



Proposed 2011-13
Biennial Operating Budget
and 2011 Supplemental

Budget Summary

April 4, 2011

Representative Hunter, Chair
House Ways & Means Committee

Interactions Between PSHB 1087 and HB 3225 and ESHB 1086

There is a potential point of confusion on how previous budget actions (House Bill 3225 in December 2010 and Engrossed Substitute House Bill 1086 in February 2011) interact with Proposed Substitute House Bill 1087.

2011-13 Biennium

Because the 2011-13 budget development process began almost a year ago, the base used to construct the 2011-13 budget was the 2009-11 budget (including the 2010 supplemental). Normally, that is not an issue as the Legislature does not typically significantly revise current biennium appropriations while crafting a budget for the ensuing biennium. That was not the case this year.

In December 2010, the Legislature passed HB 3225. In February 2011, the Legislature passed ESHB 1086. Both implemented numerous reductions in almost all agencies of state government.

In many instances, the reductions included in this proposal simply are the continuation of reductions first begun in either HB 3225 or in ESHB 1086 (sometimes at a lower or higher level). If a reduction that was part of either HB 3225 or ESHB 1086 is continued (at any level), it shows up as a policy item for the 2011-13 biennium. In other words, the reductions of HB 3225 and ESHB 1086 are not automatically carried in to the future -- and the reductions displayed in the 2011-13 agency detail are **not** on top of those in HB 3225 and/or ESHB 1086.

One other note: because the changes in HB 3225 and ESHB 1086 often applied to the last six months of the biennium, the dollar savings of continuing those reductions in the 2011-13 biennium (a 24-month period) are greater than the dollars saved from those actions in the current biennium.

2009-11 Biennium

In the current (2009-11) biennium, the changes of PSHB 1087 are in addition to those already adopted in the budget. In other words, the reductions made in HB 3225 and ESHB 1086 continue to remain in force during the 2009-11 biennium unless explicitly changed by PSHB 1087 or other legislative action.

Summary of Proposed Substitute House Bill 1087

2009-11 (The Current Biennium)

In April 2010, the Legislature adopted the 2010 supplemental budget, leaving a projected general fund ending balance of approximately \$451 million. Over the next three quarters, the revenue forecast for the current biennium was reduced by more than \$1.3 billion, resulting in a projected deficit of \$900 million (a figure that would later worsen).

In December 2010, the Legislature met in special session and adopted House Bill 3225, which addressed \$588 million of the projected deficit (\$490 million through reduced appropriations and \$98 million through increased resources, primarily fund transfers.) In February 2011, the Legislature adopted Engrossed Substitute House Bill 1086, which addressed another \$367 million of the projected deficit (\$242 million through reduced appropriations and the remainder through fund transfers).

The shortfall grew larger when projected caseload increases, the latest projection of federal rates used to match Medicaid, and the March 2011 revenue forecast were all incorporated. If the \$900 million shortfall discussed above is added to the subsequently projected caseload costs and the March 2011 revenue forecast, the shortfall that the Legislature has faced since April 2010 has become \$1.2 billion.

This proposal addresses the remainder of the shortfall and leaves a projected near general fund (NGFS) ending balance of approximately \$36 million. There are two main elements to this proposal:

- incorporating the latest projection of federal rates used to match Medicaid expenditure (ARRA FMAP) costs, \$128 million; and
- delaying a portion of the apportionment payments that would otherwise be made to school districts in June 2011 until July 2011. This saves a net of \$240 million in the 2009-11 biennium and increases net 2011-13 costs by an equal amount.

The proposal also makes a variety of other changes discussed starting on page 13 of this document.

2011-13 (The Ensuing Biennium)

In addition to the shortfall in the current biennium, the Legislature faces a shortfall in the 2011-13 biennium.

The March 2011 revenue forecast projects near general fund plus Opportunity Pathways (NGFS+) revenue collections of approximately \$32.5 billion (compared to \$28.5 billion in 2009-11). While revenue collections are projected to increase by almost 6.6 percent per year in fiscal year 2012 and 2013, fiscal year 2013 (\$16.5 billion) is the first year that near general fund revenue collections are expected to exceed fiscal year 2007 collections (\$15.5 billion).

The 2009-11 biennial budget, including the 2010 supplemental, appropriated approximately \$31.1 billion from NGFS+. That budget also used more than \$2.3 billion in one-time federal funds (primarily American Recovery and Reinvestment enhanced FMAP rates, as well as fiscal stabilization grants in the Department of Corrections, in public schools and higher education) that directly offset state expenditures.

Two education-related initiatives (I-732 and I-728) were temporarily suspended in the current biennium but, under current law, would resume in 2011-13. Pension rates are projected to increase by almost \$566 million. Caseloads continue to increase in various programs, including K-12 education, long-term care, and medical assistance programs.

Taken together, the estimated cost of continuing the budget adopted in 2010 is almost \$36.3 billion - about \$3.7 billion more than projected revenues (and \$5.2 billion above the 2010 supplemental budget). The gap widens further when \$550 million in additional costs are included, such as repaying the delayed June 2011 apportionment payment, beginning the new education funding formula, increasing the state need grant to keep pace with assumed increases in tuition, and leaving a projected ending fund balance of approximately \$800 million.

Altogether, the projected budget problem statement for 2011-13 addressed by this proposal is \$5.05 billion. Total policy level reductions are \$4.4 billion. The remainder of the shortfall is addressed through \$214 million in net fund transfers, \$300 million through the privatization of liquor distribution, \$124 million by permanently consolidating certain revenue sources into the state general fund, and other actions.

2011-13 Policy Level Expenditure & Resource Changes

Policy Reductions: Proposed Substitute House Bill 1087 makes approximately \$4.4 billion dollars in NGFS+ reductions. In many cases, the decisions represent a continuation of a funding policy established earlier in either the special session budget bill (HB 3225 from December 2010) or the early action savings bill (ESHB 1086 from February 2011).

Reductions greater than \$50 million include:

- \$1.2 billion for I-728 and I-732 (these are assumed to be subject to appropriation in future budgets).

- \$482 million in a general reduction to higher education institutions (in part, offset with assumed tuition increases).
- \$362 million from making changes to how certain future pension benefits are calculated for Plan 1 retirees.
- \$216 million from elimination of the K-4 class size enhancement.
- \$176 million from a 3 percent reduction in state employee salaries.
- \$141 million from hospital rates and related changes.
- \$108 million from changes to the Basic Health Plan.
- \$104 million from biennializing the ESHB 1086 across-the-board reduction for higher education institutions.
- \$100 million in reduced Disability Lifeline cash grants (continuation of ESHB 1086 reduction). Note that remaining funding for the cash grant program is transformed into a housing program.
- \$97 million for reduced personal care hours for long term care and developmentally disabled clients.
- \$89 million from a change in the Federally Qualified and Rural Health Centers payment methodology.
- \$61 million from changes to the K-12 National Board Bonus program.
- \$57 million from limiting state contributions to certain higher education pension costs to 6 percent.
- \$56 million from freezing K-12 steps.
- \$53 million from a K-12 alternative learning program (ALE) funding adjustment.
- \$53 million in reduced nursing home rates and quality incentive payments.

Policy Adds: PSHB 1087 makes approximately \$550 million in NGFS+ policy additions, some of which are related to achieving greater savings. Policy additions include the following items:

- \$240 million (net) repayment of the K-12 apportionment delay in the 2011 supplemental budget.
- \$103 million for the higher education State Need Grant to accommodate authorization to increase tuition.
- \$72 million in K-12 related items (mostly related to converting to a new funding formula).
- \$30 million for increased debt service.
- \$23 million related to the Special Commitment Center trials/hearings.
- \$11 million for repayment to the State Efficiency and Reorganization Account.

Selected Resources and Other Items:

- PSHB 1087 assumes a net receipt of \$300 million to the General Fund-State from the privatization (lease) of the state liquor distribution center.
- PSHB 1087 assumes that higher education institutions are authorized to implement tuition increases totaling \$379 million for the biennium (this revenue does not go into the state NGFS+).
- PSHB 1087 assumes net fund transfers into the General Fund-State of \$214 million, and another \$124 million by permanently consolidating certain revenue sources into the state general fund.

Agency Consolidations

PSHB 1087 assumes the following agency consolidations/transfers:

- Medical Purchasing Administration: The DSHS Medical Assistance Administration becomes part of the Health Care Authority.
- Department of Enterprise Services: The Department of General Administration, the State Printer, and parts of the Department of Information Services, the Department of Personnel, and the Office of Financial Management are merged into the new Department of Enterprise Services. Remaining portions of the Department of Personnel and the Department of Information Services are consolidated into other agencies, including the newly created Consolidated Technology Services Agency.
- Department of Heritage, Arts, and Culture: The Arts Commission, the Washington State Historical Society, the Eastern Washington Historical Society, and the Department of Archaeology and Historical Preservation are merged into the new Department of Heritage, Arts, and Culture.
- The Indeterminate Sentence Review Board and the Sentencing Guidelines Commission are merged into the Department of Corrections.

Near General Fund-State/Opp Pathways Balance Sheet
PSHB 1087
(Dollars in Millions)

	<u>2009-11</u>	<u>2011-13</u>
Beginning Balance	310	36
Revenue		
November Revenue Forecast	28,566	33,211
December 2010 Revenue Legislation	70	(30)
March Forecast Change	(143)	(654)
2011 Budget Driven Revenue (Net Change)	-	3
2011 Revenue Legislation (Net Change)	-	134
Total Revenue	28,493	32,664
Other Resource Changes		
Transfers To The Budget Stabilization Account	(246)	(290)
Previous Use of Budget Stabilization Account	273	-
Prior Period Adjustments	19	-
Other Previously Enacted Fund Transfers	1,251	(204)
Dec 2010/Feb 2011 Transfers (HB 3225 and ESHB 1086)	179	
Privatize Liquor Distribution (Net)	-	300
2011 Use Budget Stabilization Account	-	290
2011 Transfers & Approps To N-GFS	23	418
Other Resource Changes	1,499	514
Total Resources	30,302	33,214
Spending		
2009-11 Enacted Budget w/2010 Supp	31,085	
Early Action (HB 3225 and HB 1086)	(726)	
Proposed 2011 Supp (net) & 2011-13	(93)	32,419
Total Spending	30,266	32,419
Ending Balance & Reserves		
<i>Unrestricted Ending Fund Balance</i>	36	795
<i>Budget Stabilization Account Balance</i>	-	-
Total Reserves	36	795

2011-13 Omnibus Operating Budget**PSHB 1087**

(Dollars in Thousands)

	NGF+OpPth	Total
<i>Employee Compensation</i>		
Plan 1 Annual Increases/Min. Benefit	-361,786	-425,117
K12/CTC: Suspend I-732	-299,221	-302,609
3% Salary Cut for State Employees	-177,119	-311,653
K12: National Board Bonus	-61,208	-61,208
K12: Freeze Steps	-56,351	-56,351
Limit Higher Ed Pension Cont. to 6%	-49,563	-16,604
Actuarially Recommended Rates/LEOFF 2	-15,000	-15,000
LEOFF 2 Benefits Enhancement Fund	-5,000	-5,000
HERP and Retire-Rehire Changes	-1,900	-2,400
Employee Compensation Total	-1,027,148	-1,195,942
<i>K-12 Education</i>		
Suspend I-728	-860,716	-860,716
K-4 Class Size	-215,651	-215,651
ALE Funding Adjustment	-53,055	-53,055
Student Assessment System Changes	-49,792	-49,792
Other OSPI/Statewide Pgrm Savings	-8,126	-6,974
Other Ed Reform Savings	-7,556	-7,556
Running Start	-6,004	-6,004
Food Service Related	-6,000	-6,000
Summer Skills Ctr Programs	-4,770	-4,770
BEST Program	-4,000	-4,000
Alternative Routes	-3,496	-3,496
Repay FY11 Contig Funds	-2,500	-2,500
Highly Capable Program/Items	-520	-520
Other Increases	2,350	2,350
Teacher and Principal Evaluations	3,000	3,000
HB 2776 - Transportation Enhancement	5,000	5,000
Incentives for Evaluations Systems	5,000	5,000
Kindergarten Phase-In	6,420	6,420
PASS Act Program	6,566	6,566
K12 Formula Conversion	19,180	19,180
K-3 Class Size in High Pov Schools	25,008	25,008
Other	-16,737	-16,739
K-12 Education Total	-1,166,399	-1,165,249
<i>Higher Education Institutions</i>		
4Yr/2Yr On-Going Inst. Reductions	-455,997	-455,997
4Yr/2Yr One-Time Inst. Reductions	-26,256	-26,256
Tuition Increase	0	379,139
Everett Higher Education	109	109
STEM Enrollments	1,414	1,414
Other Increases	2,052	2,052
CTC: Student Achievement Initiative	7,500	7,500
Other	-824	-824
Higher Education Institutions Total	-472,002	-92,863

2011-13 Omnibus Operating Budget**PSHB 1087**

(Dollars in Thousands)

	NGF+OpPth	Total
<i>Higher Education Financial Aid & Other</i>		
State Work Study	-45,000	-45,000
Suspend/Reduce Other Fin Aid Programs	-25,472	-25,472
Private SNG to Regional Award	-19,331	-19,331
Policy and Research	-6,000	-6,000
Other Increases	1,000	1,000
EOG to State Need Grant	5,200	5,200
Maintain State Need Grant	103,106	103,106
Other	-2,186	-2,186
Higher Education Financial Aid & Other	11,317	11,317
Total		
<i>Early Learning & Child Care</i>		
Eliminate Career and Wage Program	-3,000	-3,000
Other Increases	1,389	3,635
Other	-2,611	-2,611
Early Learning & Child Care Total	-4,222	-1,976
<i>Health Care</i>		
Hospital Rate Changes	-110,474	-221,038
Basic Health Plan	-107,925	-164,596
FQHC Payment methodology	-89,461	-183,769
Increase MAA Audit/Recoveries	-39,774	-79,357
Emergency Room Utilization	-32,960	-75,715
Hospital Safety Net Assessments	-30,000	0
Adult Dental Services	-28,607	-57,540
Alien Medical/Federal Funds	-23,908	0
DSH Changes	-23,330	-43,800
School Based Services	-18,078	2,129
Community Clinic Grant Funding	-13,550	-13,550
Medicare Part D Subsidy (co-pay)	-13,279	-12,587
Maternity Support Program	-10,000	-19,884
Public Health Support/Assistance	-9,350	-9,350
SSI Managed Care	-7,670	-16,184
Healthy Options Administrative Pmt	-5,609	-12,079
Medical Interpreter Services	-4,633	-13,728
Adult Therapies	-4,144	-8,196
Take Charge Family Planning	-3,967	-7,354
Increase Prior Authorization	-3,704	-7,225
Maternal & Childrens Health	-2,264	-2,264
HIV/AIDS Program	-1,780	-1,780
Children's Health Program	-1,524	-1,558
Health Benefits Exchange Grants	0	87,000
Other Increases	4,472	74,569
ProviderOne	5,564	28,345
Tobacco Cessation Activities	5,774	-46,594
Other	-11,821	-13,715
Health Care Total	-582,002	-819,820

2011-13 Omnibus Operating Budget**PSHB 1087**

(Dollars in Thousands)

	NGF+OpPth	Total
<i>Long Term Care, DD, and Mental Health</i>		
Personal Care Hours	-97,507	-195,554
Nursing Home Quality Incentive Pmt & Rates	-53,212	69,576
Delay Mandatory Training (I-1029)	-22,125	-43,262
DD Employment & Day Services	-16,906	-30,142
Agency Provider Health Benefits	-12,534	-25,066
RSN Medicaid Rates	-8,729	-17,458
RSN Non-Medicaid	-8,695	-8,695
Reduce State Hospital Staff Costs	-8,200	-8,200
License Fees & Oversight	-6,848	11,337
Close Western State Hospital Ward	-6,644	-6,644
RHC Transition/Community Alternativ	-6,607	-11,827
DD/Staff & Services	-4,722	-8,735
LTC/Expand Family Caregiver Diversion	-4,596	-12,942
Training Contributions	-3,683	-7,369
DD/Other	-3,248	-4,944
Reduce DD Residential Services	-3,220	-6,436
LTC/Other	-3,074	-5,108
Alien Medical Long Term Placements	-2,174	-2,174
MHD/Maximize Federal Funds	-1,900	0
Other Mental Health	-1,371	-734
Spokane Acute Care	-750	-750
Other Increases	380	4,087
RHC Diversions_Community Investment	4,421	5,384
DD/Community Placements	5,580	11,027
IP Health Benefits	6,662	13,254
Other	-700	0
Long Term Care, DD, and Mental Health	-260,402	-281,375
Total		
<i>Corrections and Other Criminal Justice</i>		
Other DOC Related Items	-47,067	-47,067
Offender Early Release	-26,003	-26,003
Close McNeil/Open Elkhorn	-12,253	-12,253
SCC Savings	-8,596	-8,596
Violator Bed Cost	-5,747	-5,747
Eliminate Tolling for Offenders	-5,165	-5,324
JRA Institutional Costs	-5,110	-5,110
CJTC Related Items	-5,035	-10,368
WSP Savings	-4,858	-4,858
Reduce Offender Programming	-4,397	-4,397
Juvenile Parole Services	-3,748	-3,748
Reduce DOSA Bed Utilization	-3,400	-3,400
Close Maple Lane School	-3,272	-3,272
Early Deportation	-3,062	-4,050
Reduce Electronic Home Monitoring	-3,012	-3,012
Reduce Juvenile Court Funding	-2,328	-2,328
Other JRA Related Items	-1,115	-1,115
Prison Safety Enhancements	0	6,009
WSP Increases	1,886	2,559

2011-13 Omnibus Operating Budget

PSHB 1087

(Dollars in Thousands)

	NGF+OpPth	Total
Other Increases	2,011	3,274
SCC Trial/Hearings	22,500	22,500
Other	-2,110	0
Corrections and Other Criminal Justice	-119,881	-116,306
Total		
<i>Other Human Services</i>		
Disability Lifeline Cash Grant	-183,578	-183,578
Family Leave Insurance	-33,177	-33,177
State-Only Food Assistance Program	-30,283	-30,283
Child Support Pass Through	-18,776	-37,552
DL & ADATSA-Impl Fed Waiver 1115	-16,110	0
Economic Svcs/Other Savings	-9,499	-17,548
Childrens/Other	-7,530	-11,647
Chemical Dependency Services	-7,060	-7,060
Childrens/Behavioral Rehab Services	-6,780	-10,576
Childrens/Regional Staffing	-6,408	-16,591
Refugee Employment Services	-5,002	-5,002
Adverse Childhood Experiences	-4,926	-5,357
Crime Victim Compensation	-4,115	-1,560
Naturalization Services	-3,684	-3,684
Childrens/Expedite Permanency	-3,000	-5,982
Childrens/Private Agency Fees	-2,688	-3,200
Childrens/Foster Parent Child Care	-2,607	-3,026
Childrens/Voluntary Placement	-2,400	-4,000
DSHS/Central Administrative Costs	-2,072	-2,558
Childrens/Intervention Services	-1,916	-1,916
License Fees & Oversight	-1,454	0
Other DASA	-871	-1,315
Community Initiative	500	500
Child Care Hlth Ben	641	641
Other Increases	1,150	45,632
AG Agency Legal Svc Billings	3,278	4,450
Disability Lifeline-U Housing/Related	83,235	83,235
Other	-4,184	-22,601
Other Human Services Total	-269,316	-273,755
<i>Natural Resources</i>		
Discover Wa. Pass/Land Access Fees	-68,687	-3,110
Dept of Agriculture/Incr. Fee Support	-10,775	0
Dept of Ecology/Other	-10,536	-23,978
Dept of Ecology/Fund Shift	-9,500	0
DNR/Other	-9,104	-11,126
Fish & Wildlife/Other	-8,617	9,015
Natural Resources Programs	-4,000	706
Agriculture Related	-2,468	-6,468
Climate Policy Group Reduction	-1,759	-1,759
Other Increases	45	40,968
State Parks/Maint & Access	20,000	20,000

2011-13 Omnibus Operating Budget**PSHB 1087**

(Dollars in Thousands)

	NGF+OpPth	Total
Other	-6,442	-11,753
Natural Resources Total	-111,843	12,495
<i>Agency Reorganizations and Transfers</i>		
Health Care Related	-3,329	-1,192
Criminal Justice	-2,320	-2,320
Enterprise Services	0	2,300
Other	0	2,164
Agency Reorganizations and Transfers	-5,649	952
Total		
<i>All Other</i>		
Commerce Reductions	-24,712	-43,365
Eliminate Funding for Becca/Truancy	-13,998	-13,998
Judicial/Utilize JST Account	-12,074	0
Department of Revenue	-11,372	-11,372
Arts & Heritage Programs	-10,945	-3,145
Judicial Agencies	-10,200	-10,200
Interagency Charges	-10,092	-23,262
Other/Presid. Primary	-10,032	-10,032
Legislative	-7,129	-7,129
AG Agency Legal Svc Billings	0	-16,000
Privatize Distribution Center	0	-15,000
Shift Audit Costs	0	-6,565
Protecting Homeowners	0	14,842
DIS/Data Center & Wheeler Building	0	26,692
Liquor Related Activities	0	60,700
Judicial Increases	265	5,426
Other Increases	2,025	91,533
Increase Revenue Compliance	3,188	3,188
State Data Center Rate Increase	5,447	10,553
SERA Account Repayment	10,974	10,974
Debt Service	28,234	28,234
June 2011 Apportionment	240,000	240,000
Other	-25,142	-104,142
All Other Total	154,437	227,932
Grand Total	-3,853,110	-3,694,590

K-12 EDUCATION

PUBLIC SCHOOLS

Increases

K-3 Class Size in High Poverty Schools (\$25.0 million General Fund-State)

Funding is partially restored for lower class sizes in grades K-3 in high-poverty schools. The funding amount assumes class sizes of 24.23 in grades K-3 in schools which have free and reduced-price lunch eligible student populations exceeding 50 percent, based on a three-year rolling average of enrollment.

Implement New Funding Formula (\$19.2 million General Fund-State)

Implementation of the new prototypical school formula has established new methods for allocating funding for a number of programs, including General Apportionment, the Learning Assistance Program, the Highly Capable Program, and the Transitional Bilingual Program. Funding is provided to hold districts harmless, in total, to per-student funding amounts resulting from these program changes, after adjustments for caseload, inflation, and other policy changes.

Full-Day Kindergarten Phase-In (\$6.4 million General Fund-State)

Funding is provided to continue phasing-in full-day kindergarten programs in high poverty schools. Approximately 1 percent of eligible students is phased-in each year of the 2011-13 biennium (1 percent in the 2011-12 school year, and another 1 percent in the 2012-13 school year). At the end of the 11-13 biennium, the funding will cover approximately 22 percent of kindergarten enrollment.

Implement Transportation Cost Model Formula (\$5.0 million General Fund-State)

Chapter 236, Laws of 2010 (SHB 2776) implements a new state formula to allocate funding to districts for pupil transportation to and from school. Pupil transportation allocations are converted to the new formula, and base funding levels are enhanced.

PASS Act Program (\$6.6 million General Fund-State)

Funding is provided to implement The Pay for Actual Student Success (PASS) Program established in Engrossed Second Substitute House Bill 1599 (actual student success program). The program establishes a system to award bonus incentives to schools and school districts that successfully reduce drop-out rates and improve attendance.

Early Adopter Incentives for Performance-based Educator Evaluations Systems (\$5.0 million General Fund-State)

Funding is provided for incentive grants for early-adopter school districts meeting certain requirements related to teacher and principal evaluation systems during the 2011-13 biennium. School districts are eligible for Phase I development grants if the district submits a school board resolution and memorandum of understanding committing to implementing new evaluations systems consistent with the new requirements in Chapter 235, Laws of 2010 (E2SSB 6696), by the end of the 2011-12 school year. Districts are eligible for Phase II implementation grants if they have executed collective bargaining agreements to adopt new evaluation systems by the end of the 2012-13 school year. The incentive grants are distributed on a first-come, first-served basis, with a minimum grant amount of \$10,000 and a maximum of \$150,000.

Savings

Suspend Initiative 728 Student Achievement Program Allocations (-\$860.7 million General Fund-State)

Initiative 728 allocations to school districts are suspended for the 2011-13 biennium. Initiative 728, approved by voters in 2000, allocates a per-student dollar amount to districts to be used for class size reduction, extended learning opportunities, early learning programs, or professional development. Per-student allocations would have been approximately \$477 per student for the 2011-12 school year and \$484 per student for the 2012-13 school year.

Suspend I-732 COLA (-\$269.3 million General Fund-State)

The Initiative 732 cost-of-living adjustments are suspended for the 2011-13 biennium. Initiative 732 requires an annual cost-of-living increase for school employees based on the Seattle Consumer Price Index for the prior calendar year. These cost-of-living increases are estimated at 0.3 percent for the 2011-12 school year and 2.5 percent for the 2012-13 school year. Additionally, the statute requires a catch-up cost-of-living increase resulting from the Initiative 732 suspension during the 2009-11 biennium. This requirement is also suspended for the 2011-13 biennium.

Eliminate K-4 Class Size Reduction (-\$171.0 million General Fund-State)

Continuing the policy in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), funding for Kindergarten through Grade 4 class size reduction is eliminated for the 2011-12 and 2012-13 school years. The formula for allocating funding to districts is adjusted to reflect the following changes in average class sizes: grades Kindergarten through Grade 3 will become 25.23, up from 23.11; Grade 4 will become 27, up from 26.15. This reflects minimum statutory funding levels in grades K-4 for general education students. A separate budget item partially restores class size funding in grades K-3, in high poverty schools.

National Board Bonus Changes (-\$61.2 million General Fund-State)

Two changes are made to the National Board for Professional Teaching Standards (NBPTS) bonus program. The Office of Superintendent of Public Instruction must adopt a bonus payment date of July 1 of each school year, beginning in the 2011-12 school year. Additionally, the first year national board bonus will be prorated by a factor of 60 percent (a 40 percent reduction), to reflect the percentage of the school year newly NBPTS-certified teachers are certified. The proration produces a first year base bonus amount of \$3,054, and a first year high poverty school bonus of \$3,000.

Freeze Steps on Salary Schedule (-\$56.4 million General Fund-State)

Step increases for the K-12 salary schedule are frozen at levels provided for the 2010-11 school year. The staff mix freeze pertains to compensation provided both for attainment of additional educational credits and degrees, and additional years of experience on the statewide salary guide.

Alternative Learning Experience (ALE) Funding Change (-\$53.1 million General Fund-State)

Per-pupil funding for students participating in Alternative Learning Experience (ALE) programs, such as online learning and parent partnership programs, is prorated by a factor of 80.1 percent, and payment of parent stipends by school districts and ALE providers to participating families is also prohibited. The prorated funding level reflects the elimination of school-level secretaries, janitors, buildings and grounds staff, security guards, and other staff from the ALE per student allocation rate. Per-student allocations for technology are doubled to reflect more intensive technology use in the ALE programs. Under current law, ALE students are funded at the same general apportionment rate as students in a traditional bricks and mortar program.

Assessment System Changes (-\$49.7 million General Fund-State)

Funding is reduced to reflect the implementation of House Bill 1412 (H.S. math assessments) and House Bill 1410 (H.S. science assessments), as well reductions to assessment staffing, contract rates, and diagnostic testing costs. The budget assumes graduation requirements in math are limited to passing one of two end-of-course assessments, and graduation requirements in science are delinked from end-of-course assessments in the next biennium. The budget also assumes reduced collection of evidence payments for compilation by districts and scoring by educational service districts; however, those savings are assumed in the fiscal impact of HB 1410 and HB 1412. Finally, a \$1.4 million reduction is assumed for agency staffing, \$4.4 million is reduced for development of diagnostic assessments, and \$6.4 million is saved through the use of an inflation-based contract renewal clause in the existing assessment vendor contracts.

Eliminate MSOC from K-4 CSR (-\$24.2 million General Fund-State)

Continuing the policy in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), funding is adjusted to eliminate that portion of maintenance, supplies, and operating costs (MSOC) funding for the 2011-12 and 2012-13 school years that is an enhancement above levels required by statute.

Running Start (-\$6.0 million General Fund-State)

Running Start is a dual-credit program which allows high school juniors and seniors to attend class at institutions of higher education, and earn high school and post-secondary credits simultaneously. The enrollment and funding rules for the Running Start Program are adjusted to establish a combined enrollment cap of 1.2 FTE. Currently, students can participate in running start programs up to a combined enrollment cap of 2.0 FTEs, allowing full-time enrollment in running start programs, as well as full-time high school enrollment. The budgeted savings assumes an overall enrollment reduction of 680 student FTEs per year.

Reduce Food Service Funding (-\$6.0 million General Fund-State)

Continuing the policy in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), funds for the National School Lunch Program program previously used to meet state matching requirements for federal funding are eliminated. School food service programs in the education reform budget are transferred to the school food services budget for the purpose of meeting the federal match requirements.

Other Changes

June 2011 Apportionment (\$240 million General Fund-State)

The 2011-13 operating budget shifts \$253 million of the June 2011 apportionment payments to school districts from the last business day of June 2011 to the first business day of July 2011. Additionally, the 2011 supplemental budget also provides \$13 million in financial contingency funding for districts which meet specific financial hardship criteria resulting from the June 2011 apportionment shift. The 2011-13 biennial budget assumes repayment of this funding during fiscal year 2012. The net increase, combining the cost of the apportionment delay with the repayment of contingency funds, is \$240 million.

HIGHER EDUCATION

HIGHER EDUCATION INCREASES

Increases

Authorized Tuition Increase (\$379 million Institutions of Higher Education Operating Fee Account-Nonappropriated)

The cost of instruction paid by students through tuition will increase in the 2011-13 biennium. The authorized increase is 13 percent per year at the University of Washington, Washington State University, and Western Washington University; 11.5 percent per year at Central Washington University, Eastern Washington University, and The Evergreen State College; and 11 percent per year at community and technical colleges.

Student Achievement Initiative (\$7.5 million General Fund-State)

The State Board for Community and Technical Colleges' (SBCTC) Student Achievement Initiative is a performance incentive funding system for community and technical colleges. It describes what students achieve from enrolling in college each year and provides incentives to colleges for increasing the levels of achievement attained by their students. The SBCTC is appropriated \$7.5 million to continue this initiative in the 2011-13 biennium.

Student Services Pool (\$1.5 million General Fund-State)

Funding is provided for wrap-around services for low-income students at Eastern Washington University, Central Washington University, and The Evergreen State College. This appropriation is sufficient to provide at least 150 students per university per year with the tutoring and counseling they need to stay in school and graduate.

STEM Enrollments (\$1.4 million General Fund-State)

Funding is provided to support 25 full time enrollments in fields of study known as STEM (Science, Technology, Engineering and Math) at each of Washington's four-year institutions. This funding supports 10 enrollments in each university in fiscal year 2012 and 15 additional enrollments in each university in fiscal year 2013.

Savings

Higher Education Reductions (-\$353.8 million General Fund-State)

State support for higher education is reduced. Funds are reduced at each of the state's four-year institutions as well as the community and technical colleges.

Biennialize Across-the-Board Cut (-\$102.2 million General Fund-State)

The 4.2 percent reduction taken by each four-year institution and the community and technical colleges in Chapter 1, Laws of 2010 2nd sp. s. (HB 3225) is carried forward through the 2011-13 biennium.

One Time Reduction (-\$26.3 million General Fund-State)

State support for higher education is reduced at each four-year institution and the community and technical colleges. This portion of the overall reduction to higher education is one-time to reflect the fact that enrollment levels, and therefore revenue levels, may be temporary.

Cap Funding for HERPs at 6% (-\$57.1 million General Fund-State; \$33.7 million other funds)

General Fund-State funding for higher education retirement plans (HERPs) provided by institutions of higher education is set at no more than 6 percent of pay, with the remainder provided by other funds.

Suspend Initiative 732 (-\$29.1 million General Fund-State; -\$4.0 million other funds)

During the 2009-11 biennium, the Legislature suspended the I-732 cost of living adjustment (COLA) and required that a catch-up COLA be provided in equal increments during the 2011-13 and 2013-15 biennia, so that by the end of the catch-up period, recipients would have received the same salary as if the initiative had not been suspended. The catch-up and cost-of-living increment is suspended for the 2011-13 biennium.

FINANCIAL AID AND OTHER CHANGES

Increases

Maintain State Need Grant (\$103.1 million General Fund-State)

Funding is provided for the State Need Grant (SNG) program to accommodate authorized tuition increases at state-supported two- and four-year colleges. The SNG program helps low-income undergraduate students pursue degrees, develop skills, or retrain for new careers. Students can use the grants at eligible institutions in Washington.

Savings

State Work Study (-\$45.0 million General Fund-State)

Funding is suspended for the State Work Study Program. This program provides matching funds for employer wages to support student employment.

Private State Need Grant to Regional Award Level (-\$19.3 million General Fund-State)

Savings is achieved by reducing the State Need Grant (SNG) award for students at private schools. The award amount will no longer be linked to tuition and fees at the University of Washington, but rather to tuition and fees at the state's regional universities (Central Washington University, Eastern Washington University, and The Evergreen State College).

Suspend Health Professionals Prgm (-\$7.6 million General Fund-State)

No new Health Professionals Conditional Scholarship Program (HPCS) awards will be made in 2011-13. HPCS provides scholarships or loan forgiveness for health professionals who agree to work in rural and underserved areas of the state. Those students who received awards in previous years will maintain those awards until they complete their programs.

Policy and Research (-\$6.0 million General Fund-State)

State funding is reduced for policy and research coordination. This item assumes legislation that will reduce the Higher Education Coordinating Board's (HECB) statutory responsibilities. This reduction represents one half of the state funding for policy and research functions at the HECB.

For Profit SNG (-\$5.0 million General Fund-State)

Savings are achieved by eliminating State Need Grant (SNG) awards for students at for-profit institutions. Sufficient funding remains to allow current SNG recipients to complete their programs using SNG awards.

Suspend WAVE and Washington Scholars (-\$3.2 million General Fund-State)

The Washington Scholars and the Washington Award for Vocational Excellence programs are suspended for the 2011-13 biennium. Students who received these awards in prior years will receive their grants, and will be held harmless to the impact of tuition increases, in the 2011-13 biennium, but no new awards will be granted.

Suspend Small Grant Programs (-\$1.9 million General Fund-State)

Funding for the College Assistance Migrant Program (CAMP), Community Scholarship Matching Grant program, Leadership 1000, Western Interstate Commission for Higher Education (WICHE) student exchange, the Foster Care Endowed Scholarship, and Child Care matching grant payments is suspended for the 2011-13 biennium.

Other Changes

Educational Opportunity Grants (-\$5.2 million General Fund-State)

The Educational Opportunity Grants (EOG) program is suspended. The EOG program provides grants to financially needy, placebound Washington residents as an incentive to complete their first bachelor's degree. Savings achieved will be transferred to the State Need Grant.

DEPARTMENT OF SOCIAL AND HEALTH SERVICES

AGING AND DISABILITY SERVICES

Savings

Reduce Personal Care Hours (-\$97.5 million General Fund-State; -\$98 million other funds)

Personal care provides assistance with daily living activities to individuals who meet functional and financial eligibility. An average 10 percent acuity-based reduction is made to personal care service hours for adult clients receiving in-home personal care under Medicaid programs. This continues an item that began in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). The actual reduction will range between 6 percent and 18 percent per client depending on acuity. In the most acute care category, a client receives on average 382 hours per month of in-home care. This client's care would be reduced by 6 percent and they would now receive 359 hours of in-home care per month. In the least acute care category, a client receives on average 25 hours per month of in-home care. This client's care would be reduced by 18 percent and they would now receive 21 hours of care.

Delay Mandatory Training (-\$25.8 million General Fund-State; -\$20.5 million other funds)

Mandatory enhanced basic training is delayed for all long term care workers with the exception of homecare workers employed by an agency and individual homecare providers who are not related to their clients. Enhanced continuing education requirements are delayed for all long-term care workers. Residential workers who care for clients with developmental disabilities would be exempted from the 12 hour enhanced continuing education requirement. Certification, fingerprint background checks, advanced training, and peer mentorship are delayed for all long term care workers, including individual providers and agency providers, to the 2013-15 biennium.

Contributions paid to the training partnership and for agency parity are reduced from \$0.22 cents per hour to \$0.17 cents per hour. This amount is pursuant to the collective bargained agreement negotiated with the exclusive bargaining representative of individual providers.

Homecare Worker Health Benefits (-\$6 million General Fund-State, -\$6 million other funds)

The state provides funding for health benefits for approximately 39,000 homecare workers who meet minimum standards for hours worked providing publicly-funded personal care services to senior citizens and clients with developmental disabilities.

Agency provider (AP) health benefits will be provided at \$420 per-member-per-month. Homecare agencies will be provided flexibility to negotiate the most comprehensive health benefits package for their employees. Each agency may determine benefit levels according to the hours an employee works to provide state-funded personal care. At a minimum, employees who work 35 hours a week or greater will receive a comprehensive medical benefit. Home care agencies may determine a reasonable employee co-premium not to exceed 20 percent of the total health benefit cost.

The tentative agreement for the collectively bargained home care workers contract converts the way that health benefits are paid from a per-member-per-month payment methodology to a cents-per-hour payment methodology. The final amount in the tentative agreement proposed a 21 percent funding increase for individual provider (IP) health benefits and a 23 percent decrease for AP health benefits which would have resulted in a reduction of \$30.7 million total funds (\$15.3 million General Fund-State funds) to AP health benefits. However, the tentative agreement included a provision that if agency parity is eliminated, IP health benefits would increase by 7 percent rather than 21 percent. Agency parity is assumed to be eliminated and IP health benefit funding will increase by 7 percent.

Other Changes

Adult Family Home License Fees (-\$5.9 million General Fund-State; \$16.4 million other funds)

Adult family home fees are increased in fiscal year 2012 as necessary to meet the actual costs of conducting licensure, inspection, and regulatory programs. Additional investigative resources are also funded to address current complaint workload including complaints about provider practice as well as alleged abuse, neglect, abandonment and exploitation of residents. The current annual renewal license fee for adult family homes is increased to \$386 per bed. Adult family homes will receive a corresponding vendor rate increase of \$1.02 per Medicaid patient day to cover the license fee increase for publicly funded beds.

DEVELOPMENTAL DISABILITIES

Increases

Community Investments (\$10 million General Fund-State; \$6.4 million other funds)

Several investments are made in community services for clients with developmental disabilities. Funding is provided for community residential placements for 58 individuals who have been identified as aging out of foster care, ready for discharge from juvenile rehabilitation and mental health institutions, or ready for release from the Department of Corrections. In addition, funding is provided to reduce ongoing demand for residential habilitation services. Seven short-term crisis and respite beds in SOLAs and a mobile treatment team are provided.

Savings

Modifications to Employment and Day Services (-\$16.9 million General Fund-State; /\$13.2 million other funds)

Several changes are made to employment and day services for clients with developmental disabilities.

Adult Day Health (ADH) is moved into the Long Term Care Waiver. Long Term Care (LTC) clients will continue to get ADH Services exactly as they do now.

Approximately 900 clients with Developmental Disabilities (DD) may choose either an employment service or a day service offered under the DD Waiver; or, they may choose to move to the LTC Waiver if they prefer to receive Adult Day Health.

In addition, a day option is established for clients with developmental disabilities. There are currently approximately 2,600 clients who are on a waiver but are not receiving any employment or day service because they did not choose employment and a day option was not available to them. Funding is included for clients with developmental disabilities who previously received adult day health services.

The adult working policy for persons with a developmental disability will be reformed. Savings are achieved by allowing client choice in services and by reducing expenditure limits for employment. A day option will be established and clients between the ages of 21-64 will be allowed to utilize employment services voluntarily. Individuals who do not choose employment services will have access to either a day program or community access. Clients that wish to continue with employment services are allowed to do so.

Residential Habilitation Center Transitions to Community Alternatives (-\$6.6 million General Fund-State; -\$5.2 million other funds)

Funding is provided to transition 149 clients from Residential Habilitation Centers (RHC). The department is authorized to conduct individual assessments, develop support plans and transition individuals in Francis Haddon Morgan Center and Yakima Valley School. Clients may choose community placements provided in SOLAs and supported living homes or they may choose an alternative RHC.

LONG-TERM CARE

Savings

Nursing Home Payments (-\$53.2 million General Fund-State; \$123 million other funds)

Several component changes are made to the nursing home payment methodology. In addition, a provider assessment fee is established. Although components are modified, assessment fee revenue will be used to pay the providers at the same level as they were in June 2010. If for any reason the waiver for the provider assessment fee is not approved by the Center for Medicare and Medicaid Services, the providers will be subject to rates as calculated by the modified component structure.

ECONOMIC SERVICES ADMINISTRATION

Savings

Reduce Disability Lifeline Grant (-\$100.3 million General Fund-State)

Consistent with actions taken in Chapter 1, Laws of 2010 2nd sp. s. (HB 3225) and Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), the Economic Services Administration will reduce the average Disability Lifeline monthly grant for all Disability Lifeline clients by 42.11 percent. This grant reduction includes clients in the Unemployable, Aged, Blind, Disabled, and Expedited programs.

State Food Assistance (-\$30.3 million General Fund-State)

Funding is reduced for the State Food Assistance Program. The Department of Social and Health Services will achieve savings by modifying benefit amounts for the State Food Assistance Program.

Eliminate Child Support Pass-Through (-\$18.8 million General Fund-State; -\$18.8 million other funds)

Funding is reduced to reflect the suspension of the child support pass-through which was authorized under the Federal Deficit Reduction Act of 2005.

Suspend IRS Re-Distribution (-\$6.3 million General Fund-State; -\$6.3 million other funds)

Funding is reduced to reflect the continued suspension of the Federal Deficit Reduction Act of 2005 which allows states to distribute child support collections made through federal tax intercepts to families.

Naturalization and Refugee and Immigrant Services (-\$8.7 million General Fund-State)

Funding is reduced for the Naturalization Program, which provides services that prepare low-income refugees and legal immigrants for U.S. citizenship testing, and for Refugee Employment Services, which include employment placement assistance, English as a Second Language training, job skills training, and job retention services.

ALCOHOL/SUBSTANCE ABUSE

Savings

Implement Federal 1115 Waiver (-\$16.1 million General Fund-State; \$16.1 million other funds)

The Department has implemented a federal waiver for individuals served by the Disability Lifeline and the Alcohol and Drug Addiction Treatment Support Act. The waiver allows the Department to draw federal matching funds for medical services provided to individuals in these programs. As a result, the state will save approximately \$16 million in state funds by drawing federal match on alcohol and substance abuse treatment services that were previously funded with 100 percent state dollars. Service levels for these individuals will not be impacted.

Reduce Chemical Dependency Services and Administration(-\$7.9 million General Fund-State, -\$0.4 million other funds)

The Department provides state funded outpatient and residential treatment services for low income individuals who do not qualify for other state assistance programs. Funding for these services is reduced by approximately 11 percent per year. This is approximately 42 percent of the reduction that was made in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). Funding for youth residential, services for pregnant and parenting women, and federally matched treatment services for individuals on Medicaid or receiving medical care through the State's 1115 waiver implemented in January 2011 are maintained. Staffing at the headquarters and regional levels is reduced and a 2 percent annual reduction in administrative costs for counties and tribes is continued.

CHILDREN AND FAMILY

Savings

Reduce Behavioral Rehabilitative Services (-\$6.8 million General Fund-State; -\$3.8 million other funds)

Funding for Behavioral Rehabilitative Services (BRS) is reduced. These services are provided to children and youth who are behaviorally and/or emotionally disordered and whose behaviors cannot be maintained in a less intensive setting.

Reduce Regional Staffing (-\$6.4 million General Fund-State; -\$10.2 million other funds)

The Children's Administration will reduce 244.0 FTE staff and associated funding to achieve savings.

Permanency and Policy Revisions (-\$5.4 million General Fund-State; -\$4.6 million other funds)

Funding is reduced to reflect savings as a result of expediting adoptions for children in their final home awaiting a home study and to reflect policy changes adopted by the Children's Administration regarding the utilization of Voluntary Placement Agreements (VPAs). The revised policy will reduce the utilization of VPAs.

Reduce Intervention Services (-\$1.9 million General Fund-State)

Funding is reduced for prevention related programs including: Family Preservation Services, the Early Intervention Program, Crisis Family Intervention, Intensive Family Preservation Services, Evidence Based Programs, and Early Family Support Services. These programs focus on services that allow the child to safely remain at home and safely reunify after being in out-of-home care.

Eliminate Street Youth Program (-\$1.7 million General Fund-State)

Funding for the Street Youth Program is eliminated. The Street Youth Program provides outreach to homeless youth and at-risk youth.

MENTAL HEALTH

Savings

Reduce Regional Support Network Funding (-\$18.2 million General Fund-State, -\$8.7 million other funds)

Regional Support Networks (RSNs) provide inpatient and outpatient mental health services to low income individuals throughout the state. Funding for services to Medicaid eligible individuals is paid through managed care rates paid to RSNs. Regional Support Networks also receive grants for state funds to provide services that are not reimbursable under the Medicaid program and to provide services to low income individuals who are not on Medicaid. Funding for managed care rates is reduced by 3 percent per year from the 2011 levels. Funding for non-Medicaid services is reduced by 4 percent from the fiscal year 2011 level in effect prior to the passage of Chapter 5, Laws of 2011, Partial Veto (ESHB 1086).

State Hospital Reductions (-\$15.0 million General Fund-State)

A variety of reductions at the state hospital were implemented in fiscal year 2011 in accordance with the enactment of Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). These included closure of a 30 bed civil ward at Western State Hospital and implementation of administrative reductions and other efficiencies to achieve savings at all 3 of the state facilities. Savings achieved through these efforts are carried forward into the 2011-13 biennium.

SPECIAL COMMITMENT CENTER

Increases

In re Detention of McCuiston (\$18.0 million General Fund-State)

Funding is provided to pay for increased legal services related to increased legal expenses resulting from the Washington Supreme Court's ruling in In re Detention of McCuiston concerning the due process rights of sexually violent predators. The case is scheduled for reconsideration by the Washington Supreme Court.

Fund McNeil Island Operations (\$6.1 million General Fund-State)

Funding is provided to the Special Commitment Center to take over island operations. The Department of Corrections currently funds the staff necessary for marine and island operations.

Savings

Reduce SCTF Staffing Ratios (-\$3.8 million General Fund-State)

Funds are reduced to reflect a modification in the staffing models for the Secure Community Transitional Facilities (SCTFs). The staffing models for the SCTF operated by the Special Commitment Center are set in statute.

OTHER HEALTH CARE

HEALTH CARE AUTHORITY

Increases

Health Benefits Exchange Grants (\$87.0 million other funds)

The Health Care Authority expects to receive federal grant funding under the Patient Protection and Affordable Care Act for planning and implementing a health benefits exchange that will become operational in 2014.

ProviderOne Implement - Phase 2 (\$5.1 million General Fund-State; \$22.3 million other funds)

The Health Care Authority will complete the second phase of the ProviderOne project, which will expand the system to include long-term care reimbursements.

Savings

Hospital Inpatient and Outpatient Rates (-\$110.5 million General Fund-State; -\$110.6 million other funds)

Current inpatient and outpatient hospital rates for Prospective Payment System hospitals are reduced by 8 percent and 7 percent respectively by reducing the rate increases provided under the Hospital Safety Net Assessment program in RCW 74.60.090. These reductions will not apply to payments for psychiatric inpatient services. The additional funds available in the Hospital Safety Net Assessment Fund as a result of these rate reductions will be expended in lieu of General Fund-State payments to hospitals.

Basic Health Plan (BHP) (-\$107.9 million General Fund-State; -\$56.7 million other funds)

Enrollment in the Basic Health Plan (BHP) will be limited to people who are eligible for services under the Medicaid waiver for the BHP beginning March 1, 2011, under Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). After June 30, 2011, enrollment will be capped at the enrollment level as of that date, which is forecasted to be approximately 41,200 clients.

FQHC Payment Methodology (-\$89.5 million General Fund-State; -\$94.3 million other funds)

Under Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), the Health Care Authority is implementing a new cost-based Alternative Payment Methodology (APM) for encounter payments to federally-qualified and rural health centers (FQHCs and RHCs). The new APM will reimburse FQHCs and RHCs at rates that are five percent higher than the rates provided under the federal Prospective Payment System.

Program Integrity (-\$39.8 million General Fund-State; -\$39.6 million other funds)

The Health Care Authority will improve the review and oversight of Medicaid and other programs. Additional resources are provided to respond to the increasing federal and state focus on avoiding fraud and abuse and to seek coverage or recovery from other medical payers.

Emergency Room Utilization (-\$33.0 million General Fund-State; -\$42.8 million other funds)

The Health Care Authority will limit reimbursement for non-emergent emergency rooms visits to three per year.

Hospital Safety Net Assessments (-\$30.0 million General Fund-State; \$30.0 million other funds)

Under the Hospital Safety Net Assessment program in chapter RCW 74.60, the Health Care Authority may currently expend \$49.3 million per biennium from the Hospital Safety Net Assessment Fund in lieu of General Fund-State payments to hospitals. Additional funds from the Hospital Safety Net Assessment Fund are provided in lieu of General Fund-State expenditures for hospitals.

Adult Dental (-\$28.6 million General Fund-State; -\$28.9 million other funds)

Chapter 1, Laws of 2010 2nd sp. s. (HB 3225) eliminated routine and preventive dental services for adults, except for the clients with developmental disabilities (DD). The Health Care Authority will no longer provide coverage of routine and preventive dental services for DD clients. The Health Care Authority will resume coverage of these services for pregnant women. Funding is also provided to continue the Dental Education in Care of the Disabled (DECOD) program. The Aging and Disability Services Administration in the Department of Social and Health Services is provided with \$17.6 million to provide routine and preventive dental coverage through its home and community-based waiver programs for long-term care and DD clients.

Disproportionate Share Hospital (DSH) Program Changes (-\$23.3 million General Fund-State; -\$20.5 million other funds)

Payments under the Small Rural and Non-Rural Indigent Assistance (IA) DSH programs were suspended in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086) and the suspension will continue through the 2011-13 biennium. These programs provide supplemental funding to non-rural hospitals based on their profitability and the level of charity care that they provide. The Health Care Authority will begin using federally-matched DSH funds to reimburse hospitals for non-emergency inpatient and outpatient care for children who are not eligible for federal Title XIX or Title XXI matching funds due to their citizenship status.

Federal Cancer & Dialysis Match (-\$23.9 million General Fund-State; \$23.9 million other funds)

The Health Care Authority expects to receive federal matching funds for dialysis and cancer treatment services provided to approximately 1,300 non-citizens that are currently funded exclusively with state funds.

Medicare Part D Copayments (-\$14.0 million General Fund-State; -\$22,000 other funds)

Coverage of co-payments for prescription drug purchases made by qualifying dually-eligible Medicare and Medicaid clients in the Medicare Part D program was eliminated in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), and that policy will continue through the 2011-13 biennium.

School Based Medical Services (-\$18.1 million General Fund-State; \$2.1 million other funds)

The Department of Social and Health Services (DSHS) reimbursed school districts for medical services provided to Medicaid-eligible children who require medical services to support their Individual Education Plans under the Individuals with Disabilities Education Act. Those payments were stopped effective January 1, 2011, under Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). Instead of using state funds, the Health Care Authority will leverage local school district funding to match federal funds for these services in the 2011-13 biennium.

Reduce Health Clinic Grant Program (-\$12.0 million General Fund-State)

Chapter 5, Laws of 2011, Partial Veto (ESHB 1086) suspended grants to community health care clinics effective January 1, 2011. Community clinic grants are reduced by 50 percent in the 2011-13 biennium. These grants fund services provided to low-income clients eligible for sliding scale fees.

Reduce Maternity Support program (-\$10.0 million General Fund-State; -\$9.9 million other funds)

Chapter 5, Laws of 2011, Partial Veto (ESHB 1086) temporarily reduced Maternity Support Services (MSS) by 35 percent, beginning March 1, 2011. Alternatively, MSS funding will be reduced by approximately 25 percent in the 2011-13 biennium. Maternity Support Services provide preventive health care services for pregnant and postpartum women that include professional observation, assessment, education, intervention, and counseling as provided by interdisciplinary teams comprised of community health nurses, nutritionists, and behavioral health specialists. The Health Care Authority will target the remaining funding to the highest risk pregnancies, prioritize evidence-based practices, and attempt to develop a mechanism to increase federal funding for MSS by using local funds to match federal funds for MSS services.

Managed Care for the Aged, Blind, and Disabled (-\$7.7 million General Fund-State; -\$8.5 million other funds)

The Health Care Authority will transition aged, blind, and disabled populations who are not dually-eligible for Medicare and Medicaid from the fee-for-service system to managed care beginning in fiscal year 2013.

Healthy Options Rates (-\$5.6 million General Fund-State; -\$6.5 million other funds)

Premiums for Healthy Options managed care include a 13.5 percent component for administrative costs. This is reduced to 13 percent beginning July 1, 2011.

Interpreter Services (-\$4.6 million General Fund-State; -\$9.1 million other funds)

The Health Care Authority will contract with one statewide agency or a few regional agencies responsible for scheduling interpreter services. The Health Care Authority may use an electronic scheduling system for this purpose. The Health Care Authority will implement telephonic and video remote technologies, along with in-person interpretation, to provide these services.

Adult Therapies (-\$4.1 million General Fund-State; -\$4.1 million other funds)

Before Chapter 5, Laws of 2011, Partial Veto (ESHB 1086), there were separate limits for physical, occupational, or speech therapy. ESHB 1086 directed the DSHS to combine these services into one rehabilitation benefit and limit the number of visits or units available for adults. In the 2011-13 biennium, patients with spinal, knee, hip, or traumatic brain injuries will receive up to 12 non-physician visits per year. All other patients will receive a maximum of six visits per year.

Health Care Consolidation (-\$3.3 million General Fund-State; \$2.1 million other funds)

Pursuant to Second Substitute House Bill 1738 (Medicaid single state agency), the Medicaid Purchasing Administration (MPA) is transferred out of the Department of Social and Health Services and merged into the Health Care Authority, effective July 1, 2011, and the Health Care Authority will become the state's single state Medicaid agency. This transfer focuses on the medical services provided by MPA. General Fund-State savings are expected from reductions in senior staff and additional federal funding for administrative activities.

Children's Health Program (-\$1.5 million General Fund-State; -\$34,000 other funds)

The Children's Health Program (CHP) provides medical coverage to children who are not eligible for federal Title XIX or Title XXI funding due to citizenship status. Chapter 5, Laws of 2011, Partial Veto (ESHB 1086) required children in the CHP to pay premiums sufficient to cover the full anticipated cost of their care. Now, these children must pay premiums equal to the average state-only per capita cost of coverage for children with family incomes at or below 200 percent of the federal poverty level in the CHP.

Other Changes

Take Charge Family Planning (-\$4.0 million General Fund-State; -\$3.4 million other funds)

Eligibility for the Take Charge program, which provides family planning services for adults under 200 percent of the federal poverty level, will expand to cover adults under 250 percent of the federal poverty level. Savings are expected from reducing unplanned pregnancies. Approximately 45.6 percent of Washington births are reimbursed through the Medical Assistance program.

DEPARTMENT OF HEALTH

Increases

Tobacco Cessation Program Changes (\$1.0 million General Fund-State; -\$47.6 million Tobacco Prevention and Control Account-State)

Amounts in the Tobacco Prevention and Control Account are not sufficient to continue past levels of programming. Expenditure authority from this account is reduced to reflect that, and tobacco cessation activities within the Department will be reduced. \$750,000 million in state general fund support is provided to continue a reduced level of tobacco quitline services, and \$250,000 is provided for initiatives targeted at reducing tobacco usage in communities of color.

Savings

Blue Ribbon Public Health Funding (-\$7.5 million General Fund-State)

Public health grants originally funded in 2008 as a result of the omnibus Blue Ribbon Commission Act are reduced by 38 percent.

PUBLIC SAFETY AND THE JUDICIARY

JUDICIAL BRANCH

Savings

Judicial Agencies Efficiency Efforts (-\$10.2 million General Fund-State)

Funding is reduced in recognition of efficiency efforts by judicial branch agencies. This amount represents a 5 percent reduction to the base budgets, excluding salaries for elected officials, for the Supreme Court, the Courts of Appeal, the Commission on Judicial Conduct, the State Law Library, the Administrative Office of the Courts, the Office of Public Defense, and the Office of Civil Legal Aid.

Funding Changes (-\$7.3 million General Fund-State; \$7.3 million Judicial Stabilization Trust Account)

Funding from the Judicial Stabilization Trust (JST) Account is used for costs associated with the the Administrative Office of the Courts, the Office of Public Defense, and the Office of Civil Legal Aid. Revenue for the JST Account is assumed to come from extending for the 2011-13 surcharges on court filing fees that were initially implemented in the 2009-11 biennium.

Eliminate Funding for Becca/Truancy (-\$14.0 million General Fund-State)

Funding is reduced to reflect elimination of the Becca/Truancy program. The proposal assumes that school districts are no longer required to file truancy petitions in certain circumstances.

Information Services Division Fund Shift (-\$6.0 million General Fund-State; \$6.0 million other funds)

Funding is provided to shift General Fund-State expenditures for the Information Services Division of the Administrative Office of the Courts to the Judicial Information System Account.

CORRECTIONS

Increases

Prison Safety Enhancements (\$6.0 million other funds)

Funding is provided for prison safety enhancements, including: funding for a study to standardize a body alarm or proximity card system statewide; pilot projects for a body alarm system and a proximity card system; upgrades to the radio system to add panic buttons; expanded use of pepper spray; development and implementation of training for supervisors on enhanced security awareness; additional staff counselor positions; and the addition of custody staff at the Monroe Correctional Complex and the Washington State Penitentiary who are responsible for monitoring the whereabouts of all prison employees.

Savings

Offender Early Release (-\$26.0 million General Fund-State)

Funding is reduced to reflect savings from releasing certain offenders 120 days early. Offenders convicted of sex crimes, violent crimes, or crimes against a person are excluded from this early release.

Closure Savings from the McNeil Island Corrections Center (-\$18.3 million General Fund-State)

Funding is reduced to reflect net savings in the 2011-13 biennium from the closure of the McNeil Island Corrections Center (MICC) on April 1, 2011, consistent with the policy included Chapter 1, Laws of 2010 2nd sp. s. (HB 3225). The savings from the closure of the MICC are partially offset by the opening of a unit at the Larch Correctional Center.

Violator Bed Cost (-\$5.7 million General Fund-State)

Funding is reduced to reflect savings from directing the Office of Financial Management to negotiate in-state bed rental rates for community custody violators at a cap of \$80 per day for the 2011-13 biennium.

Eliminate Tolling for Offenders (-\$5.2 million General Fund-State; -\$0.2 million other funds)

The Department of Corrections will eliminate 'tolling' for certain offenders on community supervision. The length of an offender's community supervision will run continuously regardless of whether an offender is incarcerated at any time during the community supervision sentence. The practice of tolling will continue for sex offenders.

NATURAL RESOURCES

MULTIPLE AGENCIES

Recreational Land Access Fees (-68.7 million General Fund-State; \$64.0 million other funds)

House Bill 1796 (Washington's heritage) creates the \$30 annual Discover Pass and the \$10 State Recreational Land Day-Use Permit and requires that these permits be visible in any vehicle located at a recreation site or recreation lands managed by the Department of Natural Resources, the Washington Department of Fish and Wildlife (WDFW), and the State Parks and Recreation Commission. Proceeds from fees are directed to support the maintenance and operation of state recreational lands, including state parks. In a separate item, the Parks and Recreation Commission is appropriated \$20.0 million General Fund-State as a one-time appropriation for the transition of the Commission to an entirely fee supported agency.

Hydraulic Project Approval Fees and Forest Practices Application Fees (-\$4.0 million General Fund-State; \$2.0 million Hydraulic Project Approval Account-State; \$2.0 million Forest Practices Application Account-State)

Funding is provided for House Bill 2008 (natural resources programs), which makes changes to the WDFW's Hydraulic Project Approval (HPA) permits, including the direction to the WDFW to assess fees. The bill also amends the fee schedule for the Department of Natural Resources' (DNR) Forest Practices Application Fees. This budget proposal assumes the fees offset \$4 million in General Fund-State expenditures.

FISH & WILDLIFE

Increase Hunting & Fishing License Fees (-\$4.0 million General Fund-State; \$17.5 million State Wildlife Account-State)

Pursuant to Substitute House Bill 1387 (state wildlife account), State Wildlife Account revenue is increased by making a variety of changes to licenses and endorsement fee schedules. The revenue generated in this legislation, primarily by adjusting fishing and hunting fees, is estimated to mitigate a projected shortfall primarily related to the expiration of a 10 percent surcharge on fishing and hunting licenses enacted during the 2009-11 biennium.

Puget Sound Federal Funds (\$18.0 million General Fund-Federal)

The WDFW is entering into an agreement with the U.S. Environmental Protection Agency (EPA) to protect and restore marine and nearshore habitats of Puget Sound. Funding provided by the EPA will be distributed to state and local partners through a competitive process to fund projects that improve the effectiveness of existing regulatory and stewardship programs, implement protection and restoration projects, prevent or reduce the threats posed by invasive species and oil spills, and address ecosystem problems.

DEPARTMENT OF ECOLOGY

Watershed Planning Reduction (-\$6.2 million General Fund-State)

Funding is reduced for watershed planning technical assistance and grants to local governments. From this reduction, \$4.15 million in funding is transferred from the watershed planning process to water rights processing in the Department of Ecology's (DOE) Water Resources Program; \$2 million of this transfer is directed to work on the DOE's water rights application backlog.

Continued Litter Pickup Reduction (-\$4.0 million Waste Reduction and Recycling Account-State)

The Waste Reduction, Recycling, and Litter Control Account funds litter prevention and pickup activity within the DOE. Funding and FTE staff for this activity are reduced, continuing a portion of the \$6 million reduction in the 2009-11 biennium. Remaining resources will allow the DOE to operate a scaled-back litter pickup program.

Climate Policy Group Reduction (-\$1.8 million General Fund-State)

Funding is suspended for the Climate Policy Group that is currently working on the state integrated climate change response strategy, maintaining scientific and technical information on the impacts of climate change in the state, developing greenhouse gas emission reduction strategies, and collaborating with national and regional organizations to address issues related to climate change.

Continued Flood Control Grant Reduction (-\$2.0 million Flood Control Assistance Account- State)

The Flood Control Assistance Program provides grants for local flood control planning and maintenance. For the 2011-13 biennium, funding is reduced for these local grants.

Water Rights Processing Program (-\$0.2 million General Fund-State; \$2.2 Water Rights Processing Account-State)

Changes are made to the Department of Ecology's (DOE) Water Rights Processing Program (WRPP). New water right application fees are assumed via legislation that will raise \$2.15 million per fiscal year beginning in fiscal year 2013. Additionally, in another step related to the reduction to the Watershed Planning Program, the DOE will shift \$4.15 million General Fund-State from the Shoreland Program's Watershed Planning Program to support the WRPP; \$2 million of the transferred amount is provided for the reduction of the water rights application backlog.

Stabilize Oil Spill Prevention Account (\$5.0 million State Toxics Control Account-State)

The DOE provides oil spill prevention and preparedness services to protect Puget Sound, the outer coast, the Columbia River, and other inland waters. These activities receive funding from the Oil Spill Prevention Account. Tax revenue into the Oil Spill Prevention Account fluctuates, resulting in periodic shortfalls that have been addressed over the years through fund transfers. Expenditure authority for oil spill prevention and response activities is shifted from the Oil Spill Prevention Account to the State Toxics Control Account.

Protecting Washington Shorelines (\$3.0 million Local Toxics Control Account-State; \$0.6 million State Toxics Control Account-State)

Pursuant to a negotiated legal settlement in 2003, the Department of Ecology (DOE) and local governments are in the process of updating local shoreline master programs. Base operating funding is insufficient to complete shoreline master program updates in time to meet statutory and legal settlement deadlines. The DOE is provided \$3.6 million to speed up completion of shoreline master program updates during the 2011-13 biennium.

Keeping Toxins Out of Puget Sound (\$1.0 million State Toxics Control Account-State; \$1.0 Local Toxics Control Account-State)

The DOE partners with local governments to help businesses correct practices related to hazardous waste management, spill prevention, stormwater pollution, and other environmental rules. Ongoing funding and FTE staff are provided to manage the DOE's portion of these activities. Ongoing grant funding of \$1 million is provided from the Local Toxics Control Account to support local government staff conducting hazardous waste and stormwater technical assistance visits.

DEPARTMENT OF AGRICULTURE

Increase Fee Support to Department of Agriculture Programs (-\$10.8 million General Fund-State; \$10.8 million Livestock Nutrient Management Account-State; Agriculture Local Account- Non-Appropriated)

Legislation is assumed that would replace General Fund-State funding for the following activities that are subsidized by the state general fund with fees: the Animal Health Program, the Food Safety Program, the Dairy Nutrient Management Program, and the microbiology laboratory.

Eliminate State General Fund Support for Agricultural Marketing Assistance (-\$2.9 million General Fund-State)

State general fund support for the Washington State Department of Agriculture's international and domestic marketing programs for state agricultural products is eliminated.

Reduce Fair Funding (\$1.0 million General Fund-State; -\$4.0 million Fair Fund Account-State)

The automatic transfer from the state general fund to the Fair Fund pursuant to RCW 15.76.115 is assumed to be eliminated in separate legislation. Instead, county fairs will be funded by a direct state general fund appropriation of \$1 million during the 2011-13 fiscal biennium.

STATE CONSERVATION COMMISSION

Conservation District Efficiencies and Grant Reduction (-\$4.2 million General Fund-State)

The State Conservation Commission will reduce pass-through monies to conservation districts by \$400,000. Additionally, the State Conservation Commission's state general fund portion of grants to conservation districts and private entities is reduced by 30 percent, or \$3.8 million.

GENERAL GOVERNMENT AND OTHER

LIQUOR CONTROL BOARD

Privatize Distribution Center (-\$15.0 million other funds)

The Office of Financial Management and the Liquor Control Board will conduct a competitive process to select a private sector lessee to modernize the state liquor distribution system. The successful vendor must demonstrate a net positive financial benefit to the state on an average annual basis over the term of the proposed lease. Funding is reduced for the costs associated with the state operation of the liquor distribution system. The balance sheet assumes net revenue of \$300 million for the 2011-13 biennium from privatizing the distribution of liquor.

Customer Service Initiatives (\$60.7 million other funds)

Funding is provided to implement customer service initiatives to improve convenience to customers and generate additional revenues. Initiatives include adding six contract and two new state stores to keep pace with population growth; two high-volume specialty stores; a pilot for up to five contract stores to be co-located with large grocers; standardizing hours of operation; offering liquor related products for sale; selling retail gift cards; and providing optional delivery to restaurants and other licensed locations. The initiatives are estimated to result in gross sales of \$66.6 million and net revenues of approximately \$6 million.

DEPARTMENT OF ENTERPRISE SERVICES

Department of Enterprise Services (-\$0.5 million General Fund-State; -\$10.7 million other funds)

The Department of General Administration, along with the State Printer and portions of the Department of Information Services, the Office of Financial Management, and the Department of Personnel will merge into the new Department of Enterprise Services. The new Department of Enterprise Services will handle facilities and lease management, fleet management, purchasing and contracts, information systems, printing, accounting, and human resources, which are all central services provided to all state agencies. A transition team will work on identifying efficiencies by consolidating back-office functions, such as internal human resources, accounting, purchasing, contracts, and facilities management.

DEPARTMENT OF HERITAGE, ARTS, AND CULTURE

Arts Commission, Historical Societies, and Archaeology Consolidate into the Department of Heritage, Arts, and Culture (\$3.8 million General Fund-State; \$8.0 million Heritage, Arts, and Culture Account; \$10.0 million other funds)

Funding and staff from the Eastern Washington Historical Society, the Washington State Historical Society, the Arts Commission, and the Department of Archaeology and Historic Preservation will fall under the newly created Department of Heritage, Arts, and Culture (DHAC), pursuant to Substitute House Bill 2033. While total General Fund-State support is reduced by 74 percent during the 2011-13 biennium, the DHAC will have a dedicated source of funding to help fund operations (Heritage, Arts, and Culture Account - Nonappropriated, formerly the Washington State Heritage Center Account - Nonappropriated).

INFORMATION TECHNOLOGY

Office of the Chief Information Officer and Consolidated Technology Services Agency (-\$7.1 million other funds)

The Office of the Chief Information Officer (OCIO) is created and is responsible for the development and implementation of state strategic information technology initiatives and oversight of information technology resources. The Information Services Board is eliminated and staff are transferred to the OCIO. Delivery of IT services to state agencies is transferred from the Department of Information Services to the newly created Consolidated Technology Services (CTS) Agency pursuant to Substitute House Bill 1841 (information technology management). Services offered by the CTS agency include mainframe computing, network operations, telecommunications, and managing the consolidated Data Center.

State Data Center (\$49.5 million other funds)

Funds are provided to enter into an agreement with a vendor to design, acquire and install the new State Data Center infrastructure, and to set up and operate the new Data Center. Funding is contingent upon establishing the new Office of the Chief Information Officer consistent with Substitute House Bill 1841 (state information technology), appointing the position, and adopting technical standards for shared services. Once the move is complete, Department of Information Services services, operations, and assets in the current data center will be decommissioned.

IT Services and Policy Reduction (-\$7.1 million other funds)

Costs for computer services, interactive technology, and telecommunication services are reduced to achieve more cost-effective rates for information technology services. The Department of Information Services' Management and Oversight of Strategic Technology activities are reduced to mitigate the impact of policy oversight revolving fund charges on state agencies.

SECRETARY OF STATE

Presidential Primary (-\$10.0 million General Fund-State)

Funding for costs associated with the 2012 Presidential Primary are eliminated and the primary is suspended. No Presidential Primary will be held in Washington in 2012.

STATE AUDITOR

Shift Audits to Performance Audit Account (-\$6.6 million other funds)

During the 2011-13 biennium, the State Auditor's Office must perform all state government audits, including required federal financial audits, within funding provided in the Performance Audit of Government Account in addition to planned performance audits. General Fund-State funding for K-12 apportionment audits is maintained.

DEPARTMENT OF REVENUE

Revenue Enhancement (\$3.2 million General Fund-State)

Funding is provided for additional staff to collect state tax revenues. The Department of Revenue will add additional tax collection staff including taxpayer account administrators, compliance staff, and auditors. On average, each employee is estimated to bring in \$420,000 per fiscal year in revenue.

DEPARTMENT OF COMMERCE

Housing & Essential Needs for Disability Lifeline Clients

Funding previously used for cash grants to individuals in the disability lifeline-unemployable program is transferred to the Department of Commerce to be used to provide grants to counties and non-profit providers for housing and essential needs for individuals in the program within available resources. Assistance cannot be provided in the form of cash grants. The amount transferred for the fiscal year 2011-13 biennium is \$83.2 million.

Foreclosure Fairness Act (\$15.3 million other funds)

Funding is provided to implement Second Substitute House Bill 1362 (homeowner foreclosures). The Department of Commerce will use revenues from newly authorized fees paid by financial institutions issuing notices of defaults for contracting for the provision of housing counselors for borrowers and providing a grant to the Office of Civil Legal Aid for providing access to legal representation of homeowners in matters relating to foreclosure. A portion of the revenues are also provided to the Office of the Attorney General for enforcing consumer protection provisions of the bill and to the Department of Financial Institutions to conduct homeowner outreach and education programs.

Program Eliminations (-\$15.7 million General Fund-State, -\$9.0 million other funds)

Funding for a variety of programs is eliminated. This includes tourism promotion and development, which the Legislature directed elimination of in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086). Additional eliminated programs include innovation research teams at the University of Washington and Washington State University; multi-jurisdictional state drug task forces; foreign service contracts; grants for supporting global health technology; and additional economic development contracts.

Program Reductions (-\$8.3 million General Fund-State, -\$10.2 million other funds)

Funding for a variety of programs is reduced at levels ranging between 10 percent to 50 percent. These include programs which provide support for economic development activities, growth management activities, services to crime victims, homeless and housing assistance; and support for community action agencies. Funding for administration for all divisions of the Department is reduced. Some of the reductions were implemented in fiscal year 2011 in Chapter 5, Laws of 2011, Partial Veto (ESHB 1086).

EMPLOYMENT SECURITY

Family Leave Insurance (-\$33.2 million General Fund-State)

Funding is reduced to reflect the suspension of implementing the Family Leave Insurance program. Under current law, persons meeting eligibility requirements for the Family Leave Insurance program are entitled to benefit payments starting in October 2012.

Next Generation Tax System (\$35.6 million other funds)

Funding is provided for the second phase to replace the mainframe unemployment insurance tax information system (TAXIS) and its ancillary subsystems, which were originally implemented in 1984.

DEPARTMENT OF REVENUE AND BUSINESS LICENSING

Transferring the Administration of the Master License Service (\$16.2 million other funds)

The administration of and all powers, duties and functions related to the Master License Service (MLS) is transferred from the Department of Licensing to the Department of Revenue (DOR), pursuant to House Bill 2017 (Master License program). In utilizing the established relationship with the business community and combining multiple functions of registering and renewing a business in the state, the DOR is to simplify processes and achieve efficiencies that enable the department to focus on technology improvements and increasing MLS participation at the city and local government level.

MILITARY DEPARTMENT

Next Generation 911 Transition (\$8.42 million other funds)

Expenditure authority is provided from the Enhanced 911 Account to continue upgrades of the current 911 telephone system to accommodate Next Generation 911. 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.

STATEWIDE ITEMS

RETIREMENT CONTRIBUTIONS

Savings

LEOFF 2 Benefits Enhancement Fund (-\$5.0 million General Fund-State)

In 2008, the Legislature passed Engrossed Substitute Senate Bill 6573. It requires that starting in calendar year 2011, and every two years thereafter, if the prior fiscal biennium's general state revenues exceed the previous fiscal biennium's revenues by more than five percent, subject to appropriation, the state treasurer must transfer money to the Local Public Safety Enhancement Account. The \$5 million transfer for 2011 is eliminated.

Actuarially Determined Pension Rates for LEOFF Plan 2 (-\$15.0 million General Fund-State)

The contribution rates for the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 are adjusted to the rates determined by the actuarial funding method as calculated by the State Actuary: 7.40 percent for members, 4.44 percent for employers, and 2.96 percent for the state. The reduction of the state rate by 0.42 percent results in reduced projected contributions.

STATE EMPLOYEE COMPENSATION ADJUSTMENT

Savings

3% Salary Reduction for State Employees (-\$175.9 million General Fund-State; -\$136.3 million other funds)

Funding is reduced to reflect a 3 percent cost savings in employee salaries, excluding employees earning less than \$2,500 per month, and certain employees of the Washington State Patrol and the Washington State Department of Transportation. The reduction is temporary through the 2011-13 biennium only.

The reductions will be implemented consistent with collective bargaining agreements ratified for the 2011-13 biennium, or for represented groups that are considered for fiscal year 2012 to be in the "tail" or continuing year of a 2009-11 collective bargaining agreement, the reduction will be implemented according to the terms and conditions of the 2009-2011 agreements. For fiscal year 2013, funding is reduced to reflect a 3.0 percent temporary salary reduction for all employees making \$2,500 or more per month through June 29, 2013. Employees subject to the 3.0 percent reduction in salary will receive temporary salary reduction leave of up to 5.2 hours per month.

State institutions of higher education are similarly required to implement compensation reductions equivalent to the 3 percent reduction amounts referenced in the omnibus appropriations act, and for classified employees, the salary reduction must be implemented through temporary salary reductions, voluntary or mandatory leave without pay, temporary layoffs or reductions in work hours, or reduction in the percentage of employee positions. Institutions may implement temporary salary reduction leave for leave eligible employees.

Temporary restrictions on salary increases for exempt and management employees enacted during the 2009 and 2010 legislative sessions are extended through June 30, 2013. Restrictions on monetary or monetary-equivalent performance-based awards or incentives are extended through June 30, 2013, and similar restrictions are placed upon awards or incentives granted through the performance management confirmation process.

Eliminate Future Plan 1 Annual Increases (-\$361.7 million General Fund-State; -\$63.5 million other funds)

The Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1 (PERS and TRS Plans 1) Annual Increase Amount, commonly referred to as the "Uniform COLA" was created in 1995, and is an automatic, annual, service-based adjustment paid every July 1.

The annual increase amount is payable on the first calendar year in which the recipient turns age 66 and has been retired for one year. The annual increase amount is not a percentage increase, but instead is a fixed dollar amount multiplied by the member's total years of service. The dollar amount of the annual increase is currently \$1.88 and increases by 3 percent every year on July 1. For a member with 30 years of service, this would have most recently increased the member's benefit by \$56.40 per month.

Statute specifies that members and retirees do not have a contractual right to future annual increases.

Savings are achieved by ending future automatic benefit increases in the PERS and TRS Plans 1 consistent with the passage of Substitute House Bill 2021 (PERS and TRS Plan 1). The basic minimum benefit amount in the plans continues to be increased by the annual increase amount, and the alternative minimum benefit is raised to \$1,500 per month. The unfunded accrued actuarial liability in PERS and TRS Plans 1 is reduced by about \$4 billion.

2011 and 2011-13 Supplemental Budget Transfers

(Dollars in Millions)

	<u>2009-11</u>	<u>2011-13</u>
Enacted Transfers		
HB 3225 (Special Session Budget Bill)		
Subtotal	54.0	-
HB 1086 (Early Action Savings Bill)		
Subtotal	125.2	-
Proposed Transfers		
2011-13 & 2011 Supplemental		
Aquatic Lands Enhancement Acct.	-	7.0
Liquor Control Board Construction and Maintenance Account	-	1.0
Economic Development Strategic Reserve Account	-	4.2
Suspend GFS transfer to Education Construction Acct.	-	204.0
Insurance Regulatory Account	2.3	-
Natural Resources Real Property	0.3	-
Resource Management Cost Account	0.3	-
Heritage Center	-	13.0
City & County Distributions (Varied)	-	10.0
Liquor Revolving Account (Continue Liquor Mark-up)	-	85.0
No reversions sent to Education Savings Acct.	-	45.0
Treasurers Service Account	-	25.0
Thurston County Capital Facilities Acct.	-	8.0
CEP&RI Acct.	-	9.0
Flood Control Assistance Acct.	-	2.0
Waste Reduction/Litter Acct.	-	4.0
Department of Retirement Systems Expense Account	-	0.5
Subtotal	2.9	417.7
2011-13 & 2011 Supplemental		
BSA/Rainy Day	-	289.6
Grand Total - Transfers To GFS	182.1	707.3

2011 Supplemental & 2011-13: Revenue Legislation & Budget Driven Revenue

(dollars, in millions)

Contained In Other Legislation

Bill		2009-11	
		Total	2011-13 Total
Revenue Decreases			
1144	Renewable Energy Cost Recovery	0.0	(1.2)
1184	Real Estate Firms B&O Tax	0.0	(1.8)
1224	B&O Deduction/Mental Health	0.0	(0.2)
1347	Sales & Use Tax Exemptions	0.0	(0.1)
1490	B&O Tax Deduction	0.0	(0.0)
1498	Taxation of Employee Meals	0.0	(0.7)
1902	Child Welfare Services	0.0	(1.7)
2047	Sales Tax/Marine Fuel	0.0	(10.4)
Subtotal		0.0	(16.1)
Revenue Increases*			
_____	DOR Penalties & Refunds	0.0	26.6
_____	Consolidating Revenue/GFS (see note**)	<u>0.0</u>	<u>123.5</u>
Subtotal		0.0	150.1
Total N-GFS Impact from Legislation		0.0	134.0

*Note: Cigarette tax proceeds currently being deposited in to the Education Legacy Trust Account is also assumed to be redirected to GFS (per HB 2019). This has no net N-GFS impact.

Budget Driven Revenue

Agency	Other Revenue Adjustments	2009-11	
		Total	2011-13 Total
Liquor	Budget Related (Net)	0.0	3.3
	Total N-GFS Impact	0.0	3.3
Total Net N-GFS Impact (Legislation & BDR)		0.0	137.3

Additional Explanation & Detail

** Detail of HB _____ (Consolidating Revenue/GFS) Shown Above	2011-13 Total	
Fair Fund	0.0	4.0
Life Sciences Discovery	0.0	54.0
REET/PWAA	<u>0.0</u>	<u>65.5</u>
	0.0	123.5

2009-11 Revised Omnibus Operating Budget (2011 Supp)**PSHB 1087**

(Dollars in Thousands)

	NGF+OpPth	Total
<i>K-12 Education</i>		
Delay June Apportionment Pmt	-253,000	-253,000
K-12 Contingency Loans to Districts	13,000	13,000
K-12 Education Total	-240,000	-240,000
<i>Increases</i>		
Federal Expenditure Authority (K-12)	0	91,214
Forest Fire Supression	235	235
Prison Safety Enhancements	268	268
Other Increases	2,740	4,898
FQHC Reimbursement Method Chng	7,054	18,323
TANF Funds	10,000	33,614
Increases Total	20,297	148,552
<i>All Other</i>		
Dept Corrections Under Expenditures	-10,000	-10,000
DSHS/Econ Svcs Under Expenditures	-6,000	-6,000
Other	-606	-2,536
All Other Total	-16,606	-18,536
Grand Total	-236,309	-109,984

2011

2013



Washington State House of Representatives
Office of Program Research