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# PSHB 1067

## H-2513.2

By Representative Ormsby

# Summary

March 27, 2017

Office of Program Research

# Summary

## **Context**

The legislature entered the 2017 session with an increase in forecasted revenue along with increased costs of continuing ongoing 2015-17 programs and services into 2017-19 (as well as statutorily required spending that starts or reappears in 2017-19). Significant fiscal and policy issues facing the Legislature include implementation of the Supreme Court's McCleary decision (K-12 funding, particularly the state's share of basic education compensation), addressing behavioral health issues including court decisions involving both forensic and civil mental health services and federal oversight of Western State Hospital, and other fiscal and policy issues.

Forecasted revenue for the state General Fund, the Education Legacy Trust Account, and the Opportunity Pathways Account (NGF-P) increased from \$39.0 billion in 2015-17 to \$41.6 billion in 2017-19. (Another way to think about NGF-P is the state General Fund plus two much smaller but related accounts where general taxes, estate taxes, and lottery proceeds are deposited). This is an increase of approximately \$2.6 billion over the 2015-17 biennium.

The cost of continuing current programs and meeting other statutory obligations increased by approximately \$3.2 billion from 2015-17 to \$41.6 billion in 2017-19 (NGF-P). About 60% of this increase is in K-12 (including funding for I-732 and K-3 class size reduction required pursuant to HB 2776), about 20% in the Department of Social and Health Services, and about 10% in the Health Care Authority.

For the 2017-19 NGF-P biennial budget, the cost of continuing current programs and services and complying with current laws exceeds forecasted revenue for the biennium by approximately \$550 million.

## **Proposed Substitute House Bill 1067**

PSHB 1067 makes 2017-19 NGF-P appropriations of \$44.9 billion NGF-P and \$88.1 billion total budgeted funds. Policy level increases total \$3.6 billion and policy level reductions are \$374 million, for a net NGF-P policy level change of \$3.2 billion. The balance sheet associated with PSHB 1067 includes:

- \$3.0 billion in additional resources from new revenue legislation.
- \$206 million in assumed reversions.
- \$96 million in budget driven revenue, other legislation, and other adjustments.

The NGF-P 2017-19 ending fund balance is \$1.22 billion (the 2015-17 ending fund balance was \$1.60 billion after the 2017 supplemental that is also included in PSHB 1067).

In addition to the revenue legislation, PSHB 1067 assumes passage of a number of policy bills necessary to implement the budget.

## **Selected larger 2017-19 NGF-P policy level items by functional area**

### K-12 Public Schools

- \$1.73 billion increase in K-12 compensation allocations.
- \$117 million increase in Local Effort Assistance (LEA).
- \$40 million increase for professional learning.
- \$10 million savings from changes to teacher evaluation training.
- \$21 million in savings from changes to certificates of achievement.

### Higher Education

- \$73 million increase to maintain and expand the State Need Grant.
- \$56 million increase for a tuition freeze and revenue backfill.
- \$18 million increase for the Opportunity Scholarship.
- \$15 million increase for Spokane medical education (WWAMI & WSU).
- \$15 million increase for student success initiatives at the four-year institutions.
- \$11 million in savings from continuing scholarship program suspensions.

### Early Learning and Child Care

- \$39 million increase for a rate increase and expansion of ECEAP services
- \$25 million increase for childcare center rate increases.

### Health Care

- \$61 million increase to restore assumed Healthier Washington savings that have not materialized.
- \$59 million increase from an assumed 2% increase in managed care rates in FY 18 and FY 19.
- \$41 million increase in Hepatitis C costs.
- \$40 million increase in public health funding.
- \$22 million in savings from caseload impacts of Initiative 1433 (minimum wage).
- \$32 million in savings from prescription drug costs.
- \$78 million in savings from continuing to utilize I-502 for low-income health care.

### Behavioral Health

- \$72 million increase for the behavioral health investment plan.
- \$63 million increase for state hospital funding.
- \$16 million increase for BHO Medicaid rates.

### Long-Term Care and Services for Developmentally Disabled Persons

- \$40 million increase for supported living rate increases.
- \$10 million increase for nursing home direct care payments.

### Other Items

- \$682 million increase for employee and bargained non-employee compensation changes.
- \$52 million increase for debt service.

- \$25 million increase in central services.
- \$23 million increase for implementing revenue legislation.
- \$20 million increase from TANF changes.
- \$12 million increase for homelessness programs.
- \$19 million savings from utilizing and L&I dedicated account and related fees.
- \$32 million savings from utilization of WorkFirst fund balance.
- \$50 million savings by suspending the Local Public Safety Account deposit.

PSHB 1067 assumes the creation of a new state agency, the Department of Children, Youth, and Families. The current Department of Early Learning as well as the DSHS programs for children and family services (in 2017-19) and juvenile rehabilitation (in 2019-21) are merged into the new agency. In addition, certain mental health programs in DSHS are assumed to be transferred to the Health Care Authority.

Following is more detail on these and other items.

### **2017-19 NGF-P ending fund balance and the four-year outlook**

PSHB 1067 and related bills leave a 2017-19 ending fund balance of \$1.22 billion in NGF-P accounts and another \$1.1 billion in the Budget Stabilization Account.

Under the provisions of the four year outlook (Chapter 8, Laws of 2012), PSHB 1067 is projected to end the 2019-21 biennium with \$12 million in NGF-P ending fund balance and \$1.65 billion in the Budget Stabilization Account.

# Additional Information

## **Additional Information Regarding PSHB 1067**

This information is provided in explanation of Proposed Substitute House Bill 1067 offered by Representative Ormsby. The proposed substitute bill is the 2017-19 biennial budget and also makes supplemental changes to the 2015-17 biennial budget.

The proposed substitute 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](http://leap.leg.wa.gov/leap/archives/index_budgetsp.asp) (under Operating Budget/House). Additional materials include:

- Agency detail showing line item policy changes by agency (and program level in selected areas such 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.

## **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 summary;
- A balance sheet and supporting materials;
- Descriptions of selected items (a complete listing of all policy items is included as part of the agency detail document);
- A summary grouping of expenditures by major category; and
- The four-year budget outlook.

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 document 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.

**2015-17 & 2017-19 Enacted Balance Sheet**  
**Proposed Substitute House Bill 1067**  
**General Fund-State, Education Legacy Trust, and Opportunity Pathways Accounts**  
**(and Budget Stabilization Account)**  
(Dollars in Millions)

	2015-17	2017-19
<b>RESOURCES</b>		
<b>Beginning Fund Balance</b>	<b>1,011.2</b>	<b>1,596.1</b>
March 2017 Revenue Forecast	38,962.5	41,597.3
Transfer to Budget Stabilization Account (1% of GSR)	-382.4	-409.4
Transfer to Budget Stabilization Account (EORG)	-867.5	0.0
Transfer from BSA (EORG)	867.5	0.0
Enacted Fund Transfers (excluding BSA)	207.4	0.0
Alignment to the Comprehensive Financial Statements & Other Adj	69.3	40.8
<b>2017 Changes</b>		
Fund Transfers (excluding BSA)	-42.0	58.4
Revenue Legislation	0.0	2,995.2
Budget Driven Revenue & Other Legislative Changes (net)	-1.1	-3.1
<b>Total Resources (including beginning fund balance)</b>	<b>39,824.8</b>	<b>45,875.3</b>
<b>EXPENDITURES</b>		
<b>2015-17 Enacted Budget</b>		
Enacted Budget (w/2016 Supplemental)	38,453.5	0.0
Proposed 2017 Supplemental Budget	2.0	0.0
Assumed Reversions	-226.8	0.0
<b>2017-19 Biennium</b>		
Proposed Budget	0.0	44,861.7
Assumed Reversions	0.0	-205.8
<b>Total Expenditures</b>	<b>38,228.7</b>	<b>44,655.9</b>
<b>RESERVES</b>		
<b>Projected Ending Balance</b>	<b>1,596.1</b>	<b>1,219.4</b>
<b>Budget Stabilization Account</b>		
Budget Stabilization Account Beginning Balance	513.1	714.6
Plus Transfers from General Fund and Interest Earnings	1,256.8	429.5
Less Transfers Out and Spending from BSA	-1,092.4	-12.5
Assumed Reversions	37.0	0.0
Prior Period Adjustments	0.1	0.0
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>714.6</b>	<b>1,131.7</b>
<b>Total Reserves</b>	<b>2,310.8</b>	<b>2,351.0</b>

Note: The outlook contains additional resource changes not shown here as they impact only the 2019-21 Biennium. These include continuing to redirect certain revenue related to the Public Works Assistance Account and suspension of the streamlined sales tax mitigation funding.

**Fund Transfers, Revenue Legislation, and Budget Driven Revenues**  
**Proposed Substitute House Bill 1067**  
**General Fund-State, Education Legacy Trust, and Opportunity Pathways Accounts**  
(Dollars in Millions)

	<b>2015-17</b>	<b>2017-19</b>
<b>Fund Transfers To/From GFS*</b>		
Aerospace Training Student Loan Account		1.5
Criminal Justice Treatment Account		8.9
Disaster Response Account	(42.0)	42.0
Fair Account		4.0
Flood Control Assistance Account		2.0
<b>SubTotal</b>	<b>(42.0)</b>	<b>58.4</b>
<b>Revenue Legislation</b>		
HB 1904 Personal Information Sale & Taxation		18.9
HB 1764 Property Tax Limit		128.3
Omnibus Revenue Legislation		2,848.0
<b>SubTotal</b>	<b>-</b>	<b>2,995.2</b>
<b>Budget Driven Revenue (BDR) &amp; Other Legislation</b>		
BDR: Liquor Control Board (Liquor)		(0.9)
BDR: Liquor Control Board (Marijuana)	(1.2)	(1.7)
BDR: Lottery	0.0	0.1
BDR: Habitat Conserve		(0.4)
BDR: Marijuana Distribution Changes		18.0
BDR: Vessel Renewal Notices		1.0
HB 1267 Wastewater/Operator Account		(0.1)
HB 2114 Out of Network Health Services		0.2
HB 1783 Legal Financial Obligations		(0.1)
HB 1716 Construction Registration Account (Reduces GFS spending)		(19.2)
HB 2021 Marijuana Plants & Seeds		0.0
<b>SubTotal</b>	<b>(1.1)</b>	<b>(3.1)</b>
<b>Grand Total</b>	<b>(43.1)</b>	<b>3,050.5</b>

\* Does not include transfers to and from the Budget Stabilization Account (BSA).  
PSHB 1067 assumes any extraordinary revenue transferred from the state general fund to the BSA in 2015-17 will be transferred from the BSA back to the state general fund.

**2017-19 Omnibus Operating Budget  
Proposed Substitute House Bill 1067**

(Dollars In Thousands)

	2017-19		2019-21
	NGF-P	Total	NGF-P
<b>Employee and Bargained Non-Employee Comp</b>			
Rep. Employees: Salaries & Wages	294,867	479,268	397,694
Non-Rep. Employees: Salaries & Wages	158,101	330,641	264,737
Non-Employee CBA: Individual Providers	77,304	160,356	145,619
Rep. Employees: Benefit Rate	54,191	108,825	93,670
Non-Rep. Employees: Benefit Rate	42,363	110,082	73,224
Non-Employee CBA: Adult Family Homes	28,205	63,697	32,450
Non-Employee CBA: Agency Parity to IP	21,216	47,742	40,247
Non-Employee CBA: Family Child Care Providers	15,135	15,215	15,306
PSERS membership changes	5,400	2,226	5,100
Other Increases	4,670	8,174	5,372
Elected Officials	3,143	3,169	4,298
ORCA Transit Pass	2,844	5,122	2,844
Non-Employee CBA: Language Access Providers	889	2,146	952
Adjust Compensation Double Count	-25,897	-40,082	-35,828
<b>Employee and Bargained Non-Employee Comp Total</b>	<b>682,431</b>	<b>1,296,581</b>	<b>1,045,685</b>
<b>K-12 Education</b>			
K-12 Compensation Allocation	1,726,365	1,726,365	4,290,052
Local Effort Assistance	117,063	117,063	138,930
Professional Learning	40,120	40,120	299,200
Educator Workforce Supply	7,000	7,000	7,000
Career-Connected Education	6,000	6,000	6,000
Other Increases	5,739	7,839	1,161
Student Meals & Nutrition	2,645	2,645	222
Computer Science K-12 Expansion	2,000	2,000	0
Foster Care Youth Services	1,368	1,368	1,368
Student Support Staff	0	0	328,770
Learning Assistance Program	0	0	173,617
TBIP Instructional Hours	0	0	24,480
Highly Capable	0	0	8,854
Suspend I-1351 Class Size	0	0	-1,914,397
Other Savings	-2,352	-936	-2,991
Teacher Evaluation Training	-10,000	-10,000	-10,000
Certificates of Achievement	-21,094	-21,094	-18,240
<b>K-12 Education Total</b>	<b>1,874,854</b>	<b>1,878,370</b>	<b>3,334,026</b>
<b>Higher Education Institutions</b>			
Tuition Freeze/Revenue Backfill	56,360	0	76,762
Spokane Medical (WWAMI & WSU)	15,000	15,000	17,909

NGF-P = GF-S + ELT + OpPath



**2017-19 Omnibus Operating Budget**  
**Proposed Substitute House Bill 1067**  
(Dollars In Thousands)

	2017-19		2019-21
	NGF-P	Total	NGF-P
Student Success Initiatives	15,000	15,000	15,016
Other Increases	8,192	9,135	7,429
Computer Science & Engineering	6,000	6,000	6,006
Initiative 1433 Minimum Wage	4,300	11,264	15,911
I-BEST	3,000	3,000	3,003
Dental Education in Eastern WA	1,959	1,959	1,558
Expand MESA Sites	1,500	1,500	1,502
<b>Higher Education Institutions Total</b>	<b>111,311</b>	<b>62,858</b>	<b>145,095</b>
<b>Higher Education Financial Aid</b>			
State Need Grant	72,689	72,689	72,316
Opportunity Scholarship	17,730	17,730	0
Other Increases	1,981	3,071	1,991
Other Savings	-480	-480	1,339
Shift Funding Between Accounts	-500	-500	-501
Continue Program Suspensions	-11,064	-11,064	-11,526
<b>Higher Education Financial Aid Total</b>	<b>80,356</b>	<b>81,446</b>	<b>63,619</b>
<b>Early Learning &amp; Child Care</b>			
ECEAP Rate Increase & Expansion	38,852	38,852	6,532
Child Care Center Rate	24,963	25,357	25,910
Other Increases	2,838	4,096	1,663
Home Visiting	2,479	3,523	3,582
ECLIPSE Program	2,152	2,152	0
Expanded Learning Opportunities	1,500	1,500	0
Procure Time and Attendance System	0	10,591	0
WCCC: Time and Attendance System	0	0	-24,434
Early Achievers Reduction	-4,602	-4,602	-4,610
Correct One-time Veto	-6,994	-6,994	0
<b>Early Learning &amp; Child Care Total</b>	<b>61,188</b>	<b>74,475</b>	<b>8,643</b>
<b>Health Care</b>			
Healthier WA Savings Restoration	61,028	136,922	0
Managed Care CY 2018 & 2019 (2%)	58,764	213,590	92,602
Hepatitis C Treatment Costs	40,941	173,300	45,692
Public Health Funding For Locals	36,000	36,000	36,065
Other Increases	7,114	25,757	6,491
Lead Exposure	5,887	5,887	6,941
State Health Insurance Pool	5,577	18,507	8,170
Public Health Funding For DOH	4,000	4,000	0
Pacific Islander Health Care	2,017	2,017	2,105

NGF-P = GF-S + ELT + OpPath

**2017-19 Omnibus Operating Budget  
Proposed Substitute House Bill 1067**

(Dollars In Thousands)

	2017-19		2019-21
	NGF-P	Total	NGF-P
MICP Rate Increase	1,782	3,436	1,864
Collaborative Care	1,102	4,001	2,249
Health Home Care Coordinators	1,000	1,000	1,046
Medicaid Transformation Waiver	0	739,615	0
Hospital Safety Net	0	33,372	-292,000
Exchange Related Items	0	11,266	0
Expand HIV Program Eligibility	0	8,096	0
Other Savings	-2,584	-11,290	-2,703
Community Health Centers I-502	-7,770	0	-12,062
Initiative 1433 Minimum Wage	-22,946	-183,316	-63,151
Prescription Drug Costs	-32,121	-108,548	-46,064
Low-Income Health Care/I-502	-77,700	0	-120,626
<b>Health Care Total</b>	<b>82,091</b>	<b>1,113,612</b>	<b>-333,383</b>
<b>Behavioral Health</b>			
Behavioral Health Investment Plan	72,485	113,735	131,309
State Hospital Funding	63,364	63,451	45,857
BHO Medicaid Rates	16,065	50,843	17,200
Other Increases	2,642	5,187	1,004
Children's Mental Health	1,708	2,720	2,050
STR Opioid Grant	0	21,664	0
Integration/Transfer to HCA & DOH	0	540	0
BHO Reserve Payback	0	0	-146,000
Initiative 1433 Minimum Wage	-5,776	-28,488	-10,481
Other Savings	-17,258	-22,470	-18,339
<b>Behavioral Health Total</b>	<b>133,230</b>	<b>207,182</b>	<b>22,598</b>
<b>Long Term Care &amp; DD</b>			
Supported Living Rate Increase	39,555	79,109	54,042
Nursing Home Direct Care Payments	10,150	20,304	10,561
Vendor Rate Increase	7,176	15,888	11,961
Other Increases	4,580	6,844	3,660
High School Transition Students	2,701	5,402	5,209
Respite Personal Care	2,012	4,022	2,138
Informal Supports	1,257	2,856	1,337
IP Overtime	458	1,040	0
Other Savings	0	-1,496	0
Transformation Waiver Savings	-1,900	-4,300	-13,408
Supported Living Investigators	-2,420	9,074	-2,572

NGF-P = GF-S + ELT + OpPath

**2017-19 Omnibus Operating Budget  
Proposed Substitute House Bill 1067**

(Dollars In Thousands)

	2017-19		2019-21
	NGF-P	Total	NGF-P
Employment Historical Underspend	-4,694	-9,388	0
<b>Long Term Care &amp; DD Total</b>	<b>58,875</b>	<b>129,355</b>	<b>72,929</b>
<b>Children &amp; Family Services</b>			
Create New Children, Youth & Families (Net)	8,670	9,021	16,114
Increase Social Worker Staffing	6,408	8,322	7,961
Emergent Placement Contracts	4,622	4,622	4,706
In-Home Services Travel Time	4,568	4,860	4,651
Facility Related Costs	2,968	4,166	627
Visitation Services	2,648	3,044	2,696
Other Increases	1,389	8,779	2,071
Other Savings	-1,638	-3,140	-1,668
<b>Children &amp; Family Services Total</b>	<b>29,635</b>	<b>39,674</b>	<b>37,157</b>
<b>Corrections and Other Criminal Justice</b>			
Other Increases	12,939	19,919	6,711
Hepatitis C Treatment Costs	7,756	7,756	8,113
Facilities Expansion and Relocation	3,395	3,395	1,526
Attempts to Obtain Firearms	3,023	3,023	2,140
Work Release Vendor Rate Increase	2,918	2,918	2,988
Hearing Representation	2,904	2,904	2,973
Auto Theft Prevention Account Align	2,900	0	0
DOC Offender Record Staffing	2,602	2,602	2,652
Basic Law Enforcement Academy	2,567	3,703	0
Other Savings	-100	-100	-1,044
<b>Corrections and Other Criminal Justice Total</b>	<b>40,904</b>	<b>46,120</b>	<b>26,058</b>
<b>Other Human Services</b>			
Homelessness	12,035	20,035	12,021
TANF, SFA, RA Grant Increase	11,863	12,053	24,155
TANF/SFA Resource Limit	5,119	5,119	8,421
ABD Grant Increase	3,842	3,842	7,823
Other Increases	3,690	4,508	4,329
TANF Work Participation	2,580	2,580	2,627
Kinship Care Means Testing	1,318	1,318	3,374
ABD Resource Limit	1,024	1,024	1,537
Facility Related Costs	185	-148	-1,458
Initiative 1433 Minimum Wage	-1,991	-1,991	-5,024
Other Savings	-4,212	-5,361	-4,494
FSS Lead Staffing	-6,068	-7,986	-6,178

NGF-P = GF-S + ELT + OpPath

**2017-19 Omnibus Operating Budget  
Proposed Substitute House Bill 1067**

(Dollars In Thousands)

	2017-19		2019-21
	NGF-P	Total	NGF-P
WorkFirst Fund Balance	-32,000	1,797	0
<b>Other Human Services Total</b>	<b>-2,615</b>	<b>36,790</b>	<b>47,133</b>
<b>Natural Resources</b>			
Other Increases	11,181	31,399	6,289
Clean Air Rule	4,567	4,567	4,743
Fishing Related Items	2,290	22,731	2,294
Parks: Increases	0	13,550	0
Wildlife Licensing, Access, Habitat & Enforcement	0	5,430	0
Initiative 1433 Minimum Wage	0	1,856	0
Stormwater Grant Reduction	0	-1,100	0
Shoreline Grant Reduction	0	-1,800	0
Low-Impact Development Training	0	-1,981	0
Flood Plan Grant Reduction	0	-2,000	0
Fair Funding	0	-4,000	0
Other Savings	0	-4,192	0
MTCA Staff Level Reduction	0	-5,000	0
Litter Account Reduction	0	-5,500	0
PILT Payments	-2,073	-3,455	0
Shift Funding Between Accounts	-2,250	0	-751
<b>Natural Resources Total</b>	<b>13,715</b>	<b>50,505</b>	<b>12,575</b>
<b>All Other Policy Changes</b>			
Debt Service	51,833	51,833	97,540
Central Services	24,576	45,785	25,965
Revenue Legislation	22,544	22,544	20,799
Other Increases	19,134	87,167	13,607
Judicial: Other Increase	17,811	45,333	14,565
Judicial: Civil Legal Aid	8,680	8,680	11,974
Legislative	2,845	3,810	3,767
Family & Medical Leave Insurance	0	82,000	0
Disaster Recovery	0	80,835	0
L&I: Increases	0	55,043	0
Employment Security: Increases	0	13,096	0
Disaster Response Account	0	12,500	0
Other Savings	-1,111	-20,468	-1,925
Shift Funding Between Accounts	-4,000	0	0
Replace GF-State with VW Payment	-5,000	0	0
Judicial: Fund Shift	-11,802	0	-11,825
L&I: Dedicated Account	-19,128	0	-19,162

NGF-P = GF-S + ELT + OpPath

**2017-19 Omnibus Operating Budget**  
**Proposed Substitute House Bill 1067**  
(Dollars In Thousands)

	2017-19		2019-21
	NGF-P	Total	NGF-P
Local Public Safety Account	-50,000	-50,000	-50,000
<b>All Other Policy Changes Total</b>	<b>56,382</b>	<b>438,158</b>	<b>105,304</b>
<b>Grand Total</b>	<b><u>3,222,357</u></b>	<b><u>5,455,126</u></b>	<b><u>4,587,438</u></b>

# K-12 EDUCATION

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## MCCLEARY

### **K-12 Salary Allocations (\$1,764.9 million Near General Fund-State, WA Opportunity Pathways Account)**

Funding is provided to implement House Bill 2185 (K-12 Funding) increasing state funded salary allocations for certificated instructional staff, classified staff, and certificated administrative staff. The increased salary allocations include one day of professional learning time for each of the three staff types for school year 2017-18 and two days of professional learning time for each of the three staff types for school year 2018-19. Increased salary allocations related to implementation of House Bill 2185 are in addition to the I-732 salary allocation increases described below. Beginning with the 2019-20 school year, implementation of HB 2185 includes increased allocations totaling approximately \$1,071.4 million for the Learning Assistance Program, Highly Capable Program, Transitional Bilingual Instructional Program, and increased staffing in elementary schools for parent involvement coordinators and in middle and high schools for guidance counselors. Additionally, savings of \$1,914.4 million is assumed beginning in fiscal year 2020 related to suspension of the I-1351 class size initiative.

### **K-3 Class Size Reductions (\$492.1 million Near General Fund-State, 0.7 million WA Opportunity Pathways Account)**

Funding is provided at maintenance level to complete implementation of the reductions in class sizes for kindergarten through third grade, as required by Substitute House Bill 2776 (2010). Beginning with the 2017-18 school year, state funding is provided for a class size of 17 students in each of grades kindergarten through third for all elementary schools.

## OTHER

### *Increases*

### **I-732 Cost-of-Living Adjustments (\$348.7 million Near General Fund-State, \$1.1 million WA Opportunity Pathways Account)**

Maintenance level funding includes salary allocations for the I-732 cost-of-living adjustment. The increases are 2.3 percent for the 2017-18 school year and 2.7 percent for the 2018-19 school year. Increased salary allocations related to implementation of House Bill 2185 are in addition to the I-732 salary allocation increases.

### **Local Effort Assistance (\$117.1 million Near General Fund-State)**

Funding is provided to increase allocations for the Local Effort Assistance program. Engrossed Senate Bill 5023 (schools/excess levies) delayed the revisions to the levy lid, levy base and related changes to the local effort assistance program by one year. House Bill 2185 (K-12 Funding) makes additional revisions, eliminating other calculated amounts, referred to as "ghost money", from the levy base in calendar year 2018 and phasing down the levy lid and related local effort assistance program changes over three years beginning with calendar year 2019.

### **Educator Workforce Supply (\$7.0 million Near General Fund-State)**

Funding is provided to implement House Bill 1827 (educator workforce supply), implementing programs to increase teacher recruitment and retention.

### **Career-Connected Education (\$6.0 million Near General Fund-State)**

Funding is provided to support career-connected education through a grant program developed and coordinated by the Office of the Superintendent of Public Instruction and the Workforce Training and Educator Coordinating Board.

### **Student Meals & Nutrition (\$2.6 million Near General Fund-State)**

Funding is provided for implementation of Engrossed Substitute House Bill 1508 (student meals & nutrition), providing grants for the Breakfast After the Bell Program.

### ***Savings***

#### **Certificates of Achievement (\$21.1 million Near General Fund-State)**

Savings is assumed from implementation of Substitute House Bill 1046 (certificates of achievement), decoupling graduation requirements from statewide high school assessments. Savings results from eliminating the Certificate of Academic Achievement and the Certificate of Individual Achievement.

#### **Teacher Evaluation Training (\$10.0 million Near General Fund-State)**

Funding for teacher evaluation training is eliminated, resulting in savings of \$10 million.

# HIGHER EDUCATION

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## TUITION FREEZE

### **Freeze Tuition and Provide Additional State Support (\$56.3 million Education Legacy Trust Account-State)**

At the public institutions of higher education, resident undergraduate tuition (operating fee) is frozen at current rates. Funding is provided to backfill the estimated revenue from the statutorily permitted operating fee increase, estimated at 2.2 percent in the 2017-18 academic year and 2.0 percent in the 2018-19 academic year.

## FINANCIAL AID

### *Increases*

#### **State Need Grant (\$72.7 million Education Legacy Trust Account-State)**

Additional funding is provided for the State Need Grant, a need-based financial aid program, which currently serves about 69,000 students. The funding provided maintains current service levels and expands to serve approximately 6,000 additional eligible students each year. This funding decreases the number of eligible students on the waiting list by approximately 25 percent, from about 23,500 to 17,600 students annually.

#### **Opportunity Scholarship (\$17.7 million Education Legacy Trust Account-State)**

The Washington State Opportunity Scholarship program (WSOS), a public-private partnership, provides scholarships to low- and middle-income students who have received their high school diploma or GED in Washington State and are pursuing a four-year degree in science, math, technology, engineering, or health care. Private donations leverage a state match of up to \$50 million per year. \$14.7 million is provided to match estimated private donations. An additional \$3 million is provided to expand WSOS to include students pursuing professional-technical certificates or degrees.

### *Savings*

#### **Re-suspend Financial Aid Programs (-\$11.1 million Near General Fund-State)**

The Washington Scholars Program, Washington Award for Vocational Excellence, Community Scholarship Matching Grants, Foster Care Endowed Scholarship, and the Future Teachers Conditional Scholarship and Loan Repayment Program have all been suspended each biennium since the 2011-13 biennium. These programs remain suspended for the 2017-19 biennium.



## OTHER

### *Increases*

#### **Medical Education (\$17 million Near General Fund-State)**

An additional \$5 million is provided to continue medical education for 20 additional students in their third and fourth years at the University of Washington's Washington, Wyoming, Alaska, Montana, and Idaho medical education program in Spokane, in partnership with Gonzaga University. An additional \$2 million is provided to add a second year of dental curriculum to the Regional Initiatives in Dental Education program operated in Spokane in partnership with Eastern Washington University. \$10 million is provided to the Washington State University Elson S. Floyd College of Medicine to support both the inaugural class of 60 medical students starting in Fall 2017 and 60 first and 60 second year students starting in Fall 2018.

#### **Student Success Initiatives (\$15 million Near General Fund-State)**

A total of \$15 million is provided for student success programs at Eastern Washington University (\$1.8 million), Central Washington University (\$1.8 million), The Evergreen State College (\$600 thousand), Western Washington University (\$2.4 million), and the State Board for Community and Technical Colleges (\$8.5 million) to improve retention and graduation rates through advising, tutoring, and other educational supports.

#### **Computer Science Enrollments (\$6 million Near General Fund-State)**

Funding is provided for the expansion of degrees at the University of Washington Department of Computer Science and Engineering.

#### **I-BEST Enrollments (\$3 million Near General Fund-State)**

Funding is provided to increase enrollments in the Integrated Basic Education and Skills Training program (I-BEST), which pairs two teachers in a classroom to provide both job-training and adult basic education. Funding will support approximately 240 additional I-BEST full-time equivalent enrollments annually.

#### **Student Loan Assistance (\$2.8 million Other Funds)**

Funding is provided to create a Student Education Loan Ombuds to provide assistance to student education loan borrowers who file complaints and for the regulation of student loan servicers. Funding is provided to implement a statewide student education loan debt hotline and counseling program.

# EARLY LEARNING & CHILD CARE

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## *Increases*

### **Early Childhood and Education Assistance Program (ECEAP) Expansion (\$30.9 million Near General Fund-State)**

The ECEAP provides preschool and wrap-around services to low-income 3 and 4 year olds. The program is expanded from 11,691 by adding 800 slots in fiscal year 2018 and another 1,243 slots in fiscal year 2019, for a total of 13,734 new slots by the end of the 2017-19 biennium. Of the additional 2,043 slots, 400 are funded for three hours, 1,243 are funded for six hours, and the remaining 400 are funded for 10 hours.

### **Early Childhood and Education Assistance Program Rate Increase (\$7.9 million Near General Fund-State)**

Funding is provided for a rate increase for slots in ECEAP. The rate for a partial day ECEAP slot will increase by \$220, the rate for a full day ECEAP slot will increase by \$610, and the rate for an extended day ECEAP slot will increase by \$469 effective July 1, 2017.

### **Child Care Center Rate Increase (\$25.0 million Near General Fund-State; \$0.2 million Other Funds)**

Funding is provided for a 6.1 percent base rate increase for child care centers receiving Working Connections Child Care, Seasonal Child Care payments or child care payments from the Children's Administration.

### **Family Home Child Care Providers Contract (\$15.1 million Near General Fund-State; \$0.1 million Other Funds)**

Funding is provided for the 2017-19 collective-bargaining agreement with family home child care providers. The agreement includes a 2 percent base rate increase for licensed family home providers; a rate increase for Family, Friend and Neighbor unlicensed providers; increased health insurance premium coverage; and other provisions.

### **Time and Attendance System (\$10.6 million Other Funds)**

Federal authority is provided for the Department of Early Learning to purchase an electronic time and attendance system in the 2017-19 biennium. \$24 million in savings are assumed in the 2019-21 biennium as a result of an anticipated decrease in overpayments in the Working Connections Child Care program.

## *Savings*

### **Early Achievers (-\$4.6 million Near General Fund-State)**

Savings are assumed in the Early Achievers Quality Rating and Improvement System for child care and early learning providers. The reduction to the Early Achievers system may be applied to one or more areas of the system such as support services, technical assistance, coaching, educational scholarships, professional tools and curriculum, training or professional development.

*See the Department of Children, Youth, and Families summary for information on the transfer of early learning to the new agency in fiscal year 2019*

# DEPARTMENT OF SOCIAL & HEALTH SERVICES

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## LONG TERM CARE & DEVELOPMENTAL DISABILITIES

### *Increases*

#### **Home Care Worker Contract, Agency Parity, & Other Home Care Increases (\$100.2 million Near General Fund-State; \$111.8 million Other Funds)**

Funding is provided for the 2017-19 collective-bargaining agreement with individual providers (IPs) of in-home personal care services, as well as for home care agency providers to receive wage and benefit parity with IPs. Additionally, funding is provided to maintain the 65-hour work week limit for certain IPs in fiscal year 2018, rather than decreasing the work week limit to 60 hours, and to pay IPs for hours of informal support as required by the federal Fair Labor Standards Act.

#### **Adult Family Home Contract (\$28.2 million Near General Fund-State; \$35.5 million Other Funds)**

Funding is provided to implement the 2017-19 collective-bargaining agreement with adult family homes. The agreement includes increases to the base daily rate, other specialized rates, mileage reimbursement, and community integration payments.

#### **Nursing Home Payment Rates (\$11.7 million Near General Fund-State; \$11.7 million Other Funds)**

Funding is provided to eliminate a rate penalty paid by nursing homes on behalf of certain residents and to authorize an upward rate adjustment for residents with behavioral or cognitive issues, pursuant to Substitute House Bill 1968 (nursing home payments). Funding is also provided for a rate increase designed to bring nursing home employee wages to the statewide minimum wage established in Initiative 1433. In addition to the amounts listed above, the direct and indirect care components of the nursing home rate are cost-rebased in fiscal year 2019 in maintenance level.

#### **Other Vendor Rate Increases (\$45.2 million Near General Fund-State; \$46.8 million Other Funds)**

Funding is provided to increase the hourly benchmark rate for community residential service providers, including supported living, by \$1.25 on July 1, 2017, and an additional \$1.00 on July 1, 2018. Rates are also increased to bring vendors' employee wages to the statewide minimum wage established in Initiative Measure No. 1433; this covers assisted living facilities including adult residential care and enhanced adult residential care, adult day care and adult day health providers, and home care agency administration.

#### **High School Transition Students (\$2.7 million Near General Fund-State; \$2.7 million Other Funds)**

Funding is provided for approximately 600 individuals with a developmental disability to enroll in a Medicaid waiver and receive employment services upon transitioning from high school. In addition to the amounts listed above, funding is provided in maintenance level for transition students already enrolled in a Medicaid waiver to receive employment services.

## ***Savings***

### **Employment Services Historical Underspend (-\$4.7 million Near General Fund-State; -\$4.7 million Other Funds)**

Over the past five years, the Developmental Disabilities Administration has underspent available funding for employment services. A one-time reduction is made based on the average underspend.

## **CHILDREN'S ADMINISTRATION**

### ***Increases***

#### **Child Welfare Social Workers (\$6.4 million Near General Fund-State; \$1.9 million Other Funds)**

Funding is provided to phase-in a total of 61.7 FTEs, including foster care case workers and support and supervisory staff for the case workers. The additional staff will make progress towards reaching an 18:1 caseload ratio statewide for case workers who serve children in foster care.

#### **Emergent Placement Contracts (\$4.6 million Near General Fund-State; \$0.0 million Other Funds)**

Funding is provided for contracted emergent placement services that will help avoid the use of hotels or agency offices as emergency placements for children who are unsafe at home. The contracts feature the ability to accept children 24 hours per day, seven days per week, and a 3:1 staffing ratio per child.

#### **In-Home Services Travel Time (\$4.6 million Near General Fund-State; \$0.3 million Other Funds)**

Funding is provided to reimburse contracted providers of in-home child and family services for travel time. Covered providers include Family Preservation Services and Parent-Child Interaction Therapy, among others.

#### **Parent-Child and Sibling Visitation Services (\$2.6 million Near General Fund-State; \$0.4 million Other Funds)**

Funding is provided for the Children's Administration to develop, implement, or expand strategies to improve the capacity, effectiveness, and reliability of contracted visitation services for children in temporary out-of-home care. Strategies may include increasing mileage reimbursement for providers or offering transportation-only contract options.

***See the Department of Children, Youth, and Families summary for information on the Children's Administration transfer from DSHS to the new agency in fiscal year 2019.***

## BEHAVIORAL HEALTH

### *Increases*

#### **State Hospital Investments (\$81.0 million Near General Fund-State; \$0.5 million Other Funds)**

Funding is provided to improve the quality and safety of patients at the state hospitals as well as to increase capacity in order to meet federally mandated timelines for competency evaluation services. This includes funding for an increase of 212 FTEs at the state hospitals. It also includes funding for a 25 bed increase in contracted forensic restoration beds. The state hospitals are provided funding for substance use disorder treatment at the state hospitals. In fiscal year 2019, one ward which currently serves civil patients is converted to a forensic ward and another such conversion is assumed in the following biennium.

#### **Community Investments for State Hospital Patients with Long Term Care Needs (\$19.6 million Near General Fund-State; \$18.4 million Other Funds)**

A total of 286 community placements are funded by the end of fiscal year 2021 for patients with long-term care needs who are ready to discharge from state psychiatric hospitals. This includes placements in nursing homes, adult family homes, assisted living facilities, and enhanced service facilities, as well as supportive housing services. One state-operated living facility is funded to house four discharged patients beginning in fiscal year 2019.

In addition, funding is provided to place a total of 26 patients with developmental disabilities who are ready to discharge from state psychiatric hospitals in 13 new state-operated living alternative (SOLA) homes by the end of fiscal year 2021. Client choice is preserved for patients with developmental disabilities to discharge to other community settings.

#### **Community Mental Health Investments (\$43.8 million Near General Fund-State; \$60.1 million Other Funds)**

Funding is provided for a variety of enhancements for community behavioral health treatment. This includes funding for 48 community beds that will provide long term treatment to individuals on 90 or 180 day civil commitments to be phased in by the end of the biennium. An additional 48 beds are assumed to be phased in during the following biennium. Funding is also provided for 64 psychiatric residential treatment beds, 32 crisis triage beds, and new mobile crisis treatment teams.

A rate increase is provided for behavioral health organizations and for psychiatric inpatient providers. Funding is provided to allow for Medicaid reimbursement of primary care providers participating in collaborative care programs. Funding is provided for behavioral health organizations to hire peer specialists to provide outreach services to individuals who are homeless. Administration of physical and behavioral health care services is integrated through the transfer of funding and staff responsible for administration of community behavioral health services at the Department of Social and Health Services to the Health Care Authority.

#### **Mental Health Housing Investments (\$8.8 million Near General Fund-State)**

Funding is provided to phase in 300 permanent supportive housing slots that will be prioritized for individuals transitioning from state hospitals or other psychiatric inpatient facilities who have barriers to timely discharge. Funding is also provided for two additional Housing and Recovery Support Programs which provide temporary rental assistance and supportive housing services for mental health clients.

### **Substance Use Disorder Treatment Investments (\$23.9 million Other Funds)**

The State is expecting approval from the Federal government for two federal grants focused on addressing opioid addiction. One of the grants is focused on reducing the deaths associated with opioid overdose. The other is focused on variety of prevention and treatment strategies including expanding access to Medication Assisted Treatment.

#### ***Savings***

#### **Item with savings (-\$21.0 million Near General Fund-State)**

Funding is eliminated for a western state hospital civil ward that was funded in fiscal year 2015 but has not opened as well as by aligning funding levels for recent community investments with actual expenditure levels. In addition, a one-time savings of \$146 million is assumed in the fiscal year 2019-21 biennium when the community behavioral health program must be fully integrated into managed care pursuant to Chapter 71.24.845. It is assumed that funding for these services will shift from behavioral health organizations to fully integrated managed care contracts and that the current behavioral health organizations will be required to return state and federal medicaid reserves remaining after termination of their contract.

## **ECONOMIC SERVICES ADMINISTRATION**

#### ***Increases***

#### **Increase to Cash Assistance Grant Levels (\$15.7 million Near General Fund-State; \$0.2 million Other Funds)**

Beginning in fiscal year 2019, an 8 percent grant increase is provided for the Temporary Assistance to Needy Families (TANF), State Family Assistance (SFA), and Refugee Cash Assistance (RA) programs. The average TANF grant amount for a family of four will increase from \$613 per month to \$662 per month. The cash grant is also increased for the Aged, Blind, or Disabled (ABD) program from \$197 to \$227 per month in fiscal year 2019.

#### **Increase the Resource Limit for Cash Assistance Applicants (\$6.1 million Near General Fund-State)**

Funding is provided for changes to the TANF, SFA and ABD program resource limits, consistent with Engrossed Substitute House Bill 1831 (public assistance/resources). One vehicle, up to \$10,000 in value, and all other resources up to \$6,000 are exempt for cash assistance applicants. Currently, the asset limit is \$1,000 of liquidable assets and a vehicle exclusion of no more than \$5,000.

#### ***Savings***

#### **Increase the Financial Service Specialist (FSS) Staff to Supervisor and Lead Worker Ratio (-\$6.1 million Near General Fund-State; -\$1.9 million Other Funds)**

Currently, Financial Service Specialist (FSS) Lead Workers and Financial Supervisors make up 25 percent of the total workforce determining financial eligibility for multiple Economic Services Administration programs, including food, cash and medical. Funding is reduced to reflect a reduction in the number of FSS Lead Workers and Financial Supervisors to 20 percent of the total workforce.

# HEALTH CARE

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## *Increases*

### **Healthier Washington Savings Restoration (\$61.0 million Near General Fund-State, \$75.9 million other funds)**

The 2016 supplemental budget included \$31 million in annual state savings as a result of the Healthier Washington program. The Health Care Authority (HCA) expects to achieve approximately \$1.8 million per year in state savings by integrating physical and behavioral health services in Southwest Washington. The HCA does not expect to achieve additional savings during this biennium. Funding is provided to restore the unmet savings for the 2017-19 biennium. (Funding is also included in the 2017 Supplemental for savings restoration.)

### **Medicaid Transformation Waiver (\$739.6 million other funds)**

The State received approval from the Federal government for a Section 1115 Demonstration Waiver in January 2017. The waiver funds: (1) incentive-based payments for transformation projects designed to improve health care delivery and lower the cost for the state's Medicaid population; (2) new services and supports for family caregivers that help people stay at home and avoid the need for more intensive services; and (3) supportive housing and supportive employment services for targeted individuals.

### **Hepatitis C Treatment (\$40.9 million Near General Fund-State, \$132.4 million other funds)**

Prior to June 2016, the State funded new Hepatitis-C treatments for Medicaid clients with high levels of liver scarring. Funding is provided to expand treatment to Medicaid clients with less severe liver disease whose coverage has been mandated by court order. This will extend treatment to approximately 6,000 additional Medicaid patients with less severe liver disease.

### **State Health Insurance Pool (\$5.6 million Near General Fund-State, \$12.9 million other funds)**

The Washington State Health Insurance Pool (WSHIP) provides insurance for individuals who are unable to obtain comprehensive health coverage or Medicare supplemental coverage. WSHIP offers Medicare and non-Medicare eligible plans. Funding is provided to extend the expiration date for individual non-Medicare coverage from December 31, 2017 until December 31, 2022.

## **Savings**

### **I-502 Revenue (-\$85.5 million Near General Fund-State, \$85.5 million other funds)**

Initiative 502, passed by voters in 2012, authorizes the regulation, sale, and taxation of marijuana for adults over the age of 21. The initiative directed a portion of the tax revenue to fund primary, dental, migrant, and maternity health care services through contracts with community health centers. It also directed a portion of revenue to the Basic Health Plan Trust Account. The Basic Health Plan was eliminated on January 1, 2014, and replaced by the Medicaid expansion and subsidized coverage sold through the Health Benefit Exchange. The Health Care Authority will use these tax revenues in lieu of state general fund payments to Medicaid managed care organizations and to community health centers for services provided to Medical Assistance clients.

### **Prescription Drug Costs (-\$32.1 million Near General Fund-State, \$-76.4 million other funds)**

The Health Care Authority is directed to implement a single standard preferred drug list to be used by all Medicaid managed health care systems. The prescription drug benefit for Medicaid managed health care systems is to be administered by a single pharmacy benefit manager under the prescription drug purchasing consortium. Funding is reduced to reflect savings achieved by this policy beginning January 1, 2018.



# PUBLIC SAFETY AND THE JUDICIARY

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## DEPARTMENT OF CORRECTIONS

### *Increases*

#### **Hepatitis-C Treatment (\$7.76 million General Fund-State)**

Funding is provided for the Department of Corrections (DOC) to treat newly identified patients who require treatment for Hepatitis-C. With this funding, DOC will be able to treat a total of 168 patients per year.

#### **Records Staff and IT Improvements (\$4.79 million General Fund-State)**

Funding is provided for DOC to add additional records staff to assist with screening offenders for supervision eligibility, ensuring accurate periods of supervision are imposed, and for staff training on agency records management. In addition, funding is provided to implement recommendations of a recent IT systems evaluation, including implementation of an improved IT governance system, improving service delivery, and enhancing data security.

#### **Work Release Vendor Rate Increase and Capacity Expansion (\$4.56 million General Fund-State)**

A 15 percent rate increase is provided for vendors who operate work release facilities to cover increased costs associated with operations. Additionally, subject to funding in the Capital budget, 41 beds will be added to the work release facility at Ahtanum View in Yakima, WA. Funding is provided for the operating impacts of this capacity expansion, beginning in fiscal year 2019.

#### **Facilities Expansion and Relocation (\$3.4 million General Fund-State)**

Funding is provided for costs associated with improvements and expansions of leased facilities and relocations of several community justice office spaces.

#### **Hearing Representation - Grisby v. Herzog Compliance (\$2.9 million General Fund-State)**

A court ruling in *Grisby v. Herzog* directed DOC to evaluate on a case-by-case basis whether to appoint an attorney for offenders during community custody hearings when the offender could be returned to prison. In cases where a finding is made that an attorney is required due to case complexity or other circumstances, DOC is required to appoint an attorney for the offender. Funding is provided to cover expenses for contracting with attorneys for this purpose.

## JUDICIAL PROGRAMS

### *Increases*

#### **Judicial Information Systems (\$2.3 million Near General Fund-State; \$27.5 million Other Funds)**

Specific funding is provided to continue the implementation of the new commercial off-the-shelf (COTS) superior court case management system and the expedited data exchange, also known as the information network hub. For other judicial information technology projects, General Fund-State funding is provided, as well as expenditure authority for the projected fund balance of the Judicial Information Systems Account. The Administrative Office of the Courts is directed to manage its remaining information technology costs within available resources. Expenditures may include additional support for the superior court case management system; the courts of limited jurisdiction case management system; equipment replacement; and support staff for information technology projects.

#### **Parents Representation Program and Child Permanency (\$8.7 million Near General Fund-State; \$7.2 million Other Funds)**

Funding is provided to complete the expansion of the Parents Representation Program (PRP) to all juvenile courts statewide. The PRP provides legal representation for indigent parents involved in child dependency and termination cases. Program expansion includes the counties of Adams, Douglas, Island, Lewis, Lincoln, Okanogan, San Juan, Walla Walla, and the remainder of Pierce.

Funding is also provided for the Office of Public Defense, Office of the Attorney General, and Department of Social and Health Services to address an increase in parental rights termination caseload demands.

#### **Civil Justice Reinvestment (\$5.3 million Near General Fund-State)**

Funding is provided to expand civil legal aid services statewide. The Office of Civil Legal Aid will contract for an additional 30 attorneys. Funding also includes associated local pro bono support and agency administrative support.

### *Savings*

#### **Judicial Stabilization Trust Account (-11.8 million Near General Fund-State)**

The Judicial Stabilization Trust Account and related surcharges are scheduled to expire on June 30, 2017. House Bill 1140 (court filing fees surcharge) extends the account and surcharges on court filing fees until July 1, 2021. The account will continue to support selected judicial programs.

# NATURAL RESOURCES

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## *Increases*

### **Fish and Wildlife (\$3.3 million Near General Fund-State, \$28.4 million Other Funds)**

Additional funding is provided to the Department of Fish and Wildlife, largely through revenue provided in four bills. A total of \$22.7 million is provided for maintaining and increasing recreational and commercial fishing opportunities, funded by fishing license fees changes in Substitute House Bill 1597 (Commercial fishing) and House Bill 1647 (Rec. fishing & hunting fees). An additional \$5.4 million is provided for a variety of hunting-related activities, funded by hunting license fees also contained in House Bill 1647.

New vessel fees in Substitute House Bill 1429 (Aquatic invasive species) fund increased prevention and management of aquatic invasive species. Finally, Substitute House Bill 1428 (Construction in state waters) modifies fees that support the HPA program, which regulates construction projects in or near water to protect fish life.

### **Clean Air Rule (\$4.6 million Near General Fund-State)**

The Department of Ecology (Ecology) adopted a final Clean Air Rule (Rule) in September 2016. The Rule establishes caps on the greenhouse gas emissions of certain businesses in Washington (examples include natural gas distributors, oil refineries, and power plants), and reduces those caps over time. Funding is provided for Ecology's costs to implement the Rule, including managing and analyzing data, providing technical assistance, and verifying compliance.

### **Outdoor Recreation and Education (\$13.9 million Other Funds)**

A redirection of \$10.0 million per biennium of Litter Tax revenue for support of the State Parks and Recreation Commission (State Parks) is continued into the 2017-19 biennium. Funding is also provided for preventive maintenance of state parks and trails. A total of \$2.0 million is provided to State Parks for the No Child Left Inside program, which provides youth outdoor education grants.

### **Wildfire Suppression (\$2.8 million Near General Fund-State, \$38.2 million Other Funds)**

The Department of Natural Resources (DNR) is the state's primary firefighting agency and the Washington State Patrol (WSP) oversees the Fire Service Resource Mobilization Plan. Funding is provided for fiscal year 2017 fire suppression costs for DNR and WSP that exceeded current appropriations, including \$35.4 million from the Budget Stabilization Account provided in separate legislation.

## *Savings*

### **Model Toxics Control Act Reductions (-\$9.9 million Other Funds)**

The three Model Toxics Control Act (MTCA) accounts are funded by Hazardous Substance Tax revenues, which have declined in recent years along with the price of oil. In order to balance the MTCA accounts, reductions are made to the Department of Ecology for MTCA-funded staff, low-impact development training, and grants to local governments for Shoreline Master Plan updates and stormwater permit activities.

# GENERAL GOVERNMENT AND OTHER

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## DEPARTMENT OF COMMERCE

### *Increases*

#### **Reducing Homelessness (\$11.0 million Near General Fund-State; \$0.8 million Other Funds)**

Additional funding is provided for Department of Commerce (Commerce) programs to reduce homelessness. An additional \$4 million is provided for staff and grants to assist youth who exit a state system, such as juvenile detention, to find safe, stable housing. An additional \$1 million is provided to expand temporary rent assistance for homeless families. An additional \$6 million is provided for permanent supportive housing for chronically homeless families and individuals. An additional \$2 million is provided for services to homeless families through the Washington Youth and Families Fund. Finally, an additional \$6 million in expenditure authority from the Home Security Account is provided for the Consolidated Homeless Grant Program. Funding of \$7.5 million previously transferred from the Home Security Account to the Transitional Housing Operating and Rent Account is retained in the Home Security Account.

The behavioral health plan also includes \$6 million not included in this total for 300 beds for individuals with a history of mental illness. Commerce will contract with local entities to provide a mix of low-barrier housing, shared permanent supportive housing, and independent permanent supportive housing. A behavioral health supportive housing administrator within Commerce will coordinate the development of behavioral health housing options and services statewide to aid in the discharge of individuals from the state psychiatric hospitals.

## OFFICE OF FINANCIAL MANAGEMENT

### *Increases*

#### **One Washington Program (\$4.5 million Other Funds)**

Funding is provided to support the One Washington Program, a comprehensive business enterprise program to modernize and improve aging data administrative systems and related business processes that are common across state government.

## DEPARTMENT OF LABOR AND INDUSTRIES

### *Increases*

#### **Business Transformation (\$16.7 million Other Funds)**

Funding is provided to support business transformation within the Department of Labor and Industries. Business transformation projects include website and provider credentialing system replacements, information technology and data assessments, and technology infrastructure improvements.

## *Other*

### **Construction Registration Inspection Account (-\$19.1 million Near General Fund-State; \$19.1 million Other Funds)**

House Bill 1716 (construction inspection account) creates a dedicated account for the fee-supported Contractor, Factory Assembled Structures (FAS), and Elevator programs within the Department of Labor and Industries. The bill transfers the program's operating costs and revenues from the General Fund-State to the dedicated account. The state's general fund will retain fines and penalty revenue indefinitely, and seven percent of revenue from fees collected by the Contractor, FAs, and Elevator programs until June 30, 2023.

## **CONSOLIDATED TECHNOLOGY SERVICES**

### *Increases*

#### **Infrastructure for Cloud Services (\$5.7 million Other Funds)**

Funding is provided for the Consolidated Technology Services agency to establish direct connections to cloud computing providers and make related investments to support a projected increase in the adoption of cloud services by state agencies.

#### **Cybersecurity (\$6.4 million Other Funds)**

Funding is provided to support cybersecurity programs. This includes funding for cybersecurity infrastructure and staff, and the implementation of Substitute House Bill 1421 (Sensitive data/st. networks) to reduce state government handling of sensitive data, and Second Substitute House Bill 1929 (IT system security testing) to support security testing of state agencies.

## **LIQUOR AND CANNABIS BOARD**

### *Increases*

#### **Enforcement and Modernization (\$6.1 million Other Funds)**

Funding is provided for the modernization of licensing, enforcement and imaging applications and for pesticide and potency testing in support of accurate labeling for recreational and medical marijuana. Funding is also provided to develop a new traceability system to track marijuana from seed to sale in a market that has developed to include many different forms of product. Funding is provided for increased enforcement for the medical and recreational marijuana markets.

## **MILITARY DEPARTMENT**

### *Increases*

#### **Disaster Response Account (\$80.8 million Other Funds)**

Disaster Response Account expenditure authority of \$80.8 million is provided for the Military Department to continue managing recovery projects for 12 previously declared disasters, including the 2014 and 2015 wildfires in central Washington and the Oso landslide. The Military Department is anticipating federal reimbursements for previously declared disasters for deposit into the Disaster Response Account (DRA). However, reimbursements are currently delayed, leaving the account with a projected \$42 million shortfall at the end of the 2015-17 biennium. General funds are temporarily transferred into the DRA. Additionally, separate legislation not included in the total above provides \$12.5 million from the Budget Stabilization Account to the DRA to keep the account solvent.

# STATE EMPLOYEE COMPENSATION

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## *Increases*

### **State Employee Collective Bargaining Agreements (\$271.0 million Near General Fund-State, \$209.8 million Other Funds)**

Collective bargaining agreements negotiated with general government and higher education employees are approved. Funding is provided for the non-health benefit items in the bargaining agreements, mainly salaries. Many of the agreements provide for three general salary increases of 2 percent on July 1, 2017, July 1, 2018, and January 1, 2018. Other agreements contain general salary increases of greater or lesser amounts. Many employees covered by the agreements also receive class-specific salary range adjustments.

### **Salary Adjustments for Non-represented State Employees (\$158.9 million Near General Fund-State, \$170.4 million Other Funds)**

Funding is provided for general salary increases for non-represented state and higher education employees of 2 percent on each of July 1, 2017, July 1, 2018, and January 1, 2018. Funding is also provided for job class-specific salary increases, and other non-represented employee compensation related items.

### **State Employee Health Benefits Funding, Represented Employees (\$54.1 million Near General Fund-State, \$54.7 million Other Funds)**

Funding rates for state employee health benefits are increased to \$912 per employee per month in fiscal year 2018, and \$1,041 in fiscal year 2019. The impact of the funding rate increase in this summarized item reflects the cost of the increase for represented employees.

### **State Employee Health Benefits Funding, Non-Represented Employees (\$25.9 million Near General Fund-State, \$84.2 million Other Funds)**

Funding rates for state employee health benefits are increased to \$912 per employee per month in fiscal year 2018, and \$1,041 in fiscal year 2019. The impact of the funding rate increase in this summarized item reflects the cost of the increase for non-represented employees. The retiree subsidy for Medicare-eligible retirees is also increased from \$150 to \$166 per Medicare-eligible retiree per month in calendar year 2018, and to \$183 per month in calendar year 2019. The funding rate also reflects an increase in the required claims reserve from 7.0 to 7.2 percent.

### **Public Safety Employees' Retirement System Membership (\$5.4 million Near General Fund-State, -\$3.4 million Other Funds)**

Funding is provided for the contribution rate impacts associated with House Bill 1558 (PSERS/offender nursing care) which moves an estimated 2,900 employees providing care in state institutions from the Public Employees' Retirement System to the Public Safety Employees' Retirement System (PSERS). Under the provisions of the bill, membership in the PSERS system will provide for retirement at earlier ages for pension service earned after the effective date of the act.

### **Pension Contribution Rate Increases (\$239.9 million Near General Fund-State, \$66.8 million Other Funds)**

Funding is provided for the contribution rate increases as adopted by the Pension Funding Council for the 2017-19 fiscal biennium for the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Public Safety Employees' Retirement System, and the Washington State Patrol Retirement System. Funding is included for these increases in individual agency and institution budgets.

## *Savings*

### **Suspend the Local Public Safety Enhancement Account (-\$50.0 million Near General Fund-State)**

Funding for the Local Public Safety Enhancement Account (LPSA) is suspended for the 2017-19 fiscal biennium, and intent is expressed to fund future transfers to the LPSA from sources other than the State General Fund. Funds in the LPSA could provide for future increases to pension benefits for Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) members and provide for funding to the local government employers of LEOFF 2 members.

# OTHER HUMAN SERVICES

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## DEPARTMENT OF HEALTH

### *Increases*

#### **Public Health (\$40.0 million Near General Fund-State)**

Funding is provided as part of Foundational Public Health Services for the Department of Health to implement strategies to control the spread of communicable diseases and other health threats. This includes the development of a governmental public health improvement plan; maintenance, updating, or replacement of equipment in the state public laboratory; addressing health inequities among state residents; a review of adverse events at medical facilities and their root cause analysis reports; prevention of the adverse health consequences of hepatitis C; and an assessment of IT system consolidation and modernization opportunities for statewide public health data systems. Funding is also provided for distribution to Local Health Jurisdictions to improve their ability to monitor and prevent communicable disease and address chronic disease and injury prevention.

#### **Lead in Schools and Communities (\$5.8 million Near General Fund-State)**

Funding is provided for screening, case management, and an electronic data reporting system to identify and track children who are at the highest risk of having elevated levels of lead in their blood. Funding is also provided to test water fixtures in schools across the state, with an emphasis on testing older schools first.

#### **HIV Early Intervention Program (\$8.1 million Other Funds)**

Funding is provided to expand eligibility for the HIV Early Intervention Program. The Department of Health will target its efforts toward populations with health disparities in the HIV Early Intervention Program.

#### **Health Professions (\$3.5 million Other Funds)**

Funding is provided for the Medical Quality Assurance Commission to address an increased workload and to allow it respond more promptly to issues that impact potential patient harm. Funding is also provided to the Pharmacy Commission for improved research and communication to individual pharmacies regarding the development and implementation of new and changing rules.

## DEPARTMENT OF SERVICES FOR THE BLIND

### *Increases*

#### **Business Management System (\$3.2 million Near General Fund-State)**

Funding is provided to allow the Department of Services for the Blind to develop and implement a new business management system for the delivery of services and to support its compliance with state and federal requirements.



## DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES

### *Increases*

#### **Creation of the New Department of Children, Youth, and Families (\$5.9 million Near General Fund-State)**

Engrossed Second Substitute House Bill 1661 (child, youth, families/dept) creates a new Department of Children, Youth, and Families (DCYF). The legislation moves responsibility for early learning from the Department of Early Learning and child welfare programs from the Department of Social and Health Services (DSHS) Children's Administration to the DCYF on July 1, 2018, and juvenile justice programs from the DSHS Juvenile Rehabilitation Division to the DCYF on July 1, 2019. In addition to the transfer of funding for early learning, child welfare, and juvenile justice, additional funding is provided to create the new department, including a new Office of Innovation, Alignment, and Accountability.

#### **Support for Administrative Functions in the Department of Social and Health Services (\$3.3 million Near General Fund-State)**

The transfer of the Children's Administration (CA) creates a cost differential within the Department of Social and Health Services by reducing the economies of scale for administration and support services; funding is provided for the differential.

*See the Department of Early Learning and DSHS Children's Administration for a summary of the policy level investments in early learning and child welfare that are transferred to the new agency in fiscal year 2019.*

## EMPLOYMENT SECURITY DEPARTMENT

### *Increases*

#### **Family and Medical Leave Insurance (\$82 million Other Funds)**

Funding is provided for the start-up costs of implementing the Family and Medical Leave Insurance Program (FMLI) pursuant to Substitute House Bill 1116 (family and med leave insurance). FMLI will provide benefits for individuals on leave for a family member's or the individual's own serious health condition or for a military exigency, in addition to leave for a child's birth or placement. Revenues into the Family and Medical Leave Insurance Account are based on a premium of 0.255 percent of wages beginning on July 1, 2018, and then 0.51 percent of wages beginning on January 1, 2020, with subsequent annual adjustments, and allows employers to deduct one-half of premiums from employee wages.

**Proposed House Bill 1067**  
**Near GF-S & Opportunity Pathways Account**

(Dollars in Millions)

	2015-17			2017-19			2019-21		
	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19	FY 2020	FY 2021	2019-21
<b>Beginning Balance</b>	<b>1,011</b>	<b>1,402</b>	<b>1,011</b>	<b>1,596</b>	<b>1,251</b>	<b>1,596</b>	<b>1,219</b>	<b>762</b>	<b>1,219</b>
<b>Current Revenues</b>	<b>18,933</b>	<b>20,030</b>	<b>38,962</b>	<b>20,392</b>	<b>21,205</b>	<b>41,597</b>	<b>22,159</b>	<b>23,157</b>	<b>45,316</b>
March 2017 Revenue Forecast	18,933	20,030	38,962	20,392	21,205	41,597	21,826	22,628	44,454
Addtl Revenue Based on 4.5% Growth Rate	0	0	0	0	0	0	333	529	862
<b>Other Resource Changes</b>	<b>-36</b>	<b>-113</b>	<b>-149</b>	<b>741</b>	<b>1,940</b>	<b>2,682</b>	<b>2,234</b>	<b>2,421</b>	<b>4,655</b>
GF-S Transfer to BSA (1%)	-186	-197	-382	-200	-209	-409	-217	-226	-443
GF-S Extraordinary Revenue to BSA	0	-867	-867	0	0	0	0	0	0
Extraordinary Revenue from BSA to GF-S	0	867	867	0	0	0	0	0	0
Budget Driven Revenue	0	-1	-1	8	8	16	35	36	71
Other Legislation	0	0	0	-10	-10	-19	96	98	194
Prior Period Adjustments	67	20	88	20	20	41	20	20	41
CAFR Adjustments	-18	0	-18	0	0	0	0	0	0
Revenue Legislation	0	0	0	954	2,041	2,995	2,295	2,489	4,784
Fund Transfers	101	65	165	-32	90	58	6	3	9
<b>Total Revenues and Resources</b>	<b>19,908</b>	<b>21,319</b>	<b>39,825</b>	<b>22,730</b>	<b>24,397</b>	<b>45,875</b>	<b>25,613</b>	<b>26,339</b>	<b>51,190</b>
<b>Enacted Appropriations</b>	<b>18,627</b>	<b>19,826</b>	<b>38,454</b>	<b>18,627</b>	<b>19,826</b>	<b>38,454</b>	<b>20,157</b>	<b>20,497</b>	<b>40,654</b>
<b>Carryforward Level Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,066</b>	<b>-131</b>	<b>935</b>	<b>-132</b>	<b>-132</b>	<b>-264</b>
<b>Maintenance Level Total</b>	<b>0</b>	<b>-105</b>	<b>-105</b>	<b>843</b>	<b>1,409</b>	<b>2,251</b>	<b>2,880</b>	<b>3,544</b>	<b>6,424</b>
<b>Policy Level Total</b>	<b>0</b>	<b>107</b>	<b>107</b>	<b>1,044</b>	<b>2,178</b>	<b>3,222</b>	<b>2,056</b>	<b>2,532</b>	<b>4,587</b>
K-12 Education	0	1	1	-5	-6	-10	-7	-7	-15
McCleary Compensation & Staffing	0	0	0	534	1,231	1,765	2,282	2,841	5,123
Levy Equalization	0	0	0	37	80	117	74	65	139
I-1351 Class Size Initiative	0	0	0	0	0	0	-836	-1,078	-1,914
Higher Education	0	1	1	44	44	88	39	45	83
Tuition Freeze Backfill	0	0	0	19	37	56	38	39	77
Expand State Need Grant	0	0	0	25	24	49	24	24	49
Dept of Early Learning	0	0	0	-4	0	-4	0	0	-1
Early Childhood Education Assistance Program	0	0	0	13	27	39	26	-20	7
New Children's Agency	0	0	0	1	8	8	8	8	16
Mental Health/Dev. Disabilities/Long Term Care	0	-3	-3	23	32	56	-112	32	-80
Behavioral Health Investment Plan	0	49	49	67	68	135	81	95	176
Low Income Health Care	0	0	0	5	11	17	2	-1	2
Hospital Safety Net Expiration	0	0	0	0	0	0	-146	-146	-292
Hepatitis C	0	19	19	25	25	50	26	28	54
Healthier Washington Savings Restoration	0	31	31	31	31	61	0	0	0
Utilize I-502 Revenue for Low Income Health Care	0	-13	-13	-32	-53	-85	-63	-70	-133
Corrections/JRA/SCC	0	0	0	11	11	22	7	7	15
Children's/Economic Svcs	0	11	11	3	26	29	27	29	55
Debt Service	0	0	0	6	46	52	48	50	98
All Other	0	11	11	73	76	149	69	69	137
Public Safety Account Transfer	0	0	0	-50	0	-50	-50	0	-50
Employee Compensation	0	0	0	172	364	536	404	404	808
Provider CBA & Parity	0	0	0	48	95	143	115	119	235
<b>Reversions</b>	<b>-122</b>	<b>-105</b>	<b>-227</b>	<b>-101</b>	<b>-104</b>	<b>-206</b>	<b>-109</b>	<b>-114</b>	<b>-223</b>
<b>Revised Appropriations</b>	<b>18,506</b>	<b>19,723</b>	<b>38,229</b>	<b>21,479</b>	<b>23,177</b>	<b>44,656</b>	<b>24,852</b>	<b>26,326</b>	<b>51,178</b>
<b>Projected Ending Balance</b>	<b>1,402</b>	<b>1,596</b>	<b>1,596</b>	<b>1,251</b>	<b>1,219</b>	<b>1,219</b>	<b>762</b>	<b>12</b>	<b>12</b>
<b>Budget Stabilization Account</b>									
Beginning Balance	513	550	513	715	907	715	1,132	1,379	1,132
GF-S Transfer to BSA (1%)	186	197	382	200	209	409	217	226	443
GF-S Extraordinary Revenue to BSA	0	867	867	0	0	0	0	0	0
Extraordinary Revenue from BSA to GF-S	0	-867	-867	0	0	0	0	0	0
Appropriations from BSA	-189	-35	-225	-13	0	-13	0	0	0
Actual Reversions	37	0	37	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0
Interest Earnings	3	4	7	5	15	20	30	40	71
<b>Budget Stabilization Account Ending Balance</b>	<b>550</b>	<b>715</b>	<b>715</b>	<b>907</b>	<b>1,132</b>	<b>1,132</b>	<b>1,379</b>	<b>1,646</b>	<b>1,646</b>
<b>Total Reserves</b>	<b>1,952</b>	<b>2,311</b>	<b>2,311</b>	<b>2,159</b>	<b>2,351</b>	<b>2,351</b>	<b>2,141</b>	<b>1,658</b>	<b>1,658</b>

Note: Includes the following resources in the FY 2019-21 biennium that do not show up on the FY 2017-19 balance sheet

1. Public Works Redirections pursuant to assumed legislation: \$213 million
2. Streamlined Sales Tax Distribution Suspension pursuant to PSHB 1067: \$45 million

2017

2019



Washington State House of Representatives  
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