

# Washington State Operating Budget

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## Briefing Book

January 2009  
Office of Program Research



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# House Operating Budget Committees

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## House Ways & Means Committee 2009 Roster of Members

<i>Representative</i>	<i>Phone</i>	<i>Office</i>	<i>Legislative Assistant</i>
<i>Linville, Kelli (D), Chair</i>	<i>7854</i>	<i>JLOB 204</i>	<i>Adrienne Stuart</i>
<i>Ericks, Mark (D), Vice Chair</i>	<i>7900</i>	<i>JLOB 203</i>	<i>Heather Maxwell</i>
<i>Alexander, Gary (R) Ranking Minority Member</i>	<i>7990</i>	<i>JLOB 407</i>	<i>Barb Peters</i>
<i>Bailey, Barbara (R) Asst. Ranking Minority Member</i>	<i>7914</i>	<i>JLOB 406</i>	<i>Adam McCrow</i>
<i>Dammeier, Bruce (R) Asst. Ranking Minority Member</i>	<i>7948</i>	<i>JLOB 421</i>	<i>Brian Hardtke</i>
<i>Chandler, Bruce (R)</i>	<i>7960</i>	<i>LEG 427 B</i>	<i>Melinda Woods</i>
<i>Cody, Eileen (D)</i>	<i>7978</i>	<i>JLOB 337</i>	<i>Holly Mortlock</i>
<i>Conway, Steve (D)</i>	<i>7906</i>	<i>JLOB 307</i>	<i>Kimberlie Lelli</i>
<i>Darneille, Jeannie (D)</i>	<i>7974</i>	<i>LEG 436 B</i>	<i>Nancy Ryan</i>
<i>Haigh, Kathy (D)</i>	<i>7966</i>	<i>JLOB 431</i>	<i>Kim Moores</i>
<i>Hinkle, Bill (R)</i>	<i>7808</i>	<i>JLOB 401</i>	<i>Vicki Angelini</i>
<i>Hunt, Sam (D)</i>	<i>7992</i>	<i>LEG 438 B</i>	<i>Meagan Arndt</i>
<i>Hunter, Ross (D)</i>	<i>7936</i>	<i>JLOB 330</i>	<i>Marilyn Pedersen</i>
<i>Kagi, Ruth (D)</i>	<i>7910</i>	<i>JLOB 328</i>	<i>Allison Krutsinger</i>
<i>Kenney, Phyllis (D)</i>	<i>7818</i>	<i>JLOB 428</i>	<i>Jordan Rash</i>
<i>Kessler, Lynn (D)</i>	<i>7904</i>	<i>LEG 339 A</i>	<i>Samantha Casne</i>
<i>Pettigrew, Eric (D)</i>	<i>7838</i>	<i>LEG 122 H</i>	<i>April Dickinson</i>
<i>Priest, Skip (R)</i>	<i>7830</i>	<i>LEG 122 A</i>	<i>Steve Cain</i>
<i>Ross, Charles (R)</i>	<i>7856</i>	<i>JLOB 418</i>	<i>Tawnya Smith</i>
<i>Schmick, Joe (R)</i>	<i>7844</i>	<i>JLOB 419</i>	<i>Pam Hahn</i>
<i>Sequist, Larry (D)</i>	<i>7802</i>	<i>JLOB 317</i>	<i>Oriana Futrell</i>
<i>Sullivan, P. (D)</i>	<i>7858</i>	<i>LEG 122 G</i>	<i>Lesley Roberts</i>

## *House Education Appropriations Committee 2009 Roster of Members*

<i>Representative</i>	<i>Phone</i>	<i>Office</i>	<i>Legislative Assistant</i>
<i>Kathy Haigh (D), Chair</i>	<i>7966</i>	<i>JLOB 431</i>	<i>Kim Moores</i>
<i>Pat Sullivan (D), Vice Chair</i>	<i>7858</i>	<i>LEG 122G</i>	<i>Lesley Roberts</i>
<i>Skip Priest (R), Ranking Minority Member</i>	<i>7830</i>	<i>LEG 122A</i>	<i>Steve Cain</i>
<i>Glenn Anderson (R), Asst. Ranking Minority Member</i>	<i>7876</i>	<i>JLOB 412</i>	<i>Katie Schiewetz</i>
<i>Reuven Carlyle (D)</i>	<i>7814</i>	<i>JLOB 326</i>	<i>Matthew Gasparich</i>
<i>Cary Condotta (R)</i>	<i>7954</i>	<i>LEG 122B</i>	<i>Kurt Hammond</i>
<i>Larry Haler (R)</i>	<i>7986</i>	<i>LEG 122D</i>	<i>Jan Swenson</i>
<i>Mike Hope (R)</i>	<i>7892</i>	<i>JLOB 439</i>	<i>Blair Anderson</i>
<i>Ross Hunter (D)</i>	<i>7936</i>	<i>JLOB 330</i>	<i>Marilyn Pedersen</i>
<i>Ruth Kagi (D)</i>	<i>7910</i>	<i>JLOB 328</i>	<i>Allison Krutsinger</i>
<i>Tim Probst (D)</i>	<i>7994</i>	<i>JLOB 325</i>	<i>Steven Sparks</i>
<i>Dave Quall (D)</i>	<i>7800</i>	<i>JLOB 301</i>	<i>Rita Sullivan</i>
<i>Christine Rolfes (D)</i>	<i>7842</i>	<i>JLOB 336</i>	<i>Sarah Miller</i>
<i>Deb Wallace (D)</i>	<i>7976</i>	<i>LEG 429A</i>	<i>David Hodges</i>



## *House General Government Appropriations Committee 2009 Roster of Members*

<i>Representative</i>	<i>Phone</i>	<i>Office</i>	<i>Legislative Assistant</i>
<i>Rep. Jeannie Darneille (D), Chair</i>	<i>7974</i>	<i>LEG 436B</i>	<i>Nancy Ryan</i>
<i>Rep. Dean Takko (D), Vice Chair</i>	<i>7806</i>	<i>JLOB 323</i>	<i>Darci Miller</i>
<i>Rep. Jim McCune (R), Ranking Minority</i>	<i>7824</i>	<i>JLOB 413</i>	<i>Amy Cruver</i>
<i>Rep. Bill Hinkle (R), Assist Ranking Minority</i>	<i>7808</i>	<i>JLOB 401</i>	<i>Vicki Angelini</i>
<i>Rep. Mike Armstrong (R)</i>	<i>7832</i>	<i>LEG 426A</i>	<i>Wanda Brosey</i>
<i>Rep. Brian Blake (D)</i>	<i>7870</i>	<i>JLOB 304</i>	<i>Shirley Wilcox</i>
<i>Rep. Larry Crouse (R)</i>	<i>7820</i>	<i>LEG 425A</i>	<i>Scott Staley</i>
<i>Rep. Hans Dunshee (D)</i>	<i>7804</i>	<i>JLOB 239</i>	<i>Ann Seabott</i>
<i>Rep. Phyllis Kenney (D)</i>	<i>7818</i>	<i>JLOB 428</i>	<i>Jordan Rash</i>
<i>Rep. Jamie Pedersen (D)</i>	<i>7826</i>	<i>JLOB 318</i>	<i>Katy Buck</i>
<i>Rep. Mike Sells (D)</i>	<i>7840</i>	<i>LEG 132B</i>	<i>JoAnn Chapman</i>
<i>Rep. Shelly Short (R)</i>	<i>7908</i>	<i>JLOB 422</i>	<i>Jacquelin Maycumber</i>
<i>Rep. Kevin Van De Wege (D)</i>	<i>7916</i>	<i>JLOB 316</i>	<i>Linda Barnfather</i>
<i>Rep. Brendan Williams (D)</i>	<i>7940</i>	<i>LEG 132F</i>	<i>Katrina Thiessen</i>

# House Health & Human Services Appropriations Committee 2009 Roster of Members

<i>Representative</i>	<i>Phone</i>	<i>Office</i>	<i>Legislative Assistant</i>
<i>Rep. Eric Pettigrew (D), Chair</i>	<i>7838</i>	<i>Leg 122H</i>	<i>April Dickinson</i>
<i>Rep. Larry Seaquist (D), Vice Chair</i>	<i>7802</i>	<i>JLOB 317</i>	<i>Oriana Futrell</i>
<i>Rep. Joe Schmick (R), Ranking Minority Member</i>	<i>7844</i>	<i>JLOB 419</i>	<i>Pam Hahn</i>
<i>Rep. Jaime Herrera (R), Assistant Ranking Minority Member</i>	<i>7850</i>	<i>JLOB 416</i>	<i>Keith Bundy</i>
<i>Rep. Sherry Appleton (D)</i>	<i>7934</i>	<i>JLOB 424</i>	<i>Donna Bezon</i>
<i>Rep. Eileen Cody (D)</i>	<i>7978</i>	<i>JLOB 337</i>	<i>Holly Mortlock</i>
<i>Rep. Mary Lou Dickerson (D)</i>	<i>7860</i>	<i>JLOB 302</i>	<i>Melissa Bailey</i>
<i>Rep. Doug Ericksen (R)</i>	<i>7980</i>	<i>Leg 425B</i>	<i>Sandy Ruff</i>
<i>Rep. Norm Johnson (R)</i>	<i>7810</i>	<i>JLOB 414</i>	<i>Michele Smith</i>
<i>Rep. Mark Miloscia (D)</i>	<i>7898</i>	<i>Leg 437A</i>	<i>Leanne Horn</i>
<i>Rep. Dawn Morrell (D)</i>	<i>7968</i>	<i>JLOB 331</i>	<i>Nancy Parsons</i>
<i>Rep. Al O'Brien (D)</i>	<i>7928</i>	<i>JLOB 429</i>	<i>Jeanneil Marzan</i>
<i>Rep. Mary Helen Roberts (D)</i>	<i>7950</i>	<i>JLOB 315</i>	<i>Dan Hagen</i>
<i>Rep. Maureen Walsh (R)</i>	<i>7836</i>	<i>JLOB 423</i>	<i>Marge Plumage</i>
<i>Rep. Alex Wood (D)</i>	<i>7888</i>	<i>Leg 437B</i>	<i>Miriam Bausch</i>

# HOUSE OPERATING BUDGET STAFF ASSIGNMENTS

1/26/2009

## **Charlie Gavigan Staff Coordinator 786-7340**

WAYS Committee Scheduling  
APPE Committee Scheduling

## **David Johnson Asst Coordinator 786-7154**

Budget Development

## **Kristen Fraser 786-7148**

APP Committee Counsel  
APPE Committee Counsel  
Sundry Claims

## **Maureen Mueller Legislative Asst. 786-7204**

## **Lisa McCollum Legislative Asst. 786-7155**

## **Tanya Carter Computer Analyst 786-7619**

## **Carma Matti 786-7140**

DSHS - Mental Health  
DSHS - Long Term Care  
Home Care Quality Authority

## **Trista Zugel 786-7157**

DSHS - Admin & Support Services  
DSHS - Developmental Disabilities  
DSHS - Information Services  
DSHS - Payments to other Agencies  
Employment Security, Department of  
Industrial Insurance Appeals, Board of  
Labor & Industries, Department of

## **Ben Rarick 786-7349**

K-12 Public Schools (OSPI)\*  
Education Legacy Trust Account  
Health Benefits K-12  
Student Achievement Fund

\*excluding Pupil Transportation and Levy Equalization

## **Debbie Driver 786-7143**

Central Washington University  
Community & Technical Colleges  
Eastern Washington University  
Higher Education Compensation  
Higher Education Coordinating Board  
Spokane Intercollegiate Resrch&Tech Inst.  
The Evergreen State College  
University of Washington  
Washington State University  
Western Washington University  
Workforce Training & Education Board

## **Alex MacBain 786-7288**

APPG Committee Scheduling  
Corrections, Department of  
Criminal Justice Training Commission (CJTC)  
Indeterminate Sentencing Review Board (ISRB)  
Sentencing Guidelines Commission (SGC)

Administrator for Courts  
Court of Appeals  
Judicial Conduct Commission  
Law Library  
Office of Civil Legal Aid  
Office of Public Defense  
Supreme Court

## **Owen Rowe 786-7391**

Agriculture, Department of  
Columbia River Gorge Commission  
Conservation Commission  
Ecology, Department of  
Environmental Hearings Office  
Fish & Wildlife, Department of  
Growth Management Hearings Board  
Natural Resources, Department. of  
Parks & Recreation, State  
Pollution Liability Insurance Agency  
Puget Sound Partnership  
Recreation and Conservation Funding Board

## **Erik Cornellier 786-7116**

DSHS - Alcohol & Drug Programs (DASA)  
DSHS - Medical Assistance  
DSHS - Vocational Rehabilitation  
Health Services Account (HSA)  
Services for the Blind, Department of

## **Chris Blake 786-7392**

APPH Counsel  
APPH Committee Scheduling  
Health, Department of (DOH)  
Health Care Authority\*

\*excluding employee health benefits

## **Wendy Polzin 786-7137**

*Human Services*

DSHS - Economic Services  
DSHS - Juvenile Rehabilitation Administration (JRA)

*Education*

Early Learning, Department of  
K-12 Levy Equalization  
K-12 Pupil Transportation  
School for the Blind  
School for the Deaf  
Special Appropriations (APPE)

## **Melissa Palmer 786-7388**

*General Government*

Auditor, State  
Joint Legislative Audit and Review Cmte (JLARC)  
Performance Audits  
Public Safety & Education Account (PSEA)  
Special Appropriations (APPG)  
State Patrol, Washington

*Human Services*

DSHS - Children & Family Services  
DSHS - Special Commitment Center  
Special Appropriations (APPH)  
Veterans Affairs, Department of

*Special Appropriations (APP)*

Agency Loans  
Bond Retirement & Interest  
Treasurer's Transfers  
Violence Reduction & Drug Enf. Acct. (VRDE)

## **David Pringle 786-7310**

Pension Counsel  
APPG Subcommittee Counsel  
Actuary, State  
Compensation, State Employees  
Health Benefits, State Employees (PEBB)  
LEOFF 2 Board  
Pension Contribution Rates  
Pension Policy  
Personnel, Department of  
Public Employees Relations Commission  
Retirement Systems, Department of  
State Investment Board  
Volunteer Firefighters & Reserve Officers, Board for

## **Serah Stetson 786-7109**

Accountancy, Board of  
Administrative Hearings Office  
African-American Affairs, Commission on  
Arts Commission  
Asian-Pacific American Affairs, Commission on  
Caseload Forecast Council  
Economic & Revenue Forecast Council  
Elected Officials Salaries  
Financial Institutions, Department of  
Forensic Investigations Council  
Gambling Commission  
Hispanic Affairs, Commission on  
Historical Society, Eastern Washington  
Historical Society, Washington State  
Horse Racing Commission  
House of Representatives  
Human Rights Commission  
Indian Affairs, Office of  
Insurance Commissioner  
Leg Evaluation & Accountability Program  
Legislative Service Center  
Licensing, Department of  
Lieutenant Governor, Office of the  
Liquor Control Board  
Lottery  
Military Department  
Minority/Women's Business Enterprise, Office of  
Municipal Research Council  
Public Disclosure Commission  
Redistricting Commission  
Revenue, Department of  
Senate  
State Printer  
Statute Law Committee  
Tax Appeals  
Treasurer, State  
Utilities and Transportation Commission

## **Steve Smith 786-7178**

Archeology & Historic Preservation, Dept. of  
Attorney General  
Community, Trade, & Econ Devel, Dept. of (CTED)  
Convention & Trade Center, State  
General Administration, Department of  
Governor, Office of the  
Information Service, Department of  
Information Technology Portfolios and Pool  
Office of Financial Management (OFM)  
Secretary of State (including State Library)



# Budget Overview

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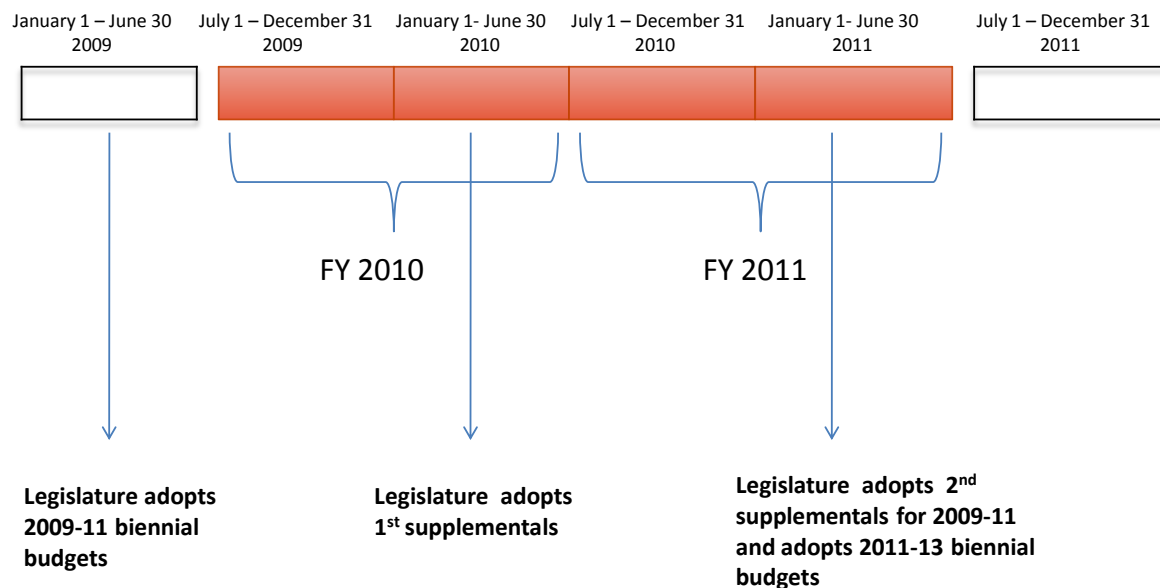


# Background

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Washington State typically adopts three budgets and is on a biennial budget cycle. The Legislature authorizes expenditures for operating, transportation, and capital purposes for a two-year period. The budgets for the 2009-11 biennium cover the period from July 1, 2009 through June 30, 2011. (The biennium is Fiscal Year 2010, from July 1, 2009 through June 30, 2010, and Fiscal Year 2011, from July 1, 2010 through June 30, 2011.) The primary two-year budget is passed in the odd-numbered years, and a supplemental budget making adjustments to the two-year budget almost always is passed during the even-numbered years.

## 2009-11 Biennial Budget Calendar



**Operating Budget** - The operating budget includes appropriations for the general day-to-day operating expenses of state agencies, colleges and universities, and the public schools. Employee salaries and benefits, apportionments to school districts, leases, goods and services, and medical assistance payments are typical operating expenses. About half of the operating budget is financed by the state general fund with the balance from federal and other dedicated funding sources. The major sources of General Fund-State revenues are the Retail Sales Tax (53%), the B&O Tax (19%), property taxes (10%), and the Real Estate Excise Tax (5%).

### **Funds from the Operating Budget:**

- K-12 Education – *for nearly 980,000 students*
- Higher Education – *for nearly 235,000 students*
- Health Care – *for more than 1,000,000 children and low income adults*
- Social Services – *for children, adults and families*
- Public Safety – *including prison for more than 18,000 inmates and community supervision for nearly 30,000 offenders*
- Natural Resource and Recreation Programs
- Government Operations
- Debt Service on bonds for capital projects

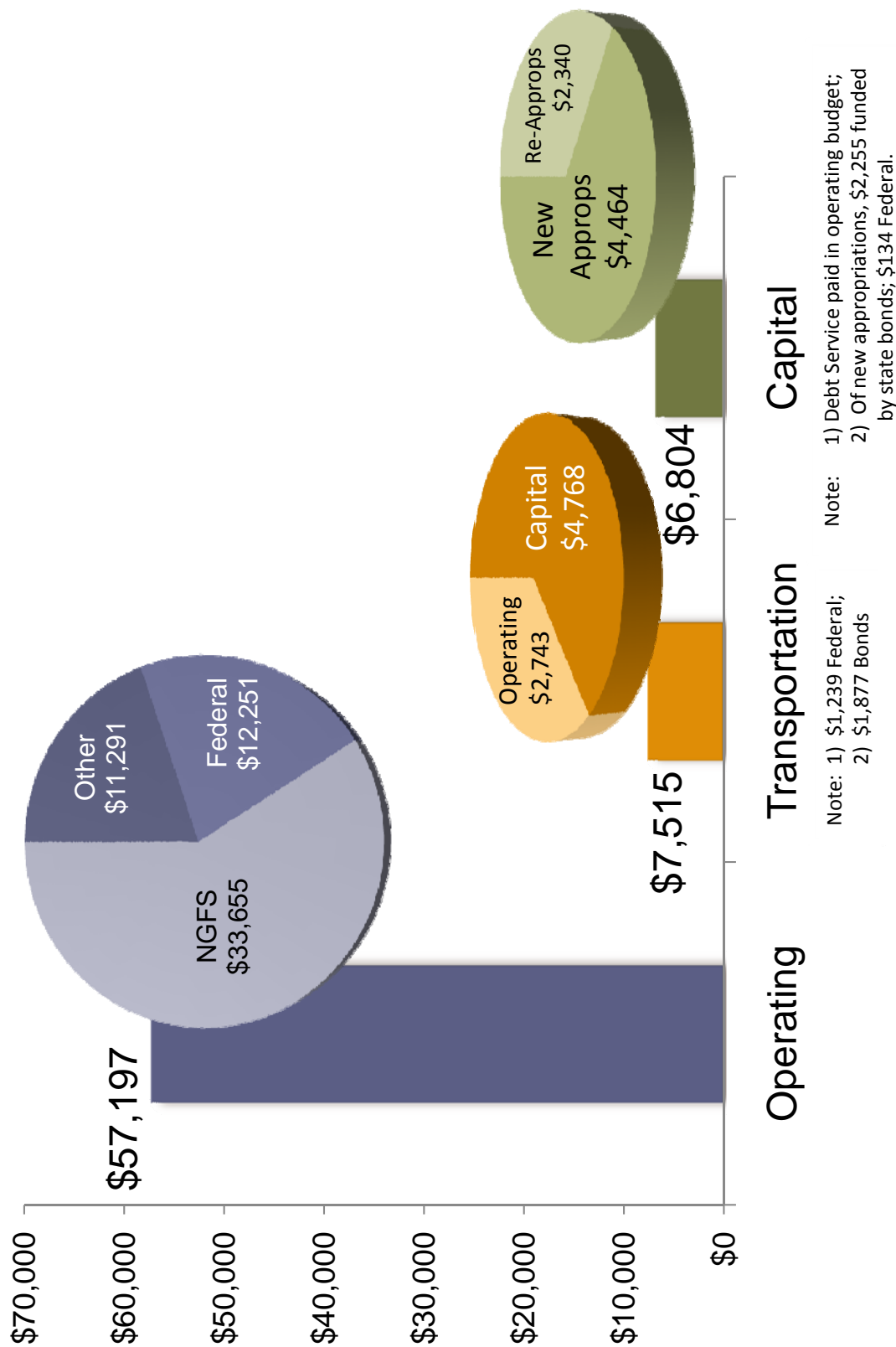
**Capital Budget** - The capital budget includes appropriations for the construction and repair of state office buildings, colleges and universities, prisons and juvenile rehabilitation facilities, parks, public schools, housing for low-income and disabled persons, and for other capital facilities and programs. Nearly half the capital budget typically is financed by state-issued bonds while the rest is funded by dedicated accounts, trust revenue, and federal funding sources. The budget often reappropriates moneys from previous biennia when projects have not been completed; major projects can take four or more years to design and construct. While the proceeds of bond sales are spent under the capital budget, the operating budget pays for the debt service on the bonds. Operating budget decisions can affect the capital budget and vice versa.

**Transportation Budget** - The transportation budget includes the operating (72%) and capital (28%) costs of state and local highways, ferries, and motor vehicle registration and enforcement. About 85% of the transportation budget is funded by state resources – (30% from bonds), 1% from local sources, and about 14% from federal funding sources. Transportation related bonds are financed primarily through the motor vehicle fuel tax; these are separate from the capital budget.



# Summary of Washington State 2007-09 Budgets

(\$ in millions)



# Budget Development Process

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Agency budget requests generally are prepared during the summer and submitted to the Governor's Office of Financial Management (OFM). OFM evaluates these budget requests during the fall and makes recommendations to the Governor. The Governor publishes his or her budget proposals in December and submits them to the Legislature in January as an executive request bill. The Legislature holds hearings, drafts its own budget proposals in bill form, passes the budgets, and sends them to the Governor for consideration.

## *Maintenance Level and Policy Items*

A new operating budget generally is accomplished through incremental changes to the current budget. The maintenance level budget is the estimated cost of providing currently authorized services in the new budget period. It is calculated using current appropriations, any bow wave (costs or savings), and adjustments for caseload/enrollment changes to mandatory programs. It is the cost of continuing currently authorized services and programs in the new biennium.

Once the maintenance level is estimated, the Governor and Legislature focus on policy changes to the maintenance level budget. These policy level decisions can add funding for new or expanded services/programs or reduce funding for existing services/programs. While the net policy changes (policy additions and reductions combined) can be relatively small, the absolute value of the policy additions and reductions is typically significant. There are also broader views of the operating budget, such as Priorities of Government and performance audits.

## *Funds and Accounts*

Appropriations in the operating budget are authorizations to spend up to a specific amount from a specified state fund or account (legally a fund and account are the same). If a fund or account is located within the state treasury, an appropriation is required for expenditures from that fund/account. Under the constitution, tax revenues must be deposited in appropriated treasury funds/accounts.

Some funds and accounts are nonappropriated; they are deemed in the custody of the State Treasurer, rather than in the treasury itself, and are generally restricted to a particular purpose. In that event, no appropriation is required although the budget documents may still suggest a funding level.

The largest fund/account is the general fund. Revenues not directed otherwise are deposited in the general fund. There are funds/accounts that are similar to the general fund that are for broad purposes like health care (Health Services Account), education (Education Legacy Trust Account and Student Achievement Fund), and public safety (Violence Reduction and Drug Enforcement Account and the Public Safety and Education Account). These accounts, along with the general fund itself and the Pension Funding Stabilization Account and Water Quality Account, are commonly referred to as Near-General Fund (NGFS) accounts. Most other funds and accounts are for much more specific purposes.

## ***Mandatory Funding Obligations***

A substantial portion of the operating budget must be funded by the Legislature as a result of constitutional or contractual requirements. Areas of the budget with little or no funding discretion include K-12 basic education, debt service, and pension contractual obligations. To the extent the state agrees to participate in Medicaid (a joint state-federal health care program), the Legislature has limited discretion in several entitlement or caseload driven programs in the Department of Social and Health Services such as medical assistance, long-term care, and developmentally disabled services. The state must house prisoners and juveniles subject to rehabilitation provisions when state laws direct their confinement.

Arguably the legislature must fund some amount for constitutionally created agencies such as certain state-wide elected officials, the legislature, and part of the judicial system. In addition, while natural resources is an area that the legislature has discretion, there are federal requirements that the state must comply with. Although higher education is an area that the legislature generally is not mandated to fund under constitutional or contractual requirements, the state historically has allocated a significant portion of the operating budget to higher education.

## ***FTEs (Full Time Equivalent)***

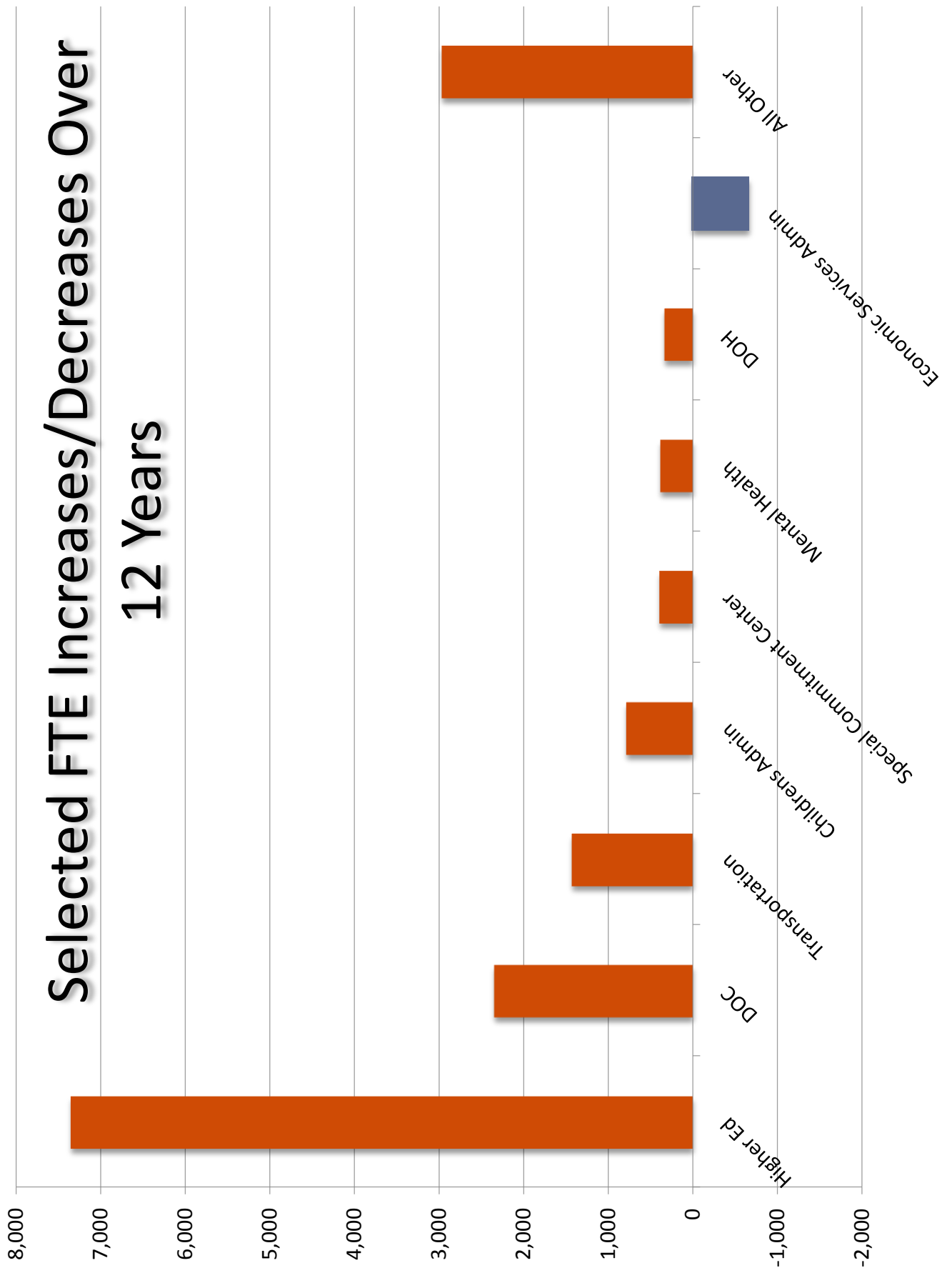
Full Time Equivalent (FTE) is a unit of measurement that relates to state employees and students. For state employees, FTE refers to one person working full time for one year. This equates to working approximately 2,088 hours of paid staff time. Two persons working half time count as one FTE. For K-12 and higher education students, FTE refers to the equivalent of one student attending class full-time for one school year based on fixed hours of attendance (which vary depending on grade level).

State FTEs include employees working for state agencies and public higher education institutions. K-12 employees are not state employees, they are employed by the local school district. State funding for K-12 is apportioned to the school districts who then pay the salaries and benefits of K-12 employees.

Total budgeted state FTE's for 2007-09, which includes those funded by the operating, capital, and transportation budgets, is 111,939. The operating budget funds approximately 100,699 FTEs.

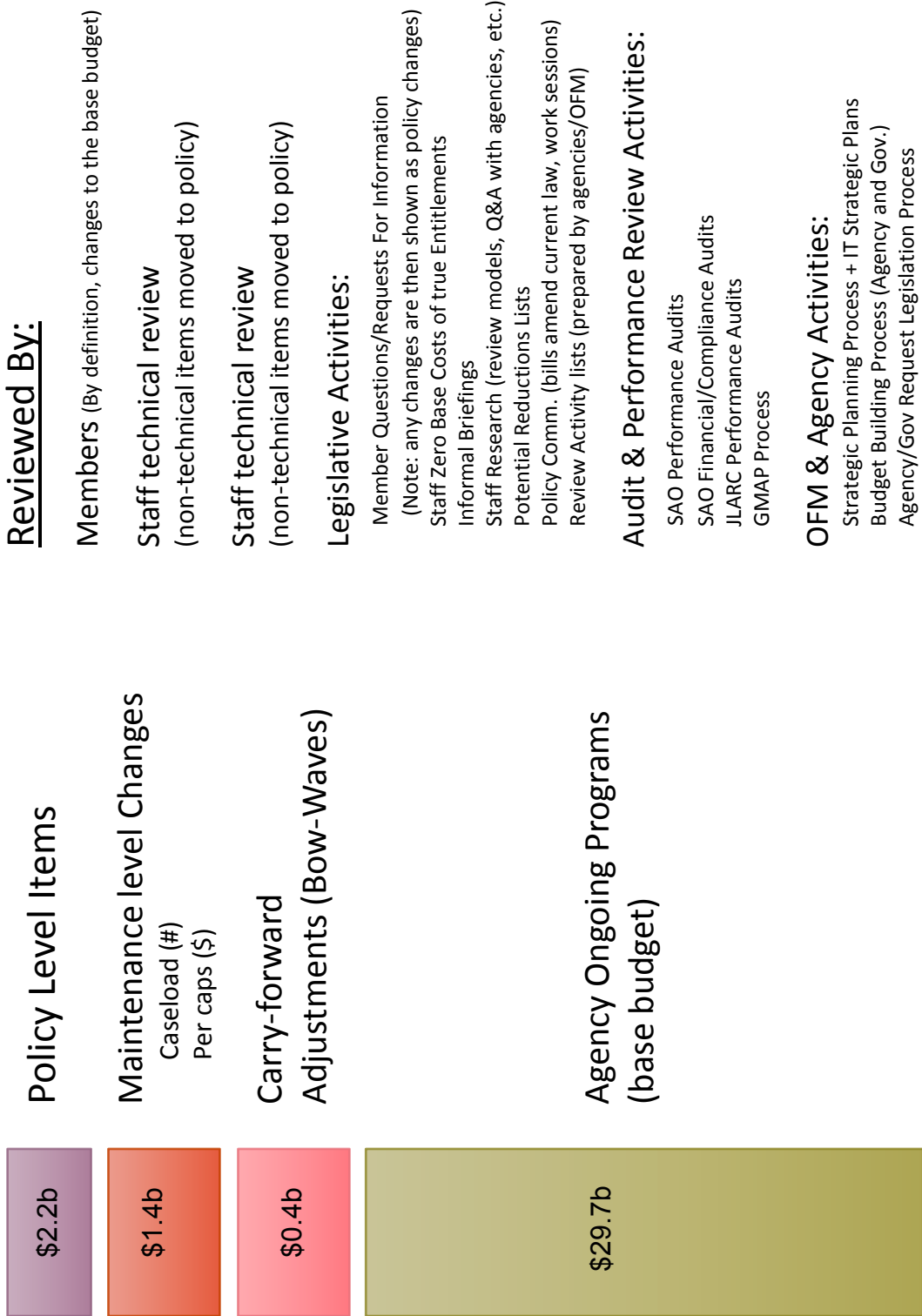
Since the 1995-97 biennium, total state FTEs have grown by 15,321 or about 16%. Most of this growth has come in higher education (7,346), corrections (2,345), and several medically-related human services programs in the Department of Social and Health Services.

# Selected FTE Increases/Decreases Over 12 Years



# Budget Overview

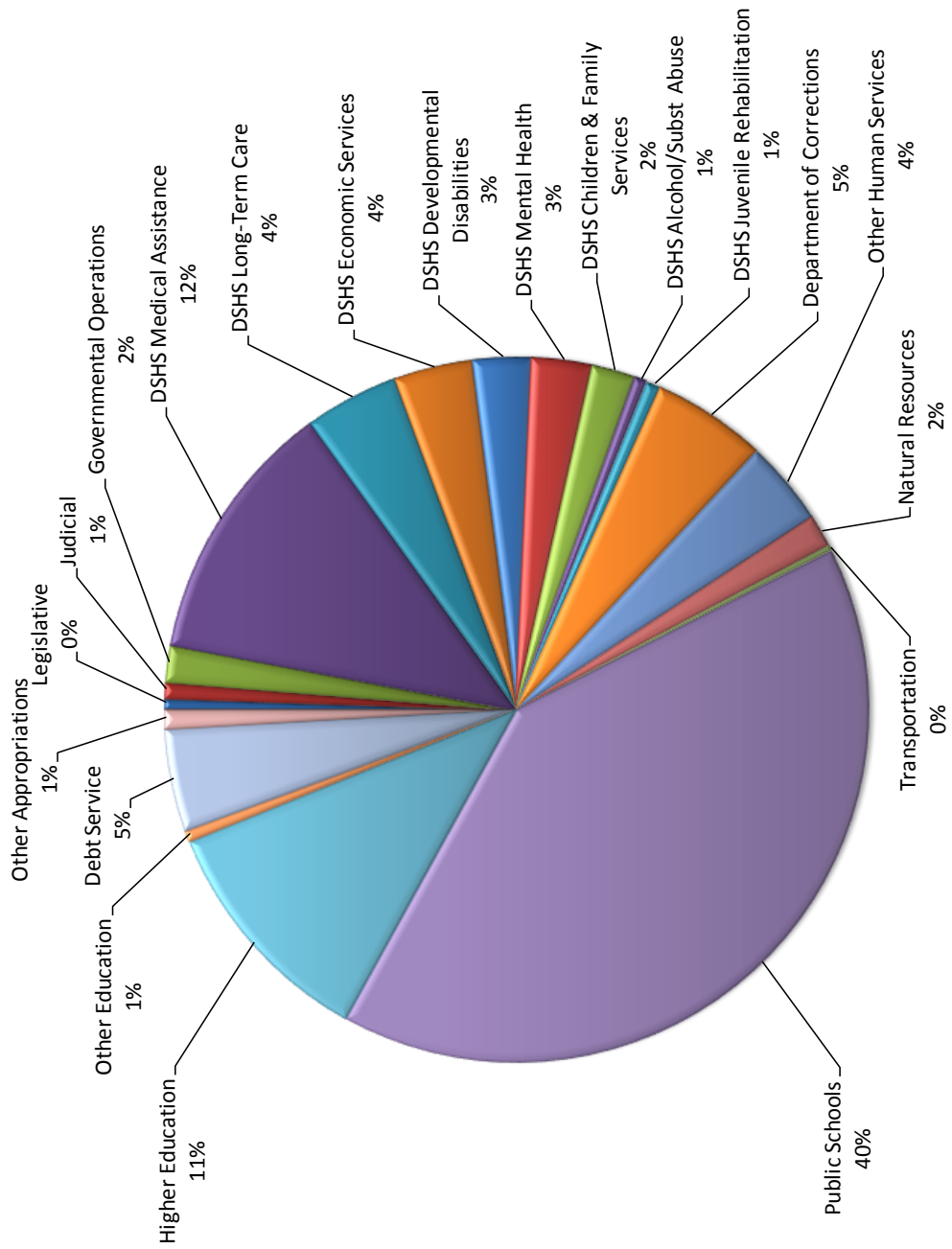
(2007-09, NGF-S)



Note: All figures are net and include both increases and decreases.

# 2007-09 Operating Budget

## (Near General Fund-State)



# Near General Fund-State

(\$ in 000's)

Legislative	167,290
Judicial	248,838
Governmental Operations	572,949
DSHS Medical Assistance	4,083,328
DSHS Long-Term Care	1,459,710
DSHS Economic Services	1,210,027
DSHS Developmental Disabilities	901,415
DSHS Mental Health	925,855
DSHS Children & Family Services	674,028
DSHS Alcohol/Subst Abuse	195,028
DSHS Juvenile Rehabilitation	222,625
Department of Corrections	1,757,543
Other Human Services	1,315,662
Natural Resources	509,186
Transportation	85,614
Public Schools	13,621,900
Higher Education	3,653,746
Other Education	188,438
Debt Service	1,575,674
Other Appropriations	286,363
<hr/>	
<b>Statewide Total:</b>	<b>33,655,219</b>



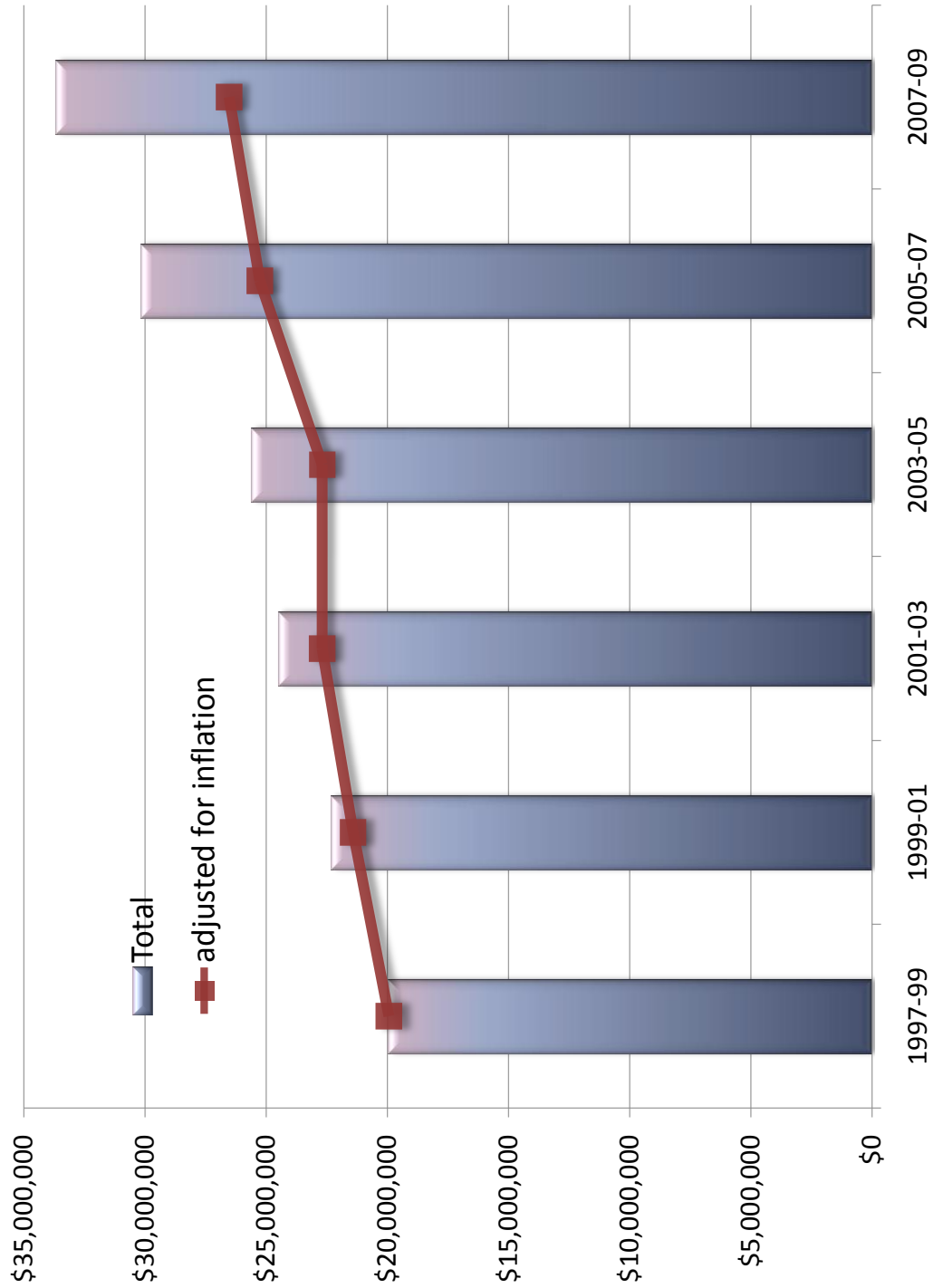


# Operating Budget History

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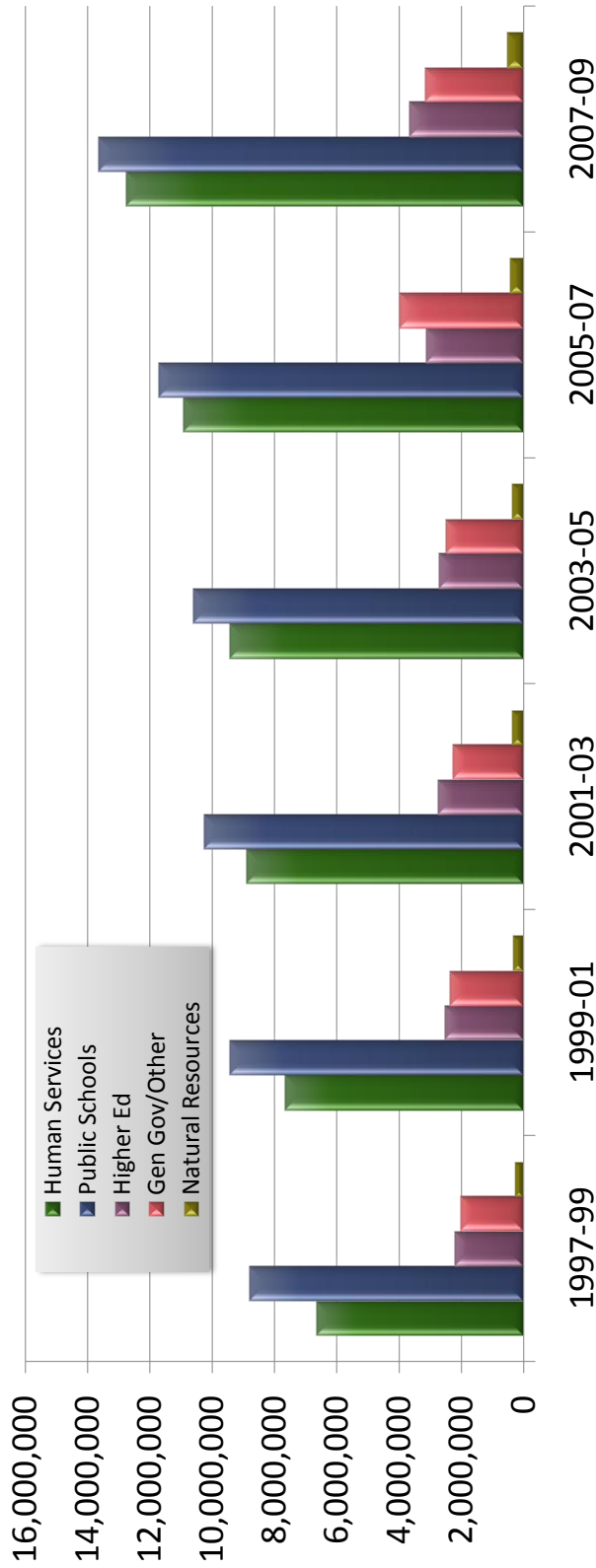


# Total Near General Fund-State (\$ in thousands)



# NGFS Functional Area History

(\$ in thousands)



NGFS Functional Area History (\$ in millions)

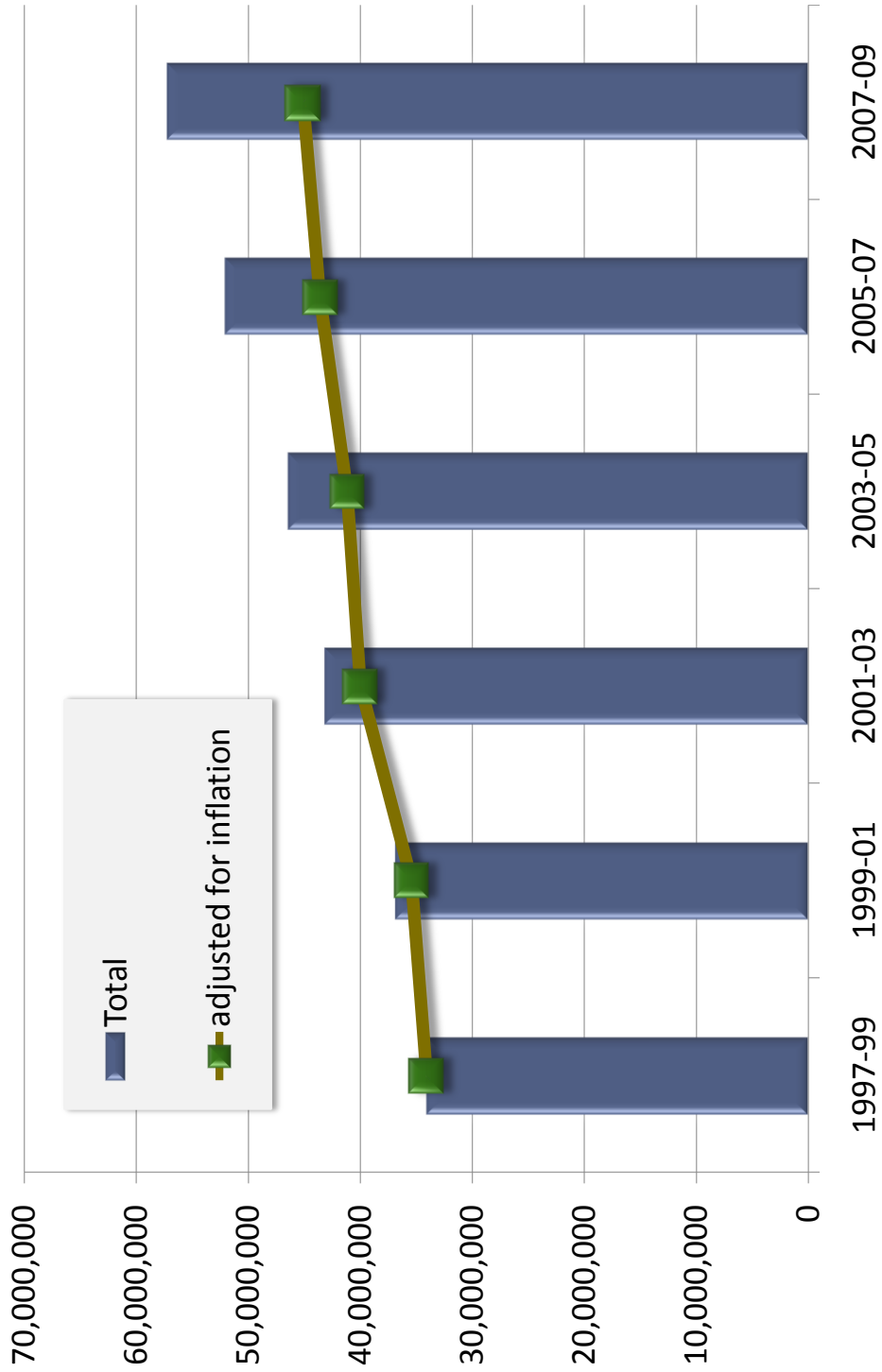
	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09
Human Services	6,648,986	7,628,677	8,893,212	9,433,412	10,916,819	12,745,221
Public Schools	8,792,970	9,447,098	10,242,272	10,579,634	11,720,356	13,621,900
Higher Ed	2,207,042	2,543,226	2,733,469	2,700,516	3,096,363	3,653,746
Gen Gov/Other	2,020,695	2,342,571	2,246,348	2,497,951	3,980,995	3,125,166
Natural Resources	266,542	326,678	366,776	367,673	437,474	509,186
<b>Total</b>	<b>19,936,235</b>	<b>22,288,250</b>	<b>24,482,077</b>	<b>25,579,186</b>	<b>30,152,007</b>	<b>33,655,219</b>

Functional Areas as Percent of Total Budget

	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09
Human Services	33%	34%	36%	37%	36%	38%
Public Schools	44%	42%	42%	41%	39%	40%
Higher Ed	11%	11%	11%	11%	10%	11%
Gen Gov/Other	10%	11%	9%	10%	13%	9%
Natural Resources	1%	1%	1%	1%	1%	2%

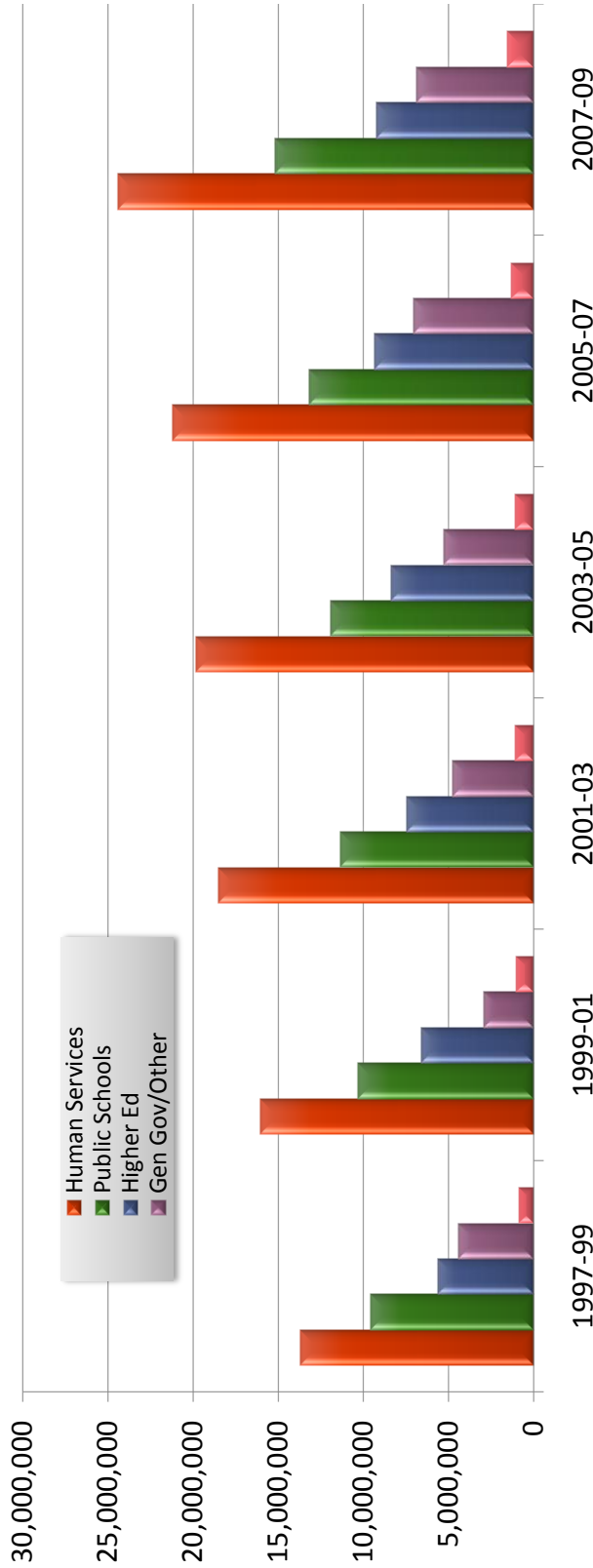
# Total Operating Budget

(\$ in thousands)



# Total Budget Functional Area History

(\$ in thousands)

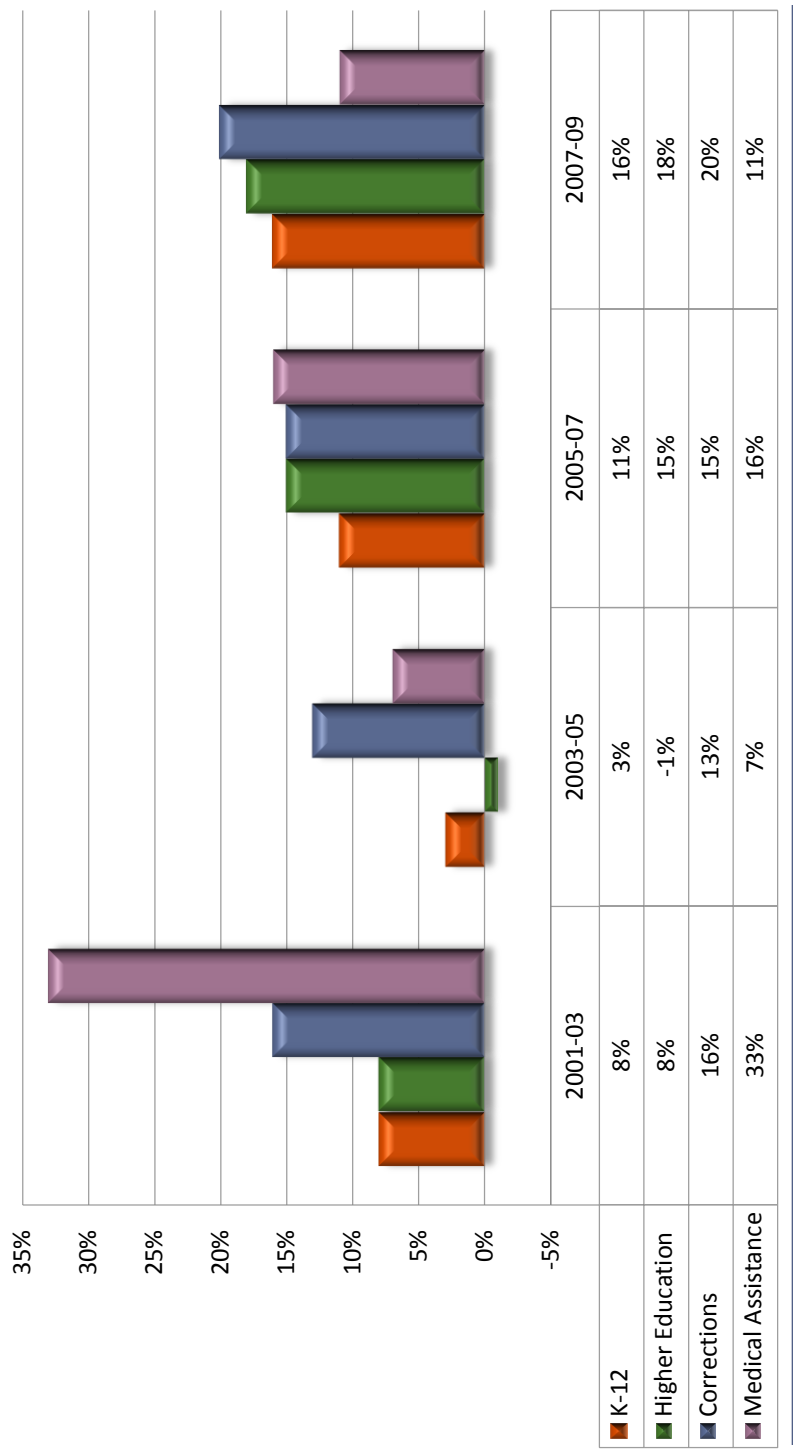


Total Budget Functional Area History (\$ in millions)

	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09
Human Services	13,686,650	16,049,295	18,506,352	19,841,816	21,223,406	24,411,438
Public Schools	9,559,507	10,302,830	11,315,120	11,921,853	13,173,860	15,167,950
Higher Ed	5,579,854	6,597,554	7,454,235	8,326,862	9,323,007	9,212,934
Gen Gov/Other	4,379,741	2,916,097	4,794,766	5,250,456	7,018,533	6,852,712
Natural Resources	882,685	1,006,588	1,082,277	1,097,358	1,301,239	1,551,557
<b>Total</b>	<b>34,088,437</b>	<b>36,872,364</b>	<b>43,152,750</b>	<b>46,438,345</b>	<b>52,040,045</b>	<b>57,196,591</b>
Functional Areas as Percent of Total Budget						
Human Services	40.2%	43.5%	42.9%	42.7%	40.8%	42.7%
Public Schools	28.0%	27.9%	26.2%	25.7%	25.3%	26.5%
Higher Ed	16.4%	17.9%	17.3%	17.9%	17.9%	16.1%
Gen Gov/Other	12.8%	7.9%	11.1%	11.3%	13.5%	12.0%
Natural Resources	2.6%	2.7%	2.5%	2.4%	2.5%	2.7%

# Changes in selected areas over the last four Biennia

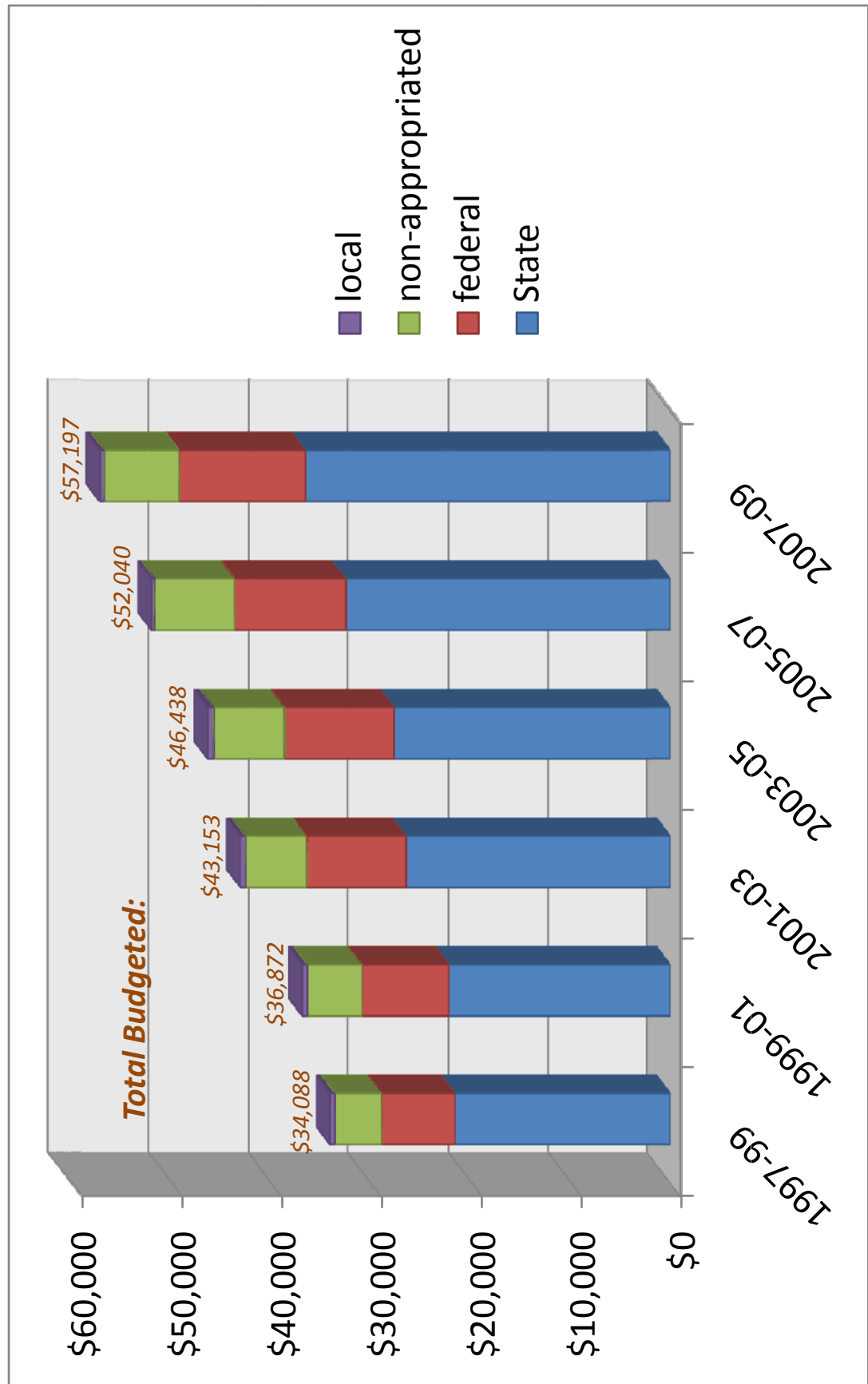
(Near General Fund-State)



<b>Total NGF-S Budget</b>	<b>10%</b>	<b>5%</b>	<b>18%</b>	<b>12%</b>
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# Operating budget funding history

(\$ in thousands)





# Functional Areas

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# Overview

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State agencies have traditionally been categorized into one of several functional areas for budgeting purposes. While appropriations are made to specific agencies rather than to functional areas, functional areas provide a useful tool for understanding the allocation of state resources and analyzing trends. Functional areas currently used in the operating budget include:

- Legislative includes the state House of Representatives, the Senate, and other legislative agencies. Judicial includes the Supreme Court, the Court of Appeals, and other state judicial agencies. Governmental operations includes most of the state-wide elected officials and a conglomeration of agencies that do not fit neatly into the other functional areas. The largest governmental operations agencies are the Department of Community, Trade and Economic Development and the Department of Revenue.
- Human Services includes those agencies charged with serving the health and safety needs of the state's population, such as the Departments of Social and Health Services, Corrections, Veterans Affairs, and Health. The Department of Social and Health Services is often treated as a separate functional area because of its size.
- Natural Resources includes those agencies responsible for overseeing environmental quality or resources efforts (e.g., Department of Ecology and Department of Fish and Wildlife), promoting outdoor recreational opportunities (e.g., State Parks and Recreation Commission), and managing state lands and waters for resource production and other benefits (e.g., Department of Natural Resources).
- Transportation is part of the Washington State Patrol and the Department of Licensing. The majority of these agencies' budgets are appropriated in the Transportation Budget.
- Public Schools is state support for public schools, including the Office of the Superintendent of Public Instruction and funds apportioned to local school districts. Other Education includes the state historical societies, the state schools for deaf and blind children, the Washington State Arts Commission, and the Workforce Training and Education Coordinating Board.
- Higher Education includes support for the state's six four-year institutions and the 34 colleges that make up the community and technical college system, as well as the Higher Education Coordinating Board.
- Special Appropriations includes debt service on state bonds (issued for capital budget projects and programs), sundry claims, special appropriations to the Governor, and various adjustments. Global items, things that apply to all of state government such as pensions and health care benefits, typically are considered as one item during budget discussions and then distributed among the state agencies in the budget itself or the allotment process.



# ***GENERAL GOVERNMENT***

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# General Government/Governmental Operations

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General government agencies include legislative agencies, judicial agencies, and a number of executive agencies. This section will highlight a few of the larger general government executive agencies.

**The Office of the Attorney General (AG)** - The AG serves as legal counsel to state agencies and higher education institutions, and represents the state when it is sued. The office also assists local prosecuting attorneys in some investigations and prosecutions. The AG includes a Consumer Protection Division, Anti-Trust Division, Medicaid Fraud Unit, and the Public Counsel Section (which represents the public in utility rate cases). Approximately 5% of the AG's operating budget is appropriated directly to the AG from the State General Fund (GF-S), but a significantly larger amount of GF-S moneys are appropriated to state agencies that then pay the AG for legal services.

**Office of the State Auditor** - The Auditor conducts financial audits of state agencies and local governments. The Auditor also administers the State Employee Whistleblower Act. Legislation and Initiative 900 give the Auditor authorization to conduct performance audits of state agencies and local governments.

**Office of the Secretary of State** - Primary duties include supervising state and local elections, filing and verifying initiatives and referendums, producing the state voters pamphlet, registering corporations and charities, and managing the State Archives. The State Library and TVW are also funded through the Secretary of State's office.

**Office of the State Treasurer** - The Treasurer is the primary administrator of the state financial resources as directed by the Legislature. The Treasurer administers issuances and payment of state debt (the agency provides staff assistance to the State Finance Committee and the Treasurer serves on the committee), and manages the state funds and accounts and payment of warrants.

**The Department of Community, Trade and Economic Development (CTED)** - Provides services through six divisions: (1) Community Services includes the Office of Crime Victims Advocacy, low income and emergency services, and volunteer and other support services; (2) Economic Development services include general business assistance, business recruitment, retention, and expansion services, community economic development, education and training, tourism and film and video promotion; (3) Energy Policy services include developing a state energy strategy, fuel mix disclosure, and sustainability; (4) Housing services include the Housing Trust Fund, rental assistance, homeless services, farmworker housing and manufactured housing services, weatherization services, and home repair and rehabilitation services; (5) International Trade services are provided for Washington exporters and for overseas companies, and CTED administers the Washington State overseas trade offices; and (6) Local Government services include the Public Works Trust Fund, safe and drug free communities, growth management, and community development programs.

CTED also provides staff assistance to a variety of boards and commissions.

**The Department of Financial Institutions (DFI) and the Office of the Insurance Commissioner (OIC)** - These agencies oversee the financial and insurance industries in Washington State. The DFI focuses on state chartered banks and credit unions, securities transactions, and regulates a variety of other consumer lending/financial industries and services. OIC focuses on supervision of insurance companies, insurance rates and forms, and consumer protection.

The **Department of General Administration (GA)** – Services provided include capitol campus building and grounds management, real estate services for state agencies (i.e. leasing), purchasing goods and services and a central buying source for supplies, disposing of surplus property, and operating the state motor pool.

The **Department of Information Services (DIS)** - Provides information technology services to state agencies, local governments, education organizations, tribes, and qualifying non-profits. DIS also provides staff support to the Information Services Board, created by the Legislature to provide coordinated planning and management of state information technology investments and services.

The **Military Department** - Houses the Washington Army National Guard, the Washington Air National Guard, the State Emergency Management Division, and coordinates homeland security for the state.

The **Department of Personnel (DOP)** - Provides human resource related services to state agencies, including recruitment and assessment services and compensation services. DOP also provides training, employee and leadership development programs, organizational development and improvement services, and employee assistance programs. DOP administers the personnel and payroll computer systems that support statewide human resources administration and processes.

The **Department of Revenue (DOR)** - The state's principle tax collection agency, collecting 94% of general fund tax revenues and all local sales tax revenues. In addition to providing a variety of services related to taxes and revenue, DOR handles unclaimed property in Washington.

# History of Selected General Government Programs

## Total Budgeted Funds

(\$ in Thousands)

	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09
<b>Department of Community, Trade, and Economic Development</b>						
Community Services	\$84,826	\$100,386	\$115,612	\$121,709	\$165,205	\$174,663
Housing	\$54,010	\$63,023	\$77,965	\$92,411	\$91,312	\$114,865
Energy Policy	\$2,885	\$3,596	\$3,863	\$3,469	\$3,301	\$6,898
Local Government Assistance	\$74,842	\$219,654	\$202,031	\$144,297	\$142,246	\$118,937
Economic Development/Trade	\$39,145	\$41,006	\$37,295	\$34,635	\$40,008	\$53,469
<b>Office of the Attorney General</b>						
Consumer Protection	\$5,867	\$7,210	\$7,438	\$7,043	\$8,471	\$11,410
Agency Legal Services	\$114,561	\$127,446	\$149,699	\$158,720	\$179,719	\$232,261
<b>Department of General Administration</b>						
Procurement	\$12,445	\$14,778	\$14,581	\$16,102	\$18,121	\$17,825
Statewide Operations	\$32,312	\$35,968	\$32,798	\$26,861	\$32,295	\$73,368
Capital Planning & Management	\$71,464	\$76,751	\$82,271	\$77,841	\$91,052	\$101,310
<b>Department of Information Services</b>						
Telecommunication Services	\$84,494	\$93,676	\$89,742	\$97,037	\$104,320	\$116,881
Computer Services	\$57,003	\$71,344	\$57,091	\$63,874	\$65,901	\$75,316
K-20 Technology	\$38,680	\$21,797	\$21,526	\$26,127	\$30,143	\$29,780



# ***K-12 PUBLIC SCHOOLS***

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# Introduction

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Under the state constitution, it is the state's paramount duty to make ample provision for the education of all children and to provide for a general and uniform system of public schools. The state has delegated much operational authority to 295 local school districts who are governed by elected school boards. State funding is distributed to local school districts thorough a variety of formulas and grants. State funding is supplemented with federal and local funding.

## *Basic Education Programs*

Court decisions interpreting the state constitutional provisions have established several funding principles, including:

- It is the responsibility of the Legislature to define and fully fund a basic education.
- Basic education must be funded from "regular and dependable" resources (excess levies are not a regular/dependable tax source and can only be used for enrichment programs).
- The Legislature can periodically review and update its definition of basic education.

Under the Basic Education Act, the state funds basic education primarily through funding formulas:

- **General Apportionment** - School districts receive funding primarily based on the number of students (FTEs). A student-to-staff mix ratio for certified instructional staff (such as teachers), certified administrators, and classified staff calculates the number of basic education staff the state will fund. The staff ratios (number and type of staff) and the staff mix (education and experience levels) generate the salaries and benefits funded by the state. A flat amount is provided per certified staff unit for non-employee related costs (NERC). This translates to a basic education (general allocation) amount per student. This amount per student may differ by school district depending on staff mix (education and experience) and salary grandfathering provisions
- **Special education** - In addition to general apportionment funding, school districts receive funding for special education based on the headcount of students who qualify for special education programs. The district receives an allocation per special education student that is a percentage of the basic education (general apportionment) allocation in addition to the basic education allocation for that student. The current special education allocation is 1.15% of the basic education allocation for students through age 4, and 93% of the allocation for students age 5 through 21. There is also a safety net process for districts that demonstrate extraordinary special education costs.
- **Transportation** - Each school district electing to provide transportation to students is entitled to state pupil transportation funding at the rate provided by the state (state formula).

- **Other Basic Education Funding** - The other basic education programs defined and funded by the state are the learning assistance program, the transitional bilingual program, and programs for children housed in state institutions.

### ***Non-Basic Education Programs***

In addition to funding mandatory basic education programs, the state funds a variety of non-basic education programs. These include:

- The Student Achievement Fund - I-728 to reduce class size, provide additional professional development funds, and early learning and extended learning programs.
- Levy equalization - Because of uniformity concerns, a district's local levy revenues are limited to a percentage of the district's state and federal revenues. For districts with low assessed property values (and thus high tax rates), the state Local Effort Assistance program (LEA) helps equalize local tax rates.
- Other non-basic education programs include K-4 enhanced staffing ratios, I-732 COLAs, and education reform programs.

### ***Current Developments/Issues***

- **Implementation of education reform** - This includes implementing state adopted academic standards, criteria based student assessments, and accountability standards for students, schools, and school districts. Students generally must pass the Washington Assessment of Student Learning (WASL) in reading and writing to graduate beginning in 2008. The Federal No Child Left Behind Act of 2001 requires states that receive federal funding for education to be accountable for student achievement of state standards in reading/language arts, math, and science.
- **Basic Education Funding Task Force** - In the 2007 session, the Legislature created The Basic Education Funding Task Force. The task force convened over an 18-month period to review the current definition of "basic education" in the K-12 public school system, review all current basic education formulas, and develop options for a new funding structure. The members of the task force adopted their report and funding options in December 2008. The details of the report can be viewed at: <http://www.leg.wa.gov/documents/joint/bef/DraftFinalReport.pdf/>.
- **Pupil Transportation Study** – In 2006, a JLARC study found that the pupil transportation finding rate may underfund actual costs by a significant amount. In 2008, the Legislature required the Office of Financial Management to contract with a consultant to recommend two alternative pupil transportation funding formulas for the Legislature's consideration. The consultant's executive summary begins on page 1 of the report. The entire report can be found at [www.ofm.wa.gov/k12transpo](http://www.ofm.wa.gov/k12transpo)

See Appendix 1 for descriptions of the Education Legacy Trust Account created in 2005, and the Student Achievement Fund.

There are three significant K-12 related lawsuits being considered by the courts.

**McCleary vs State.** This lawsuit relates to the general adequacy of the state's definition and funding of basic education. It currently is scheduled for trial in March 2009 in King County Superior Court.

**School Districts Coalition vs State.** This lawsuit relates to the plaintiff's claim that the state is underfunding its special education obligations. In March 2007, the Thurston County Superior Court ruled largely in favor of the state. Plaintiff's are appealing.

**Federal Way School District vs State.** This lawsuit relates to the validity of differing salary allocations due to grandfather provisions. In November 2007, King County Superior Court granted summary judgment in favor of Federal Way School District, who argued that the grandfathered teachers salary schedules and administrator and classified staff allocations violated the constitutional requirement that the state establish a general and uniform school system. The court also found these differences violated constitutional equal protection provisions.

<b>2007-09 ('08 Supplemental) BASIC EDUCATION PROGRAMS</b> <b>(Dollars in Millions)</b>		
GENERAL APPORTIONMENT (RCW 28A.150.260)	<b>\$8,951.6</b>	<b>65.7%</b>
SPECIAL EDUCATION (RCW 28A.150.370)	<b>\$1,139.955</b>	<b>8.4%</b>
TRANSPORTATION (RCW 28A.160.150)	<b>\$573.193</b>	<b>4.2%</b>
LEARNING ASSIST. PROGRAM (RCW 28A.165)	<b>\$198.988</b>	<b>1.5%</b>
BILINGUAL (RCW 28A.180)	<b>\$135.2</b>	<b>1.0%</b>
INSTITUTIONS (RCW 28A.190)	<b>\$38.9</b>	<b>0.3%</b>
<b>SUBTOTAL: BASIC EDUCATION PROGRAMS</b>	<b>\$11,037.7</b>	<b>81.0%</b>
<b>2007-09 NON-BASIC EDUCATION PROGRAMS</b> <b>(Dollars in Millions)</b>		
STUDENT ACHIEVEMENT FUND (I-728)	\$868.3	6.4%
INITIATIVE 732 COLA & OTHER COMP INCREASES	\$500.0	3.7%
LEVY EQUALIZATION (LEA)	\$423.7	3.1%
EDUCATION REFORM	\$287.8	2.1%
K-4 ENHANCED STAFFING RATIO	\$234.6	1.7%
HEALTH CARE BENEFIT INCREASES	\$66.6	0.5%
TWO LEARNING IMPROVEMENT DAYS	\$64.4	0.5%
STATE OFFICE & ED AGENCIES	\$39.0	0.3%
STATEWIDE PROGRAMS/ALLOCATIONS	\$37.9	0.3%
HIGHLY CAPABLE	\$17.2	0.1%
PROMOTING ACADEMIC SUCCESS	\$16.9	0.1%
EDUCATIONAL SERVICE DISTRICTS	\$16.0	0.1%
SUMMER, OTHER SKILLS CENTERS, & VOC. EQUIPMENT	\$15.1	0.1%
FOOD SERVICES	\$6.3	0.0%
PUPIL TRANSPORTATION COORDINATORS	<u>\$1.7</u>	<u>0.0%</u>
<b>Subtotal: Non-Basic Education Programs</b>	<b>\$2,595.5</b>	<b>19.0%</b>
<b>TOTAL - STATE FUNDS</b>	<b>\$13,633.3</b>	<b>100.0%</b>

*Note: Reflects General Fund-State, Education Legacy Account, Student Achievement Fund and Pension Stabilization Fund.*

*This is not a complete list of all non basic education programs*



# ***HIGHER EDUCATION***

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# Introduction

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Washington has six public baccalaureate institutions (4-year) and 34 public community and technical colleges (2-year). Each institution has a board of trustees or directors appointed by the Governor and confirmed by the Senate. While each baccalaureate institution is treated as a separate entity for budget purposes, with assistance from the Higher Education Coordinating Board (HECB), the budget for the community and technical colleges goes through the State Board for Community and Technical Colleges (also assisted by the HECB). In addition, Washington has approximately 33 private 4-year institutions, several out-of-state institutions authorized to offer courses in Washington, and a number of private career institutions.

## ***Tuition, state support per budgeted student FTEs, and financial aid***

The two primary sources of funding at public institutions for the cost of instruction is tuition and state support. Since 1995, tuition is set by the institutions within limits established by the Legislature in the operating budget up to statutory limits (the governing boards decide the tuition rate for students other than resident undergraduates). In 2007-09, resident undergraduate tuition could be increased by 7% per year at the research institutions, 5% at the regional/comprehensive institutions, and 2% at the community & technical colleges (CTC)s. At the community & technical colleges, the operating budget provided \$5.4 million to cover the difference between the 2.0 % authorized increase and the operating cost of inflation at 3.5% per year. In addition to tuition the institutions receive, which is not appropriated by the Legislature, the state provides a set amount of support per budgeted student. This typically ranges from 50% to over 60% of the cost of instruction depending on the institution. For 2007-09 the state support per budgeted FTE ranges by academic discipline, institution and student type (undergraduate/graduate). General enrollment state support ranged from \$5,300 for lower division undergraduates to \$15,000 for graduate enrollments. Generally, freshman and sophomores are the least expensive to educate and graduate students are the most expensive.

There are a variety of financial aid programs available to students. The largest state financial aid program is the state need grant. This grant provides assistance to students from families with incomes below 70% of the state's median family income (approximately \$50,500 for a family of four). This was increased from 65% of median family income by the 2005 Legislature. Financial aid is administered by the HECB and totaled \$484.5 million in 2007-09, \$458.7 million Near General Fund-State.

## ***Budgeted versus actual enrollments***

Higher education institutions have significant discretion over how they spend the tuition and state funds they receive. The state generally appropriates funds in the state operating budget to institutions on a per student basis for a specified number of students, for facility operating and maintenance expenses based on certain assumptions, and for other purposes. The institutions may choose to allocate these funds for different priorities as determined by the institutions. For instance, actual student enrollments often exceed budgeted enrollments. This is illustrated as follows:



## Actual and Budgeted FTE Enrollments

	FY 2007 2006-07		FY 2008 2007-08		FY 2009 2008-09	
	Actual	Budgeted	Actual	Budgeted	Projected Actual	Budgeted
<b>4-Years</b>						
UW (all branches)	36,647	36,776	37,526	37,651	39,629	38,526
WSU (all branches)	21,277	21,400	22,333	21,800	23,425	22,250
EWU	9,189	8,946	9,111	8,996	9,298	9,184
CWU	9,204	8,692	8,931	8,952	9,060	9,322
TESC	4,114	4,143	4,269	4,165	4,406	4,213
WWU	11,784	11,729	12,140	12,022	12,520	12,175
Other						
4-yr & 2-yr partnership*	30	120	72	240		
NSIS Program*		250	139	250		
<b>TOTAL 4-Years</b>	<b>92,245</b>	<b>92,056</b>	<b>94,521</b>	<b>94,076</b>	<b>98,338</b>	<b>95,670</b>
 <b>CTC's</b>	 <b>132,346</b>	 <b>133,227</b>	 <b>136,512</b>	 <b>135,612</b>	 <b>146,305</b>	 <b>139,237</b>
Other						
4-yr & 2-yr partnership*					59	240
NSIS Program*					217	250
<i>*Beginning in 2008-09, these FTEs are reported by OFM at the CTC system.</i>						
<b>Total Higher Education</b>	<b>224,591</b>	<b>225,283</b>	<b>231,033</b>	<b>229,688</b>	<b>244,643</b>	<b>234,907</b>

Note for records: Fall 08 Budget Driver Started reporting 4-yr and 2-yr Partnership Programs as part of 2-year system in Fall 2008

The 06-07 and 07-08 enrollments keep them as they were reported in budget driver in those years.

The 07-08 enrollment reports them as the new budget driver will

The 2007-09 budget increased budgeted FTEs by 4,695 in 2007-08 and 5,039 in 2008-09.

### University of Washington (UW) and Washington State University (WSU)

The two research universities are UW and WSU. In addition to the traditional academic programs, these two schools also focus on research. UW is budgeted for over \$1.4 billion in research in 2005-07 funded by public and private sponsors, particularly the federal government. WSU is budgeted for over \$350 million in research for the biennium. Other institutional programs for the UW include two hospitals (UW Medical Center, owned by UW, and Harborview Medical Center, owned by King County and managed by UW); for WSU, a priority is community outreach with roots in its land grant status, primarily through the Cooperative Extension Program and Small Business Development Center.

### Comprehensive/regional universities

There are four comprehensive institutions in different regions of the state, Central Washington University (Ellensburg), Eastern Washington University (Cheney), The Evergreen State College (Olympia), and Western Washington University (Bellingham). These four year schools focus on academic/instructional programs. These schools also have community outreach and research programs, but generally on a scale much smaller than the research universities.

### Community and Technical Colleges (CTC's)

The 34 CTCs each have their own Board, but, unlike the 4-year schools, their budget is administered by the State Board of Community and Technical Colleges at the state level. CTCs are two-year schools, providing Associate Degrees in Arts and Sciences and transfer programs to allow students to obtain a baccalaureate degree at a four-year institution. CTCs also provide vocational training, basic skills education, workforce education and training, student-funded programs, applied baccalaureate degrees, and community services/contract funded courses.

### ***Major Policy and Fiscal Issues***

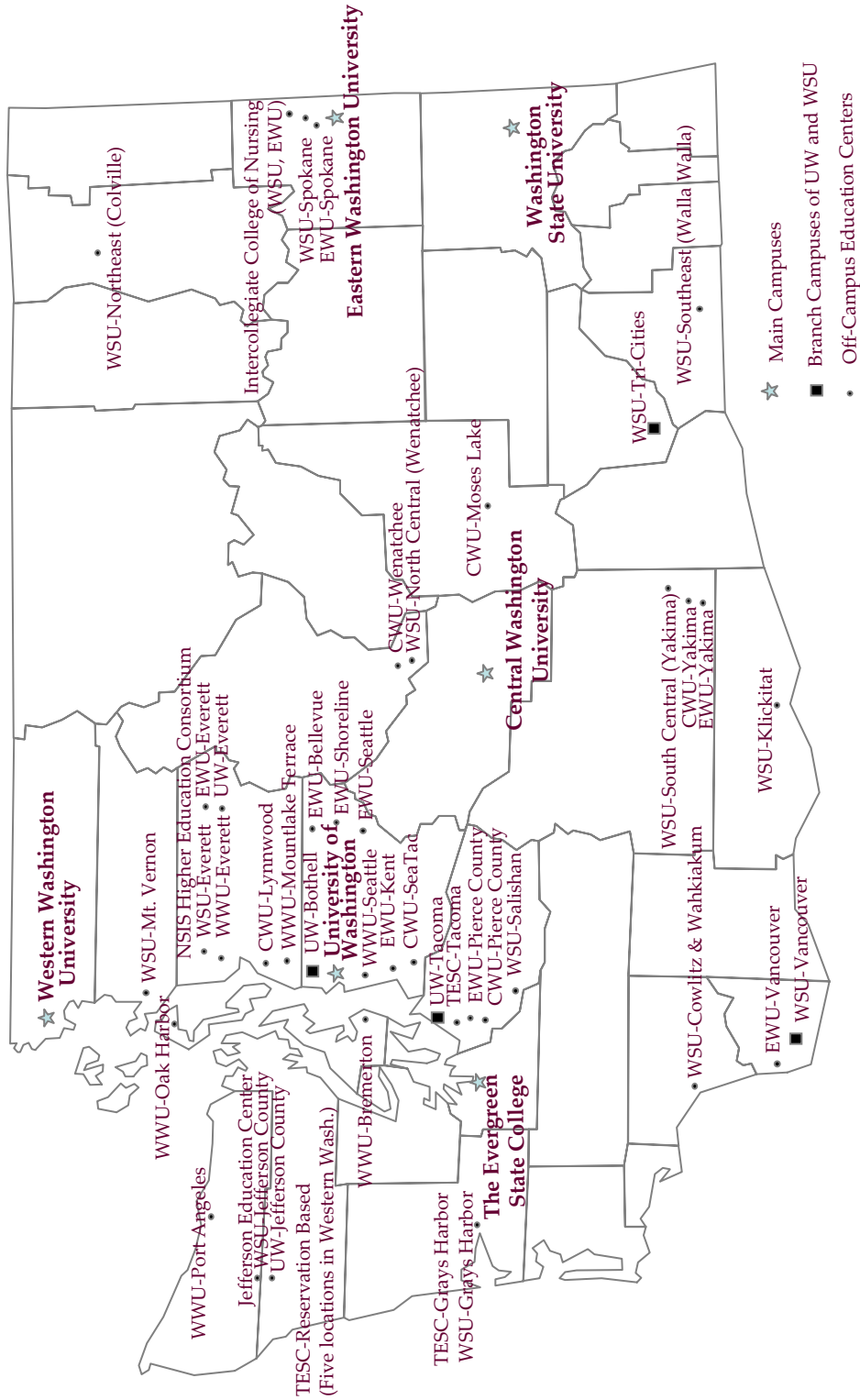
Some of the major policy and fiscal issues in higher education include:

- The traditional question regarding the number of student FTEs the legislature will fund in the budget and at what funding level, and related questions regarding planning for future enrollments (participation rate), accommodating high demand programs, and encouraging pursuit of under-represented degrees.
- The question of how and where in the state to expand higher education through options such as new branch campuses, new higher education centers, enhanced higher education partnerships and/or digital learning opportunities.
- Balancing the autonomy of the individual 4-year institutions with an integrated state higher education system and developing and implementing the higher education performance agreements.
- Providing access to higher education through student recruitment & retention, enrollments and financial aid opportunities for current and future students.
- Connecting higher education with employer demands, providing worker training and re-training opportunities as well as discussing the general role of higher education in relation to workforce demands.
- Balancing locally collected and retained tuition with state support levels
- Implementing potential budget reductions in 2009-11.

	<u>UW</u>	<u>WSU</u>	<u>CWU</u>	<u>EWU</u>	<u>TESC</u>	<u>WWU</u>	<u>CTCs</u>	<u>HECB</u>	<u>WFTECB</u>	<u>SIRTI</u>
<b>Total Budgeted Funds</b>	\$ 4,077,377	\$1,180,752	\$251,545	\$238,652	\$116,782	\$328,812	\$2,496,941	\$518,236	\$57,987	4,872
Instruction	\$ 1,047,157	\$ 688,211	\$ 183,746	\$199,513	\$95,916	\$ 54,849	\$1,129,859			
Research	\$ 1,424,253	\$ 350,509	\$65,133	\$31,484	\$8,514	\$ 54,849				
Hospitals	\$ 918,040									
Workforce Education and Skills Training							\$642,191		\$ 53,657	
Financial Aid								\$499,989		

# Public Four-Year Institutions

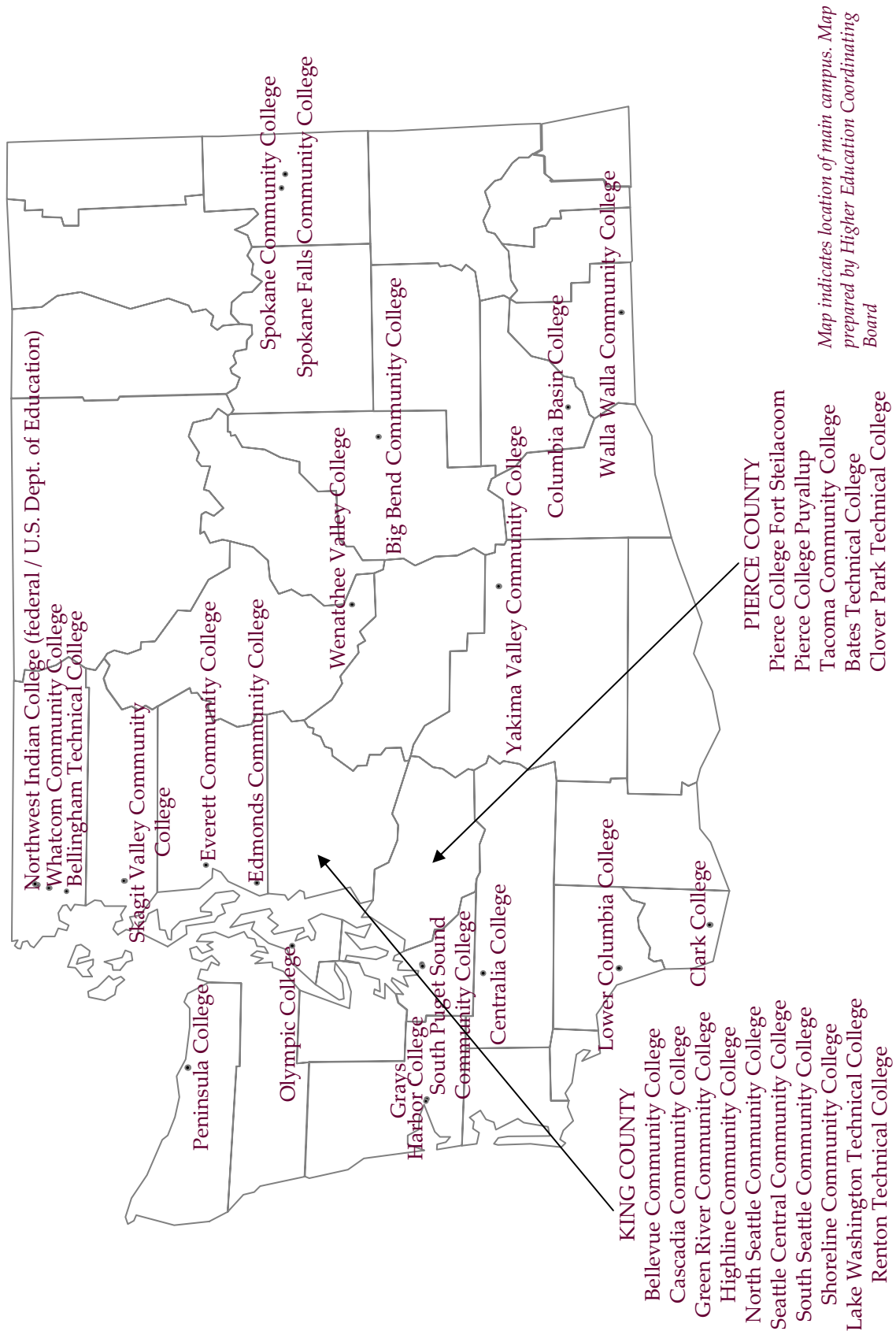
## Main Campuses, Branches and Centers



Data Source: Web Sites of each institution

Map prepared by Higher Education Coordinating Board

# Public Two-Year Colleges



# ***HUMAN SERVICES***

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## ➤ *Department of Corrections*

# Overview

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The Department of Corrections is responsible for the incarceration of felons with sentences longer than one year and for community supervision of offenders convicted in superior courts who have been released from prison or are required to be supervised by court order. In accordance with the 1984 Sentencing Reform Act, the determinate sentencing model provides that offenders are sentenced based on the seriousness level of their crimes and prior convictions (although judges can depart from the standard sentencing range for aggravating or mitigating factors). The department's operating budget appropriation for the 2007-09 biennium is \$1.8 billion Near General Fund-State.

## ***Housing Felony Offenders***

There are 15 state prisons throughout the state. As of July 31, 2008, 16,027 offenders were housed in state institutions, 587 in work release facilities, 917 in rented local facilities, and 1092 in rented out-of-state beds, for a total offender population of 18,623. The majority of resources are allocated for custody activities such as transportation of offenders, operation and security of offender housing units, perimeter and access control, and other security related activities. Other items include food, laundry, clothing, and janitorial services. The average annual cost per inmate is approximately \$35,000. \$978 million GF-S was appropriated for the 2007-09 biennium for housing offenders.

## ***Health Care Services for Offenders***

The department is required to provide medical, dental, and mental health services for the incarcerated offender population. \$190 million is appropriated for these services for the 2007-09 biennium, \$188 million GF-S.

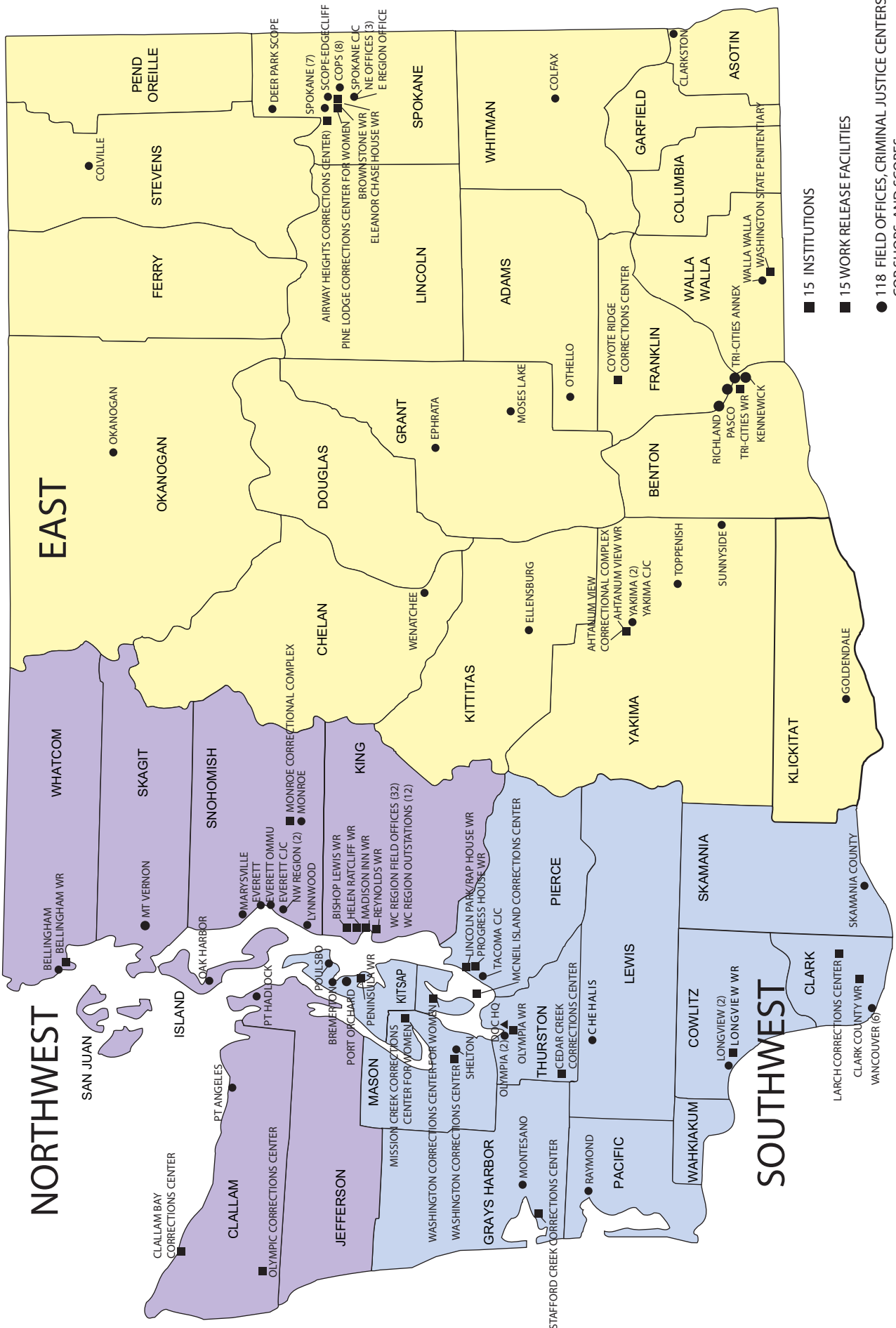
## ***Inmate Education and Re-entry Services***

DOC provides offenders a variety of education opportunities, including General Education Development (GED) certificates, vocational certificates, victim awareness education, anger management, and moral reconnection therapy. A basic education is provided to offenders up to age 18, and up to age 22 for those qualifying for special education. DOC also administers Correctional Industries, a program to help offenders obtain job skills, 15 work release facilities, and chemical dependency, mental health and other treatment programs. \$217 million GF-S is appropriated for these activities for the 2007-09 biennium.

## ***Supervising Offenders in the Community***

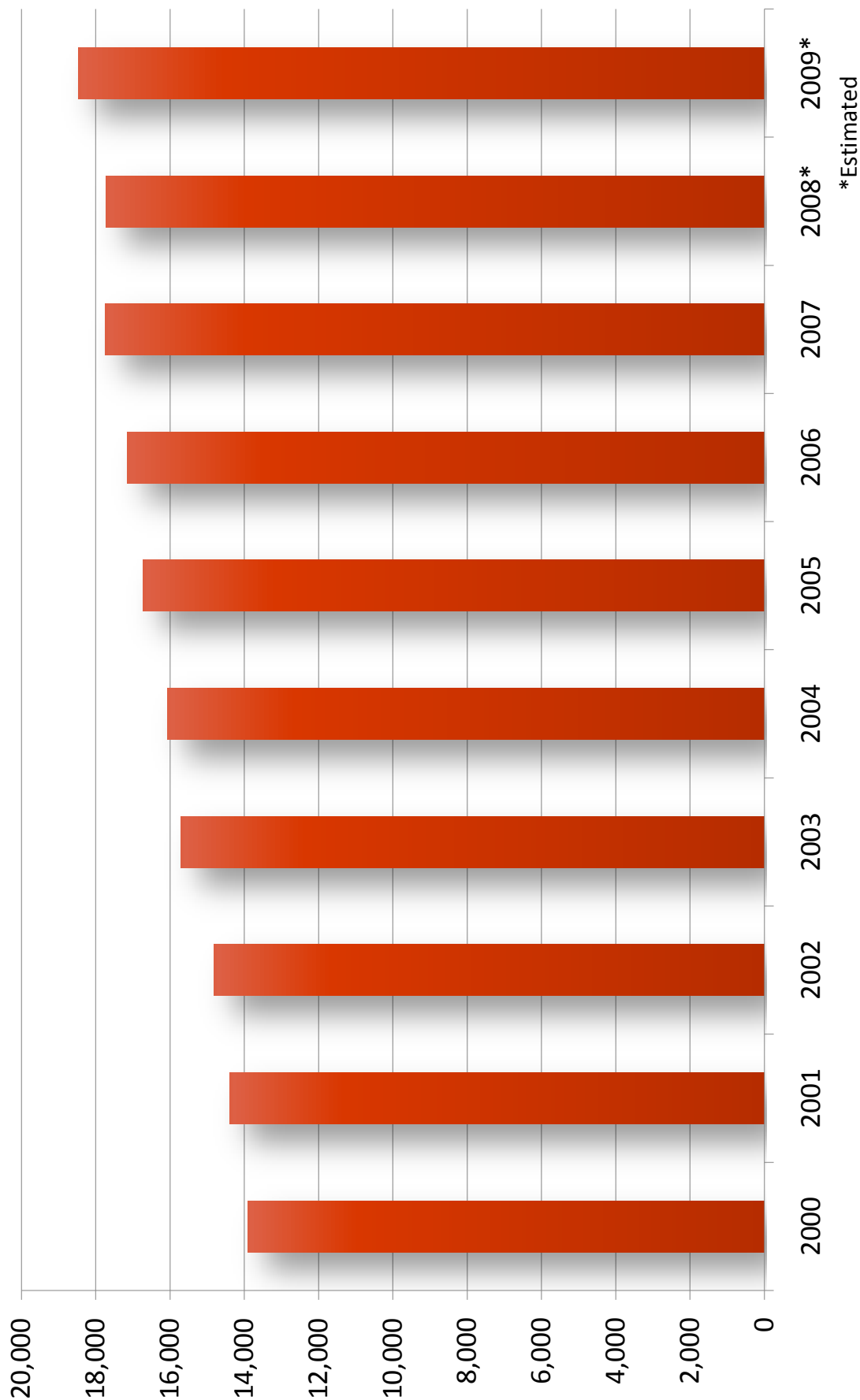
DOC monitors high risk offenders (about 16,000 per day), moderate risk offenders (about 6,300 per day), and low risk offenders (about 5,300 per day) in the community who have been released from confinement or are required to be supervised by court order. \$229 million is appropriated for these activities in 2007-09, \$207 million GF-S.

# Department of Corrections

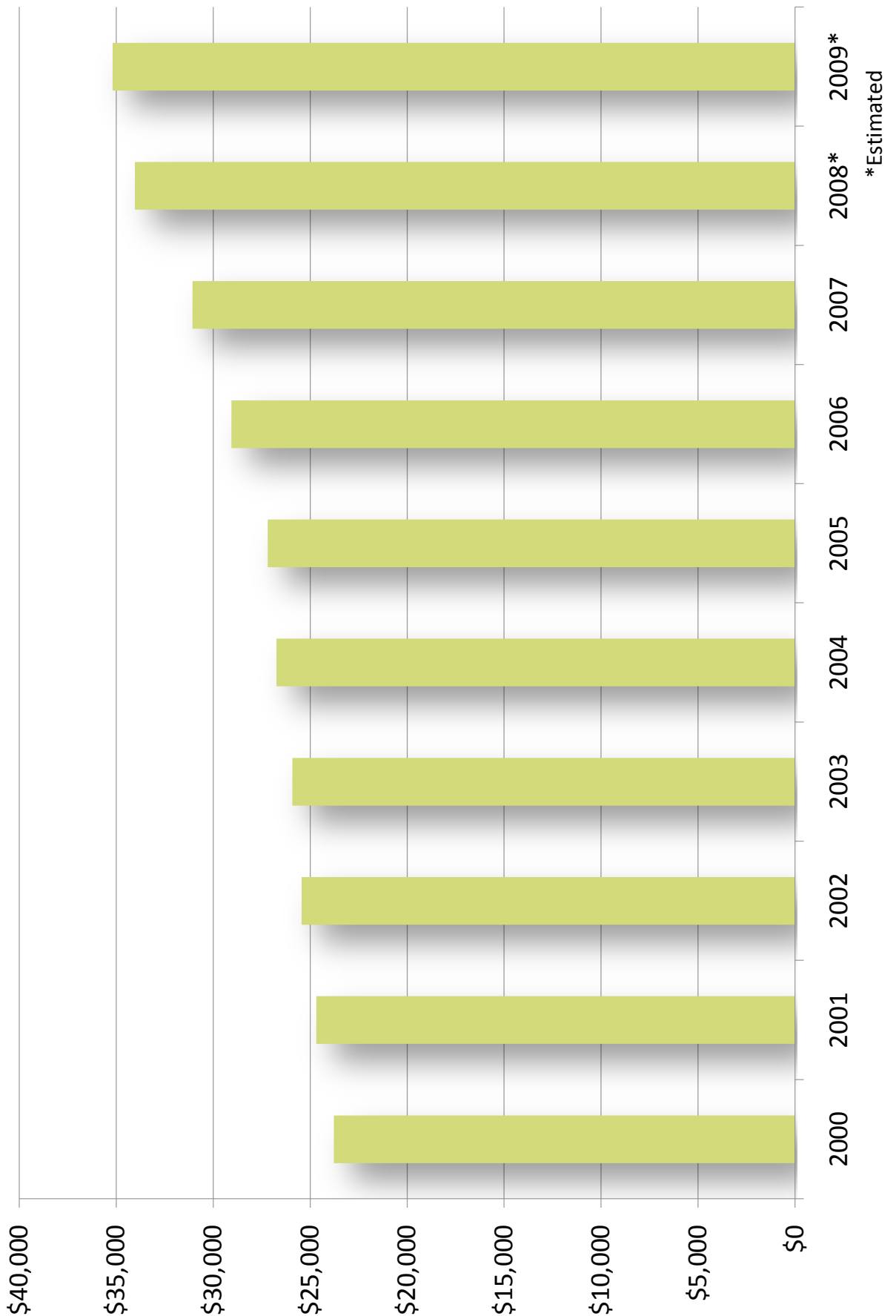




# DOC Incarcerated Offenders Average Daily Population



# Average Annual cost per inmate



➤ *Department of Social and Health  
Services*

# Overview

The Department of Social and Health Services (DSHS) is 30% of the Near General Fund-State appropriation for the 2007-09 biennium, and 34% of total budgeted funds. A substantial portion of DSHS's budget provides health care to low income or qualifying persons, much of it in partnership with the federal government through the Medicaid program. Medicaid services generally are funded half by the federal government and half by the state.

## DSHS Major Programs 2007-09

	<u>Near General Fund-State</u>	<u>Total Budgeted Funds</u>
Medical Assistance	\$4.1 billion	\$8.4 billion
Long-Term Care	\$1.5 billion	\$3.0 billion
Economic Services	\$1.2 billion	\$2.3 billion
Developmental Disabilities	\$0.9 billion	\$1.8 billion
Mental Health	\$0.9 billion	\$1.5 billion
Children & Family Services	\$0.7 billion	\$1.2 billion
Alcohol/Substance Abuse	\$0.2 billion	\$0.4 billion
Juvenile Rehabilitation	\$0.2 billion	\$0.2 billion
Other	<u>\$0.3 billion</u>	<u>\$0.6 billion</u>
DSHS Total	\$10.0 billion	\$19.4 billion

Clients often receive services from a variety of programs. Although Medical Assistance is the primary health services program/division, medical services are also funded in many other programs including Long-Term Care, Developmental Disabilities, and Mental Health. While Children and Family Services focuses on protecting children from neglect and abuse and providing foster care and adoption services, children also receive services through Medical Assistance, Developmental Disabilities, Mental Health, and other DSHS divisions/programs. There are 3 divisions/programs that are primarily non-medical: Children and Family Services, Economic Services, and Juvenile Rehabilitation. A summary of selected DSHS activities is listed below.

## ***Children and Family Services***

**Child Protective Services (CPS)** - Provides intake, screening, and investigative services for reports of suspected child abuse and neglect. (\$197 million total budgeted for 2007-09, \$85 million GF-S.)

**Family Reconciliation Services (FRS)** - Provides voluntary services targeted to maintaining the family as a unit and preventing out-of-home placement of adolescents. If more intensive services are necessary, they are contracted through Family Support Services. (The FRS total for 2007-09 is \$30 million, \$12 million GF-S.)

**Family Support Services** - Assistance to children and families in crisis and at risk of disruption. Early intervention services are provided to address abuse and neglect, avoid out-of-home placement, and promote healthy development of children. (\$60 million total for 2007-09, \$54 million GF-S.)

**Child Welfare Services (CWS)** - Provides permanency planning and intensive treatment services to children and families who need help with chronic problems related to abuse and neglect. CWS generally is applicable when services are needed beyond CPS and Family Reconciliation Services. (\$243 million total for 2007-09, \$120 million GF-S.)

**Medicaid Treatment Child Care (MTCC)** - Provides families with young children at serious risk of abuse or neglect with intensive child development services and interventions to promote parenting skills (formerly called Therapeutic Child Development). (\$14 million total for 2007-09, \$7 million GF-S.)

**Crisis Residential Centers (CRC)** - Provides temporary housing for children who run away from home or are in severe conflict with their parents (stays range from four hours to five days). (\$6 million total in 2007-09).

**Secure Crisis Residential Centers (SCRC)** - Provides short-term placement of up to five days for runaways placed by law enforcement. SCRCs have locked doors and windows and fenced grounds, but otherwise operate as CRCs with emphasis on assessment of needs and family reunion. (\$9 million GF-S total in 2007-09.)

**Family Foster Home Care (FFH)** - Provides 24-hour care for children who need temporary out-of-home placement due to child abuse, neglect, or family conflict. FFH services are intended to be short term while a more permanent solution is found. (\$224 million total for 2007-09, \$162 million GF-S.)

**Other Foster Care** - Provides receiving home care, foster care client support services, pediatric interim care for medically fragile infants, and out-of-home placement recoveries. (\$53 million total for 2007-09, \$16 million GF-S.)

**Behavioral Rehabilitation Services (BRS)** - Contracts with community agencies for rehabilitation services for children with serious emotional, behavioral, or medical disabilities who cannot be adequately served in family foster care. BRS provides a higher level of care for children with the most severe needs. (\$137 million total in 2007-09, \$90 million GF-S.)

**Adoption Services and Support** - Provides permanent placement and support services for children in foster care where parental rights have been voluntarily relinquished or terminated due to abuse, neglect, or abandonment. (\$152 million budgeted for 2007-09, \$80 million GF-S.) Adoption medical provides medical services to eligible adopted children through the state's Medicaid program (\$27 million total in 2007-09, \$14 million GF-S.)

### ***Juvenile Rehabilitation***

**Institutional Services for Juvenile Offenders** - The Juvenile Rehabilitation Administration (JRA) maintains four secure residential facilities for youth committed to state custody. Services focus on rehabilitation, and include counseling, academic education, medical and dental, and vocational training. (\$129 million total in 2007-09, \$108 million GF-S.)

**Parole Transition Services for State Committed Juvenile Offenders** - JRA coordinates regional services that include state and county-contracted diagnostic services for committable offenders. (\$35 million total in 2007-09, \$31 million GF-S.)

**Community Facility Transitional Services for Juvenile Offenders** - Includes seven state-operated and for adjudicated youth who are transitioning back to the community. (\$13 million total in 2007-09, \$6 million)

**Community Services for Locally Committed Juveniles** - Funds programs on a statewide basis to reduce recidivism for juvenile offenders. These programs target youth who are on county probation and are at moderate to high risk for reoffending. The focus is on programs demonstrated by research to reduce recidivism (\$48 million total in 2007-09, \$29 million GF-S.)

## ***Economic Services***

**Child Support Enforcement** - The Division of Child Support (**DCS**) helps collect child support payments for children. DCS collects and distributes over \$50 million each month in child support payments. (\$293 million total in 2007-09, \$86 million GF-S.) This is partially offset by the state's TANF share returned by the state.

**The TANF Box** - When the Legislature established the Workfirst program in 1997, it put all related revenues into the "TANF box". These are federal Temporary Assistance for Needy Families (TANF), federal Child Care Development Fund (CCDF), state CCDF match, and state TANF funds (called Maintenance of Effort or MOE). The governor manages the TANF box. Programs included in the TANF box are TANF cash grants, Working Connections Child Care, support services, and WorkFirst employment services.

**Temporary Assistance to Needy Families (TANF)** - Provides monthly cash assistance to needy families with children and to low income pregnant women. Eligibility is determined by comparing the family's countable income to the grant payment standard for the applicant's household size. Funding for the program is shared by the state and federal governments. (\$618 million total for 2007-09, \$378 million GF-S.)

**WorkFirst Employment and Training** - Provides job search assistance, subsidized employment, job readiness training, basic education, career counseling, and non-salaried work experience to TANF-eligible clients. The program also provides support for vocational education once a client is working 20 hours per week. (\$192 million total in 2007-09, \$64 million GF-S.)

**Working Connections Child Care Program (WCCC)** - Provides payments for child care services to all TANF clients, WorkFirst participants and non-TANF low income parents who participate in employment, work activities, and training. (WCCC's total budget is \$339 million for 2007-09, \$223 million GF-S.)

**Food Stamp Administration** - Determines eligibility for federal food stamp benefits. (\$82 million total in 2007-09, \$40 million GF-S.)

**General Assistance-Unemployable (GA-U) and General Assistance Interim SSI (GA-X)** - Provides cash grants to low income individuals and couples whose physical, mental, or emotional illness prevents them from working. GA-X recipients appear to meet SSI disability criteria and should be eligible for Medicaid health coverage; DSHS requires and helps GA-X recipients apply for SSI benefits. (\$199 million total in 2007-09, \$197 million GF-S.)

**Medical Eligibility Determination Services** - The Economic Services Administration determines eligibility of medical programs. (\$84 million total for 2007-09, \$45 million GF-S.)

## ***Medical Assistance***

**Mandatory Medicaid Program for Children and Families** - Provides Medicaid services for families and children eligible for TANF, persons no longer on TANF for certain reasons, eligible pregnant women and their newborns, individuals receiving SSI or state supplements, and children in foster care or adoption support. Mandatory services for eligible persons include inpatient and outpatient hospital care, rural health clinic services, laboratory and X-ray services, nursing home services for those over age 21, EPSDT services (Early and Periodic Screening Diagnosis, and Treatment) for children, family planning, physician care, and home health. (\$5.5 billion total in 2007-09, \$2.5 billion of which is GF-S.)

**Medicaid for Optional Children** - Provides Medicaid services for children who do not qualify under federal mandatory guidelines, but live in families with income less than 200 percent of the poverty level. (\$1.2 billion total, \$87 million GF-S for 2007-09.)

**Medicaid Program for Aged, Blind, and Disabled** - Medically Needy (MN) is a federal and state Medicaid program for aged, blind, or disabled individuals with income or resources (assets) that exceed standard eligibility levels (categorically needy). (\$217 million total in 2007-09, \$116 million GF-S.)

**Optional Medicaid Health Benefits (Dental, Vision, and Hearing)** - Washington covers optional Medicaid dental, vision, and hearing services. (\$298 million total in 2007-09, \$88 million GF-S).

**State Children's Health Insurance Program (SCHIP)** - Provides health coverage to about 12,000 children up to age 19 who live in households with income between 200 and 250 percent of the federal poverty level. (\$53 million total in 2007-09).

**Medical Care for General Assistance Unemployable (GA-U) and ADATSA** - State-funded program provides limited medical care to persons who are physically and/or mentally incapacitated and unemployable for more than 90 days. Limited medical care is also provided for people participating in the state-funded Alcoholism and Drug Addiction Treatment and Support Act (ADATSA) which provides cash and/or medical benefits, treatment, and support for persons who are unemployable due to drug or alcohol abuse. (\$290 million total in 2007-09, \$247 million GF-S.)

**Disproportionate Share Hospital (DSH)** – Program focuses on continued operation of hospitals most heavily impacted by charity and Medicaid caseloads, and intergovernmental transfer programs focus on maximizing federal revenue (\$387 million total in 2007-09, \$121 million GF-S)

Note that in Medical Assistance, the total funding includes funds from the Health Services account.

## ***Long-Term Care***

**Adult Day Health Community Services** - Provides rehabilitative and other services to delay the need for entrance into a 24-hour care setting, or reduce the length of stay in 24-hour care settings. Persons must meet Medicaid eligibility criteria and have a skilled nursing or rehabilitation need. (\$27 million total in 2007-09, \$13 million GF-S.)



**In-Home Services** - Medicaid eligible individuals may receive care in their homes through contracted services with Agency Providers (APs) and Individual Providers (IPs). Services include assistance with activities of daily living such as meal preparation, shopping, laundry, housekeeping, and transportation. Services may also include personal care such as eating, bathing, personal hygiene, toileting, and dressing. The nurse delegation program allows distribution of prescription medications as ordered, the testing of blood sure levels, and simple wound care. Other DSHS programs besides Long-Term Care also contract with APs and IPs for services. (\$1.08 billion total in 2007-09, \$528 million GF-S.)

**Adult Family Home Community Services** - Providers are private homes that may serve up to six residents. They provide room, board, laundry, residential supervision, assistance with activities of daily living, personal care, and nurse delegation services. Some providers also offer skilled nursing or special care. Persons must meet financial and functional eligibility criteria for either the Medicaid Personal Care (MPC) program or the Community Options Program Entry System (COPES) system waiver. (\$145 million total in 2007-09, \$74 million GF-S.)

**Boarding Home Community Services** - Providers are licensed to care for seven or more residents. Service settings include Adult Residential Care (ARC), Enhanced Adult Residential Care (EARC), and Assisted Living facilities. Boarding Homes provide shared and private rooms, meal service, some assistance with activities of daily living, some residential supervision, and nurse delegation. Persons must be eligible for MPC or COPEs programs. ARCs work with clients who are receiving state-provided adult protective services. EARC require intermittent skilled nursing and some provide specialized dementia care. (\$191 million total in 2007-09, \$96 million GF-S.)

**Nursing Home Services**- Skilled nursing facility health care is provided to Medicaid-eligible persons who need post-hospital recuperative care, nursing services, or have chronic disabilities necessitating long-term habilitation and/or medical services. Nursing homes provide 24-hour supervised nursing care, personal care, therapy, and supervised nutrition. (\$1.06 billion total for 2007-09, \$520 million GF-S.)

Other long term care activities include:

1. Program for All-inclusive Care for the Elderly (PACE) services in King County (\$27 million total in 2007-09, \$14 million GF-S);
2. Investigations/Quality Assurance Services reviews licensed facilities, staff, and others that come in contact with vulnerable adults requiring provision of appropriate services and quality care (\$78 million total in 2007-09, \$19 million GF-S.)
3. Family Respite Program (\$14 million GF-S)

## ***Developmental Disabilities***

**Employment and Day Programs** - Provides services to developmentally disabled persons through contracts with county governments. Services from birth to three include specialized therapeutic and educational services. Services for adults include training, placement, and follow-up services to help clients obtain and maintain employment, as well

as personal growth programs to help clients participate in community activities. (\$138 million total in 2007-09, \$96 million GF-S.)

**Personal Care** - Funding for personal care services for children and adults with developmental disabilities (Title XIX) in their homes, licensed adult family homes, and boarding homes. Assistance is provided for bathing, feeding, and dressing. (\$422 million total in 2007-09, \$206 million GF-S.)

**Family Support Program for Developmentally Disabled Clients** - Services are provided primarily by the family or to assist the family in the home, reducing the need for out-of-home residential placement. Services include respite care, attendant care, nursing specialized equipment and supplies, physical therapy, behavior management, and communication therapy. (\$9 million GF-S in 2007-09.)

**Residential Program** - Services are provided through contracts with private community providers. These services include residential care, supervision, habilitation training, therapies, medical and nursing care, and recreation. (\$540 million total in 2007-09, \$270 million GF-S.)

**Infant Toddler Early Intervention Program** - A multi-disciplinary program for early intervention services to infants and toddlers with disabilities and their families. The program contracts with local organizations and local governments for direct services. (\$17 million total in 2007-09, \$32,000 GF-S)

**Residential Habilitation Facilities** – The state operates five habilitation centers that serve developmentally disabled persons by providing assessment, treatment, training, habilitative programs, and activities. (\$361 million total in 2007-09, \$161 million GF-S.)

Other programs include:

1. State Operated Living Alternatives (SOLAs) is similar to Residential Services except staffing supports are provided the state employees (\$27 million total in 2007-09, \$14 million GF-S)
2. Public Safety Services funds residential placements of DD clients with community protection issues (\$87 million total in 2007-09, \$44 million GF-S); and
3. Professional Services (\$12 million in 2007-09, \$6 million GF-S); and
4. Other community programs including background checks, diversion beds, and crisis intervention services to assist the community in supporting DD clients experiencing a mental health crisis (\$45 million total in 2007-09, \$33 million GF-S.)

## ***Mental Health***

**Community Mental Health Services – Medicaid** - Provides financial support and program direction for community mental health programs delivered by Regional Support Networks (RSN) and prepaid health plans. Services are provided to Medicaid clients who meet medical necessity standards. Services include outpatient, inpatient, acute care, emergency, day treatment, consultation and education, employment services, and Medicaid transportation. (\$756 million total in 2007-09, \$374 million GF-S).

**Community Mental Health Services - Non-Medicaid** - Provides financial support and program direction to RSNs for community health programs for non-Medicaid eligible

persons and for services that do not qualify for funding under Medicaid. These programs provide services for both voluntary and involuntary populations (through the Involuntary Treatment Act). Services are similar to the Community Mental Health Services program described above. (\$246 million GF-S for 2007-09.)

**State Mental Health Facilities** - State psychiatric hospitals include Eastern and Western State Hospitals and the Child Study and Treatment Center. Services include inpatient psychiatric services for acutely and chronically mentally ill persons, mentally ill legal offenders, geriatric patients at Eastern and Western State Hospitals, and inpatient psychiatric services for severely disturbed children and adolescents at the Child Study Treatment Center. (\$489 million total 2007-09, \$277 million GF-S.)

**Other Community Mental Health Services** - Include Children's Long-Term Inpatient Services (CLIP), the Clark County school project, Community Transition Support Services for former state hospital patients, and federal Mental Health Block Grant programs. (\$84 million total in 2007-09, \$51 million GF-S.)

**Mental Health Services to Jails** - Services are provided to offenders with mental health disorders while they are confined in county or city jails. (\$10 million GF-S in 2007-09.)

**Dangerously Mentally Ill Offender Program (DMIO)** - Provides mental health services for dangerous mentally ill offenders scheduled to be released from state prisons into the community. This is a joint program between the Department of Corrections and DSHS. (\$4 million total in 2007-09.)

**Other mental health programs include:**

1. Community Residential and Support Services for older Adults - a program to provide support services for older adults who have co-occurring medical and behavioral disorders and who have been discharged or diverted from a state psychiatric hospital (\$9 million total in 2007-09);
2. Innovative Service Delivery Project Grants (\$3 million total in 2007-09); and
3. Special projects and grants to demonstrate service delivery to homeless, mentally ill offenders, and family support networks (\$8 million total in 2007-09.)
4. Special programs for children's mental health - Program for Assertive Community Treatment (PACT) are high intensity treatment teams that are intended to divert patients from needing state psychiatric hospital care (20.8 million GF-S.)

## ***Alcohol and Drug Abuse***

**Community Based Drug and Alcohol Treatment Services** - DSHS contracts with counties and tribes for outpatient treatment services. Counties contract with provider networks in their communities to provide services including assessment, outpatient treatment, triage services including non-hospital detoxification services, outreach, intervention, referral, and opiate substitution treatment. Medicaid matching funds are used to maximize available services. (\$179 million total in 2007-09, \$61 million GF-S.)

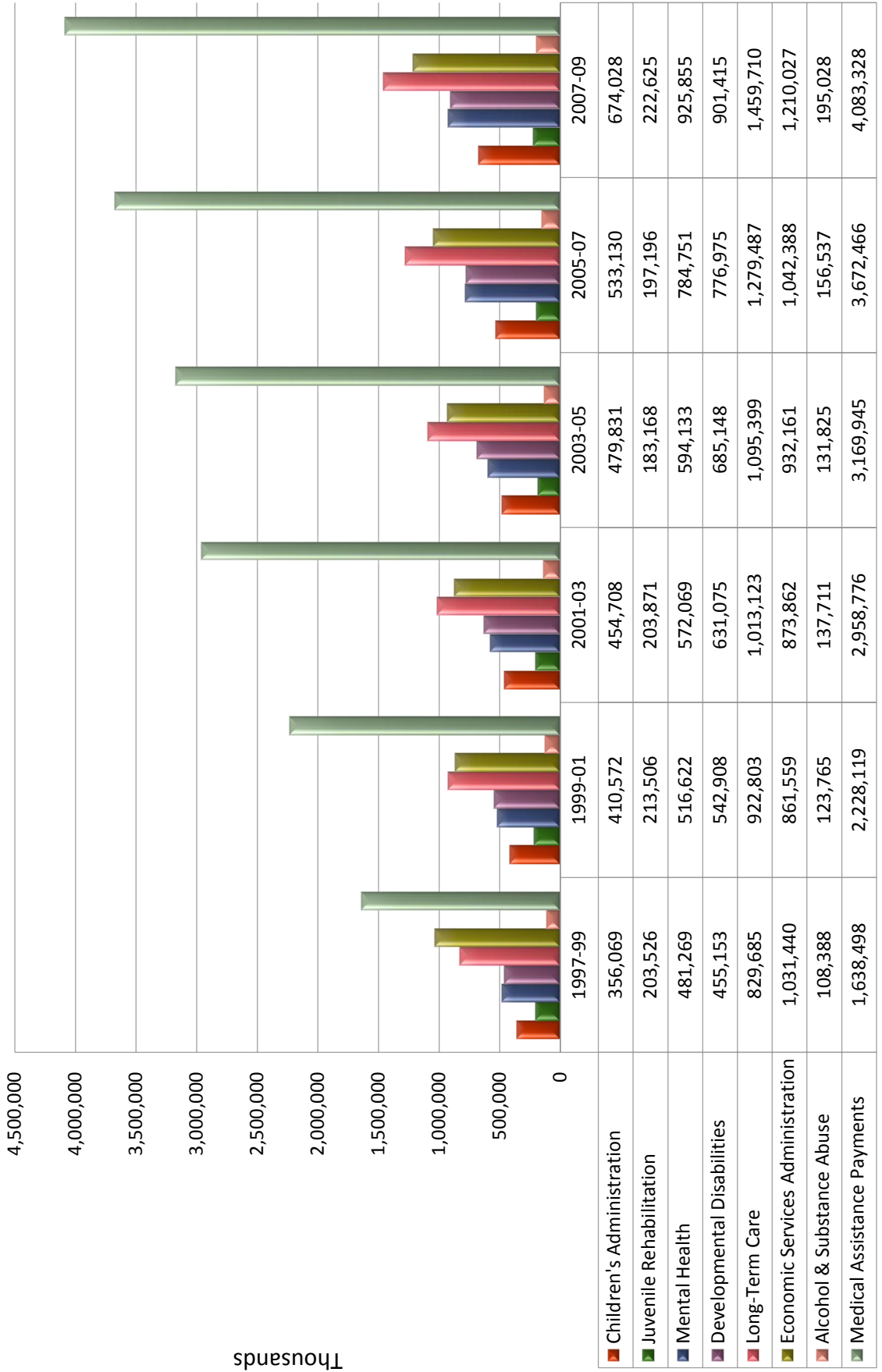
**Residential Drug and Alcohol Treatment** - Residential treatment services are provided to indigent and low-income individuals and their families who are experiencing a range of abuse and addiction problems. (\$106 million total in 2007-09, \$59 million GF-S.)

## ***Other Programs***

**Other programs include** various administrative/support services and vocational rehabilitation.

# DSHS Selected NGF-S Program History

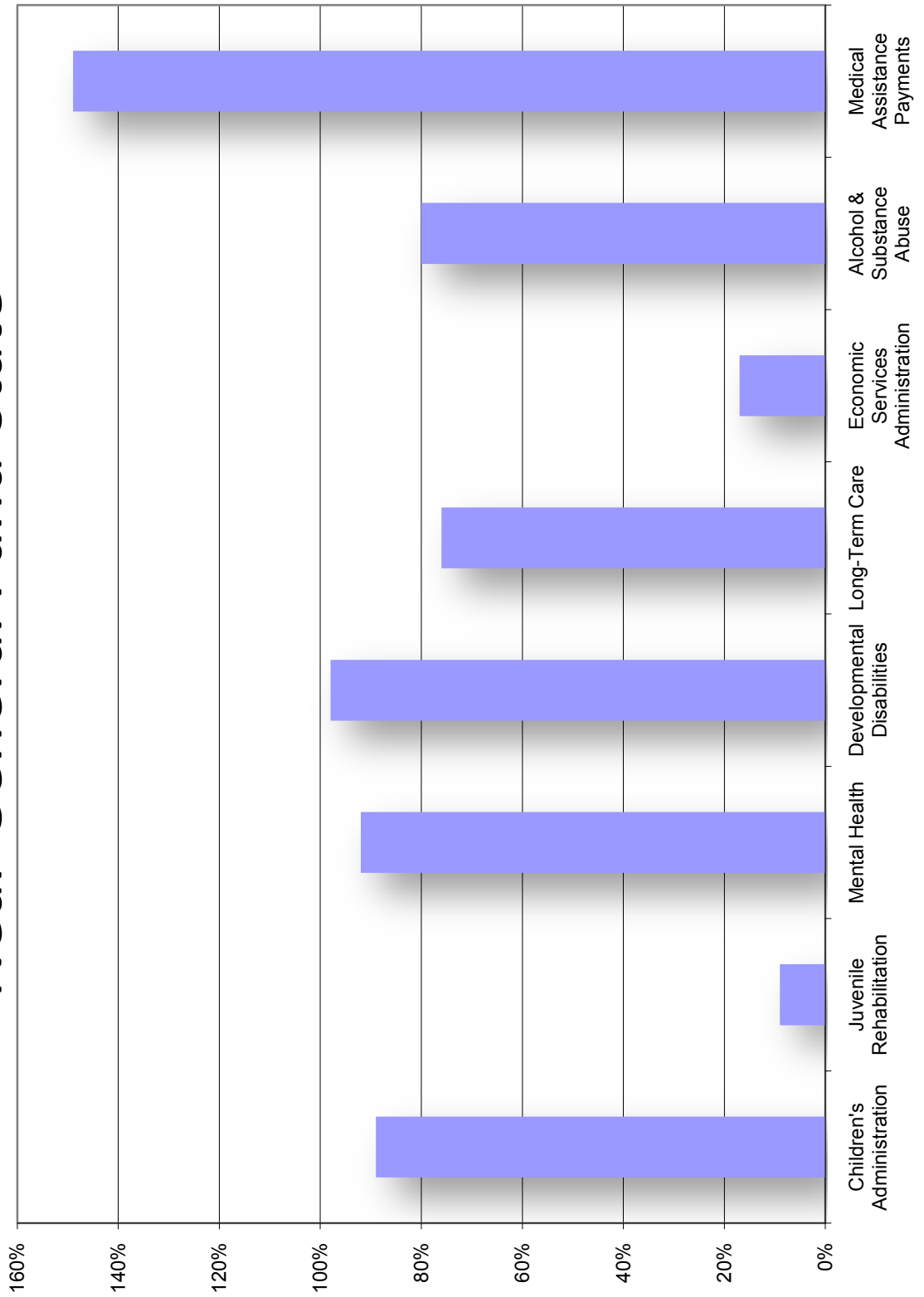
(\$ in thousands)



# DSHS Expenditure History

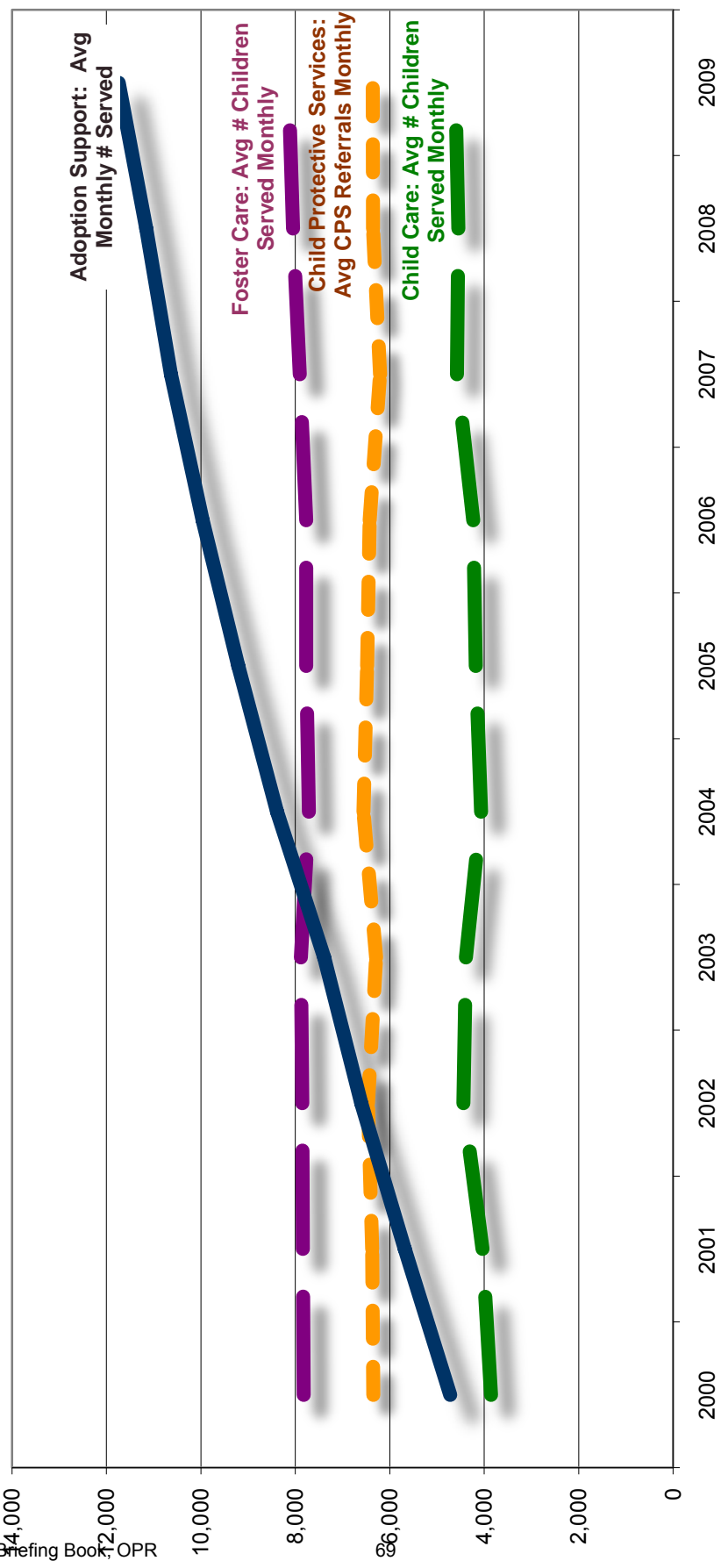
## Percent Change from 1997-99 to 2007-09

### Near General Fund-State



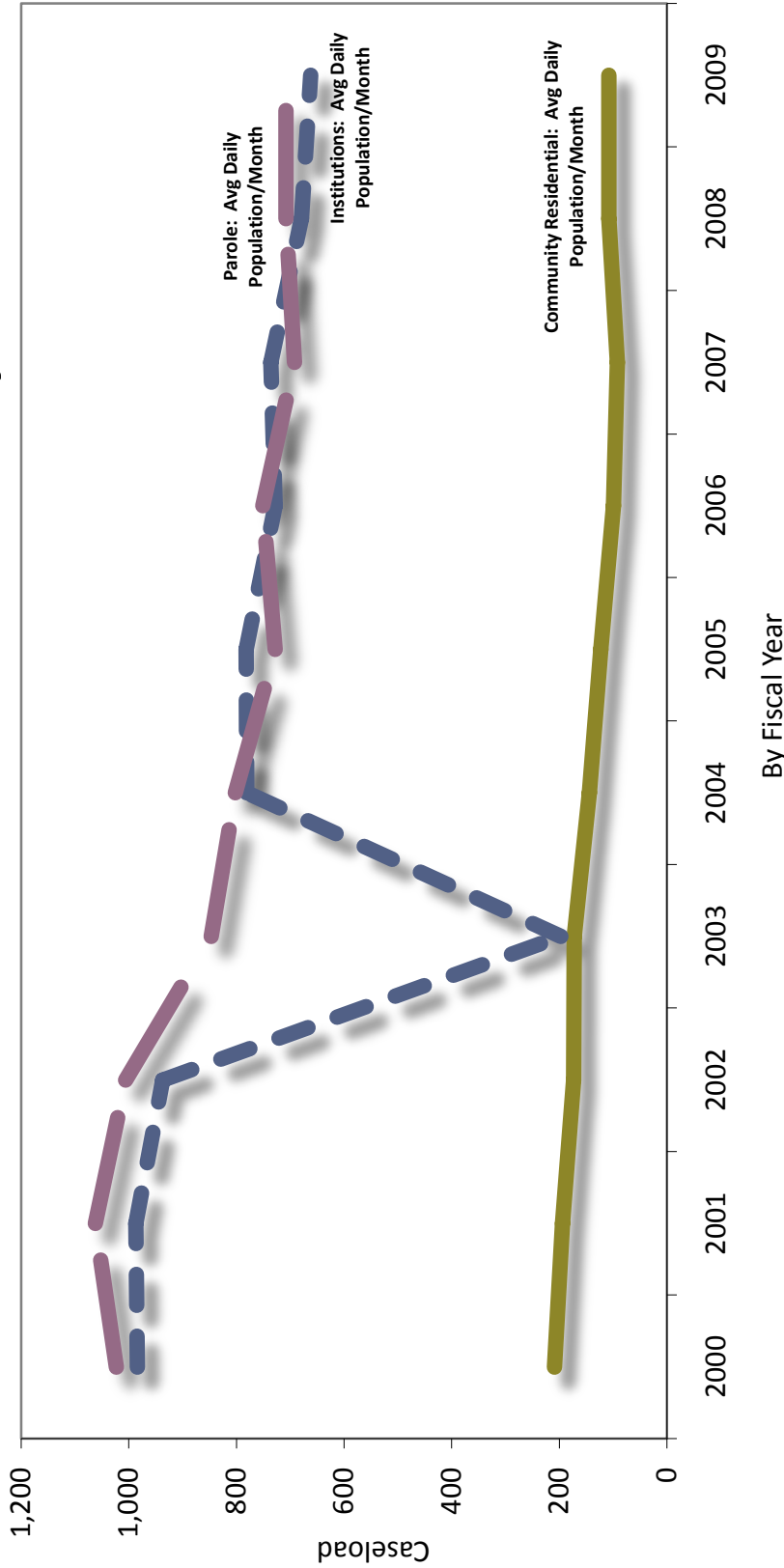
# DSHS Children & Family Services

## Workload History



Estimated										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Foster Care: Avg # Children Served Monthly	7,826	7,838	7,853	7,880	7,713	7,769	7,769	7,908	8,048	8,146
Child Care: Avg # Children Served Monthly	3,856	4,034	4,441	4,389	4,064	4,182	4,235	4,580	4,550	4,614
Child Protective Services: Avg CPS Referrals Monthly	6,351	6,375	6,461	6,288	6,558	6,481	6,426	6,206	6,357	6,358
Adoption Support: Avg Monthly # Served	4,720	5,683	6,603	7,392	8,387	9,208	9,964	10,632	11,155	11,741

# Juvenile Rehabilitation Workload History

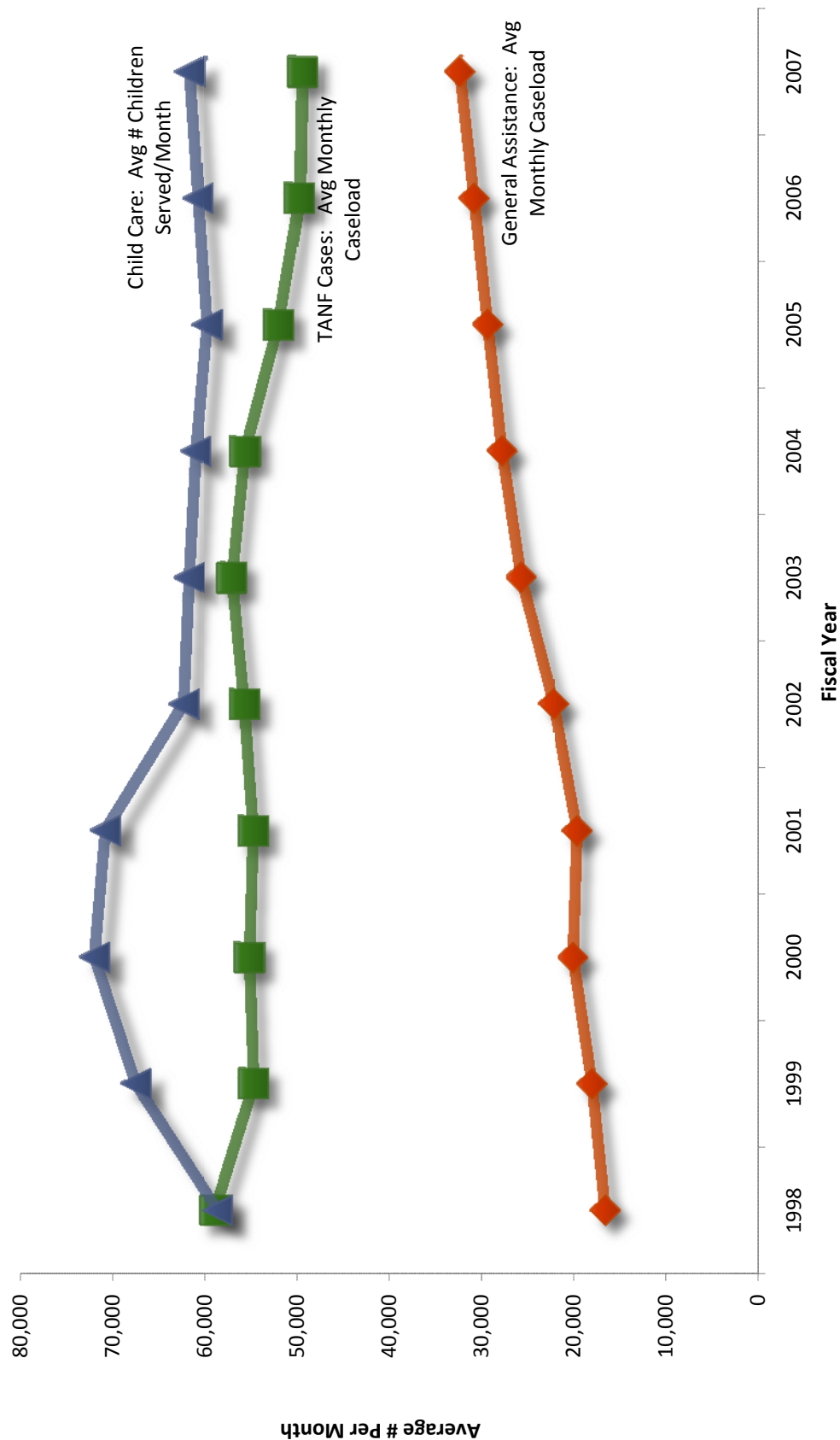


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Community Residential: Avg Daily Population/Month</b>	209	194	173	172	144	123	99	92	108	108
<b>Institutions: Avg Daily Population/Month</b>	984	987	937	197	781	782	728	736	679	662
<b>Parole: Avg Daily Population/Month</b>	1,023	1,062	1,006	847	802	728	751	692	708	708

Estimated

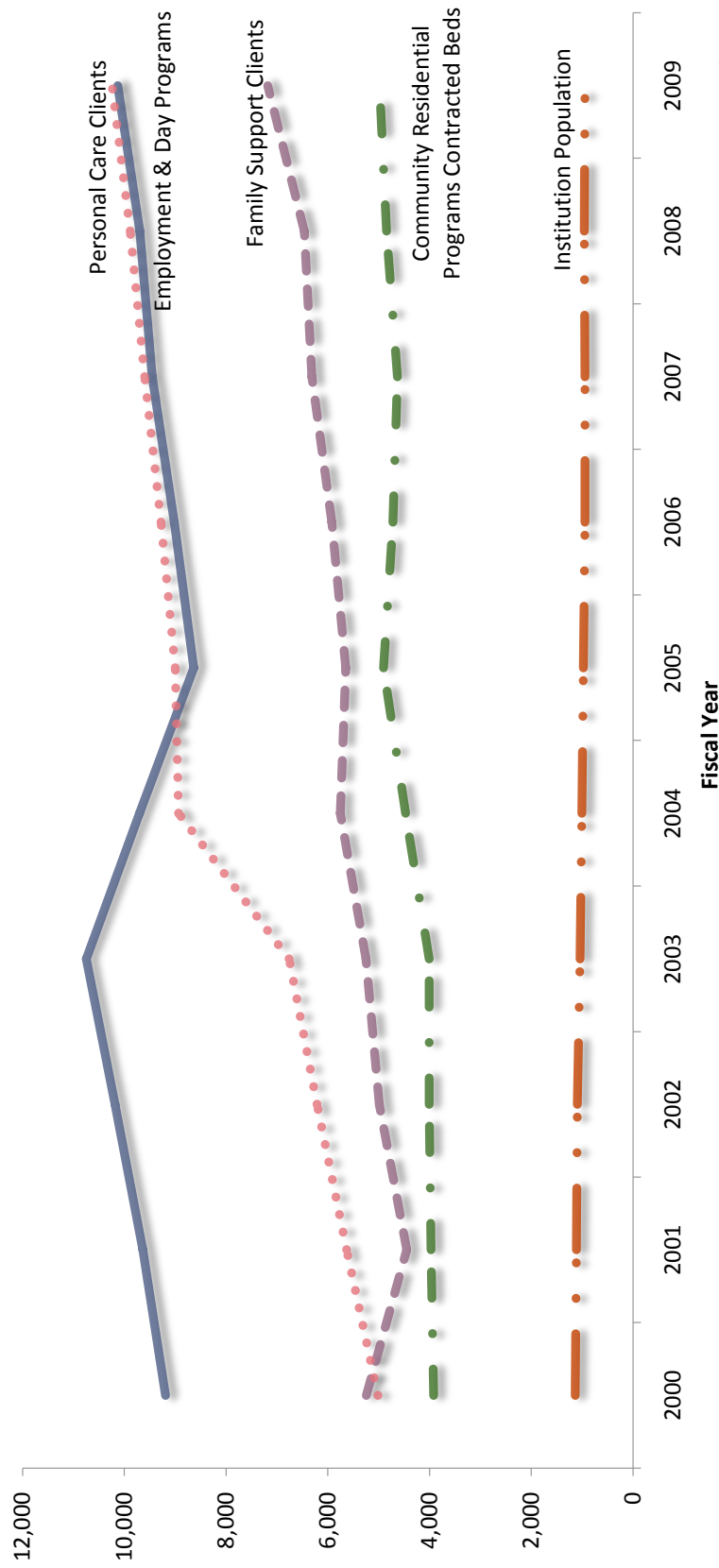


## Economic Services Administration



	Estimated									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Assistance: Avg Monthly Caseload	16,416	17,857	19,933	19,483	22,028	25,578	27,676	29,239	30,726	32,281
TANF Cases: Avg Monthly Caseload	58,796	54,578	55,043	54,641	55,609	56,949	55,520	51,936	49,619	49,317
Child Care: Avg # Children Served/Month	58,511	67,425	71,890	70,709	62,189	61,606	60,860	59,646	60,620	61,564

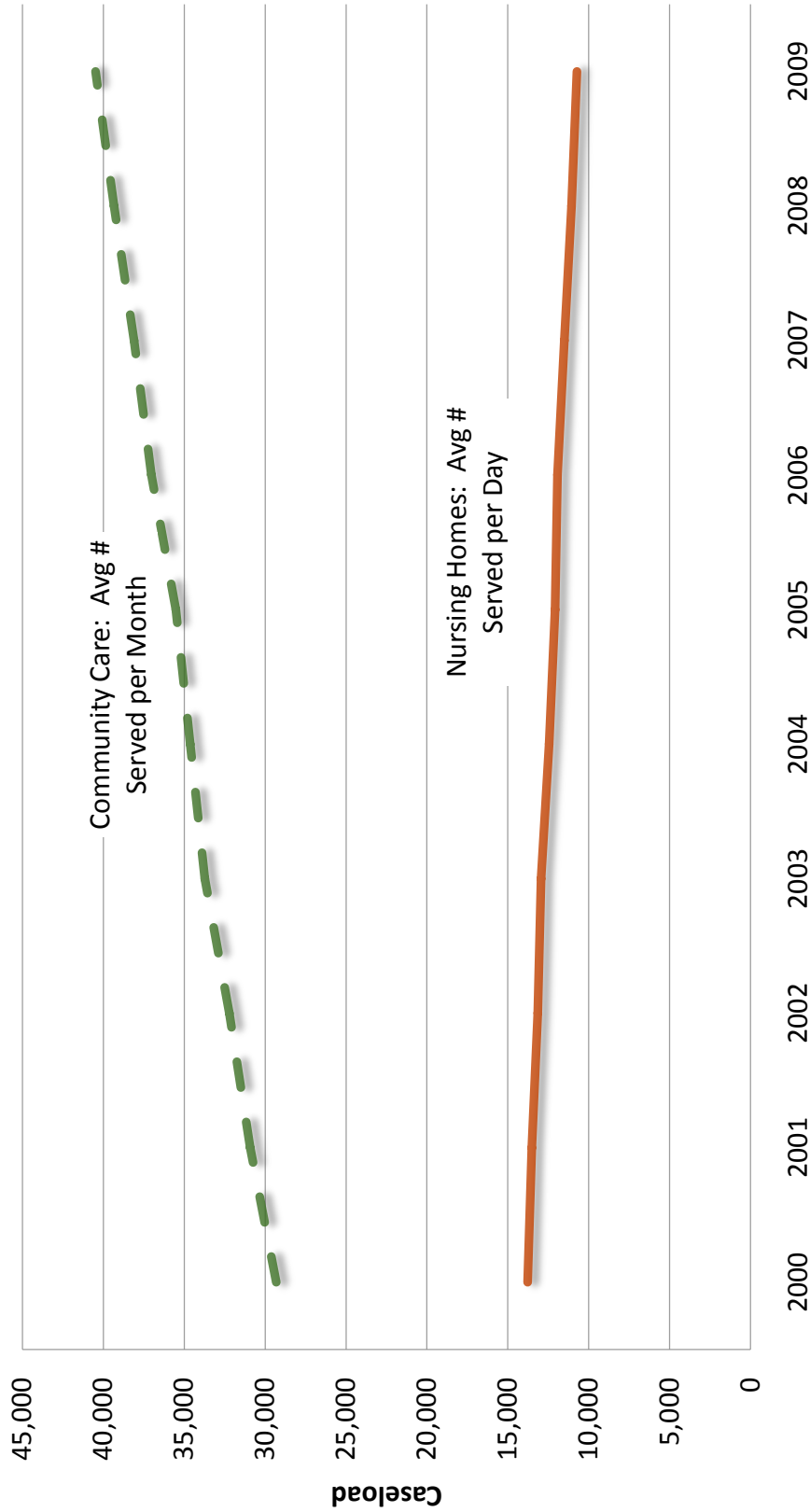
# Developmental Disabilities



Estimated

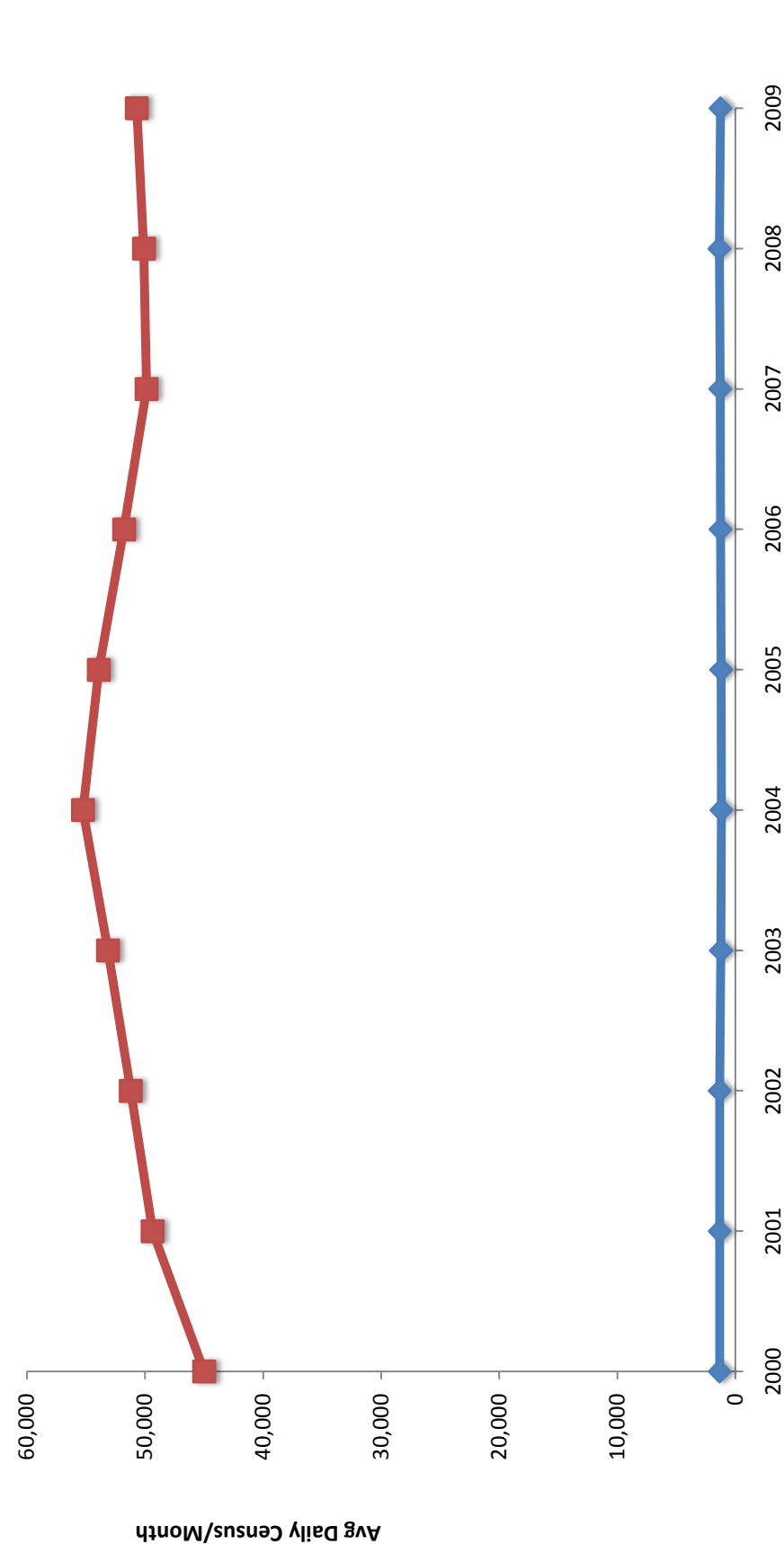
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Institution Population	1,139	1,116	1,093	1,044	1,004	975	948	945	957	955
Community Residential Programs Contracted Beds	3,920	3,975	4,010	4,005	4,469	4,903	4,723	4,631	4,847	4,985
Employment & Day Programs	9,193	9,636	10,186	10,751	9,700	8,636	9,021	9,454	9,697	10,128
Family Support Clients	5,247	4,449	4,986	5,249	5,758	5,648	5,922	6,317	6,460	7,181
Personal Care Clients	5,015	5,630	6,212	6,758	8,934	9,002	9,283	9,603	9,884	10,243

# DSHS Long-Term Care



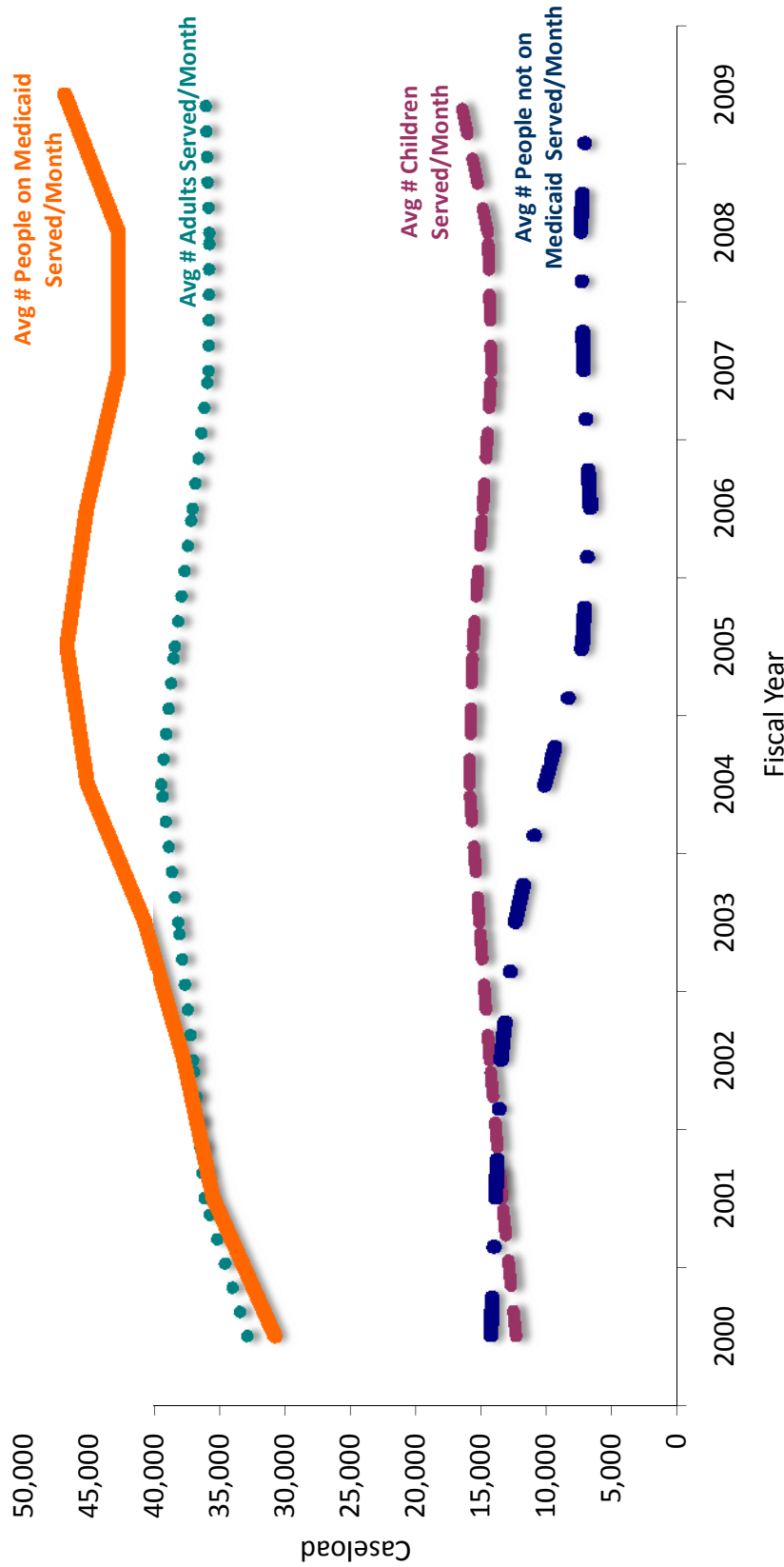
		Estimated									
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nursing Homes: Avg # Served per Day		13,783	13,529	13,154	12,943	12,446	12,088	11,928	11,517	11,067	10,735
Community Care: Avg # Served per Month		29,316	30,919	32,213	33,727	34,635	35,514	37,041	38,094	39,334	40,491
Combined Total:		43,099	44,448	45,367	46,670	47,081	47,602	48,969	49,611	50,401	51,226

# Mental Health - State Hospitals and Community Outpatient Services



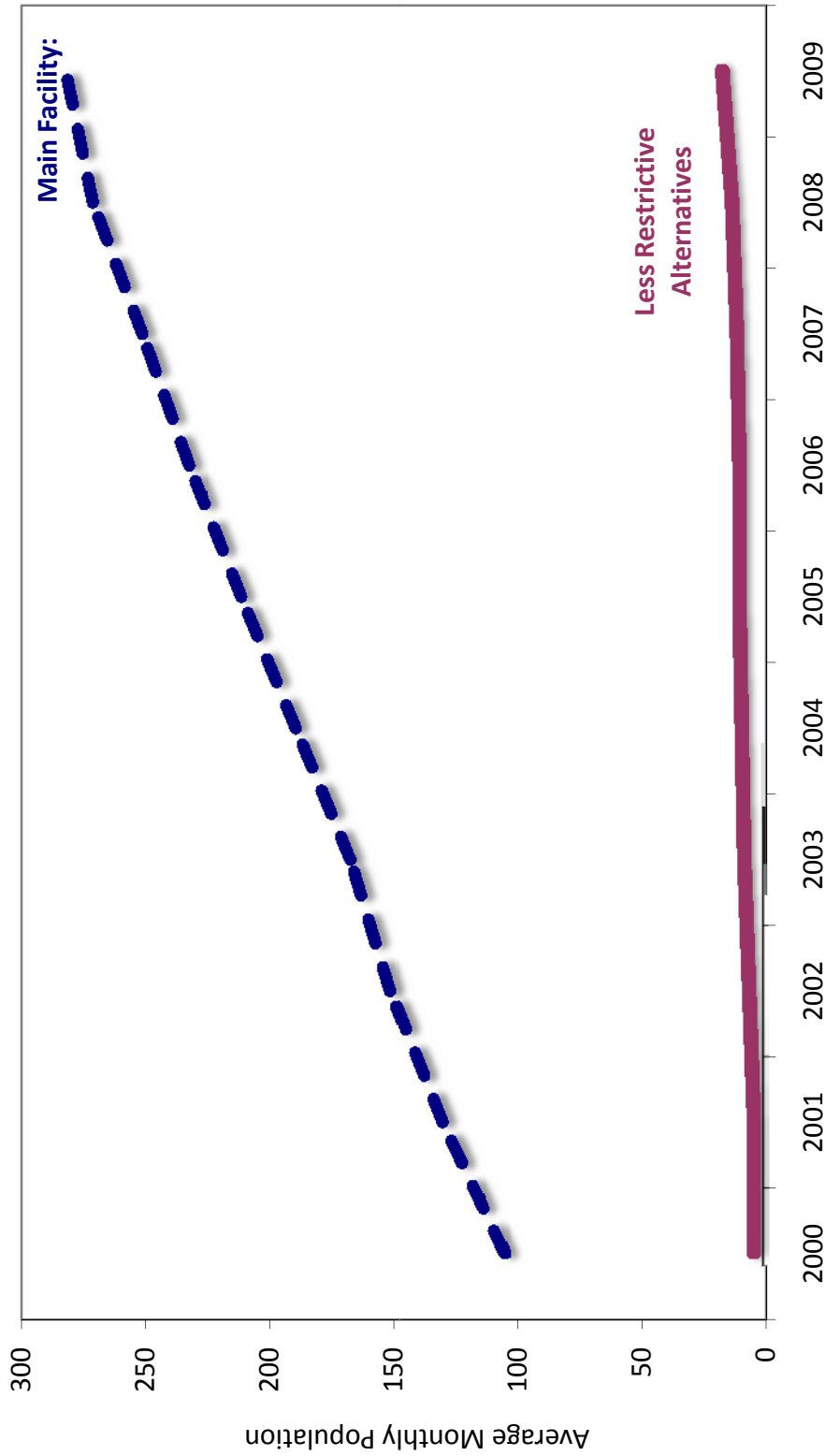
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
State Hospitals Avg Daily Census/Month	1,343	1,343	1,328	1,231	1,192	1,207	1,262	1,292	1,359	1,264
Community Outpatient Services - Avg Persons Served/Month	44,985	49,362	51,206	53,141	55,252	53,918	51,779	49,874	50,100	50,700

# Mental Health and Community Outpatient Services



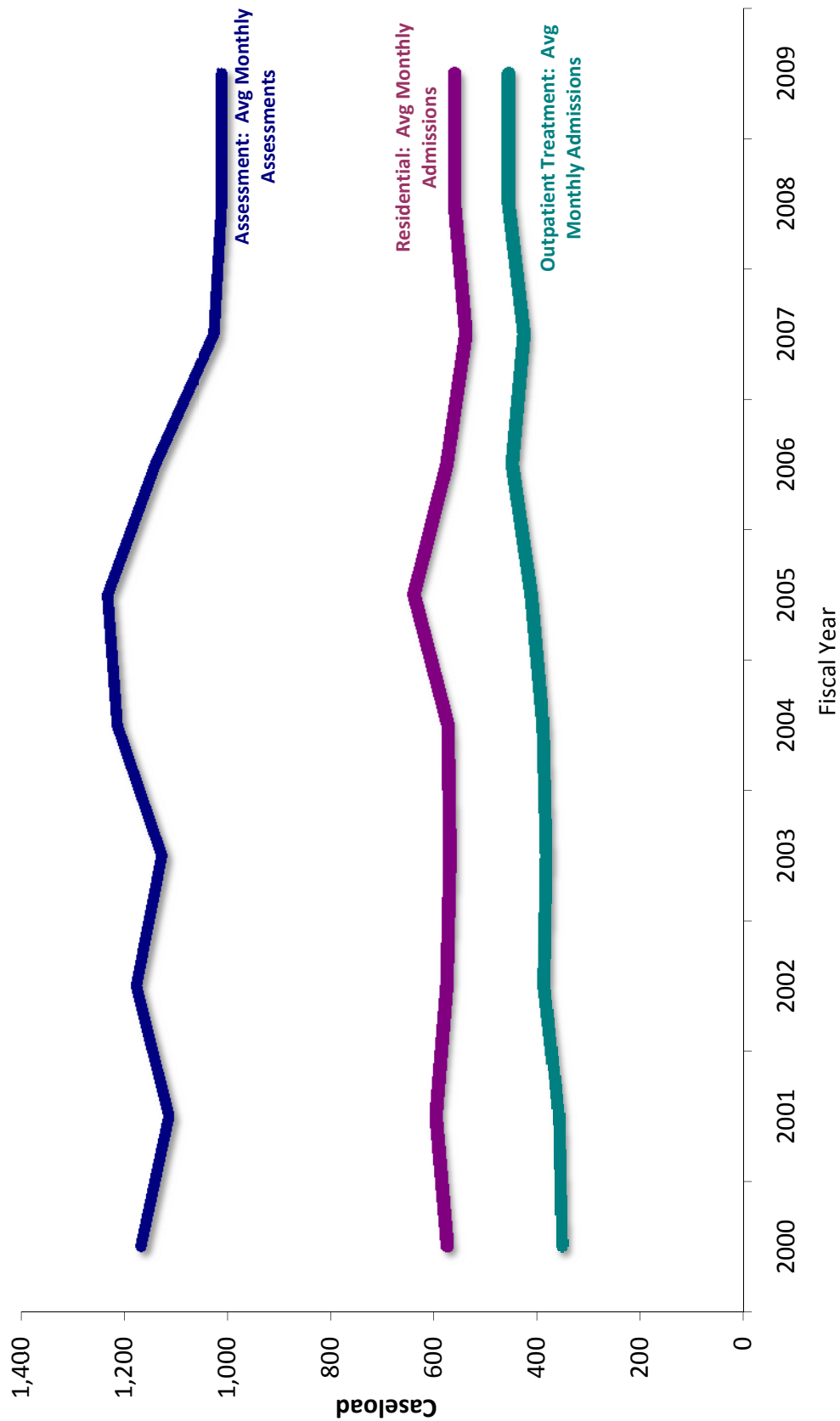
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Avg # Adults Served/Month	12,231	13,316	14,268	15,050	15,849	15,578	14,800	14,136	14,400	16,600
Avg # Children Served/Month	30,752	35,493	37,750	40,782	45,174	46,752	45,219	42,802	42,800	46,900
Avg # People on Medicaid Served/Month	32,754	36,046	36,938	38,091	39,402	38,340	36,979	35,738	35,700	36,000
Avg # People not on Medicaid Served/Month	14,234	13,869	13,456	12,358	10,078	7,166	6,560	7,072	7,300	6,800

# Special Commitment Center



		Estimated								
		2000	2001	2002	2003	2004	2005	2006	2007	2008 2009
Main Facility:		105	130	151	167	189	211	232	251	271 282
Less Restrictive Alternatives		5	5	7	9	10	11	11	12	14 18

# DSHS Alcohol & Substance Abuse



	Fiscal Year										Estimated	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2008	2009
Assessment: Avg Monthly Assessments	1,167	1,112	1,176	1,126	1,213	1,232	1,139	1,024	1,009	1,009		
Outpatient Treatment: Avg Monthly Admissions	351	357	386	381	388	411	448	425	455	455		
Residential: Avg Monthly Admissions	574	596	575	569	573	639	575	538	560	560		

## DSHS Medical Assistance Program History

	2000	2001	2002	2003	2004	2005	2006	2007	Estimated	
									2008	2009
Categorically Needy	718,286	766,349	788,931	823,343	825,073	820,998	854,714	855,381	875,700	894,804
Medically Needy	12,566	12,465	14,528	15,949	16,972	17,850	16,549	13,565	13,461	13,483
Children's Health Insurance Program	355	3,378	6,049	7,320	9,516	13,303	11,786	11,426	12,330	19,457
General Assistance/ADATSA(# persons/mo)	11,716	11,987	11,671	10,169	11,651	14,110	16,006	17,171	18,106	18,934
State Medically indigent	2,457	2,690	3,331	3,997	0	0	0	0	0	0
Refugees	1,004	1,135	933	677	684	685	754	743	728	747

"**Categorically Needy**" is a Medicaid program that covers health and long-term care for certain c categories of low income people.

"**Medically Needy**" is a Medicaid program that allows individuals with resources above Categorically Needy limits to spend down excess resources and qualify for Medicaid.



# ***NATURAL RESOURCES***

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# Overview

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\$1.55 billion is budgeted for natural resources in 2007-09. The natural resources budget includes funding for the following agencies:

## Department of Ecology

- Environmental Protection and Regulation
- Water Quality and Quantity
- Hazardous Waste Site Clean-up

## Fish and Wildlife Commission

- Fish, Shellfish, and Game Harvest
- Hatcheries
- Enforcement
- Hydraulic Permit Approvals

## Department of Agriculture

- Food Safety /Commodity Control
- Distribution and Disposal of Pesticides/fertilizers
- Marketing of Agriculture Products in Domestic & International Markets

## Department of Natural Resources

- Upland and Aquatic Lands
- Forest Practice Standards
- Fire Prevention and Suppression
- Recreation & Natural Areas
- Geology

## Parks and Recreation Commission

- Camp sites, Trails, Boat Launches, Historic sites

## Smaller Agencies/Boards/Commissions

- **Conservation Commission:** Provides non-regulatory outreach and grants to landowners for conservation and environmental restoration
- **Columbia River Gorge Commission:** Sets land use policy in the Columbia River Scenic Area.
- **Recreational Conservation Office:** Administers grant programs for outdoor recreation, habitat, and farmland protection, provides administrative support for five boards, and provides policy and planning for development of outdoor recreation for the state.
- **Growth Management Hearings Boards:** Resolves land disputes related to the Growth Management Act with three independent boards that reflect regional diversity (Eastern, Western and Central Boards).
- **Washington Pollution Liability Insurance Agency:** Provides secondary insurance for oil/gas tanks
- **Environmental Hearings Office:** Supports five independent and impartial boards that resolve appeals related to natural resources regulations.
- **Puget Sound Partnership:** Coordinates State efforts to protect water quality of Puget Sound and efforts to restore Hood Canal.

# Agency Activities

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## ***The Department of Ecology Administers Environmental Laws Covering:***

- Air Quality
- Water Quality and Water Resources
- Hazardous, Toxic, and Nuclear Waste
- Shoreline and Wetlands Protection
- Oil and Hazardous Material Spills
- Solid Waste Management

## ***The Department of Fish and Wildlife Manages the state's fish and wildlife resources, which include:***

- Operation of 90 fish hatcheries
- Fishing, hunting, and shellfish licensing
- Fish and wildlife management and research
- Habitat preservation
- Fish and wildlife law enforcement
- Land management

## ***Department of Agriculture Activities Include:***

- Commodity Inspection
- Food Safety
- Pesticide Management
- Plant Protection
- Market Development

## ***Department of Natural Resources Activities Include:***

- Upland and Aquatic Lands
- Forest Practice Standards
- Fire Prevention and Suppression
- Recreation & Natural Areas
- Geology

## ***The Parks and Recreation Commission accommodates over 50 million visits per year through operation of:***

- 120 parks and approximately 7,000 campsites
- 1,400 miles of trails
- 140 boat launches
- 2,800 buildings and 730 historic structures
- 500 miles of roads and over 900 utility systems
- manages 263,000 acres of lands.



# Other Budget Items

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# ***EXPENDITURE LIMIT***

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# Overview of the State Expenditure Limit (Initiative 601)

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Initiative 601, enacted in 1993, established an expenditure limit for the State General Fund (GF-S) and placed restrictions on state fees and taxes. The initiative has been amended several times as described below, and now applies to the GF-S and released accounts.

## ***Expenditure limit is based on the fiscal growth factor***

The annual growth in state expenditures is limited to the "fiscal growth factor" plus any adjustments as set forth in statute. Previously, the fiscal growth factor was the average rate of state population increase and inflation, as measured by the implicit price deflator, during the prior three fiscal years. Beginning with the 2007-09 biennium, the fiscal growth factor is based on a 10-year average of state personal income growth.

## ***Funds the expenditure limit applies to***

The expenditure limit originally applied only to the State General Fund. Beginning with the 2007-09 biennium, the state expenditure limit applies to the state General Fund and five additional funds: Health Services Account; Violence Reduction & Drug Enforcement Account; Public Safety & Education Account (including the Equal Justice Sub Account); Water Quality Account; and Student Achievement Fund.

## ***Adjustments to the expenditure limit***

The expenditure limit is adjusted downward annually to reflect the extent to which actual expenditures in the prior year are less than the maximum amount allowed under the expenditure limit. This is sometimes referred to as rebasing. Other downward adjustments to the spending limit are required when program costs or moneys are shifted out of the State General Fund or related accounts to other dedicated accounts. Upward adjustments to the spending limit occur if program costs or moneys are transferred into the State General Fund or related accounts from other accounts. Other adjustments (both upward and downward) occur if federal or local government costs are shifted to or from the State General Fund.

Beginning with the 2007-09 biennium, transferring money to funds subject to the limit will not increase the state expenditure limit, and the shift of program costs to funds subject to the limit the General Fund will not raise the limit unless the necessary revenues are also transferred. However, federal and local shifts would continue to impact the limit.

## ***Required number of votes to raise state revenues***

Under the initiative, a two-thirds vote of the Legislature was required for any action of the Legislature that raises state revenue or for an action that constitutes a revenue neutral tax shift. Legislation authorized the Legislature to enact legislation increasing state revenue by a majority vote between April 18, 2005 and June 30, 2006. After June 30, 2006, legislative actions increasing state revenue require a two-thirds vote of each house of the Legislature. Initiative 960 reiterates this two-thirds vote requirement to increase taxes.



## ***The Expenditure Limit Committee***

The Expenditure Limit Committee calculates the expenditure limit each November and projects an expenditure limit for the next two fiscal years. The Expenditure Limit Committee consists of the Director of Financial Management, a designee of the Attorney General, the chairs of the Senate Ways & Means and the House Ways & Means Committees, and the ranking minority members of the Senate Ways & Means Committee and the House Ways & Means Committee of the Legislature.

## ***Expenditure Limit Litigation***

In *Farm Bureau v. Gregoire*, the Farm Bureau and other plaintiffs filed a lawsuit in Snohomish County Superior Court, arguing among other things that legislative actions in the budget bill did not increase the Fiscal Year 2005 expenditure limit, and that the limit assumed by the Legislature and adopted by the Expenditure Limit Committee in November 2005 was too high by \$250 million. The trial court generally agreed and ruled that because the budget actions did not increase the expenditure limit in the trial court's opinion, parts of ESHB 2314 (an omnibus revenue measure) should have gone to a vote of the people under I-601. The Supreme Court reversed the trial court decision and upheld the expenditure limit set by the Expenditure Limit Committee and assumed by the legislature, holding the Legislature clarified the 2005 limit by legislation enacted during the 2006 legislative session.

## Expenditure Limit Summary

FY 2008*	\$15.97 billion
FY 2009*	<u>\$16.83 billion</u>
2007-09 biennium*	\$32.81 billion
FY 2010**	\$17.70 billion
FY 2011**	<u>\$18.51 billion</u>
2009-11**	\$36.21 billion

\*Actual GF-S spending for FY 08 (\$15.96 billion) is used to calculate the limit for FY 2009

\*\*Estimated/preliminary. The expenditure limit is subject to change based on rebasing and legislative actions.

Additional information can be found on the Expenditure Committee internet site at [www.elc.wa.gov](http://www.elc.wa.gov).

# *Initiative 960*

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## **Brief Summary of Initiative 960**

The voters approved I-960 at the November 2007 election, and it became law on December 6, 2007.

**Tax Vote Requirements.** A two-thirds vote of both houses is required to raise any state tax, not just taxes deposited in the general fund. “Raises taxes” means any action or combination of actions by legislature that increases state tax revenue, regardless of fund. The initiative appears to indicate that tax bills referred to the voters do not require a two-thirds vote. Bills that raise state taxes are subject to the initiative's accountability procedures.

**Advisory Votes.** Bills that raise taxes must appear on the ballot for a non-binding advisory vote if the bill is not otherwise placed on the ballot for voter approval.

**Fee Increases.** New fees or fee increases imposed by a state agency require prior legislative approval. Previously, only fee increases in excess of the fiscal growth factor required prior legislative approval. A two-thirds vote is not required for fee increases. Bills that impose or increase state fees are subject to the initiative's accountability measures.

**Accountability Measures.** When bills that increase or create taxes or fees are introduced, OFM must prepare 10-year cost projections, and it must publicize this information to legislators, news media, and the public, along with contact information for the legislators sponsoring the bills. When such a bill is scheduled for a committee hearing or voted out of committee, OFM must update and re-publicize the cost projection, along with committee members' contact information and votes on the bill. Likewise, when a bill passes off the floor of either chamber, OFM must update and re-publicize the cost projection, along with legislators' contact information and votes on the bill.

**When I-960 does not apply.** The initiative does not apply to local government taxes or fees. The initiative does not apply to governmental charges that are neither taxes nor fees (for example, fines and penalties, or charges for commercial transactions).

# ***DEBT SERVICE***

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# Debt Service Paid by the Operating Budget

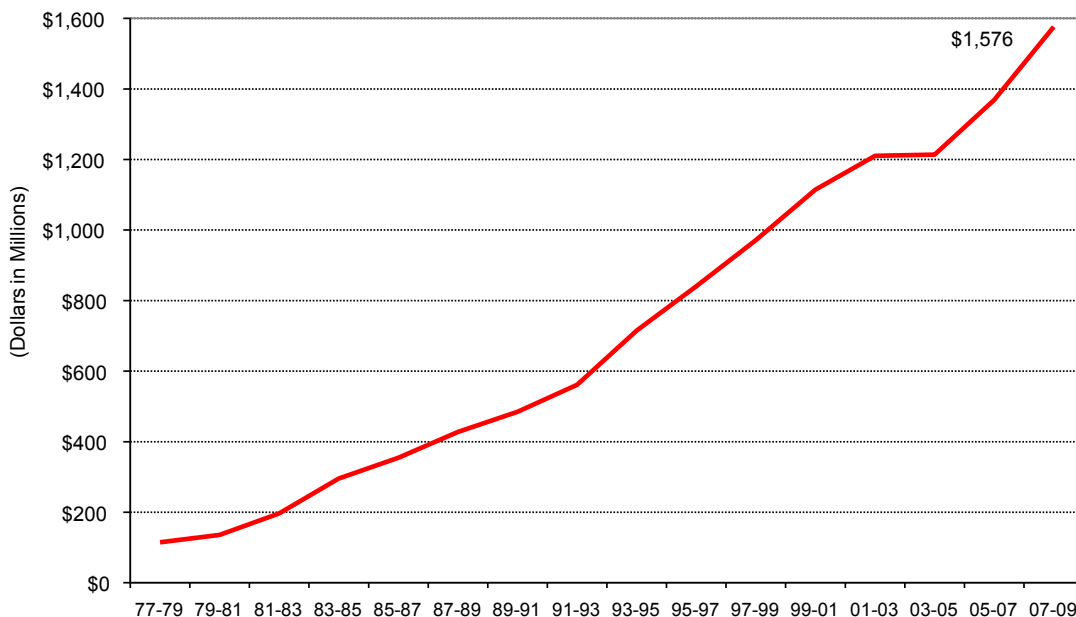
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- **Bonds** are issued as needed as projects are completed over about a 4-6 year period.
- The **debt limit** restricts the amount of bonds that can be issued. The Treasurer cannot issue any bonds that would cause the debt service on the new plus existing bonds to exceed the constitutional limit of 9% of general state revenue averaged over 3 years (There is a statutory debt limit as well that currently is less restrictive than the constitutional debt limit).
- **Bond capacity** for a given biennium is the amount of new appropriations that can be authorized by the Legislature for which the Treasurer can issue bonds to finance without exceeding the debt limit in the future given forecasted variables and a stable capital budget level in future biennia.
- Interest rates, revenue, and other factors affect bond capacity.

## Debt Service Paid by the Operating Budget

(5.3% of the General Fund-State)

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# ***PENSIONS***

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# Summary of the State Pension System

**Pension Funding** – The primary goal of a pension system is to accumulate enough money during a member's working career to pay retirement benefits after the member retires. Actuaries use actuarial funding methods to determine how much employers and employees need to contribute to pensions currently to pay for future retirement benefits. Investment returns play an important role in pension funding, covering about 75% of the cost in recent years. Pension funds are invested by the State Investment Board.

**Retirement systems** - The state retirement system is made up of a number of separate systems based primarily on area of employment, with combined assets of approximately \$50 billion, providing or promising retirement benefits to nearly 500,000 persons at the current time. Following is a brief summary of each of the retirement systems:

- The Public Employees Retirement System (PERS) was created in 1947 and includes most state, city, and county employees (about 250,000 members and beneficiaries in 2007).
- The Teachers Retirement System (TRS) was created in 1937 and includes certified school employees including teachers and certified administrators (about 114,000 members and beneficiaries in 2006).
- The School Employees Retirement System (SERS) was created in 2000 and covers non-certified school employees (about 60,000 members and beneficiaries in 2007).
- The Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) was created in 1969 and covers full-time police, deputy sheriffs, and firefighters (about 25,000 members and beneficiaries in 2007).
- The Washington State Patrol Retirement System was created in 2003 and covers commissioned officers of the Washington State Patrol (about 2,000 members and beneficiaries in 2005).
- The Public Safety Employees Retirement System (PSERS) was created in 2004 and took effect in 2007. It currently has about 2000 members
- Other systems included in the state system are the Higher Education Retirement Plan (primarily a defined contribution plan open to many college and university employees often referred to as TIAA/CREF), the Judicial Retirement Systems, Judges Retirement System, the First Class Cities (Seattle, Tacoma, Spokane), and the Volunteer Firefighters and Reserve Officers' Relief and Pensions.



**Plans** - The major Washington State retirement systems generally have had 3 types of plans. Here is a summary of the major plan designs:

	<b>PLAN 1</b>	<b>PLAN 2</b>	<b>PLAN 3</b>
PERS	<p>Closed in 1977</p> <p>Retirement after 30 years of service (yos) or age 55 with 25 yos</p> <p>Members pay fixed 6% of pay</p> <p>Benefit is 2% per yos based on highest consecutive 2 years of pay up to 30 yos</p>	<p>Opened in 1977</p> <p>Normal retirement age is 65</p> <p>Early retirement beginning at age 55 with 20 yos</p> <p>Members pay 50% of actual cost of plan</p> <p>Benefit is 2% per yos based on highest 5 consecutive years, no maximum</p>	<p>Beginning in 2002, option of plan 2 or 3</p> <p>Normal retirement age is 65</p> <p>Early retirement beginning at age 55 with 10 yrs</p> <p>Members choose 5 - 15% contribution rate at employment start date deposited into individual member account</p> <p>Benefit, in addition to individual member account, is employer-funded 1% defined benefit on highest 5 consecutive years</p>
TRS	Similar to PERS 1	Closed in 1996	<p>Mandatory for new TRS members</p> <p>Retirement age/yos, member contribution and benefits very similar to as PERS 3</p>
SERS	None	Closed in 2001	Mandatory for new SERS members
LEOFF	Closed in 1977	<p>Only open plan</p> <p>Retirement age 53</p>	None
WSPRS	Closed at end of 2002	Only open plan	None
PSERS	None	Opened in 2006	None

## Unfunded liability

While the state retirement plans that are currently open to new members (the Plans 2 and 3) are currently fully funded, unfunded accrued actuarial liabilities (UAALs) exist in both PERS 1 and TRS 1. This means that the present value of the plan liabilities, in the form of members' earned benefits to date, exceed the present value of the plan assets. As of the most recent actuarial valuation, the UAAL for PERS 1 is \$3.9 billion and the UAAL for TRS 1 is \$2.6 billion. The statutory funding policy for paying off the UAAL in the Plans 1 is codified as a goal within the actuarial funding chapter. Per statute, the funding process for the state retirement systems is intended to fully amortize the total Plan 1 costs by not later than June 30, 2024. The payments towards the Plan 1 UAAL are included in employer rates and are not shared by members. In 2003, EHB 2254 suspended the employer contributions towards the PERS 1 and TRS 1 unfunded liabilities for the duration of the 2003-05 biennium.

## Ongoing issues

- Proposal to change the actuarial funding method - Washington State currently uses the Aggregate funding method. Washington has considered changing to the Projected Unit Credit (PUC) method in the past, particularly during challenging budget periods, and the Governor proposes changing to the PUC method in her 2009-11 Operating Budget proposal. Generally PUC requires smaller annual contributions in the short term than the Aggregate funding method and larger contributions in the longer term, and can cost more over time.
- Asset valuation - Public pension systems are designed to have funding horizons that span decades, so they are less susceptible to market swings over time. But there can be short term contribution rate impacts. Washington's ratio of pension assets to pension liabilities has been above 90% in recent years. While Washington's pension system still is one of the strongest pension systems in the country, the current financial and economic crisis has reduced the value of the state's pension assets. This likely will negatively impact contribution rates beginning in the 2011-13 biennium. (2009-11 rates have already been established by the Pension Funding Council, but could be changed by the Legislature.) The severity of the impact will depend on the timing and extent of the economic recovery.
- Gain-sharing lawsuit - Gain-sharing was created in 1998 as a mechanism to increase member benefits in several retirement plans by sharing extraordinary investment gains. Gain-sharing was not expected to impact contribution rates. Language was included when gain-sharing was created to reserve the right of the Legislature to amend or repeal gain-sharing benefits. There have been three gain-sharing distributions which resulted in combined benefit improvements costing roughly \$2.0 billion. In 2004, gain-sharing was determined to be material liability and to be included in the calculation of basic contribution rates recommended by the State Actuary to the Pension Funding Council. In 2007, the Legislature repealed gain-sharing. This repeal is being challenged.

# State Pension Governance

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Prior to 1976, the major state retirement systems were under the oversight of boards of trustees that had such functions as the investment of the retirement funds, hiring the executive director, contracting for actuarial services, and proposing legislation to improve benefits for members and retirees.

In 1976, following a period of rapid increases in pension benefits and costs, the Legislature created the Department of Retirement Systems (DRS), with a director appointed by the Governor, to assume most of the oversight duties of the various retirement boards. The Office of the State Actuary (OSA) was also created in 1976 to provide all retirement system actuarial services for both DRS and the Legislature, including all studies used for setting contribution rates and determining the cost of proposed legislation. The OSA was established as an office in the legislative branch.

In 1981, the State Investment Board (SIB) was created to manage the investment of the assets of the state retirement systems. The SIB has nine voting members and four non-voting members who are investment professionals.

In 1987, the Joint Committee on Pension Policy (JCPP) was created to study pension benefit and funding policies and issues, and to appoint or remove the State Actuary by a two-thirds vote. The JCPP consisted of eight members of the Senate and eight members of the House of Representatives, split evenly between the two largest caucuses of each body. The OSA provided staffing to the JCPP.

In 1998, the Pension Funding Council was created to adopt the long-term economic assumptions and employer contribution rate for most of the state's retirement systems. The PFC also administers audits of the actuarial analysis produced for the PFC by the State Actuary.

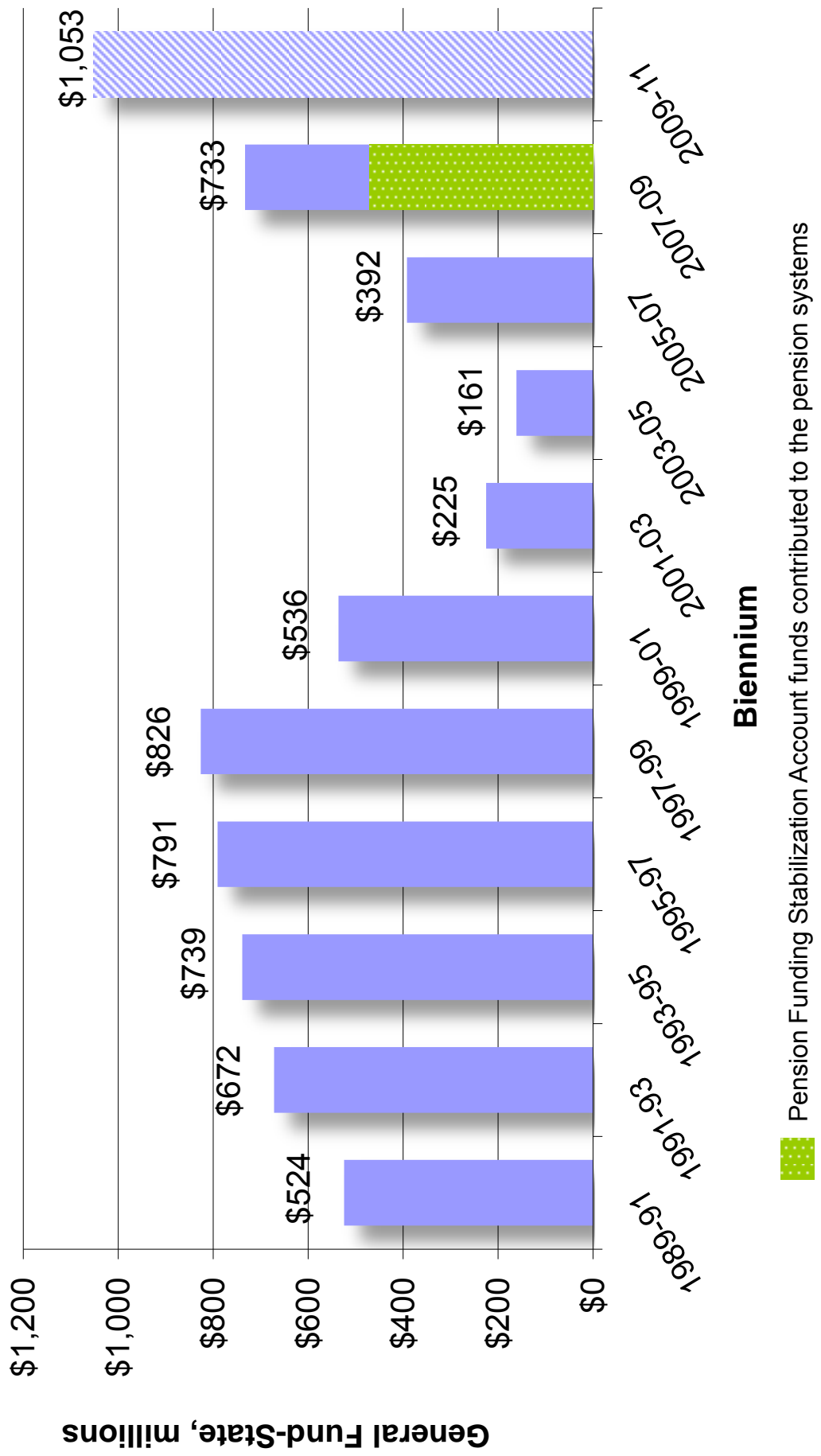
In 2002, the voters passed Initiative 790, creating a Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) board of trustees. The LEOFF 2 Board replaced the functions of the JCPP and the PFC with respect to LEOFF 2.

The 2003 Legislature changed the JCPP to the Select Committee on Pension Policy (SCPP), and changed its makeup to one-half legislative representatives, and one-half employer, employee, and retiree representatives. The SCPP retained all of the functions of the JCPP, except those relating to the appointing and removing of the State Actuary - those functions were vested in a State Actuary Appointment Committee, which convenes upon the request of the chairs of the House Ways & Means Committee and the Senate Ways and Means Committee whenever there is a vacancy or on request of four members of the Appointment Committee.

The SCPP has a statutorily-created executive committee that is composed of six members of the SCPP; the chair and co-chair of the SCPP, who are members of the House and Senate; one member representing active members of the state retirement systems; one member representing state retirement system employers; one member representing retired members; and the Director of the Department of Retirement Systems. (In 2005, the Legislature added the sixth member to the executive committee of the SCPP from among the committee members representing retired members of the state retirement systems. The Director of the

Office of Financial Management no longer serves on the executive committee in alternate years, instead the Director of the Department of Retirement Systems serves on the SCPP executive committee every year.)

# Pension Funding Stabilization Account funds contributed to the pension systems





# ***INITIATIVE 900***

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# ***Initiative 900 - Performance Audits***

## ***Background***

- Requires the State Auditors Office (SAO) to conduct performance audits of government agencies
- Dedicates 1/100<sup>th</sup> of 1% of sales and use tax per year for performance audits
- Urges SAO to start with the largest and costliest agencies
- Specifies the use of Government Auditing Standards
- The audits should:
  1. Identify cost savings.
  2. Identify services to be reduced/eliminated.
  3. Identify programs to transfer to private sector.
  4. Identify gaps or overlaps of services.
  5. Feasibility of pooling an entity's IT systems.
  6. Recommend changes/elimination of an entity's function or role.
  7. Identify best practices.
  8. Recommend statutory or regulatory changes necessary for an entity to carry out its functions.
  9. Analyze an entity's performance data, performance measures, and self-assessment systems.

## **Process**

- State Auditor conducts audit.
- Preliminary findings presented to audited agency.
- Findings and recommendations released to the public.
- Legislature holds a public hearing to receive feedback on state audits.
- Audited entity takes corrective action.
- Joint Legislative Audit and Review Committee issues annual report.

**Audits to Date:** See State Auditor's Website at [www.sao.wa.gov](http://www.sao.wa.gov)



# ***STATE IT PROJECTS***

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# State Information Technology (IT) Projects

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The state takes a portfolio or enterprise-based IT approach, looking at how proposed IT projects support the agency's mission and programs and how they fit with the state's overall IT structure. This approach is intended to focus on such things as:

- coordination of strategies and business plans with IT investments;
- analysis of the risks associated with IT investments to ensure appropriate risk mitigation strategies are developed; and
- ensuring that all state IT infrastructure is effectively integrated.

While the Governor's office, Legislature, state agency directors, and the Department of Information Services (DIS) are involved with significant state IT investment decisions, the primary administrator of state IT investments is the Information Services Board (ISB). The ISB develops state IT standards, reviews and approves the statewide IT strategic plans, develops statewide or interagency technical policies, and provides oversight of large IT projects. The ISB has 15 members that include representation of the executive, judicial and legislative branches of government, higher education, and the private sector. The director of DIS is an ex-officio member of the board.

Primary phases of a large IT project include planning, design, development, testing, and implementation. Key variables the ISB focuses on in evaluating the implementation of major IT projects are scope, schedule, budget, and other factors.

## *Major Items in the 2007-09 Operating Budget*

### Section 903

Section 903 of the 2007-09 Operating Budget requires agencies to consult with the DIS when making an investment in IT services. Agencies are not required to utilize the services provided by the DIS; however, they must submit a request for consultation to the DIS so that they may be advised of opportunities to acquire services through the DIS.

### Section 1621

The process for approving requests for IT project funding was also modified in the 2007-09 Operating Budget. Section 1621 of the 2007-09 Operating Budget created an \$83 million pool of funds for IT projects that were approved by the Legislature. The release of funds for these projects is subject to approval by the DIS and the Office of Financial Management (OFM). In evaluating projects, the DIS and the OFM seek opportunities to: (1) make use of common services; (2) ensure that state IT policies and best practices are being utilized; and (3) foster the development of applications that can be used by more than one department. Additionally, Section 1621 directs the DIS and the OFM to develop criteria to facilitate the coordination of technology and data solutions within the state.

## Dashboard: Current Status of Oversight Projects at a Glance

Level 3 Projects	Project Description	Project Schedule		ISB/DIS Approved Project Budget (\$M)		Project Assessment (against current baseline)				Comments	
		Original	Approved Change	Original	Approved Change	*Actual Expenditures	Scope	Sched	Budget		Success Factors
SBCTC HP3000 Re-hosting/Financial Aid System Upgrade Project	Move legacy administrative applications from old, unsupported platforms to modern platform and database and upgrade financial aid system	6/30/05	2/28/09	12.75	19.15	16.92	=	=	=		The Financial Aid System Upgrade Project continues on schedule. 50 percent of the colleges have been implemented with the remaining colleges scheduled for January of 2009. Actual expenditures are through November of 2008.
DOC OMNI Phase III	Replace existing Offender Management and Tracking System.	6/30/07	08/4/08	22.5	24.1	24.35	=	-	=	=	DOC will present the Lessons Learned report and close out the project. The application has been in production for four months and there are no issues to report. The project will not appear on future dashboards. Actual expenditures are through October of 2008.
DOT PMRS	Replace existing legacy systems for project management tracking and the tracking of highway project delivery.	9/28/09	6/1/10	13.4	17.25	11.06	=	=	=	=	DOT continues to expand usage of modules in production to additional offices. The project team is continuing the design and build of inter-module interfaces. Actual expenditures are through November of 2008.
DSHS ProviderOne Release 1	Replace existing Medicaid System and legacy Payment System (SSPS).	12/31/06	12/31/08	77.1	137.0	91.2	=	=	=	=	User Acceptance Testing (UAT) is 8 to 10 weeks behind schedule and a revised Go-Live date will be projected at the end of UAT. DSHS has put Provider Registration activities on hold until early January; this is in response to feedback from providers who identified challenges in completing registration and security administration activities. Actual expenditures are through October of 2008.
DSHS FamLink	Replace existing legacy system used to track Children's Administration clients.	5/1/07	4/20/10	30.5	33.7	19.7	=	-	=	=	The three week pilot phase for Release 1 concluded on November 21, 2008. The pilot testers' feedback indicated that the FamLink application functionality will meet their business needs. The pilot testers expressed concern with the quality of the converted data and were not able to complete all of the planned pilot activities. The Go-Live date of December 8, 2008 has been delayed due to issues discovered with data conversion. DSHS will request authorization from the Board for Release 2 funding. Actual expenditures are through November of 2008.

\* The dates for "Actual Expenditures" differ among projects. The dates can be found in the "Comments" column.

Level 3 Projects	Project Description	Project Schedule		ISB/DIS Approved Project Budget (\$M)			Project Assessment (against current baseline)				Comments
		Original	Approved Change	Original	Approved Change	*Actual Expenditures	Scope	Sched	Budget	Success Factors	
DSHS PCPS	Replace existing legacy payment system for social services providers.	Est. 5/31/11		Est. 9.89		.22					Final internal reviews of the Request for Proposal (RFP) and the Advanced Planning Document (APD) are underway. Both documents are scheduled to be delivered to the Centers for Medicare and Medicaid Services (CMS) for approval on January 7, 2009. Federal response could take as long as 60 days. Actual expenditures are through November of 2008.
ESD NGTS	Replace existing system for unemployment insurance program.	2/28/12		46.8		2.89	=	=	=	=	Joint Application Design (JAD) sessions began in the second week of December. ESD will release the acquisition for the Independent Validation and Verification (IV&V) vendor in January. Actual expenditures are through October of 2008.
HCA BAIAS	Replace existing systems that support the Public Employee Benefit Board and Basic Health Plan – Strategic Project Positioning Phase	6/30/09		29.3		9.64	=	=	=	=	HCA announced on December 1, 2008 that it is stopping work on the BAIAS project. This decision is the result of the current economic climate and the need for additional agency expenditure reductions. HCA is working with the integration vendor, Accenture, to determine the official last day of the project. This will be the final report for the project. Actual expenditures are through October of 2008.
OFM Roadmap Enterprise Data Definitions/Chart of Accounts Project	Business initiative to determine the state's future enterprise financial system solution.	6/30/09		1.9		.65	=	=	=	=	OFM announced that it is stopping work on the EDD/COA project due to the economic climate and the need for additional agency expenditure reductions. All staff on the project have returned to their respective areas within OFM. This will be the final report for the project. Actual expenditures are through November of 2008.
OFM Grants, Contracts, and Loan Management Project	OFM, CTED, ECV systems project for managing grants, contracts, and loans.	7/31/09		5.5		1.9	=	=	=	=	OFM continues to work with Sierra Systems on a risk mitigation strategy. A formal contract amendment has not yet been finalized. Actual expenditures are through November of 2008.
UW Workforce Management System: Lawson Project	Implement a Time and Attendance and Human Resources Management System.	3/31/03	4/30/10	3.2	7.1	4.8	=	=	=	=	The Lawson Workforce Management Phase has been in production since October 27, 2008. The users have successfully processed through four payroll cycles. Actual expenditures are through October of 2008.

\* The dates for "Actual Expenditures" differ among projects. The dates can be found in the "Comments" column.

Level 3 Projects	Project Description	Project Schedule		ISB/DIS Approved Project Budget (\$M)			Project Assessment (against current baseline)				Comments
		Original	Approved Change	Original	Approved Change	* Actual Expenditures	Scope	Sched	Budget	Success Factors	
<b>UW Clinic and Hospital Access and Revenue Management System Project</b>	Replace existing Admissions, Discharge and Transfer/Billing System.	8/31/10		58.0		10.4	=	=	=	=	Work continues on the Workflow Validation completed on Dec 31, 2008. Process redesign has begun. Interface design and development continues on schedule. Actual expenditures are through November of 2008.
<b>WSP IWN – East</b>	Convert portions of WSP analog radio network to digital.	6/30/06	2/28/09	11.5	13.53	7.35	=	+	=	=	WSP must modify the tower loading at one remaining site before installing the new microwave antennas. The final system-wide acceptance test will be run once this final site is operational. All other circuit tests are complete and WSP is reviewing the final three test reports for acceptance. Estimated expenditures are through October of 2008.
<b>WSP AFIS</b>	Migrate AFIS from the Department of Information Services to the Western Identification Network.	12/31/07	11/30/08	4.6		.08	=	=	=	=	The cutover to the new AFIS application at the Western Identification Network (WIN) occurred over the weekend of November 8-9, 2008; the system was in production on November 10, 2008 and successfully processing transactions. The application vendor, NEC America, continues to resolve minor issues as they arise. The remote sites will cutover through the remainder of December and into January of 2009. Actual expenditures are through November of 2008.
		Totals		326.94	407.82	201.16					

\* The dates for "Actual Expenditures" differ among projects. The dates can be found in the "Comments" column.



# *LEGAL AND OTHER BUDGET CONSIDERATIONS*

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# Other Considerations in Writing the Operating Budget

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## *Major applicable state constitutional provisions*

**One subject rule** - Article 2, section 19 requires that a bill contain one subject and that subject be embraced in its title. The first part of the test requires a rational unity between the subparts of a bill; the second part requires that the subject be expressed in the bill title to give legislators notice of what the bill is about. Since budget bills have broad titles, such as "an act related to adopting a capital budget" or "an act relating to fiscal matters," courts traditionally have given the Legislature a significant amount of latitude in this area and generally allow any subject reasonably germane to the budget to be included in the bill. However, this constitutional provision also restricts the Legislature from making or amending "substantive law" in the budget bill. (The courts generally consider three things when determining if a budget provision is substantive law: (1) whether it affects rights or liabilities; (2) whether it has been included in other legislation; and (3) whether it appears to outlast the biennium covered by the budget.)

**Appropriation Requirement** - Article 8, section 4 requires an appropriation in legislation before money from funds and accounts in the state treasury may be expended. There are three parts to this: (1) it prohibits expenditures out of the state treasury without an appropriation; (2) it makes an appropriation temporary in nature (for that biennium including a 25th month); and (3) it requires each appropriation to specify an amount and a purpose. A few processes permit state agencies to make expenditures without an appropriation. Some accounts are in the custody of the state treasurer and generally do not require an appropriation if the Legislature establishes the account in that manner. Also, a statutory "unanticipated receipts" process permits expenditure of some non-state moneys without an appropriation if not anticipated in the budget and the Legislature is notified and given an opportunity to comment.

**Lending of credit prohibition** - Article 8, sections 5 and 7 prohibit the state and local governments from making gifts, loans, or otherwise providing credit or guarantees to or on behalf of individuals or non-government entities unless it is to assist the poor or infirm. These provisions are in addition to the Article 7, section 1 requirement that tax receipts be spent for a public purpose. When public funds go to non-government entities for purposes other than assisting the poor or infirm, the spending: (1) must be for a fundamental government purpose (such as the welfare of children); or (2) if not for a fundamental government purpose, the expenditure cannot be a gift, loan, or guarantee. To not be a gift, the public expenditure must have adequate consideration. The private benefit must be incidental to the larger public benefit. Generally, public programs and expenditures that benefit a few individuals or businesses are considered more suspect by the courts, while public programs/expenditures that assist a large number of individuals are likely to be upheld by the courts. Expenditures with a clear purpose addressing a clear need, choosing a reasonable fiscal and policy approach with safeguards to ensure the public purpose is accomplished are more likely to withstand a lending of credit challenge. Legislative acts, including appropriations in budget bills, are presumed to be constitutional by the courts.

**Governor's Veto** - Article 3, section 12 outlines the Governor's veto power. Generally, for substantive/policy bills, the Governor must veto an entire section. For budget bills, the



Governor has an item veto power, but cannot veto less than an entire proviso or subsection. If the Governor vetoes provisos that earmark funds within a lump sum appropriation, the overall appropriation may be reduced.

## ***Other Items***

**Revenue and Caseload Forecasts** - Two councils provide regular revenue and caseload forecasts/updates on which operating budgets are based. The Economic & Revenue Forecast Council provides various economic and revenue forecasts, while the Caseload Forecast Council forecasts caseloads for public assistance, state prisons, correctional non-institutional supervision, juvenile rehabilitation institutions, public schools, long-term care, medical assistance, foster care, and adoption support. The Economic & Revenue Forecast Council's November revenue forecast is used for the Governor's biennial or supplemental operating budget request, and the November Caseload Forecast Council's report is used to estimate the mandatory programs and entitlements funded in the budget. The Legislature uses the March forecasts in odd-numbered years and the February forecasts in even-numbered years to write its budget.

**Tort and Sundry Claims Against the State** - The Self Insurance Liability Program covers tort claims against the state (claims the state is negligent) for all agencies except the University of Washington and the ferry system (they have their own program/coverage). Premiums for claims and defense costs are charged to state agencies based on a formula that considers agency accountability. Sundry Claims are non-tort claims where the state is alleged to be responsible for an injury, loss, or incident, but where negligence is not the basis of the claim.

**Fiscal Notes** - Fiscal notes are an estimate of the revenue and expenditure impact of a bill or amendment. They are prepared by executive branch agencies and approved by the Office of Financial Management (OFM). The Department of Community, Trade and Economic Development (CTED) prepares estimates of local government impacts.

The fiscal note processes and requirements are laid out in statute and in instructions prepared by OFM. Fiscal notes represent the best estimate that can be prepared within the time available. The fiscal note should clearly articulate any/all assumptions, be objective, and be prepared without regard to language that directs an agency to absorb the costs of implementation. A fiscal note *does not* include ripple effects into other programs. It *does not* prevent the Legislature from making budget decisions like directing an agency to absorb the cost of implementing a bill or assuming different implementation approaches.

Fiscal notes help clarify expectations on what bills do and conversely what they don't do. Fiscal notes are important (but not definitive) considerations in the bill referral process. Fiscal notes estimate the costs and/or revenue of various bills over three biennia (10 years for I-960 revenue bills). Fiscal notes are not a cost-benefit analysis.

Accountability measures include review by legislative staff (can reject fiscal notes) and members (raise questions on fiscal notes).

In the 2008 legislative session, fiscal notes were requested on 67% of bills introduced. Of these, 44% were finished within 5 working days and 78% within 10 working days.



# 2009-11 Operating Budget Outlook

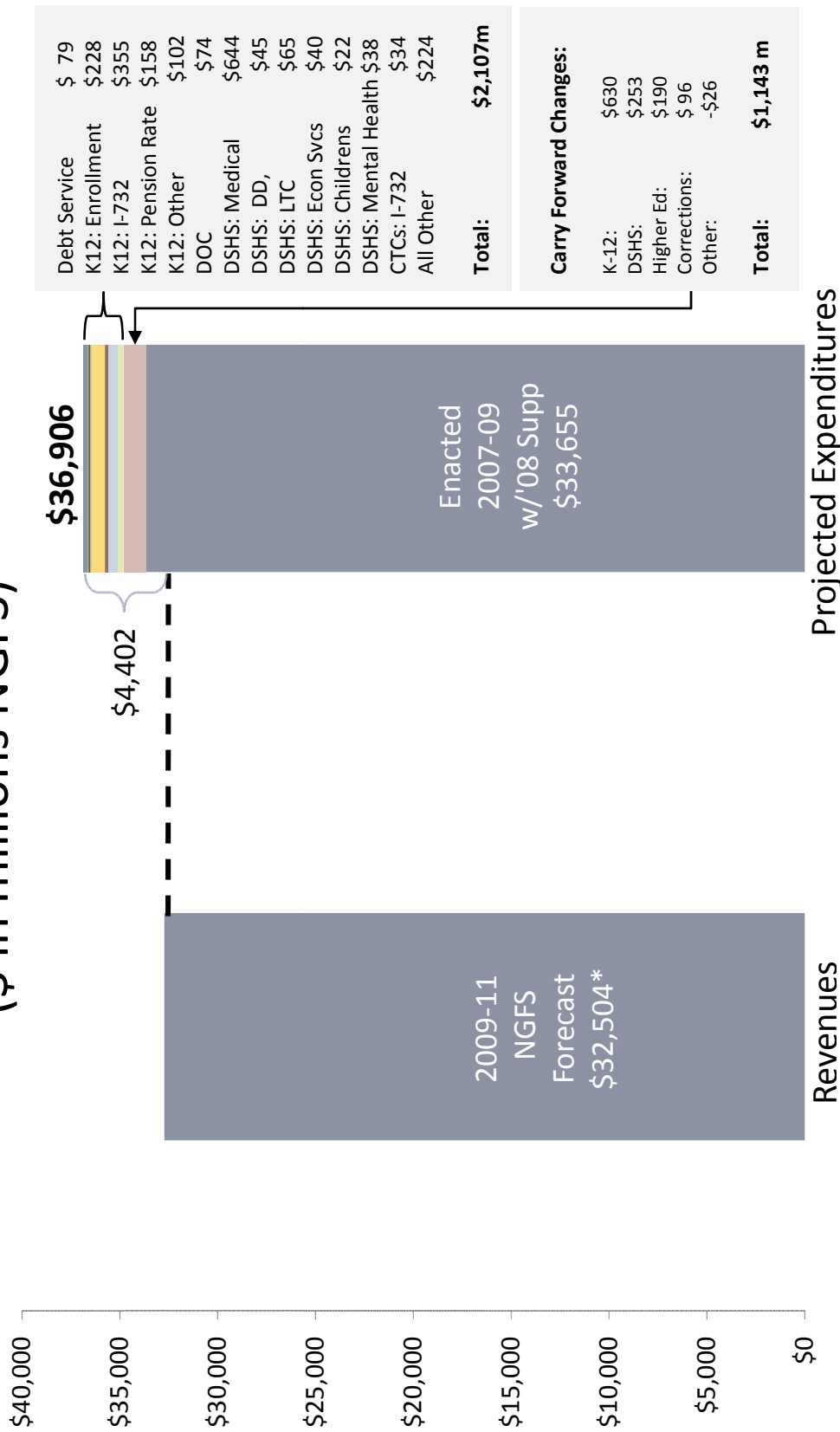
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# Since the February 2008 Revenue Forecast, Projected GFS Revenues For the 2007-09 and the 2009-11 Biennium Have Declined by more than \$2.6 billion

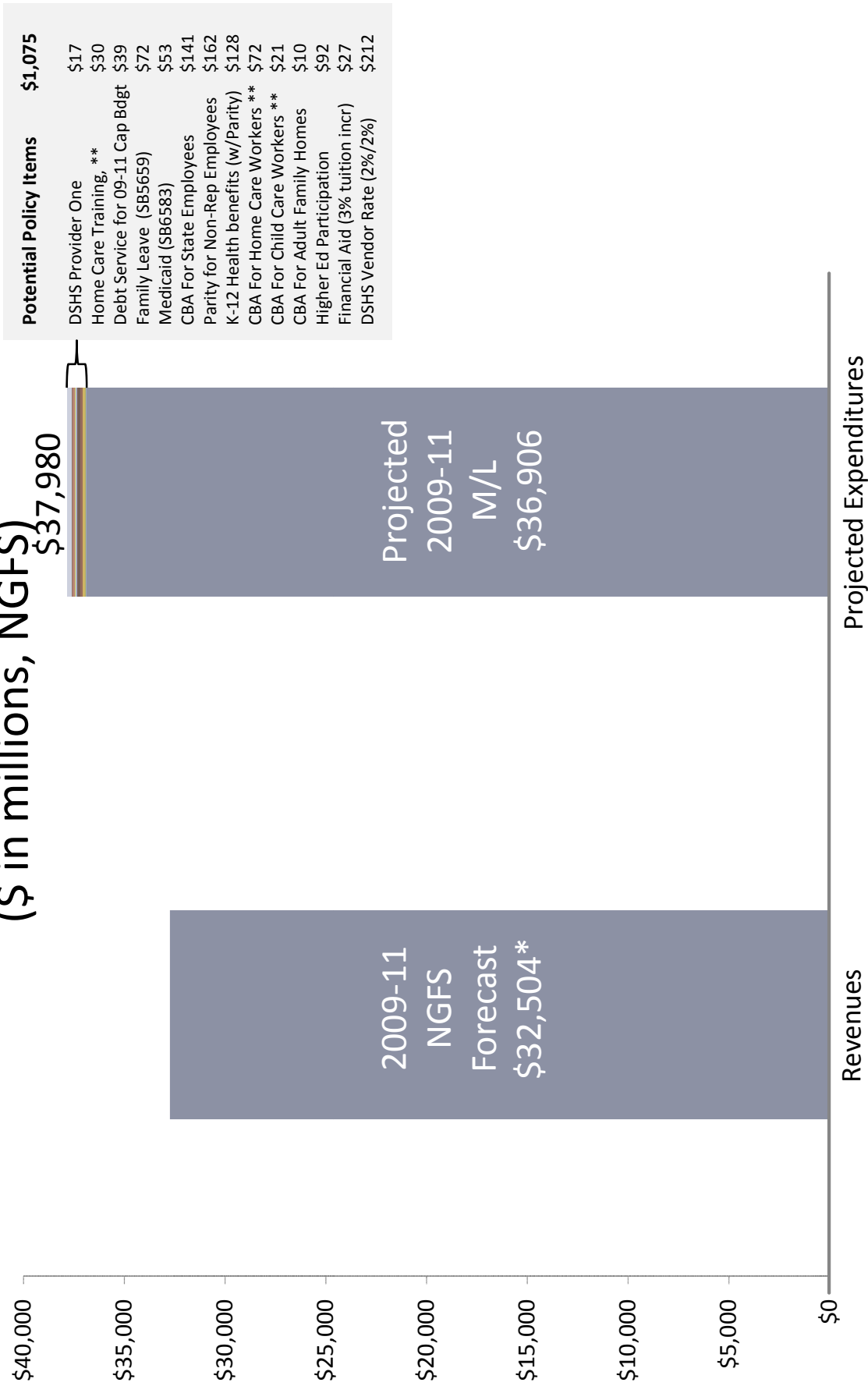
	2007-09	2009-11	Two Biennium
June Revenue Forecast	(50)	(117)	(167)
September Forecast	(273)	(256)	(529)
November Forecast	(503)	(1,428)	(1,931)
<b>Total Forecast Change</b>	<b>(825)</b>	<b>(1,801)</b>	<b>(2,627)</b>

# In 2009-11, The Cost of Maintaining Current NGFS Programs is Estimated to Exceed the Revenue Forecast by \$4.4 billion (\$ in millions NGFS)



\*Excludes \$263 million scheduled for transfer to the Budget Stabilization Account (Rainy Day fund)

# If selected Policy Items Such As Compensation Increases Are Included, Projected Costs Increase (\$ in millions, NGFS)



\* Excludes \$263 million that will be transferred to the Budget Stabilization Account (Rainy Day fund)  
 \*\* Assumes and includes parity

## So, How Large is the Projected Shortfall? (NGFS , dollars in millions)

	NGFS*	Budget Stabilization	Total
Shortfall for 2007-09	(331)	436	105
Plus 2009 Supp. Budget*	(174)	0	(174)
	(505)	436	(69)
Shortfall for 2009-11 Maintenance Level	(4,401)	263	(4,138)
If Selected Policy Items are Funded	(1,075)	0	(1,075)
	(5,476)	263	(5,213)
<b>Both Biennia</b>	<b>(5,981)</b>	<b>699</b>	<b>(5,282)</b>

\*Net projected maintenance level costs plus policy level fire related items. Selected potential reductions are listed on page 13.



# What has been done so far?

In August, and again in October and November, the Governor requested reductions and identified savings. If implemented, these would reduce the shortfall by \$1.1 billion.

August & October	2007-09	2009-11
• Freezes on hiring, travel, equipment, & contracts	\$90	\$206
• 1% Reduction to most agencies	\$46	\$121
• Suspend Family Leave	\$4	\$72
• Additional TANF Revenues	\$76	\$150
• Other*	\$73	\$2
	\$289m	\$551m
<b>November</b>		
• Additional Reductions	\$260	tbd
<b>Grand Total:</b>	<b>\$549</b>	<b>\$551+</b>

\*Reversions, spend down, risk management, prior biennium savings, other

# How Large is \$5 Billion?

- It is 500 programs that cost \$10 million each.
- 15.4% of 2009-11 projected NGFS Revenues .
- 14.4% of the 2009-11 carry forward budget. If you exclude debt service and basic education, it is 23.2% of the carry forward budget.
- In FY 08, the state spent \$3.2 billion NGFS in total salaries and benefits (includes higher education, prisons, state hospitals, RHCs, etc.)
- The 2009-11 Carry Forward budget is:
  - \$14.2 billion for K-12
  - \$10.2 billion for DSHS (MAA=\$4.1b; LTC=\$1.5b, Econ Svcs = \$1.3 b; DD = \$0.9 b; MHD = \$0.9b; Childrens=\$0.7 b; Other=\$0.8 b)
  - \$3.8 billion for Higher Education
  - \$1.9 billion for DOC
  - \$1.7 billion for Debt Services
  - \$0.9 billion, combined for DOH and HCA
  - \$0.5 billion for Natural Resources
  - \$1.6 billion for all other

# Summary of Governor's 2009 Supplemental and 2009-11 Budget Proposals

Office of Program Research  
January 2, 2009



## **Governor's Proposed 2009-2011 and 2009 Supplemental Budgets**

### **Budget Context**

Since the last legislative session, a worsening economic situation has reduced projected revenues.

Because of the \$825 million decline in forecasted revenues for the current (2007-09) biennium, the current Near General Fund-State (NGFS) operating budget is now projected to have a deficit of approximately \$300 million.

The \$1.8 billion decline in forecasted revenues for the next (2009-11) biennium worsened what was already expected to be a significant budget shortfall.

### **Projected Budget Shortfall**

Once increased caseloads and mandatory cost increases are taken into account, the Near General Fund operating budget for the current (2007-09) biennium is projected to have a deficit of approximately \$500 million.

Before using any funds from the Budget Stabilization Account, there is an additional \$5.2 billion shortfall projected for the next (2009-11) biennium.

That \$5.2 billion figure is calculated using similar assumptions to what was used in the development of Governor Gregoire's budget. The projected shortfalls were based upon anticipated spending needs which included the costs of maintaining current programs and services, as well as providing cost of living adjustments (COLA's), collective bargaining agreements, health benefit cost increases for all public employees, and a small number of policy level increases which were included in the Governor's proposal.

In summary, the difference between projected current services expenditures (plus COLA's and health care benefits, and certain other policy increases) and forecasted revenues is anticipated to total approximately \$5.7 billion. If the budget plans to leave an unrestricted ending balance of approximately \$400 million (Governor Gregoire's proposal leaves a projected ending balance of \$408 million), a total of \$6.1 billion in savings or increased resources is needed.

### **Budget Proposal**

If the shortfall is projected to be \$6.1 billion over the entire period, how does the Governor address that shortfall?

This is done, in part, by increasing available resources through transferring balances from existing accounts, including some used in the capital budget, by using a portion of the Budget Stabilization Account (sometimes called the Rainy Day Fund) and by assuming federal fiscal relief, primarily in Medicaid through an anticipated increase in the federal match rate for state dollars. A portion of those federal funds have already been received by the state while the majority is awaiting congressional action in 2009. In total, over the three year period, these actions solve about \$2.2 billion (or about 36%) of the problem. (Note: Increased federal resources typically show as reduced state expenditures as those costs are shifted to federal funds. They are shown here as a resource as they are possible only because of additional federal revenues.)

The remainder of the problem (\$3.9 billion or about 64%) is addressed through a combination of reductions. This fall, the Governor sent agencies three memos asking agencies to take actions to limit spending. The first focused on restraining certain actions (hiring, travel, equipment and contracts) while the next asked selected agencies to identify 1% in savings. The Governor assumes that, together, these save about \$417 million. In November, the Governor asked agencies to identify additional savings of \$129 million.

The Governor also assumes significant savings by not providing COLAs to employee and provider groups (including those subject to the provisions of I-732) and by modifying the actuarial method used to fund employee pension plans. The majority of the savings (approximately \$2.2 billion) are from specific reductions made to agencies in the 2009-11 Biennium.

Because the shortfall covers a three year period (Fiscal Years 2009, 2010 and 2011), the Governor's budget proposal makes changes both in a 2009 Supplemental Budget and in a 2009-11 Biennial Budget (summaries of policy level NGFS expenditure items are attached).

### **Governor's Proposed Budget Solution For The Three Year Period (Dollars in Millions)**

<b>Additional Resources</b>	<b>2009 Supp</b>	<b>2009-11</b>	<b>Total</b>
Federal Funds (Primarily FMAP)	340	786	1,126
Use Portion of BSA/Rainy Day	-	609	609
Fund Transfers & Budget Driven Rev.	<u>96</u>	<u>390</u>	<u>486</u>
	436	1,785	2,221
<b>Savings</b>			
Gov's Freeze & 1% Savings	126	291	417
Gov's November Savings	129	-	129
Pension Related	-	401	401
Suspend I-732 (COLAs)	-	389	389
Not Funding CBAs*	-	297	297
Specific Agency Reductions	<u>55</u>	<u>2,217</u>	<u>2,272</u>
	310	3,595	3,905
<b>Budget Solution</b>	<b>746</b>	<b>5,380</b>	<b>6,126</b>

### Other Considerations

All of the materials included in this document are prepared from the perspective of the Near General Fund. These are a group of accounts that are often displayed in total as that typically better illustrates the decisions being made in the budget. The Governor does propose to merge three of these accounts, the Health Services, Violence Reduction and Drug Enforcement, and Water Quality accounts, into the state general fund.

The Governor's proposed budget tends to group similar efforts into a single budget item. Because the attached reports are limited by how the Governor grouped items together, they are likely at a level of detail higher than we have usually published. For example, one item in DSHS Long term Care is actually three incremental changes: reducing nursing home rates 5% from current levels; requiring certain clients receiving in-home care services to use individual rather than agency providers; and reducing certain training for in-home care givers that was required by HB 2284. There are many other examples, particularly in DSHS.

We are working to unbundle some of the items to provide a better understanding of all items. While that effort has begun, it won't be completed until mid-January.

In the 2009 Supplemental Budget, many of the reductions are in one of three categories: Governor's Freeze, Governor's 1% Reductions, and Governor's November Reductions. We know how each of these reductions impact the funding levels of individual agencies. For most agencies, we don't know what specific actions will be taken to generate savings and what agency activities will be affected. To provide agencies with maximum flexibility to achieve savings assumed in the 2009 Supplemental Budget, many existing provisos are stricken. For example, the Medical Assistance budget currently has 31 provisos; the governor would propose to strike 23 of them. This doesn't necessarily mean the Governor is proposing to eliminate funding for the specific purposes contained within each proviso (although that may be the case in many instances) but it does remove specific restrictions on how agencies could spend those funds.

\* Collective Bargaining Agreements (CBAs) with state employees, individual providers, child care providers and adult family homes for next (2009-11) biennium, including funding for items such as salary increases, including employee COLAs. No funding is provided for salary related items for both represented and non-represented employees. Funding remains to continue the cost sharing ratio for state employee health insurance established in the current CBAs.

**2007-09 Revised Omnibus Operating Budget (2009 Supp)**  
**Governor Proposed**  
**Near General Fund - State**  
(Dollars in Thousands)

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<b><i>Additional Federal Resources</i></b>	
Food Stamp Federal Bonus	-2,000
TANF Contingency Funds	-133,190
Federal Stimulus (FMAP)	-205,000
<b>Additional Federal Resources Total</b>	<b>-340,190</b>
 <b><i>K-12 Education</i></b>	
Governor-Directed 1% Cut	-283
Segmented Math	-1,414
Governor-Directed Freeze	-2,495
Governor's Directed November Reductions	-12,752
<b>K-12 Education Total</b>	<b>-16,944</b>
 <b><i>Higher Education</i></b>	
Governor-Directed 1% Cut	-4,107
Governor's Directed November Reductions	-28,398
Governor-Directed Freeze	-35,919
<b>Higher Education Total</b>	<b>-68,424</b>
 <b><i>Early Learning</i></b>	
Governor-Directed Freeze	-561
Governor-Directed 1% Cut	-694
Governor's Directed November Reductions	-3,891
<b>Early Learning Total</b>	<b>-5,146</b>
 <b><i>Health Care</i></b>	
Other Increases	1,112
Eastern State Hospital IHIS	-840
Healthy Options Premium Savings	-2,520
Governor-Directed Freeze	-5,913
Governor-Directed 1% Cut	-11,667
Governor's Directed November Reductions	-38,480
<b>Health Care Total</b>	<b>-58,308</b>
 <b><i>Long Term Care, DD, and Mental Health</i></b>	
Other Increases	1,118
Utilization of Residential Services	1,026
Governor-Directed Freeze	-6,665
Governor-Directed 1% Cut	-7,882
Governor's Directed November Reductions	-13,166
<b>Long Term Care, DD, and Mental Health Total</b>	<b>-25,569</b>
 <b><i>Corrections and Other Criminal Justice</i></b>	
Governor-Directed 1% Cut	-1,032
Governor's Directed November Reductions	-3,769

\* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA



## 2007-09 Revised Omnibus Operating Budget (2009 Supp)

### Governor Proposed Near General Fund - State (Dollars in Thousands)

Governor-Directed Freeze	-4,189
<b>Corrections and Other Criminal Justice</b>	<b>-8,990</b>
<b>Total</b>	
<i><b>Other Human Services</b></i>	
Governor-Directed Freeze	-7,612
Governor's Directed November Reductions	-16,552
Governor-Directed 1% Cut	-19,699
One-Time General Fund-State Savings	-20,000
<b>Other Human Services Total</b>	<b>-63,863</b>
<i><b>Natural Resources</b></i>	
Fire Related Costs	22,904
Other Savings	-1,005
Governor-Directed 1% Cut	-1,626
Governor-Directed Freeze	-7,340
Governor's Directed November Reductions	-7,690
<b>Natural Resources Total</b>	<b>5,243</b>
<i><b>All Other</b></i>	
Capitol Building Construction Acct	4,600
Other Increases	2,232
Reading Achievement Account	-525
Suspend Labor Relations Fee (All Agencies)	-597
DIS Rate Reductions (All Agencies)	-982
Water Quality Capital Acct Transfer	-1,000
Working Families System Development	-1,000
Governor-Directed 1% Cut	-1,330
Other Savings	-1,495
Sex Offender Sentencing Impact	-1,509
Tobacco Enforcement Cost Shift	-1,879
CTED Underexpenditures	-2,000
Governor's Directed November Reductions	-4,658
Governor-Directed Freeze	-6,946
Self Insurance Rebate (All Agencies)	-21,099
<b>All Other Total</b>	<b>-38,188</b>
<i><b>Maintenance Level</b></i>	
DSHS: Medical Assistance	74,283
K-12	39,719
Department of Corrections	36,456
DSHS: Economic Services	7,121
DSHS: Developmental Disabilities	6,480
DSHS: Mental Health	6,295
DSHS: Childrens	3,707
DSHS: Other	-396
DSHS: Long Term Care	-4,442
Property Tax Deferral Program	-5,221

\* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

**2007-09 Revised Omnibus Operating Budget (2009 Supp)**  
**Governor Proposed**  
**Near General Fund - State**  
(Dollars in Thousands)

Other	-5,299
Debt Service Savings	-6,099
<b>Maintenance Level Total</b>	<b>152,604</b>
 <b>Grand Total</b>	 <b>-467,775</b>

\* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

**2009-11 Omnibus Operating Budget**  
**Governor Proposed**  
**Near General Fund - State**  
(Dollars in Thousands)

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<b><i>Additional Federal Resources</i></b>	
Stimulus Package (FMAP)	-575,000
TANF Contingency Funds	-152,000
Refinance SCHIP to 150% of FPL	-53,711
Other	-5,652
<b>Additional Federal Resources Total</b>	<b>-786,363</b>
<b><i>Employee Compensation</i></b>	
Pension Method Changes, Incl. K12 (PUC)	-401,120
State Employee Health Insurance	129,346
<b>Employee Compensation Total</b>	<b>-271,774</b>
<b><i>K-12 Education</i></b>	
Suspend Initiative 732 COLA	-352,155
Reduce Student Achievement Program	-177,980
Reduce Levy Equalization	-125,421
K-12 Program Changes	-48,336
Professional Development Changes	-39,709
Redesign Teacher Mentorship	-4,396
Administrative Reduction	-3,474
Segmented Math	-2,828
Education Ombudsman	-550
Governor-Directed Freeze	-184
K-12 Health Benefits Change	127,904
<b>K-12 Education Total</b>	<b>-627,129</b>
<b><i>Higher Education</i></b>	
Other Budget Reductions	-250,923
Governor-Directed Freeze	-82,120
Suspend I-732 COLA Funding	-33,940
Governor-Directed 1% Cut	-10,952
<b>Higher Education Total</b>	<b>-377,935</b>
<b><i>Early Learning</i></b>	
Career and Wage Ladder	-3,000
Parent, Family, Caregiver Support	-2,000
Governor-Directed 1% Cut	-1,850
Child Care Resource and Referral	-1,700
Governor-Directed Freeze	-1,282
<b>Early Learning Total</b>	<b>-9,832</b>
<b><i>Health Care</i></b>	
Medical: Service & Eligibility Savings	-333,889
Reduce Basic Health Plan	-251,897
Medical: Pharmacy & Hospital Purchasing	-116,318
Medical: Rate & Payment Changes	-103,042

\* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

**2009-11 Omnibus Operating Budget**  
**Governor Proposed**  
**Near General Fund - State**  
(Dollars in Thousands)

Eliminate Vaccine Universal Access	-59,678
Governor-Directed 1% Cut	-31,112
Medical: Administrative Reductions	-20,086
Governor-Directed Freeze	-13,516
Eliminate Health Insurance Partnership (HIP)	-11,834
DOH: Eliminate Recently Added Programs	-7,466
Eliminate Dental Residency Program	-1,954
Eliminate Quality Forum	-1,288
<b>Health Care Total</b>	<b>-952,080</b>
<b><i>Long Term Care, DD, and Mental Health</i></b>	
NH Rate Reduction & Shift AP Clients to IP	-60,106
Governor-Directed 1% Cut	-34,709
Reduce RSN Funding	-30,545
Transition DD Clients To Waiver	-18,947
Home Care Training	-5,914
Eliminate Mental Health Pilots & Studies	-4,944
Governor-Directed Freeze	-3,851
Shift Costs to Mental Health Block Grant	-2,002
Transition Clients from Nursing Homes	-1,980
Other	-1,934
Close RHC Pools & Yakima Valley	-1,567
<b>Long Term Care, DD, and Mental Health Total</b>	<b>-166,499</b>
<b><i>Corrections and Other Criminal Justice</i></b>	
DOC: Sentencing & Supervision Changes	-107,622
Governor-Directed 1% Cut	-16,018
JRA: Close Naselle Youth Camp	-12,861
JRA: Reduce Evidence Based Programs	-8,706
SCC: Residential Staffing Reductions	-5,028
Governor-Directed Freeze	-4,388
End Offender Re-Entry Pilot	-3,976
JRA: Close Community Facilities	-2,292
Release Elderly/Ill Offenders	-1,491
<b>Corrections and Other Criminal Justice Total</b>	<b>-162,382</b>
<b><i>Other Human Services</i></b>	
GAU: Eliminate Cash Grant	-156,195
WorkFirst Accountability	-68,653
Governor-Directed Freeze	-38,382
Governor-Directed 1% Cut	-19,984
Reduce Chemical Dependency Treatment	-17,826
Family Policy Council, CCF & GGJAC Svgs	-11,333
Childrens: Eliminate Secure CRCs	-9,360
Childrens: Administrative Efficiencies	-6,305
Reduce Chem Dep Staff & Refugee Emplmnt	-6,000

\* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

**2009-11 Omnibus Operating Budget**  
**Governor Proposed**  
**Near General Fund - State**  
(Dollars in Thousands)

Childrens: Reduce Family Support Services	-5,944
Increase Child Care Co-Payments	-4,619
Childrens: Eliminate Pilots & Training	-3,977
Childrens: Expedite Adoptions	-2,294
Childrens: Reduce Guardian Placements	-1,566
Other	-1,203
<b>Other Human Services Total</b>	<b>-353,641</b>
 <i><b>Natural Resources</b></i>	
Governor-Directed Freeze	-12,959
Reduce Fish Production/Hatchery Closures	-8,100
Other	-7,136
DNR: General Fund Reductions	-7,016
Red. Watershed Grants/Assist./Study	-5,167
Governor-Directed 1% Cut	-4,334
Park Closures: Permanent	-3,259
DNR: Fire Supression Efficiencies	-2,719
Reduce Wildlife Management	-2,200
Reduce Habitat Protection	-2,100
Park Closures: Seasonal	-2,000
Reduce Water Rights Processing	-1,834
Reduce Enforcement Officers	-1,600
Agr: Replace GFS in Fee Based Programs	-1,162
Consolidate Archaeology Dept w/Parks	-414
<b>Natural Resources Total</b>	<b>-62,000</b>
 <i><b>All Other</b></i>	
Governor-Directed Freeze	-13,518
Other	-12,913
Other CTED Savings (18 Items)	-7,575
Tobacco Enforcement Cost Shift	-3,822
Remove Public Broadcast Grants	-3,250
Downsize THOR Expansion	-3,000
Governor-Directed 1% Cut	-2,220
Downsize ADO Pass Through	-2,000
DIS Rate Reductions (All Agencies)	-1,919
Remove Dispute Res Ctr Funding	-1,880
Wa Tech Center Reduction	-1,702
Downsize GMA Technical Assistance	-1,200
Downsize Asset Building	-1,000
Historical Society Merger	-1,000
WIN211 Reductions	-1,000
<b>All Other Total</b>	<b>-57,999</b>
 <i><b>Enhancements</b></i>	
Debt Service for 2009-11 Capital Budget	51,856
Community Health Clinic Safety Net	40,000
K12: Additional Transportation Funding	21,450

\* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

**2009-11 Omnibus Operating Budget**  
**Governor Proposed**  
**Near General Fund - State**  
(Dollars in Thousands)

CTED: Emergency Shelter & Housing	20,000
HECB: Financial Aid Adjustments	19,174
Approp Funds to Water Pollution Cntl Acct	11,200
Home Care Provider Payment System	7,858
DOR: Additional Auditors	6,405
DSHS/DD: Increase Community Placements	5,883
GA: Food Assistance	5,000
Heritage Ctr: Relocate GA Building Tenants	3,364
Other	3,039
K12: District Financial Help	3,025
HECB: GET Math/Science	3,000
Backfill Capital Building Construction Acct	1,720
Secretary of State	1,596
CTC: Health Care Career Advancement	1,500
Ecology	1,369
DSHS/Mental Health	1,346
I-1029 Home Care Worker Training	1,208
Early Learning: QRIS	1,000
CJTC	956
DNR	726
<b>Enhancements Total</b>	<b>212,675</b>
 <b>Grand Total</b>	 <b><u><u>-3,614,959</u></u></b>

\* Near General Fund-State = GF-S + EJA + ELT + HSA + PFSA + PSEA + SAF + VRDE + WQA

# Appendix 1:

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## *NEAR GENERAL FUND- STATE FUNDS/ACCOUNTS*





# Near General Fund- State Funds/Accounts

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These are funds/accounts that, while used for specific purposes, are rather broad in nature and similar to those funded in the state General Fund. These accounts together are commonly referred to as "near general fund-state" accounts (NGF-S). In addition to the General Fund, traditional NGF-S accounts include the Health Services Account (HSA), the Student Achievement Fund (SAF), the Violence Reduction and Drug Enforcement Account (VRDE) and the Public Safety and Education Account (PSEA). The Education Legacy Trust Account was created in 2005 and is similar to these other NGF-S accounts.

In 2005, SSB 6078 modified the state expenditure limit by adding the HSA, SAF, VRDE, and PSEA (including the Equal Justice Subaccount) to the General Fund as accounts covered by the state expenditure limit. These changes took effect July 1, 2007. The Education Legacy Trust Account and the Pension Funding Stabilization Account are not subject to the expenditure limit.

Following is a summary of these traditional or expenditure limit related NGF-S accounts.

## ***General Fund (GF)***

- Becoming effective in 1907, the GF accounts for all the state resources except those required to be deposited in another fund. The GF is the principle fund supporting the operation of the state.
- Primary sources of revenue include: the sales tax, business and occupation tax, the property tax, and other taxes.
- \$33.7 billion is appropriated from the GF for the 2007-09 biennium.

## ***Health Services Account (HSA)***

- Becoming effective in 1993, the HSA is used for maintaining and expanding health services for low income persons, maintaining and expanding the public health system. Primary programs funded from the account include the Basic Health Plan, funding for local health districts, vaccines, and health care for children (Medicaid and SCHIP).
- Primary sources of revenue are: beer, liquor, and tobacco taxes; proceeds from the tobacco lawsuit (Master Settlement Agreement); and certain health related taxes such as the hospital B&O tax and the insurance premium tax.
- \$1.46 billion is appropriated from the HSA in 2007-09.

### ***Student Achievement Fund (SAF)***

- Becoming effective in 2000, the SAF is used by school districts to lower class sizes, expand learning opportunities for students, provide professional development for educators, and provide early childhood programs.
- Primary sources of revenue are a portion of the state property tax, and transfers from the Emergency Reserve Account and the Education Legacy Trust Account.
- \$870 million is appropriated for 2007-09 from the SAF.

### ***Public Safety and Education Account (PSEA)***

- Becoming effective in 1984, the PSEA is used for criminal justice training, crime victims compensation, civil representation of indigent persons, winter recreational parking, judicial education, the judicial information system, and state game programs and corrections costs. The Equal Justice Subaccount provides additional funds to be used for criminal indigent defense, representation of parents in dependency and termination proceedings, civil representation of indigent persons, and contributions toward district court judges salaries and eligible municipal court judges salaries.
- Primary sources of revenue include fines, fees, forfeitures, penalties, and reimbursements (especially traffic infractions).
- \$175 million is appropriated for 2007-09 primarily to the Office of Administrator for the Courts (\$50 million), the Department of Labor and Industries (\$30 million), the Department of Corrections (\$20 million), the Criminal Justice Training Commission (\$22 million), DSHS (\$11 million), and the Office Public Defense (\$13 million).

### ***Violence Reduction and Drug Enforcement Account (VRDE)***

- Becoming effective in 1989, VRDE is used to fund services under the 1989 Omnibus Alcohol and Controlled Substances Act.
- Primary sources of revenue include the cigarette tax, syrup (soda) tax, some tobacco products taxes, liter tax on liquor, beer tax, wine tax, and firearms licenses, fees, and permits.
- \$121 million is appropriated in 2007-09 from VRDE, primarily to DSHS (\$95 million) and the Department of Community, Trade and Economic Development (\$7 million).

### ***Water Quality Account (WQA)***

- Becoming effective in 1986, the WQA is used to assist in meeting federal and state water pollution control requirements for protection of the state's waters.
- The primary sources of revenue are cigarette taxes and transfers from the general fund.
- \$102 million is appropriated in the operating budget for 2007-09, primarily to the Department of Ecology- (\$36 million).

### ***Education Legacy Trust Account***

- Created and effective in 2005, the Education Legacy Trust Account is used for supporting activities in the Student Achievement Fund, for expanding access to higher education, and for other education improvement activities.
- The primary source of revenue is a portion of the cigarette tax and the estate tax.
- \$558 million is appropriated for 2007-09, \$150 million to higher education for financial aid and enrollments, and \$25 million for K-12 to expand Learning Assistance Programs. Other funds are deposited into the Student Achievement Fund.

### ***Pension Funding Stabilization Account***

- Created and became effective in 2006, the account is used for the payment of employer retirement contributions.
- The source of receipts to the account is appropriations, typically from the general fund, and interest earnings.
- \$484 million was appropriated to the account in 2006.

# Appendix 2:

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*GF-S Revenue Projections for 2009-11 (Based on November 2008 Forecast)*



# General Fund Taxes

<u>Forecast by Source</u>		2009-11 <u>Biennium</u>	
Tax	Amount	Percent of GF	
Retail sales	\$16,673.8	55.4%	
Business & occupation	6,108.1	20.3%	
Property (state school levy)	3,102.9	10.3%	
Real estate excise	1,329.8	4.4%	
Public Utility	836.4	2.8%	
Insurance premiums	586.7	2.0%	
Liquor, Beer, wine & Profits	431.0	1.4%	
Licenses & fees	190.8	0.6%	
Cigarette and tobacco products	119.3	0.4%	
Brokered natural gas	100.0	0.3%	
Leasehold excise tax	47.0	0.2%	
Public utility district	40.6	0.1%	
Boat excise	36.6	0.1%	
Earnings on Investments	31.5	0.1%	
Timber excise	10.7	0.0%	





# Appendix 3:

*Summary of 2007-09 Operating  
Budget by Agency (and program for  
K-12 and DSHS)*



# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
Legislative	853.0	167,290	172,104
Judicial	616.2	248,838	289,761
Governmental Operations	8,440.1	572,949	3,660,925
Other Human Services	16,424.2	2,735,777	5,046,997
DSHS	19,052.6	10,009,444	19,364,441
Natural Resources	6,208.2	509,186	1,549,219
Transportation	831.5	85,614	171,443
Public Schools	291.2	13,621,900	15,167,950
Higher Education	47,345.4	3,653,746	9,212,934
Other Education	542.1	188,438	447,620
Special Appropriations	95.1	1,862,037	2,113,197
<b>Statewide Total</b>	<b>100,699.4</b>	<b>33,655,219</b>	<b>57,196,591</b>

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>Legislative</b>			
House of Representatives	406.2	71,377	71,453
Senate	297.5	56,891	56,966
Jt Leg Audit & Review Committee	22.9	6,669	6,669
LEAP Committee	12.0	3,922	3,922
Office of the State Actuary	12.5	25	3,516
Joint Legislative Systems Comm	51.0	18,300	18,300
Statute Law Committee	51.0	10,106	11,278
<b>Total Legislative</b>	<b>853.0</b>	<b>167,290</b>	<b>172,104</b>
<b>Judicial</b>			
Supreme Court	64.9	14,990	14,990
State Law Library	14.8	4,537	4,537
Court of Appeals	145.1	33,237	33,237
Commission on Judicial Conduct	9.5	2,251	2,251
Administrative Office of the Courts	365.4	117,213	158,136
Office of Public Defense	15.5	54,133	54,133
Office of Civil Legal Aid	1.0	22,477	22,477
<b>Total Judicial</b>	<b>616.2</b>	<b>248,838</b>	<b>289,761</b>
<b>Total Legislative/Judicial</b>	<b>1,469.2</b>	<b>416,128</b>	<b>461,865</b>

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>Governmental Operations</b>			
Office of the Governor	64.6	13,549	20,264
Office of the Lieutenant Governor	8.0	1,619	1,709
Public Disclosure Commission	26.5	4,994	4,994
Office of the Secretary of State	331.1	55,679	125,912
Governor's Office of Indian Affairs	2.5	811	811
Asian-Pacific-American Affrs	2.0	805	805
Office of the State Treasurer	72.3	0	15,539
Office of the State Auditor	360.4	1,600	82,601
Comm Salaries for Elected Officials	1.4	384	384
Office of the Attorney General	1,176.4	15,336	254,446
Caseload Forecast Council	7.0	1,608	1,608
Dept of Financial Institutions	200.3	1,500	48,337
Dept Community, Trade, Econ Dev	359.9	150,316	507,086
Economic & Revenue Forecast Council	5.5	1,553	1,553
Office of Financial Management	310.9	59,646	143,219
Office of Administrative Hearings	166.7	0	32,753
Department of Personnel	206.1	96	62,990
State Lottery Commission	144.9	0	795,454
Washington State Gambling Comm	175.3	0	33,655
WA State Comm on Hispanic Affairs	2.0	683	683
African-American Affairs Comm	2.0	519	519
Department of Retirement Systems	267.6	450	53,389
State Investment Board	73.4	0	24,333
Public Printer	137.8	0	18,619
Department of Revenue	1,082.1	206,471	224,064
Board of Tax Appeals	12.5	2,856	2,856
Municipal Research Council	0.0	425	5,730
Minority & Women's Business Enterp	17.0	0	3,615
Dept of General Administration	594.6	1,181	166,035

House Office of Program Research-Fiscal Committees

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
Department of Information Services	478.6	8,778	264,996
Office of Insurance Commissioner	219.2	0	47,006
State Board of Accountancy	11.3	0	2,575
Forensic Investigations Council	0.0	0	276
Washington Horse Racing Commission	28.5	0	9,041
WA State Liquor Control Board	1,172.3	3,822	236,135
Utilities and Transportation Comm	151.7	160	35,980
Board for Volunteer Firefighters	4.0	0	1,042
Military Department	320.6	24,875	310,693
Public Employment Relations Comm	44.9	6,543	9,830
LEOFF 2 Retirement Board	6.0	0	2,020
Archaeology & Historic Preservation	18.4	2,869	5,024
Growth Management Hearings Board	13.5	3,821	3,821
State Convention and Trade Center	161.0	0	98,523
<b>Total Governmental Operations</b>	<b>8,440.1</b>	<b>572,949</b>	<b>3,660,925</b>

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>Other Human Services</b>			
WA State Health Care Authority	327.8	575,310	770,234
Human Rights Commission	50.4	7,076	8,599
Bd of Industrial Insurance Appeals	157.8	0	35,953
Criminal Justice Training Comm	38.2	37,450	50,380
Department of Labor and Industries	2,670.0	49,948	616,559
Indeterminate Sentence Review Board	17.2	3,888	3,888
Home Care Quality Authority	4.0	3,452	3,452
Department of Health	1,471.4	264,369	1,033,444
Department of Veterans' Affairs	677.4	29,055	110,882
Department of Corrections	8,932.9	1,757,543	1,768,666
Dept of Services for the Blind	75.0	5,174	24,619
Sentencing Guidelines Commission	11.4	2,170	2,170
Employment Security Department	1,990.9	342	618,151
<b>Total Other Human Services</b>	<b>16,424.2</b>	<b>2,735,777</b>	<b>5,046,997</b>

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>DSHS</b>			
Children and Family Services	2,850.9	674,028	1,166,449
Juvenile Rehabilitation	1,131.0	222,625	234,280
Mental Health	3,121.7	925,855	1,546,781
Developmental Disabilities	3,433.3	901,415	1,752,166
Long-Term Care	1,213.6	1,459,710	3,013,784
Economic Services Administration	4,287.2	1,210,027	2,277,898
Alcohol & Substance Abuse	100.0	195,028	370,326
Medical Assistance Payments	1,193.0	4,083,328	8,446,610
Vocational Rehabilitation	344.4	23,982	118,932
Administration/Support Svcs	747.6	87,268	153,599
Special Commitment Center	481.9	106,972	106,972
Payments to Other Agencies	0.0	119,206	176,644
Information System Services	148.3	0	0
<b>Total DSHS</b>	<b>19,052.6</b>	<b>10,009,444</b>	<b>19,364,441</b>
<b>Total Human Services</b>	<b>35,476.8</b>	<b>12,745,221</b>	<b>24,411,438</b>



# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>Natural Resources</b>			
Columbia River Gorge Commission	11.4	1,061	2,115
Department of Ecology	1,600.2	133,540	472,058
WA Pollution Liab Insurance Program	6.0	0	1,858
State Parks and Recreation Comm	754.0	98,104	149,908
Rec and Conservation Funding Board	21.0	3,349	28,070
Environmental Hearings Office	9.0	2,286	2,286
State Conservation Commission	18.1	16,613	17,791
Dept of Fish and Wildlife	1,548.9	111,268	348,156
Puget Sound Partnership	35.0	8,758	16,123
Department of Natural Resources	1,501.4	104,370	390,215
Department of Agriculture	703.5	29,837	120,639
<b>Total Natural Resources</b>	<b>6,208.2</b>	<b>509,186</b>	<b>1,549,219</b>

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>Transportation</b>			
Washington State Patrol	563.1	81,829	121,666
Department of Licensing	268.4	3,785	49,777
<b>Total Transportation</b>	<b>831.5</b>	<b>85,614</b>	<b>171,443</b>

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>Public Schools</b>			
OSPI & Statewide Programs	240.4	76,916	158,707
General Apportionment	0.0	9,265,714	9,265,714
Pupil Transportation	0.0	574,919	574,919
School Food Services	0.0	6,318	431,728
Special Education	1.5	1,139,955	1,575,647
Educational Service Districts	0.0	16,049	16,049
Levy Equalization	0.0	423,655	423,655
Elementary/Secondary School Improv	0.0	0	43,450
Institutional Education	0.0	38,869	38,869
Ed of Highly Capable Students	0.0	17,171	17,171
Student Achievement Program	0.0	868,339	868,339
Education Reform	49.3	276,477	430,006
Transitional Bilingual Instruction	0.0	135,155	180,398
Learning Assistance Program (LAP)	0.0	198,988	559,648
Promoting Academic Success	0.0	16,867	16,867
Compensation Adjustments	0.0	566,508	566,783
<b>Total Public Schools</b>	<b>291.2</b>	<b>13,621,900</b>	<b>15,167,950</b>

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>Higher Education</b>			
Higher Education Coordinating Board	105.8	474,167	517,201
University of Washington	19,943.4	792,417	4,077,377
Washington State University	6,309.6	503,371	1,180,752
Eastern Washington University	1,394.7	117,301	238,652
Central Washington University	1,223.8	116,138	251,545
The Evergreen State College	689.7	63,773	116,782
Spokane Intercol Rsch & Tech Inst	23.9	3,463	4,872
Western Washington University	1,769.5	146,392	328,812
Community/Technical College System	15,885.1	1,436,724	2,496,941
<b>Total Higher Education</b>	<b>47,345.4</b>	<b>3,653,746</b>	<b>9,212,934</b>
<b>Other Education</b>			
State School for the Blind	86.0	12,074	13,635
State School for the Deaf	111.2	17,773	18,089
Work Force Trng & Educ Coord Board	23.3	3,493	57,987
Department of Early Learning	211.2	138,666	333,914
Washington State Arts Commission	17.6	5,089	6,655
Washington State Historical Society	52.8	7,356	10,266
East Wash State Historical Society	40.1	3,987	7,074
<b>Total Other Education</b>	<b>542.1</b>	<b>188,438</b>	<b>447,620</b>
<b>Total Education</b>	<b>48,178.7</b>	<b>17,464,084</b>	<b>24,828,504</b>

# 2007-09 Revised Omnibus Operating Budget (2008 Supp)

## Enacted

(Dollars in Thousands)

January 7, 2009  
2:12 pm

	FTEs	Near GF-S	Tot-B
<b>Special Appropriations</b>			
Bond Retirement and Interest	0.0	1,575,674	1,763,731
Special Approps to the Governor	95.1	169,875	232,978
Sundry Claims	0.0	88	88
Contributions to Retirement Systems	0.0	116,400	116,400
<b>Total Special Appropriations</b>	<b>95.1</b>	<b>1,862,037</b>	<b>2,113,197</b>



# Appendix 4:

## *GLOSSARY OF BUDGET TERMS*





# Budget Terms

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**Appropriation** – The legislative authorization in a bill to make expenditures and incur obligations from a particular fund. Appropriations typically limit expenditures to a specific amount and purpose within a fiscal year or biennial timeframe.

**Biennium** – A two-year fiscal period. The Washington State biennium runs from July 1 of an odd-numbered year to June 30 of the next odd-numbered year (The 2009-11 biennium begins on July 1, 2009 and ends June 30, 2011).

**Budget Notes** – A legislative fiscal staff publication that summarizes the budget passed by the state Legislature. The publication is usually distributed a few months after the end of the legislative session. Budget notes provide guidance but do not have the same legal force as appropriation bill language.

**Bow Wave** – Any additional cost (or savings) that occurs in the future because a budget item in the current biennium is not in place for the entire biennium. Example: A program started in the last six months of this biennium might cost \$100,000. If that program operates for a full 24 months next biennium, costing \$400,000, then the current biennium budget decision is said to have a bow wave of \$300,000.

**Caseloads** – Caseload means the number of persons expected to meet entitlement requirements and utilize the services of state correctional institutions, state correctional non-institutional supervision, state institutions for juvenile offenders, the public schools (K-12), long-term care, medical assistance, foster care, and adoption support. Entitlement program caseloads are forecasted by the Caseload Forecast Council.

**Dedicated Funds** – Funds set up by law to receive revenue from a specific source and that may only be spent for a specific purpose.

**Entitlement** – A service or payment that, under state or federal law, must be provided to all applicants who meet the eligibility requirements.

**Fiscal Year** – The state fiscal year is the 12-month period from July 1 through the next June 30. Fiscal Year (FY) 2009 begins July 1, 2008 and ends June 30, 2009. The federal fiscal year runs October 1 through September 30.

**Fiscal Note** – A statement of the estimated fiscal impact of proposed legislation. This cost estimate is developed by the state agencies affected by the bill, and then approved and communicated to the Legislature by the Governor's Office of Financial Management.

**Full-Time Equivalent (FTE)** – *As a unit of measure of state employees:* refers to the equivalent of one person working full-time for one year (approximately 2,088 hours of paid staff time). Two persons working half-time also count as one FTE. *As a unit of measure of students in K-12 or higher education:* refers to the equivalent of one student attending class full-time for one school year (based on fixed hours of attendance, depending on grade level).

**Fund** – An independent budget and accounting entity with a self-balancing set of accounts representing all related resources, obligations and reserves.

**Fund Balance** – In budget terminology, the difference between estimated resources and budgeted expenditures.

**General Fund-State** – The general fund represents all financial resources and transactions not required by law to be accounted for in other funds. General Fund-State (GF-S) refers to the basic account that receives revenue from Washington’s sales, property, business and occupation, and other general taxes; and is spent for operations such as public schools, social services, and corrections.

**Initiative 601** – An initiative passed in the November 1993 general election dealing with expenditures, taxes, and fees. Its primary requirements are: an *expenditure limit* based on a fiscal growth factor and other provisions; a limit on how much state fees can be raised without legislative approval; and a two-thirds legislative vote requirement on certain state tax increases. The two-thirds vote requirement for certain tax increases was suspended for the 2005-07 biennium. Significant changes were made to the expenditure limit beginning with the 2007-09 biennium.

**Maintenance Level** – A projected expenditure level representing the estimated cost of providing currently authorized services in the ensuing biennium. It is calculated using current appropriations, the bow wave of legislative intentions assumed in existing appropriations (costs or savings), and adjustments for trends in entitlement caseload/enrollment and other mandatory expenses.

**Nonappropriated Funds** – Funds where expenditures can be made without legislative appropriation. Only funds specifically established in state law and that are outside the state treasury may be exempt from appropriation (one notable example is tuition at higher education institutions).

**Operating Budget** – A series of specific appropriations made to individual agencies, typically in a bill providing for the administrative and service functions of state government, including K-12, higher education, and human services.

**Performance Measure** – A quantitative indicator of how programs or services are directly contributing to the achievement of an agency’s objectives. These indicators may include measure of inputs, outputs, outcomes, productivity, and/or quality.

**Proviso** – Language in budget bills that places a specific condition on the use of appropriations. Example: “\$500,000 of the General fund-State appropriation is provided solely for five additional inspectors in the food safety program.”

