessments and services authorized under the new individual and family support program started in 2007-09. A total of 1,000 families will be served by the end of the biennium, rather than the expected 1,300. The total increase over the previous biennium remains \$4.1 million, or a 23 percent increase in families served.

FUNCTIONAL AREAS OF GOVERNMENT

MENTAL HEALTH

COMMUNITY MENTAL HEALTH FUNDING INCREASE - \$10.0 MILLION GENERAL FUND-STATE

Additional state funds are provided to enable the community mental health system to maintain and improve delivery of non-Medicaid services. These include crisis response, counseling, case management, acute care, and residential services for children and adults who are not presently eligible for Medicaid due to income, family circumstances, or the stage or nature of their illness. These state-only funds are also used to provide services such as care in larger residential facilities, help finding a job, and emergency rent assistance that are not covered by the Medicaid program. About 95 percent of the funds provided here are needed to restore non-Medicaid funding to the level actually expended on such services in Fiscal Year 2003, after controlling for inflation and state population growth. The balance is intended to close some of the key gaps in the non-Medicaid service delivery system identified by the Joint Legislative and Executive Task Force on Mental Health.

PIERCE FEE-FOR-SERVICE TRANSITION - \$3.0 MILLION GENERAL FUND-STATE; \$1.8 MILLION GENERAL FUND-LOCAL

Funding is provided to contract with Pierce County for the provision of crisis triage, evaluation and treatment, and mobile crisis outreach services. A total of \$400,000 is also provided to assist non-governmental mental health agencies with start-up and other extraordinary administrative costs associated with the conversion from a managed care to a fee-for-service system necessitated by the county's decision to discontinue operation as a regional support network.

SPOKANE ACUTE CARE DIVERSION PLAN - \$2.3 MILLION GENERAL FUND-STATE

Funding is provided to enable the Spokane Regional Support Network to implement its comprehensive plan for reducing use of Eastern State Hospital. Key elements of the RSN's plan, much of which is being funded with a locally-authorized mental health sales tax, include additional crisis triage and crisis stabilization beds; an intensive outpatient treatment team for persons with co-occurring disorders and other special needs; housing assistance for high-utilizers of hospital and jail services who are at risk of homelessness; and respite care to assist elderly individuals avoid or return home after hospitalization.

STATE HOSPITAL STAFFING IMPROVEMENTS - \$2.3 MILLION GENERAL FUND-STATE

Additional nurses and other direct care staff are to be deployed at the state psychiatric hospitals in ways that are expected to result in significant reductions in assaults and in incidents of patient seclusion and restraint.

FUNCTIONAL AREAS OF GOVERNMENT

OTHER HUMAN SERVICES

DSHS - CHILDREN'S ADMINISTRATION

FEDERAL FUNDING CHANGES \$12.2 MILLION GENERAL FUND-STATE

Funding is provided to address changes in federal funding of child welfare services. Part of this stems from the inclusion of an additional \$20.0 in General Fund-State funding to replace federal Medicaid funding due to new rules that prevent the state from charging certain administrative activities to targeted case management and alter the state's match requirements for other programs. The loss of Medicaid funds is partially offset by \$7.8 million General Fund-State reduction in foster care and adoption support and a corresponding increase in Title IV-E federal funding to reflect federal revenue earnings in recent years.

SUPERVISED VISITATION - \$1.7 MILLION GENERAL FUND-STATE; \$600,000 GENERAL FUND-FEDERAL

Funding is provided to pay for increases in contracted supervised visits. The increase in court-ordered supervised visits between parents and dependent children has increased the Department's use of contracted service hours.

ADDITIONAL HOME SUPPORT SPECIALISTS - \$1.1 MILLION GENERAL FUND-STATE; \$347,000 GENERAL FUND-FEDERAL

Funding is provided to hire 20 additional home support specialists, plus two supervisors and four support staff, starting July 1, 2008. Specialists assist families with dependent children or those at risk of becoming dependent with support services, including transportation, supervised visitation, and parenting skills instruction. The Department shall concentrate the additional specialists in the field offices of counties experiencing an increase in dependency filings above the state average. Between 2004 and 2007, the statewide number of dependency filings increased 13 percent (520 filings). The Department will direct the additional specialists to counties experiencing filing rates above the statewide average during the same period: 3 to Whatcom County (98 percent or 80 filings); 2 to Mason County (93 percent or 37 filings); 8 to Spokane County (48 percent or 201 filings); 2 to Grays Harbor County (32 percent or 43 filings); and 5 to Pierce County (27 percent or 110 filings). It is the intent of the Legislature for these specialists to be hired in addition to current staff and the staff being hired under the Department's phase-in of social workers provided in the 2007-09 biennial budget. The Department will track specific outcome data and report to the Legislature preliminary findings by December 15, 2008, with a final report due by June 15, 2009.

REACTIVE ATTACHMENT DISORDER PILOT - \$1.0 MILLION GENERAL FUND-STATE

Funding is provided to implement Substitute Senate Bill 6479 (reactive attachment disorder), which establishes a pilot project in Clark County to identify reactive attachment disorder in children and provide them with appropriate and recommended intervention services. Eligible children are those at, or under, age 9 currently receiving services from the Division of Children and Family Services.

FUNCTIONAL AREAS OF GOVERNMENT

SAFETY ASSESSMENTS - \$600,000 GENERAL FUND-STATE; \$184,000 GENERAL FUND-FEDERAL

Funding is provided to contract with medical professionals for comprehensive safety assessments of high-risk families. \$400,000 of this amount is for assessments for families receiving in-home child protective services or family voluntary services. The remaining \$400,000 is for assessments of families with an infant, age birth to fifteen days, where the infant was, at birth, diagnosed as substance exposed and the Department received an intake referral related to the infant's exposure to substances. All of the safety assessments will use validated tools to guide intervention decisions through the identification of additional safety and risk factors.

SAVINGS

CHILDREN'S ADMINISTRATION FTE SAVINGS- \$1.9 MILLION GENERAL FUND-STATE; \$800,000 GENERAL FUND-FEDERAL

Funding is reduced in Fiscal Year 2008 for the Children's Administration due to one-time under-expenditures resulting from delays in staff hires.

DSHS – ADMINISTRATION AND SUPPORTING SERVICES

BRAAM OVERSIGHT PANEL - \$500,000 GENERAL FUND-STATE

The resolution of the Braam lawsuit regarding foster children requires an oversight panel to monitor the Department's compliance with the terms of the settlement agreement. Previously this panel was funded by grants from the Casey Foundation. However, as of January 1, 2008, that funding has ended and DSHS will have to pay for the panel's operating expenses.

DSHS - ECONOMIC SERVICES ADMINISTRATION

DISTRIBUTE IRS CHILD SUPPORT COLLECTIONS TO FAMILIES FIRST - \$2.7 MILLION GENERAL FUND-STATE

Funding is provided for child support as a result of a clarification in federal law regarding the distribution of child support collections. Beginning October 1, 2008, any IRS tax refunds intercepted by the Division of Child Support will be distributed first to cover any debts owed families. Currently, tax refund intercepts are first applied to offset costs to the state for welfare and Medicaid costs, if applicable, and then distributed to families.

FOOD STAMP ELIGIBILITY AND ADMINISTRATION - \$1.6 MILLION GENERAL FUND-STATE; \$900,000 GENERAL FUND-FEDERAL

\$2.0 million in total funding is provided to increase the gross income limits for eligibility for the basic food program (food stamps) to 200 percent of the federal poverty limit, as allowed by the U.S. Department of Agriculture. Starting October 1, 2008, it is estimated an additional 23,300 families will receive benefits due to the change. The benefits for basic food are funded solely by federal dollars and the state and federal government share the administrative costs. Funding is also provided for the estimated increase of 233 families that will receive benefits through the state's basic food for legal immigrants

FUNCTIONAL AREAS OF GOVERNMENT

program, which is solely state funded and required to have the same eligibility requirements as the basic food program. An additional \$500,000 in one-time funds is provided for enhancements to improve processing of applications and client service.

DSHS - ALCOHOL AND SUBSTANCE ABUSE

EXTENDING PILOT PROGRAMS - \$5.2 MILLION GENERAL FUND-STATE

Funding is provided for Engrossed Substitute Senate Bill 6665 (crisis response programs), which continues two pilot programs established under Chapter 504, Laws of 2005 (SB 5763); the integrated crisis response/secure detoxification (ICR) program and the intensive case management (ICM) program. The funding will extend the programs through Fiscal Year 2009 and allow time for additional evaluation.

ADDITIONAL TREATMENT - DUI LEGISLATION (SB 6931) - \$4.9 MILLION VIOLENCE REDUCTION AND DRUG ENFORCEMENT ACCOUNT-STATE

Funding is provided to implement Senate Bill 6931 (patrol funding). The legislation imposes a surcharge on liquor retail sales that would be deposited into the Violence Reduction and Drug Enforcement Account, to be used for driving under the influence (DUI) emphasis patrols and additional substance abuse treatment. New treatment may include additional pregnant and parenting women inpatient treatment beds, additional involuntary treatment beds, additional youth treatment, particularly for those with co-occurring mental health issues, and treatment for adults on a waitlist for services under the ADATSA program.

DEPARTMENT OF EARLY LEARNING

CHILD CARE LICENSING IMPROVEMENTS - \$500,000 GENERAL FUND-STATE

Funding is provided for the Department of Early Learning to add five quality improvement specialists to establish a consistent approach to licensing actions.

EMPLOYMENT SECURITY DEPARTMENT

FAMILY LEAVE INSURANCE PROGRAM - \$6.2 MILLION GENERAL FUND-STATE

Chapter 357, Laws of 2007 (Engrossed Second Substitute Senate Bill 5659) enacted the family leave insurance program to provide, for the birth or placement of a child, up to five weeks of leave with a weekly maximum benefit of \$250. Funding is provided for the development and implementation of a system to process and accept claims for benefits. Benefits begin October 1, 2009 and the program is anticipated to become fully operational in the 2013 biennium.

FUNDING REDUCTIONS - \$15.2 MILLION FEDERAL FUNDING (REED ACT)

The budget addresses reductions in federal funding for unemployment insurance (UI) with three items. First, an additional \$12.9 million of Reed Act funding is provided to cover a reduction in federal funding for UI administration and other agency activities. \$2.3 million of Reed Act is provided to replace and upgrade hardware and software for the two telecenters, which provide the initial intake and processing of the state's

FUNCTIONAL AREAS OF GOVERNMENT

unemployment claims. Finally, the budget reduces the spending authority of the Department by \$11.9 million in Unemployment Compensation Federal funds to align appropriations with anticipated federal revenues. This step also reduces the Department's FTEs authority by 240 to reflect the number of staff currently employed.

HEALTH CARE

DSHS – MEDICAL ASSISTANCE ADMINISTRATION

MEDICAL ASSISTANCE CASELOADS AND UTILIZATION CHANGES - \$82.1 MILLION NEAR GENERAL FUND-STATE; \$23.7 MILLION GENERAL FUND-FEDERAL SAVINGS

The Senate budget provides a two percent increase above the 2007-09 biennial budget for changes in enrollment and per person medical costs, primarily due to increases in hospital inpatient and outpatient utilization, Medicare Part A premium payments, and managed care caseloads. These increases (roughly \$97 million Near General Fund-State) are somewhat offset by a slowdown in the growth rate of the General Assistance – Unemployable (GA-U) caseload and lower drug expenditures (approximately \$35 million). A decrease in the federal Medicaid participation rate of less than a half percent results in approximately a \$20 million shift from federal to state expenditures for Fiscal Year 2009.

SMOKING CESSATION BENEFITS FOR MEDICAID ADULTS - \$1.9 MILLION GENERAL FUND-STATE; \$1.7 MILLION GENERAL FUND-FEDERAL

Pursuant to Senate Bill 6421 (smoking cessation programs), funding is provided for coverage of smoking cessation counseling, nicotine replacement therapy, and prescription drugs to help Medicaid adults quit smoking. It is assumed that around four percent of the roughly 40 percent of the Medicaid population who are smokers will participate in this program each year.

HEALTH CARE AUTHORITY

BASIC HEALTH PLAN UNDERENROLLMENT ADJUSTMENT - \$2.7 MILLION HEALTH SERVICES ACCOUNT-STATE SAVINGS

In the 2007-09 biennial budget, the Senate provided additional funding to expand enrollment in the Basic Health Plan to 107,700 slots by June 2008. Funding is adjusted to account for lower than expected enrollment and the increased cost of the program due to a changing adult / child case mix. Funding levels allow enrollment to increase from February 2008 enrollment of 103,360 to 105,500 per month for the remainder of Fiscal Year 2008.

COMMUNITY HEALTH CENTER ADULT DENTAL EXPANSION GRANTS - \$2.5 MILLION HEALTH SERVICES ACCOUNT- STATE

Funding is provided for one-time competitive grants to community health centers to increase the number of adults served on an ongoing basis. Each clinic receiving grant funding will report annually, beginning December 2008, on key adult access indicators such as the number of low-income adults served.

FUNCTIONAL AREAS OF GOVERNMENT

DEPARTMENT OF HEALTH

PUBLIC HEALTH

FAMILY PLANNING SUPPORT - \$4.0 MILLION GENERAL FUND-STATE; \$1.0 MILLION PUBLIC HEALTH SERVICES ACCOUNT-STATE

Funding is provided for family planning clinics to backfill lost federal funds as a result of more stringent eligibility requirements for the federal Take Charge Family Planning Waiver that became effective in November 2006. Program goals are to reduce unintended pregnancies and associated state and federal expenditures. More than 25,000 people lost eligibility for certain family planning and sexually transmitted disease (STD) related services from this program as a result of these more restrictive eligibility requirements.

RESTORATION OF CORE PUBLIC HEALTH FUNCTIONS - \$894,000 GENERAL FUND-STATE

Funding is provided in light of federal cuts to core public health functions, such as coordinated care for children with maxillofacial birth defects, monitoring of children and adults with phenylketonuria (PKU), maternity support services, and services to rural and underserved populations.

MISCARRIAGE MANAGEMENT - \$681,000 GENERAL FUND-STATE

Funds are provided for training for the management of early pregnancy loss in office-based settings rather than in the emergency room or hospital inpatient settings, resulting in more cost-effective and patient-centered care. Harborview Medical Center, which already provides office-based miscarriage care, will provide training to family practice residency programs.

PRESCRIPTION DRUG MONITORING - \$680,000 HEALTH SERVICES ACCOUNT-STATE; \$400,000 GENERAL FUND-FEDERAL

Funding is provided for the Department to begin implementation of a prescription drug monitoring program to connect all pharmacies in Washington with a real-time, online database of schedule II-V controlled substances. Program goals include reducing the likelihood of adverse drug effects for seniors and the disabled, and a reduction in narcotics abuse. State funding comes from the settlement proceeds of a recent prescription drug consumer protection lawsuit. The Department will also seek federal grants available for this purpose.

WASHINGTON BREAST AND CERVICAL HEALTH PROGRAM - DIGITAL MAMMOGRAPHY REIMBURSEMENT - \$585,000 GENERAL FUND-STATE

Funds are provided to address the shortfall between the current reimbursement rate and the Medicare rate for digital mammographies for providers participating in the Washington Breast and Cervical Health (WBCHP) program.

FUNCTIONAL AREAS OF GOVERNMENT

PRIMARY CARE MEDICAL HOME PROJECT - \$360,000 GENERAL FUND-STATE

Funding is provided for primary care providers to participate in the Medical Home Collaborative Program, which seeks to develop standard outcome measurements and adoption of the latest techniques in effective and cost efficient patient centered care. Funding is provided for 20 primary care practices to participate, and the Department will report on initial progress and outcomes of the medical home collaborative by January 2009.

HEALTH PROFESSIONS REGULATION

INVESTIGATION AND CASE BACKLOG - \$2.0 MILLION HEALTH PROFESSIONS ACCOUNT-STATE

The Department has experienced a 30 percent increase in health professions investigations. One-time funding is provided to allow the department to focus resources on cases that have the biggest impact to patient safety while continuing to resolve the oldest cases.

REGULATION OF HEALTH PROFESSIONALS - \$77,000 GENERAL FUND-STATE; \$741,000 HEALTH PROFESSIONS ACCOUNT-STATE

Funding is provided to conduct national criminal background checks on all out-of-state applicants to help prevent individuals with criminal convictions in other states from obtaining a credential in Washington, pursuant to Substitute Senate Bill 6458 (patient safety). In addition, the bill establishes a three year pilot project beginning July 1, 2008 to evaluate the effect of granting the Medical Quality Assurance Commission authority over budget development, spending, and staffing. A report of the results of the pilot project is due to the Governor and the Legislature by December 15, 2012.

COUNSELOR CREDENTIALING STANDARD - \$558,000 HEALTH PROFESSIONS ACCOUNT-STATE

Funding is provided for the implementation of Substitute Senate Bill 6456 (counselor credentialing), which requires all registered counselors to obtain a new health profession credential by July 1, 2010. Eight new credentials are created: Mental Health Counselor Associate, Social Work Associate, Advanced Social Work Associate, Marriage and Family Therapy Associate, Chemical Dependency Professional Trainee, Hypnotherapist, Agency Affiliated Counselor, and Certified Counselor (the latter is for private practice counseling). The existing registered counselor credential is abolished July 2010. The Department must establish continuing education requirements for all renewals and is required to educate the public on the new responsibilities of therapeutic counselors.

OTHER HEALTH CARE

SLOWER MANAGED CARE PREMIUM GROWTH - \$8.7 MILLION NEAR GENERAL FUND-STATE SAVINGS

The Senate budget reflects a slowdown in premium growth rates for Calendar Year 2009 for both the Medical Assistance Healthy Options and the Basic Health Plan managed care programs.

FUNCTIONAL AREAS OF GOVERNMENT

HEALTH CARE WORKGROUP AND ANALYSIS OF REFORM PROPOSALS - \$1.3 MILLION GENERAL FUND-STATE

Funds are provided for an independent economic analysis of several health care reform proposals and the establishment of a health care workgroup to review and discuss these proposals with citizens statewide.

HIGHER EDUCATION & ECONOMIC DEVELOPMENT

CAREER DEVELOPMENT

AEROSPACE APPRENTICESHIPS - \$3.0 MILLION GENERAL FUND-STATE

Funds are provided to support new apprenticeship training opportunities in the thriving aerospace industry, with particular emphasis upon the key new field of composite materials manufacturing.

HEALTH CAREERS ADVANCEMENT - \$3.0 MILLION GENERAL FUND-STATE

Community colleges, hospitals, and their unions will partner to help current workers such as nursing assistants and orderlies gain the skills and credentials needed to advance to more skilled health care professions. Pilot programs will test, refine, and disseminate effective approaches to incumbent worker training such as workplace-based and distance learning; flexible scheduling; context-based basic skills training; standardized training modules; and alignment of training modules with industry career pathways in order to shorten training times. These approaches are expected to help address critical shortages in key health professions, while simultaneously providing new career opportunities for lower-wage working families.

BUILDING TRADE APPRENTICESHIPS - \$2.0 MILLION GENERAL FUND-STATE

Funds are provided to develop over 300 new apprenticeship training opportunities in the building and construction industry. These will provide family-wage jobs in a key sector facing current and future shortages of skilled workers.

HEMOCARE WORKER TRAINING PILOT - \$600,000 GENERAL FUND-STATE

One community or technical college will demonstrate new approaches to training individual providers to effectively assist elderly and disabled people live safely in their own homes.

WORKPLACE-BASED LEARNING - \$300,000 GENERAL FUND-STATE

As provided in Senate Bill 6295 (workplace e-learning), the Workforce Training and Education Coordinating Board will identify and test new approaches for helping employed adults access post-secondary education at their workplaces. Over a three-year period, the Board will provide matching grants to 3 to 4 college/employer partnerships each year to demonstrate new approaches, including distance-learning, for delivering post-secondary education in the workplace.

FUNCTIONAL AREAS OF GOVERNMENT

STUDENT SERVICES AND SAFETY

CAMPUS SAFETY PLANNING - \$2.1 MILLION STATE BUILDING CONSTRUCTION ACCOUNT

As provided in Second Substitute Senate Bill 6328 (campus safety and security), each public college and university will update plans, policies, procedures, and programs for preventing and responding to campus emergencies by October 2008, and every two years thereafter. In addition, as provided in Second Substitute House Bill 2507 (higher education institutions), the State Patrol and the Washington Association of Sheriffs and Police Chiefs will assess the adequacy of campus emergency plans; evaluate and recommend priority buildings on public four-year campuses for inclusion in the statewide first-responder building mapping information system; and assess campus emergency notification systems for functionality within the campus environment and interoperability with state and local responding agencies. Finally, funding is provided to incorporate all community and technical colleges into the statewide first-responder building mapping information system.

STUDENT CHILD CARE - \$1.0 MILLION GENERAL FUND-STATE

Direct state support for campus-based student child care is increased from \$125,000 per year now to \$1.1 million. Almost 1,400 student parents are on waiting lists for campus-based care, almost as many as are presently served.

ADDITIONAL MENTAL HEALTH CARE - \$477,000 GENERAL FUND-STATE

Funding is provided for one additional full-time mental health professional at each of the six public four-year institutions. This will increase the ability to identify students in need of care, and shorten wait times for service.

ECONOMIC DEVELOPMENT

COMMUNITY TECHNOLOGY OPPORTUNITIES - \$1.0 MILLION GENERAL FUND-STATE

As provided in Substitute Senate Bill 6775 (community technology), the Washington State University Extension Service will provide technical assistance, organizational support, and capacity-building grants to assist low-income and underserved communities access and make effective use of digital technologies.

INTERNATIONAL TRADE FELLOWSHIPS - \$768,000 GENERAL FUND-STATE

In accordance with Senate Bill 5367 (trade corps fellowship), fifteen college and university students each year will have the opportunity to work overseas in public and private trade offices. This will provide Washington students with real-world experience in global trade, and Washington businesses with additional assistance in marketing their goods and services abroad.

KNOWLEDGE WORKER RESIDENT TUITION - \$700,000 GENERAL FUND-STATE

To compete effectively in the global economy, Washington businesses and universities recruit professional and technical workers from throughout the world to work in cutting-edge fields. Senate Bill 6849 (resident students) provides in-state tuition status to these legal immigrants and their families. This will provide an additional recruitment and

FUNCTIONAL AREAS OF GOVERNMENT

retention tool for Washington businesses and increased incentives for these highly productive individuals to live, work, and pay taxes in our communities.

MANUFACTURING EXTENSION SERVICES (SSB 6510) - \$612,000 GENERAL FUND-STATE
Funds are provided to implement Substitute Senate Bill 6510 (manufacturing extension services); qualified non-profits will provide extension services to manufacturing businesses.

REDUCTIONS

SCALE BACK OPPORTUNITY GRANTS - \$4.0 MILLION GENERAL FUND-STATE; \$1.0 MILLION EDUCATION LEGACY TRUST ACCOUNT SAVINGS

The Opportunity Grant program was initiated with a \$4.0 million appropriation in Fiscal Year 2007 to supplement and address gaps in other state and federal financial aid programs for low-income community college students. Fiscal Year 2009 funding is adjusted to total \$6.5 million, rather than the \$11.5 million originally budgeted.

CRIMINAL JUSTICE & PUBLIC SAFETY

SEX OFFENDER ADDRESS VERIFICATION - \$5.0 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

Funds are provided to the Washington Association of Sheriffs and Police Chiefs to contract with local law enforcement for in-person verification of the addresses and residency of registered sex offenders. Level III offenders will be visited every three months, Level II offenders visited twice per year, and Level I offenders visited annually. During these visits, law enforcement agencies will also confirm that every registered sex offender has a DNA sample on file.

DUI EMPHASIS PATROL GRANTS - \$4.9 MILLION VIOLENCE REDUCTION AND DRUG ENFORCEMENT ACCOUNT-STATE

Funding is provided to the Traffic Safety Commission for implementation of Senate Bill 6931 (patrol funding). The legislation imposes a surcharge on liquor retail sales that would be deposited into the Violence Reduction and Drug Enforcement Account, to be used for driving under the influence (DUI) emphasis patrols and additional substance abuse treatment.

COMMUNITY TRANSITION COORDINATION NETWORKS - \$3.0 MILLION GENERAL FUND-STATE

Funds are provided for grants to establish four Community Transition Coordination Networks (CTCN) authorized in the 2007 Offender Re-entry Initiative (Chapter 438, Laws of 2007 – Engrossed Substitute Senate Bill 6157). The Department of Community, Trade and Economic Development is completing the application process for the CTCN grants. A CTCN, in collaboration with the Department of Corrections, will identify released offenders' needs and connect the offender with needed resources and services that support successful transition to the community. Up to four CTCN will be established.

FUNCTIONAL AREAS OF GOVERNMENT

SUPPORT PAROLE SERVICES - \$2.8 MILLION GENERAL FUND-STATE

\$2.8 million in funding is provided to backfill Title XIX Medicaid funds for Targeted Case Management. The DSHS-Juvenile Rehabilitation Administration had received these funds to support its Family Functional Parole (FFP) program. FFP is a case management model that motivates youth and families to fully participate in services and provides ongoing assessment and support as needed.

CHILD VICTIMS OF SEXUAL ASSAULT - \$1.8 MILLION GENERAL FUND-STATE

Funding is provided for the Office of Crime Victims Advocacy in the Department of Community, Trade and Economic Development to distribute grants to community sexual assault programs to enhance services provided to child victims of sexual assault and their families.

ADDITIONAL ACADEMIES AT THE BASIC LAW ENFORCEMENT ACADEMY - \$961,000 PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

Funding is provided to the Criminal Justice Training Commission to meet the increased demand for basic peace officer training. Six additional academies are needed to train an additional 182 law enforcement officers.

NEIGHBORHOOD PARTNERSHIPS AND SEX OFFENDER ASSESSMENT - \$961,000 GENERAL FUND-STATE

Funds are provided to the Department of Corrections for ten additional community corrections officers to work in partnership with local law enforcement officers in Seattle, Tacoma, Yakima, the Tri-Cities, Spokane, and Clark County in supervising and monitoring sex offenders.

SEX OFFENDER ELECTRONIC MONITORING - \$921,000 GENERAL FUND-STATE

Funding is provided to the Department of Corrections for additional sex offender electronic monitoring. Certain Level III offenders who are released from total confinement, and whose release plan indicates they may be susceptible to certain risk factors, will be monitored for up to six months. Funding is provided for 75 offenders to participate in electronic monitoring by the end of Fiscal Year 2008 and 200 offenders by the end of Fiscal Year 2009.

COURT CRIME VICTIMS ADVOCATES - \$825,000 PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

Crime victim advocates work to protect the rights of people who have been victimized and to connect them with available services. Funds are provided for ongoing funding for more sexual assault victim advocates in county superior courts. In addition, one-time funding is provided to update the statewide sexual assault victim assistance protocols through a coordinated effort led by the Washington Coalition of Sexual Assault Programs.

FINANCIAL FRAUD AND IDENTITY THEFT (SB 6850) - \$488,000 FINANCIAL FRAUD AND IDENTITY THEFT ACCOUNT (NEW)

The Senate budget funds the creation of a financial fraud and identity theft crimes investigation and prosecution program in the Department of Community, Trade and

FUNCTIONAL AREAS OF GOVERNMENT

Economic Development. Senate Bill 6850 (financial fraud and I.D. theft) generates revenue for the program by imposing a surcharge on Uniform Commercial Code filings. \$500,000 of the General Fund-State funding provided in the 2007-09 biennium is shifted from Fiscal Year 2008 to Fiscal Year 2009 and will be matched by the new revenue.

SEX OFFENDER POLICY BOARD - \$295,000 GENERAL FUND-STATE

Funds are provided to create a sex offender policy board to be staffed and maintained by the Sentencing Guidelines Commission, pursuant to Substitute Senate Bill 6596 (sex offender policy board).

JUDICIAL AGENCIES

ADMINISTRATIVE OFFICE OF THE COURTS

SUPERIOR COURT JUDGES - \$3.8 MILLION GENERAL FUND-STATE

Funding is provided for an increase in Superior Court judges salaries and benefits as adopted by the Washington Citizens' Commission on Salaries for Elected Officials and to fund five additional judges throughout the state.

OFFICE OF PUBLIC DEFENSE

REPRESENTATION OF PARENTS IN DEPENDENCY - \$1.0 MILLION GENERAL FUND-STATE

The Office of Public Defense operates a program providing legal representation to indigent parents involved in dependency and termination proceedings. Funding is provided to expand this program to indigent parents in Whatcom County and indigent parents in King County currently represented by conflict attorneys.

NATURAL RESOURCES

CLIMATE CHANGE

A total of \$1.9 Million General Fund-State will continue progress toward meeting the state's goals for greenhouse-gas-emissions reductions and prepare for climate change.

REDUCE GREENHOUSE GAS EMISSIONS – \$1.5 MILLION GENERAL FUND-STATE

\$1.3 million is provided in the budget to put into place a reporting system at the Department of Ecology to track, manage and credit entities that report their greenhouse gas emissions and the reductions they make; develop a regional market-based system, such as a "cap and trade" program; and continue the work of the Climate Action Team, such as collaboration with other western states, Canadian provinces, and Mexican states to reduce greenhouse gases in our region. \$157,000 is provided for the Department of Community, Trade and Economic Development to participate in a multi-state process to develop market-based systems to eliminate greenhouse gas emissions.

FUNCTIONAL AREAS OF GOVERNMENT

CLIMATE CHANGE AND GROWTH MANAGEMENT – \$242,000 GENERAL FUND-STATE

The Department of Community, Trade and Economic Development will develop advisory climate-change response methodologies, computer programs, and estimates to counties and cities which reflect regional and local variations. At least three counties and six cities will be selected for a global-warming adaptation pilot program through a competitive process. The program will assist counties and cities that are addressing climate change through their land use and planning resources, and those that aspire to do so but lack the necessary resources.

PREPARE FOR AND ADAPT TO CLIMATE CHANGE – \$223,000 GENERAL FUND-STATE

Funding will allow the Department of Ecology, the University of Washington and the Department of Natural Resources to gather information to help prepare governments and citizens prepare for climate change. A comprehensive research, preparation, and adaptation plan will be written; the Office of the State Climatologist set in law; and the Department of Natural Resources will work with other forest scientists to identify localized impacts of climate change on native tree species.

WATER AVAILABILITY

LAKE ROOSEVELT WATER DELIVERY – \$8.1 MILLION GENERAL FUND-STATE

Funding is provided for the partnership agreements with the Confederated Tribes of the Colville Reservation and the Spokane Tribe of Indians that will authorize the release up to 132,500 acre-feet of water from the Lake Roosevelt reservoir annually. One-third of the water will be dedicated to in-stream flows for fish habitat. The remaining two-thirds will be divided among irrigators of 10,000 acres of land in the Odessa sub-area, holders of “interruptible” water rights, and municipal and industrial water-right applicants located within a mile or so of the Columbia River. A total of \$6.0 million will be distributed to the Confederated Tribes of the Colville Reservation and the Spokane Tribe of Indians; \$2.0 million will be distributed to affected counties adjacent to Lake Roosevelt to mitigate impacts caused by the releases of water from Lake Roosevelt; and \$150,000 will provide an independent analysis of legislative options, including potential mitigation actions.

WATER PROTECTION & RESTORATION

PUGET SOUND PARTNERSHIP’S ACTION AGENDA – \$3.4 MILLION NEAR GENERAL FUND-STATE; GENERAL FUND-FEDERAL

\$2.2 million is provided for the Puget Sound Partnership to conduct extensive public outreach and stakeholder involvement as it finishes writing its Action Agenda for restoring the health of Puget Sound by 2020. This will include scientific review of the Action Agenda and starting projects. \$1.2 million in funding is provided for the top-priority monitoring projects such as analyzing the pollution that falls to the Sound from fuel-related air emissions, and to begin a statistically-valid, random water-sampling program to establish a baseline of pollution from various toxins.

FUNCTIONAL AREAS OF GOVERNMENT

NEAH BAY RESCUE TUG – \$2.0 MILLION STATE FUNDS (\$211,000 VESSEL RESPONSE ACCOUNT-STATE; \$400,000 AQUATIC LANDS ENHANCEMENT ACCOUNT-STATE; \$789,000 LOCAL TOXICS CONTROL ACCOUNT-STATE; AND \$600,000 COASTAL PROTECTION ACCOUNT-STATE)

Funding is provided for the Department of Ecology to keep the Neah Bay Rescue Tug in operation at the current level for another year and reduce the risk of a catastrophic oil spill.

MARINE HABITAT – \$910,000 GENERAL FUND-STATE

The Senate budget provides funding for four Senate bills that will improve coordination, increase the integration of science, and provide grants to advance projects of groups that work to protect, conserve, and otherwise manage marine life and resources. The four bills are Second Substitute Senate Bill 6227 (outer coast marine resource committees), Substitute Senate Bill 6307 (marine managed areas), Substitute Senate Bill 6231 (marine protected areas), and Substitute Senate Bill 6508 (beach management districts).

- \$500,000 is provided for grants and technical support from the Department of Fish and Wildlife to Marine Resource Committees – citizen-based groups that include local residents, governments, tribal governments, and other participants working together to restore marine habitat.
- \$250,000 is provided to the Department of Ecology to give technical assistance to community groups and county- and city-legislative authorities that request assistance with developing beach management programs.
- \$160,000 is provided for the Department of Fish and Wildlife to coordinate groups that manage marine resources.

INCREASED USE OF LOCAL FOODS

The programs funded in the Senate budget for Second Substitute Senate Bill 6483 (local food production) will expand children's and low-income residents' access to Washington-grown fruits and vegetables, and support Washington state farms.

LOCAL FARMS, HEALTHY CHILDREN – \$1.5 MILLION GENERAL FUND-STATE

- \$290,000 for the Department of Agriculture to create a "Farm-to-School" program encouraging consumption of fresh, locally-grown food at public schools and other institutions.
- \$600,000 to the Office of the Superintendent of Public Instruction for a Washington-Grown Fruit and Vegetable Grant Program to facilitate consumption of Washington-grown nutritious snacks to improve student health and expand the market for locally-grown fresh produce. The program is to include fresh produce as well as minimally prepared, frozen, and dried fruits and vegetables.
- \$50,000 for the Department of Social and Health Services (DSHS) to establish a Farmers' Market Technology Improvement Pilot Program to assist farmers' markets and farmers to develop the capability to accept electronic-payment cards. The program will help increase access to fresh fruits and vegetables for state residents and to increase the number of food-stamp recipients using food-stamp benefits through electronic-benefits transfer at farmers' markets.

FUNCTIONAL AREAS OF GOVERNMENT

- \$350,000 for the Department of Community, Trade, and Economic Development for a Farmers-to-Food Banks pilot program. Selected food bank systems will contract with local farmers to provide fruit, vegetables, dairy, and meat products for distribution to low-income people at local food banks.
- \$200,000 to expand grants for Farmers' Market Nutrition programs. \$100,000 is provided to the Department of Health to increase Women, Infants and Children (WIC) grants to provide more mothers and children with fresh fruits and vegetables. An additional \$100,000 will expand DSHS's Senior Farmers Market Nutrition Program, which issues checks to low-income seniors for buying Washington-grown fresh fruits and vegetables at many farmers' markets and some roadside farm stands.

HOUSING & COMMUNITY SERVICES

HOUSING

PROPERTY TAX DEFERRAL FOR LOW INCOME HOUSEHOLDS - \$5.8 MILLION GENERAL FUND-STATE DECREASE

Chapter 2, Laws of 2007 1st special session (Substitute Senate Bill 6178) provided a property tax deferral for homeowners in which the household income is less than \$57,000. The deferral is for fifty percent of the property taxes due on a residence. A homeowner electing to take the deferral must pay the first half of their taxes and then may defer the second half. The state reimburses local taxing districts for amounts that are deferred.

HOMELESS FAMILIES SERVICES FUND - \$6.0 MILLION GENERAL FUND-STATE

Chapter 2, Laws of 2008 (Substitute Senate Bill 6335) appropriates \$6.0 million from the General Fund-State to the Homeless Families Services Fund. The account provides state matching funds for housing-based services for homeless families.

TRANSITIONAL HOUSING ASSISTANCE - \$2.5 MILLION GENERAL FUND-STATE

An additional \$2.5 million is provided, to the \$10 million authorized in the 2007-09 biennial budget for the Transitional Housing, Operating and Rent (THOR) program. The program, which assists homeless families with case management services, helps them successfully transition to permanent housing.

FINANCIAL LITERACY - \$1.8 MILLION GENERAL FUND-STATE

Chapter 3, Laws of 2008 (Senate Bill 6272) appropriates \$1.5 million to implement financial literacy programs for home buyers, including counseling, marketing, and outreach programs which will provide information to consumers about residential mortgage transactions, nontraditional or subprime mortgages, and predatory lending practices. An additional \$250,000 is appropriated to assist low- and moderate-income households facing foreclosure.

FUNCTIONAL AREAS OF GOVERNMENT

COMMUNITY SERVICES

DECEMBER 2007 FLOOD RECOVERY - \$10.3 MILLION STATE DISASTER RESPONSE

ACCOUNT-STATE; \$31.2 MILLION DISASTER RESPONSE ACCOUNT-FEDERAL

Funding is provided for recovery and rebuilding expenses associated with the December 2007 floods in Chehalis-Centralia.

NEW AMERICANS - \$1.0 MILLION GENERAL FUND-STATE

Funds are provided for the Washington New Americans program to provide naturalization assistance for legal permanent residents who are eligible to become citizens.

211 ENHANCEMENT - \$750,000 GENERAL FUND-STATE

Funding is provided to expand the Washington Information Network 211 coverage.

CULTURAL RESOURCES

LUCY'S LEGACY - \$500,000 GENERAL FUND-STATE

Funding is provided for improvements at the Pacific Science Center to enable the center to host an exhibit of the Lucy of Laetoli hominid fossils.

KCTS V-ME - \$250,000 GENERAL FUND-STATE

Funds are provided for a grant to KCTS Public Television to offer Spanish-language programming. The programming will be offered through "V-me," a program service modeled on public television, with children's, arts, history, science, biography, nature, movies, pop culture, and public affairs genres.

SEATTLE STORM - \$250,000 GENERAL FUND-STATE

Funding is provided for a contract with the Seattle Storm basketball team to provide community outreach to low-income youth and school athletic programs throughout the state.

COMPENSATION

STATE EMPLOYEE COMPENSATION

EMPLOYEE HEALTH BENEFIT FUNDING RATE REDUCTION - \$115.5 MILLION NEAR GENERAL FUND-STATE SAVINGS; \$95.9 MILLION OTHER FUND SAVINGS

The state employer contribution rate paid to the Public Employee Benefits Board (PEBB) is reduced from \$732 per employee per month to \$561 per employee per month.

Expenditures for employee health benefits during the 2007-09 fiscal biennium are anticipated to be lower than budgeted due to the removal of funding for a new information technology system for employee benefits and unexpectedly low health care costs in Calendar Year 2008. Funds will be expended from PEBB reserves, including those reserves that accumulated due to lower than budgeted expenditures during the 2005-07 and 2007-09 fiscal biennia, in order to support the cost of benefits during Fiscal Year 2009. The PEBB will maintain the current 88 percent employer share of the weighted average medical insurance premium and will also continue to pay the cost of dental, life, and long-term disability insurance.

REVENUE ADJUSTMENTS

REVENUE ADJUSTMENTS

AEROSPACE INDUSTRY TAX PROGRAM - \$1.7 MILLION GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 6828 (aerospace industry tax) extends the aerospace tax incentives to include tooling manufacturers, Federal Aviation Regulation Part 145 certified repair stations, and design/engineering services. The aerospace tax program includes reduced business and occupation (B&O) tax rates, B&O preproduction tax credits, B&O tax credits for property taxes, and sales and use tax exemptions for computer hardware and software.

B&O DEDUCTION FOR GROCERY DISTRIBUTION COOPERATIVES - \$1.1 MILLION GENERAL FUND-STATE REDUCTION

Senate Bill 6844 (grocery distribution co-ops) amends the current deduction for wholesales by grocery distribution cooperatives to allow the same tax treatment if an eligible cooperative is acquired by another grocery distribution cooperative.

B&O JOB CREATION CREDIT FOR RURAL COUNTIES AND COMMUNITY EMPOWERMENT ZONES - \$1.0 MILLION GENERAL FUND- STATE REDUCTION

Substitute Senate Bill 6323 (business tax incentives) adjusts the credit against the B&O tax for manufacturing, research and development, or computer service firms that create new jobs in rural counties or community empowerment zones by increasing the maximum annual statewide credits from \$7.5 million to \$9.0 million and reducing a firm's employment growth from 15 percent to 10 percent to be eligible for the credit.

PROSECUTORS SALARIES - \$923,000 GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 6297 (prosecuting attorney salaries) changes the amount the state contributes towards the salary of the elected county prosecuting attorney. The contribution is currently 50 percent of the salary, as set by the county. The contribution will be set to 50 percent of a Superior Court judge, as set by the Washington Citizens' Commission on Salaries for Elected Officials. Each county must continue to contribute an amount equal to its Fiscal Year 2008 contribution.

VENDOR OVERPAYMENTS - \$260,000 GENERAL FUND- STATE REDUCTION

Substitute Senate Bill 6224 (vendor overpayments) changes the interest accrual methodology for collecting vendor overpayments for the Department of Social and Health Services, resulting in lower interest-related revenues. Interest accrual begins 30 days after the date of notice to the vendor by the department, rather than 90 days from the date of overpayment.

HISTORIC VESSELS - \$102,000 GENERAL FUND- STATE REDUCTION

Substitute Senate Bill 6218 (historic vessels) reduces the rate of the watercraft excise tax by half for historic vessels. Historic vessels are defined as those which are over 40 years old and not used for commercial purposes.

REVENUE ADJUSTMENTS

GAMBLING REVOLVING FUND INTEREST INCOME - \$84,000 GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 6316 (gambling revolving fund) allows the Washington State Gambling Commission to retain 100 percent of the investment income from the Gambling Revolving Fund, less the State Treasurer's service fee.

TAX RELIEF FOR HONEY BEEKEEPING - \$74,000 GENERAL FUND-STATE REDUCTION

Second Substitute Senate Bill 6468 (honey beekeeper taxation) exempts the income of registered apiarists from the B&O tax on the wholesale sale of honey and honey bee products, B&O tax on bee pollination services, the sales and use tax on the sale of pollinating bees, and the sales tax on diesel fuel used for off-road purposes.

REAL ESTATE EXCISE TAX EXEMPTION FOR MANUFACTURED/MOBILE HOME COMMUNITIES - \$7,000 GENERAL FUND-STATE REDUCTION

Substitute Senate Bill 5780 (manufactured/mobile home) exempts sales of manufactured/mobile home communities to tenant organizations, local governments, housing authorities, non-profits, neighborhood-based organizations, or federally recognized tribes from the real estate excise tax.

SALES TAX EXEMPTION FOR TRAIL GROOMING SERVICES - \$6,000 GENERAL FUND-STATE REDUCTION

Senate Bill 6375 (trail grooming services tax) exempts trail grooming services provided to the state and nonprofit corporations from sales tax.

EXCLUSION OF VETERANS BENEFITS FROM DISPOSABLE INCOME FOR THE RETIRED PERSON PROPERTY TAX RELIEF PROGRAM - NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 5256 (veterans/property tax relief) excludes federal veterans benefits awarded for 100 percent service-connected disabilities from the calculation of disposable income to qualify for the retired person property tax programs.

LOCAL INFRASTRUCTURE FINANCING TOOL PROGRAM DEMONSTRATION PROJECTS - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 6196 (local infrastructure finance) amends the Local Infrastructure Financing Tool program to allow the tax activities in the base year of a demonstration project to be zero if the sponsoring government reasonably determines that no local excise tax distributions were received during a five-month period from August 1, 2008 to December 31, 2008.

AUTHORIZING THE GOVERNOR TO ENTER INTO A CIGARETTE TAX CONTRACT WITH THE SHOALWATER BAY TRIBE - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 6216 (cigarette tax contract) allows the Governor to enter into a cigarette tax contract with the Shoalwater Bay Tribe.

ENFORCEMENT OF CIGARETTE TAXES THROUGH REGULATION OF STAMPED AND UNSTAMPED CIGARETTES - NO IMPACT TO GENERAL FUND-STATE

House Bill 2542 (cigarette taxes) amends existing cigarette tax laws and regulations by updating the threshold quantity of unstamped cigarettes prohibited by federal law,

REVENUE ADJUSTMENTS

establishing the same crime for possessing or receiving unstamped cigarettes as in current law for transporting unstamped cigarettes, and requiring advance notice to the Liquor Control Board of receipt of unstamped cigarettes.

EXEMPTING MILITARY HOUSING FROM PROPERTY AND LEASEHOLD EXCISE TAXES - NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 6389 (military housing) exempts, from the property tax and the leasehold excise tax, property and improvements belonging to the United States to house of military personnel and their families, pursuant to the federal Military Housing Privatization Initiative of 1996.

AUTHORIZING THE GOVERNOR TO ENTER INTO A CIGARETTE TAX CONTRACT WITH THE YAKAMA NATION - NO IMPACT TO GENERAL FUND-STATE

House Bill 2650 (cigarette tax agreement) allows the Governor to enter into a cigarette tax contract with the Yakama Nation. Under the eight year renewable agreement the Yakama Nation must impose a tax on the sales of cigarettes by tribal retailers. The tax must be 80 percent of the state cigarette tax rate during the agreement's first six years, 84 percent during the seventh year, and 87.6 percent during the eighth year.

MOTION PICTURE PROGRAM – NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 6423 (motion picture program) adjusts to the motion picture competitiveness program by allowing the program to award a single motion picture production or episodic television project an amount greater than \$1 million dollars. It removes the provision that reduces the B&O tax credit to 90 percent of the amount contributed and retains the provision allowing that the maximum credit may be earned for a calendar year at the lesser of 1 million dollars or 100 percent of the amount contributed.

HERITAGE AND ARTS PROGRAMS – NO IMPACT TO GENERAL FUND-STATE

Senate Bill 6638 (heritage and arts program) distributes some of the state-shared hotel motel tax to arts and heritage programs in King County. The bill also eliminates the requirement of distributions to the endowment fund and allows the use of the principal of the endowment fund.

PROPERTY TAX LEVY LID LIFTS - NO IMPACT TO GENERAL FUND-STATE

Engrossed Senate Bill 6641 (property tax levy limits) requires that a ballot measure expressly state if the lid lift will permanently increase the base of the levy for both single year and multiple year levy lid lifts. If not expressly stated, the levy will be calculated as if the lid lift never occurred at the time the levy lid lift expires.

IMPROVING TAX PROGRAM ADMINISTRATION - NO IMPACT TO GENERAL FUND-STATE

Engrossed Senate Bill 6663 (tax program administration) simplifies the tax code by providing technical corrections, repealing several obsolete provisions, removing extraneous language, and clarifying statutory provisions.

REVENUE ADJUSTMENTS

PROPERTY TAX EXEMPTION FOR ANAEROBIC DIGESTERS- NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 6806 (anaerobic digesters) provides a six year exemption from property taxes and leasehold excise taxes for an anaerobic digester facility and equipment. Application for the exemption must be made by December 31, 2012.

REAL ESTATE EXCISE TAX INHERITANCE EXEMPTION- NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 6851 (inheritance/tax exemption) allows a surviving spouse an exemption from the real estate excise tax without the required documents, if the surviving spouse shows a certified copy of the death certificate and signs an affidavit affirming that the surviving spouse is the sole and rightful heir to the property.

PUBLIC FACILITY DISTRICT LOCATED IN A NATURAL DISASTER COUNTY- NO IMPACT TO GENERAL FUND-STATE

Senate Bill 6905 (natural disaster counties) extends the date the Lewis County Public Facility District must commence construction of a regional center, in order to collect the 0.033 percent credit against the state sales and use tax, from January 1, 2009 to January 1, 2011.

INCREASING INCOME THRESHOLDS TO QUALIFY FOR THE RETIRED PERSON PROPERTY TAX RELIEF PROGRAM - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 6912 (property tax relief) raises the disposable income levels to qualify for the retired persons' property tax relief programs by \$5,000, adjusts the valuation freeze to \$40,000, and increases the maximum disposable income level for the senior property tax deferral to \$50,000.

LOW INCOME PROPERTY TAX DEFERRAL- NO IMPACT TO GENERAL FUND-STATE

Senate Bill 6949 (low income homeowners) modifies the low income property tax deferral program that was created via Chapter 2, Laws of 2007 (Substitute Senate Bill 6178). The administration of the deferral program is transferred from county treasurers to the Department of Revenue. All applications will be made to the department instead of the counties. Also, the interest rate of repayment of the deferral is change from the federal short-term rate plus two percentage points to five percent, which makes it the same as the senior deferral program.

TAX DEFERRAL PROGRAM FOR CORPORATE HEADQUARTERS LOCATING IN COMMUNITY EMPOWERMENT ZONES - NO IMPACT TO GENERAL FUND-STATE

Second Substitute Senate Bill 6626 (community empowerment zones) allows a sales and use tax deferral on the construction of corporate headquarter facilities in community empowerment zones. The minimum investment is \$30 million and the minimum employment is 300 full-time employees earning at least the average annual state wage.

TAX EXEMPTION FOR WORKING FAMILIES MEASURED BY THE FEDERAL EARNED INCOME TAX CREDIT - NO IMPACT TO GENERAL FUND-STATE

Engrossed Substitute Senate Bill 6809 (earned income tax credit) provides a state sales tax exemption, in the form of remittance, equal to a percentage of the federal Earned Income

REVENUE ADJUSTMENTS

Tax Credit (EITC). In 2009 and 2010, the remittance equals the greater of five percent of the prior year's EITC or \$25. In 2011 and thereafter, the remittance equals the greater of 10 percent of the prior year's EITC or \$50.

TAX CREDIT FOR PREPRODUCTION DEVELOPMENT EXPENDITURES FOR POLYSILICON MANUFACTURERS - NO IMPACT TO GENERAL FUND-STATE

Substitute Senate Bill 6866 (polysilicon manufacturers) provides a business and occupation tax credit equal to 7.5 percent of qualified preproduction development expenditures for polysilicon manufacturers located in a county on the Washington/Oregon border with a population between 50,000 and 100,000. The credit is for expenditures occurring after January 1, 2008, but may not be taken until July 1, 2009, and may be carried over until used or until the provision expires on July 1, 2024.

SALES TAX SOURCING FOR FLORISTS - \$147,000 GENERAL FUND-STATE INCREASE

Senate Bill 6799 (florists' personal property) allows florists to continue to source their sales tax location based on place of origin. Last year, legislation which conformed Washington to the national Streamlined Sales and Use Tax Agreement, required all sales subject to the sales tax to be sourced based on destination.

PROVIDING FUNDING FOR ADDITIONAL EMPHASIS PATROLS FOR DUI ENFORCEMENT AND CHEMICAL DEPENDENCY TREATMENT - \$9.9 MILLION VIOLENCE REDUCTION AND DRUG ENFORCEMENT ACCOUNT-STATE INCREASE

Senate Bill 6931 (patrol funding) adds a \$0.42 per liter surcharge to all retail sales of spirits beginning September 1, 2008. Revenues are deposited into the Violence Reduction and Drug Enforcement Account. Fifty percent of the revenues are provided to the Department of Social and Health Services for chemical dependency treatment. The remaining 50 percent is provided to the Traffic Safety Commission for grants to locals for DUI emphasis patrol programs.

BUDGET-DRIVEN REVENUE

ONE-TIME PAYMENT TO COUNTIES - \$422,000 GENERAL FUND-STATE DECREASE

A one time payment is made to Jefferson County and Klickitat County as a result of an error in the distributions of the sales tax credit in 82.14.370.

LIQUOR CONTROL BOARD - \$240,000 GENERAL FUND-STATE INCREASE

An increase in the distribution of revenue from liquor sales is realized as a result of Liquor Control Board budget adjustments.

CAPITAL BUDGET

OVERVIEW

The proposed Capital Supplemental Budget increases bond spending by \$67 million and total spending by \$107 million. Major projects and changes include:

- \$52 million in response to the December 2007 storm. \$50 million is provided for the non-federal share of the Chehalis-Centralia flood control project. This project is paid for with \$50 million in new bond authority. \$1.5 million is provided to assist farmer with flood recovery efforts, and \$500,000 is provided for flood warning systems and planning efforts.
- \$50 million increase for affordable housing, including \$30 million for housing trust fund programs (\$22.5 million in bonds and \$7.5 million in Washington Housing Trust Account) and \$20 million for a new rapid response program to assist eligible organizations to acquire land for affordable housing and community services. Up to \$10 million of the HTF increase is provided for affordable housing for victims of the December 2007 storm.
- \$12 million added reserve for school construction. The school construction budget includes \$12 million of bonds in addition to the amount required to fund current estimated approved projects. This additional bond funding will provide for a \$12 million added reserve of cash to help fund the expected increase in school construction funding in the 2009-11 biennium.
- \$11.7 million provided for urgent repairs and improvements for the following local wastewater and drinking water systems: Tenino, Sultan, Ritzville, Quincy, Edwall Water Association, Skamania PUD (Underwood), and Longview.
- \$10 million provided to improve public safety including: \$2.1 million for campus safety planning and mapping at the state community and technical colleges, \$7.1 million for expansion of the Seattle Crime Lab and the computer system that tracks DNA samples, \$828,000 for expansion of the state Public Health Lab, and \$275,000 for expanded capacity at the special commitment center.
- \$5.5 million for Puget Sound clean-up. \$2.8 million State Toxics Account to clean up toxic sites in Puget Sound; and \$2.8 million in bonds for the Fort Flagler parkwide sewage treatment system.
- \$3.0 million in bonds for Okanogan-Similkameen land acquisition.
- \$2.0 million provided to acquire and renovate the Perry Street child care facility.
- \$1.8 million provided for the following skills centers: \$300,000 for Pierce County Skills Center, \$927,000 for Grant County Skills Center, \$550,000 for Northeast King County Skills Center, \$50,000 for North Central Skills Center
- \$1.5 million from the Energy Freedom Fund allocated to the Quillayute Valley Wood-Fired Boiler project (\$1 million) and the Skagit County Digester project (\$500,000).
- \$1.5 million Local Toxics Account-state to reduce air pollution from wood stoves. Funding is provided to allow the Department to expand its current program and pay rebates to encourage people with old, highly-polluting woodstoves to replace them with certified, cleaner heating devices. Old stoves will be destroyed and recycled.

CAPITAL BUDGET

BOND SPENDING

The total increase of \$67 million in bond spending assumes passage of \$50 million in new bond authority for the Chehalis basin flood control project, and the expenditure of the remaining capacity for bonds authorized in 2007.

Appendix A

2007-09 Revised Omnibus Operating Budget (2008 Supp)**Senate Chair Proposal**

(Dollars in Thousands)

	Near GF-S	Total
K-12 Education		
Student Learning Opportunities	26,932	26,932
Special Education Medicaid Change	21,219	44,020
Classified Staff Ratio	12,509	12,509
School Librarian Allocation	11,700	11,700
Career and Technical Education	3,000	3,000
Increased PPI	1,895	1,895
Apportionment and Financial Systems	1,800	1,800
Other	1,660	1,664
Indigenous Learning Pilot Program	-1,000	-1,000
WASL Changes	-14,203	-14,203
K-12 Education Total	65,512	88,317
Long Term Care, DD, and Mental Health		
Increased Mental Health Funding	12,250	12,250
Nursing Home Worker Wages	5,000	10,223
Move Pierce MH to Fee for Service	3,031	4,449
State MH Hospital Staffing	2,278	2,278
Adult Family Home Rate Increase	2,175	4,451
LTC Task Force Initiatives	2,157	2,157
Judicial ITA Costs	2,033	2,033
Other	1,986	3,572
Nursing Home Funding Increase	1,818	3,723
DD: Education (RHC Children)	1,437	1,437
RSN Rate Adjustment	1,403	2,869
DD: Intensive In-Home Suppt/Children	1,200	2,455
Long-Term Care Training Pilot	600	600
Underexpenditure & Realistic Growth	-1,016	-1,225
Utter Request Legislation *	-5,574	0
Long Term Care, DD, and Mental Health Total	30,778	51,272
Other Human Services		
Family Medical Leave Implementation	6,218	12,436
Extend DASA Pilot Programs	5,157	5,157
DUI Legislation: Addl. Treatment	4,947	4,947
Other	4,228	33,434
IRS Collections Distribution Change	2,739	5,600
Child Victims of Sexual Assault	1,800	1,800
Supervised Visitation	1,656	2,300

2007-09 Revised Omnibus Operating Budget (2008 Supp)**Senate Chair Proposal**

(Dollars in Thousands)

	Near GF-S	Total
Local Farms and Healthy Kids	1,490	1,490
Food Stamp Gross Income Limits	1,100	1,950
Home Support Specialists	1,100	1,447
Payment System for Providers	1,000	1,581
Reactive Attachment Disorder Pilot	1,000	1,000
211 Enhancement	750	750
One-time FTE Savings	-1,900	-2,714
Other Human Services Total	31,285	71,178
Health Care		
Family Planning Support	4,000	5,000
CHC Adult Dental Access Grant	2,500	2,500
Smoking Cessation Benefits	1,883	3,625
Health Care Workgroup Support	1,276	1,276
DOH: Lost Federal Funds	894	-560
Miscarriage Management	681	681
Prescription Drug Monitoring	680	1,080
WBCHP Digital Mammography Rate	585	585
Other	433	512
Health Insurance Partnership	-1,777	-1,777
Basic Health Plan Adjustment	-2,692	-2,692
Health Care Technology Savings	-4,000	3,800
Lower Health Care Premium Growth	-8,605	-15,338
Health Care Total	-4,142	-1,308
Higher Education		
Composite Technology Apprenticeship	3,000	3,000
Health Care Career Advancement	3,000	3,000
Other	2,369	2,669
Construction Trade Apprenticeships	2,000	2,000
Child Care Institutional Grants	1,000	1,000
Community Technology Opportunities	1,000	1,000
Core Computer Systems Study	1,000	1,000
Knowledge Worker Residency Status	707	0
Campus Safety Mental Health Counsel	472	472
Job Skills Fund Source Change	-2,950	0
Opportunity Grant Adjustment	-5,000	-5,000
Higher Education Total	6,598	9,141

2007-09 Revised Omnibus Operating Budget (2008 Supp)**Senate Chair Proposal**

(Dollars in Thousands)

	Near GF-S	Total
Corrections and Other Criminal Justice		
Treatment Beds for Violators	9,845	9,845
Sex Offender Address Verification	5,000	5,000
Other	3,973	5,931
DOC: Supervision & Safety	3,070	3,070
Comm Transition Coord Networks	3,000	3,000
JRA: Parole Services	2,808	3,608
DOC: Staff Recruitment	2,387	2,387
Correctional Worker Training	1,094	1,094
Compensation Increases	1,022	1,022
Comm Corrections Vacancy Savings	-2,151	-2,151
Corrections and Other Criminal Justice Total	30,048	32,806
Lawsuits		
Shared Living Lawsuit	22,907	46,867
Other	2,174	3,648
Hyatt Lawsuit	1,000	1,000
Moore, et al v. HCA	1,000	1,000
Lawsuits Total	27,081	52,515
Natural Resources		
DNR: Emergency Fire Suppression	3,707	6,334
Other	3,680	6,926
Lake Roosevelt Water Availability	2,692	10,867
Climate Change/Green Jobs	1,905	1,905
Puget Sound Partnership	1,333	2,233
Fish & Wildlife	1,293	1,293
DNR: Forest Practices Federal Backfill	0	3,000
DOE: Standby Rescue Tug	0	2,000
Water Quality Capital Acct Transfer	-2,861	-2,861
Move Livestock Projects to Capital	-4,000	-4,000
Natural Resources Total	7,749	27,697
Housing Security		
Housing	8,500	8,500
Property Tax Deferral	5,814	5,814
Home Buyer Education	1,500	1,500
Other	566	590
Housing Security Total	16,380	16,404

2007-09 Revised Omnibus Operating Budget (2008 Supp)

Senate Chair Proposal

(Dollars in Thousands)

	Near GF-S	Total
All Other		
PEBB/Federal Audit Determination	11,000	11,000
Other	10,805	23,785
DUI Emphasis Patrol Grants	4,947	4,947
Fire Contingency	4,500	9,000
PEBB System (BAIAS)	4,036	6,948
SB 6809 Working Families Tax Exempt	2,364	2,364
New Americans	1,000	1,000
Parents Representation Program	961	961
December 2007 Flood Recovery	0	41,506
Eco Development Strategic Reserve	0	2,000
Justice Assistance Grants	0	1,584
Pre-Disaster & Planning Grants	0	7,861
Judicial Information Fund Adj	-1,500	0
Administrative Contingency Transfer	-1,800	0
Encourage Cleaner Energy	-2,000	-2,000
All Other Total	34,313	110,956
PEBB Rate Reduction		
PEBB Rate Reduction	-115,524	-211,378
PEBB Rate Reduction Total	-115,524	-211,378
Plus Maintenance Changes		
Plus Maintenance Changes	188,880	193,692
Grand Total	318,958	472,016