



Proposed Operating Budget Compromise S-3394.1

Summary

June 29, 2015
Office of Program Research

Summary

Context

The Legislature entered the 2015 session seeing increased revenue along with rising maintenance level costs (the cost of carrying forward the ongoing 2013-15 budget programs and services into the 2015-17 biennium) as well as the need to consider court cases related to mental health, the Supreme Court's McCleary decision (K-12 funding), as well as other fiscal and policy issues.

Forecasted revenue in the Near General Fund-State and Opportunity Pathways account (NGF-P) based on the May 2015 forecast, before 2015 legislation, is expected to increase from \$34.28 billion in the 2013-15 biennium to \$37.45 billion in the 2015-17 biennium. This is an increase of approximately \$3.17 billion.

At the same time, the cost of continuing current programs and meeting other statutory obligations increased as well. The estimated maintenance level cost increased by \$5.4 billion from \$33.8 billion in the 2013-15 biennium to \$39.2 billion in the 2015-17 biennium. K-12 accounted for \$4.3 billion of this, or about 80 percent of the maintenance level increase from the previous biennium, with \$2.0 billion NGF-P being the estimated cost to implement Initiative 1351 (I-1351) (adopted by the voters in November 2014), \$741 million for materials, supplies and operating costs required by House Bill 2776 (Chapter 236, Laws of 2010) and related to the McCleary decision, as well as funding for Initiative 732 (I-732), increased enrollment, and continuation of funding for basic education enhancements previously made in the 2013-15 biennium.

For the 2015-17 biennium, the cost of continuing current programs and complying with current laws exceeds forecasted revenue (after the required Budget Stabilization Account transfer) by approximately \$2.1 billion NGF-P. This is sometimes referred to as the maintenance level shortfall.

Proposed June 29 Operating Budget Compromise

The proposed June 29 compromise provides policy level increases of \$2.0 billion including:

- \$744 million for K-12 public schools (in addition to the \$4.3 billion maintenance level increase described above).
- \$351 million for higher education including financial aid, compensation increases, and a tuition reduction.
- \$158 million for early learning and related child care programs.
- \$104 million for mental health related programs.
- \$115 million for home care worker compensation, training and benefits.
- \$173 million for state employee compensation.
- \$370 million in all other policy increases.

Combining the maintenance level shortfall of \$2.1 billion NGF-P with the policy increases in the proposed compromise, legislation that reduces revenue, and leaving an ending fund balance of \$363 million NGF-P results in a budget problem statement of approximately \$4.5 billion.

The problem statement of \$4.5 billion is addressed in the budget proposal through:

- Policy level reductions of \$2.9 billion, including assuming a bill to modify the education programs in I-1351 that saves \$2.0 billion NGF-P.
- Assumed net revenue increases of \$216 million (separate legislation).
- Fund transfers, budget driven revenue, and other resources changes of \$260 million.
- Assumed reversions of \$173 million.
- Using the beginning fund balance of \$929 million.

The proposed compromise and related balance sheet and assumptions leaves \$363 million in projected NGF-P ending fund balance for 2015-17 and total reserves of \$1.3 billion (including the Budget Stabilization Account).

The proposed compromise, under the provisions of the four-year budget outlook (Chapter 8, Laws of 2012), is projected to end the 2017-19 biennium with \$47 million in NGF-P ending fund balance (and \$1.4 billion in the Budget Stabilization Account).

The budget proposal assumes legislation suspending the state expenditure limit.

Selected Larger Policy-level Items in Functional Areas of the June 29 Proposed Compromise

K-12 Public Schools

- \$350 million increase to reduce early elementary class size.
- \$180 million increase to expand full day kindergarten.
- \$152 million increase for a one-biennium salary increase in addition to the I-732 COLA.
- \$24 million in additional health care benefits.
- \$2.0 billion in savings assumed through a bill that modifies I-1351.
- \$20 million in savings from changes to Local Effort Assistance (LEA).

Higher Education

- \$113 million net for the College Affordability Program that reduces tuition, provides funding to higher education institutions to accommodate the lost tuition, and accounts for impacts to the State Need Grant.
- \$111 million increase for employee compensation support.
- \$41 million for a one-time increase in the Opportunity Scholarship program.

Early Learning and Child Care

- \$111 million increase for Early Childhood Education and Assistance Program and Early Start/Achievers programs.
- \$23 million increase for changing Working Connections eligibility to twelve months.

Health and Human Services

- \$115 million for home care worker compensation, training, and benefits.
- \$30 million increase for Temporary Assistance for Needy Families grants.
- \$39 million increase in mental health programs for the Trueblood court decision.
- \$31 million increase in mental health programs to increase capacity for psychiatric involuntary treatment beds.
- \$152 million savings by modifying and extending the Hospital Safety Net Assessment program.
- \$201 million savings in low income health care costs being supported by marijuana-related revenue.
- \$28 million in one-time savings from the use of WorkFirst fund balance.

Natural Resources

- \$20 million increase for park maintenance and services.
- \$16 million savings from shifting program funding from NGF-P to other funds.

Other Items

- \$36 million increase for debt service on capital projects authorized in a 2015-17 Capital Budget.
- \$25 million increase for an Information Technology (IT) pool (a number of projects listed separately in previously budget proposals have been consolidated into this IT pool).
- \$46 million savings from shifting a variety of program funding from NGF-P to other funds.
- \$25 million savings from Lean Management assumptions.

Additional Information

Additional Information About This Proposal

This information is provided in explanation of this proposed compromise. The proposed compromise covers both the 2015 Supplemental (amending the existing budget for the 2013-15 biennium) and the budget for the upcoming 2015-17 biennium.

The proposed compromise bill and a complete set of materials produced by the House Office of Program Research (OPR) are available at http://leap.leg.wa.gov/leap/archives/index_budgetsp.asp (under Operating Budget/House). Additional materials include:

- Agency detail showing line item changes by agency (and program level in selected areas such as the Department of Social and Health Services and K-12 Public Schools);
- A detailed four-year budget outlook; and
- Supporting schedules referenced in the budget.

On February 19, 2015, the Governor signed Substitute House Bill 1105 (Chapter 3, Laws of 2015). That bill made a series of appropriations for fiscal year 2015. Appropriations previously made in Substitute House Bill 1105 are neither repealed nor modified by this proposal. Instead, those appropriations are displayed as “Other Legislation” in the agency detail reports.

Additional Information About This Summary Document

This summary document was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This summary document is not a part of the legislation nor does it constitute a statement of legislative intent.

This summary document includes:

- A brief introduction.
- A balance sheet and supporting materials.
- A summary grouping of expenditures by major category.

Note: It is possible for similar items to be summarized in slightly different ways. For example, the agency detail document lists items on an agency-by-agency basis. This summary may total the same item from multiple agencies into a single description. It also may summarize multiple similar items into a single description. For that reason, it is possible that budget items might be grouped differently, even within a single document.

June 29th Proposed Compromise: 2013-15 & 2015-17 Balance Sheet
General Fund-State, Education Legacy Trust, and Opportunity Pathways Accounts
(and Budget Stabilization Account)
Dollars in Millions

	2013-15	2015-17
RESOURCES		
Beginning Fund Balance	156.4	929.2
November 2014 Forecast	34,066.9	36,984.8
February 2015 Forecast Update	134.3	139.6
May 2015 Forecast Update*	79.2	326.7
Transfer to Budget Stabilization Account (Incl. EORG**)	(356.3)	(373.9)
Other Enacted Fund Transfers	430.2	-
Alignment to the Comprehensive Financial Statements & Other Adj	11.0	40.8
2015 Changes		
<i>Fund Transfers (Excluding BSA)</i>	1.9	178.0
<i>Revenue Legislation*</i>	6.9	180.3
<i>Budget Driven Revenue & Other</i>	1.0	37.3
<i>Additional Transfers To BSA</i>	(0.1)	(2.1)
<i>Transfers from BSA to GFS</i>	37.9	4.4
Total Resources (including beginning fund balance)	34,569.3	38,445.2
EXPENDITURES		
2013-15 Enacted Budget		
Enacted Budget (w/2014 Supplemental)	33,794.1	
2015 Early Supplemental Budget	66.2	
2015 Supplemental Budget	(70.5)	
Assumed Reversions	(149.7)	
2015-17 Biennium		
Proposed Budget		38,219.4
Anticipated 2016 Supplemental (June 2015 caseloads)**		35.6
Assumed Reversions		(172.5)
Total Expenditures	33,640.1	38,082.5
RESERVES		
Projected Ending Balance	929.2	362.7
Budget Stabilization Account Beginning Balance	269.7	513.0
Transfers from General Fund and Interest Earnings	358.4	385.5
Less Transfers Out And Spending From BSA (Early Action/EORG***)	(115.1)	(4.4)
Projected Budget Stabilization Account Ending Balance	513.0	894.1
Total Reserves (Near General Fund plus Budget Stabilization)	1,442.2	1,256.8

* Legislation enacted prior to the May, 2015 revenue forecast is included in the May forecast number. The enacted legislation has a net impact of \$39 million in the 2015-17 biennium.

** Appropriations are not made for this item in this proposal and would be part of a 2016 Supplemental Budget.

*** In the 2013-15 Biennium, \$37.9 is assumed to be transferred from the state general fund to the Budget Stabilization Account as extraordinary revenue growth. This proposal assumes those funds would be transferred back to the

Fund Transfers, Revenue Legislation and Budget Driven Revenues**
Dollars, In Millions

	<u>2013-15</u>	<u>2015-17</u>
Fund Transfers To GFS		
Data Processing Revolving Account	(4.1)	
Life Sciences Discovery Fund	-	62.4
State Treasurer's Service Account	-	20.0
Energy Freedom Account	-	3.3
Liquor Revolving Fund	6.0	6.0
Criminal Justice Treatment Account	-	11.3
Public Works Assistance Account	-	73.0
Reduce Flood Control Assistance Account Transfer	-	2.0
Subtotal	1.9	178.0
Assumed In Legislation (GFS Unless Otherwise Noted)		
Marijuana Market Reforms	6.9	14.9
Unclaimed Property Laws	-	1.3
Lottery Unclaimed Prizes (Opportunity Pathways)	-	15.2
Click Through Nexus	-	28.3
Nexus/Wholesaling	-	45.4
Software M&E	-	57.2
B&O Royalties	-	31.4
Late Penalties	-	23.0
Server Farms	-	(12.5)
Food Processors	-	(13.2)
Mfg Sales Tax/Deferral	-	(3.2)
Aluminum	-	(2.7)
Newspaper	-	(0.5)
Log Trucks	-	(1.8)
Nonresident Vessels	-	(1.6)
Aircraft Excise	-	(0.6)
Veterans Tax	-	(0.2)
Honey Bees	-	-
Subtotal	6.9	180.3
Budget Driven & Other (General Fund Unless Otherwise Noted)		
Lottery Fund BDR (Opportunity Pathways)	(0.5)	10.1
Traffic Infraction Base Penalty (already adopted court rule)		4.6
Liquor Revolving Fund BDR	1.5	22.6
Subtotal	1.0	37.3
Grand Total	9.8	395.6

Notes:

* Legislation enacted prior to the May revenue forecast was included in that forecast and is not listed here

** Excludes Transfers To and From the Budget Stabilization Account (BSA)

2015-17 Omnibus Operating Budget
6/29 Prop Compromise
(Dollars in Thousands)

June 29, 2015
11:01 am

	NGF+OpPth	Total
<i>Employee Compensation</i>		
General Govt Compensation Increases	172,779	352,737
All Other Increases	1,187	3,399
Employee Health Benefits (State & H Ed)	-12,255	-32,825
Employee Compensation Total	161,711	323,311
<i>K-12 Education</i>		
Reduce Early Elementary Class Size	350,193	350,193
Expand Full-Day Kindergarten	179,813	179,813
One-Biennium Salary Increase	152,329	152,329
K-12: Health Benefits	24,434	24,434
All Other Increases	10,892	11,628
Local Deductible Revenue to Schools	7,737	7,737
Teacher Mentoring	5,000	5,000
Guidance Counselor CTE Tech Correct	3,451	3,451
School Turnaround Programs	3,225	3,225
College Success	2,867	2,867
Kindergarten Readiness WaKIDS	2,838	2,838
Math & Science Prof. Development	1,392	1,392
Tech. Correction Federal	0	-56,958
All Other Savings	-1,804	-1,306
Local Effort Assistance	-20,452	-20,452
Staff Mix (Tied to Other Items)	-35,714	-35,714
K-12 Education Total	686,201	630,477
<i>Initiative 1351</i>		
Initiative 1351 Class Size	-2,042,726	-2,042,726
Initiative 1351 Total	-2,042,726	-2,042,726
<i>Higher Education Institutions</i>		
College Affordability Program	158,735	0
Higher Education Compensation Increases	110,766	215,377
WSU Medical School	11,500	11,500
Medical Residencies	8,000	8,000
All Other Increases	6,624	9,469
Computer Science Enrollments	6,000	6,000
STEM Enrollments and Graduation	4,500	4,500
Computer Science/Engineering	1,630	1,630
CTCs: Aerospace Related	1,580	1,580
Climate & Acidification	400	1,950
Higher Education Institutions Total	309,735	260,006
<i>Higher Education Financial Aid</i>		
Opportunity Scholarship	41,000	41,000
All Other Increases	489	2,373
CPA Scholarship Program	0	3,300
Aerospace Loan Funds	-2,000	-2,000
Suspend Selected Programs	-11,064	-11,064

2015-17 Omnibus Operating Budget
6/29 Prop Compromise
(Dollars in Thousands)

June 29, 2015
11:01 am

	NGF+OpPth	Total
College Affordability Program	-45,297	-45,297
Higher Education Financial Aid Total	-16,872	-11,688
<i>Early Learning & Child Care</i>		
ECEAP & Early Start/Achievers	111,302	111,302
Working Connections Eligibility	22,858	22,858
CBA: Family Child Care Providers	11,116	11,116
Child Care Center Providers	6,333	6,333
Early Intervention	4,000	4,000
Maintain ECLIPSE (MTCC) Prog.	2,152	0
All Other Increases	943	943
Home Visiting	0	2,000
Early Learning & Child Care Total	158,704	158,552
<i>Health Care</i>		
All Other Increases	11,134	29,061
Exchange Related	11,018	30,023
Emergency Transportation	0	14,113
Healthier Washington	0	6,120
DOH: Infectious Disease Response	0	6,034
All Other Savings	0	30
Health Homes	-3,825	2,668
Shift Program to Other Funds	-7,117	0
ACA CHIP Match	-114,693	0
Hospital Safety Net	-152,140	353,196
Health Care Total	-255,623	441,245
<i>Mental Health</i>		
Single Bed Certification	31,400	49,662
Community Restoration Ward	26,858	26,858
Assisted Outpatient Treatment	10,850	18,691
Civil Ward at Western State Hospital	7,578	7,578
Detention Decision Review	4,716	7,369
Competency Evaluation Staff	4,667	4,667
All Other Increases	4,666	4,668
Psychiatric Intensive Care Unit	3,782	3,782
Psychiatric Emergency Response Team	3,497	3,497
Nonfelony Diversion	2,788	4,808
L&I Settlement Agreement	2,151	2,151
SCC: Increases	834	834
All Other Savings	-1,200	-1,572
SCC: Savings	-2,947	-2,947
IMD Waiver	-9,430	-9,430
Program For Adaptive Living Skills	-10,400	-10,400
Medicaid Rates	-16,462	-32,930
Mental Health Total	63,348	77,286

2015-17 Omnibus Operating Budget
6/29 Prop Compromise
(Dollars in Thousands)

June 29, 2015
11:01 am

	NGF+OpPth	Total
<i>Long Term Care & DD</i>		
CBA: Home Care Workers (With Parity)	115,499	260,076
Vendor: Community Resid. Rates	19,793	39,715
CBA: Adult Family Homes	17,403	39,551
LEAN Reduction Restoration	15,980	15,980
RHC Medicaid Compliance	5,956	11,912
Vendor: Area Agencies on Aging	5,228	10,454
Vendor: Assisted Living Rates	3,668	8,336
All Other Increases	2,628	5,887
Enhanced Respite Services	2,400	3,900
Specialized Services for DD Clients	1,116	2,190
Long Term Care Ombuds Expansion	350	350
YVS Crisis Stabilization Program	200	400
ACA CHIP Match	-826	0
Enhanced Services Facility	-1,137	-2,259
Basic Plus Waiver Transition	-2,800	-2,800
ProviderOne	-3,221	-13,191
Vendor: Nursing Home Rates	-7,360	76,900
Long Term Care & DD Total	174,877	457,401
<i>Corrections and Other Criminal Justice</i>		
DOC: Violators	3,420	3,420
Sexual Assault Exam Kits	2,750	2,750
Safety and Security DOC Facilities	2,261	2,261
Crisis Intervention Training	1,239	1,239
JRA: Facility Safety & Security	1,200	1,200
All Other Increases	1,034	9,116
Internet Crimes Against Children	858	858
JRA: All Other Increases	811	811
Guardian Training for Local LE	500	500
Crisis Intervention Training Study	240	240
DOC: All Other Increases	0	400
DOC: All Other Savings	-852	-852
State Drug Task Forces	-1,275	-1,275
DOC: Swift & Certain Sanctions	-1,656	-1,656
JRA: Juvenile Offender Basic Train Camp	-1,691	-1,691
All Other Savings	-3,423	-1,620
Corrections and Other Criminal Justice	5,416	15,701
Total		
<i>Other Human Services</i>		
TANF Grant	30,623	30,623
FPAWS Litigation	12,529	16,705
State Food Program	9,584	9,584
All Other Increases	9,201	12,600
Braam & CPS	6,430	7,274
Family Assessment Response Shortfall	6,373	2,999
Extended Foster Care	4,162	5,921
BRS Vendor Rate Increase	3,873	5,097

2015-17 Omnibus Operating Budget
6/29 Prop Compromise
(Dollars in Thousands)

June 29, 2015
11:01 am

	NGF+OpPth	Total
Supervised Visitation	2,730	2,730
Vendor: Chem Dependency Rates	2,212	6,826
Child Permanency	1,941	3,980
Emergency Food Assistance	1,600	1,600
L&I: All Other Increases	500	15,020
SNAP Federal Grant	0	13,954
L&I: Retire LINIIS Computer System	0	9,847
Behavioral Intervention Grants	0	3,912
Medicaid Cost Allocation Changes	0	-8,405
All Other Savings	-1,179	-1,051
Shift Program to Other Funds	-1,900	0
Telephone Assistance (WaTAP)	-4,068	-4,068
ESA Staffing Reduction	-4,351	-5,864
WorkFirst Underspend	-5,000	-5,000
Econ Svcs: Underspending & Other Savings	-8,344	-9,068
TANF - Participation Incentive	-15,910	-15,910
WorkFirst Fund Balance	-28,604	0
Other Human Services Total	22,402	99,306
 <i>Natural Resources</i>		
Parks: Maintain/Improve Services	20,419	20,681
Forests & Fish Adaptive Management	5,894	5,894
Geological Hazards and LiDAR	4,645	4,645
All Other Increases	1,824	11,645
Fire Response & Recovery	1,237	3,087
No Child Left Inside	1,000	1,000
DOE: All Other Increases	587	14,293
Teaway Community Forest	282	282
Voluntary Stewardship Program	0	7,600
Oil Spill Prepare/Respond	0	5,052
Litter Control and Waste Reduction	0	-5,500
All Other Savings	-769	-6,566
DOE: All Other Savings	-832	-3,654
DOE: Watershed Planning	-2,014	-2,014
PILT Payments	-2,073	-3,455
Fire Contingency	-8,000	-8,000
Shift Program to Other Funds	-16,230	0
Natural Resources Total	5,970	44,990
 <i>All Other Policy Changes</i>		
Debt Service on New Projects	36,822	36,892
Information Technology Pool	25,000	87,957
All Other Increases	17,502	77,477
Emergency Drought Funding	14,000	14,000
Tax & Licensing System Replacement	11,481	22,962
Revenue Implementation Funding	5,278	5,278
Cancer Research Endowment	5,000	5,000
Parents Representation	4,281	4,281
Replace HAVA Funds with GFS	3,170	0

2015-17 Omnibus Operating Budget
6/29 Prop Compromise
(Dollars in Thousands)

June 29, 2015
11:01 am

	NGF+OpPth	Total
Core Financial Systems & TLA	2,925	20,477
Trial Court Public Defense	1,800	1,800
AOC: IT Related	1,756	28,958
AOC: Other Increases	75	193
Disaster Recovery	0	98,899
IT Realignment	0	22,142
Enhanced 911 Network Modernization	0	5,000
DRS: Employer Reporting System	0	4,844
Tobacco Enforcement	0	2,641
Other Savings	0	-285
Adjust Retailer Commissions	0	-12,000
Central Service Rates	-1,614	6,320
Land Use Planning/Permitting	-2,500	-2,500
All Other Savings	-6,257	-30,458
Local Public Safety Enhancement	-20,000	-40,000
LEAN Management Practices	-25,000	-25,000
Shift Program to Other Funds	-46,405	-11,394
Other	0	-6,046
All Other Policy Changes Total	27,314	317,438
Grand Total	-699,543	771,299
<i>I-502 Related</i>		
Local Government Distribution/I-502	12,000	12,000
DOH Prevention & Education	0	15,000
DASA: Treatment & Prevention	0	12,830
DOH/LCB: I-502 Regulation & Implementation	0	10,857
Marijuana Related Studies	0	2,130
Home Visiting	0	2,000
All Other Increases	0	996
Shift Costs To Dedicated Revenue	-45,541	0
Low Income Health Care/I-502	-201,414	0
I-502 Related Total	-234,955	55,813
Revised Grand Total	-934,498	827,112

2015

2017



Washington State House of Representatives
Office of Program Research