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SENATE WAYS AND MEANS COMMITTEE STAFF -- (360) 786-7715

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Richard Ramsey - Operating Budget Coordinator
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Brian Sims - Capital Budget Coordinator
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Local Government Assistance
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Kellee Keegan - Committee Assistant
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Michael Bezanson - Fiscal Analyst
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Dean Carlson, Revenue Analyst
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Dianne Criswell - Fiscal Analyst
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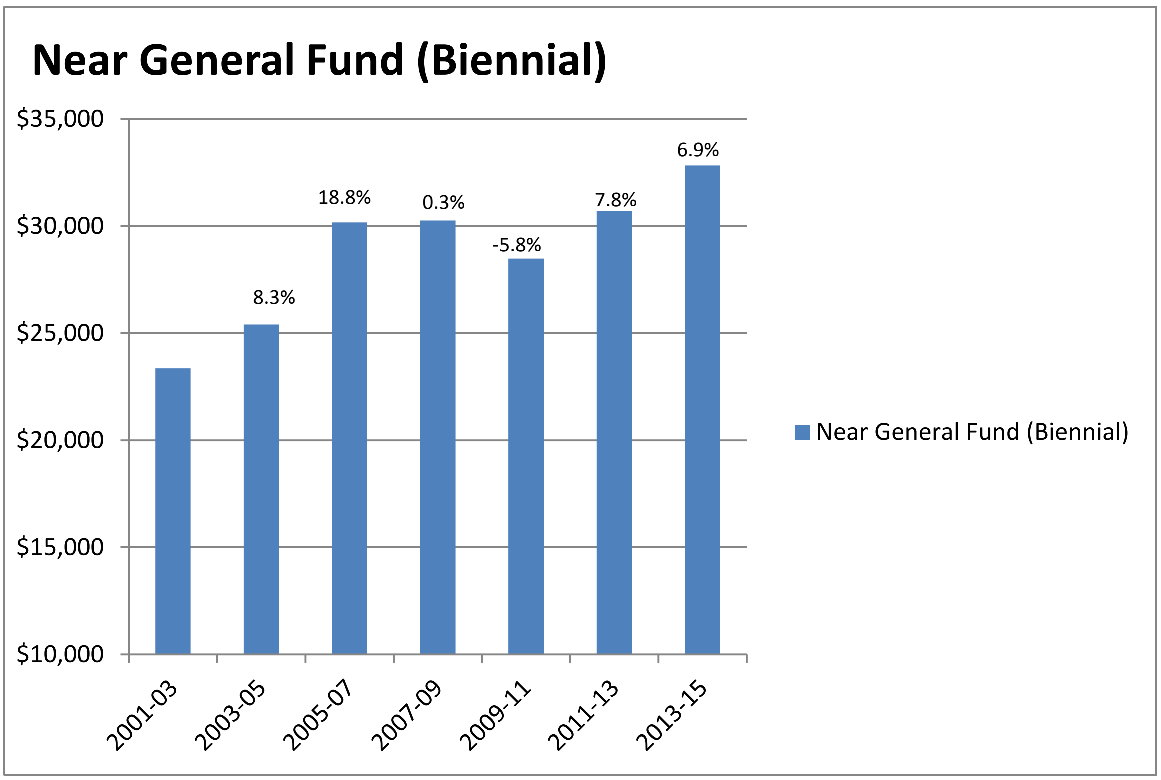
Revenue

Key Facts

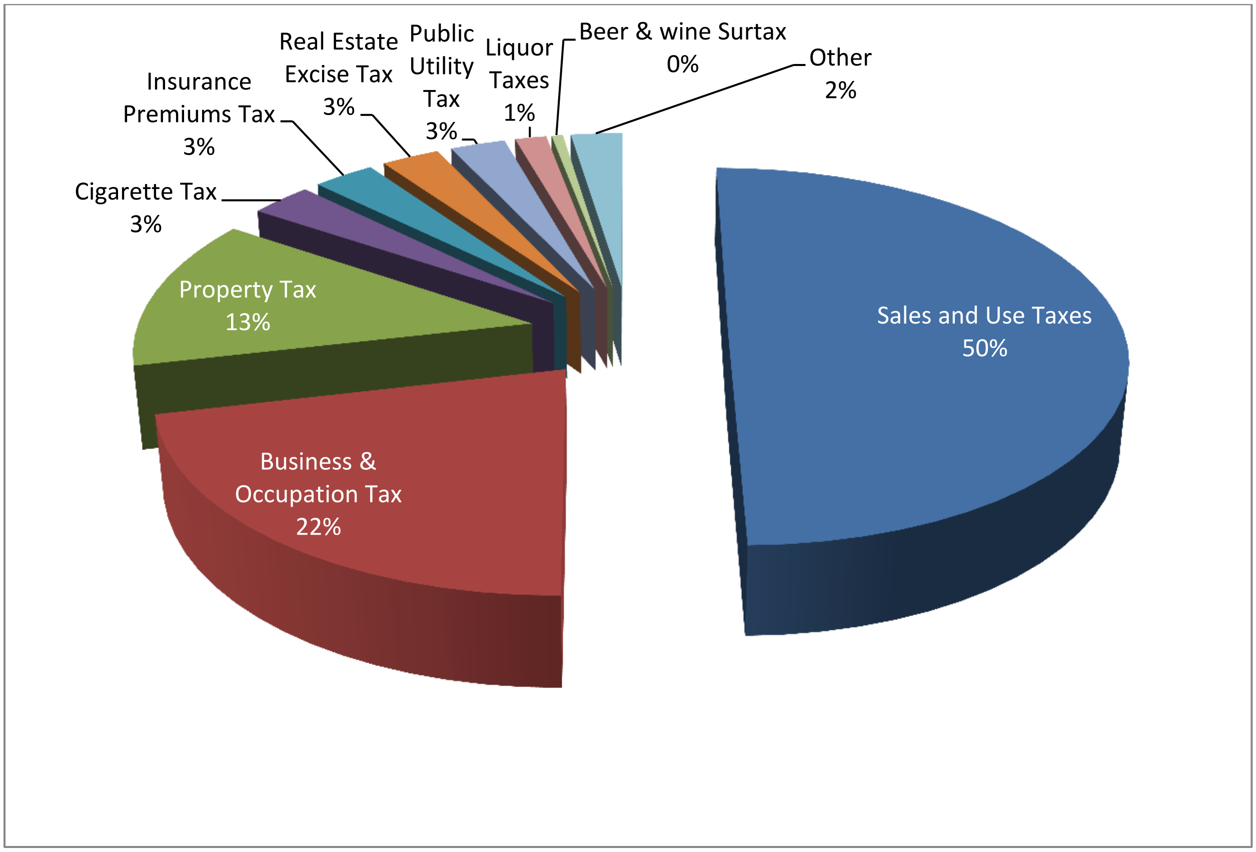
- The most prominent streams of revenue to the state are the sales tax (50%), the business and occupation tax (22%) and the property tax (13%).
- Near general fund revenues are expected to increase from $30.7 billion in the 11-13 biennium to $32.8 billion in the 13-15 biennium.
- Revenues are expected to exceed FY 2008 levels for the first time in FY 2014
- In 2009 (the latest data available) Washington ranks 21st in state and local taxes per capita, and ranks 35 in state and local taxes per $1,000 of personal income.

Trend/Overview Information

The graph below provides a biennial look at near general fund revenues over the past several years:



The chart below breaks out state revenues by tax source during Fiscal Year 2012:



2011-13 Recap

The March 2011 forecast, when the original 2011-13 budget was written, was for near general fund revenues for the 2011-13 biennium to be $32.3 billion. The November 2012 forecast for near general fund revenues is $30.7 million, $1.6 billion less than when the original budget was enacted. While the original forecast has been reduced, the collections continue to bring year over year growth although smaller than originally thought.

Current Budget Issues

Streamline Sales Tax: Since 1992, states have been unable to enforce their sales and use tax laws with respect to catalog and online sellers that lack physical presence (remote sellers). On November 9th, of 2011, the Marketplace Fairness Act was introduced in the U.S Senate by a bipartisan group of 10 Senators. The Marketplace Fairness Act would end this loophole, generating an estimated $279 million to the state and $141 million to local governments in the 2013-15 biennium. While it is uncertain if this bill will be enacted, the bipartisan nature of the bill and the high visibility of its sponsors make it the most serious attempt to grant states remote seller collection authority.

League of Education Voters v. State of Washington: This lawsuit challenges the constitutionality of the requirement in Initiative 1053 that it takes a 2/3rd's majority vote of the legislature to raise taxes without going to the voters. The Supreme Court heard the oral arguments in this case in September of this year. It is not known when the Supreme Court with decided on this issue. It could be as early as December 2012. Since the court heard the oral arguments, the voters reaffirmed the 2/3rds vote requirement by passing Initiative 1185 in November.

Initiative 502: Initiative 502 passed in November legalizing the use of Marijuana. The commercial sale of marijuana products, however, will not be legal until probably December 2013. How the federal government decides to act is an issue as the initiative is in conflict with federal laws. Should the marijuana market become an open market, the state would receive about $180 million a year in general fund revenues with an additional $350 million per year raised and dedicated to several drug education and abuse programs.

2013-15 Issues

Total near general fund revenues for the 2013-15 biennium are expected to be at $32.8 million dollars, 6.9% above the 2011-13 biennium. It appears that after several years of declining revenue forecasts that the forecasts have now stabilized and are fairly predictable. Current forecasts call for continued growth although smaller growth than historical averages. The forecast council does caution that the downside risks far outweigh the upside. They site the reason for this is ongoing concerns in Europe, China and the "fiscal cliff" being debated in Washington D.C.

On July 1, 2013 two tax increases are set to expire. The first is the .3% increase to the service B&O tax rate, which was added in 2010 and raised about $265 million dollars per year. The second is an increase in the beer tax, also raised in 2010, which has raised an additional $60 million per year. The current forecast already includes these expirations.

Provisions of Initiatives I-601, I-960, and I-1053: Tax Increases

Background to Initiatives I-601, I-960, I-1053, and I-1185

Initiative 601, enacted by the voters in 1993, required a two-thirds vote of both houses of the legislature for any action that raised state taxes (the two-thirds vote requirement took effect on July 1, 1995). This supermajority requirement was temporarily suspended by the legislature from March 2002 through June 2003 and again from April 2005 through June 2006.

Initiative 960, enacted in 2007, restated this supermajority vote requirement for tax increases not approved by referendum to the voters. Initiative 960 also required prior legislative approval of any new or increased state fees. In 2010, the legislature suspended until July 1, 2011, the two-thirds vote requirement for state tax increases, but did not modify the provisions of Initiative 960 regarding prior legislative approval of fee increases.

In November 2010, the voters approved Initiative 1053, which reinstated the statutory requirement that any action or combination of actions by the legislature that raises state taxes must be approved by a two-thirds vote in both houses of the legislature or approved in a referendum to the people. The initiative would also restate that new or increased state fees must be approved by a majority vote in both houses of the legislature.

Initiative 1185 was approved by 64% of the voters at the November 2012 general election and has the same general requirement to have legislative authorization for new or increased state fees and a two-thirds supermajority vote for actions which raise taxes. (Discussion of *League of Education Voters* follows.)

Supermajority Vote for Legislation which "Raises Taxes"

Q: What meets the definition of "raises taxes"?

A: Any actions or combination of actions which increase state tax revenue to any state fund or account,[1] such as:

- New taxes
- Increased tax rates
- Broadening the tax base (for example, sales tax on legal services)
- Repealing or narrowing any preexisting tax preferences (credits, deductions, exemptions)

[1] RCW 43.135.034.

Q: What legislative supermajority is required?

A: 2/3rds legislative approval of any actions which meet the definition of "raise taxes." If the legislature approved a bill by 2/3rds approval, the bill would still have to be sent to the voters for an *advisory* vote.

Q: Are there any conditions in which a supermajority vote is not required?

A: It is assumed that, under I-960/I-1053/I-1185, the Legislature may approve a referendum bill to the voters for approval of a law which "raises taxes" with a legislative simple majority.[2]

Q: What other requirements are there?

A: There are several other requirements, such as:

- As above, even if 2/3rds legislative approval, a bill which "raises taxes" must be sent to voters for an *advisory* vote[3]
- Legislative approval of fee increases (simple majority)[4]
- 10-year cost projection of any bill which "raises taxes"[5]
- Publication of bill information, bill sponsorship, and committee member information during the course of the legislative process which "raises taxes"[6]
- If an action which "raises taxes" results in expenditures in excess of the state expenditure limit, it must be approved by a vote of the people at a November general election.[7]

Background to Amending Initiatives

Under the state Constitution, the legislature cannot repeal a voter-approved initiative within two years of its approval, and can amend such an initiative within that two-year period only with a two-thirds vote of the legislature (unless the legislative action is submitted to the voters as a referendum).[8]

[2] "After July 1, 1995, any action or combination of actions by the legislature that raises taxes may be taken only if approved by at least two-thirds legislative approval in both the house of representatives and the senate. *Pursuant to the referendum power set forth in Article II, section 1(b) of the state Constitution, tax increases may be referred to the voters for their approval or rejection at an election*." RCW 43.135.034(1) [emphasis added]. *See also* uncodified legislative intent language notes following RCW 43.135.031.

[3] RCW 43.135.041.

[4] RCW 43.135.055.

[5] RCW 43.135.031(1).

[6] RCW 43.135.031(2) and (3).

[7] RCW 43.135.034(2)(a).

[8] Const. art. II, § 1(c).

Constitutionality of Supermajority for Tax Increases

Supermajority vote requirement of Initiative 1053 held unconstitutional in King County Superior Court

On May 30, 2012, King County Superior Court Judge Bruce Heller granted declaratory judgment in favor of plaintiffs' challenging the constitutionality of Initiative 1053. The court ruled that the supermajority vote requirement for tax increases under Initiative 1053 is an unconstitutional restriction on the Legislature's constitutional power to enact legislation and raise revenue. The Superior Court order in *League of Education Voters, et al. v. State of Washington* (case no. 11-1-25185-3 SEA) is available at: http://www.kingcounty.gov/courts/SuperiorCourt/opinions.aspx

The Parties' Arguments

In the constitutional challenge brought by the League of Education Voters, the Washington Education Association, and several individual legislators, the Attorney General's Office defended the constitutionality of the voter-approved initiative and raised several procedural defenses. In arguing against the challenge, the Attorney General urged the court to dismiss the case as hypothetical and speculative (and therefore "not justiciable"), and that the plaintiffs lacked standing to bring the suit.

The Attorney General further argued that the state Constitution's requirement of a simple majority vote to enact legislation was merely a *floor* for passage and that the voters were free to enact a higher threshold.

The Governor joined the plaintiffs' case, urging the court to resolve the long-standing legal issue of the constitutionality of Initiatives 601, 960, and 1053.

Procedural Holdings by the Superior Court

In addressing these procedural arguments, Judge Heller held as follows:

- The case is justiciable because the legal question is "of great public interest," has been adequately briefed by the opposing parties, and its resolution would benefit the public and the other branches of government.
- The court must give significant weight to the request for judicial guidance from the public, the Governor, and members of the Legislature.
- The recent Supreme Court decision in *McCleary* on the adequacy of state K-12 funding provides emphasis to the public importance of this issue.
- It is the exclusive role of the courts to determine the constitutional validity of state laws, and the Legislature can rightfully seek guidance from the courts. The courts will not require the Legislature to ignore a statute in order to create a legal dispute to invoke the court's jurisdiction.
- The legislators who brought this suit have standing before the court because they have a legitimate official interest in advancing legislation to address gaps in state funding.

Substantive Conclusions by the Superior Court

After dismissing the Attorney General's procedural objections, Judge Heller reached the merits of the case:

- The supermajority vote requirement of Initiative 1053 is contrary to the state Constitution's requirement that bills are enacted by a simple majority vote, as evidenced by the history of our state Constitution.
- Our state Constitution requires a supermajority vote for 16 types of legislation (lotteries, state debt, etc.). Tax increases are not included in any of these 16 instances.
- The voters are free to impose a supermajority vote requirement, but it must be done via a constitutional amendment, not an initiative. Every other state enacting a similar requirement has done so in a constitutional amendment.
- Initiative 1053's requirement that tax increases resulting in expenditures in excess of the state spending limit must be submitted to the voters for their approval is similarly unconstitutional. It violates the constitution's procedures for referendum measures, as the state Supreme Court has previously held in the 2001 challenge to Initiative 695.

The Next Steps - Review by Washington State Supreme Court in Fall 2012

Judge Heller signed an order declaring invalid the relevant provisions of Initiative 1053. The Attorney General appealed the decision directly to the Washington State Supreme Court. The Supreme Court accepted expedited review of the state's appeal on July 12, 2012, but did not stay the lower court's order. The Supreme Court heard oral argument on September 25, 2012. It is uncertain whether the court will issue a decision prior to the 2013 legislative session. The legal effect of the statutory two-thirds supermajority reinstated by Initiative 1185 could be impacted by the ongoing litigation.

Employee Compensation and Benefits

Salaries and other benefits for state employees constituted approximately 20% of General Fund-State expenditures during the 2011-13 fiscal biennium. Although there are several categories of state employment, the most important distinction for budgeting purposes is between employees that are represented by labor unions and those who are not. Generally speaking, salary and benefit changes for non-represented employees are subject only to policy guidelines and practical restrictions on implementation. Where represented employees are concerned, the Legislature is limited to either providing funding for the benefits agreed to in the collective bargaining process or rejecting the agreements.

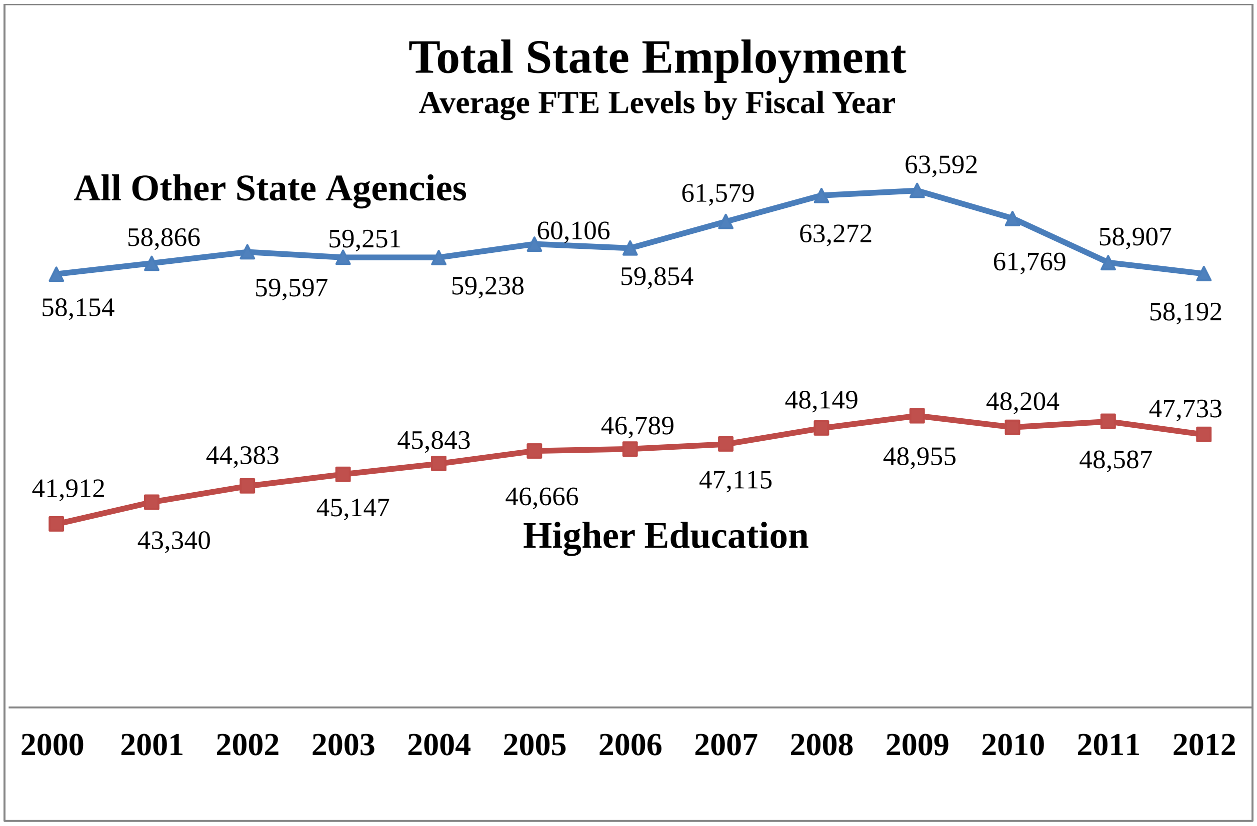
While there is no specific legal requirement to provide the same salary or benefit funding increases given to state employees to K-12 employees, school districts are able to purchase health benefits for their active employees through the Public Employee Benefits Board (PEBB) of the Health Care Authority (HCA). Additionally, all school district retirees have the same opportunity to purchase continuing coverage through PEBB that is provided to retired state employees. Cost-of-living adjustments (COLAs) for K-12 employee salaries are governed by the provisions of Initiative 732.

Another constraint on benefit funding is that the courts in Washington have consistently held retirement plan members are contractually entitled both the benefits promised on the first day of membership and to systematic funding of those benefits. This does not tie the legislature to the use of any particular funding policies; however it would be beneficial to maintain a rational funding method.

Key Facts

- Number of state employees: approximately 106,000 FTEs including higher education.
- Number of state employees , excluding higher education: 58,192 as of August 2012.
- Share of state employees, excluding higher education, employed as managers: 7.8% as of August 2012 (Washington Management Service and at-will).
- Median annual salary of a full-time state employee (excl. higher ed.): $50,304 as of August, 2012.
- Number of active state and local government employees and dependents on state health insurance: about 255,000, plus another 81,600 retirees and dependents of retirees.
- Number of school district employees, retirees, and dependents on state-funded health plans: about 337,000.

Trend/Overview



After peaking in 2009 state employment has decreased by 9% in 2012. Higher education employment has remained flat over the same period.

2011-13 Enacted Budget Recap

Funding for state employee compensation and benefits was reduced by about $520 million GF-S in the 2011-13 budget, with reductions tied to three main items:

COLAs for PERS 1 and TRS 1 members were repealed saving approximately $345 million GF-S. Future automatic benefit increases in the Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1 (PERS 1 and TRS 1) under the Uniform Cost-of-Living (Uniform COLA) provisions established in 1995 were canceled, except that the basic minimum benefit amount in both plans (currently $42.63 per month per year of service) will continue to be increased by the Uniform COLA increase amount. As a partial offset, the alternative minimum benefit for members retired at least 20 years was raised to $1,500 per month rather than $1,194 per month, effective July 1, 2011. As a result of these changes, the unfunded accrued actuarial liability in PERS and TRS Plans 1 is reduced by approximately $4 billion (net).

Temporary salary reductions of 3% were adopted for most state agency employee groups produced a savings of $171 million GF-S. The reductions, which apply only to employees earning at least $2,500 per month, are temporary through the 2011-13 fiscal biennium only and consistent with 2011-13 collective bargaining agreements. Employees subject to the 3% reduction in salary are receiving temporary salary reduction leave of up to 5.2 hours per month as compensation for the pay reduction. Employees at state institutions of higher education were exempted from the pay cuts. However, the institutions are required to achieve compensation savings equivalent to state fund savings that would have been generated by a 3% salary reduction.

State contributions for employee health benefits were reduced to $800 per month per employee in 2012, from $850 in 2012, by utilizing excess fund balance in the PEBB account. This action generated savings of $33 million GF-S in FY 2013. In the 2012 session it was assumed state contributions would increase to $851 in 2014 and $906 in 2015; however, the PEBB estimates concluding the provider bids for the 2013 benefit year suggest state contributions will be $814 and $827 in 2014 and 2015, respectively.

Current Budget Issues

Collective bargaining tentative agreement: The agreement ratified by the Washington Federation of State Employees restores the temporary salary reduction ($171 million NGFS for both represented and non-represented employees), authorizes a one-time 1% COLA in FY 2015 if FY 2015 revenue projections increase by $200 million between 2012 and 2014 ($28 million), and adds a step to the salary schedule which will result in a 2.5% increase for almost 17,000 general government employees ($38 million). There is no agreement on employee health benefits; if no agreement then current terms continue until June 30, 2014, including 15% employee share.

Court Challenges: The repeal of gain-sharing benefits in the Plans 1 and 3 of the Public Employees', Teachers, and School Employees' Retirement Systems (PERS, TRS, and SERS) in 2007 has been challenged successfully at the trial court level. Additionally, groups representing state and school employees and retirees have announced that they will oppose the elimination of Plan 1 COLAs in court. While it will likely take some time to achieve legal certainty as to the success of those measures, the impact on state pension contributions of reinstating both benefits would likely exceed $300 million per year.

Collective Bargaining Overview

What is the history of collective bargaining for state employees?

Prior to 2005, state employees were not allowed to negotiate compensation or benefits. Collective bargaining was limited to other matters such as working conditions. The current framework for collective bargaining for state employees was established in the Personnel System Reform Act of 2002 (PSRA). The PSRA also revised civil service rules for classified employees and established procedures for state agencies to contract out for services. To date, there have been four sets of PSRA-governed labor contracts approved by the Legislature for the 2005-07, 2007-09, 2009-11, and 2011-13 fiscal biennia.

Who is represented?

Over 42,000 state agency employees are covered by general government labor contracts. Unions representing general government state employees include:

- Washington Federation of State Employees (30,000 members)
- International Brotherhood of Teamsters (5,200 members)
- Washington Public Employees' Association (2,800 members)
- International Federation of Professional and Technical Workers (2,700 members)
- Service Employees International Union (800 members)
- United Food and Commercial Workers (550 members)

Other contracts are negotiated between labor unions and state institutions of higher education. Negotiations were also conducted with the Washington State Patrol Troopers' Association and some employees of the Department of Transportation, processes authorized under separate collective bargaining laws.

Managers (Washington Management Service and exempt) and employees of certain agencies (such as OFM, the Department of Personnel, and legislative and judicial agencies) are all precluded from forming bargaining units.

What is the timeline for the bargaining process?

Negotiations between labor unions and the Labor Relations Office (LRO) begin in the spring of even-numbered years. Contracts must be agreed to and submitted to the Director of the Office of Financial Management by October 1st and certified as financially feasible in order to be considered for inclusion in the Governor's budget proposal.

For the 2013-15 contract period, salary-related agreements were reached by the October 1st statutory deadline between the LRO and General Government and Higher Education Community College bargaining units, marine units of the ferry system and non-state employees (language access providers, family child care providers and adult family home owners). In addition, the LRO reached agreements resulting from interest arbitration with the Washington State Patrol, marine unions and non-state employees (healthcare for homecare workers).

What is in the 2011-13 labor contracts?

The details of the agreements vary slightly from contract to contract, however the contracts generally call for:

- Restores the temporary salary reduction ($171 million NGFS for both represented and non-represented employees);
- Authorizes a one-time 1% COLA in FY 2015 if FY 2015 revenue projections increase by $200 million between 2012 and 2014 ($28 million); and
- Adds a step to the salary schedule which will result in a 2.5% increase for almost 17,000 general government employees ($38 million).

<u>There is no agreement on employee health benefits</u>; if no agreement then current terms continue until June 30, 2014, including 15% employee share.

How could the Legislature reduce compensation costs for represented employees?

Since the size and composition of the state workforce is not subject to collective bargaining under RCW 41.80.040, the Legislature is free to implement permanent reductions. Certain elements of the implementation, such as which employees are laid off first, would be governed by the labor agreements. Within the terms of the labor contracts, the Legislature may also mandate either temporary layoffs of up to 30 calendar days or a temporary reduction in hours to no less than 20 hours per week for no more than 120 calendar days in a year.

Finally, in the event of a significant revenue shortfall, the unions and LRO may be required to reopen negotiations by either a proclamation of the Governor or a resolution of the Legislature. There is, however, no guarantee that the parties would reach an agreement.

What are the Legislature's options for the outstanding contracts?

The Legislature may either approve or reject the request for funds to implement the Washington Public Employees' Association contracts as a whole. It may not reject parts of agreements selectively. The approval or rejection may be made in the budget bill (past contracts has been approved in this way) or through separate legislation. If the contracts are rejected, either the bargaining unit or the LRO may reopen negotiations.

May the state contract out for services?

A state agency may contract with an outside for services; however it must provide its employees the opportunity to provide an alternative solution to purchasing the service. If that alternative is rejected, the agency must allow the employees to form an employee business unit and submit a bid in the competitive selection process for the contract. The Department of Enterprise Services is required to assist the employee business unit in the preparation of its bid. However, if the Legislature explicitly mandates the contracting out of a particular service, this process does not have to be followed.

K-12 Education

Washington State provides funding for basic and non-basic education through appropriations to the Office of the Superintendent of Public Instruction (OSPI). Funding for the nine regional Educational Service Districts (ESDs) is also provided through OSPI's budget. Of the total appropriated to OSPI, divided among 14 programs, over 99 percent is subsequently distributed to school districts across the state. Less than one percent is for OSPI itself, the ESDs, and statewide programs (i.e. grants that are managed centrally).

Key Facts

- K-12 Public School budget, 2011-13: $13.6 billion, Near-General Fund State
- Fund sources in operating budget: General Fund-State (87.1%), Education Legacy Trust Account-State (0.3%), and (Federal (12.5%)
- School districts' operating fund sources: State funds (65%), Federal (13%), Local Taxes (18%), Other (4%)
- Number of K-12 students: 1,040,000*
- Number of schools: 2,281
- Number of school districts: 295
- K-12 staff, all fund sources: 101,700 (61,000 teachers; 3,900 administrators; and 36,800 support)

  ** Headcount for 2011 school year, rounded to nearest thousand*

More detailed descriptions of the organization and funding of the state's public schools can be found in the Senate Ways & Means publication, "A Citizen's Guide to Washington State K-12 Finance." It can be found online at: http://www.leg.wa.gov/SENATE/COMMITTEES/WM/Pages/default.aspx.

Trend/Overview Information

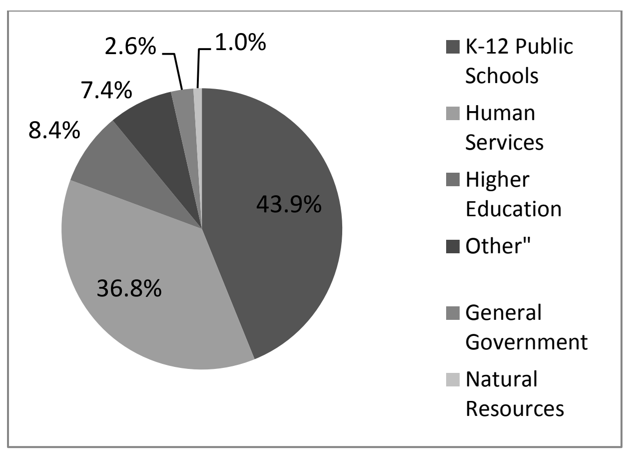
K-12 Education is the largest single part of the state Near-General Fund budget, making up 43.9 percent of the total.

2011-13 Budget

Dollars in Billions • Near General Fund-State

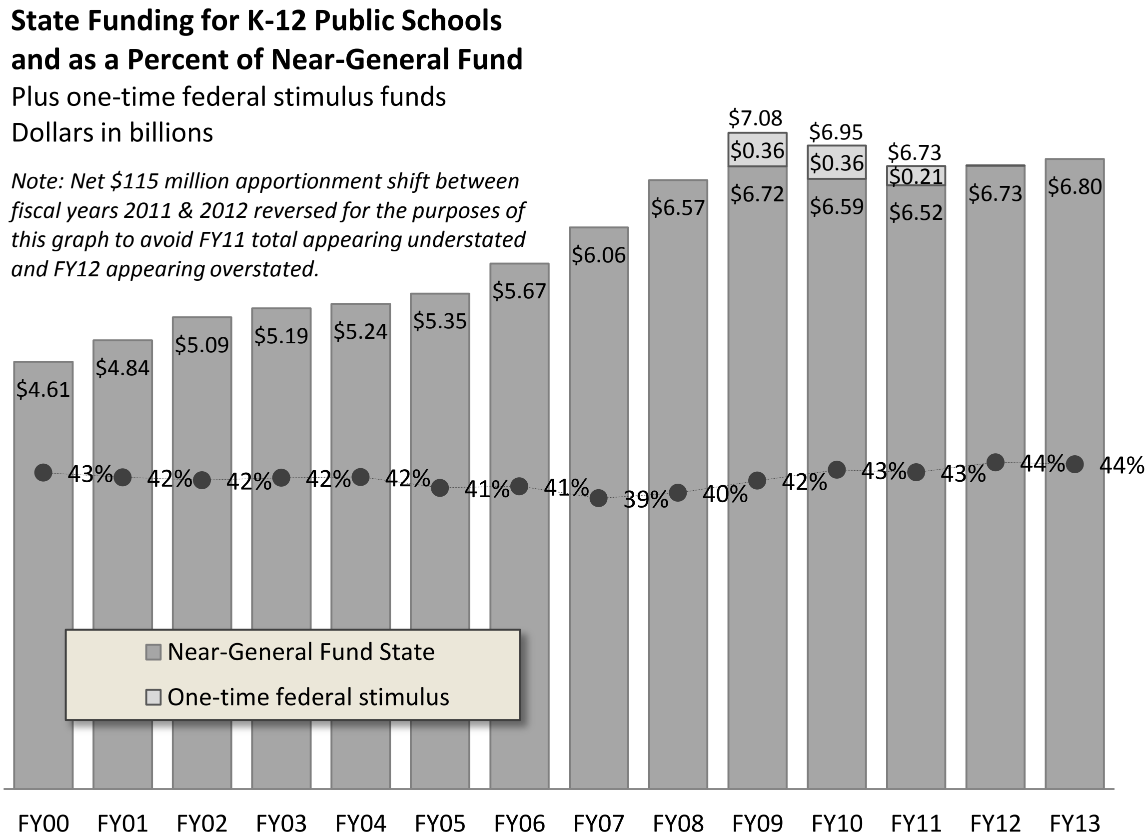
	Budget	Percent
K-12 Public Schools	$13.6	43.9%
Human Services	11.4	36.8%
Higher Education	2.6	8.4%
Other*	2.3	7.4%
General Government	0.8	2.6%
Natural Resources	0.3	1.0%
Statewide Total	**$31.0**	**100.0%**

* *Includes debt service, pensions, other education, transportation, and special appropriations.*



The current 2011-13 budget (2012 supplemental) was enacted in April 2012 and based on the February 2012 forecasts of student enrollment, expressed as full-time equivalents (FTEs).

The following displays the history of K-12 appropriations, as well as the percentage of the Near-General Fund State budget allocated to K-12.



2011-13 Enacted Supplemental Budget Recap

After several sessions of reductions and payment-schedule shifts as part of managing overall state budget deficits, the Legislature enacted a 2012 supplemental budget that took no new program reductions in K-12.

The budget enacted in April 2012 provided just over $6.0 million in new funds for, primarily, newly-enacted bills as well as a separate amount of $5.8 million to implement the teachers' and principals' performance evaluation bill.

Recap of prior 2011-13 budget changes

Major reductions from maintenance level:

Suspension of I-728 ($861 million); Suspension of I-732 COLA ($266 million); Elimination of K-4 class-size funding ($194 million); K-12 salary reduction ($179 million); Changes to National Board bonus program ($61 million); Reduction to Alternative Learning Experience funding ($41 million); Changes to student assessment programs ($46 million); Shift schedule of bus-depreciation payments for one-time budget reduction ($49 million).

Major increases from maintenance level:

K-3 class-size funding for high-poverty schools ($34 million); Hold-harmless for new funding formulas ($25 million); Expand full-day kindergarten ($5 million); Increase transportation funding ($5 million); IT Academy ($4 million); Address student drop-out ($3 million); Increase number of teacher/principal evaluation pilot schools ($3 million).

Current Budget Issues

McCleary v. Washington State: In January, 2012, the Supreme Court held that the state has not complied with its Article IX, section 1 constitutional duty to make ample provision for the basic education of all children in Washington. The court did acknowledge the recent enactment of sweeping reforms under Chapter 548, Laws of 2009 (ESHB 2261), and acknowledged the current progress toward implementing those reforms. The Court also noted that, if fully funded, the reform package will remedy deficiencies in the K-12 funding system. The Court retained jurisdiction to help "facilitate progress" in the State's plan to fully implement the reforms by 2018.

Continued implementation of revised definition of basic education: The two major education reform bills enacted in the 2009-11 biennium,[9] to which the Supreme Court referred in January, made major changes to K-12 and K-12 funding including a redefinition of basic education, a new funding structure, and new funding formulas that went into effect on September 1, 2011. The bills created the Quality Education Council (QEC), with designated membership including four Senators, to oversee implementation. The legislation also requires funding enhancements to four specific areas of the budget – pupil transportation; Materials, Supplies and Operating Costs (MSOC); full-day kindergarten; and K-3 class size funding. The enhanced funding goes into effect on different schedules but all enhancements need to begin in the 2011-13 biennium and all are scheduled to be fully implemented by school year 2017-18.

The operating budget enacted for 2011-13 does make the required starts to enhanced funding for the four areas in the amount of $111 million, including $25 million in hold-harmless funding. A summary of estimated costs, below, assumes linear phase in to required deadlines for illustration purposes – although the Legislature has flexibility so long as the final due dates are met.

HB 2776 Phase-in Costs
dollars in millions

Program Enhancements	FY14	FY15	FY16	FY17	FY18	FY19
Transportation	$43	$99	$112	$114	$115	$117
MSOC	180	417	666	745	767	788
↓ K-3 class size	64	156	263	399	554	597
Full-day kindergarten	27	62	96	132	168	181
HB 2776 Total	**$314**	**$734**	**$1,136**	**$1,390**	**$1,604**	**$1,683**

In 2009, in enacting ESHB 2261, the Legislature added two additional elements to the definition of basic education: an increase in the number of instructional hours for older students, and the opportunity to earn 24 credits for high school graduation. The bill increased the minimum annual instructional hours from 1,000 to 1,080 hours for students in grades seven through twelve, to be implemented "according to an implementation schedule adopted by the legislature." The legislature has not adopted an implementation schedule. However, the 2011 legislature added the statutory requirement that

[9] Chapter 548, Laws of 2009 (ESHB 2261) and Chapter 236, Laws of 2010 (SHB 2776)

implementation is to occur “not before the 2014-15 school year.” Depending on assumptions and the manner in which the Legislature chooses to implement the change, the estimated cost of the increase ranges from no cost to over $200 million per year.

Likewise, the Legislature has not adopted an implementation schedule for the second change, the opportunity to earn 24 credits for high school graduation. However, current statute[10] states, "Changes that have a fiscal impact on school districts, as identified by a fiscal analysis prepared by the office of the superintendent of public instruction, shall take effect only if formally authorized and funded by the legislature through the omnibus appropriations act or other enacted legislation.” The OSPI assessed the change and estimated that the 24-credit graduation requirement would result in additional operating costs totaling approximately $37 million per year. Most of the cost would be related to additional instructional time with a small percentage for instructional materials.

Joint Task Force on Education Funding: Enacted in the 2012 Legislative session, HB 2824 established a Joint Task Force on Education Funding to develop and recommend a permanent and reliable funding mechanism for implementing the basic education reforms of ESHB 2261 and SHB 2776 by 2018.

The Task Force is made up of four Senators, two from each of the major caucuses; four Representatives, two from each of the major caucuses; and three gubernatorial appointees. The Task Force's report is due to the Legislature by December 31, 2012. The proposed funding mechanism must, at a minimum, support the full implementation of the four programmatic enhancements required by SHB 2776. If the Task Force recommends multiple options, it must identify a preferred alternative, including an outline of implementing legislation. If the Task Force recommends an option to fully fund the basic education program with no new revenues, it must identify the areas of state expenditures to be reduced or eliminated. Finally, the Task Force must consider the Quality Education Council's recommendations for the Transitional Bilingual Instruction Program, with recommendations regarded a scaled funding formula based on levels of English language proficiency and a supplemental formula to support students transitioning from the program.

Joint Select Committee on Article IX Litigation: As mentioned above, in its ruling on McCleary v. State on January 5, 2012, the Washington State Supreme Court noted that education reform legislation enacted in 2009 and 2010 (ESHB 2261 and SHB 2776, respectively) was “promising” and would, if fully funded, satisfy the state’s Article IX duty to K-12 public education. The Court retained jurisdiction in the case to oversee the phased-in implementation. In the 2012 session, the Legislature enacted HCR 4410, which established a Joint Select Committee on Article IX Litigation to provide a point of contact and a specific group to represent the Legislature in ongoing communications between the Legislature and the Court. The Committee consists of eight legislators – four members of the Senate and four members of the House, with equal representation from each major caucus.

On July 18, 2012, the Court issued its order on the form of continued jurisdiction, in which it requested an annual report from the Committee, to be submitted at the conclusion of each Legislative session. This order specified that the first report be provided within 60 days of the order, which fell on Monday, September 17th, at which time the Committee delivered its first report. The report can be found at the Committee's website[11], under the list of Joint House and Senate Committees. The Respondents subsequently filed a written comment to the Committee report.

[10] RCW 28A.230.090 (2)(c)
[11] The internet address for the Joint Select Committee on Article IX Litigation is http://www.leg.wa.gov/jointcommittees/AIXLJSC/Pages/default.aspx

Higher Education

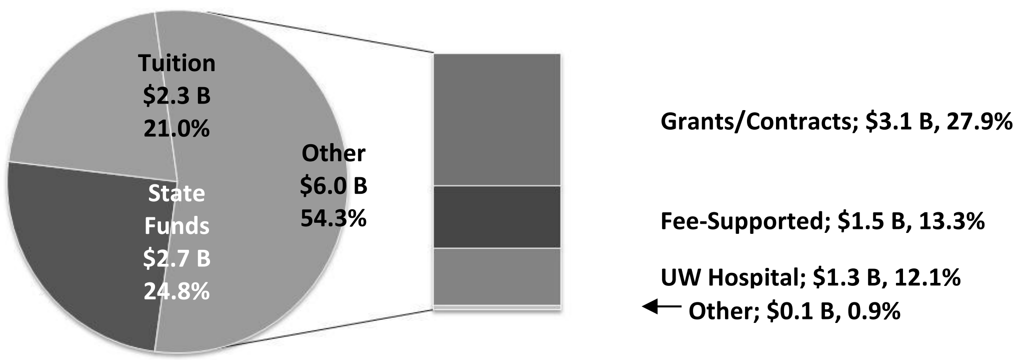
Higher education is comprised of two research universities, four regional universities, and 34 community and technical colleges. Budgeted enrollments, tuition, and financial aid are interconnected levers that drive the higher education budget. State dollars[12] fund financial aid and, together with tuition, the core academic functions delivered by higher education institutions, which include the cost of instruction, state sponsored research, and public service activities.

Key Facts

- 2011-13 budget: $11.1 billion total funds; $2.7 billion state funds; $2.3 billion tuition
- Portion of core academic functions funded with state funds (four-year institutions): 36.3%
- Portion of core academic functions funded with state funds (two year institutions): 63.4%
- Budgeted enrollment, 2011-12 academic year: 235,953
- Actual enrollment, 2011-12 academic year: 258,097

Trend/Overview Information

For the 2011-13 biennium (including the 2012 supplemental budget), the total budget for higher education is approximately $11.1 billion (representing 18.2 percent of the overall state budget). Less than one quarter of this amount comes from the Near General Fund ($2.6 billion).



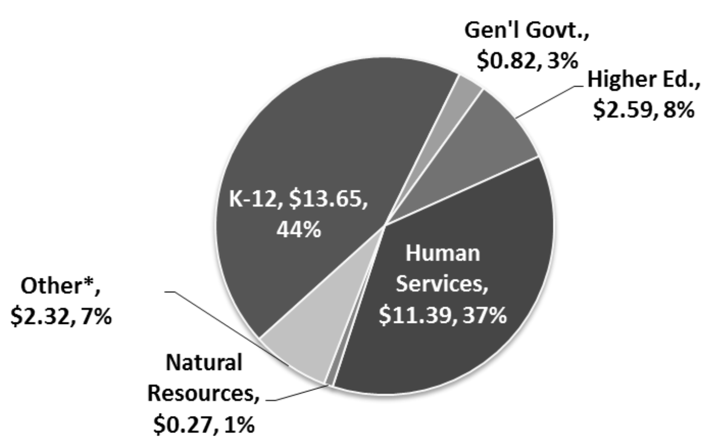
Higher education is the largest discretionary part of the state Near-General Fund budget, making up 8.3 percent of the total.

2011-13 Budget

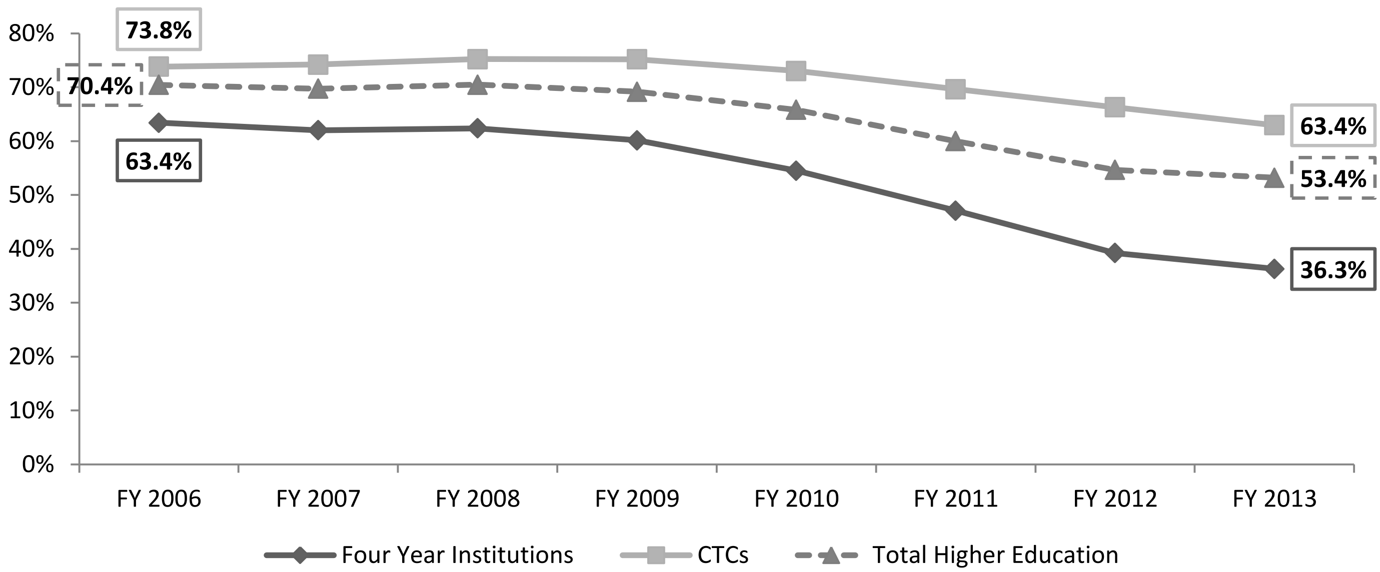
Near General Fund-State, Dollars in Billions

	2011-13 Budget	Percent
K-12 Public Schools	$13.65	44.0%
General Government	$0.82	2.6%
Higher Education	$2.59	8.3%
Human Services	$11.39	36.7%
Natural Resources	$0.27	0.9%
Other*	$2.32	7.5%
	$31.03	100.0%

*Includes debt service, pensions, other education, transportation, and special approps.



In addition, the portion of core academic functions paid for with state funds has changed over time and now represents just under two-thirds in the community and technical college system and just over one-third in the four year system.



2011-13 Enacted Budget Recap

For the 2011-13 biennium (including the 2012 supplemental budget), near general fund state appropriations to the public colleges and universities are $485.1 million (18.6 percent) below the level spent in the 2009-11 biennium. Approximately $376.4 million of this reduction was budgeted to be offset by tuition increases. These increases are assumed to be the following: 16 percent per year at the University of Washington, Washington State University, and Western Washington University; 14 percent each year at Central Washington University and The Evergreen State College; 11 percent each year at Eastern Washington University; and 12 percent each year for the community and technical colleges.

State supported four-year institutions were also provided full tuition setting authority beginning in the 2011-13 biennium through the 2017-19 biennium pursuant to Engrossed Second Substitute House Bill 1795 (Higher Education Opportunity Act). In addition to resident undergraduate tuition setting authority, this legislation requires institutions to negotiate a performance plan with the Office of Financial Management that. At a minimum, the plan must include expected outcomes for time and credits to degree; retention and success of students from low-income, diverse, or underrepresented communities; baccalaureate degree production of resident students; and degree production in high-demand fields of study. Additionally, any four year institution that increases tuition beyond the levels assumed in the Omnibus Appropriations Act will be required to mitigate any additional tuition increase, as prescribed in the legislation, for those students with incomes below 125 percent of the median family income.

Major reductions:

Net (after accounting for tuition) reduction to core academic functions ($241.1 million); suspension of I-732 COLA ($29.6 million); other compensation-related reductions ($113.2 million); adjusting employer match rates in the State Work Study program ($31.0 million); modifying State Need Grant awards to private institutions ($16.7 million); suspension of smaller financial aid programs ($18.8 million); community and technical college system efficiencies ($7.5 million); elimination of the Higher Education Coordinating Board in Fiscal Year 2013 ($2.6 million).

Major increases:

Maintain financial aid policy ($124.4 million); worker retraining ($9.0 million); Opportunity Scholarship state match ($5.0 million).

2013-15 Biennium Budget Issues

Level of State Support: Current rates of state support for the core academic functions are 36% for the public four-year institutions of higher education and 65% for the community and technical colleges; compared to 60% and 75%, respectively, in the 2007-09 biennium. The Legislature will need to determine what level of state support is sufficient for higher education and how any needed investments will be paid for. The Legislature may also want to consider whether or not future investments in higher education should be directed toward the student in the form of financial aid rather than to the institutions.

Price of Tuition: Since the 2007-09 biennium, the price of tuition at the public four-year institutions have increased 58% and by 32% at the community and technical colleges. The Legislature will need to determine (within the context of existing budget constraints and tuition-setting authority which was given to the public four-year institutions in 2011) whether the current rates of tuition are appropriate and whether any increases/decreases are needed/warranted.

Financial Aid: Although state funding for the State Need Grant has kept pace with tuition increases, there are currently approximately 21,000 unserved FTE students. In addition, a number of financial aid programs have been reduced such as the State Work Study, Washington Scholars, and the Washington Award for Vocational Excellence (WAVE); and the Legislature has created new programs, such as College Bound and the Opportunity Scholarship Program, which will require future financial investments. The Legislature may want to consider the following:

- Identifying the appropriate level of support for financial aid programs
- Whether or not financial aid delivery should be changed (e.g. consolidation of programs, funding targeted to specific degree programs, etc.)
- Determining how the state will meet its funding commitments to College Bound (approximately $4.2 million in the 2013-15 biennium, increasing to $27.3 million in the 2015-17 biennium) and the Opportunity Scholarship Program ($45 million in the 2015-17 biennium).

Differential Tuition: In 2011, the public four-year institutions of higher education were given the authority to set differential tuition rates for different programs of study. Due to concerns over how this authority will impact the solvency of the GET program, this authority has been temporarily suspended for the 2011-13 biennium. The Legislature will need to determine how differential tuition should be handled given the impact it will have on the GET Program and, as a result, the potential increase to the current unfunded liability of $631 million.

Other: The Legislature may also want to consider a variety of other issues that may have an impact on funding for higher education, including:

- Tying funding of higher education institutions to performance.
- Whether legislative priorities regarding remedial education are being met and if the levels of funding spent on remedial education (approximately $103 million in state funds during the 2011-13 biennium) are appropriate.

Low-Income Medical Assistance

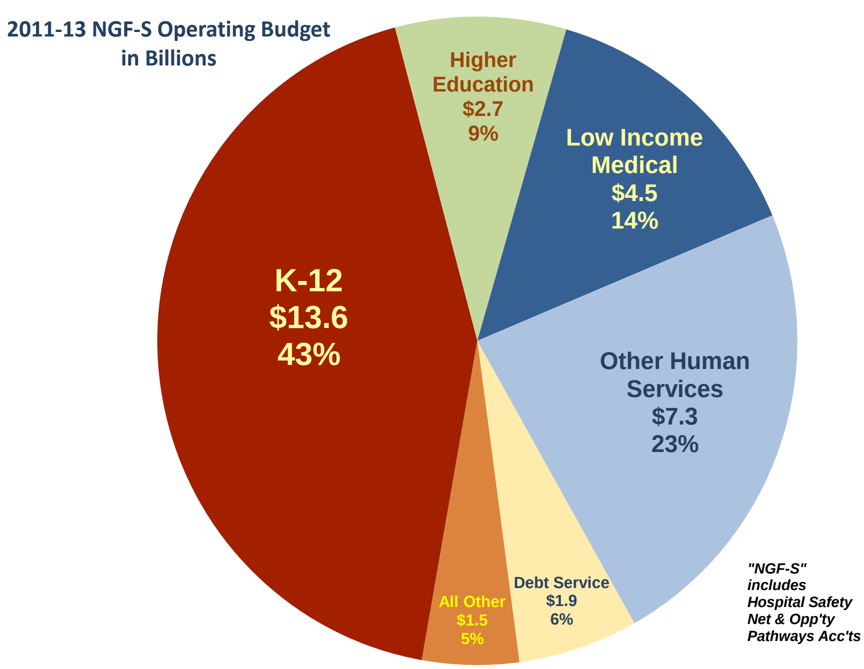
Washington state government is budgeted to expend $10.1 billion during the 2011-13 biennium to cover all or part of the cost of medical and dental care for an average of 1.2 million low-income children and adults each month. These expenditures are administered by the Health Care Authority, which contracts with managed care insurance plans and directly with hospitals, physicians, dentists, pharmacies, and other medical providers to deliver services under the Medicaid, Basic Health Plan, and state Medical Care Services programs.

Key Facts

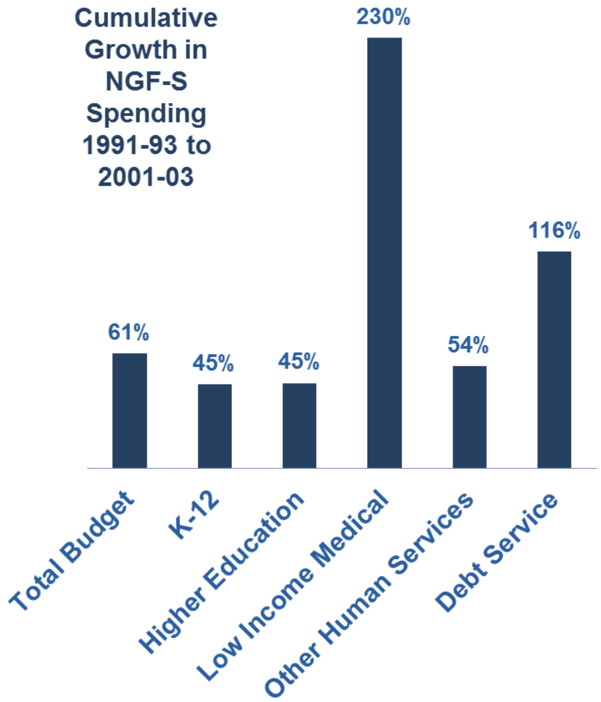
- Total 2011-13 Budget: $4.5 billion Near-General Fund State (NGF-S), $5.3 billion Federal (primarily Medicaid), and $0.6 billion local returned with federal Medicaid match
- Number of Persons Covered: 1.2 million, including
  - ✓ 1 of every 2 children in the state
  - ✓ 1 of every 2 pregnant women
  - ✓ 1 of every 10 elderly persons
  - ✓ 1 of every 14 other adults
- Average Annual Cost per Person Covered: $3,854, ranging from $1,300 per year for undocumented children to $23,000 per year for lower-income uninsured women with breast or cervical cancer
- Total State Staff: 980 FTE's

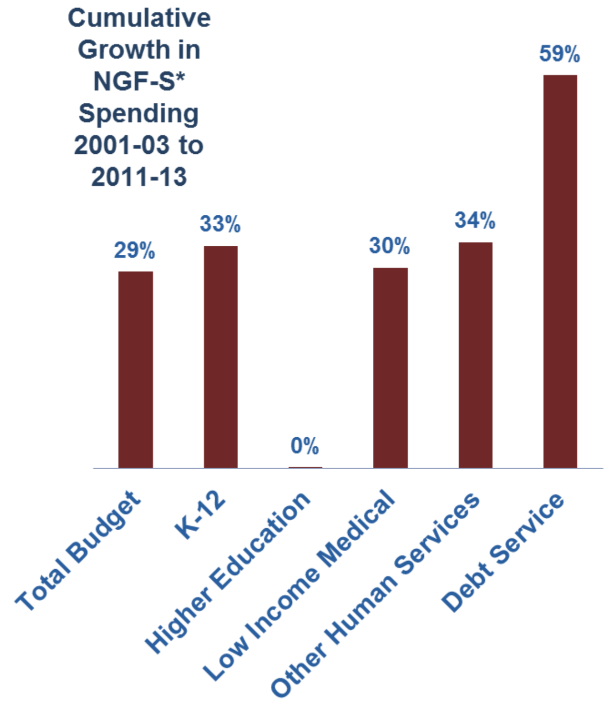
Trend/Overview Information

Publicly-funded medical care for low-income people is the third largest component of the state-funds operating budget, after K-12 education and all other human services programs.



Low-income medical care spending grew four times faster than the total state spending during the 1990's, but during the 2000's the rate has grown at the same rate.





2011-13 (2012 Supplemental) Enacted Budget Recap

The 2012 Supplemental $10.1 billion all-funds appropriation for low-income medical care is a net $639 million (6 percent) decrease from the 2011-13 biennium original appropriations, and includes a net $364 million (7.5 percent) decrease in state-fund appropriations.

The majority of the reductions ($653 million) are almost entirely due to revised caseload, utilization, and implementation forecasts from original appropriations. Program and administrative reductions account for $43 million of the reduced appropriations. These include discontinuing the Indigent Assistance Disproportionate Share Hospital Grant Program ($26 million), prescription drug formulary that limits coverage to the least costly, equally effective drugs, except when higher cost drug versions are shown to be medically necessary ($4 million), and reducing administrative spending by $14 million.

The appropriations provide an additional $67 million to account for delayed implementation, federal disapproval, and judicial rejection of previous budget reductions. The largest components of this total are $21 million from federal disapproval of a requirement in the original budget to charge drug copayments, $9 million from judicial delay of the limitation on payment for emergency room (ER) treatment of non-emergency conditions, and $9 million from delayed implementation of innovative payment approaches.

Current Budget Issues

Affordable Care Act Enrollment: Under federal health reform legislation, individuals/ families with adjusted gross income between 138 to 405 percent of the federal poverty level will be required to have health insurance through a combination of public and private coverage expansion beginning January 1, 2014. Federal and state law created a state-based Health Benefit exchange for these individuals/families to purchase insurance coverage with premium and cost-sharing credits and created a separate exchange where small businesses may purchase insurance coverage.

While most of the expansion will be covered by federal funds and tax credits, some current Medicaid eligible persons who are not currently enrolled are expected to participate as a result of the individual mandate to purchase insurance, automated enrollment systems, outreach, etc. This is expected to increase the number of persons covered by the state Medicaid program by ~17,000 (1.5 percent) in 2014 to ~62,000 (5 percent) in 2021 (full phase-in). The costs for these currently eligible but not enrolled persons will be shared with the federal government at a 50 percent matching rate. These costs are anticipated to occur regardless of whether the state chooses to expand Medicaid under the Affordable Care Act.

Medicaid Enrollment Expansions: As a state option (per the Supreme Court decision) under federal health reform legislation, the state may expand Medicaid coverage to include all legal residents with adjusted gross family incomes below 138 percent of the federal poverty level beginning January 1, 2014. Including the Affordable Care Act enrollment mentioned above, full Medicaid expansion is expected to increase the total number of persons covered by the state Medicaid program by ~90,000 people (in 2014) up to ~340,000 people (27 percent) at full phase-in in 2022.

- Approximately 75 percent are anticipated to be newly eligible persons and covered by a 100 percent federal fund matching during the first three years tapering down to a 90 percent matching rate in 2020.
- Approximately 25 percent are anticipated to be currently Medicaid eligible but not enrolled persons who are responding to the individual mandate to purchase insurance, automated enrollment systems, outreach, etc. The costs for these currently eligible but not enrolled persons will be shared with the federal government at a 50 percent matching rate.

Affordable Care Act Cost Offsets: If the state chooses to expand Medicaid, several currently funded state programs may duplicate coverage or services provided under federal health care reform. These programs include but are not limited to Disability Lifeline, Basic Health, Breast, Cervical, and Colon Treatment Programs, HIV/AIDS programs, and family planning. The approximate total state general fund for these programs in 2013-15 is projected to be $145 million.

Hospital Safety Net Assessments: The current safety net assessment on certain Washington hospitals expires on July 1, 2013. The assessment is applied to non-Medicare hospital inpatient days based on a statutory formula to help finance the state share of Medicaid expenditures, increase federal financial participation, and provide higher hospital rates. Without the assessment, the state share would be $275 million in 2013-15 to maintain current hospital rates and federal financial participation levels.

Court Challenges: The Washington State Hospital Association is challenging 2011 budget decisions to reduce hospital payments on the grounds that those decisions violate legislation enacted in 2010. If successful, this challenge would increase state-fund expenditures by approximately $150 million. A number of low-income community clinics are challenging rates paid during the first half of 2009 on the grounds that federal Medicaid law requires that such rates be "rebased" to reflect the clinics' actual operating costs.

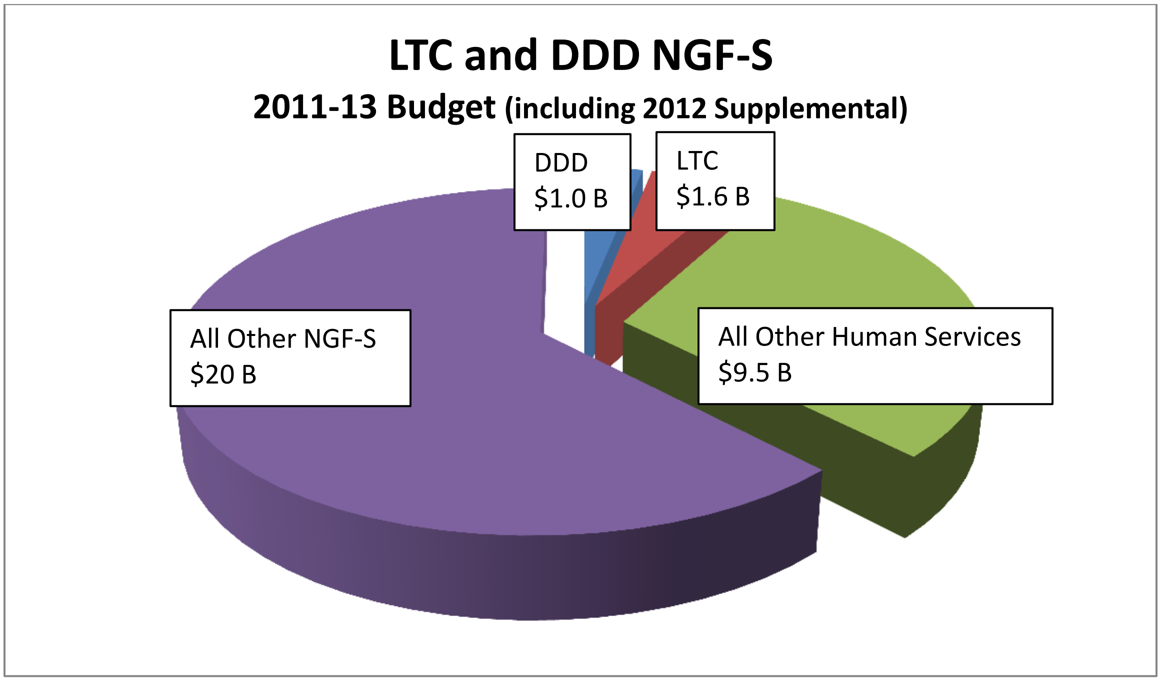
Long-Term Care and Developmental Disabilities

The Long Term Care (LTC) and [Division of] Developmental Disabilities (DDD) programs are two of the programs administered by the Aging and Disability Services Administration (ADSA) within the Department of Social and Health Services (DSHS). LTC and DDD provide residential, community, and in-home services and are primarily state: federal match funded (i. e. Medicaid). Both programs operate an institutional-based Medicaid ”entitlement” program. The entitlement program in LTC is the nursing home or skilled nursing facility (SNF) program and the entitlement program in DDD is the residential habilitation center (RHC). However, both programs also operate Medicaid waiver programs. These programs waive the Medicaid entitlement and offer services to clients in their own homes and in community residential facilities such as adult family homes and boarding homes.

Since both programs primarily provide Medicaid funded services, the Medicaid rules guide the structure and operation of the DDD and LTC programs. These rules, and associated case law, significantly limit the state's ability to manage expenditures by making program or client eligibility changes.

Key Facts

- Total 2011-13 (including 2012 Supplemental) Near General Fund-State (NGF-S) Budget: $2.6 billion, almost exactly 45 percent of the DSHS budget.
- Number of Unduplicated Clients with Paid Services (fiscal year 2012):
    - Nursing Homes 10,096
    - LTC Community Residential 12,162
    - LTC In-Home 35,170
    - RHCs 905
    - DDD In-Home 11,028
    - DDD Community Residential 1,718
- Average Monthly Cost per Client varies greatly depending on the care setting. LTC in-home clients receive personal care assistance costing about $1,400 per month while a person receiving care in a nursing facility is about $4,500 per month. Similarly, in DDD the monthly cost per client in the RHCs is about $14,700, while a client receiving only personal care is about $1,700.
- Total State Staff: 4,443 FTE's



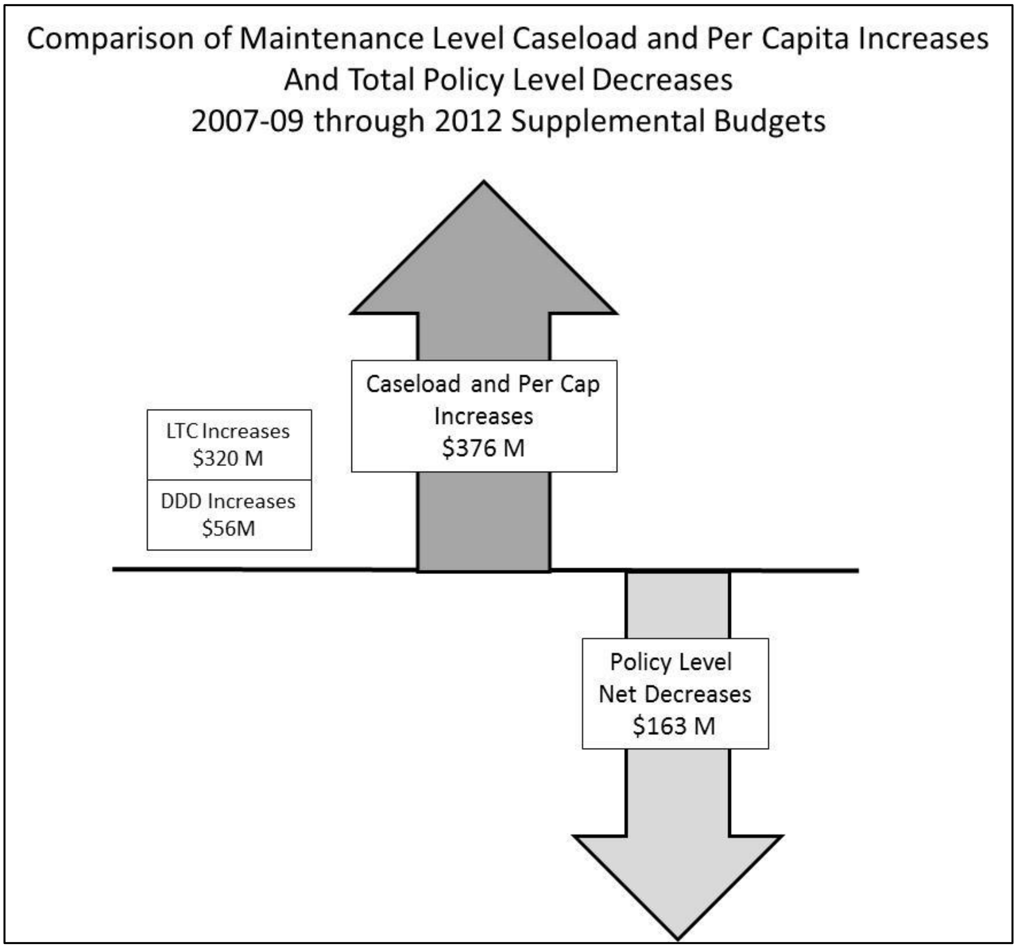
Trend/Overview Information

ADSA programs and services account for approximately eight percent of the total (statewide) NGF-S budget for the 2011-13 biennium and slightly over 20 percent of total human services (including DSHS).

Both programs are largely forecasted caseload programs whereby the client caseload and associated per capita expenditures are forecasted by either the Caseload Forecast Council or by joint legislative and executive staff workgroups. Thus, the bulk of the LTC and DDD budgets is set at maintenance level.

The chart below compares eight years of NGF-S budget items beginning with the 2007-09 biennial budget through the recently enacted 2012 Supplemental budget. As illustrated, the magnitude of the mandatory caseload and per capita increases significantly overshadows the reductions made at policy level.

The bulk of the caseload increases are in LTC and are primarily a result of demographic changes, in other words, the impact of an aging population. Per capita cost increases have occurred across both the LTC and DDD populations. These costs are primarily driven by worker wages and benefits--primarily the impact of collective bargaining agreements for home care workers. However, a portion of the cost increases are driven by clients needing increasing levels of care or by increases in client acuity.



2012 Supplemental Budget Recap

Program Underspend Savings: Various DDD programs, primarily RHC operations and employment and day programs, experienced significant underspend. The RHCs experienced delays in filling vacant positions and in making equipment purchases. The employment and day program had incorrectly budgeted unnecessary state match and savings were taken in that program without impacting client services. These savings total $17 million GF-S.

Initiative 1163 Homecare Worker Training: Initiative 1163, approved by the voters in November 2011, requires an increase in mandatory training for homecare workers. The costs of this training for Medicaid program individual and agency providers are funded through state contributions to the Training Partnership; the total cost for the increased training is $14 million GF-S.

Current Budget Issues

Nursing Home Rate and Funding Changes: During the 2011 Session, the Legislature enacted Engrossed Substitute Senate Bill 5581 (ESSB 5581), and established the Skilled Nursing Facility Safety Net which providers pay in as local revenue which then leverages federal Medicaid matching funds. The additional federal funds were invested in nursing home rates so that rates are restored to the June 30, 2010 payment levels. Numerous changes are made to the underlying rate methodology such that facilities are incentivized to care for higher acuity clients. However, these rate restorations largely expire June 30, 2013, in addition; nursing home rates are set to be rebased to reflect updated actual cost information. All of these changes will impact individual homes to differing degrees, resulting in some homes getting rate increases and some getting rate decreases.

Affordable Care Act Enrollment: Under federal health reform legislation, individuals and families with adjusted gross income between 138-405 percent of the federal poverty level will be required to have health insurance through a combination of public and private coverage expansion beginning January 1, 2014. Federal and state law created state-based health benefit exchanges that individuals, families, and small businesses can access to purchase insurance coverage.

The Affordable Care Act also authorized an expansion of Medicaid eligibility. While most of the expansion (see Medicaid enrollment expansion below) will be covered by federal funds and tax credits, some persons currently eligible for Medicaid but not currently enrolled are expected to participate as a result of the individual mandate to purchase insurance, automated enrollment systems, and increased awareness of Medicaid eligibility. This *currently eligible* population is expected to increase the number of persons covered by the state Medicaid program by 17,000 in 2014 to 62,000 in 2022 (full phase-in). The costs for these currently eligible but not enrolled persons will be shared with the federal government at a 50 percent matching rate. <u>These costs are anticipated to occur regardless of whether the state chooses to expand Medicaid under the Affordable Care Act and will have a very minor impact (less than $1.0 million total funds in the 2013-15 biennium) impact on the LTC and DDD programs.</u>

Medicaid Enrollment Expansion: As a state option (per the Supreme Court decision) under federal health reform legislation, the state may expand Medicaid coverage to include all legal residents with adjusted gross family incomes below 138 percent of the federal poverty level beginning January 1, 2014. This is expected to increase the number of persons covered by the state Medicaid program by approximately 90,000 initially with an increase of as many as 340,000 new members at full phase-in in 2022. These *newly eligible* persons will be covered by a 100 percent federal fund matching during the first three years tapering down to a 90 percent matching rate in 2020. This is potentially a very significant increase in Medicaid eligible persons; the impact in the LTC and DDD programs is insignificant--less than 400 new clients in the 2013-15 biennium. The reason for the minor impact is the LTC and DDD programs already have financial eligibility in excess of 138 percent for the federal poverty level.

Homecare Worker Collective Bargaining: The state recently completed interest arbitration proceedings with SEIU 775 NW, the representative body for Medicaid program individual providers. The SEIU's initial economic package request totaled over $500 million GF-S in wage, benefit, and training enhancements--including a retirement benefit. While the final arbitration award does not provide everything requested by the SEIU, it does provide significant wage and benefit increases. The full costs are estimated to be around $125 million GF-S for the biennium with another $30 million GF-S in agency parity impacts.

Pending Litigation and Potential Settlements: There are currently seven active lawsuits dealing with some area of the LTC and DDD programs. These suits involve issues such as the adequacy of Medicaid provider rates and the amount of personal care hours authorized for clients. Depending on the status of the individual case a judgment against the state could require budget action by the Legislature. The most significant outstanding cases are summarized below, each case highlighted has potential damages in excess of $100 million GF-S.

M.R. v. Dreyfus. Challenges reductions in authorized hours for personal care services for adults. These reductions were initially implemented by DSHS on January 1, 2011 and subsequently adopted by the Legislature in the 2011 Supplemental Budget and the 2011-13 Biennial Budget. The total value of the reductions exceeded $100 million GF-S. This case was initially decided in federal district court, appealed to the Ninth Circuit, and has been remanded back to the district court.

M.T.E. v. DSHS. Challenges the <u>prior</u> practice of ADSA (pursuant to WAS 388.106.0213) to make adjustments in personal care hours for children to account for the care responsibilities of parents and for care needs that relate to the child's age rather than their disability. Plaintiffs are seeking retroactive payments back several years. This case is currently in Thurston County Superior Court and has remaining issues regarding damages.

Rekhter, Leya v. DSHS. Class action lawsuit related to in-home services provided to LTC clients. The lawsuit resulted from the 2003 "shared living" rule which reduced authorized hours to clients with live-in providers. The shared living rule was invalidated by the ruling in *Jenkins v. DSHS* and was subsequently repealed. In this case (Rekhter) the plaintiffs assert that homecare providers still provided the same or unreduced level of personal care hours regardless of the shared living reduction. Past wages were awarded to the provider class totaling $57 million. An additional $38 million in prejudgment interest was awarded for a total award of $95 million. The state is currently in mediation with attorneys for the plaintiffs because the state has additional appeal options.

Economic Services Administration (ESA)

Economic Services Administration (ESA) administers what is thought of as traditional welfare services as well as child support enforcement and collections. ESA currently serves as the "front door" for most of DSHS's services. ESA staff determines program eligibility, issues benefits, provides paternity establishment, child support order establishment, and child and medical support enforcement services. ESA clients include low-income people, families, children (including those children who need child support, paternity establishment, child care, medical insurance and medical support services), pregnant women, people with disabilities, older adults, refugees, and immigrants.

The Temporary Assistance for Needy Families (TANF) program is a mix of state and federal block grant funding aimed at providing benefits to low income families. The TANF Program has three large components:

- TANF cash grants are the major source of cash welfare to needy families with children. Cash grants are available to the parents of low income families and to children whose parents are ineligible or who are being cared for by non-parent caregivers.
- WorkFirst are the programs and services focused on obtaining paid, unsubsidized employment for low-income families who receive cash welfare.
- Working Connections Child Care (WCCC) is subsidized child care for low-income families regardless of whether or not the family receives cash welfare.

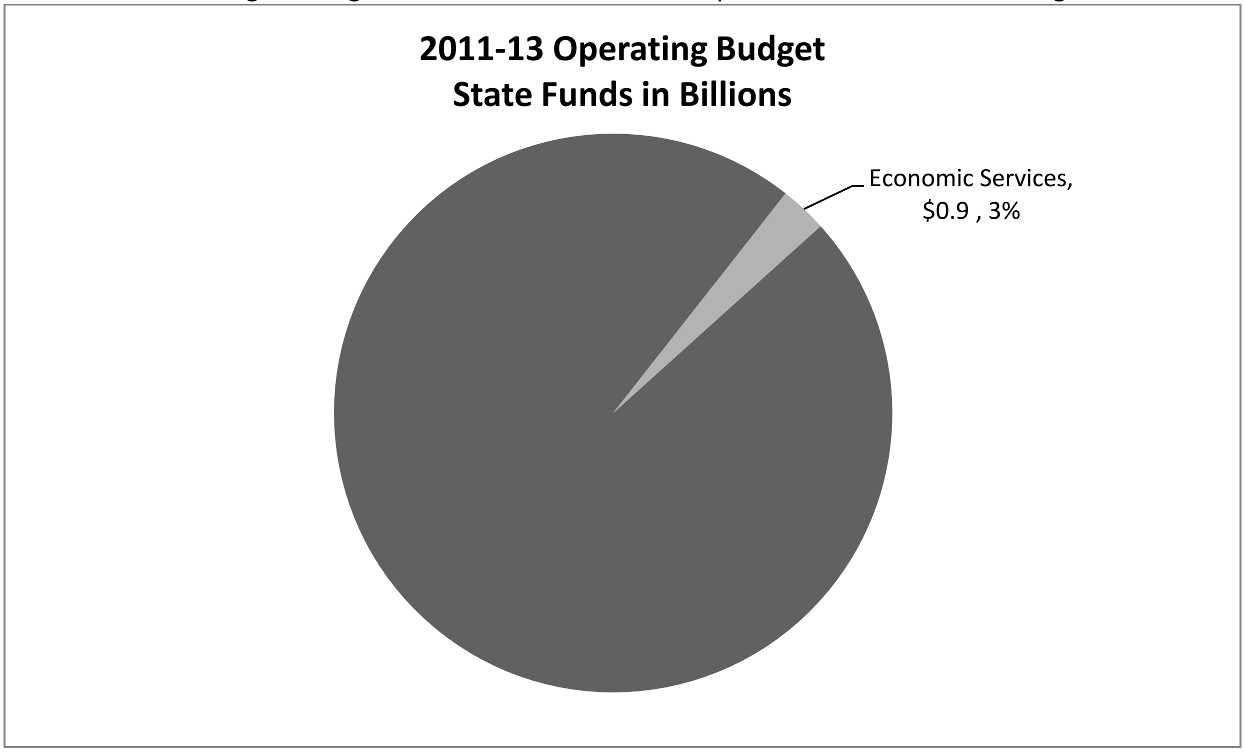
Administration of TANF is distributed across many different federal, state, tribal, and private entities. DSHS is the lead agency for TANF and does the eligibility for all programs. Other state agencies involved in TANF include the State Board of Community and Technical Colleges (SBCTC), Commerce, Early Learning (DEL), and Employment Security (ESD).

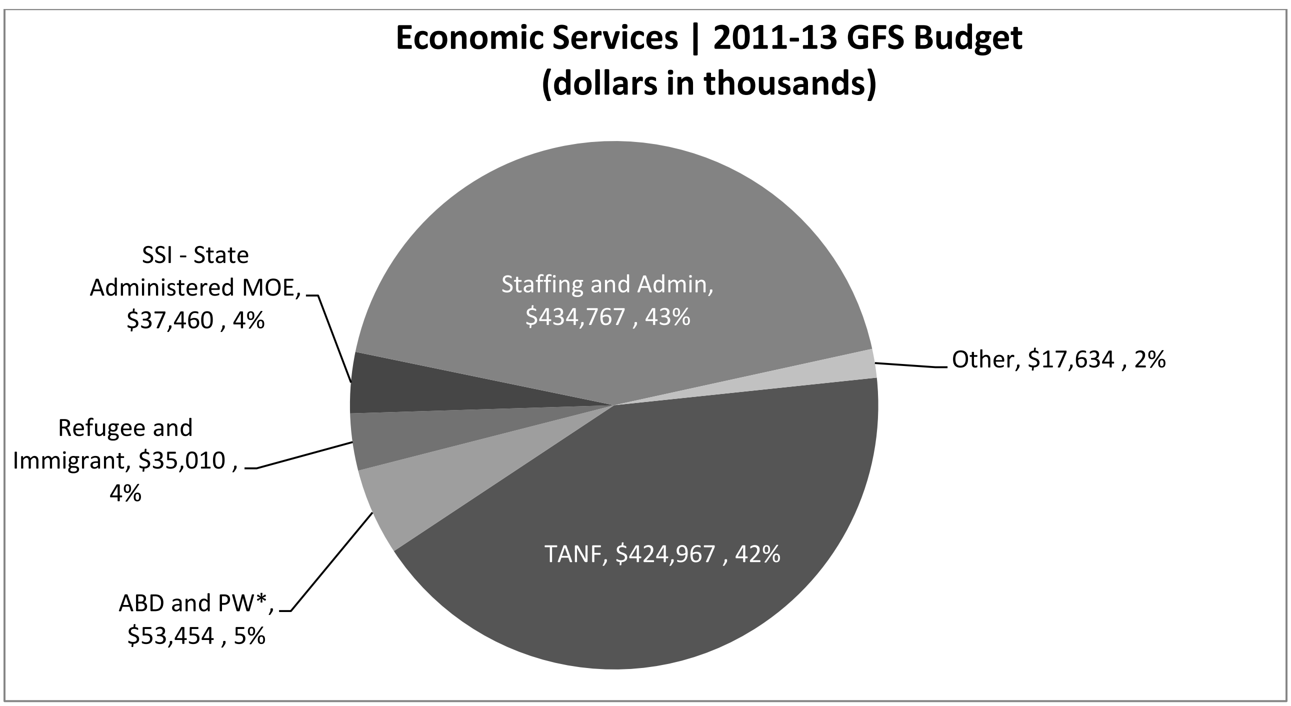
Key Facts

- Total 2011-13 budget: $2 billion in total funds
- Percent of budget that comes from the state: 41.4 percent
- Average monthly applications processed in FY 2012: 160,000
- Approval rates for applications vary from 25 percent (ABD) to 75 percent for Basic Food
- Average TANF caseload FY 2012:
    - Total Adult Cases: 34,350 families
    - Total Child-Only Cases: 20,080 families
- Average WCCC caseload FY 2012: 25,350 families
- Average Basic Food (Food Stamp) caseload FY 2012: 581,000 households
- Average Aged, Blind Disabled caseload since November 2011: 19,940 clients

Trend/Overview Information

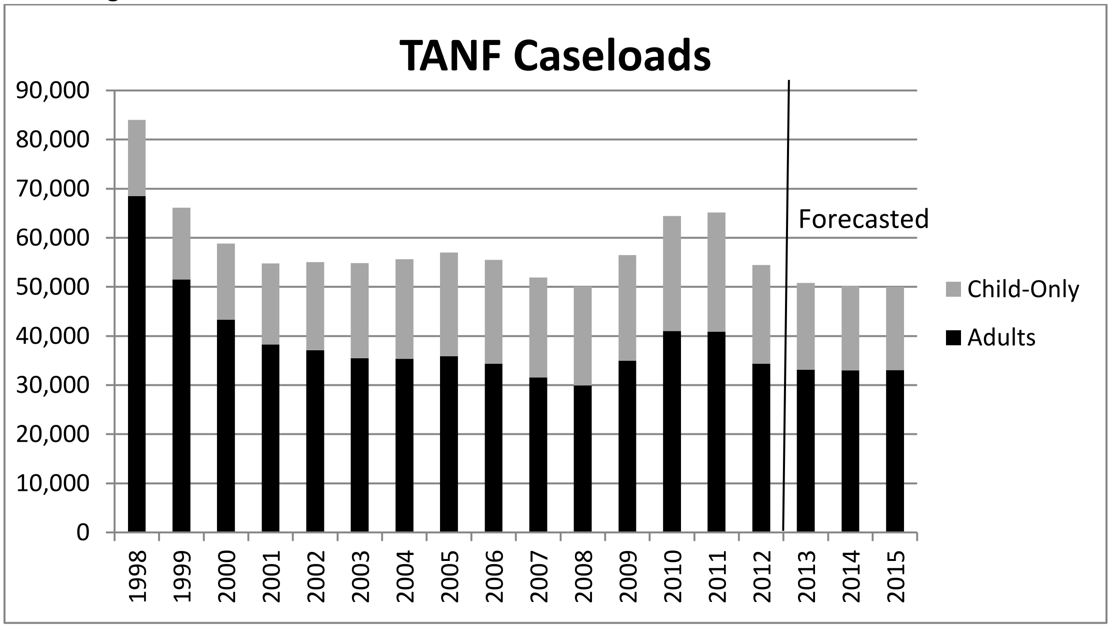
ESA has the third largest budget within DSHS behind Developmental Disabilities and Long Term Care.



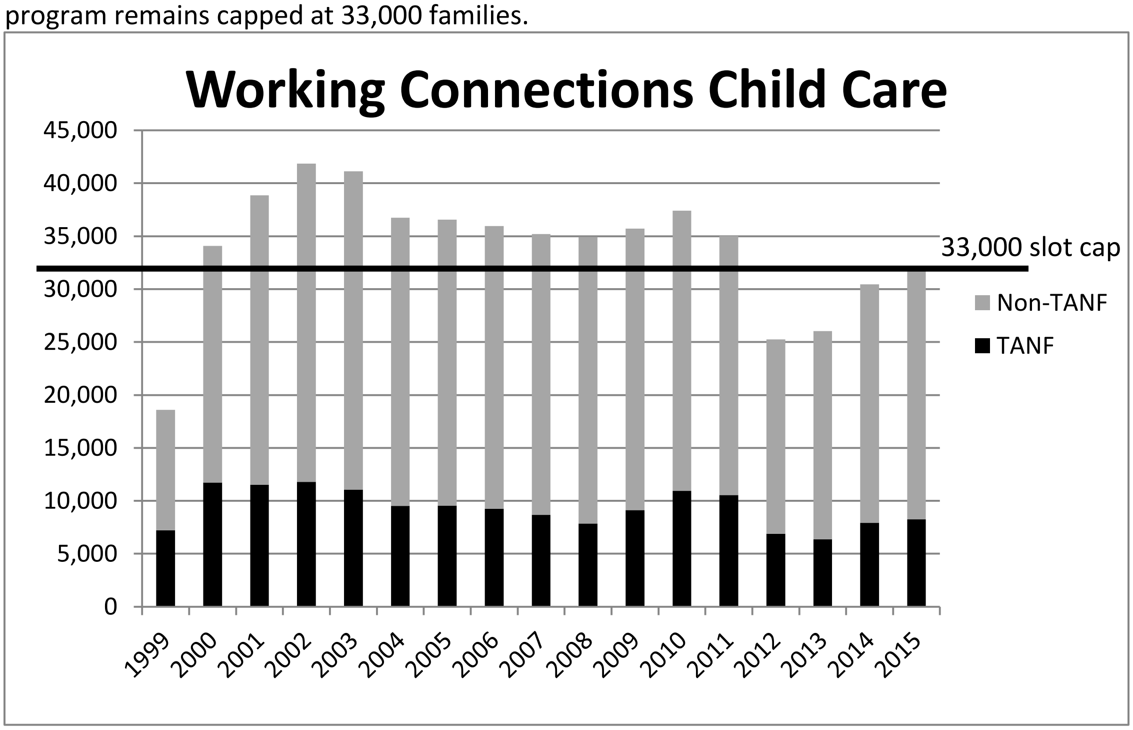


*ABD and PW are created as of November 1, 2011. Disability Lifeline expenditures are included in this through October 31, when the program is eliminated.

- TANF caseloads significantly declined after the 1998 welfare reforms. Caseloads were stable from 2001 until the recession started in 2009, creating a spike in the number of cases. Reductions in grants and a firm five year time limit resulted in significant caseload declines starting in 2012.



- Working Connections Child Care is a child care subsidy program created as part of welfare reform. Program changes such as income eligibility and a child support enforcement requirement created a significant decline in utilization in 2011 and 2012. These policies were largely revoked in 2012 and the caseload is expected to rebound over the coming years. The program remains capped at 33,000 families.



2011-13 Enacted Budget Recap

ESA's General Fund State appropriation has decreased over the last two biennia. In the 2007-2009, ESA received $1.188 billion in GF-S funding. This declined to $1.132 billion in the 2009-11 biennia and to $1 billion in the 2011-13 biennia. These declines represent a 15 percent reduction in GF-S funding since 2007-2009. The major areas of reduction have included the Disability Lifeline program (formerly known as GAU) and state-only funded programs.

Major Budget Reductions:

Disability Lifeline Cash Elimination - The Disability Lifeline cash grant was reduced from $266 per month to $197 per month in the early action bill last year. In the 2011-13 budget, the Disability Lifeline Cash program was eliminated and replaced with the Aged, Blind and Disabled (ABD) and the Pregnant Women (PW) programs administered by DSHS. The Department of Commerce was tasked with creation of the Housing and Essential Needs (HEN) program, which replaces the cash benefit and entitlement for the Disability Lifeline-Unemployable (DL-U) program. This change saved $115 million in General Fund - State. No additional changes were made to the program in the 2012 session. Programs where cash assistance is not provided to clients have significantly declined in use since the program change was implemented November 1, 2011.

TANF - Large changes were made to the TANF cash benefits and child care subsidies during the 2011 legislative session to address projected funding deficits. These policy actions created enough savings to cover these funding deficits as well as a funding surplus in the 2012 session. Some of these additional savings were used to undo policy changes made during the 2011 session including increasing the income limit for accessing child care subsidies and authorizing child care for up to 12 months instead of six.

State Food Assistance - The state food assistance program was reduced by 50 percent in the 2011 session and was projected to save $30.3 million General Fund – State. This savings was not achieved due to a legal challenge related to reductions in state food assistance. The court ultimately ruled that this reduction was allowable but only $19 million in savings were achieved due to the delay in implementation.

Administrative Savings - $13 million in additional savings were taken in the 2012 budget related to staffing savings, better match for incapacity exams, and the ending of a pilot project to facilitate entry into federal disability programs.

Current Budget Issues

Disability Lifeline: The new programs which replaced Disability Lifeline began November 1st. Since that change occurred, programs which offer only medical coverage and housing vouchers have experienced significant caseload decline. The caseload for clients expected to qualify for SSI has increased slightly as clients are moved more rapidly onto that caseload after being determined to possibly meet SSI criteria.

TANF Work Participation and Waiver: The Department of Health and Human Services (HHS) announced an opportunity for states to waive elements of the federal TANF program requirements if they could propose better evaluation mechanisms and programs which would ultimately improve outcomes for TANF Families. Washington State, like other states, has struggled to meet the work participation requirements as set forth by the federal government. Washington State is working on applying for such a waiver. HHS has not established a timeline for the waiver process.

Caseload Instability: Policy changes made to a variety of programs (TANF, Working Connections, and Disability Lifeline/Aged, Blind, Disabled/Housing and Essential Needs) over the last two sessions have created significant changes to caseloads. The caseloads in these areas have become very difficult to predict, which makes accurate forecasts of costs more challenging.

Impact of Affordable Health Care Act: The Affordable Health Care Act will impact ESA in two ways. ESA currently processes eligible beneficiaries for cash and medical benefits. The Affordable Health Care Act makes substantial changes to the eligibility rules for Medicaid and other medical benefits. Washington has also created a Health Benefit Exchange, which will assist citizens in accessing health care coverage. It is unclear how ESA's role in eligibility will change under the act and how clients will access health care coverage. Additionally, the state has been conducting incapacity examinations to determine if a person should receive medical coverage and also cash assistance under the programs that replaced the Disability Lifeline. Now that medical eligibility will be changing, and will be potentially easier to obtain, different criteria may be needed to determine eligibility for the cash and housing benefits.

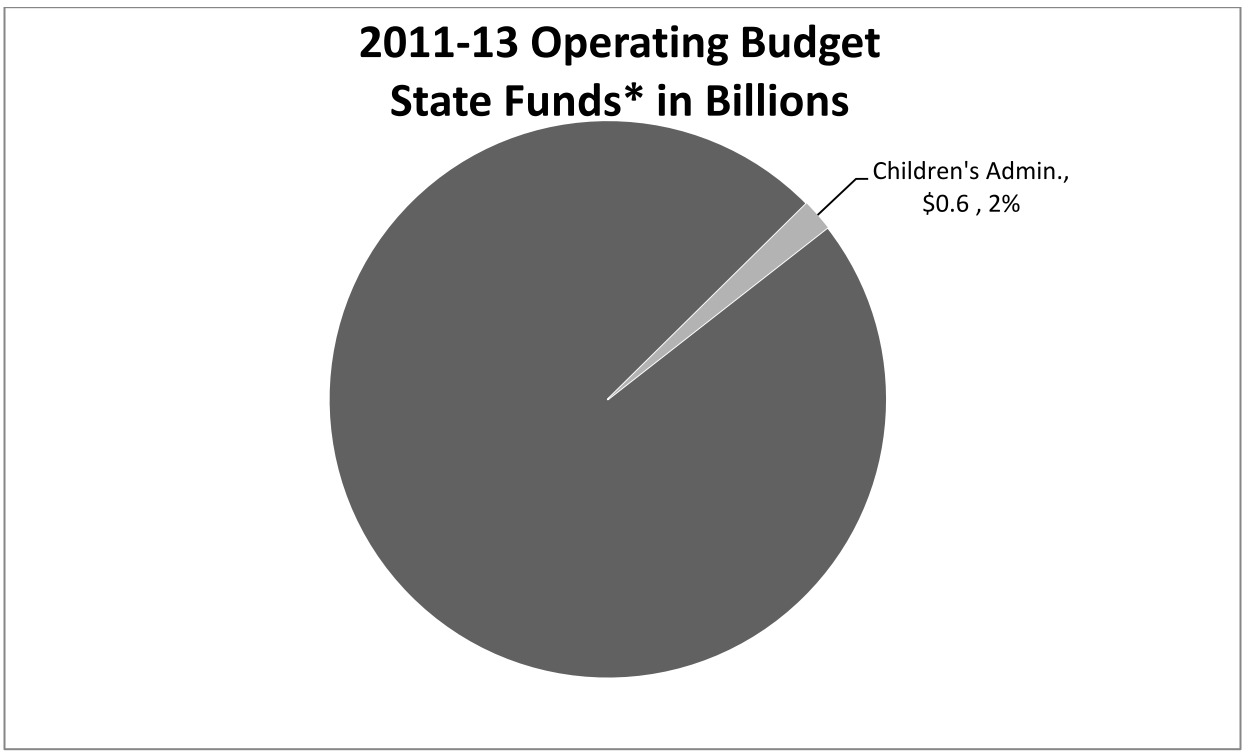
Children's Administration

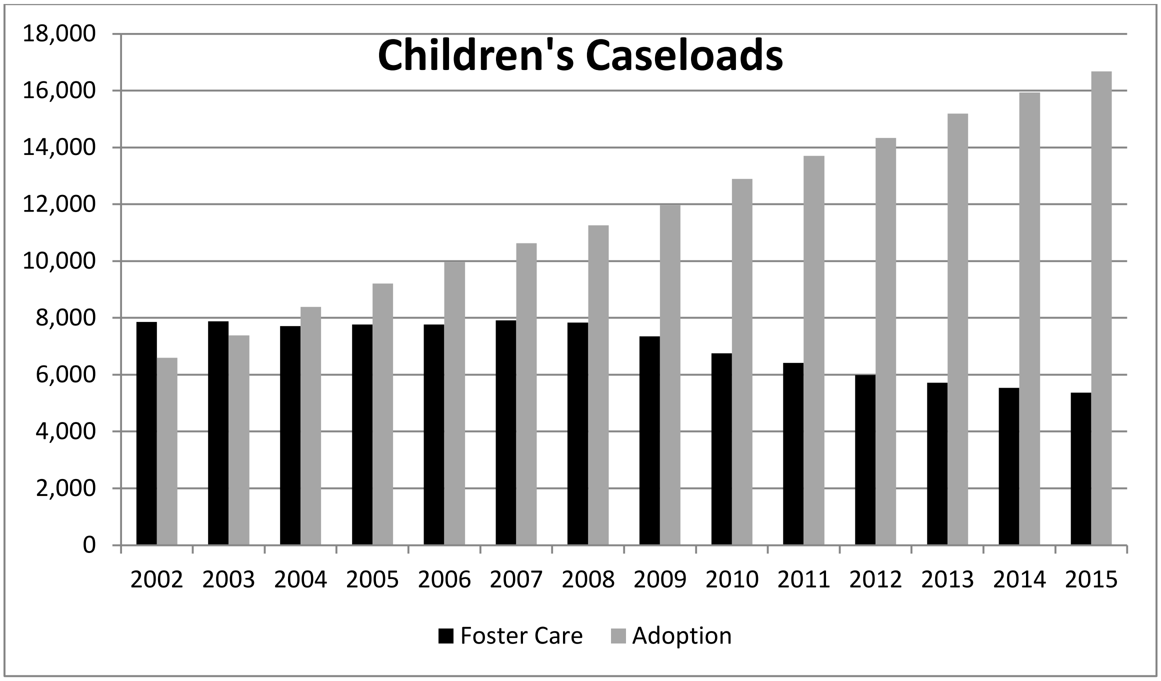
Children's Administration (CA) is responsible for protecting abused and neglected children, supporting the efforts of families to care for and parent their own children safely, and providing quality care and permanent families for children. CA relies on outside (non-employee) providers for most services to families and children while CA staff focus on child protective services and foster care casework.

Key Facts

- Total 2011-13 budget: $1 billion in total funds and 2,475 FTEs
- Percent of budget that comes from the state: 54 percent
- Average CPS referrals per month (FY 2012): 7,470
- Total average foster care caseload (FY 2012): 8,695
    - Foster Care: 5,535
    - Relative Placement: 3,160
- Adoption Caseload (FY 2012): 14,290
- Average age of adoption (2011): 5.4 years old

Trend/Overview Information





Adoption support and foster care are both entitlement programs with costs driven by caseloads. When the department needs to remove a child from their home, the state has legal responsibility for that child until a long-term solution is developed. While the child is in state custody, the state must provide medical, dental, and mental health services, provide for the physical well-being of the child, and make maintenance payments to licensed foster parents.

Not all children who enter foster care or adoption are eligible for federal matching funds. In these cases the state pays the full cost.

A second driver is the Braam Settlement Agreement, which was originally initiated in 2000. Braam requires CA to meet performance benchmarks related to caseload ratios, monthly visits, and health screenings. Any foster care reductions to CA's budget places DSHS at risk of violating the settlement agreement.

Adoption caseloads have significantly increased as the Department focuses on achieving permanency for children. The state pays adoption support payments to parents who adopted from the state foster care system. The number of children in foster care began decreasing consistently in 2009.

2011-13 Enacted Budget Recap

In the 2007-2009, CA received $652 million in GF-S funding. This declined to $588 million in the 2009-11 biennia and then increased to $605 million in the 2011-13 biennia. In the 2012 supplemental budget, Children's general fund budget was decreased to $572 million. Children's General Fund appropriation is 12 percent less than in 2007-2009.

Major Budget Reductions:

Contracted Services - Funding for Behavioral Rehabilitation Services was reduced to align with FY 2011 expenditure levels. These services are provided to foster youth who need intensive intervention for behavioral or emotional disorders.

Selected Services - A variety of small reductions were made to align funding across fiscal years, reflect efforts to prevent overpayments, recognize underexpenditures, and utilize more federal funding. Funding was also reduced for child care, evaluations and treatment, and adoption support recruitment.

Current Budget Issues

Implementation of Child Welfare Reforms: Several pieces of legislation were passed last year reforming how child welfare interacts with families and the financing for child welfare.

SB 6555

Senate Bill 6555 created the Family Assessment Response, which creates two tracks for families who have allegations of abuse. Families that are neglecting their children will primarily be approached through a voluntary family assessment, which will identify and attempt to address needs within the family. Allegations of physical and sexual abuse will still be investigated through traditional child protective services. Other states who have implemented similar programs have experienced significant declines in out-of-home placements.

HB 2263

The Department pursued and was successful in getting a waiver related to federal child welfare provisions. This waiver will give CA a set amount of federal funding that will not decline with foster care placements. CA will also have increased flexibility on spending federal funding. House Bill 2263 created a similar mechanism for "reinvesting" state funds. Under this bill, savings associated with declining foster care caseloads would be deposited into a reinvestment account to be used on programs which result in further caseload declines.

HB 2264

House Bill 2264 directs CA to contract with a network administrator, which will take over contracting for family support and related services. This network administrator will be responsible for implementing performance based contracts with service providers. These provisions replaced performance based contracting provisions created in House Bill 2106 (2009). The creation of demonstration sites where supervising agencies will conduct child welfare services, including case management, is maintained in statute. Changes to the performance based contracting provisions were made to address concerns raised in a lawsuit against the original performance based contracting request for proposals. This lawsuit was brought against CA by the Washington Federation of State Employees who represents social workers employed by the Department.

Adoption Support Caseload: The number of children getting adopted has significantly increased over the last 10 years. Since the average age at adoption is five, the state will have a 13 year obligation to provide adoption support for a majority of these cases. It is less expensive to have a child in adoption than in foster care but there are still significant costs to the state as this caseload continues to grow.

Division of Behavioral Health and Recovery

(Mental Health and DASA)

The Division of Behavioral Health and Recovery (DBHR) in the Department of Social and Health Services combines the Mental Health and [Division] of Alcohol and Substance Abuse (DASA) programs.

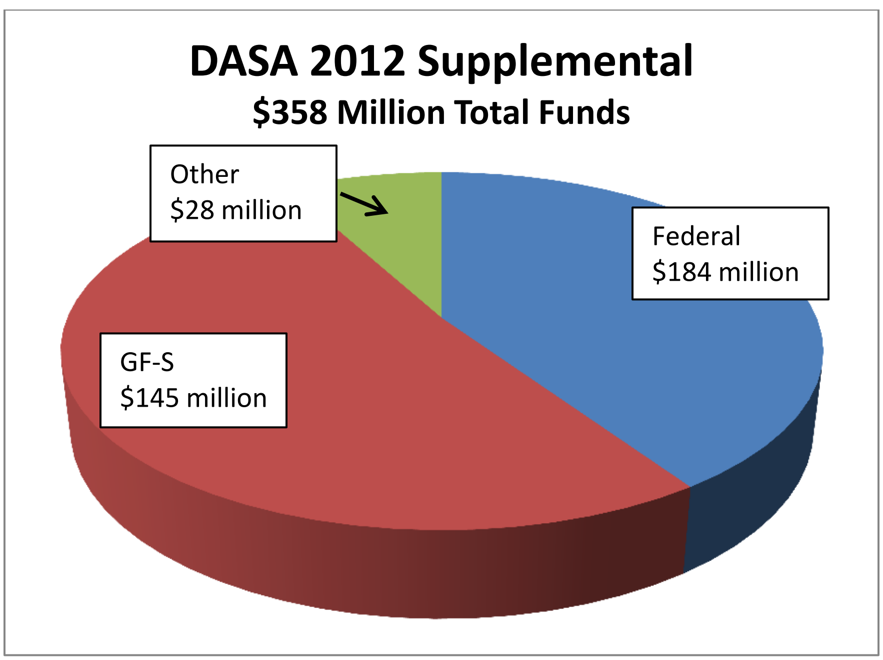
Washington is budgeted to spend $1.9 billion total funds ($1.0 billion GF-S) during the 2011-13 biennium (including the 2012 Supplemental) to provide mental health and chemical dependency services for low-income Washingtonians. The majority of DBHR services are provided utilizing a network of community providers. DSHS directly operates three mental health facilities: Eastern and Western State Hospitals, that deliver psychiatric services to adults who have been found not guilty by reason of insanity or who have been involuntarily committed for treatment expected to last 90 days or longer; and the Child Study Treatment Center, which is a small psychiatric inpatient facility for children and adolescents.

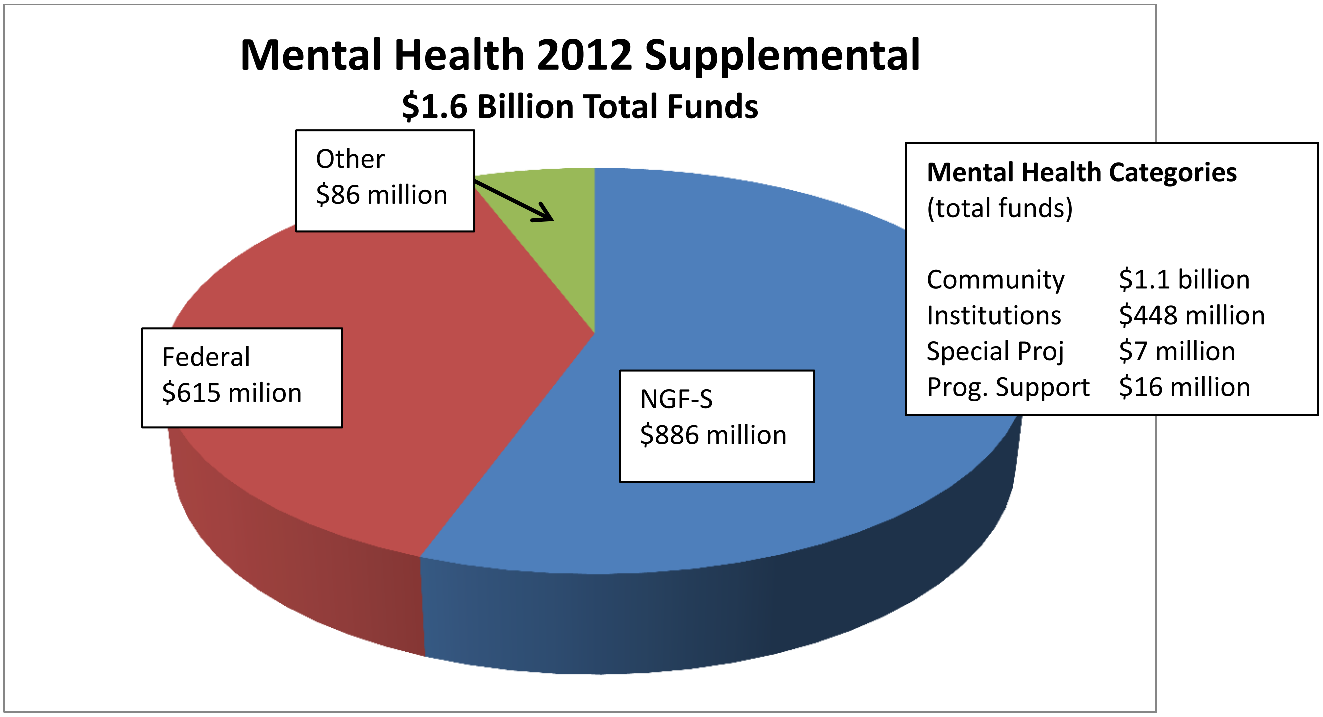
Key Facts

- Mental Health (unduplicated client counts (FY 2009)):
  - ✓ Community Services/RSNs: 130,000
  - ✓ State Hospitals: 3,089
  - ✓ Child Study Treatment Center: 183

- DASA (unduplicated client counts (FY2010)):
  - ✓ Assessments: 43,350
  - ✓ Detoxification Services: 9.352
  - ✓ Outpatient Treatment: 46,315
  - ✓ Inpatient Treatment: 12,360

The DASA and Mental Health program budgets are illustrated in the two charts below.





Trend/Overview Information

The DBHR program comprises a little over 3 percent of total 2011-13 near general fund-state spending, and nearly 9 percent of total state spending on health and human services programs. In relative terms, this is close to the proportion of total state spending on health and human services that these two programs had before the budget reductions of the past four years.

The Mental Health program is adjusted at maintenance level for Medicaid caseload changes, similar to other Medicaid programs. However, the DASA program does not receive a maintenance level adjustment for caseload changes and the program is expected to redirect other funds to cover caseload increases.

2012 Supplemental Budget Recap

The 2011-13 Biennial and 2012 Supplemental budgets made several reductions to funding for public mental health and chemical dependency services. Several of these are highlighted below (amounts detailed are general fund-state).

- Funding for the community mental health services delivered through RSNs was reduced by a total of $17.4 million, this does not include a $1.3 million reduction because the western Washington RSNs are leveraging additional federal match.

- Staffing in the state psychiatric hospitals was reduced by approximately 112 FTEs and $14.8 million. This includes savings of $6.6 million from closure of a 30-bed civil commitment ward at Western State Hospital. In addition, DSHS is to implement a variety of strategies at all three of the state hospitals for achieving operating and administrative efficiencies that save another $8.1 million without further reductions of beds.

- Outpatient and residential chemical dependency services for low-income individuals who do not qualify for other state programs and state-only services for individuals on Medicaid were reduced by $7 million. All contracted services (other than those provided to pregnant and parenting women, services of juveniles and services for parents in dependency proceedings) were further reduced by $2 million.

- Significant state savings were realized ($16 million) through implementation of a federal [Medicaid] waiver that allowed DSHS to draw federal matching funds for services to certain low-income individuals.

Current Budget Issues

Affordable Care Act Enrollment: Under federal health reform legislation, individuals and families with adjusted gross income between 138-405 percent of the federal poverty level will be required to have health insurance through a combination of public and private coverage expansion beginning January 1, 2014. Federal and state law created state-based health benefit exchanges that individuals, families, and small businesses can access to purchase insurance coverage.

The Affordable Care Act (ACA) also authorized an expansion of Medicaid eligibility. Most of the expansion (see Medicaid enrollment expansion below) will be covered by federal funds and tax credits. However, some persons currently eligible for Medicaid but not currently enrolled are expected to participate as a result of the individual mandate to purchase insurance, automated enrollment systems, and increased awareness of Medicaid eligibility. This *currently eligible* population is expected to increase the number of persons covered by the state Medicaid program by 17,000 in 2014 and by up to 62,000 in 2022 (full phase-in). The costs for these currently eligible but not enrolled persons will be shared with the federal government at a 50 percent matching rate. <u>These costs are anticipated to occur regardless of whether the state chooses to expand Medicaid under the Affordable Care Act and are estimated to total approximately $6.4 million GF-S for the MH and DASA programs.</u>

Medicaid Enrollment Expansion: As a state option (per the Supreme Court decision) under federal health reform legislation, the state may expand Medicaid coverage to include all legal residents with adjusted gross family incomes below 138 percent of the federal poverty level beginning January 1, 2014. This is expected to initially increase the number of persons covered by the state Medicaid program by about 90,000 people in 2014 and by up to 340,000 people at full phase-in in 2022. These *newly eligible* persons will be covered by a 100 percent federal fund matching during the first three years tapering down to a 90 percent matching rate in 2020. Because the DASA program does not receive 100 percent federal match on all services provided to Medicaid clients, the expansion is estimated to cost approximately $12.6 million GF-S. However, this cost will be partially offset by savings from currently funded non-Medicaid low income services; see *Affordable Care Act Offsets* below.

Affordable Care Act Offsets: If the state chooses to expand Medicaid, several currently funded state-only programs may duplicate coverage or services provided under the ACA. Most notably in MH and DASA are the treatment programs aimed at the [currently] non-Medicaid but low-income population. These offsets are currently estimated to total $23 million for the two programs, the bulk of the savings are in the MH program ($19 million) with only $4 million in the DASA program.

Access to State Hospital Beds: Western State Hospital has concluded that it is unable to operate at 557 civil commitment beds, as specified in the appropriations act and in DSHS's contracts with the RSNs. As a result, the nine western Washington RSNs have access to 20 fewer beds than planned, and are paying community facilities to care for persons who have been judicially-committed for treatment at the state hospital. Additionally, because of an inability to recruit and retain qualified psychiatrists, Western is operating at least 14 beds below its budgeted forensic capacity of 270. As a result, more than 100 persons a day are waiting in county jails for admission to the hospital for court-ordered competency restoration treatment.

Children's Mental Health Lawsuit: Disability Rights of Washington and the National Center for Youth Law filed a federal class action lawsuit in November 2009 charging that Washington's children's mental health system violates federal Medicaid law by failing to provide sufficient intensive community-based mental health services. DSHS and the plaintiffs engaged in mediation and as a result DSHS has been implementing a "Key Interim Agreement" that includes reassessment of the class members, new assessment tool, and other items. Mediation is expected to resume in January 2013. It is currently uncertain what, if any, additional funding will be necessary to settle this case.

Services for non-Medicaid Low-Income: Several years of budget reductions have resulted in decreased funding for non-Medicaid low-income clients. This impacts both mental health and chemical dependency services. As a result, many individuals either don't receive services until they are in crisis (requiring involuntary detention and treatment) or must wait for county- or state-funded treatment slots to open up. If the state chooses to participate in the Medicaid expansion, some of this population will then become Medicaid-eligible and receive services.

Reductions in State Hospital Capacity: There has been a steady decrease in the number of state and community hospital beds available to treat persons with severe and acute mental illness over the past several years. In response to budget constraints and the policy choice to emphasize treatment in less restrictive settings, the number of beds at Eastern and Western State Hospitals has decreased by 16 percent over the past decade, from over 1,300 in 2002 to just over 1,100 today.

Department of Corrections and Other Criminal Justice

Criminal offenders are incarcerated or held for treatment in the Department of Correction (DOC) (adults) the DSHS-Juvenile Rehabilitation Administration (JRA) (juveniles) and the DSHS-Special Commitment Center (SCC) (sexually violent predators).

Key Facts

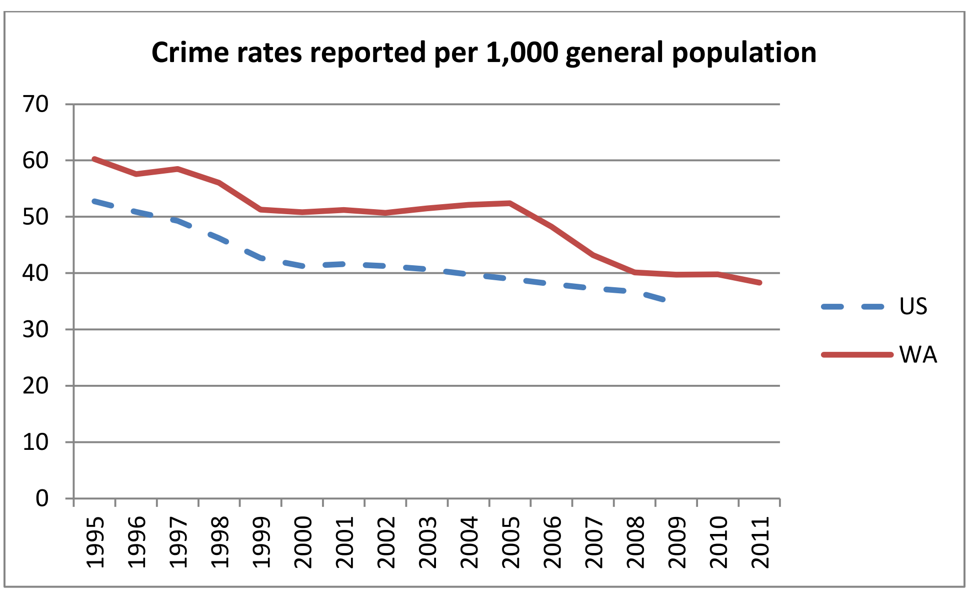
- The 2011-13 budget for corrections is about $1.8 billion, near general fund state.
- Adult offenders are housed in 8 major prisons (6 for men and 2 for women), 4 minimum custody work camps, 16 work release centers, and approximately 600 beds rented in county jails.
- Juvenile offenders reside in 3 state-run institutions, 1 basic training camp, and 8 contracted community facilities.
- Civilly committed sexually violent predators reside in 1 total confinement facility on McNeil Island and in 2 secure community transition facilities.

	2011-13 Budget	Number of Offenders/ Residents	FTE Staff	Annual Cost Per Offender/Resident
DOC Prison	$1,193 million	17,741	6,154	$33,625
DOC Supervision	$256 million	15,714	1,152	$8,146
JRA	$180 million	566	756	$82,200
SCC	$84 million	300	414	$150,000

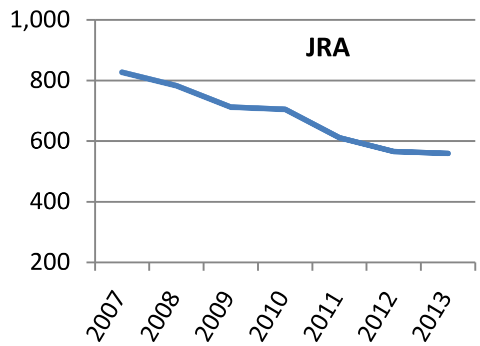
Trend/Overview Information

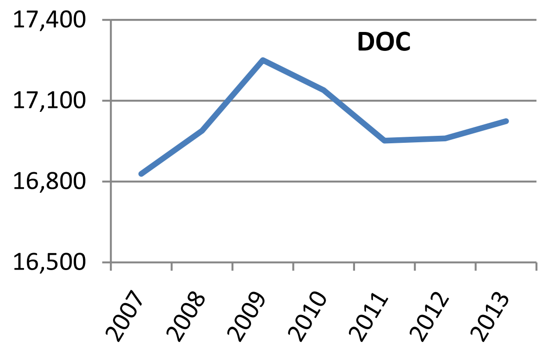
The incarceration funds represent about 5.9% of the near general fund-state budget.

Crime rates are on the decline:



Criminal Incarceration Rates Overtime (Average Daily Populations in prisons and JRA institutions):

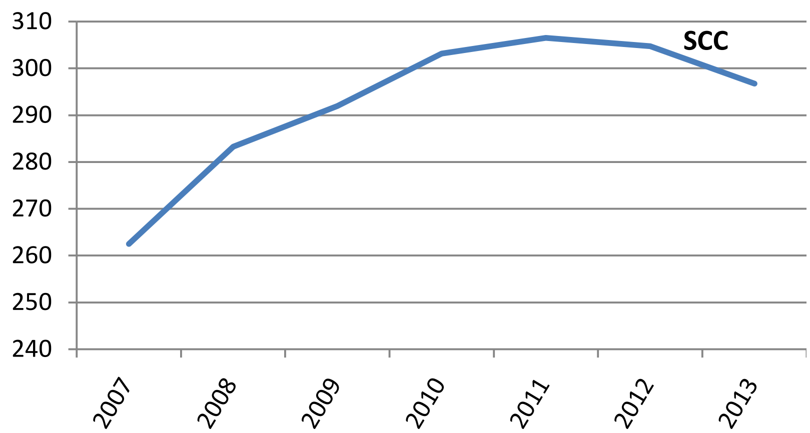




Incarceration Rate Primary Drivers

- Changes in Prison Sentencing
- Investments in juvenile diversion programs
- Investments in treatment programs and evidence-based programs

Sexual Violent Predator Civil Commitment Rates Overtime (Average Daily Population):



Civil Commitment Primary Drivers

- The Legislature enacted Determinate-Plus sentencing for some sex offenses, effectively keeping those convicted in DOC custody rather than subject to civil commitment.

2011-13 (includes 2012 supplemental) Enacted Budget Recap

Major Reductions:

- $18 million for the closure of McNeil Island Corrections Center in April 2011. This prison closure was in addition to two prison closures in the 2009-11 biennium.
- $9.4 million due to the elimination of "tolling" or pausing the term of DOC community custody while an offender is confined for violating a sentencing condition.
- $15 million (net GF-S savings) due to restructuring and standardizing the provisions for DOC violators of community supervision so that detainment and/or other sanctions occur within a short period of time from the infraction, but only last a few days.
- $15.5 million in reduced costs for DOC community supervision violators housed in local and tribal government jails.
- $4.0 million in reduced costs for early deportation of certain noncitizen drug and property offenders.
- $15 million in JRA savings to include reducing parole services, a reduction in juvenile court funding, and the closure of Maple Lane School on June 30, 2011.
- $10 million in SCC savings to include centralizing and reducing legal costs, staffing reductions, and changes to residential and community programs.

Major Increases:

- $6 million for prison safety enhancements.
- $6.4 million for community evidenced based treatment
- $8.3 million for the SCC to sustain McNeil Island operations in the absence of prison labor formerly provided by McNeil Island Corrections Center.

Current Budget Issues

DOC Reception Center:

The 2011-13 capital budget originally provided $6.2 million to design a 1,024 bed reception center. Total projected capital costs for a new reception facility have ranged from $200 million to $300 million. The cost to operate the new capacity is projected to be about $160 million per year. Given that the adult forecasted inmate population is lower than anticipated, the 2012 Legislature removed design funding and directed additional analysis be completed to identify demands for the facility. The results of a capacity study were released October 2, 2012. While the study recommends modifications geared toward a new reception center, data used for the capacity study indicates there may be some need specific to medium security capacity and that DOC can meet its capacity demands using a more incremental approach of adding housing units at existing institutions.

Reversion of McNeil Island Ownership to the Federal Government:

With the closure of McNeil Island Correctional Center, the state is no longer in compliance with federal deed requirements on 23 island land parcels. To avoid reversion of the property to the federal government, the state must decide if it is in the state's best interest to continue to own all of McNeil Island. A preliminary review to provide input on a long-range planning process for the future of McNeil Island was released November 20, 2012. Regardless of the recommendations and costs for the long-term process, it is likely that the state will need to take some budget action before July 2013 in order to keep the property from lapsing into a reversion.

High Cost of the Special Commitment Center:
Given its McNeil Island location, the SCC requires exceptional operating costs; this "island factor" is $6.6 million annually or $21,000 per year per resident. Moving the SCC to a mainland site could save $13-$25 million in 2013-15, assuming financing using the State Efficiency and Restructuring Account.

Parole and aftercare for JRA youth:
Although parole and intensive aftercare services provided to youth leaving JRA institutions have been found to reduce recidivism, these services have been eliminated for youth that are at up to 60% at risk to re-offend. Parole services are currently provided only to the highest risk youth, sexual offenders, and youth convicted of auto theft. All youth convicted of a sexual offense or auto theft are provided parole regardless of their assessed risk to reoffend. Youth who leave JRA without parole do not have access to evidence based services. Further, it is found that the recidivism rates for youth who participate in parole are significantly decreased over youth who do not receive it. Restoring parole is projected to cost between $2 and $5 million depending on whether or not it is fully or partially restored.

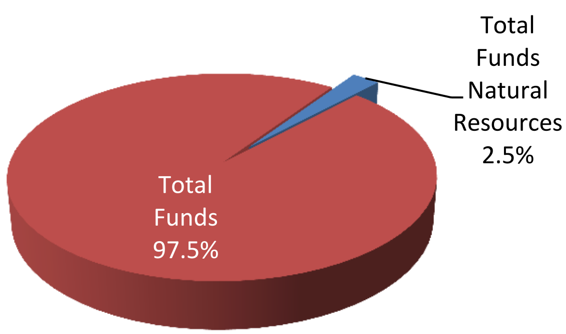
Natural Resources

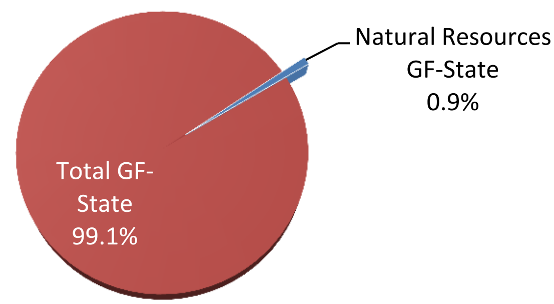
Natural Resources is comprised of 11 agencies:

- Department of Natural Resources (DNR) is managed by a statewide elected official;
- Departments of Agriculture and Ecology; Puget Sound Partnership, Recreation and Conservation Office, and the Pollution Liability Insurance Program are Governor-appointed;
- Columbia River Gorge Commission, Conservation Commission, Department of Fish and Wildlife (WDFW), Parks and Recreation Commission and the Environmental and Land Use Hearings Office are under the authority of a board.

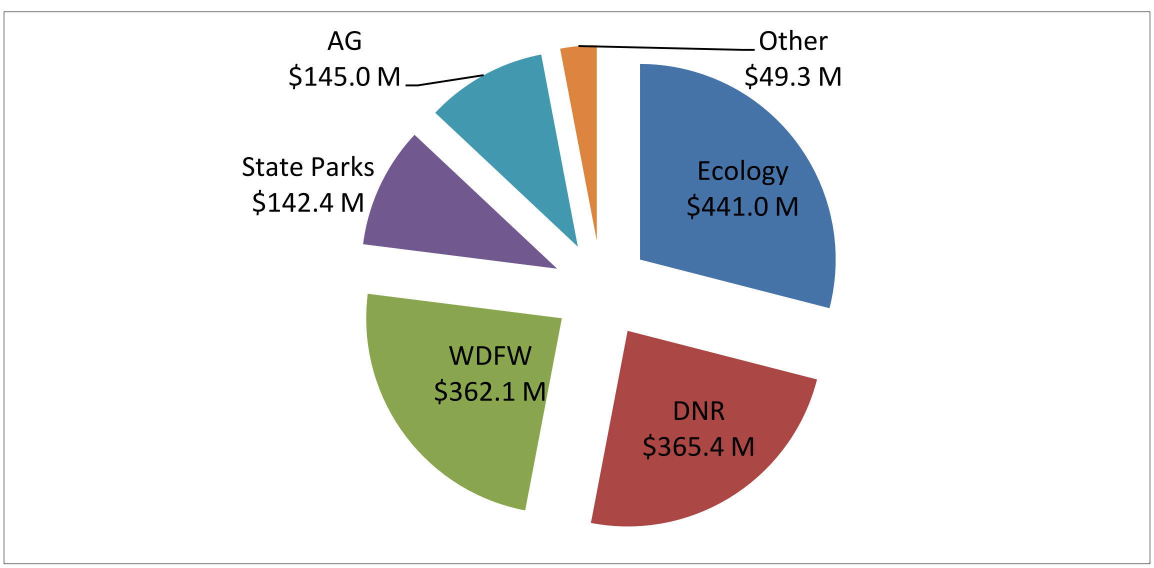
Key Facts

- 2011-13 budget (including the 2012 supplemental): $1.5 billion total funds; $267 million state funds; $285 million federal funds; $991 million other funds
- The Natural Resources budget is less than 1% of the state general fund; and is approximately 2.5% of the total budget at $1.5 billion





- Three largest agencies (DNR, WDFW, and Ecology) account for 77% of the $1.5 billion budget.



2011-13 Enacted Budget Recap

For the 2011-13 biennium (including the 2012 supplemental budget) $28.3 million from the state general fund was reduced and $31.1 million from the state general fund was replaced with dedicated state funding sources.

- $31.1 million from state general fund was replaced with dedicated state funding sources ($20.1 million from the State Toxics Control Account, $4.8 million from the Aquatic Lands Enhancement Account, and $3.3 million from the Recreation Resources Account)

Administrative and Management reductions:

- $3.7 million from the state general fund was reduced from DOE ($2.6 million) and WDFW ($1.1 million) to reflect management efficiencies
- Additional administrative reductions were included in the 2012 supplemental budget that total over $13.6 million from state funding ($1.9 million state general fund)

Department of Natural Resources:

- $10 million from the Forest Development Account was provided to DNR for disbursement to 20 timber counties

State Recreation Lands and the Discover Pass:

- A revenue shortfall of $11.2 million from original projections in the first six months of the Discover Pass and Day-use Permit Program. Based on the current public participation rate the revenue shortfall could reach over $37 million total for the biennium.
    - This program requires a pass or permit to be displayed on any vehicle located on designated state recreation lands managed by State Parks, WDFW, or DNR. State Parks receives 84 percent of the revenue and is required to be supported totally by a fee-based system.
- $4 million from the Aquatics Land Enhancement Account (ALEA) was provided to State Parks to assist in the transition to a fee-based system.

2013-15 Biennium Budget Issues

Level of State General Fund Support

- State Parks is requesting $27.2million in additional funding support for 2013-15 to keep state parks open, provide the basic level of services; and provide for programs that do not generate revenue such as free camping and park entry for certain park visitors.

Fire Suppression Costs (2013 Supplemental)

- DNR is requesting an additional $34 million GF-S for fire suppression costs
- WDFW is requesting $4.7 million GF-S

Supreme Court Decision

- The Washington Supreme Court upheld the existing distributions of the state Hazardous Substance Tax (HST). The Model Toxics Control Account (MTCA) receives revenue from the HST. This revenue source is a $7 per $1000 tax applied to the first in-state possession of petroleum, pesticides, and certain other chemicals. Petroleum makes up 85 percent of the revenue.
    - $233 million in MTCA funds have been transferred to the general fund since 2009

SENATE WAYS AND MEANS COMMITTEE STAFF -- (360) 786-7715

Agency Budget Assignments - January 2013

Bryon Moore - Staff Coordinator
786-7726

Vacant - Operating Budget Coordinator
786-

Brian Sims - Capital Budget Coordinator
786-7431
Bond Retirement and Interest
Local Government Assistance
Municipal Research Council

Kellee Keegan - Committee Assistant
786-7716

Lauren Craig-McCloy - Committee Assistant
786-7715

Megan Atkinson - Fiscal Analyst
786-7446
DSHS - Developmental Disabilities
DSHS - Long Term Care
DSHS - Administration & Support Services
DSHS - Alcohol and Substance Abuse
DSHS - Information System Services
DSHS- Mental Health
DSHS - Payments to Other Agencies
DSHS - Vocational Rehabilitation
Office of Administrative Hearings
Department of Services for the Blind
Department of Veterans Affairs
Consolidated Technology Services
Department of Enterprise Services

Michael Bezanson - Fiscal Analyst
786-7449
Department of Health (DOH)
Life Science Discovery Fund
Basic Health Plan
Low Income Health Care (Medicaid)
Health Care Authority (including administration)

Dean Carlson, Revenue Analyst
786-7305
Revenue Policy Issues
Board of Tax Appeals
Caseload Forecast Council
Department of Revenue
Economic & Revenue Forecast Council
Liquor Control Board

Dianne Criswell - Fiscal Analyst
786-7433
Arts Commission
Washington State Historical Society
Eastern Washington Historical Society
Office of Archaeology & Historic Preservation
Board of Accountancy
Commission on African-American Affairs
Commission on Asian-American Affairs
Commission on Hispanic Affairs
Department of Commerce
Department of Financial Institutions

Dianne Criswell - Fiscal Analyst (continued)
786-7433
Military Department
Minority & Women's Business Enterprises
Office on Indian Affairs
Board of Industrial Insurance Appeals
Department of Employment Security
Department of Labor and Industries
Commission on Judicial Conduct
Courts:
- Court of Appeals
- Law Library
- Office of the Administrator for the Courts
- Office of Civil Legal Aid
- Office of Public Defense
- Supreme Court

School for the Blind
School for the Deaf
Gambling Commission
Horse Racing Commission
State Lottery Commssion
State Patrol (non-transportation portion)
Department of Licensing (non-transpo. portion)

Elise Greef - Fiscal Analyst
786-7708
Public Schools (K-12 Education)
Superintendent of Public Instruction

Jenny Greenlee - Fiscal Analyst
786-7711
Department of Early Learning
DSHS - Child Support Services
DSHS - Children & Family Services
DSHS - Economic Services
TANF Issues

Maria Hovde - Fiscal Analyst
786-7710
Central Washington University
Community and Technical Colleges
Eastern Washington University
Higher Education Coordinating Board
The Evergreen State College
University of Washington
Washington State University
Western Washington University
Workforce Training & Education Board
Student Achievement Council

Steve Jones - Budget Counsel
786-7440
Attorney General
House of Representatives
Insurance Commissioner
Joint Legislative Audit & Review Committee
Joint Legislative Systems Committee
LEAP Committee
Office of Financial Management
Office of the Governor
Office of the Lieutenant Governor
Public Disclosure Commission

Steve Jones - Budget Counsel (continued)
786-7440
Secretary of State
Senate
Special Appropriations to the Governor
State Auditor
State Treasurer
Statute Law Committee
Sundry Claims

Carma Matti-Jackson - Fiscal Analyst
786-7454
Department of Corrections
DSHS - Juvenile Rehabilitation
Criminal Justice Training Commission
DSHS - Special Commitment Center
Forensics Investigation Council
Justice Assistance Grant (formerly Byrne Grant)

Sherry McNamara - Fiscal Analyst
786-7402
Columbia River Gorge Commission
Department of Agriculture
Department of Ecology
Department of Fish & Wildlife
Department of Natural Resources
Environmental Hearings Office
Growth Management Hearings Board
Interagency Comm for Outdoor Recreation
Parks and Recreation Commission
Pollution Liability Insurance Agency
Puget Sound Partnership
State Conservation Commission
Utilities & Transportation Commission

Richard Ramsey - Fiscal Analyst
786-7412
Collective Bargaining
Board for Volunteer Firefighters
Commission on Salaries for Elected Officials
Deferred Compensation Commission
Department of Retirement Systems
Employee Compensation/Health Benefits
PEBB Benefits
Personnel Appeals Board
Public Employment Relations Commission
State Actuary
State Investment Board

Juliana Roe - Revenue Counsel
786-7438
Revenue Policy Issues

Arts Commission	Criswell, Dianne
Attorney General	Jones, Steve
Basic Health Plan	Bezanson, Michael
Board for Volunteer Firefighters	Ramsey, Richard
Board of Accountancy	Criswell, Dianne
Board of Industrial Insurance Appeals	Criswell, Dianne
Board of Tax Appeals	Carlson, Dean
Bond Retirement and Interest	Sims, Brian
Caseload Forecast Council	Carlson, Dean
Central Washington University	Hovde, Maria
Collective Bargaining	Ramsey, Richard
Columbia River Gorge Commission	McNamara, Sherry
Commission on African-American Affairs	Criswell, Dianne
Commission on Asian-American Affairs	Criswell, Dianne
Commission on Hispanic Affairs	Criswell, Dianne
Commission on Judicial Conduct	Criswell, Dianne
Commission on Salaries for Elected Officials	Ramsey, Richard
Community and Technical Colleges	Hovde, Maria
Consolidated Technology Services	Atkinson, Megan
Court of Appeals	Criswell, Dianne
Criminal Justice Training Commission	Matti-Jackson, Carma
Deferred Compensation Commission	Ramsey, Richard
Department of Agriculture	McNamara, Sherry
Department of Commerce	Criswell, Dianne
Department of Corrections	Matti-Jackson, Carma
Department of Early Learning	Greenlee, Jenny
Department of Ecology	McNamara, Sherry
Department of Employment Security	Criswell, Dianne
Department of Enterprise Services	Atkinson, Megan
Department of Financial Institutions	Criswell, Dianne
Department of Fish & Wildlife	McNamara, Sherry
Department of Health	Bezanson, Michael
Department of Labor and Industries	Criswell, Dianne
Department of Licensing (non-transportation portion)	Criswell, Dianne
Department of Natural Resources	McNamara, Sherry
Department of Retirement Systems	Ramsey, Richard
Department of Revenue	Carlson, Dean
Department of Services for the Blind	Atkinson, Megan
Department of Veterans Affairs	Atkinson, Megan
DSHS – Administration & Support Services	Atkinson, Megan
DSHS – Alcohol and Substance Abuse	Atkinson, Megan
DSHS – Child Support Services	Greenlee, Jenny
DSHS – Children & Family Services	Greenlee, Jenny
DSHS – Developmental Disabilities	Atkinson, Megan
DSHS – Economic Services	Greenlee, Jenny
DSHS – Information System Services	Atkinson, Megan
DSHS – Juvenile Rehabilitation	Matti-Jackson, Carma
DSHS – Long Term Care	Atkinson, Megan
DSHS – Mental Health	Bezanson, Michael
DSHS – Payments to Other Agencies	Atkinson, Megan
DSHS – Special Commitment Center	Matti-Jackson, Carma
DSHS – Vocational Rehabilitation	Atkinson, Megan
Eastern Washington Historical Society	Criswell, Dianne
Eastern Washington University	Hovde, Maria
Economic & Revenue Forecast Council	Carlson, Dean
Employee Compensation/Health Benefits	Ramsey, Richard
Environmental Hearings Office	McNamara, Sherry
Forensics Investigation Council	Matti-Jackson, Carma
Gambling Commission	Criswell, Dianne
Growth Management Hearings Board	McNamara, Sherry
Health Care Authority (including administration)	Bezanson, Michael
Health Services Account	Bezanson, Michael
Higher Education Coordinating Board	Hovde, Maria
Horse Racing Commission	Criswell, Dianne
House of Representatives	Jones, Steve
Human Rights Commission	Criswell, Dianne
Insurance Commissioner	Jones, Steve
Interagency Comm. for Outdoor Recreation	McNamara, Sherry
Joint Legislative Audit & Review Committee	Jones, Steve
Joint Legislative Systems Committee	Jones, Steve
Justice Assistance Grant (formerly Byrne Grant)	Matti-Jackson, Carma
Law Library	Criswell, Dianne
LEAP Committee	Jones, Steve
Life Science Discovery Fund	Bezanson, Michael
Liquor Control Board	Carlson, Dean
Local Government Assistance	Sims, Brian
Low Income Health Care (Medicaid)	Bezanson, Michael
Military Department	Criswell, Dianne
Minority & Women's Business Enterprises	Criswell, Dianne
Municipal Research Council	Sims, Brian
Office of Administrative Hearings	Atkinson, Megan
Office of the Administrator for the Courts	Criswell, Dianne
Office of Archaeology & Historic Preservation	Criswell, Dianne
Office of Civil Legal Aid	Criswell, Dianne
Office of Financial Management	Jones, Steve
Office of Public Defense	Criswell, Dianne
Office of the Governor	Jones, Steve
Office of the Lieutenant Governor	Jones, Steve
Office on Indian Affairs	Criswell, Dianne
Parks and Recreation Commission	McNamara, Sherry
PEBB Benefits	Ramsey, Richard
Personnel Appeals Board	Ramsey, Richard
Pollution Liability Insurance Agency	McNamara, Sherry
Public Disclosure Commission	Jones, Steve
Public Employment Relations Commission	Ramsey, Richard
Public Schools (K-12 Education)	Greef, Elise
Puget Sound Partnership	McNamara, Sherry
Revenue Policy Issues	Roe, Juliana
School for the Blind	Criswell, Dianne
School for the Deaf	Criswell, Dianne
Secretary of State	Jones, Steve
Senate	Jones, Steve
Special Appropriations to the Governor	Jones, Steve
State Actuary	Ramsey, Richard
State Auditor	Jones, Steve
State Conservation Commission	McNamara, Sherry
State Investment Board	Ramsey, Richard
State Lottery Commission	Criswell, Dianne
State Patrol (non-transportation portion)	Criswell, Dianne
State Treasurer	Jones, Steve
Statute Law Committee	Jones, Steve
Sundry Claims	Jones, Steve
Superintendent of Public Instruction	Greef, Elise
Supreme Court	Criswell, Dianne
TANF Issues	Greenlee, Jenny
The Evergreen State College	Hovde, Maria
Utilities & Transportation Commission	McNamara, Sherry
University of Washington	Hovde, Maria
Washington State Historical Society	Criswell, Dianne
Washington State University	Hovde, Maria
Western Washington University	Hovde, Maria
Workforce Training and Education Board	Hovde, Maria