



2010 Supplemental Operating Budget

Summary of SHB 2824

February 27, 2010

2010 Supplemental Budget Summary

Budget Context

In 2009, the Legislature faced a three year budget shortfall of approximately \$9 billion. In April 2009, the Legislature addressed that shortfall in adopting the 2009 Supplemental and 2009-11 biennial budgets. Steps taken included budget reductions (over \$4 billion) and the receipt of additional federal funds (\$3 billion), as well as transferring other funds into the state general fund and using funding in the budget stabilization account.

When adopted, the 2009-11 biennial budget left \$739 million in total projected reserves (state general fund and budget stabilization account ending balances).

2010 Budget Shortfall

The four subsequent revenue forecasts for the state general fund have declined by a total of \$1.8 billion (including the impacts of revenue related litigation). Caseload and other mandatory costs have increased by \$653 million. Those increases have come primarily in state funded health care programs such as Medicaid and in K-12 education (including levy equalization legislation that was assumed in the 2009-11 budget but that was not enacted). Finally, litigation impacts, the cost of policy legislation proposed during the 2010 session, and other cost pressures resulted in an additional \$243 million in costs.

Altogether, this represents a \$2.7 billion shortfall compared to the budget enacted one year ago.

Proposed 2010 Budget Solution

In February, the Legislature enacted House Bill 2921 which reduced state spending by approximately \$45 million. That legislation also imposed restrictions on state agencies related to hiring, travel, personal services contracts and equipment.

Substitute House Bill 2824 assumes additional spending reductions of \$605 million (\$650 million when combined with the savings in House Bill 2921). Reductions are made in virtually every area and agency of state government. There are also a number of actions that are anticipated to impact all agencies such as information technology and printing reforms, as well as temporary lay-offs and reductions to management costs.

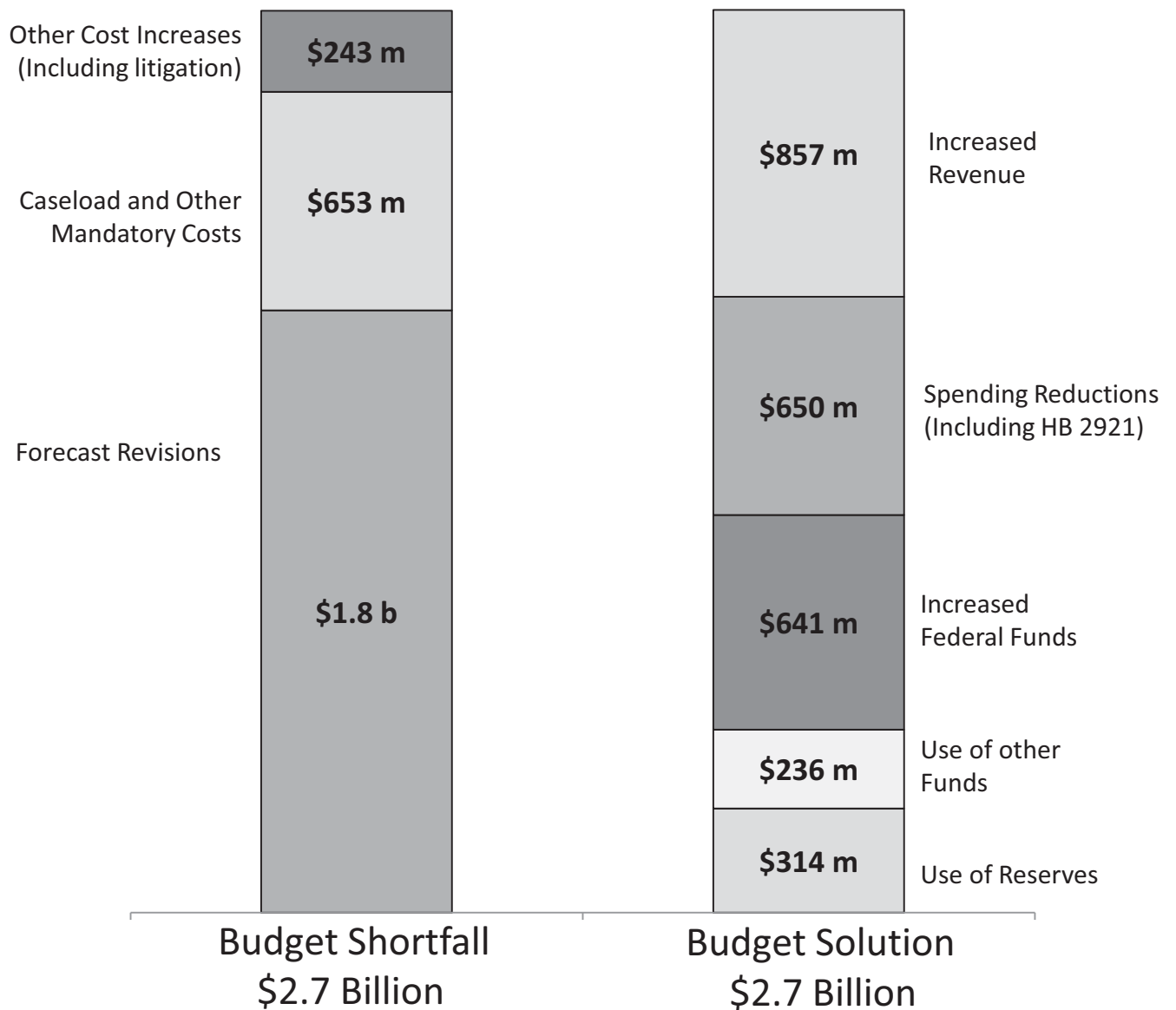
Also in February, the federal government announced it was revising an interpretation of how certain provisions of the American Recovery and Reinvestment Act (ARRA) were being applied to selected Medicaid expenditures (the Medicare Part D Clawback). This allowed \$86 million in federal funds to take the place state support. In addition, Substitute House Bill 2824 assumes that the ARRA provisions related to increased federal support of state Medicaid programs (sometimes called the FMAP provisions) will be extended by six months (from December 31, 2010 to June 30, 2011). The proposed

six month extension has been in various pieces of federal health care reform legislation, federal jobs legislation and is included in President Obama's pending budget request. If enacted by congress, this extension would allow \$483 million in federal funds to substitute for state support. The bill also assumes federal approval of a waiver allowing the state to utilize federal funds to refinance a portion of the Basic Health and Disability Lifeline programs. Taken together with spending reductions, these items would reduce state general fund expenditures in the current biennium by almost \$1.3 billion.

Substitute House Bill 2824 assumes revenue legislation with a net impact of \$857 million, and also assumes that a total of \$236 million would be transferred from several other accounts into the state general fund. A complete listing of those transfers is available on page 41. Finally, total reserves would be decreased by approximately \$311 million (including transferring the remaining balance of the budget stabilization account to the state general fund; which is assumed in separate legislation). Taken together, these items would increase state general fund resources in the current biennium by almost \$1.4 billion.

Substitute House Bill 2824 leaves projected reserves of approximately \$424 million, all in the state general fund ending balance.

2010 Budget Shortfall and Proposed Solution (General Fund-State)



2009-11 Revised Omnibus Operating Budget (2010 Supp)

February 27, 2010

House Committee Passed

11:40 pm

Near General Fund - State

(Dollars in Thousands)

Additional Federal Resources

Stimulus FMAP Extension	-483,403
Medicare Part D Stimulus FMAP	-86,901
Basic Health Program Bridge	-56,488
Disability Lifeline Waiver	<u>-14,441</u>
Additional Federal Resources Total	-641,233

K-12 Education

Student Achievement Program	-78,519
Bus Depreciation	-22,090
Learning Improvement Day	-15,650
Grant Programs	-12,687
K-4 Staffing Levels	-11,234
National Board Bonus Related	-5,678
Other	-4,403
Other Increases	1,663
Basic Education Legislation	2,518
Per Pupil Inflator	7,230
Levy Equalization	<u>25,331</u>
K-12 Education Total	-113,519

Higher Education

Institutional Reductions	-40,762
State Work Study Program	-7,722
State Need Grant Adjustment	-6,099
Small Grant and Loan Programs	-2,487
Other	-756
Other Increases	<u>1,522</u>
Higher Education Total	-56,304

Early Learning

Other	-47
Other Increases	<u>150</u>
Early Learning Total	103

Health Care

Hospital Safety Net Assessment	-32,000
DSH Related Items	-17,279
Universal Vaccination Savings	-9,000
CHIPRA Bonus Payment	-7,461
Other	-6,374

Funds are NGFS. Also includes savings contained in HB 2921 but excludes program transfers.

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Near General Fund - State

(Dollars in Thousands)

AIDS Related Programs	-3,872
Other Increases	231
Family Planning Grants	3,000
Primary Care Pilot Projects	5,864
Disability Lifeline Caseload	8,000
Correcting Medical Asst Admin Base	10,750
Disability Lifeline Managed Care	23,892
FQHC: Encounter Rate Increase	<u>39,902</u>
Health Care Total	15,653

Long Term Care, DD, and Mental Health

Other Mental Health Reductions	-7,960
Nursing Home Rate Savings	-6,646
Increase Residential License Fees	-5,182
Reduce IP/AP Hours	-5,111
Other Long-Term Care Reductions	-4,321
Expedite Nursing Home Discharges	-4,025
Other Developmental Disabilities Reductions	-3,545
Reduce DD Institutional Funding	-1,998
Home Care Agency Reductions	-626
Other	-426
RHC Transition Effort	200
MHD: Performance Based Contracting	1,280
DD Residential Services	1,468
Other Increases	2,247
DD Employment & Day	2,699
Adult Day Health (TRO + Revised)	6,737
Nursing Home Rates TRO	<u>38,451</u>
Long Term Care, DD, and Mental Health Total	13,242

Corrections and Other Criminal Justice

Other	-11,733
DOC: Facility Openings/Closings	-8,960
JRA: Reduce Institution Staffing	-4,859
DOC: Reduce Work Release Capacity	-4,166
Offender Deportation	-4,062
WSP: Eliminate Staff Positions	-3,771
JRA Administrative Staff Reduction	-3,742
JRA: Juvenile Court Reduction	-2,513
Reduce Offsite Medical Costs	-2,192
JRA: Facility/Capacity Related	-2,161
Community Transition	-1,000
Minimum Camp Capacity Reduction	-944

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(Dollars in Thousands)

Other Increases	367
Rural Narcotics Drug Task Force Red	1,500
JRA: Reinstate Closure Funding	<u>12,000</u>
Corrections and Other Criminal Justice Total	-36,236

Other Human Services

Working Connections Child Care Red.	-30,137
Other	-21,081
Single Parent Participation	-11,000
Special Commitment Related	-10,580
ESA: Reduction of Mandatory Workload	-6,416
Suspend Community Works Programs	-5,500
Behavioral Rehabilitative Services	-4,151
Career Services for Non-WorkFirst	-3,600
Elim. Disability Lifeline Admin Rvw Team	-2,982
Reduce Job Search	-2,363
Reduce DASA Treatment	-2,000
Crime Victims Compensation	-1,220
Security Lifeline Act	499
Other Increases	675
Central Service Adjustment	<u>11,148</u>
Other Human Services Total	-88,708

Natural Resources

Other	-10,032
DOE: Watershed Planning	-5,309
DNR: Use Dedicated Accounts	-5,000
Charge Fees for HPAs	-3,060
DFW: Use Dedicated Accounts	-1,500
Parks: Use Dedicated Accounts	-1,200
Eliminate Columbia River Gorge Comm	-300
Other Increases	322
Fire Suppression	<u>11,727</u>
Natural Resources Total	-14,352

All Other

Temporary Layoffs	-38,215
IT Reform	-30,000
Other	-20,843
Management Compensation	-10,000
Secretary of State (incl. State Library)	-4,197
Growth Management Grants	-3,762
Strategic Printing	-3,081

Funds are NGFS. Also includes savings contained in HB 2921 but excludes program transfers.

2009-11 Revised Omnibus Operating Budget (2010 Supp)
House Committee Passed
Near General Fund - State
(Dollars in Thousands)

February 27, 2010
11:40 pm

Other Increases	<u>6,446</u>
All Other Total	-103,652

Grand Total	<u><u>-1,025,006</u></u>
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General Fund-State Balance Sheet
As Passed House Ways & Means
(Dollars in Millions)

	2009-11
Beginning Balance	189
 Revenue	
November Revenue Forecast	28,843
February Forecast Change	32
DOT Foods, Inc. v. Dept. of Revenue	(150)
Transfer to Budget Stabilization Account	(252)
2010 Revenue Legislation (Net Change)	857
Total Revenue	29,330
 Other Resource Changes	
Transfer of Related Fund Balances	89
Enacted Fund Transfers & Other Adjustments	829
Use Budget Stabilization Account	45
2010 Use Budget Stabilization Account	229
2010 Capital Related Transfers	165
2010 Other Fund Transfers	71
Other Resource Changes	1,428
Total Resources	30,947
 Spending	
Enacted Budget	30,918
2010 HB 2921	(45)
2010 Maintenance Level Change	653
2010 Policy Level Increases	244
2010 Policy Level Decreases (Incl. Use Of New Fed Funds)	(1,247)
Total Spending	30,523
 Ending Balance & Reserves	
<i>Unrestricted Ending Fund Balance</i>	424
<i>Budget Stabilization Account Balance</i>	-
Total Reserves	424

STATEWIDE ITEMS

SPECIAL APPROPRIATIONS TO THE GOVERNOR

Extraordinary Criminal Justice (\$0.6 million General Fund-State)

Funding is provided for counties that have experienced extraordinary criminal justice costs. The funding is to reimburse Jefferson County (\$197,000), Skagit County (\$390,000), and Franklin County (\$33,000).

Strategic Printing (-\$3.1 million General Fund-State; -\$6.2 million total funds)

Funding is reduced to reflect savings achieved through a strategic print strategy. House Bill 2969 (efficiencies at the public printer) directs large agencies to: (1) transition to print management contracts for office printing; and (2) standardize envelopes ordered from the Public Printer. House Bill 2969 also eliminates the markup charged by the Public Printer on print jobs it contracts out to private vendors.

IT Reform (-\$30.0 million General Fund-State)

Funding is reduced to reflect savings from information technology efficiency efforts outlined in House Bill 3178 (state govt technology use).

STATE EMPLOYMENT COMPENSATION ADJUSTMENT

Agency closures and management reductions (-\$48.2 million General Fund-State, -\$92.4 million other funds)

Funding for agencies is reduced to reflect savings from closing agencies for eleven days, or implementing approved equivalent compensation reduction plans, as specified in Amended Substitute Senate Bill 6503 (closing state agencies on specified dates). Certain agencies and activities are exempted from the closure or compensation reduction requirements. In addition to reduced expenditures due to closures or reduction plans, general government state agencies must also reduce compensation expenditures on Washington Management Services (WMS) and Civil Service-exempt management employees by \$10 million General Fund-State, an amount that is allocated to agencies in proportion to the approximate number of WMS and Civil Service-exempt management employed by the agency.

K-12 EDUCATION & EARLY LEARNING

PUBLIC SCHOOLS

Student Achievement Program (-\$78.5 million General Fund-State)

The 2009-11 enacted budget includes allocations of \$99.32 for each FTE K-12 student in Washington State in the 2010-11 school year. This funding is eliminated in the 2010 supplemental budget.

K-12 Bus Depreciation (-\$22.1 million General Fund-State)

Savings is assumed for fiscal year 2011 by postponing sales tax payments for bus depreciation. The Office of the Superintendent of Public Instruction shall provide sufficient funds in the last year of a bus's expected life cycle sufficient to cover sales tax costs, rather than providing a portion of these funds to districts each year.

Learning Improvement Day (-\$15.7 million General Fund-State)

The 2009-11 base operating budget funds one learning improvement day for state-funded certified instructional staff. This funding is discontinued beginning in the 2010-11 school year.

K-4 Staffing Levels (-\$11.1 million General Fund-State)

The state allocation for teachers and other certificated instructional staff in grades K-4 is reduced to approximately 52.7 staff per 1,000 students. The current allocation rate is 53.2 staff per 1,000 students.

National Board (-\$5.7 million General Fund-State)

A number of reductions are made to the National Board for Professional Teaching Standards bonus program, totaling approximately \$5.7 million. The base bonus is set at the pre-inflation adjusted rate of \$5,000/teacher (the enacted budget assumes \$5,090/teacher). Additionally, the challenging school bonus, an amount beyond the base bonus for national board certified teachers employed in high-poverty schools, is reduced from \$5,000 to \$2,500 beginning in the 2010-11 school year. Also, state funding for scholarships to help defray some of the up-front costs of pursuing certification from the National Board is discontinued in FY 2011. Finally, the enacted budget permits national board certified teachers who become principals to keep their bonus as principals. This provision is discontinued beginning in the 2010-11 school year.

Navigation 101 (-\$3.2 million General Fund-State)

Funding for Navigation 101 implementation grants is discontinued beginning in FY 2011. Navigation 101 is a guidance and career counseling program providing college and career readiness services and curriculum for students.

Beginning Educator Support Team (-\$2.3 million General Fund-State)

Funding for the Beginning Educator Support Team (BEST) program is discontinued beginning FY 2011. The program provides early career educators with mentorship and support.

Alternate Routes (-\$2.1 million General Fund-State)

The Alternative Routes to Certification program provides assistance to individuals pursuing teacher certification through non-traditional means. These programs are aimed at recruiting candidates to teach in statewide subject matter and geographic shortage areas. Funding for this certification program is reduced by \$2.1 million in FY 2011.

Middle School Career & Technical Education (-\$1.8 million General Fund-State)

Funding for middle school career and technical education is discontinued beginning in FY 2011. This funding provided a funding enhancement to middle school vocational education students equivalent to that provided to high school vocational students.

Basic Education Allocation (\$2.8 million General Fund-State)

Funding is provided to develop the IT systems infrastructure to support the school funding formula provisions contained in Substitute House Bill 2776 (K-12 education funding). The funding primarily supports reprogramming for the pupil transportation and general apportionment funding formulas. The pupil transportation IT systems work comprises approximately \$800,000 of this total, and funds the development of infrastructure capable of mapping out bus routes to document route miles for funding purposes. The general apportionment system reprogramming comprises approximately \$1.7 million of this total, and funds development of systems to align with the funding formulas contained in Chapter 548, Laws of 2009, including structuring funding allocations around prototypical school models.

Per-Pupil Inflator (\$7.2 million General Fund-State)

Funding is provided to fund the per-pupil inflator at 4 percent, rather than 1 percent. This item increases local effort assistance funds for districts, and will allow some districts to collect additional local funds previously approved by voters. Appropriations reflect the last six months of FY 2011.

School Levies (\$25.3 million General Fund-State)

Substitute House Bill 2893 (school levies) and Second Substitute House Bill 2670 (school district levy base) make changes to the Initiative 728 and Initiative 732 levy bases, and include the Kindergarten to 4th grade staffing enhancement funds in the levy base, regardless of whether funding for the enhancement is included in the budget. SHB 2893 also includes an increase in the levy lid of 4 percent, and an increase in levy equalization of 2 percent. Appropriations for this item reflect the last six months of FY 2011.

DEPARTMENT OF EARLY LEARNING

Federal Funding Adjustment (\$3.9 million other funds)

Federal expenditure authority is increased due to additional Child Care and Development Fund dollars awarded to the Department.

HIGHER EDUCATION

HIGHER EDUCATION INSTITUTIONS

Higher Education Reductions (-\$40.8 million General Fund-State)

General fund state support is reduced by about 4 percent for the University of Washington, 3 percent for Washington State University, Eastern Washington University, Central Washington University, The Evergreen State College, and Western Washington University, and approximately 2 percent for the Community and Technical Colleges. The savings will be achieved by reductions in administrative programs, student support services and academic course offerings.

HIGHER EDUCATION COORDINATING BOARD

State Need Grant Adjustment (-\$6.1 million General Fund-State)

Due to higher than anticipated federal aid allocations, the State Need Grant program needs less state funding in FY 2011 than previously estimated. This item does not change eligibility or grant awards or the number of students anticipated to be served by the program.

State Work Study Program (-\$7.7 million General Fund-State)

Funding is reduced for the State Work Study (SWS) program. In the SWS program, students earn money for college through part-time work and their wages are subsidized by the state. The amount of money that a student can earn in an academic year is reduced to achieve this savings.

DEPARTMENT OF SOCIAL AND HEALTH SERVICES

ALCOHOL/SUBSTANCE ABUSE

Reduce Low-Income Adult Services (-\$2.0 million General Fund-State)

The Division of Alcohol and Substance Abuse (DASA) will reduce state funding for outpatient treatment and detoxification services for clients with incomes under 200 percent of the federal poverty level that are not eligible for state-funded treatment through other programs. State funding remains for court-ordered outpatient treatment and pregnant and parenting clients.

Reduce County Administration Costs (-\$1.3 million General Fund-State)

State support for county administration expenses is reduced from ten percent to eight percent per year.

Reduce K-12 Prevention Funding (-\$1.0 million General Fund-State)

The Office of the Superintendent of Public Instruction (OSPI) receives \$970,000 in state funding each year for administration costs and chemical dependency prevention grants for schools. This funding is eliminated. The OSPI will continue to receive \$4 million in federal funding for chemical dependency prevention grants.

Stimulus FMAP Extension (-\$2.5 million General Fund-State; \$2.5 million other funds)

The Federal Medical Assistance Percentage (FMAP) is the share of Medicaid costs that the federal government provides. The American Recovery and Reinvestment Act of 2009 increased FMAP by almost 13 percentage points for all of FY 2010 and the first six months of FY 2011. The Legislature anticipates that the FMAP increase from 50.00 percent to 62.94 percent will be extended for six additional months through June 2011, resulting in a reduction in state expenditures for services that receive Medicaid Title XIX and Title VI-E federal match.

CHILDREN & FAMILY SERVICES

Adolescent Services (-\$0.7 million General Fund-State)

Funding for Crisis Residential Centers, Secure Crisis Residential Centers, Hope Beds, and the Responsible Living Skills Program is combined and reduced by 10 percent beginning in FY 2011. The Department of Children's Administration will redesign the program to more flexibly utilize funding while continuing to provide these services to adolescents and meet the statutory requirements.

Supervised Visits (-\$1.0 million General Fund-State; -\$0.3 million other funds)

Funding is reduced for supervised visits. The Department of Children's Administration will revise supervised visit contracts and mileage reimbursements to achieve savings.

Administrative and Staff Reductions (-\$1.1 million General Fund-State; -\$0.4 million other funds)

Funding is reduced to reflect savings from the elimination of 20 FTEs from the DSHS Children's Administration. Filled case-carrying staff positions are not eliminated.

Behavioral Rehabilitative Services (-\$4.2 million General Fund-State; -\$2.3 million other funds)

Funding for behavioral rehabilitative services (BRS) is reduced by 10 percent. To achieve this reduction, the Department will continue to focus on decreasing the length of stay and moving children to a less restrictive setting.

Stimulus FMAP Extension (-\$6.8 million General Fund-State; \$6.8 million other funds)

The Federal Medical Assistance Percentage (FMAP) is the share of Medicaid costs that the federal government provides. The American Recovery and Reinvestment Act of 2009 increased FMAP by almost 13 percentage points for FY 2010 and the first six months of FY 2011. The Legislature anticipates that the FMAP increase from 50.00 percent to 62.94 percent will be extended for six additional months through June 2011, resulting in a reduction in state expenditures for services that receive Medicaid Title XIX and Title VI-E federal match.

LONG-TERM CARE AND DEVELOPMENTAL DISABILITIES

Increase License Fees (-\$5.2 million General Fund-State; \$4.3 million other funds)

Beginning July 1, 2010, license fees for Boarding Homes (BH), Nursing Homes (NH), and Adult Family Homes (AFH) are increased to cover more of the cost of providing licensure, regulatory, and re-inspection services.

The state is responsible for the licensing and regulatory activity for approximately 28,000 BH beds located in 547 facilities across Washington State. The annual licensing fee for BHs will be raised from \$79 per bed to \$112 per bed to cover those costs.

The state is responsible for the licensing and regulatory activity for just over 21,000 NH beds located in 258 facilities across Washington State. The annual licensing fee for NHs will be raised from \$275 per bed to \$327 per bed to cover those costs.

The state will spend about \$3.6m on licensing and regulatory activities for approximately 2,800 AFHs but the revenue received from the licensing fees in FY10 will be about \$300,000. The annual licensing fee will be raised to cover more of the costs of licensing from the current level of \$100 per home to \$220 per bed. The renewal licensing fee may be paid in two installments. The initial licensing fee will be raised from the current level of \$800 per home to \$1,800 per home.

Medicaid Rate Adjustments for License Fee Increases (\$2.5 million other funds)

Medicaid rates for Boarding Homes, Nursing Homes, and Adult Family Homes are increased to cover costs associated with higher licensing fees that will begin July 1, 2010.

Eliminate Hours Add-On (-\$5.1 million General Fund-State; -\$8.3 million other funds)

Authorization for in-home service hours allowed for special meal preparation or incontinence will be based upon individual assessments of a client's needs like the authorization for other long-term care services. Previously, clients were authorized the maximum number of hours available for these two services regardless of acuity levels, individual needs, and the level of available assistance from family or friends. Approximately 8,100 long-term care and developmental disabled clients will receive a reduction in authorized service hours. The average reduction is 8.4 hours. Clients whose individual assessments indicate a continued need for the maximum number of hours, will continued to be authorized for those service hours.

DEVELOPMENTAL DISABILITIES

DD Revised Residential Phase-In (\$1.0 million General Fund-State; \$1.8 million other funds)

Funding is provided to cover additional costs associated with an adjustment to the phase-in schedule for individuals entering the Expanded Community Services and Public Safety programs. These funds will be used to provide residential services for individuals released from mental hospitals or correctional facilities, or aging out of other DSHS programs such as foster care this year who do not have alternative living arrangements.

DD Expanded Community Residential (\$1.0 million General Fund-State; \$1.5 million other funds)

Funding is provided for residential services and support for 24 people with developmental disabilities that will be aging out of other DSHS programs such as the Juvenile Rehabilitation Administration and Children's Administration and have no other living arrangements.

DD Community Protection Residential (\$0.9 million General Fund-State; \$1.3 million other funds)

Funding is provided for residential services, employment services, specialized therapies, and intensive case management and supports for 13 new clients who meet the eligibility criteria for community protection services.

Utilization of Residential Services (-\$1.4 million General Fund-State; \$0.5 million other funds)

Funding is provided for residential services in Adult Supported Living, Child Supported Living, Group Homes, Community Protection, and Community Intermediate Care Facilities for the Mentally Retarded. Beginning in March 2010, the agency will no longer hold funded vacancies open.

Employment and Day to Waiver (\$1.1 million General Fund-State; \$1.8 million other funds)

Funding is provided for supported employment and other services for a total of 429 clients of the Division of Developmental Disabilities who graduate from high school during the 2009-11 biennium.

Employment and Day (Transition) (\$1.7 million General Fund-State)

Funding is provided for supported employment services for 629 individuals who are expected to graduate from high school during the 2009-11 biennium. No funding was supplied for this in the biennial budget. Employment and day services include job creation and job supports for paid employment. Services are provided at an average per client funding level of \$515 per month.

RHC Transition Effort (\$200,000 General Fund-State)

Funding is provided for the Office of Financial Management to hire an independent consultant to determine the optimum residential setting for residential habilitation center clients, including the option to remain in a Residential Habilitation Center. The resulting report is due to the legislature on December 1, 2010.

Reduce Institutional Funding (-\$2.0 million General Fund-State; -\$3.2 million other funds)

Savings are achieved through the implementation of efficiency measures at the state's Residential Habilitation Centers. Measures include cottage consolidation, changing maintenance schedules, reduced adult training programs, and reductions in services such as dental care.

Suspend Employment Partnership (-\$0.8 million General Fund-State; -\$1.0 million other funds)

The Jobs by 21 Partnership provides project awards to counties to improve employment outcomes for individuals with developmental disabilities. The Partnership will be reduced by 75 percent in FY 2010 and completely suspended in FY 2011.

Stimulus FMAP Extension (-\$56.8 million General Fund-State; \$56.8 million other funds)

The Federal Medical Assistance Percentage (FMAP) is the share of Medicaid costs that the federal government provides. The American Recovery and Reinvestment Act of 2009 increased FMAP by almost 13 percentage points for FY 2010 and the first six months of FY 2011. The Legislature anticipates that the FMAP increase from 50.00 percent to 62.94 percent will be extended for six additional months through June 2011, resulting in a reduction in state expenditures for services that receive Medicaid Title XIX and Title VI E federal match.

LONG-TERM CARE

WHCA vs Dreyfus (\$38.5 million General Fund-State; \$62.3 million other funds)

The 2009 Legislature reduced the Medicaid payment rates for Nursing Homes by 4 percent from the FY 2009 funded levels. A court decision in Washington Health Care Association v. Dreyfus blocked the implementation of this rate reduction.

Nursing Home Rates (-\$6.6 million General Fund-State; -\$11.1 million other funds)

Several reductions are made to nursing home rate components.

Minimum occupancy in the operating, finance, and property components is raised from 90 percent to 92 percent for non-essential nursing facilities. Non essential nursing facilities will remain at 85 percent minimum occupancy. Facilities with fewer than 60 beds will continue to be held at 90 percent minimum occupancy.

Approximately 17 facilities will no longer be able to reduce the effects of minimum occupancy through bed banking (temporarily reducing the number of patient beds for which they are licensed). These facilities will need to decide whether to renew the Medicaid licensing on these beds, sell them, or relinquish them.

The allowable return on investment in the finance component is reduced from 8.5 percent to 7.5 percent on the net book value of a facility's tangible assets acquired on or after May 17, 1999.

The variable return component is eliminated which provided flexible funding to low cost facilities regardless of the individual facility's level of efficiency or quality of care.

The average level of case mix for Medicaid clients in Washington will be adjusted once every 6 months rather than on a quarterly basis. The facility's average case mix index will continue to get updated when rates are re-based.

Effective July 1, 2010, and thereafter, a retention incentive is created. The total nursing home rate is reduced by 1 percent for those facilities with direct care staff turnover above 75 percent as reported on the previous year's annual cost reports submitted to the department. The retention incentive funding that is returned to the state will be redistributed as a supplemental performance payment for the facilities that keep their direct care staff turnover at or below 75 percent.

Adult Day Health (\$6.7 million General Fund-State; \$9.3 million other funds)

The 2009 Legislature eliminated adult day health services for clients living in residential settings in the 2009-11 biennial budget, however, savings have not been realized due to a lawsuit. A court decision in *Ryan v. Dreyfus* blocked the 2009-11 decision to only offer adult day health services to in-home clients. All clients who were previously denied services were reinstated by December 2009. As of January 1, 2010, Adult Day Health moved to a 1915(i) Medicaid state plan option and enrollment was capped.

Stimulus FMAP Extension (-\$90.4 million General Fund-State; \$90.4 million other funds)

The Federal Medical Assistance Percentage (FMAP) is the share of Medicaid costs that the federal government provides. The American Recovery and Reinvestment Act of 2009 increased FMAP by almost 13 percentage points for FY 2010 and the first six months of FY 2011. The Legislature anticipates that the FMAP increase from 50.00 percent to 62.94 percent will be extended for six additional months through June 2011, resulting in a reduction in state expenditures for services that receive Medicaid Title XIX and Title VI E federal match.

MENTAL HEALTH

Staff Reductions (-\$5.7 million General Fund-State)

A total of 51.7 administrative, indirect care, and vacant direct care positions are eliminated at the state psychiatric hospitals. Reductions by location are 1.5 FTEs at the Child Study and Treatment Center (CSTC), 40.0 FTEs at Western State Hospital (WSH), and 10.2 FTEs at Eastern State Hospital (ESH). Cumulative FTE reductions for CSTC include the Early Action Savings, Chapter 3, Laws of 2010 (ESHB 2921), and are 2.5 percent from the 2009-11 biennial budget levels. Cumulative FTE reductions in the 2010 supplemental are 2.0 percent for WSH and 1.3 percent for ESH. No FTE reductions were taken in the Early Action Savings for WSH and ESH.

Reduce Medicaid Rates (-\$1.0 million General Fund-State; -\$1.7 million other funds)

The managed care rates paid to local Regional Support Networks (RSNs) for the delivery of community mental health services under the Medicaid program are adjusted for the new actuarially rebased rate ranges. Federal law periodically requires that rates be re-evaluated. RSNs are funded at 0.9 percent below their FY 2011 maintenance level unless doing so falls outside their allowable rate ranges. Clark RSN and Pierce RSN are funded at the bottom of their rate ranges and receive an increase from FY 2011 maintenance level because they would otherwise fall below their allowable rate ranges. North Central RSN and Chelan Douglas RSN are funded at the top of their allowable rate ranges which will result in a reduction from the FY 2011 maintenance level rates and will also cause them to drop below the current rates they are paid in FY 2010.

Performance Based Contracting (\$1.28 million General Fund-State; \$0.03 million other funds)

Non-Medicaid funding is provided to mitigate significant Regional Support Network (RSN) Medicaid rate reductions that are due to the actuarial rate rebase. Funding is sufficient to pay North Central and Chelan Douglas RSNs at their FY 2010 maintenance level Medicaid rates. DSHS will enter into a performance based contract with North Central RSN and will provide technical assistance to this RSN with the expectation that the RSN will demonstrate cost effectiveness and improved Medicaid utilization by June 30th, 2011. The DSHS is provided a 0.5 FTE to facilitate the development and implementation of a plan of improvement with the RSN that includes performance measures and outcome tracking. Funding is also provided to contract with an expert in the delivery of mental health services in a frontier setting for the purposes of providing technical assistance and identifying best practices with this RSN.

Mental Health Assessment, Civil Detentions, and Commitments (\$1.8 million General Fund-State)

Non-Medicaid funding is provided for impacts due to modifications to the involuntary treatment act, 71.05 RCW. Pursuant to Second Substitute House Bill 3076 (involuntary treatment act) and Second Substitute House Bill 2882 (persons w/ mental disorders), funding is provided to implement the expanded definition of "likelihood of serious harm" and changes to the standards for emergent detention from "imminent" to "substantial" likelihood of serious harm. Funding is also provided to develop new policies and protocols to accommodate these modifications and to provide training to the designated mental health professionals, the courts, referral sources and the hospitals. Funding is provided to both the Department of Social and Health Services and Evergreen State College's Washington Institute for Public Policy for a collaborative effort to search for a validated mental health assessment tool or tools that can be used to assess individuals for detention, commitment, and revocation under the involuntary treatment act.

Regional Support Network Local Match (\$14.1 million other funds)

Additional expenditure authority is necessary to allow the King County Regional Support Network to gain federal matching funds for Medicaid allowable services. County legislative authorities may authorize a 0.1 percent sales tax and may choose to use this funding for the delivery of either Medicaid or non-Medicaid chemical dependency or mental health treatment programs as specified in RCW 82.14.460. Local funding that is authorized to serve Medicaid clients is matched with federal funding and becomes part of the overall Medicaid expenditures. When Medicaid rates are rebased, the increased level of Medicaid expenditures due to local matching funds becomes the state's responsibility.

Stimulus FMAP Extension (-\$27.1 million General Fund-State; \$27.1 million other funds)

The Federal Medical Assistance Percentage (FMAP) is the share of Medicaid costs that the federal government provides. The American Recovery and Reinvestment Act of 2009 increased FMAP by almost 13 percentage points for FY 2010 and the first six months of FY 2011. The Legislature anticipates that the FMAP increase from 50.00 percent to 62.94 percent will be extended for six additional months through June 2011, resulting in a reduction in state expenditures for services that receive Medicaid Title XIX and Title VI E federal match.

ECONOMIC SERVICES ADMINISTRATION

Working Connections Child Care (-\$30.1 million General Fund-State)

Funding for the Working Connections Child Care (WCCC) program is reduced. The WCCC provides subsidized child care to Temporary Assistance for Needy Families (TANF) clients, and other working families up to 200 percent of the federal poverty level. With this funding reduction, the number of families entering the program each month will be limited to the lowest income, including TANF clients, being the first priority. In addition, the department shall implement the 12 month authorization for certain families receiving child care benefits through WCCC pursuant to Engrossed Second Substitute House Bill No. 3141.

Eliminate General Assistance Administrative Review Team (-\$3.0 million General Fund-State)

The General Assistance Administrative Review Team reviews client cases that have not been approved for assistance, and are the last opportunity for a client to receive benefits. The use of this review process is eliminated May 1, 2010. It is anticipated that 165 clients per month will not enter the caseload due to the elimination of this review process.

Administrative and Staff Reductions (-\$5.7 million General Fund-State; -\$3.8 million other funds)

Funding for administrative costs within the Economic Services Administration is reduced. This reduction will result in consolidation of some office functions.

Reduction of Mandatory Workload (-\$6.4 million General Fund-State; -\$5.2 million other funds)

This item eliminates funding for anticipated workload expenses. The item does not eliminate current staff, but eliminates funding that would have been provided for increased staff work due to caseload growth.

Career Services for Non-WorkFirst (-\$3.6 million General Fund-State)

Savings is assumed through elimination of career services provided to non-WorkFirst food stamp recipients. Funding had been provided for up to 600 cases per month at \$500 per case that were receiving food stamps, but who were not on the TANF caseload.

Security Lifeline Act (\$0.5 million General Fund-State; \$9.7 million other funds)

The Security Lifeline Act, Second Substitute House Bill 2782, reforms state benefit programs in three ways. First, the Department of Social and Health Services (DSHS) will sponsor the planning and implementation of a user-friendly electronic Opportunity Portal to allow Washington residents to access a broad array of benefits. Second, DSHS will expand the Food Stamp Employment and Training program to three community colleges. Third, the Security Lifeline Act reforms the General Assistance Unemployable program and renames it the "Disability Lifeline" program. The DSHS will seek to transfer individuals that are likely to be eligible for federal benefits to the Disability Lifeline Expedited Program no later than 90 days after initial eligibility is determined, and DSHS will implement a pilot project in King, Pierce, and Spokane counties to contract for services to facilitate those transfers. An individual cannot continue to receive Disability Lifeline benefits if he or she refuses without good cause to participate in needed chemical dependency treatment. The DSHS will give high priority for state-funded chemical dependency treatment to Disability Lifeline clients, but pregnant women and parents will be given first priority. Individuals who lose Disability Lifeline benefits due to improvements in health status will be given high priority for enrollment in the Basic Health Plan. DSHS will create a plan for a pilot project that would provide some Disability Lifeline clients with housing and a decreased cash grant. Within the Department of Social and Health Services this item also impacts the Division of Alcohol and Substance Abuse and Medical Assistance, and outside of DSHS the Health Care Authority and Department of Information Services are also affected.

Single Parent Participation - -\$11 Million

Reduces demand for the Working Connections Child Care program by allowing single parents with children under the age of six to meet federal participation requirements of 20 hours per week, rather than the state requirement of 32 hours per week.

Reduce Job Search - -\$2.36 Million

Funding for WorkFirst job search activities is reduced for fiscal year 2011.

Suspend Community Works Program - -\$5.5 Million

Funding for all Community Works programs, except for Community Jobs, within the WorkFirst program are suspended for fiscal year 2011.

JUVENILE REHABILITATION

JRA Administrative Staff Reduction (-\$3.7 million General Fund-State)

Funding for JRA regional and headquarters staffing is reduced.

Reinstate Closure Funding (\$12.0 million General Fund-State)

The 2009-11 budget included a study to develop a plan to close 235 beds in juvenile institutions and a commensurate reduction in funding. The Legislature has not closed a Juvenile Rehabilitation Administration (JRA) institution; as a result, the funding that was reduced is reinstated.

Naselle Capacity Reduction (-\$1.8 million General Fund-State)

The Naselle Youth Camp is reduced to 50 beds, and will be used solely to house youth participating in the Department of Natural Resources (DNR) Forestry program.

Reduce Institution Staffing (-\$4.9 million General Fund-State)

The number of JRA administrative staff in the institutions is reduced.

Juvenile Court Reduction (-\$2.5 million General Fund-State)

County pass-through funding for the juvenile courts is reduced by 10 percent, effective April 1, 2010. The reduction is in non-evidence based, non-sex offender disposition alternative funding.

Stimulus FMAP Extension (-\$0.08 million General Fund-State)

The Federal Medical Assistance Percentage (FMAP) is the share of Medicaid costs that the federal government provides. The American Recovery and Reinvestment Act of 2009 increased FMAP by almost 13 percentage points for FY 2010 and the first six months of FY 2011. The Legislature anticipates that the FMAP increase from 50.00 percent to 62.94 percent will be extended for six additional months through June 2011, resulting in a reduction in state expenditures for services that receive Medicaid Title XIX and Title VI E federal match.

MEDICAL ASSISTANCE

Hospital Safety Net Assessment (-\$32.0 million General Fund-State; \$452.3 million other funds)

General Fund-State funding for hospitals is reduced. Substitute House Bill 2956 (hospital safety net assessment) establishes an assessment on hospitals that is placed in a new fund called the Hospital Safety Net Assessment Fund, increases payment rates for hospitals, and restores Small Rural Disproportionate Share Hospital payments to 120 percent of their 2009 levels.

Disproportionate Share Hospital Payments (-\$12.6 million General Fund-State; \$11 million other funds)

Indigent Assistance Disproportionate Share Hospital (DSH) payments are eliminated in FY 2011. These payments provide supplemental funding to hospitals based on their profitability and the level of charity care that they provide. Washington DSH payments were forecasted to go beyond the maximum level for federal matching funds under the Certified Public Expenditures program, and the state would have been required to fund the difference with state-only grants. Washington will no longer exceed the federal maximum as a result of the elimination of the Indigent Assistance DSH payments.

Federally Qualified Health Center Alternative Payment Method (\$39.9 million General Fund-State; \$55.4 million other funds)

Federally Qualified Health Centers (FQHCs) are paid for the full cost of providing services to Medicaid clients. FQHCs are paid per encounter instead of per service. An alternative payment methodology has been developed to determine FQHC costs per encounter. This new method was implemented July 1, 2009 and made retroactive to January 1, 2009.

Disability Lifeline Medical Care Services (\$12.8 million General Fund-State; \$21.2 million other funds)

The Disability Lifeline medical care services program was transitioned to managed care beginning in November, 2009, and funding is provided for Disability Lifeline caseload growth. During FY 2011, the Department of Social and Health Services (DSHS) will continue to provide Disproportionate Share Hospital payments to hospitals for providing outpatient services to Disability Lifeline clients. These payments will end in January, 2011, when the Legislature expects to begin receiving federal matching funds for the Disability Lifeline medical care services. The Legislature anticipates that federal health reform will allow DSHS to seek federal matching funds for individuals covered under the Disability Lifeline program starting in January, 2011.

Medical Assistance Administration (\$10.8 million General Fund-State; \$10.8 million other funds)

Administrative funding for the Medical Assistance program is increased to partially offset a \$2 million reduction taken in the biennial budget. Remaining administrative reductions will be achieved, to the greatest extent possible, by reducing those administrative costs that do not affect providers, direct client services, or direct service delivery or programs. Specifically, the Department of Social and Health Services will mitigate impacts related to cost recovery and cost avoidance, prior authorizations for dental services, claims backlogs, and hold times or unanswered calls from clients and providers.

ProviderOne Implementation (\$19.4 million other funds)

Additional federal expenditure authority and transfers of state and federal funding from State FY 2010 to State FY 2011 for ProviderOne implementation are provided. The additional authority will allow for an expanded test environment and supporting services for providers. It includes funding for a live ProviderOne help desk for a period of six months beginning January 1, 2010.

Professional Services Supplemental Payment Programs (\$2.1 million other funds)

The Department of Social and Health Services will implement the professional services supplemental payment program for Valley Medical Center and Olympic Medical Center professional providers. The program will increase rates to the Average Commercial Rate to maximize allowable payment levels under the Medicare Upper Payment Limit (UPL). The hospitals are responsible for providing the local match required to obtain federal matching funds for supplemental payments made under the Medicare UPL.

CHIPRA Bonus Payment (-\$7.5 million General Fund-State; \$7.5 million other funds)

The Centers for Medicare and Medicaid Services makes a one-time performance bonus payment for federal FY 2009 under the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) that is used to offset state spending.

Medicare Part D Stimulus FMAP (-\$86.9 million General Fund-State)

The federal government reversed its decision not to apply the increased federal medical assistance percentage (FMAP) in the American Recovery and Reinvestment Act of 2009 to the reimbursement paid by the state to the federal government for Medicare Part D coverage for prescription drugs.

Stimulus FMAP Extension (-\$299.2 million General Fund-State; \$281.0 million other funds)

The Federal Medical Assistance Percentage (FMAP) is the share of Medicaid costs that the federal government provides. The American Recovery and Reinvestment Act of 2009 increased FMAP by almost 13 percentage points for FY 2010 and the first six months of FY 2011. The Legislature anticipates that the FMAP increase from 50.00 percent to 62.94 percent will be extended for six additional months through June 2011, resulting in a reduction in state expenditures for services that receive Medicaid Title XIX and Title VI-E federal match.

VOCATIONAL REHABILITATION

State Match for Federal VR Grant (\$20.0 million other funds)

Funds from the Telecommunications Devices for the Hearing and Speech Impaired Account will be used to meet the state's maintenance of effort requirements to continue to receive full Department of Education vocational rehabilitation grants. This is expected to increase the Telecommunications Relay Service excise tax from \$0.11 to the statutory maximum of \$0.19.

OTHER HEALTH CARE

DEPARTMENT OF HEALTH

Family Planning Grants (\$3.0 million General Fund-State)

During the 2007-09 biennium, funding was provided to the Department of Health to support family planning clinics to increase capacity for non-DSHS eligible clients by adding more clients as well as adding coverage for sexually-transmitted disease testing. The 2009-11 operating budget decreases annual funding by 10 percent in FY 2010 and 70 percent in FY 2011. Funding is restored to FY 2010 levels as of July 1, 2010.

Reduce AIDS Funding (-\$4.3 million General Fund-State)

The Department supports people with HIV/AIDS through the HIV Client Services program, AIDS education program, and grants to regional AIDSNETs. Total state funding for these activities is reduced by 20 percent. The Department is directed to manage the remaining funding between the programs as necessary to support the greatest needs of the population, including suspending curriculum review activities, identifying sources of insurance for clients, redesigning the formulary, restricting eligibility, decreasing grants, and reducing regional costs for AIDSNET administration. In addition, funding for nutritional therapy services provided by the Lifelong AIDS Alliance is eliminated.

Washington Vaccine Association (\$0.1 General Fund-State; \$52.2 million other funds)

Funding is provided to implement Second Substitute House Bill 2551 which establishes the Washington Vaccine Association to facilitate the purchase of childhood vaccines among health carriers and third party administrators. Members of the Association pay assessments for the purchase of childhood vaccines that allow for Washington to maintain its status as a Universal Vaccine Purchase state.

HEALTH CARE AUTHORITY

Basic Health Program Bridge (-\$56.5 million General Fund-State; \$7.0 million other funds)

The Basic Health Plan (BHP) is a health care program that provides approximately 70,000 low-income Washington residents with a state subsidy to assist with the cost of premiums. The program is provided sufficient funds to continue with 65,000 enrollees until January 1, 2011, when it is assumed that federal matching funds will be available for those residents at or below 133 percent of the Federal Poverty Level. In the event that federal matching funds are not available, the BHP will be discontinued as of April 1, 2011. Adjustments are made for increased premium contributions.

Primary Care Pilot Projects (\$5.9 million General Fund-State)

The Health Care Authority will conduct three two-year pilot projects to each cover 1,000 enrollees in a health care services package that combines primary care services, limited specialty services, and a catastrophic health plan. The pilot projects will be conducted in Spokane, Thurston, and Whatcom counties. Enrollees cannot be enrolled in the Basic Health Plan, nor be eligible for either Medicaid or Medicare. The Health Care Authority must report to the Legislature by December 1, 2011 on the results of the pilot projects.

Health Information Exchange (\$3.4 million other funds)

Washington expects the award of a noncompetitive federal grant of \$11.3 million through the Health Information Technology for Economic and Clinical Health provisions of the American Recovery and Reinvestment Act (ARRA). An application has been submitted to the Office of the National Coordinator for development of a statewide health information technology plan. Additional federal expenditure authority is provided for the state's anticipated share of the federal grant.

PUBLIC SAFETY & THE JUDICIARY

DEPARTMENT OF CORRECTIONS

Correctional Facility Realignment (-\$9.0 million General Fund-State)

The final recommendations of the facilities closure study directed in the 2009-11 budget were used as a base for developing a facilities realignment implementation plan which generates savings through more efficient use of existing prison capacity. The 2009-11 budget for the Department of Corrections included a reduction of \$12 million for FY 2011 based on anticipated savings from implementation of a closure plan. Funding is reduced by a total of \$21.0 million (net savings of \$9.0 million) to reflect implementation of the facility realignment.

The elements of the realignment plan include the downsizing of McNeil Island Corrections Center and its conversion to a minimum security facility, closure of Ahtanum View Corrections Center, closure of Pine Lodge Corrections Center for Women, closure of a unit at the Larch Corrections Center, and the activation of units at Coyote Ridge Corrections Center and at Mission Creek Corrections Center for Women.

Reduce Work Release Capacity (-\$4.2 million General Fund-State)

Funding was previously provided to finance the acquisition and construction of additional work release capacity. This funding is reduced as additional work release capacity is not needed this biennium.

Offender Deportation (-\$4.1 million General Fund-State; -\$0.7 million other funds)

Savings are attributed to deporting non-citizen drug and property offenders. The proposal assumes that all qualifying non-citizen offenders are deported in FY 2011 and that qualifying newly-sentenced non-citizen offenders are deported as soon as they come to prison.

Community Transition (-\$1.0 million General Fund-State)

Funding is reduced to reflect efficiencies related to the appropriate transition of offenders from custody as close as possible to the offender's earned release date.

Parent Sentencing Alternative (-\$0.2 million General Fund-State)

Funding is reduced to reflect the creation of alternatives to incarceration for nonviolent offenders with minor children, pursuant to Second Substitute House Bill 3045 (confinement alternatives). The savings from this change are a reduction in the average daily population of 82 offenders, allowing the DOC to close a prison unit at a women's facility. Funding for community supervision is increased because of supplemental services that will be provided to offenders in lieu of a prison sentence. Caseload funding is increased for Medical Assistance in the Department of Social and Health Services (DSHS), and funding is provided to Children's Administration in the DSHS for the costs of providing reports to courts on offenders being considered for the sentencing alternative.

STATE PATROL

Criminal Records Fund Shift (-\$2.8 million General Fund-State; \$2.8 million other funds)

Funding is provided from the Fingerprint Identification Account rather than the General Fund-State for the Criminal History Section. The Criminal History Section is the state repository for fingerprint based criminal history information. \$2 million is for a one-time fund shift and \$800,000 is an ongoing fund shift.

Eliminate Staff Positions (-\$3.8 million General Fund-State)

Funding is reduced to reflect savings from eliminating 25 FTE positions across the various divisions within the State Patrol.

OTHER HUMAN SERVICES

DEPARTMENT OF LABOR & INDUSTRIES

Crime Victims Compensation Adjustments (-\$0.4 million General Fund-State)

Savings is achieved by implementing eligibility and benefits changes. These changes will result in payment caps and other benefit reductions in the Crime Victims Compensation (CVC) Program. This item assumes a reduction of Permanent Partial Disability benefits to \$7,000, a requirement that claimants reported their crime within 90 days and that they apply for CVC benefits within one year of the date of the crime. Time loss benefits will be paid only to those individuals who were employed at the time of the crime. Convicted felons will no longer be eligible for CVC benefits. The overall benefit maximum will be reduced to \$50,000 and funeral expenses will be capped at \$5,000.

DEPARTMENT OF VETERANS AFFAIRS

Veteran Service Officers Contract (\$0.3 million other funds)

Funding is provided for the Veterans Affairs to contract with six additional veteran service officers to be located at the DSHS Community Service Offices to assist veterans in obtaining federal veterans benefits.

Stimulus FMAP Extension (-\$0.5 million General Fund-State; \$0.5 million other funds)

The Federal Medical Assistance Percentage (FMAP) is the share of Medicaid costs that the federal government provides. The American Recovery and Reinvestment Act of 2009 increased FMAP by almost 13 percentage points for FY 2010 and the first six months of FY 2011. The Legislature anticipates that the FMAP increase from 50.00 percent to 62.94 percent will be extended for six additional months through June 2011, resulting in a reduction in state expenditures for services that receive Medicaid Title XIX and Title VI E federal match. (General Fund-State, General Fund-Federal)

NATURAL RESOURCES

COLUMBIA RIVER GORGE COMMISSION

Eliminate Columbia River Gorge Commission (-\$0.3 million General Fund-State; -\$0.3 million other funds)

Funding is reduced for the Columbia River Gorge Commission to reflect the repeal of the Columbia River Gorge Compact with the State of Oregon pursuant to Substitute House Bill 3132 (Columbia River gorge compact). The agency will cease to exist in FY 2011.

DEPARTMENT OF ECOLOGY

Reduce Watershed Planning (-\$5.3 million General Fund-State)

Funding and FTE staff are reduced for the Shorelands Program's technical and financial assistance to local watershed management groups and associated administration. Remaining FY 2011 funding of \$300,000 for this activity is designated for pass-through incentive grants designed to merge watershed planning and watershed-based salmon recovery efforts into a single, integrated process by the beginning of FY 2012. These incentive grants will be distributed by the Recreation and Conservation Office. In addition, \$235,000 of remaining FY 2011 funding is retained for an existing implementation grant for Water Resource Inventory Area 32 (Walla Walla Watershed). Finally, \$100,000 of remaining FY 2011 funding is provided to continue ongoing efforts to develop and implement water agreements in the Nooksack Basin and the Bertrand Watershed.

Reduce Litter Pickup (-\$2.0 million Waste Reduction, Recycling, and Litter Control Account-State)

Funding and staff are reduced for litter pickup activities managed by the Department of Ecology, other state agencies, and local governments. Remaining litter pickup funding of \$1.0 million is dedicated to litter pickup along interstate highways, with a focus on maximizing the use of correctional crews.

Reduce Toxic Cleanup Staffing (-\$3.5 million State Toxics Control Account-State)

Funding is reduced for staff in the Toxic Cleanup Program responsible for overseeing environmental cleanups.

Water Right Permits (-\$0.7 million General Fund-State; \$2.5 million Water Rights Processing and Dam Safety Account-State)

Funding is provided for Second Substitute House Bill 2591 (water rights permits). The bill adjusts fees relating to the processing of water right applications and change applications. The Department of Ecology (DOE) is required to adjust the water right application fees on a periodic basis to reflect the direct administrative costs incurred in the processing of water right applications and change applications and the safety inspection of hydraulic works and plans and specifications. The bill also creates a permit exempt well registry with a registration fee.

DEPARTMENT OF FISH & WILDLIFE

Charge Fees for Hydraulic Permit Approvals (-\$3.1 million General Fund-State; \$3.4 million Hydraulic Permit Fee Account-State)

Pursuant to House Bill 3037 (hydraulic project permitting) General Fund-State funding for administering Hydraulic Permit Approvals is eliminated as of January 1, 2011. The program will fully recover its costs through a new fee by January 2011.

Maintain Core Administrative Functions (\$2.0 million State Wildlife Account-State)

The Department's indirect rate for administration and overhead from federal grants has been reduced, resulting in a net loss of approximately \$3.8 million for the 2009-11 biennium. Funding is provided to partially restore the loss from the lower indirect rate.

Increase Hunter Access on Private Land (\$0.7 million State Wildlife Account-State)

Funding is provided for the Department to bring 200,000 additional acres of private land under contract for recreational access. The program is funded through special hunting permit application fees.

Restore Aviation Funding (\$0.2 million General Fund-State)

Funding is restored for the maintenance and operation of the Department's Partenavia aircraft. The Partenavia will continue to be used for survey missions and fish planting, and will assist the Department of Natural Resources with fire suppression coordination.

DEPARTMENT OF NATURAL RESOURCES

Emergency Fire Suppression (\$11.5 million General Fund-State)

Funding is provided for costs associated with fire suppression activities during FY 2010 that were above the Department's existing fire suppression appropriation.

Shift Fire Protection Costs to Forest Fire Protection Assessment Account (-\$5.0 million General Fund-State; \$5.0 million Forest Fire Protection Assessment Account-Nonappropriated)

Fire preparedness and prevention costs are shifted from the General Fund-State to the Forest Fire Protection Assessment Account.

Maintain Adaptive Management Program (\$1.0 million Aquatic Lands Enhancement Account-State; \$0.5 million General Fund-Federal)

Funding is provided to continue the Department's adaptive management activities. The Adaptive Management Program was created to provide science-based recommendations and technical information to assist the Forest Practices Board in determining if and when it is necessary or advisable to adjust rules and guidance for aquatic resources to achieve the resource goals and objectives of the Forests and Fish Report. FY 2011 funding for this program includes \$970,000 of redirected Forest and Fish Support Account funding.

Recover Land Management Savings (-\$1.0 million General Fund-State; -\$0.7 Agricultural College Trust Management Account-State)

Lower timber prices have led to fewer timber sales which has resulted in fewer costs associated with the preparation of sales. Funding is reduced to reflect lower management costs on Agricultural College Trust Lands. In addition to lowering the Department's expenditure authority in the Agricultural College Trust Management Account (ACTMA), the amount of General Fund-State funding provided for deposit into the ACTMA is also reduced.

Reopen Off-Road Recreation Sites (\$0.2 million Off-Road Vehicle Account-State)

Funding is provided from the Off Road Vehicle Account to support access to 13 recreational sites utilized by off road vehicle users.

Puget Sound Cleanup & Recovery (\$0.6 million State Toxics Control Account-State)

Funding is provided for projects that remove contaminants from Puget Sound. Projects include completing the remedial investigation of Whitmarsh Landfill, and repairing a sediment cap in Commencement Bay.

DEPARTMENT OF AGRICULTURE

Increased Federal Agricultural Support (\$6.7 million General Fund-Federal)

Additional federal expenditure authority is provided to reflect recent federal awards for protecting food safety, supporting organic agriculture and specialty crops, detecting sudden oak death, and Spartina removal.

Suspend Funding for Agricultural Fairs (-\$1.2 million Fair Account-Nonappropriated)

The transfer of \$2 million state general fund dollars to the Fair Fund for agricultural fairs is eliminated for FY 2011. Available fund balance in the Fair Fund will offset about half of the reduction. Funding for youth shows will not be reduced during the 2009-11 biennium.

PUGET SOUND PARTNERSHIP

Increased Federal Puget Sound Recovery (\$3.6 million General Fund-Federal)

The sum of \$2.2 million in additional federal expenditure authority is provided to account for a National Estuary Program grant from the U.S. Environmental Protection Agency for Puget Sound restoration efforts. Funding will be passed through to local watershed projects and to conduct environmental monitoring, scientific modeling, and performance management. Additionally, \$1.4 million of anticipated federal funding will support the state's efforts in stormwater management, mitigation reform, and floodplain management.

GENERAL GOVERNMENT AND OTHER

MILITARY DEPARTMENT

Public Safety Interoperability Grant (\$18.0 million General Fund-Federal)

Expenditure authority is provided to continue projects originally funded with a Public Safety Interoperable Communications grant received in 2007 from the Department of Homeland Security. The grant is to be used to enhance statewide communications infrastructure and address initiatives identified in the Statewide Communications Interoperability Plan. The Military Department will continue to administer the funds for equipment, exercises, training, planning, and grant administration. Ninety-seven percent of these funds are passed through to local jurisdictions with the remaining three percent retained by the Military Department for grant administration and management.

Next Generation 911 Transition (\$7.9 million other funds)

Expenditure authority is provided from the E911 account to continue upgrades to the current 911 telephone system to accommodate Next Generation 911 (NG911). This upgrade provides a modern internet protocol system that will allow the 911 system to accept information from a wide variety of communication devices during emergencies.

STATE LOTTERY COMMISSION

Second Chance Drawings (\$7.1 million State Lottery Account)

House Bill 2732 (internet registration for second chance drawings) directs the Lottery Commission to allow players to register non-winning tickets over the internet. The Lottery Commission will conduct second chance drawings from registered tickets and award winning ticketholders prizes.

LIQUOR CONTROL BOARD

Contract Liquor Stores (-\$110, 000 net savings)

The Liquor Control Board (LCB) will close at least 20 low-performing state liquor stores and replace them with contract liquor stores. As a pilot project, the LCB will also close an additional 10 stores with medium or high performance and replace these with contract liquor stores. Based on the performance of the new contract stores, the LCB will study further contracting out state stores, and report its findings to the Legislature by the end of 2012.

ATTORNEY GENERAL

Legal Services to State Agencies (-\$5.6 million other funds)

The Legal Services Revolving Appropriation is reduced by 5 percent. For the remainder of the 2009-11 biennium, the Attorney General's Office is to work with client agencies to reduce the overall cost and usage of legal services. (Legal Services Revolving Account-State)

DEPARTMENT OF COMMERCE

Rural Narcotics Enforcement FY11 (\$1.5 million General Fund-State)

Funding is provided for the Rural Narcotics Task Force for FY 2011.

Growth Management Grants (-\$3.8 million General Fund-State)

Grants to local governments to develop growth management plans are eliminated for FY 2011.

Reduce ITED Division by 20 percent (-\$3.2 million General Fund-State)

Funding for the Department of Commerce's International Trade and Economic Development division is reduced by 20 percent for FY 2011, except for the Washington Technology Center

DEPARTMENT OF GENERAL ADMINISTRATION

Office Facility/Public Historic Bui (-\$3.2 million other funds)

The Department will eliminate multiple staff positions across several lines of business, including gardeners, custodians, asset managers, maintenance staff, and budget and business managers. This will result in less gardening on campus grounds. Financial and physical oversight of facilities is reduced and long-range planning will be suspended. Non-vital repairs and improvements are delayed or eliminated. Purchase of equipment, goods and services are reduced, and 20 agency fleet vehicles are eliminated. Elevator maintenance contracts are eliminated and staff will be hired to assume these tasks at a savings. (General Administration Services Account-State, General Administration Services Account-Nonappropriated)

GROWTH MANAGEMENT HEARINGS BOARD

Board Restructuring Legislation (-\$91,000 General Fund-State)

Substitute House Bill 2442 (growth management hearings boards) reduces the number of board members from nine to seven, and the three regional boards are merged into a single, statewide board from which regional panels will be drawn. Funding and staff are reduced to reflect the savings associated with implementing this legislation.

2010 Supplemental Budget Transfers (As Passed House W&M)
(Dollars in Millions)

	<u>2009-11</u>
2010 Supplemental: Capital Related	
CEPR&I	(1.468)
Public Works Assistance Account	24.000
Thurston County Capital Facilities Account	2.688
Education Savings Account*	100.767
Energy Freedom Account	1.060
Water Quality Capital Residual Balance	0.278
University of Washington Building Account	18.339
Eastern Washington University Capital Projects Account	3.408
Central Washington University Capital Projects Account	4.931
The Evergreen State College Capital Projects Account	5.839
Western Washington Capital Projects Account	2.307
Community & Technical College Capital Construction Account	3.135
Subtotal	<u>165.284</u>
2010 Supplemental: Non-Capital Related	
Waste Reduction, Recycling, and Litter Control Account	2.000
Public Service Revolving Account	11.000
Fair Account	2.000
Savings Incentive Account*	10.117
Financial Services Regulation Account	4.000
State Treasurer's Service Account	12.000
Performance Audits of Government Account	15.000
Department of Retirement Systems Expense Account	1.000
Future Teachers Conditional Scholarship	2.100
GET Ready for Math/Science	1.650
Streamline Sales Tax Mitigation Account	10.000
Subtotal	<u>70.867</u>
Subtotal (Capital & Operating, Excluding BSA)	236.151
2010 Supplemental: BSA	
Use Budget Stabilization Account (Rainy Day)**	228.526
Grand Total - Transfers To GFS	464.677
Transfers To Education Legacy Trust Account	
Shared Game Lottery Account	6.000
State Lottery Account	14.000
	<u>20.000</u>

* Revenue source is GFS lapses from SFY 09.

** Made in separate legislation

State Expenditure Limit (Fiscal Years 2010 and 2011)

(Dollars, in millions)

	FY 2010	FY 2011
Limit (Adopted by ELC 11/09) for FY10	15,836.1	
FY 2011: Rebase To FY10 Appropriation (w/ 2010 Supp)		15,670.1
Adjustments to The Expenditure Limit		
2009 Adopted Adjustments		1,080.7
Program Shifts From GFS & Related Accounts		
2009-11 Biennial Budget		
DSHS: Stimulus FMAP Extension		(480.7)
DSHS: Stimulus Medicare Part D	(56.0)	25.1
DSHS: CHIPRA Bonus Payment	(7.5)	7.5
DSHS: Disability Lifeline Waiver		(14.4)
DSHS: IP and OP Hospital Rates		(32.0)
DSHS: TBI Waiver		(2.0)
DSHS: DSH Related		(15.7)
DSHS: Residential Licensing		(5.2)
DSHS: Educational Advocacy Coordinators	(0.1)	(0.2)
DAHP: GIS Fees		(0.2)
HECB: Fund Source Change	(12.0)	
HCA: BHP Waiver		(56.5)
CJTC: Reimbursement For Ammunition		(0.2)
DOH: Newborn Clinic Support		(0.4)
DSB: Increased Federal Revenues	(0.0)	
PARKS: PRSA		(1.2)
DOE: Increase Cost Reimbursement		(0.2)
DOE: Water Rights Permits		(0.7)
DFW: Hydraulic Permits		(3.1)
DNR: FFPA	(3.0)	
AGR: STCA		(0.4)
WSP: Criminal Records	(0.4)	(1.2)
WSP: Fire Training	(0.1)	
PERC: Higher Education Funding	(0.1)	
SEC ST: Corporations		(1.9)
Revised Limit Related Funds	15,756.9	16,167.3
<i>Expenditures: FY 2010 & 2011 (Budgeted/Projected)</i>	15,042.8	15,480.1
Remaining Capacity Under The Expenditure Limit	714.0	687.1

Notes: Adjustments are for display purposes only and are not official until adopted by the State Expenditure Limit Committee (ELC). The limit for FY 2011 is rebased to FY 2010 appropriations, including these proposed 2010 Supplemental changes.

The FY 2011 fiscal growth factor is 4.17% as adopted by the ELC in November 2009.

(Dollars in Thousands)

		Near GF-S	Total
Agency Reorganizations and Transfers			
<u>Child Abuse Program</u>			
From	<i>DSHS - Administration and Supporting Services</i>	-214	-645
To	<i>Children and Family Services</i>	214	645
<u>DD Council and Endowment</u>			
From	<i>Department of Commerce</i>	-57	-2,149
To	<i>Department of Health</i>	57	2,149
<u>Drug Prosecution Assistance</u>			
From	<i>Department of Commerce</i>	-236	-236
To	<i>WA State Criminal Justice Training Commission</i>	236	236
<u>Electronic Health Record Project</u>			
From	<i>Health Care Authority</i>	-137	-137
To	<i>DSHS Medical Assistance Payments</i>	137	137
<u>Facilities & Svs Reorganization</u>			
From	<i>House of Representatives</i>	-1,590	-1,590
From	<i>Senate</i>	-1,776	-1,776
From	<i>Joint Legislative Systems Committee</i>	-42	-42
From	<i>Statute Law Committee</i>	-137	-137
To	<i>Department of General Administration</i>	3,545	3,545
<u>Forensic Sciences Improvement</u>			
From	<i>Department of Commerce</i>	0	-288
To	<i>Washington State Patrol</i>	0	288
<u>Home Visitation</u>			
From	<i>DSHS - Administration and Supporting Services</i>	-1,245	-1,245
To	<i>Department of Early Learning</i>	1,245	1,245
<u>Infant and Toddler Program Transfer</u>			
From	<i>DSHS DD</i>	0	-16,795
To	<i>Department of Early Learning</i>	0	16,795
<u>ISRB to Dept of Corrections</u>			
From	<i>Indeterminate Sentence Review Board</i>	-1,886	-1,886
To	<i>DOC - Administration & Support Services</i>	1,886	1,886

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(Dollars in Thousands)

		Near GF-S	Total
<u>Juvenile Drug Courts</u>			
From	<i>Department of Commerce</i>	-566	-566
To	<i>DSHS - Alcohol and Substance Abuse</i>	566	566
<u>Main Street Transfer</u>			
From	<i>Department of Commerce</i>	-121	-121
To	<i>Department of Archaeology & Historic Preservation</i>	121	121
<u>Merge OMWBE to Dept. of Commerce</u>			
From	<i>Office of Minority & Women's Business Enterprises</i>	0	1,804
To	<i>Department of Commerce</i>	0	-1,804
<u>Municipal Research Council</u>			
From	<i>Municipal Research Council</i>	0	-2,715
To	<i>Department of Commerce</i>	0	2,715
<u>Pollution Liability Insurance Agency</u>			
From	<i>Washington Pollution Liability Insurance Program</i>	0	-808
To	<i>Department of Ecology</i>	0	808
<u>Poison Center Funding Transfer</u>			
From	<i>Department of Health</i>	-400	-400
To	<i>DSHS - Medical Assistance Payments</i>	400	1,145
<u>Post-Conviction DNA Analysis</u>			
From	<i>Department of Commerce</i>	0	-313
To	<i>Washington State Patrol</i>	0	313
<u>Print Services</u>			
From	<i>Public Printer</i>	0	-3,944
To	<i>Department of Information Services</i>	0	3,944
<u>Project Safe Neighborhoods</u>			
From	<i>Department of Commerce</i>	0	-228
To	<i>WA State Criminal Justice Training Commission</i>	0	228
<u>Substance Abuse Treatment</u>			
From	<i>Department of Commerce</i>	0	-133
To	<i>DSHS - Alcohol and Substance Abuse</i>	0	133

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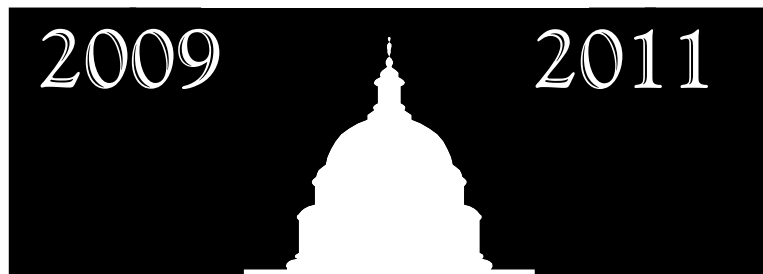
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(Dollars in Thousands)

		Near GF-S	Total
<u>Transfer Food Programs</u>			
From	<i>Department of Commerce</i>	-5,030	-5,030
From	<i>Department of General Administration</i>	-390	-3,172
To	<i>Department of Agriculture</i>	5,420	8,202
<u>Transfer Labor Resource Center</u>			
From	<i>The Evergreen State College</i>	-150	-150
To	<i>Community & Technical College System</i>	150	150

Note: Figures represent amounts transferred; programs may also have been reduced.



Washington State House of Representatives
Office of Program Research