

**2006 SUPPLEMENTAL
OPERATING &
CAPITAL BUDGET
HIGHLIGHTS**

**AS PASSED THE
SENATE**

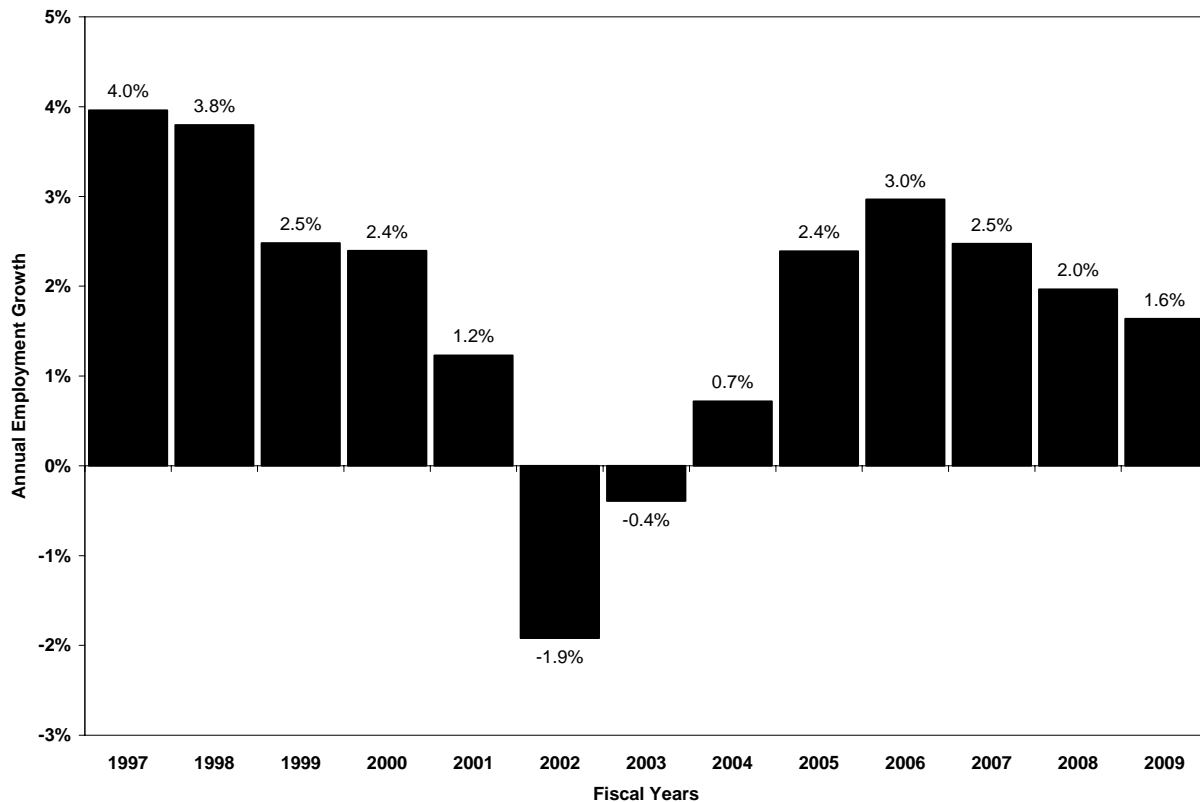
**SENATE WAYS & MEANS COMMITTEE
FEBRUARY 23, 2006**

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STATE FISCAL SITUATION

For the first time in several years, Washington State does not face a deficit. The economy is growing at a strong pace after several years of negative and very slow employment growth, and the General Fund budget is currently in a very strong position. However, the official employment forecast (shown below) for the next few years suggests caution in this year's supplemental budget. Wherever possible, the Senate budget looks to the three-year impacts of all budget decisions to ensure sustainability into the next biennium.



The Senate budget proposes to address the potential economic and revenue slowdown, and the resulting potential budget deficits, by setting aside money in four specific accounts until 2007-09. A separate bill, Senate Bill 6896, appropriates \$600 million into the Pension Funding Stabilization Account, the Health Services Account, and the Common School Construction Account. Additionally, \$100 million is appropriated into a debt service reserve, leaving \$254 million as an ending balance.

Pension Funding Stabilization Account

To address the unfunded liabilities in Plan 1 of the Public Employees' and Teachers' Retirement Systems, the Senate budget places \$350 million in a new Pension Funding Stabilization Account (PFSA) invested by the Washington State Investment Board. This early deposit can be expected to produce more than \$30 million in investment earnings over the next 30 months. Funds in this account may only be used to make state employer contributions towards the various state retirement systems. In addition, beginning in September for school district employees and in January for general government employees, the Senate budget re-establishes employer contributions towards the plan 1 unfunded liabilities.

STATE FISCAL SITUATION

Health Services Account

The current outlook for the Health Services Account is a deficit of \$375 million by June of 2009. As a result, the Senate budget makes two changes that will balance the account. First, \$115 million in services (including the Ticket to Work Medicaid Buy-In, Hospital Disproportionate Share Grants; Medicaid Breast/Cervical Cancer; Homecare Worker Health Benefits; Medicaid Program Administration; and Public Health I-695 Assistance) are transferred from the Health Services Account to the General Fund in the 2005-07 biennium. This change will balance the account this biennium.

Second, by extending this policy, and with the addition of a deposit of \$150 million, the account is balanced for the 2007-09 biennium as well.

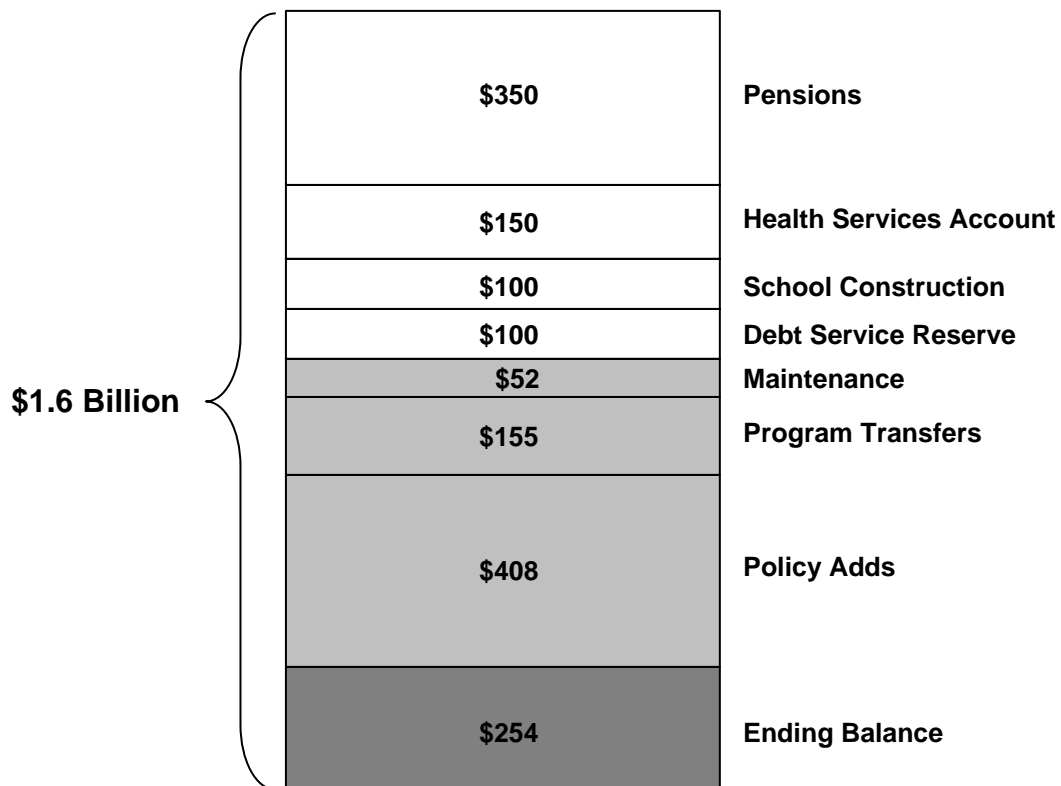
Common School Construction Account

Based on the enhancements provided by the 2005 legislature, it is estimated that the amount of state bonds dedicated towards K-12 capital construction will increase by approximately \$180 million in the 2007-09 biennium. To help mitigate this impact, the Senate budget deposits \$100 million in the Common School Construction Account to partially offset the needed state bond amount next biennium.

Debt Service Reserve

Finally, the Senate Budget appropriates \$100 million for a debt service reserve. The operating budget is responsible for paying the debt on money borrowed for the capital budget and this amount is expected to grow by almost \$200 million next biennium, totaling nearly \$1.5 billion.

2006 Supplemental Budget



STATE FISCAL SITUATION

2006 Supplemental Balance Sheet (Dollars in Millions)

RESOURCES

| | |
|-------------------------------------|-------------------|
| Beginning Balance | \$869.7 |
| November 2005 forecast | 26,335.7 |
| February 2006 Update | <u>107.3</u> |
| Total Revenue | \$26,443.0 |
| 2005-07 Enacted Fund Transfers | \$216.8 |
| 2006 Revenue Legislation | 1.7 |
| 2006 Transfers | <u>(9.5)</u> |
| Total Revenues and Resources | \$27,521.7 |

APPROPRIATIONS

| | |
|-------------------------------------|-------------------|
| 2005-2007 Appropriations | \$25,952.4 |
| 2006 Senate Supplemental | \$710.5 |
| Appropriations in other bills | 5.1 |
| Appropriations in SB 6896 | <u>600.0</u> |
| Revised Appropriations Total | \$27,268.1 |

RESERVES

| | |
|-----------------------------|----------------|
| General Fund Balance | \$253.7 |
|-----------------------------|----------------|

FUNCTIONAL AREAS OF GOVERNMENT

K-12 EDUCATION

MAINTENANCE LEVEL CHANGES - \$91.8 MILLION GENERAL FUND-STATE, \$1.2 MILLION STUDENT ACHIEVEMENT FUND

The Senate budget provides a total of \$93 million in increased maintenance level costs associated with: (1) 3,571 more students in the 2005-06 school year and 8,119 more students in the 2006-07 school year from the enrollment levels assumed in original budget; (2) an increase in the inflation factor used in providing an Initiative 732 cost-of-living adjustment to K-12 employees for the 2006-07 school year from 1.7 percent to 2.8 percent; and (3) other adjustments from the amounts assumed in the original 2005-07 budget that increase estimated state K-12 costs.

STUDENT REMEDIATION ASSISTANCE - \$38.9 MILLION GENERAL FUND-STATE

As part of the Senate's plan for remediation and additional assistance to students, the Senate budget provides for the following three items targeted at improving student achievement:

- **Promoting Academic Success** - \$21.7 million for a new program to help students who have been unsuccessful in one or more 10th grade WASL tests in reading, writing, and mathematics. School districts may use the new funding to offer intensive instruction in ways that best fit the needs of the districts' students, including summer school; Saturday or before- or after-school classes; skill seminars; test preparation seminars; and in-school or out-of-school tutoring.
- **Learning Improvement Day** - \$13.2 million is for one additional Learning Improvement Day (bringing the total to three state funded days) that can be used to support additional teacher planning and preparation time or having some or all students available for remediation instruction.
- **Navigation 101** - \$4.0 million for the Navigation 101 program which includes guidance counseling and a mentoring program to help students set goals, take courses that will further their goals, and learn where their skills lie.

NATURAL GAS AND DIESEL FUEL PRICE INCREASES - \$8.5 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding for: (1) additional allocations to help school districts in managing recent increases in diesel fuel prices (\$6.4 million); and (2) additional assistance to school districts in managing recent increases in natural gas rates (\$2.1 million).

VOCATIONAL EQUIPMENT REPLACEMENT - \$6.5 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding to replace and upgrade equipment in vocational and Skills Center programs. Specifically, the funding will be distributed based on \$100 per vocational student and \$150 per student at Skills Centers.

ASSESSMENT FUNDING ADJUSTMENTS - \$5.1 MILLION GENERAL FUND-STATE

The Senate budget provides funding for additional contractor and other costs associated with having the 10th grade assessment results returned to students by June 10th of each year and the development and administration of the state-required science WASL.

FUNCTIONAL AREAS OF GOVERNMENT

RESTORE LEVY EQUALIZATION - \$4.8 MILLION GENERAL FUND-STATE

The original 2005-07 budget made a prorated levy equalization reduction of 4.4 percent during calendar years 2006 and 2007. The Senate budget restores this reduction for calendar year 2007. The net effect will be an estimated increase in state levy equalization payments to school districts of \$8.8 million during calendar year 2007 and \$4.8 million during state fiscal year 2007.

MATH REMEDIATION – \$3.4 MILLION GENERAL FUND-STATE

The Senate budget provides funding is for the development and distribution of modules aimed at assisting teachers and students in mathematics. Additionally, a new 10th grade mathematics assessment tool that presents the mathematics essential learnings in segments for assessment will be developed.

STUDENT DATA SYSTEM - \$2.9 MILLION GENERAL FUND-STATE

The Senate budget provides funding to create a statewide database of longitudinal student information. The database will provide a central repository for student achievement and demographic information; allow teachers to review and track individual student achievement over time on state-standardized and classroom-based assessments by specific content strands; and provide a way to develop, track, and transfer student learning plans.

SCHOOL BREAKFAST PROGRAMS - \$2.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the following enhancements to the school breakfasts programs: (1) the level of reimbursement per meal is increased for each student eligible for free or reduced prices; (2) the co-pay is eliminated for students eligible for reduced prices; and (3) additional resources are provided to assist school districts in establishing summer food programs.

SAFE SCHOOLS FEDERAL BACKFILL - \$1.0 MILLION GENERAL FUND-STATE

The federal government has reduced the amount of funding provided to Washington state for the Safe and Drug-Free Schools and Communities (SDFSC) grants by approximately \$1.5 million or 21 percent in FY 2007. The Senate budget provides one-time funding to help mitigate the impact of this federal budget reduction.

OTHER K-12 ENHANCEMENTS - \$1.9 MILLION GENERAL FUND-STATE

The Senate budget provides funding for a variety of smaller K-12 increases, including the following: additional Attorney General Office services related to a lawsuit dealing with special education funding (\$1.1 million); environmental education programs (\$0.3 million); anti-bias training (\$0.25 million); youth suicide prevention (\$0.1 million); financial literacy programs for students (\$0.05 million); and College and Career Readiness Centers (\$0.04 million).

FUNCTIONAL AREAS OF GOVERNMENT

| Senate 2006 Supplemental Budget for K-12 Public Schools | |
|--|----------------------|
| State Fund in Thousands | |
| | <u>Amount</u> |
| 2005-07 Original Appropriations | \$11,569,194 |
| <u>2006 Maintenance Changes</u> | |
| Enrollment & Other Workload | \$48,235 |
| Initiative 732 COLA Increase (1.7% to 2.8%) | 34,394 |
| All Other Adjustments | 10,331 |
| 2006 Maintenance Changes | \$92,960 |
| <u>Student Remediation Assistance</u> | |
| Promoting Academic Success | \$21,673 |
| Learning Improvement Day | 13,207 |
| Navigation 101 | 3,980 |
| Student Remediation Assistance | \$38,860 |
| <u>Other Changes</u> | |
| Vocational Equipment Replacement | \$6,524 |
| Transportation Emergency Assistance | 6,355 |
| Assessment Funding Adjustments | 5,074 |
| Restore Levy Equalization | 4,813 |
| Math Remediation | 3,390 |
| Student Data System | 2,896 |
| Health Benefit Changes | 2,586 |
| Utility Costs Emergency Assistance | 2,148 |
| School Breakfast Programs | 2,000 |
| Special Education Lawsuit | 1,099 |
| Safe Schools Federal Backfill | 1,000 |
| Environmental Education | 300 |
| Anti-Bias Training | 250 |
| Pre-Apprenticeship Program Grants | 100 |
| Youth Suicide Information | 100 |
| National Board Certification - Benefits | 85 |
| Central Service Agency Charges | 71 |
| Financial Literacy | 50 |
| School Safety Plans | 45 |
| College and Career Readiness Centers | 43 |
| Move Early Read to Early Learning | (125) |
| Other Changes | \$38,804 |
| Total 2005-07 Revised Budget | \$11,739,818 |
| <i>Dollar Increase from Original Budget</i> | <i>\$170,624</i> |

* This does not include the transfer of \$25.2 million for an enhancement to the Learning Assistance Program (from the 2005 session) from Education Legacy Account to General Fund-State made in the 2006 supplemental budget or funding from the Pension Stabilization Fund.

FUNCTIONAL AREAS OF GOVERNMENT

OTHER EDUCATION

NEW EARLY LEARNING DEPARTMENT - \$1.5 MILLION GENERAL FUND-STATE NET INCREASE

Funding is provided one-time and on-going costs related to the establishment of the new Department of Early Learning (DEL), which will be a cabinet-level agency. Duties transferred either through the legislation or from an assumed transfer agreement with other state agencies to the newly created DEL include: state employee child care; state policy and licensing of child care; the Working Connections Child Care subsidies program; the Head Start Collaboration Office; and the Early Childhood Education and Assistance Program.

DIGITAL LEARNING COMMONS - \$1.5 MILLION GENERAL FUND-STATE

Funding is provided in the Department of Information Services to support the operations of the Digital Learning Commons (DLC). While state support is assumed to continue until 2009, it is assumed that the DLC will develop and begin implementation of a plan to become a self-supporting operation.

HIGHER EDUCATION

NEW ENROLLMENTS

CUSTOMIZED WORKFORCE TRAINING - \$5.0 MILLION GENERAL FUND-STATE

The Senate budget assumes passage of Second Substitute Senate Bill 6326, which establishes the Washington Customized Employment Workforce Training Program. The program allows employers locating in the state or expanding in the state to receive funding for employee training. When employees complete the training, employers pay for a quarter of the training cost, and are to pay the remaining three-quarters of the cost within 18 months. Additionally, eligible employers receive a fifty percent business and occupation tax credit. The bill creates a new account, the Employment Training Finance account and includes a \$5 million appropriation from the state General Fund to new account. All of the programs revenues and expenditures shall be out of the new account.

HIGH DEMAND ENROLLMENTS - \$3.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding for high demand enrollments at programs throughout the state. Specific funding is for 180 enrollments at four-year institutions at a state subsidy of \$11,000 per student and for 125 enrollments at community and technical colleges at a state subsidy of \$8,000 per student. High demand applies to programs where enrollment is limited and employers are experiencing difficulty finding qualified job applications to fill job openings.

LOWER DIVISION ENROLLMENTS - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides funding for 25 additional student enrollments at the University of Washington Tacoma branch campus.

FUNCTIONAL AREAS OF GOVERNMENT

JOB SKILLS PROGRAM - \$1.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding for expansion of the Job Skills program run by the State Board for Community and Technical Colleges. Funds will be matched by employers as part of the program's requirements. Additionally the board is encouraged to apply any savings gained through the Smart Buy program for additional funding for the job skills program.

APPLIED BACCALAUREATE DEGREES AND CO-LOCATION COSTS - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding for four community colleges to develop implementation plans for offering applied baccalaureate degrees. Additionally, the Senate budget increases to \$6,300 per student the state subsidy to the State Board for Community and Technical Colleges for 120 applied baccalaureate degree enrollments, for the purpose of contracting for upper-divisional coursework.

SCHOLARSHIPS AND FINANCIAL AID

BILINGUAL AND SPECIAL EDUCATION FUTURE TEACHERS CONDITIONAL SCHOLARSHIP PROJECT - \$1.0 MILLION GENERAL FUND-STATE

The Senate budget assumes passage of Substitute Senate Bill 6171 and provides funding to establish a demonstration project to assist classified K-12 public school employees earn a teaching certificate in bilingual or special education. This program will provide conditional scholarships through the future teachers' conditional scholarship program and loan repayment program or through one of the alternative routes to certification.

THE LEADERSHIP 1000 SCHOLARSHIP PROGRAM - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the Higher Education Coordinating Board to contract with the Leadership 1000 Scholarship Program. The program matches benefactors with selected economically disadvantaged students who have exhausted all other sources of scholarship and financial aid and would be otherwise unable to attend college. The state funding will be leveraged with private donations to support, develop, and implement the program.

OPERATIONS SUPPORT

NATURAL GAS COSTS - \$4.6 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding to the four-year institutions and to the community and technical colleges for managing recent increases in utility rates during Fiscal Year 2006. The budget assumes a 17.5 percent increase in utility costs.

MAINTENANCE AND OPERATIONS COSTS - \$5.7 MILLION GENERAL FUND-STATE

The Senate budget provides funding for maintenance and operations costs for 35 instructional facilities located throughout the state. This includes 32 projects for community and technical colleges and three projects for Washington State University located in Spokane, Prosser, and Vancouver.

FUNCTIONAL AREAS OF GOVERNMENT

FACULTY INCREMENTS FOR COMMUNITY AND TECHNICAL COLLEGES - \$1.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding to help community and technical colleges fund faculty salary increments.

RESEARCH

LIFE SCIENCES RESEARCH - \$4.3 MILLION GENERAL FUND-STATE

The Senate budget provides funding for life sciences research throughout the state. This includes the following projects:

- \$2.4 million for the University of Washington to increase its capacity to conduct life sciences research. State funding will be leveraged with private and federal investments.
- \$1 million for Washington State University for the development of life sciences research located in Spokane. The research will focus on developing and implementing new medical treatment therapies.
- \$0.9 million for the Life Sciences Discovery Fund Authority for start-up costs. 2005 legislation created the Life Sciences Discovery Fund Authority to provide grants for life sciences research.

AGNETWEATHER SYSTEM - \$0.8 MILLION GENERAL FUND-STATE

The Senate budget provides funding for Washington State University for the operation of the AgNetWeather System. The system will provide data for fire services, scientists predicting movement of airborne particulates, and for additional weather-dependent state and private agricultural, natural resource, and environmental activities throughout the state.

DEPARTMENT OF GLOBAL HEALTH - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the University of Washington to implement a department of global health. The Schools of Medicine and Public Health and Community Medicine will jointly form and operate the department. The focus will be establishing sustainable improvements in global health through public health policy, practice, and medical care.

PACIFIC NORTHWEST SEISMIC NETWORK - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the University of Washington to upgrade the Pacific Northwest Seismic Network (PNSN). PNSN will be able to upgrade their basic operations and information infrastructure and improve production of shake maps, which will include incorporating fragility assessments into the shake maps.

EDUCATIONAL OUTREACH

MATH ENGINEERING SCIENCE ACHIEVEMENT (MESA) WASHINGTON - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides additional funding for MESA Washington to increase the number of hands-on math and science programs for K-12 students throughout the state.

FUNCTIONAL AREAS OF GOVERNMENT

Washington State University will sponsor expansion into the Yakima Valley and southwest Washington. The University of Washington will sponsor work with tribal schools throughout the state.

TRANSITIONS MATH PROJECT - \$0.6 MILLION GENERAL FUND-STATE

The Senate budget provides funding to the State Board for Community and Technical Colleges to coordinate a project to address the need to reduce remedial math courses taken at institutions of higher education. The project will bring together representatives from the K-12 system, the Community and Technical College system, and public four-year institutions to: 1) provide outreach and standards-based instructional materials to support local high school and college partnerships for the purpose of enhancing student expectations regarding college-level math courses; and 2) improve the math placement testing process.

SUPPORT FOR AUTISTIC CHILDREN - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides funding for service delivery enhancements at the Autism Center at the University of Washington Tacoma campus and the Northwest Autism Center in conjunction with Eastern Washington University.

BURKE MUSEUM EDUCATIONAL OUTREACH - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the Museum to develop and present additional traveling educational exhibits and supporting curriculum.

MISCELLANEOUS

NURSING FACULTY PILOT PROJECT - \$0.1 MILLION GENERAL FUND-STATE

The Senate budget provides funding to implement a nursing faculty retention and recruitment pilot project through the State Board for Community and Technical Colleges. Yakima Valley Community College and another community college located in the Western part of the state will receive funding to raise the nursing faculty salaries by \$10,000 for fiscal year 2007.

INSTITUTE FOR PUBLIC POLICY STUDIES - \$0.7 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the Washington State Institute of Public Policy to conduct the following studies, assuming passage of the necessary legislation:

- Based on Substitute Senate Bill 6618, conduct an analysis and review of various aspects of the Washington Assessment of Student Learning (\$275,000).
- Pursuant to Substitute Senate Bill 5551, conduct a study of the minimum wage and other related issues (\$150,000).
- To begin development of a central repository of research and evaluations of the cost-benefits of various K-12 educational programs and services (\$125,000).
- Pursuant to Substitute Senate Bill 6605, hire a meeting facilitator to conduct a series of meetings to examine the strengths and weaknesses of educational services available to deaf and hard of hearing children throughout the state (\$55,000).

FUNCTIONAL AREAS OF GOVERNMENT

- As required by Second Substitute Senate Bill 6239, study other states' sentencing laws with respect to methamphetamine and recidivism rates of offenders receiving the Drug Offender Sentencing Alternative (\$48,000).
- Conduct a study of the service needs of people with developmental disabilities and their families who are clients of the Division of Developmental Disabilities (\$45,000).

FUNCTIONAL AREAS OF GOVERNMENT

| Senate 2006 Supplemental Budget for Higher Education | |
|--|--------------------|
| General Fund-State in Thousands | |
| | <u>Amount</u> |
| 2005-07 Original Appropriations | \$2,900,607 |
| <u>New Enrollments</u> | |
| High Demand Enrollments | \$3,000 |
| Job Skills Program | \$1,000 |
| Applied BA & Co-Location Costs | \$508 |
| Lower Division Enrollments | \$150 |
| New Enrollments | \$4,658 |
| <u>Scholarships & Financial Aid</u> | |
| Bilingual & Sp. Ed. Future Teachers Conditional Scholarships | \$1,022 |
| Leadership 1000 Scholarship Program | \$500 |
| GEAR-UP Scholarship Program | \$75 |
| Scholarships & Financial Aid | \$1,597 |
| <u>Operations Support</u> | |
| Utility Costs Emergency Assistance | \$4,637 |
| Maintenance & Operations Costs | \$5,695 |
| Operations Support | \$10,332 |
| <u>Compensation</u> | |
| I-732 COLA Increase | \$2,980 |
| Faculty Increments for Community and Technical Colleges | \$1,000 |
| Nursing Faculty Pilot Project | \$140 |
| Compensation | \$4,120 |
| <u>Research</u> | |
| UW-Life Sciences Research | \$2,400 |
| WSU-Life Sciences Research | \$1,000 |
| Life Sciences Discovery Fund | \$900 |
| AgWeatherNet System | \$800 |
| Department of Global Health | \$500 |
| Pacific Northwest Seismic Center | \$180 |
| Solar Electric Energy Demonstration Project | \$160 |
| Research | \$5,940 |
| <u>Education Outreach</u> | |
| MESA Washington | \$500 |
| Transitions Math Project | \$550 |
| Autism Centers at UWT & EWU | \$200 |
| Burke Museum | \$150 |
| Education Outreach | \$1,400 |
| <u>Miscellaneous</u> | |
| Washington Institute for Public Policy Studies | \$698 |
| Local Government Publication | \$10 |
| Other Changes | \$7,249 |
| Miscellaneous | \$7,957 |
| Total 2005-07 Revised Budget | \$2,936,611 |
| <i>Dollar Increase from Original Budget</i> | <i>\$36,004</i> |

FUNCTIONAL AREAS OF GOVERNMENT

HEALTH CARE

MEDICAL ASSISTANCE CASELOAD AND UTILIZATION CHANGES - \$92.1 MILLION GENERAL FUND-STATE SAVINGS; \$40.3 MILLION HEALTH SERVICES ACCOUNT-STATE COST; \$39.4 MILLION GENERAL FUND-FEDERAL SAVINGS (MAINTENANCE LEVEL CHANGES)

An average of 906,000 low-income Washingtonians per month are projected to receive medical and dental care through Department of Social and Health Services medical assistance programs during the 2005-07 biennium, at a total state and federal cost of \$7.68 billion. This is 2.4 percent fewer than the 928,000 persons per month anticipated in the original biennial budget. Primarily for this reason, total state expenditures are projected to be about 1.4 percent (\$52 million) less than originally budgeted. State expenditures are decreasing more than federal because, on a one-time basis, Congress has agreed to allow states such as Washington that were already covering children with family incomes below 200% of the federal poverty level to charge part of those costs at the higher federal matching funds rate that subsequently became available to other states under the State Children's Health Insurance (SCHIP) program. This SCHIP flexibility results in a one time savings of \$23 million to the state Health Services Account.

MEDICARE PART D CO-PAYS - \$18.2 MILLION GENERAL FUND-STATE

Under the new Medicare Part D program, more than 100,000 low-income elderly and disabled Washingtonians whose drug costs were previously covered in full by the state Medicaid program must now pay \$1, \$3, or \$5 per prescription. This is a significant burden since these individuals average 7 prescriptions per month and typically have incomes of less than \$600 per month. As recommended by the Governor, the Senate budget therefore provides new state funds to cover this cost for Medicaid recipients. With this change, the combined cost of the new Part D benefit to the state Medical Assistance budget totals \$24 million.

INCREASE BASIC HEALTH PLAN ENROLLMENT - \$10.5 MILLION HEALTH SERVICES ACCOUNT

The Senate budget provides subsidized Basic Health Plan (BHP) coverage for an additional 5,000 low-income Washingtonians per month, starting in July. This is a 5 percent increase from current enrollment levels.

PANDEMIC FLU PREPAREDNESS - \$7.0 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding for state and local health departments to develop and implement comprehensive plans for responding to a pandemic flu, such as the one many experts fear could develop from the new avian flu virus that is appearing throughout Eurasia.

COMMUNITY HEALTH COLLABORATIVE GRANTS - \$3.1 MILLION GENERAL FUND-STATE

The Senate budget assumes passage of Second Substitute Senate Bill 6459, which directs the Health Care Authority to provide two-year grants of up to \$500,000 to assist community-based organizations increase access to appropriate, affordable health care for Washington residents, particularly low-income working individuals. The applicant organizations must assure measurable improvements in health access within their service

FUNCTIONAL AREAS OF GOVERNMENT

region; demonstrate active collaboration with key community partners such as health care providers, businesses, and local government; and provide two dollars in matching funds for each grant dollar awarded.

IMMIGRANT CHILDREN'S HEALTH PROGRAM - \$4.2 MILLION GENERAL FUND-STATE

The Senate budget provides funding for an additional 7,000 children to be enrolled in the Immigrant Children's Health Program during July through October. This will increase total program enrollment to 11,300. The program provides medical and dental care for children whose family incomes are below the poverty level but who are not eligible for Medicaid because of their immigration status. A total of \$3.5 million was transferred from Economic Services for this program.

COMMUNITY CLINIC GRANTS - \$2.5 MILLION HEALTH SERVICES ACCOUNT

The Senate budget increases, by 26 percent for the second year of the biennium, state grants to clinics that provide free and reduced-cost medical and dental care to low-income individuals.

NEW CHILDHOOD VACCINES - \$3.0 MILLION HEALTH SERVICES ACCOUNT

The Senate budget provides funding for at least three new vaccines, and one new immunization requirement, to be added to the universal immunization system, under which the state and federal governments purchase Center for Disease Control and Prevention (CDC)-recommended vaccines on behalf of all of the state's children, regardless of family income. The new State Board of Health requirement is for varicella (chicken pox) immunization or proof of immunity in order to enter child care or school. The new vaccines include one for meningitis, and a new combination vaccine to increase adolescent immunity to pertussis (whooping cough). In order to reduce the number of single injections required for infants aged 2 -6 months, funding is also provided to add one or more additional combination vaccines based upon a clinical and cost-effectiveness review by the Department of Health and its Vaccine Advisory Committee.

BREAST AND CERVICAL CANCER SCREENING - \$1.4 MILLION GENERAL FUND-STATE

The Senate budget provides funding to increase by 25 percent the number of low-income, uninsured women screened through the Washington Breast and Cervical Health Program.

ADDRESSING HEALTH DISPARITIES - \$0.6 MILLION GENERAL FUND-STATE

The Senate budget assumes passage of Second Substitute Senate Bill 6197 and provides funding to support the work of the Interagency Council on Health Disparities. As directed in the bill, the Council is responsible for developing a comprehensive action plan for eliminating racial differences in health access and outcomes by 2012.

STATE HEALTH TECHNOLOGY ASSESSMENT PROGRAM - \$0.5 MILLION HEALTH SERVICES ACCOUNT, \$0.4 MILLION GENERAL FUND-FEDERAL, \$0.3 MILLION OTHER STATE FUNDS

The Senate budget provides funding for the Health Care Authority to establish an inter-agency Health Technology Clinical Advisory Committee (HTCAC) to study evidence-based purchasing methods and make recommendations to the state's major health care purchasers. The participating agencies are the Department of Social and Health Services, the Department of Labor & Industries, the Department of Corrections, and the

FUNCTIONAL AREAS OF GOVERNMENT

Department of Veterans' Affairs. Assessments will be provided to the HTCAC by a new Health Technology Assessment Center at the University of Washington. Recommendations will emphasize health care procedures and technologies that have been shown to be both effective and cost-efficient.

INCREASED UTILIZATION REVIEW - \$3.1 MILLION GENERAL FUND—STATE AND \$3.1 MILLION GENERAL FUND FEDERAL SAVINGS

The Senate budget provides funding for additional staff to expand current successful efforts aimed at assuring appropriate and cost-effective use of medical services. Savings will be achieved by preventing inappropriate and off-label use of certain prescription drugs; by reviewing, and potentially terminating, contractual arrangements with providers who have demonstrated substandard practice patterns; and by increasing record reviews to assure that expensive procedures are being delivered in accordance with clinical guidelines.

LONG-TERM CARE

CASELOAD AND COST-PER-CASE CHANGES - \$16.4 MILLION GENERAL FUND-STATE, \$40.3 MILLION HEALTH SERVICES ACCOUNT-STATE COST; \$19.5 MILLION GENERAL FUND-FEDERAL (MAINTENANCE LEVEL CHANGES)

An average of 49,500 people per month are now projected to receive publicly-funded long-term care services during the 2005-07 biennium, rather than an average of 48,500 per month as anticipated in the original budget. This cost is largely offset by the fact that nursing home rates are now expected to be about 1 percent lower than projected in the original biennial budget and fewer individual homecare contractors are enrolling for publicly-funded medical benefits than anticipated in funding their collective bargaining agreement. However, that cost per case savings is offset by the fact that medical coverage for homecare agency employees is now projected to cost \$38 million during 2005-07, rather than \$11 million as originally budgeted.

NURSING HOME RATE INCREASE - \$6.2 MILLION GENERAL FUND—STATE, \$6.1 MILLION GENERAL FUND-FEDERAL

The Senate budget increases nursing home payment rates by an additional 2.0 percent effective July 1, 2006. With this additional adjustment, rates will increase by a total of 4.7 percent in Fiscal Year 2007, after accounting for the 1.3 percent inflation adjustment already authorized in the original biennial budget and increased payments to account for changes in patient acuity levels.

HOMECARE AGENCY "PARITY" - \$5.5 MILLION GENERAL FUND—STATE, \$5.5 MILLION GENERAL FUND—FEDERAL

The Senate budget provides funding to increase homecare agency payment rates to cover the cost of all hourly wage, vacation, and seniority wage increases that have been funded on behalf of individual providers of homecare services. Funds are also appropriated for homecare agencies to provide medical, dental, and vision benefits at the same per worker per month defined contribution rate as funded in the individual provider collective bargaining agreement. Those defined contribution rates are \$449 per covered worker per month in Fiscal Year 2006, and \$539 per covered worker per month in Fiscal Year 2007.

FUNCTIONAL AREAS OF GOVERNMENT

ADULT DAY HEALTH RATE INCREASE - \$1.0 MILLION GENERAL FUND–STATE, \$1.0 MILLION GENERAL FUND–FEDERAL

The Senate budget increases by approximately 17 percent payment rates for adult day health services.

ADDITIONAL NURSING HOME CAPACITY FOR VETERANS - \$1.3 MILLION GENERAL FUND–FEDERAL, \$0.2 MILLION PRIVATE PAY

The Senate budget appropriates funds to provide skilled nursing facility services to 40 additional individuals at the Washington Veterans Home in Retsil. The additional cost of this service is projected to be covered by resident contributions toward the cost of their care and by reimbursements from the federal Medicare, Medicaid, and Veterans Services programs.

CHILDREN’S SERVICES

FOSTER CARE AND ADOPTION SUPPORT CASELOAD AND UTILIZATION CHANGES - \$12.8 MILLION GENERAL FUND-STATE, \$7.7 MILLION GENERAL FUND-FEDERAL (MAINTENANCE LEVEL CHANGES)

The Senate budget provides funding to account for higher per person costs for Adoption Support and Foster Care than were assumed in the original biennial budget. Per person costs for Adoption Support grew by 3.7 percent, Family Foster Homes grew by 2.1 percent, and Behavioral Rehabilitation Services grew by 1.7 percent from Fiscal Year 2004 to Fiscal Year 2005. These higher per person costs are partially offset by cost reductions from lower caseloads than assumed in the original biennial budget. The forecast includes annual one percent vendor rate increases in per person costs.

GOALS SUPPORTING BRAAM OVERSIGHT PANEL

Children’s Administration continues to work with the Braam Oversight Panel to establish benchmarks and achieve outcomes in six areas: Placement Stability, Mental Health, Foster Parent Training and Information, Unsafe/Inappropriate Placements, Sibling Separation, and Services to Adolescents. The Senate budget provides the following funding increases to support a number of these goals:

- ***Child Welfare Information System*** – The Senate budget provides funding to replace the current child welfare information system with a Statewide Automated Child Welfare Information System (SACWIS). The Department will hire an implementation vendor and perform initial implementation work. The total project is estimated to cost \$11.8 million and to be completed in the beginning of 2009. (\$3.8 million General Fund-State, \$3.8 million general Fund-Federal)
- ***Child Welfare 30 day visits*** – The Senate budget provides funding to phase-in an additional 100 child welfare workers toward achieving the goal of face-to-face contact with children, parents, and/or caregivers every 30 days, for both in-home services and out-of-home placements. (\$3.0 million General Fund-State, \$1.3 million General Fund-Federal)

FUNCTIONAL AREAS OF GOVERNMENT

- ***Extend Foster Care to Age 21 for Post-Secondary Education*** – The Senate budget provides an extension of foster care for up to 50 youths to age 21 to complete a post-high school academic or vocational program and to receive necessary support and transition services. (\$0.6 Million General Fund-State)
- ***Foster Parent Critical Support and Retention Program*** – The Senate budget provides funding for cognitive behavioral therapy training to foster parents who care for children who act out sexually and/or physically, as part of a statewide foster parent critical support and retention program. It is estimated that 618 foster homes will receive this training in Fiscal Year 2007. (\$0.5 million General Fund-State, \$0.2 Million General Fund-Federal)
- ***Supervised Visitation*** - The Senate budget provides funding for costs associated with Supervised Visitation that are higher than forecast in the original biennial budget. Supervised visitation helps to maintain the parent-child relationship when safe to do so, allows the parent the opportunity to demonstrate parenting skills, and expedites permanency. (\$0.9 million General Fund-State, \$0.4 million General Fund-Federal)
- ***Placement Evaluations*** - The Senate budget provides funding for costs associated with Placement Evaluations that are higher than forecast in the original biennial budget. These psychiatric and psychological evaluations for children and/or parents assist in preventing out-of-home placements, making appropriate out-of-home placements, or implementing a permanent plan. (\$0.3 Million General Fund-State)

FAMILY POLICY COUNCIL - \$2.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding in DSHS Administrative Services for the Family Policy Council and community public health and safety networks to balance reductions taken in previous biennia. The Council and community-based networks work to prevent child abuse and neglect and recommend policy changes at the state and local level.

DEVELOPMENTAL DISABILITIES

NEW COMMUNITY RESIDENTIAL PLACEMENTS - \$1.0 MILLION GENERAL FUND-STATE, \$1.0 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding for an additional 19 persons needing community residential and support services. Priority consideration for these placements shall be for children with high behavior needs aging out of state services; clients who are in crisis or immediate risk of needing an institutional placement, including those who have aging parents who are no longer able to care for their adult children; and residents of state institutions who have chosen to move to a community setting.

EMPLOYMENT AND DAY/HIGH SCHOOL TRANSITION - \$1.3 MILLION GENERAL FUND-STATE

The Senate budget provides funding to extend employment and day services to approximately 300 additional clients. Priority consideration for this new ongoing funding will be young adults living with their families who need employment opportunities and assistance after high school graduation.

FUNCTIONAL AREAS OF GOVERNMENT

SUPPORTED LIVING PROVIDER RATE INCREASE - \$1.1 MILLION GENERAL FUND-STATE, \$1.1 MILLION GENERAL FUND-FEDERAL

The Senate budget provides a rate increase for supported living providers of 20 cents per hour for King County providers and 15 cents per hour for all other providers.

FAMILY SUPPORT - \$1.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding for an additional 700 families to purchase support services such as respite care, training and counseling, assistive technologies, and transition services, as well as assistance with extraordinary household expenses.

ADDITIONAL CASEWORKERS - \$0.7 MILLION GENERAL FUND-STATE, \$0.5 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding to add twelve case resource managers and related support staff in Fiscal Year 2007 for more timely distribution of current resources and programs to clients waiting for services.

STUDY OF SERVICE NEEDS - \$0.3 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding for case resource managers to assist with a Washington State Institute for Public Policy (WSIPP) study of the service needs of people with developmental disabilities and their families who are clients of the Division of Developmental Disabilities (DDD). About 12,000 people are currently clients of DDD, who do not receive paid services from DDD, and little is known about their service needs. WSIPP will compare the service needs and characteristics of clients receiving paid services to those who are not and will report to the Legislature and the Governor by November 1, 2006 to assist with future budget decisions.

LEGAL SERVICES FOR COMMUNITY PROTECTION CLIENTS - \$0.3 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding to the Developmental Disabilities Council through the Department of Community, Trade and Economic Development to contract for legal services for individuals entering or currently residing in the Community Protection Program. Services shall be prioritized for individuals needing legal services who do not have a paid legal guardian, however services are available to all individuals, subject to available funding.

MENTAL HEALTH

PIERCE COUNTY LAWSUIT - \$14.5 MILLION GENERAL FUND-STATE

A Thurston County Superior Court has ruled that the Department of Social and Health Services may not delay admissions to the state psychiatric hospitals because beds are not available, and may not charge Regional Support Networks for using more than their contracted number of beds. The Senate budget provides \$2.0 million to satisfy the Court's financial award to Pierce County and \$12.5 million to open two additional wards at Western State Hospital to comply with the Court's order that eligible patients from Pierce County be immediately admitted to the hospital. A total of six additional wards may need to be opened before the end of the current biennium, if the order stands, and is applied statewide.

FUNCTIONAL AREAS OF GOVERNMENT

SYSTEM TRANSFORMATION INITIATIVE - \$20.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding for implementation of a comprehensive strategy for transforming the delivery of public mental health services for people with severe and persistent mental illness. The strategy will clearly define state hospital and Regional Support Network (RSN) responsibilities with regard to people who require short and long-term care; emphasize the use of evidence-based practices; fund the phased-in development and ongoing support of community-based alternatives to state psychiatric hospitalization; link the receipt of community funding to achievement of negotiated performance objectives, and to not pursuing claims for alleged damages from past practices; hold RSNs accountable for managing state hospital admissions and discharges within established bed allocation targets; and hold the state hospitals accountable for admitting people who need their acute care on a timely basis, and for effectively supporting these individuals' recovery and return to the community. The legal framework and accountability mechanisms within which the initiative will operate will be defined in policy legislation that will be enacted prior to the end of the 2006 legislative session. Key components of the strategy will be specified and funded in further detail in the enacted 2006 supplemental budget.

REGIONAL SUPPORT NETWORK FUNDING INCREASES - \$10.9 MILLION GENERAL FUND-STATE, \$10.6 MILLION GENERAL FUND-FEDERAL

The Senate budget provides funding to improve the quality and availability of community mental health services and to assure more equitable access to such services statewide. In Fiscal Year 2007, non-Medicaid funds are to be distributed proportional to total population in each Regional Support Network (RSN) region. Medicaid payment rates are increased to the statewide average for those RSNs whose rates would otherwise be below that level, and by 3 percent for those RSNs whose rates are above the current average. Additional state funds are provided to assure that no RSN receives less total funding next year than this. Statewide, total RSN funding is increased by \$33.6 million, or 9 percent, in Fiscal Year 2007.

EASTERN STATE HOSPITAL LEGAL OFFENDER UNIT - \$1.3 MILLION GENERAL FUND-STATE

The Senate budget provides funding for increased staffing and operating costs on the legal offender admissions unit at Eastern State Hospital (ESH). This unit evaluates criminal defendants for competency to stand trial, and provides short-term treatment aimed at competency restoration. ESH admissions for such services are consistently exceeding budgeted capacity.

SUBSTANCE ABUSE AND GAMBLING TREATMENT

CONTROLLED SUBSTANCES AND METHAMPHETAMINE - \$5.2 MILLION GENERAL FUND-STATE; \$0.3 MILLION OTHER FUNDS

The Senate budget provides the following funding for implementation of Engrossed Substitute Senate Bill 6239 to reduce methamphetamine usage and trafficking and to

FUNCTIONAL AREAS OF GOVERNMENT

assist clean-up of properties contaminated by methamphetamine labs:

- \$1.6 Million for three rural task forces in the northeast, southeast, and southwest regions of the state. Each task force will receive 4 sheriff deputies, 2 prosecutors, and 1 clerk.
- \$1.9 Million for multi-jurisdictional drug task forces. Federal funding has been reduced by 40 percent since 2004. The Senate budget restores the 40 percent cut with state funding.
- \$0.6 Million for 100 additional therapeutic drug and alcohol treatment placements for offenders in institutions.
- \$0.3 Million for the Drug Offender Sentencing Alternative (DOSA) to allow for longer time for substance abuse treatment.
- \$0.5 Million for chemical dependency screenings for all felonies where the court determines that a dependency problem contributed to the offense.
- \$0.3 Million for implementation of a drug-free workplace program. Qualifying employers will receive a 5 percent reduction in worker's compensation premiums.
- \$0.3 Million for studies to review methamphetamine action teams, evaluations of methamphetamine lab decontamination projects, DOSA recidivism rates, and the effect of neighboring states' methamphetamine laws on drug traffickers and manufacturers in Washington state.

COMMUNITY BASED DRUG OFFENDER SENTENCING ALTERNATIVE (DOSA) – \$3.2 MILLION GENERAL FUND-STATE

The 2005 Legislature passed Engrossed Second Substitute House Bill 2015, which amended the Drug Offender Sentencing Alternative (DOSA) to include a community-based option. This allows the court to waive the standard sentence for eligible offenders and impose a term of residential treatment for three to six months, followed by a term of community custody. The Senate budget provides funding for 100 community-based residential treatment beds and the cost of court-ordered examinations for offenders who are being considered for a DOSA sentence.

EXPAND PARENT-CHILD ASSISTANCE PROGRAM TO SKAGIT COUNTY - \$0.4 MILLION GENERAL FUND-STATE

The Senate budget provides funding to expand the Parent-Child Assistance Program, which provides intensive support and referral services to pregnant and parenting women who are using drugs or are at risk of substance abuse.

PROBLEM GAMBLING TREATMENT - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides funding to supplement dedicated revenues for the recently established problem gambling treatment program, created by 2005 legislation. Revenues for the program are \$150,000 lower than expected when the program was authorized. The Senate budget provides state funds to ensure that the level of treatment available is equivalent to the level expected under the 2005-07 budget.

FUNCTIONAL AREAS OF GOVERNMENT

OTHER HUMAN SERVICES

DSHS – ECONOMIC SERVICES

BALANCE WORKFIRST SHORTFALL - \$53.9 MILLION GENERAL FUND-STATE

The Senate budget provides funding to balance the WorkFirst program, Washington's program for Temporary Assistance to Needy Families (TANF), and Working Connections Child Care; joint federal-state programs managed by the Governor. The Governor requested a 2005 workgroup to re-examine the WorkFirst program, which has a \$106 million deficit for the 2005-07 biennium, and to provide recommendations to balance the program. In addition to the use of \$20 million in resources from federal incentives and other one-time sources, the Governor expects to implement portions of the workgroup's recommendations by making \$36 million in reductions through various efficiencies, caseload reductions, and full-family sanctions. Child care is unaffected. The Senate budget provides a total of \$50.5 million in new state funds to balance the remaining shortfall. Additionally, the Senate budget provides \$3.4 million to ensure the continuation of the 60 percent "child safety net."

LIMITED ENGLISH PROFICIENT (LEP) PATHWAY - \$1.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding to supplement existing state and federal funds dedicated to LEP services, which assist public assistance-eligible refugees and others who have a limited ability to speak English by providing specialized job training, English-as-a-second-language classes, and other services.

CHILD CARE CAREER AND WAGE LADDER - \$1.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the child care career and wage ladder program established by 2005 legislation, allowing participating licensed child care centers to receive some funding to base wages upon experience, education, and responsibility.

DEPARTMENT OF LABOR AND INDUSTRIES

CRIME VICTIMS COMPENSATION - \$1.8 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

The Senate budget provides additional funding for three aspects of the Crime Victims Compensation program. First, the Senate budget provides funding to restore the program's reimbursement rates for mental health care to worker's compensation rates beginning in fiscal year 2007. Second, the Senate budget assumes passage of Senate Bill 6431 and expands eligibility for crime victim compensation to victims of vehicular crimes resulting from failure to secure a load. Finally, by statute, the Crime Victims Compensation Program's rates for inpatient hospitalization cannot be lower than those paid by the Department of Social and Health Services. The rates for the Medicaid program were increased in the 2005-07 Biennium.

FUNCTIONAL AREAS OF GOVERNMENT

ELECTRICAL INSPECTIONS - \$0.9 MILLION ELECTRICAL LICENSE ACCOUNT-STATE

Since Fiscal Year 2001, the number of electrical inspections requested per day has increased by 36 percent. The Senate budget provides funding for the department to hire 8 additional electrical inspectors to complete the majority of inspection requests within 24 hours.

VETERANS AFFAIRS

SERVICES FOR RETURNING IRAQ AND AFGHANISTAN VETERANS - \$0.5 MILLION GENERAL FUND–STATE

The Senate budget provides funding for the state Department of Veterans Affairs to organize 28 additional Family Activity Days through which local veterans groups will inform returning veterans and their families of federal and state benefits and services for which they may be eligible. Funding is also provided for local veteran service organizations to assist an estimated 1,500 additional veterans with federal benefit claims and for post-traumatic stress disorder treatment for approximately 130 new returnees.

CRIMINAL JUSTICE/PUBLIC SAFETY

DEPARTMENT OF CORRECTIONS

SEX OFFENDER LEGISLATION – \$1.6 MILLION GENERAL FUND-STATE

The Senate budget provides funding for increased prison costs and the requirement of community custody for those who fail to register, in accordance with recently passed legislation.

- ***Increased Penalties for Failing to Register*** – Second Substitute Senate Bill 6319 clarifies the definition of the crime of Failure to Register. It also raises the penalty for Failure to Register to require prison time as opposed to a short sentence in jail. By raising the crime to a ranked felony, Failure to Register will now count toward an offender's criminal history. The bill also requires the court to order a term of community custody of up to 48 months for offenders who fail to register.
- ***Increased Penalties for Possession of Child Pornography*** – Second Substitute Senate Bill 6172 raises the penalties for possession of child pornography by raising the crime of Possession of Depictions of a Minor Engaged in Sexually Explicit Conduct from an unranked Class C felony to a Level VI Class B Felony. It also makes possession of child pornography a registerable sex offense and raises the penalty for Voyeurism. In addition, the crime of Communication with a Minor for Immoral Purposes is expanded to include electronic communication.
- ***Increased Penalties for Crimes Committed with Sexual Motivation*** – Second Substitute Senate Bill 6460 creates statutory enhancements for all crimes committed with sexual motivation. Specifically, for felony crimes the enhancement is 24 months for Class A felonies, 18 months for Class B felonies, and 12 months for Class C felonies. The enhancement is doubled on the second offense of a crime with sexual motivation.

FUNCTIONAL AREAS OF GOVERNMENT

OFFENDER MANAGEMENT NETWORK (OMNI) – \$5.7 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the final phase of the construction and implementation of the Offender Management Network Information system (OMNI), which replaces the existing 20-year old Offender Based Tracking System (OBTS). The legislature provided the Department with \$11.3 million for Fiscal Year 2006. Due to project delays, \$6.0 million was transferred over to Fiscal Year 2007. A total of \$5.7 million in new funds is provided for Fiscal Year 2007 to complete the project.

CRIMINAL JUSTICE TRAINING COMMISSION

ADDITIONAL ACADEMIES - \$0.9 MILLION PUBLIC SAFETY AND EDUCATION ACCOUNT-STATE

The Senate budget provides one-time funding for the Criminal Justice Training Commission (CJTC) to run additional Basic Law Enforcement Academies (BLEA) during Fiscal Year 2006 and Fiscal Year 2007. With this funding the CJTC will conduct a survey of local law enforcement and state agencies and collect data needed to project future cadet enrollments for the 2007-07 biennium. The CJTC will report back to the Legislature by October 1, 2006.

VICTIM INFORMATION AND NOTIFICATION SYSTEM - \$0.4 MILLION OTHER FUNDS

The Senate budget assumes passage of Senate Bill 6502 and provides funding to the Washington Association of Sheriffs and Police Chiefs to implement a victim information and notification system. It is anticipated that any additional funds needed to operate the system will be provided through a federal grant.

JUDICIAL AGENCIES

OFFICE OF THE ADMINISTRATOR FOR THE COURTS

SUPERIOR COURT DAILY JUROR COMPENSATION - \$3.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding to increase daily juror compensation for Superior courts. The minimum amount of daily juror compensation is raised to \$20. Counties will provide \$10 and the state will provide \$10. If counties decide to increase their share of the jury fee above \$10, the state will match the increase dollar-for-dollar up to an additional \$10 from the state. The maximum amount of daily juror compensation would be \$40.

OFFICE OF CIVIL LEGAL AID

CIVIL LEGAL AID FOR DOMESTIC VIOLENCE VICTIMS - \$0.6 MILLION GENERAL FUND-STATE

The Senate budget provides ongoing funding to the Office of Civil Legal Aid to mitigate the loss of federal dollars targeted to meet emergency civil legal needs of low-income victims of domestic violence.

FUNCTIONAL AREAS OF GOVERNMENT

OFFICE OF PUBLIC DEFENSE

PARENTAL DEPENDENCY AND TERMINATION - \$3.4 MILLION GENERAL FUND-STATE

The Senate budget provides a fifty percent increase in funding for indigent parent representation in dependency and termination cases. Last year the program received funding to provide assistance to thirty percent of counties in Washington. It is expected this funding will expand the program to an additional 20 percent of the state.

INDIGENT CRIMINAL DEFENSE - \$1.0 MILLION GENERAL FUND-STATE

The Senate budget doubles funding to expand pilot projects to improve criminal indigent defense.

PUBLIC DEFENDER TRAINING - \$0.4 MILLION GENERAL FUND-STATE

The Senate budget provides funding for public defender training through the Washington Defender Association.

NATURAL RESOURCES

DEPARTMENT OF AGRICULTURE

ALTERNATIVE ENERGY AND JOB DEVELOPMENT- \$24 MILLION GENERAL FUND-STATE

The Senate budget provides \$17.5 million to establish a bioenergy assistance program within the Department of Agriculture to reduce the state's dependence on foreign energy and increase the use of agricultural products as a source of energy to supplement or supplant petroleum-based fuels. Also one-time funding is provided to develop alternative energy production projects in communities adversely affected by major job reductions in the forest and paper products industry.

WEIGHTS AND MEASURES INSPECTIONS - \$0.3 GENERAL FUND-STATE; \$0.7 MILLION OTHER FUNDS

The Senate budget assumes passage of House Bill 2559 and provides funding to increase the annual registration fee for all categories of commercial weighing, measuring, and counting devices. The state inspection average for each device will increase to not more than every two years. Additionally, the Senate budget provides one-time funding to purchase equipment.

SURFACE WATER MONITORING - \$0.1 MILLION STATE TOXICS CONTROL ACCOUNT

The Senate budget provides funding for an additional watershed monitoring site in the Wenatchee area to measure pesticide levels in rivers and streams. This additional site will provide data for federal assessments of a pesticide's potential risk to salmon.

FUNCTIONAL AREAS OF GOVERNMENT

DEPARTMENT OF ECOLOGY

PUGET SOUND/TOXICS CLEAN-UP - \$4.6 MILLION STATE FUNDS

The Senate budget provides the following funding for Puget Sound Clean-up:

- \$0.8 million to prioritize and cleanup the 115 known contaminated sites that lie adjacent to and within one-half mile of Puget Sound. (State Toxics Control Account)
- \$0.8 million to implement a state oil transfer inspection program that will inspect at least 35 percent of the more than 9,600 oil transfer operations performed each year. (Oil Spill Prevention Account-State)
- \$0.6 million to increase inspections of businesses that generate hazardous wastes to ensure compliance with state laws and to issue permits to facilities that treat, store and/or dispose of hazardous waste. (State Toxics Control Account)
- \$0.5 million to undertake pollution source control measures in the Lower Duwamish Waterway in support of a multi-party cleanup effort, as well as coordinate source control and cleanup of state-owned aquatic lands and adjacent uplands around Puget Sound. (State Toxics Control Account)
- \$0.5 million to meet the intent of the 50/50 cost share agreement with the U.S. Army Corps of Engineers to analyze large-scale restoration actions required to protect and restore the Puget Sound ecosystem (General Fund-State)
- \$0.4 million to reissue construction permits for sites that range between one and five acres to ensure that properly managed stormwater discharges protect water quality and habitats and minimize flooding. (Water Quality Permit Account-State)
- \$0.4 million for the ongoing maintenance of Well 12A in Tacoma and Frontier Hardchrome in Vancouver. These two superfund cleanup sites have been transferred to Washington state for ongoing maintenance responsibilities. (State Toxics Control Account)
- \$0.4 million to implement the Mercury Chemical Action Plan to reduce human and environmental exposure to this toxic chemical. All costs are one-time except for ongoing monitoring and reporting. (State Toxics Control Account)
- \$0.2 million for two additional spill responders to be located in the northwest region to implement early response tactics and address the high potential for hazardous material releases from transportation, oil refining activities, and pipelines in areas in and adjacent to Puget Sound. (State Toxics Control Account)

HANFORD CLEANUP PRIORITY ACT - \$2.9 MILLION STATE TOXICS CONTROL ACCOUNT

The Cleanup Priority Act (CPA) passed by Washington State voters in 2004 and requires the Department to undertake specific actions for the cleanup of the Hanford Nuclear Reservation. The CPA was challenged in court by the federal government and a final court ruling is pending. The Senate budget provides funding for legal defense costs and to implement the CPA as passed by Washington state voters in 2004 in the event the court case is resolved this summer.

FUNCTIONAL AREAS OF GOVERNMENT

COLUMBIA RIVER BASIN - \$2.0 MILLION GENERAL FUND-STATE

The Senate budget provides funding to the Department to implement Engrossed Second Substitute House Bill 2860 requiring studies, data collection, and inventories on water issues in the Columbia River basin.

WETLANDS CLASSIFICATION - \$0.6 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding to develop a process to solicit public and landowner input when property is proposed to be classified as wetlands; assist property owners in identifying the presence, extent or delineation of wetlands, and any related permits and regulations that may apply to the property in questions; and facilitate early resolution of potential disputes between property owners and governmental agencies on wetlands issues.

COVERED ELECTRONIC PRODUCTS - \$0.5 MILLION ELECTRONIC PRODUCTS RECYCLING ACCOUNT-NON-APPROPRIATED

The Senate budget assumes passage of Engrossed Substitute Senate Bill 6428 and provides funding to create a collection, transportation, and recycling system for covered electronic products. Manufacturers will establish and pay for the system.

DEPARTMENT OF FISH AND WILDLIFE

HABITAT CONSERVATION PLANNING - \$0.7 MILLION GENERAL FUND-FEDERAL

The Senate budget appropriates funding to initiate a comprehensive review of the hydraulic project approval permit rules and to undergo a public process for adoption of new or revised rules.

INCREASE FISH PRODUCTION - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding to increase fish production levels at state-operated fish hatcheries. In addition, \$1.1 million in savings achieved via Smartbuy will be utilized to accomplish this goal. The Department is required to submit a report to the legislature documenting the increased production levels by July 31, 2007.

SALMON MARKING AND RESEARCH - \$0.2 MILLION PUGET SOUND RECREATIONAL FISHERIES ENHANCEMENT ACCOUNT-STATE; \$5.4 MILLION GENERAL FUND-FEDERAL

The Senate budget appropriates funding to mass mark federally-funded hatchery Chinook salmon in order to meet the requirements of the Endangered Species Act. Additionally, the Senate budget provides increased expenditure authority for the Department to research the impacts that contaminants have on resident Chinook and various groundfish.

DEPARTMENT OF NATURAL RESOURCES

SURFACE MINING PROGRAM - \$1.1 MILLION SURFACE MINING RECLAMATION ACCOUNT-STATE

The Senate budget assumes passage of Second Substitute Senate Bill 6175 and provides funding to collect surface mining and reclamation permit fees to cover the cost of administering the Surface Mining Program.

FUNCTIONAL AREAS OF GOVERNMENT

GEOLOGIC HAZARDS PROGRAM - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding to research and map earthquake and landslide hazards throughout Washington state. Slope stability maps of the shoreline of southern Puget Sound will also be updated.

INVASIVE SPECIES COUNCIL - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget assumes passage of Engrossed Substitute Senate Bill 5385 and provides funding to establish the Invasive Species Council to develop a state-wide strategic plan to coordinate intergovernmental cooperation for early detection and rapid response of invasive species.

GROWTH MANAGEMENT HEARINGS BOARD

BEST AVAILABLE SCIENCE - \$0.02 MILLION GENERAL FUND-STATE

The Senate budget assumes passage of Substitute Senate Bill 6569 and provides funding to adopt procedures and criteria for the inclusion of best available science for protecting critical areas.

STATE PARKS & RECREATION

ELIMINATION OF DAY USE FEES - \$3.1 MILLION GENERAL FUND-STATE

The Senate budget provides funding to fully mitigate the impact of discontinuing the collection of state parks' parking fees, less half the cost for the Department to collect fees.

OUTDOOR RECREATION PROJECTS - \$4.0 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding in cooperation with the Department of Community, Trade and Economic Development to enter into funding agreements with the Mountains to Sound Greenway Trust to improve recreation facilities and access at the Mount Washington, Ollalie, Iron Horse State Parks and other projects.

WASHINGTON STATE BIRDING TRAIL - \$0.1 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding for the Olympic Loop of the Great Washington State Birding Trail, assuming passage of Senate Bill 5011. The Department of Community, Trade, and Economic Development, in partnership with the Washington Department of Fish and Wildlife, the Washington State Department of Transportation, the State Parks Commission, and Audubon Washington, will create a statewide trail network to attract nature tourists to Washington state.

WASHINGTON STATE HISTORICAL SOCIETY

LEWIS AND CLARK STATION CAMP - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding for increased costs associated with the discovery of Native American remains at the Station Camp Unit in Lewis and Clark Historic Park.

FUNCTIONAL AREAS OF GOVERNMENT

ALL OTHERS

ATTORNEY GENERAL'S OFFICE

MEDICAID FRAUD AND PATIENT ABUSE - \$0.4 MILLION GENERAL FUND-STATE AND \$1.0 MILLION GENERAL FUND-FEDERAL

The Senate budget provides additional funding to enhance the Attorney General's Medicaid Fraud unit to increase the unit's capacity to investigate Medicaid fraud and patient abuse.

COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

COMMUNITY SERVICES

SUPPORT FOR VICTIMS OF CRIME - \$1.8 MILLION GENERAL FUND-STATE

The Senate budget provides funding for a variety of programs that assist crime victims and prevent future crimes, including:

- One-time funding to the Office of Victims Assistance to provide statewide services for sexual assault victims (\$1 million General Fund-State).
- One-time funding to backfill cuts in federal funds for domestic violence legal advocacy (\$0.5 million).
- One-time funding for the King County Sexual Assault Resource Center for a Spanish-speaking therapist, parent/child victim education, and prevention programs. (\$0.2 million General Fund-State).
- Funding for a human trafficking task force, assuming passage of Substitute Senate Bill 6652 (\$0.1 million General Fund-State).

SUSTAIN JUVENILE DRUG COURT FUNDING - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding to assist the Benton-Franklin Juvenile Drug Court in continuing its programming. Federal funds previously used to fund the program have been exhausted. The counties will provide an equivalent match to the state amount to continue the program.

ENHANCE COMMUNITY SERVICES BLOCK GRANT - \$1.0 MILLION GENERAL FUND-STATE

The Senate budget provides state funds to supplement federal funding that assists community action agencies around the state. Federal funding in recent years has been reduced.

PACIFIC-ALGONA SENIOR CENTER - \$0.02 GENERAL FUND-STATE

The Senate budget provides one-time funding to the Pacific-Algona Senior Center, a nonprofit food assistance program serving low-income senior citizens.

FUNCTIONAL AREAS OF GOVERNMENT

COURT APPOINTED SPECIAL ADVOCATES - \$0.1 MILLION GENERAL FUND-STATE

The Senate budget provides additional funding to increase the support provided for coordination and training for Dependency Court Appointed Special Advocate (CASA) programs. These programs serve abused and neglected children throughout the state.

ECONOMIC DEVELOPMENT & CULTURAL RESOURCES

IMPROVE FACILITIES FOR MINOR LEAGUE BASEBALL - \$7.0 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding to minor league baseball facility owners for restoration and repair of the following facilities: the Tacoma Rainiers (\$2.5 million); the Spokane Indians (\$2.0 million); the Tri-Cities Dust Devils (\$1.0 million); the Yakima Bears (\$0.8 million); and the Everett AquaSox (\$0.8 million).

EMPLOYMENT RESOURCE CENTER - \$1.6 MILLION GENERAL FUND-STATE

The Senate budget provides funding for lease costs associated with the Employment Resource Center required by the Master Site Agreement negotiated in 2003 as part of the statewide aerospace industry strategy.

ADDITIONAL ECONOMIC DEVELOPMENT AND TRADE PROJECTS - \$1 MILLION GENERAL FUND-STATE

The Senate budget provides funding for a variety of programs to support economic development and trade, assuming passage of the necessary legislation:

- Trade Corps Fellowship Program - \$265,000 to implement Substitute Senate Bill 6330 to enhance the work of Washington's trade offices.
- Economic Development Grants Assistance - \$ 200,000 to implement grant search and grant writing assistance to local entities under Engrossed Senate Bill 5330.
- Main Streets Revitalization - \$183,000 to help implement the new commercial district tax credit incentive program created by 2005 legislation.
- Aerospace Industry Outreach - \$157,000 to oversee completion of the Master Site Agreement in implementation of a statewide aerospace industry strategy.
- International Trade Alliance - \$100,000 for the Spokane region to partner with other regional governments to strengthen and diversify the regional economy.
- Northwest Agriculture Incubator – \$50,000 in additional funding.
- Pacific Northwest Economic Region -\$50,000 for matching funds to use in the development and operation of a regional tourism initiative.

ADDITIONAL CULTURAL PROJECTS - \$0.4 MILLION GENERAL FUND-STATE

The Senate budget provides one-time funding for miscellaneous projects that provide cultural opportunities for its residents and boost tourism to Washington State:

- Dead Sea Scrolls - \$250,000 to assist with the exhibition at the Pacific Science Center in September, 2006.

FUNCTIONAL AREAS OF GOVERNMENT

- United States Figure Skating Championships - \$100,000 for marketing to bring the 2007 event to Spokane, with additional funding to be provided if Spokane is chosen as the designated host.
- Korean Cultural Festival - \$25,000 for the second annual Northwest Korean Sports and Cultural Festival to be held in Federal Way.
- International Music Festival - \$5,000 to assist with the festival in Tacoma.

DEPARTMENT OF PERSONNEL

HUMAN RESOURCE MANAGEMENT SYSTEM - \$13.8 MILLION DATA PROCESSING REVOLVING FUND

The Senate budget provides \$7.4 million for the Department of Personnel (DOP) to cover the costs associated with delays in the development of the new Human Resource Management System (HRMS). The HRMS project was delayed by four months as staff resources were diverted to make modifications to the existing PAY1 payroll system. The Senate budget also provides an additional \$6.4 million to cover HRMS development cost increases resulting from the signing by DOP and its vendors of a new contract with project scope and schedule revisions.

OFFICE OF THE INSURANCE COMMISSIONER

INSURANCE FRAUD - \$0.7 MILLION INSURANCE COMMISSIONER'S REGULATORY ACCOUNT

The Senate budget provides new funding to establish an Antifraud Unit within the Office of the Insurance Commissioner to combat the increasing incidence of organized insurance fraud.

SECRETARY OF STATE

STATEWIDE VOTER REGISTRATION DATABASE- \$6.0 ELECTION ACCOUNT-FEDERAL

The Senate budget provides funding under the federal Help America Vote Act (HAVA) to the Secretary of State to complete the statewide voter registration database.

SPECIAL APPROPRIATIONS TO THE GOVERNOR

INTEROPERABLE COMMUNICATIONS - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding to be distributed to local jurisdictions for the purchase of interoperable communications technology to assist communications across agencies and jurisdictions in case of a disaster.

ECONOMIC DEVELOPMENT STRATEGIC RESERVE - \$4.0 MILLION ECONOMIC DEVELOPMENT STRATEGIC RESERVE ACCOUNT

The Senate budget provides funding from the Economic Development Strategic Reserve Account to implement Second Substitute Senate Bill 5370 (chapter 427, Laws of 2005). The Governor, upon recommendation of the director of the Department of Community, Trade and Economic Development and the Economic Development Commission, may

FUNCTIONAL AREAS OF GOVERNMENT

authorize the use of the funds to recruit businesses, support public infrastructure, and provide technical assistance to prevent business closure or relocation outside the state.

WASHINGTON STATE MILITARY DEPARTMENT

HOMELAND SECURITY FUNDING - \$46.0 MILLION GENERAL FUND-FEDERAL

The Senate budget allocates \$46 million in federal funding for homeland security purposes to be distributed to local jurisdictions and state agencies for exercises, equipment, training, and response.

EMERGENCY MANAGEMENT, PREPAREDNESS, AND ASSISTANCE--\$5.3 MILLION GENERAL FUND-STATE AND OTHER FUNDS

The Senate budget assumes passage of Engrossed Substitute Senate Bill 6433 and provides funding for implementation. The bill establishes a new account, the Emergency Management, Preparedness, and Assistance Account. The Senate budget transfers a total of \$5.3 million in general fund-state is transferred to the new account. As directed in the bill, the Emergency Management Division will direct 80 percent of the funds to regional agencies, tribal governments and local government through grants for developing emergency management plans, running joint training exercises, and projects that strengthen their emergency response capabilities. The Emergency Management Division will retain 20 percent of the funds for conducting a biennial assessment of the state's ability to respond to disasters, and for administering the local grants.

WASHINGTON INFORMATION NETWORK 2-1-1 - \$2.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the Emergency Management Division to contract with the Washington Information Network 2-1-1 in Fiscal Year 2007 for operation of a 2-1-1 statewide system. The 2-1-1 system is designed to be a centralized contact point residents can use for referral to a variety of local and state health and social services.

TSUNAMI WARNING RADIOS - \$0.5 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the purchase and installation of at least ten "All Hazard Alert Broadcast" radios along Washington's coast.

LOCAL ELECTED OFFICIALS DISASTER RESPONSE TRAINING - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides funding for disaster response training for local elected officials. The training will cover state and local responsibilities during a disaster; state and local emergency management programs and laws; and working with the Federal Emergency Management Administration. The Military Department may contract with the Association of Washington Cities and the Washington Association of Counties to provide the training.

EXPOSURE TO DEPLETED URANIUM - \$0.2 MILLION GENERAL FUND-STATE

The Senate budget provides funding for the Department to study the scope and adequacy of training on exposure to depleted uranium received by Washington state members of the National Guard serving during the first Gulf War or recently in Iraq and Afghanistan. The Department will report to the Legislature by October 1, 2006. The Senate budget also includes funding for the Department to lead a task force to initiate a health registry,

FUNCTIONAL AREAS OF GOVERNMENT

develop an outreach plan for affected military personnel, and prepare a report and recommendations regarding potential exposure to depleted uranium. The task force will include the Secretary of the Department of Health, the Adjutant General, the Director of Veterans Affairs, six legislative members, and 6 additional members.

OTHER

TARGETING FRAUD - \$3.3 MILLION OTHER STATE FUNDS

The Senate budget provides the following funding to various agencies throughout the state to target fraud:

- \$0.3 Million to the State Board of Accountancy for investigation of potential certified public accounting misconduct cases. (Certified Public Accountants' Account-State)
- \$1.2 Million to the Department of Labor and Industries to implement additional fraud detecting technology known as the Employer Audit Technology and Referral System by July of 2007. The new system will allow for automation of several auditing tasks currently performed manually. The cost to build and implement the new system will be recovered in the first year of its use (Fiscal Year 2008) and will produce ongoing benefits. One-time costs are \$662,000. (Accident Account-State, Medical Aid Account-State)
- \$1.2 Million to enhance fraud detection within the unemployment insurance system of the Department of Employment Security. A new fraud detection unit is created that will identify, prosecute, and collect from people who file inaccurate or fraudulent unemployment claims that result in overpayments. The Department will also pursue employers who do not pay their unemployment insurance taxes. It is anticipated this investment will generate approximately \$14.2 million in revenue during Fiscal Year 2007. (Administrative Contingency Account-State)

COMPENSATION

STATE EMPLOYEE COMPENSATION

\$1,000 MINIMUM MONTHLY BENEFIT FOR PLAN 1 RETIREES - \$0.5 MILLION GENERAL FUND-STATE, \$0.2 MILLION OTHER FUNDS

The Senate budget provides funding to extend eligibility for the alternative minimum benefit in the Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1) to members who have at least 20 years of service and who have been retired for at least 25 years. In addition, an annual increase of 3 percent is added to this \$1,000 minimum benefit.

COST-OF-LIVING ADJUSTMENT ELIGIBILITY IMPROVEMENT FOR PLAN 1 RETIREES - \$2.2 MILLION GENERAL FUND-STATE, \$0.7 MILLION OTHER FUNDS

The Senate budget provides funding to adjust the age requirements for Uniform Cost-of-Living Adjustment (Uniform COLA) eligibility in the Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1). Under current law, a member must have been retired for at least one year and have reached age 66 by July 1 to be eligible for the Uniform COLA increase in a given year. Under the new law, the requirement is revised so that a member need only turn 66 by December 31 of a given year to receive the increase.

PENSION CONTRIBUTIONS - \$60.9 MILLION TOTAL

The Senate budget includes funding for reinstated employer contributions towards the unfunded accrued actuarial liabilities in the Public Employees' Retirement System (PERS) Plan 1 and the Teachers' Retirement System (TRS) Plan 1. Unfunded liability contributions begin on September 1, 2006, in TRS and the School Employees' Retirement System (SERS), and on January 1, 2007, in PERS and the Public Safety Employees' Retirement System (PSERS). Contribution rates will be 1.77 percent in PERS, 1.29 percent in TRS, 0.87 percent in SERS, and 1.77 percent in PSERS. State employer contributions that would normally be made from the General Fund-State are made from the new Pension Funding Stabilization Account instead.

HIGHER EDUCATION COMPENSATION

I-732 COLA - \$3.0 MILLION GENERAL FUND-STATE, \$0.3 OTHER FUNDS

The Senate budget provides funding to implement the cost-of-living increases as specified by Initiative 732.

K-12 COMPENSATION

HEALTH BENEFIT CHANGES - \$2.6 MILLION GENERAL FUND-STATE

The original 2005-07 operating budget provided an increase in the health benefit funding rate from the 2005-06 school year to the 2006-07 school year of 8 percent. The Senate budget provides funding for a rate increase of 8.5 percent between the two school years. As a result of this change, the increases in the K-12 funding rates correspond to similar increases in the state employer rates.

FUND TRANSFERS

FUND TRANSFERS (Dollars in Thousands)

| TYPE | 2006 | 2007 | TOTAL |
|---|------------------|------------------|-------------------|
| Return Half of PLIA Transfer | - | (\$3,750) | (\$3,750) |
| Delete Duplicate Transfer from GF to Tourism Development Account | - | \$300 | \$300 |
| Push Forward Transfer from Fund 721 PEBB to 001 One Year | (\$5,000) | (\$7,000) | (\$12,000) |
| Treasurer's Transfer | \$4,000 | \$2,000 | \$6,000 |
| TOTAL | (\$1,000) | (\$8,450) | (\$9,450) |

SPENDING LIMIT ADJUSTMENTS

SPENDING LIMIT ADJUSTMENTS (Dollars in Millions)

| | FY 2006 | FY 2007 |
|--|-------------------|-------------------|
| 2005-07 Original Budget | \$12,813.2 | \$14,009.5 |
| Program Cost Shifts | \$75.8 | (\$23.5) |
| Revenue & Cash Transfers | (\$7.6) | (\$14.1) |
| Appropriations to Reserves | \$600.0 | - |
| 2005-07 Limit after Supplemental Budget | \$13,481.5 | \$13,972.0 |

REVENUE ADJUSTMENTS

dollars in thousands

| Bill | Title | 05-07 |
|-------------------------------------|------------------------------|----------------|
| Revenue Reduction Measures | | |
| SB 6874 | Timber tax incentives | (\$10,664) |
| SB 6385 | Excise tax relief | (\$6,360) |
| SB 6379 | Public utility tax credit | (\$6,000) |
| SSB 6558 | Motion picture industry | (\$5,000) |
| HB 2424 | Tax exemption/farm fuel | (\$4,440) |
| SB 6533 | Syrup taxes | (\$3,671) |
| SB 6781 | Environmental remediation | (\$3,483) |
| SSB 6604 | Tax relief for aerospace | (\$2,912) |
| SB 6671 | Professional employer org | (\$2,863) |
| SSB 6787 | Ferry funding | (\$2,187) |
| SB 6704 | Manufacturing food products | (\$1,516) |
| SSB 6326 | Customized work force | (\$1,250) |
| SSB 6557 | Motion picture production | (\$1,012) |
| SSB 6542 | Farming services | (\$502) |
| SSB 6230 | Public facilities districts | (\$389) |
| SSB 6369 | Small water systems | (\$353) |
| SB 6826 | Public transit services | (\$233) |
| SB 6132 | Credit union & state charter | (\$158) |
| No General Fund-State Impact | | |
| SB 5325 | Community revitalization | - |
| SB 6338 | Property tax exemptions | - |
| SSB 6594 | Streamlined sales & use tax | - |
| SB 6368 | Nursing home bed tax | - |
| SB 6686 | Local sales and use tax | - |
| SHB 3190 | Semiconductor cluster | - |
| Revenue Increase Measures | | |
| SSB 6578 | Insurance premiums tax | \$51,598 |
| SB 6537 | Shipment of wine | \$2,800 |
| SSB 6141 | Wind turbine facilities | \$272 |
| 2SSB 6823 | Distribution of beer & wine | \$18 |
| TOTAL | | \$1,695 |

REVENUE ADJUSTMENTS

REVENUE REDUCTION MEASURES

TIMBER AND TIMBER PRODUCTS TAX INCENTIVES - \$10.7 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6874 provides a preferential business and occupation tax rate of 0.2904% for cutting timber, manufacturing timber and timber products into wood products, and sales of the timber and wood products at wholesale. Wood products include pulp, paper, lumber, and engineered wood products, such as particle board. The preferential rate expires July 1, 2024.

MODIFYING DUE DATES AND ELIMINATING AN ASSESSMENT PENALTY - \$6.4 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6385 moves the due date for taxpayers filing monthly excise tax returns to the 25th of the month rather than the 20th. The 5 percent assessment penalty for tax deficiencies shall be waived for businesses that have filed and remitted timely payment on all tax returns due from the previous 12 month period provided that a delinquency is no more than 20 percent of the tax due.

PUBLIC UTILITY TAX CREDIT FOR HEATING ASSISTANCE FOR LOW-INCOME HOUSEHOLDS - \$6.0 MILLION GENERAL FUND-STATE

Senate Bill 6379 raises the total public utility tax credit for electric and natural gas utilities providing heating assistance to low-income customers from \$2.5 million to \$8.5 million for fiscal year 2007.

MOTION PICTURE INDUSTRY - \$5.0 MILLION GENERAL FUND-STATE

Second Substitute Senate Bill 6558 creates the Motion Picture Competitiveness Program (MPCP), a non-profit entity administered by a board of directors appointed by the Governor. MPCP is authorized to provide up to 20 percent of the in-state cost of, or investment in, certain film production projects. A contributor of cash of up to one million dollars to MPCP qualifies, dollar for dollar, for a business and occupation tax credit. The total of all tax credits claimed in any calendar year may not exceed five million dollars.

FARM FUEL SALES TAX EXEMPTION - \$4.4 MILLION GENERAL FUND-STATE DECREASE

House Bill 2424 provides a sales and use tax exemption for diesel and aircraft fuel used by a farmer or a person performing horticultural services for a farmer.

SYRUP TAXES - \$3.7 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6533 allows a retailer to claim a credit against business and occupation taxes for fifty percent of carbonated beverage syrup taxes paid.

TAXATION OF ENVIRONMENTAL REMEDIATION- \$3.48 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6781 provides a retail sales tax exemption for the sale of labor or services for environmental remedial action. The business and occupation tax rate for businesses performing environmental remedial actions is set at the retailing rate of 0.471 percent. "Environmental remedial action" includes services related to identification, investigation, or cleanup of hazardous substances.

REVENUE ADJUSTMENTS

AEROSPACE TAX INCENTIVES - \$2.9 MILLION GENERAL FUND-STATE

Second Substitute Senate Bill 6604 extends the sales and use tax exemption for computer equipment and software used primarily in commercial airplane development and the business and occupation (B&O) tax credit for preproduction development expenditures related to commercial aircraft to non-manufacturing firms. The B&O tax credit for property taxes paid on property used in the manufacture of commercial airplanes is expanded to include leasehold excise taxes. The reduced B&O tax rate for FAA certificated repair stations engaged in the repair of equipment used in interstate or foreign commerce is extended to July 1, 2011. The tax rate is set at 0.2904 percent.

PROFESSIONAL EMPLOYER ORGANIZATIONS - \$2.9 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6671 defines a professional employer organization as a firm providing employee related services to clients where the client's employer rights, duties, and obligations have been allocated between the client and the professional employer organization. Professional employer organizations pay business and occupation tax at the 1.5 percent service rate. A deduction is provided from gross income for amounts representing the actual cost of wages and salaries, benefits, workers compensation, payroll taxes, withholding, and other assessments paid on behalf of the client.

FUNDING FOR LOCAL GOVERNMENT PASSENGER FERRY SERVICE - \$2.2 MILLION GENERAL FUND-STATE

SSB 6787 transfers from the general fund to the passenger ferry account amounts paid in sales tax by the Washington Ferry System (WFS) on ferry fuel. In addition, the state is required to sell two passenger ferries. The County Road administration board is required to establish a local government ferry grant program. Eligible for the grants are counties, county ferry districts and/or a public transportation benefit districts operating or contracting for ferry service. Also eligible is the WFS operation of the Vashon To Seattle passenger only ferry route.

DAIRY PRODUCT MANUFACTURING - \$1.5 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6704 extends the business and occupation tax exemption, sales and use tax deferral on manufacturing facilities, and warehouse tax remittance adopted for fruit and vegetable products in 2005 to dairy products. The tax exemptions for fruit and vegetable processing, dairy product manufacturing, and warehousing expire July 1, 2012.

CUSTOMIZED WORK FORCE TRAINING - \$1.3 MILLION GENERAL FUND-STATE

Second Substitute Senate Bill 6326 creates the Washington Customized Employment Program to provide training assistance to employers locating to or expanding in the state. The State Board for Community and Technical Colleges shall provide training allowances to employers. A \$5 million appropriation is provided for the training allowances. Employers must pay for one quarter of the cost of training up front. The remaining three quarters of the cost is repaid over an 18 month period. Employers are given a business and occupation tax credit equal half of the amount paid for training their employees through this program.

REVENUE ADJUSTMENTS

TAXATION OF MOTION PICTURE PRODUCTION - \$1.0 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6557 reduces the business and occupation tax rate for motion picture or video production, other than receiving royalties, from 1.5 percent to 0.484 percent.

EXCISE TAX EXEMPTIONS FOR FARMING SERVICES - \$0.5 MILLION GENERAL FUND-STATE

Second Substitute Senate Bill 6542 exempts the following from the business and occupation tax: 1) persons performing custom farming services; 2) persons performing farm management services, contract labor, and services with respect to animals if the person is related to the farmer; and 3) persons who participate in federal conservation programs. A public utility tax exemption is also provided for the hauling of agricultural products and farm machinery for a farmer by family members.

SALES AND USE TAX CREDIT FOR REGIONAL CENTERS - \$0.4 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6230 extends the 0.033% sales and use tax for a regional center for public facilities districts that is credited against the state sales and use tax to districts created before September 1, 2006 in counties in which there are currently no districts if construction commences before April 1, 2007.

SMALL WATER SYSTEMS - \$0.4 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6369 provides a public utility tax and business and occupation tax exemption for water systems, irrigation districts, and public utility districts with fewer than 1,500 connections that charge a rate exceeding 125 percent of the statewide average water rate. The exemption also applies to water systems operated by qualified satellite management agencies with fewer than 200 connections that charge a rate exceeding 125 percent of the statewide average water rate. In order to qualify for the exemption, they must prove that at least 90 percent of the value of the tax exemptions would be used to equip, repair, upgrade, or maintain the system.

PUBLIC TRANSIT SERVICES - \$0.2 MILLION GENERAL FUND-STATE

Senate Bill 6826 provides a public utility tax deduction for fare-box revenues collected by county, city, and public transportation benefit district transit agencies.

STATE CHARTERED CREDIT UNIONS - \$0.2 MILLION GENERAL FUND-STATE

Senate Bill 6132 provides a use tax exemption to state chartered credit unions for personal property, services, and extended warranties that are acquired from a federal, out-of-state, or foreign credit union as a result of a conversion or merger.

TAX INCREMENT FINANCING - NO GENERAL FUND-STATE IMPACT

Senate Bill 5325 expands the tax increment finance program to allow local governments to use revenue generated through a sales and use tax beginning July 1, 2007, up to \$1 million per year per project, credited against the state sales and use tax in the area. Total credits are limited to \$5.0 million per year. Approval of taxing districts with 60 percent of the assessed value in the district is required to create the area rather than 75 percent. The approval of fire districts is no longer required for formation of the area and they can independently opt in or out.

REVENUE ADJUSTMENTS

SENIOR CITIZEN PROPERTY TAX EXEMPTION PROGRAM - NO GENERAL FUND-STATE IMPACT

Senate Bill 6338 increases the land eligible for the senior citizen property tax exemption program from 1 acre to 5 acres if zoning requires this larger parcel size.

STREAMLINED SALES AND USE TAX AGREEMENT – NO GENERAL FUND-STATE IMPACT

Substitute Senate Bill 6594 contains provisions that would allow the state to conform fully to the Streamlined Sales and Use Tax Agreement. The bill changes the sourcing of retail sales from point-of-origination to point-of-destination. The streamlined sales and use tax mitigation account is created in order to provide full mitigation for local jurisdictions negatively impacted by the sourcing changes beginning in December 2007. In addition, the bill provides for a sales tax exemption for in-home use of durable medical equipment. The main provisions of this bill take effect July 1, 2007.

NURSING HOME BED TAX REPEAL – NO GENERAL FUND-STATE IMPACT

Senate Bill 6368 repeals the nursing home bed tax effective July 1, 2007. Under previous law, the tax would continue until July 1, 2011. Early repeal of the tax will reduce state general fund revenues by \$21 million in 2007-09, and by \$11 million in 2009-11, after accounting for the portion of the tax for which facilities will no longer need to be reimbursed in their Medicaid payment rate.

CITY ANNEXATION SALES TAX CREDIT – NO GENERAL FUND-STATE IMPACT

Senate Bill 6686 provides a credit against the state portion of the sales tax for cities that annex an area in which the projected costs are greater than the projected revenues. The credit applies to cities with a population less than four hundred thousand and which are located in a county with a population greater than 600,000. The rate of the tax credit is 0.1 percent for each annexation area with a population over 10,000 and 0.2 percent for an annexation area over 20,000. The maximum rate of credit a city can impose is 0.2 percent. Eligibility for the credit begins July 1, 2007.

SEMICONDUCTOR MATERIALS TAX INCENTIVES - NO GENERAL FUND-STATE IMPACT

Substitute House Bill 3190 provides a preferential business and occupation tax rate of 0.275% for manufacturing semiconductor materials and a sales and use tax exemption for gases and chemicals used in manufacturing semiconductor materials for a twelve-year period, contingent on at least a \$350 million investment in an advanced semiconductor materials fabrication facility. There is a \$1.8 million General Fund-State decrease in the 2007-09 biennium.

REVENUE INCREASE MEASURES

INSURANCE PREMIUMS TAXPAYERS - \$51.6 MILLION GENERAL FUND-STATE

The insurance premiums tax is intended to be in lieu of any other tax imposed on the privilege of conducting an insurance business, but not in lieu of property taxes or retail sales taxes. Substitute Senate Bill 6578 expressly adds to the statutory list of taxes that apply to insurers' state and local excise taxes on the sale of services and extended warranties. This provision applies both prospectively and retroactively and is not a change from current practice.

REVENUE ADJUSTMENTS

DIRECT WINE SHIPMENTS - \$2.8 MILLION GENERAL FUND-STATE

Engrossed Senate Bill 6537 allows properly licensed wineries to ship wine to Washington residents over the age of 21. The winery must obtain a wine shipper's permit or be licensed as a domestic winery. Wine shippers permit holders must pay the wine liter tax and collect and remit to the Department of Revenue all applicable state and local taxes on all sales of wine delivered to buyers in this state.

WIND TURBINE FACILITIES - \$0.3 MILLION GENERAL FUND-STATE

Substitute Senate Bill 6141 adds property taxes resulting from new county-assessed wind turbine facilities to the amount that may be levied under the one percent limit on increases in property taxes.

DISTRIBUTION OF BEER AND WINE - \$0.018 MILLION GENERAL FUND-STATE

Second Substitute Senate Bill 6823 permits in-state and out-of state wineries and breweries to act as the distributor of its production. They may distribute their product directly to a retailer or may use a distributor. The bill is in response to the court case *Costco Wholesale Corp. v. Roger Hoen, et al.*

CAPITAL BUDGET

OVERVIEW

The proposed Capital Supplemental Budget increases bond spending by \$102 million and total spending by \$244 million. Major projects and changes include:

- \$63 million certificate of participation (COP) is authorized for construction of the WSU Biotech/Life Sciences building. The COP will be paid for with interest earning from WSU's permanent funds.
- \$53 million to support the clean up of Puget Sound and other toxic and hazardous sites across the state.
- \$50 million for construction of an added 512 beds at the new prison to be constructed at Coyote Ridge in Connell.
- \$15 million to jump start the bio-diesel industry in the state.
- \$10 million for the Columbia River Basin Water Supply Development program.
- \$9.7 million for six community college projects, including a water system replacement project at Green River Community College, primary power branch replacement at Highline Community College, repairs at the marine academy at Seattle Central Community College, campus fire loop replacement at Skagit Valley Community College, undergraduate education center at Everett Community College, and the science building replacement at Skagit Valley Community College.
- \$7 million for projects to improve juvenile rehabilitation facilities at Echo Glen and Green Hill.
- \$4.5 million to remodel existing space for a nanotechnology lab at the University of Washington.
- \$2.9 million for the second phase of the State Patrol crime lab in Vancouver.
- \$1 million to increase the small school repair program.

BOND SPENDING

Bond spending increases include:

- \$30 million of state construction bonds authorized in 2005;
- \$1.9 million in Gardner-Evans Bonds; and
- \$60 million in dedicated bond authority proposed in the 2006 bond bill.

The proposed bond bill authorizes \$50 million for added prison capacity tied to legislation increasing sentences for sex offenders and \$200 million over ten years tied to legislation creating the Columbia River Basin Water Supply Development program.