

OVERVIEW OF GOVERNOR GREGOIRE'S 2012 SUPPLEMENTAL OPERATING BUDGET PROPOSAL



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<http://www.leg.wa.gov/Senate/Committees/WM/Pages/default.aspx>

Major Features of Governor Gregoire's Proposed 2011 Supplemental and 2011-13 Biennial Operating Budget

Introduction

In the last legislative session, the Legislature and the Governor addressed a budget problem of approximately \$6.3 billion. This budget problem was part of the continued state budget challenges experienced over the last three years. The cumulative state budget problem addressed over the last three legislative sessions total approximately \$18 billion. Based on the budget reductions and other changes made last session, it was estimated that operating budget reserves would be approximately \$720 million.

Since last spring, economic conditions have not improved as much as expected and state revenue collections have been lower than anticipated when the Legislature passed the budget. Over the course of the three revenue forecasts since the last legislative session, the Economic and Revenue Forecast Council has lowered their general fund state revenue projections for this biennium by over \$2 billion.

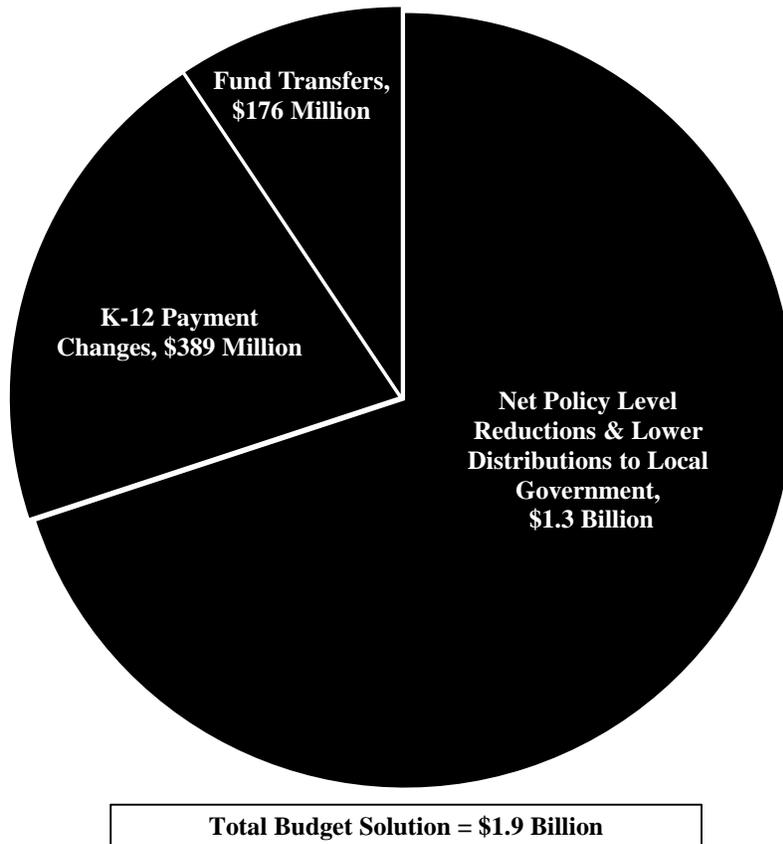
This has caused a situation in which there is once again a gap between the amount of available resources and current services spending projections. Based on the assumptions used in the development of the Governor's proposed 2012 supplemental operating budget, including some selected policy level additions, this new budget problem is approximately \$1.9 billion between now and the end fiscal year 2013. This includes lowering the ending reserve level from the \$720 million in the enacted budget to \$602 million under the Governor's budget proposal.

IMPORTANT NOTE: For ease of discussing the budget problem and solution, this document is based on the near general fund (which includes the Education Legacy Trust Account) rather than just the state general fund. This is done because ultimately this is the best reflection of the entire budget situation that needs to be considered by the Legislature. For this reason, the amounts may differ slightly from the ones depicted by the Office of Financial Management.

Overview of Governor Gregoire's "Book 1" Budget Solution

The Governor's 2012 supplemental budget proposal addresses this deficit under two different scenarios. She presented a so called "book 1" budget that does not include any major revenue increases. Under this budget proposal, she would make policy level reductions totaling approximately \$1.3 billion, including lowering revenue distributions to local government by \$74 million. Her proposal would also save slightly under \$400 million by changing the timing of K-12 apportionment and bus depreciation payments to school districts. Finally, she would solve the remainder of the budget problem by transferring \$176 million from other funds to the state general fund. See chart on next page for an illustration of the Governor's book 1 budget proposal.

Governor's 2012 Supplemental Budget
Book 1 - No New Revenue Proposal

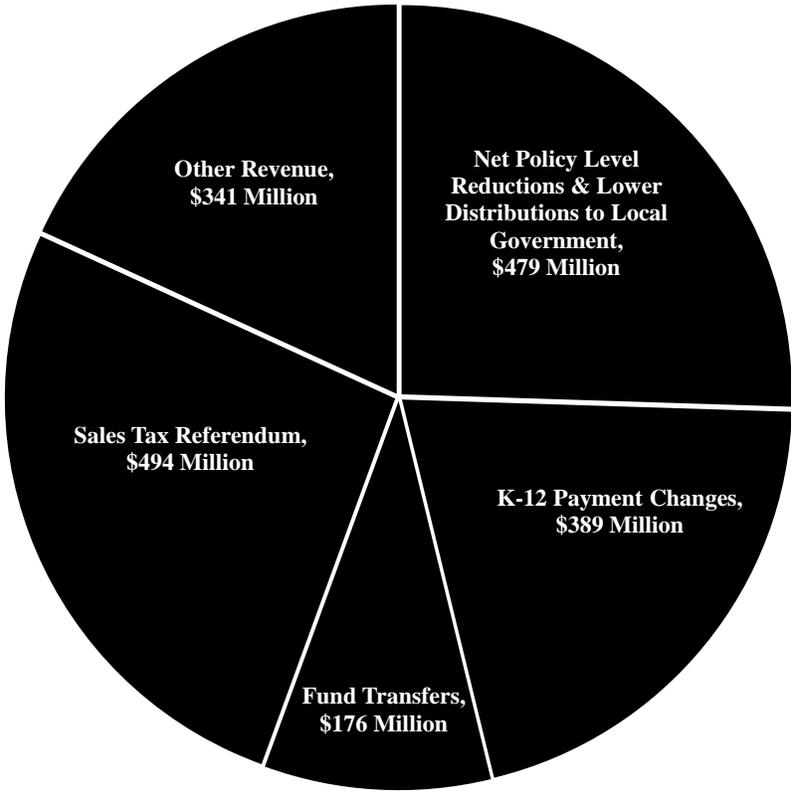


Overview of Governor Gregoire's "Book 2" Budget Solution

In the Governor's 2012 supplemental "book 2" budget proposal, she addresses this deficit by including revenue proposals that would be submitted to the people and others that would be approved by the Legislature. This revenue package includes: (1) a referendum to the people to impose a temporary (three year) increase in the state sales tax from 6.5% to 7.0% which, if approved, is expected to generate \$494.1 million for the remainder of the 2011-13 biennium; (2) legislation requiring a two-thirds vote of the Legislature by approving a variety of tax revenue proposals, such as repealing or reducing existing tax preferences or imposing new taxes, such as oil and financial windfall taxes or luxury taxes, which in total are expected to generate \$282 million for the remainder of the biennium; and (3) \$59 million in additional revenue for the remainder of the 2011-13 biennium by approving a variety of non-tax revenue proposals, such as increasing tax compliance and increasing interest on tax assessments.

Under the Governor's "book 2" budget, she would use the additional revenue to restore or buy-back many of the reductions proposed in her "book 1" budget. As a result, her new revenue budget would make policy level reductions totaling approximately \$479 million rather than the \$1.3 billion proposed in her no new revenue proposal. See page 5 for more information on the Governor's revenue proposal and buy-back list.

Governor's 2012 Supplemental Budget
Book 2 - New Revenue Proposal



Total Budget Solution = \$1.9 Billion

Governor Revenue Recommendations

Recommendation to Citizens

Temporarily Increase the State Sales Tax from 6.5% to 7.0%

- Send a referendum to the people, proposing to temporarily increase the state sales tax rate 0.5% (from 6.5% to 7.0%) from July 1, 2013 until July 1, 2015.
- If a simple majority of voters approve the referendum, raise \$494.1 million in the remainder of the 2011-13 biennium.

Restore reductions in the Governor's proposed 2012 supplemental budget

- Return \$160 million in state support for higher education (from the Governor's proposed 2012 reduction).
- Restore \$152 million reduction to levy equalization (from the Governor's proposed tiered levy equalization payment system, limiting some school districts' levy equalization eligibility).
- Provide \$100 million to return the K-12 school year to 180 days (from proposed 176 days).
- Reinstate \$41 million in funding to Department of Corrections to prevent early release of low to moderate risk offenders (Governor's proposed to release 150 days earlier) and to maintain community supervision (Governor proposed to reduce supervision to 12 months for all offenders, except sex offenders).
- Restore \$37 million in certain services for persons with developmental disabilities or people in long-term care.

Recommendations to the Legislature

Approve legislation to increase revenue by a simple majority

- Raise an estimated \$59 million in additional revenue in the remainder of the 2011-13 biennium by approving a variety of non-tax revenue proposals, such as increasing tax compliance and increasing interest on tax assessments.

Approve legislation to increase revenue by a two-thirds majority

- Raise an estimated \$282 million in additional revenue in the remainder of the 2011-13 biennium by approving a variety of tax revenue proposals, such as repealing or reducing existing tax preferences or imposing new taxes, such as oil and financial windfall taxes or luxury taxes.

Use any additional revenue to restore reductions in the Governor's proposed 2012 supplemental budget, including:

- Disability Lifeline medical program for low-income individuals with temporary disabilities (\$95 million)
- Subsidized child care for low-income families (\$50 million)
- Basic Health Plan for low-income people (\$49 million)
- TANF/WorkFirst grants for low-income families with children (\$7.2 million)
- Non-emergency dental coverage for adults with developmental disabilities, long-term care clients, and pregnant women (\$8.6 million)
- State Work Study program providing financial aid for students in higher education (\$8.1 million)
- Chemical dependency services for low-income individuals (\$5.9 million)
- Community grants for prevention and treatment of sexual assault, domestic violence, crisis intervention, and crime victims assistance (\$4.7 million)
- Regional support networks delivering non-Medicaid mental health services (\$4.6 million)
- Parole treatment and services for juvenile offenders (\$2.9 million)

Major Near General Fund Budget Reductions

Employee Compensation -- \$67 Million Savings

State and K-12 Employee Health Benefits

- Employer contributions for medical benefits for employees are reduced by three percent, from \$850 per employee per month in fiscal year 2012 to \$825 per employee per month in fiscal year 2013. The funding reduction does not impact the provisions of the collective bargaining agreement governing health benefit cost sharing, so the employee share of health insurance premiums will remain at 15 percent. It is expected that sufficient revenue will be available to support the current level of benefits -- \$16.6 million savings
- Funding provided to school districts for employee health benefits is reduced by three percent, from \$768 per employee per month in fiscal year 2012 to \$745 per employee per month in fiscal year 2013 -- \$19.9 million savings

Retirement System Contributions

- Contribution rates for the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) are reduced by applying the same actuarial method used for establishing minimum contribution rate floors in the other state pension plans. The rate reductions apply to: employees, who pay 50 percent of the total contributions; employers, who pay 30 percent; and the state, which contributes 20 percent. -- \$18.1 million savings
- State contributions to the Judicial Retirement System, which provides pension benefits for certain judges, are reduced to more closely match the actual amounts paid from the system -- \$4.0 million savings

K-12 National Board Bonus

- Reduces the value of the current bonus payments for teachers certified by the National Board from approximately \$5,000 per year to \$4,000 per year for both the base bonus and teachers receiving the additional "challenging" school bonus -- \$8.6 million savings.

K-12 Education -- \$279 Million Savings

Major Reductions

- Reduces Local Effort Assistance (LEA), or levy equalization, payments by 50 percent beginning in January 2013, accomplished through two mechanisms. One mechanism changes the timing of payments and the other imposes a tiered percent reduction. Of the \$151.9 million LEA reduction, \$62.8 million of the reduction results from adjusting the payment schedule for the first half of calendar year 2013 to shift a portion of the LEA payments to the second half of calendar year 2013. The second mechanism used to reduce LEA payments by 50 percent beginning in January 2013, is a percent reduction in LEA payments, accounting for \$89.1 million of the \$151.9 million reduction. The proposal groups school districts into four categories, or tiers, based on the local property-tax rate relative to the statewide average property-tax rate. LEA reductions then range from ten to 100 percent, depending on the distance of the district's tax rate from average.
- Reduces state funding for school operations from a 180-day school year to 176 days. This results in a temporary layoff of school employees, and reduces annual salaries by an equivalent of 2.2 percent, beginning in the 2012-13 school year. Additionally, allocations to districts for transportation costs and materials, supplies, and operating costs are reduced by a proportional amount — totaling a state-allocation reduction of \$99.2 million.
- Changes the student-enrollment counting methods in two ways: (1) adds a tenth count date to the school year; and (2) excludes students from the enrollment count if he or she accumulates more than five consecutive unexcused absences, rather than the current 20-day allowance. The two changes, effective with school year 2012-13 are expected to save \$6.5 million.

- Lowers the minimum staffing floor for small high schools with fewer than 300 students from 9 certificated instructional staff (CIS) to 8 CIS, saving \$4.4 million.
- Reduces a variety of grants and statewide programs by 20 percent, as of fiscal year 2013, including College Bound recruiting, Achievers Scholars, Building Bridges, Jobs for America's Graduates (JAG), LASER/Pacific Science Center, Reading Corps, Leadership Academy, IT Academy, and regional technology centers — totaling reductions of approximately \$1.4 million.
- Eliminates a variety of grants and statewide programs, as of fiscal year 2013, including Readiness to Learn; Beginning Educator Support Team (BEST); Career & Technical Education start-up grants; Science, Technology, Engineering, and Math (STEM) Lighthouse grants; and non-violence training - totaling reductions of approximately \$7.4 million.

Major Increases

- Expands the Aerospace Assembler Program by adding \$300,000 in one-time funds for start-up grants to establish training programs at twelve high schools by spring of the 2012-13 school year.
- Adds \$150,000 in one-time funding to two skills centers for aerospace and manufacturing course equipment and curricula.
- Adds \$250,000 in one-time funding for 10 high schools to implement "Project Lead the Way" coursework, emphasizing a hands-on and problem-solving approach to STEM subjects.

K-12 Payment Schedule Changes -- \$379 Million Savings

- Shifts \$340.0 million of the June 2013 apportionment payment to school districts from the last business day of June to the first business day of July. Provides contingency funds of \$10.0 million for school districts that meet specific hardship criteria as a result. The net impact reduces fiscal year 2013 state costs by \$330.0 million and increases fiscal year 2014 costs by an equivalent amount without changing the amount of funding provided to districts for the school year.
- Shifts the payment schedule for bus depreciation payments to school districts from October to August of each year, starting with the 2012-13 school year. One-time savings from the schedule change total \$49.0 million.

Higher Education -- \$161 Million Savings

Major Reductions

- State appropriations to the public colleges and universities are reduced in the second year of the biennium. Support is reduced by: 17 percent at the University of Washington, Washington State University and Western Washington University; 16 percent at the regional universities; and 13 percent at the community and technical colleges -- \$160 million savings
- Suspends the State Work Study program beginning in the fall of 2012 -- \$8.1 million savings

Major Increases

- Capacity is expanded to allow 775 additional engineering students at the University of Washington and Washington State University -- \$7.6 million

Health Care Authority -- \$282 Million Savings

Low Income Medical Care

Reductions in the Number of Persons Covered -- \$156.1 million savings

- Eliminates the Disability Lifeline and ADATSA programs, which pay for medical and limited dental care for 20,000 adults who are temporarily unemployable due to a physical or mental incapacity or are in need of chemical dependency treatment -- \$89.6 million savings
- Eliminates the Basic Health Plan, which pays most of the cost of insurance coverage for 35,000 low-income adults -- \$66.5 million savings

Reductions in Provider Payment Levels -- \$67.9 million savings

- Reduces and eliminates state and federal grants that assist hospitals in providing uncompensated care for uninsured patients -- \$40.7 million savings
- Replaces cost-reimbursement system for 41 small rural hospitals with the rate methodology used to pay other hospitals -- \$27.2 million savings

Reductions in Services Covered -- \$48.3 million savings

- Further limits the extent to which Medicaid will pay for "non-preferred" brand-name drugs -- \$19.5 million savings
- Discontinues coverage of over-the-counter drugs -- \$11.2 million savings
- Discontinues coverage of non-emergency dental care for long-term care clients and pregnant women. Routine and preventive dental care would continue to be funded for children -- \$8.6 million savings
- Discontinues Medicaid subsidy for interpreter services at patient medical appointments -- \$5.4 million savings
- Requires school districts to cover non-federal cost of school-based Medicaid services -- \$3.6 million savings

Increase Recipient Cost-Sharing -- \$8.1 million savings

- Requires co-pays of up to \$3.80 per visit for non-emergency use of emergency room services, non-emergency transportation, drugs, and specialist physician visits.

Reduce Administrative Costs -- \$1.6 million savings

- Eliminates 24 full-time equivalent positions.

Low Income Medical Care -- \$3.6 Million State Increases

The Governor's budget develops and implements new information technology projects to pay for long-term care services and adoption of electronic medical records by medical providers -- \$3.6 million cost

Department of Social and Health Services & Health Care

DSHS Long Term Care and Developmental Disabilities

The Long Term Care (LTC) and [Division of] Developmental Disabilities (DDD) programs are managed by the Aging and Disability Services Administration. The Governor's proposed budget items that impact clients of both programs are described once and the savings impact to both programs is shown. Other proposed items that impact only one of the programs are described under the relevant program heading.

Impacts Both Programs - Reductions

- Raises the functional eligibility for LTC and DDD programs. Clients receiving services under the Medicaid Personal Care (MPC) program will have to meet the same functional eligibility standard as clients receiving care in nursing facilities. Clients receiving services on the DDD waivers will also have to meet a more acute functional eligibility standard. These two eligibility changes impact 1,600 clients -- \$8.3 million savings
- Reduces reimbursement rates for home care agencies by \$1.00 per hour [of provided client care]. This is a reduction of the administrative portion of the rate and does not impact direct provider wages or benefits -- \$8.8 million savings

Impacts Both Programs - Increases

- Provides funding for the background check, training, and certification requirements of Initiative 1163. The recent voter-approved initiative essentially reinstates the requirements of Initiative 1029 from the 2008 election. Thus, most long term care workers hired after January 1, 2011 will be subject to certification -- \$15.2 million increase

Long Term Care

- Increases the nursing facility safety net assessment to the maximum amount and uses the resulting revenue to replace existing general fund-state support for Medicaid nursing home reimbursement payments -- \$23.5 million savings
- Eliminates the Adult Day Health program. This service is currently provided to eligible clients receiving care on the COPES waiver. Eliminating the program will impact approximately 1,000 clients -- \$4.1 million savings

Division of Developmental Disabilities

- Implements a 6.5 percent rate reduction and corresponding provider assessment for DDD supported living facilities. This new revenue would be raised utilizing the public utility tax and is used to offset a General Fund-State reduction to these same providers -- \$11.6 million savings
- Eliminates employment and day support services provided to non-Medicaid clients. This program currently utilizes state-only funding to provide services to 488 clients who have not yet been placed on a Medicaid waiver or who are not eligible for Medicaid services -- \$9.2 million savings
- Suspends the state funded Individual and Family Service program. This program provides services to nearly 1,000 families and is primarily used to provide respite to the family care giver. This program was suspended from November 2010 through June 2011 and many recipients were able to access funding through the state supplemental payment (SSP) program -- \$8.4 million savings
- Consolidates the Basic and Basic+ DDD waivers and restructures the services uses a flexible services model rather than the current service allocation model. This change will impact the 7,000 in-home and residential clients currently receiving services on the Basic or Basic+ waivers -- \$6.3 million savings
- Closes the Rainier Valley School residential habilitation center. The Governor proposed to utilize state funds to finance the closure of the center and assumes about 40 percent of the current Rainier residents are transferred to other centers and the remaining residents are transitioned to community care -- \$6.1 million savings

DSHS Economic Services - Temporary Assistance For Needy Families

Temporary Assistance for Needy Families (TANF) provides temporary cash benefits, low income child care, and other types of assistance for participants to find and keep jobs. The Governor is proposing a variety of other steps to save General Fund-State spending within the TANF "Box", including:

- Lowering the current Working Connections Child Care program cap from 33,000 families to 29,000 families. Priority will continue to be given to parents on TANF who are working or participating in their individual service plan -- \$50.0 million savings
- Assuming the use of federal TANF contingency allocations -- \$38.4 million
- Reducing the time limits for recipients of TANF from 60 months to 48 months resulting in the removal of services for 2,000 currently eligible clients -- \$17.5 million savings
- Reducing the TANF cash grant for all participants by two percent effective February 1, 2012, which means that the cash grant for a family of three with no income would receive \$468 per month rather than \$478 per month -- \$7.2 million savings

DSHS Economic Services --All Other

- Eliminates the State Food Assistance Program, which provides food assistance for legal immigrants who are not eligible for the federal Supplemental Nutrition Assistance Program (food stamps) -- \$13.9 million savings
- Eliminates the State Family Assistance, which provides cash assistance for clients that do not meet TANF eligibility requirements -- \$6 million savings
- Eliminates medical care services resulting in a reduction in incapacity exams within DSHS -- \$8.7 million savings (see medical item in low income health care section, page 7)
- Reduces language and naturalization assistance to refugees -- \$2.8 million savings

DSHS Children's Administration

- Reduces the number of social workers and associated supervisory and clerical staff positions resulting in an increased caseload ratio of 1:20 -- \$8.6 million savings
- Eliminates child welfare programs including: receiving care centers, foster care assessment programs, child advocacy centers, street youth outreach, and educational coordinators -- \$7.3 million savings
- Reduces services including: supports to foster parents such as child care and support goods, evaluation and treatment, pediatric interim care, responsible living skills programs, and behavioral rehabilitation services -- \$17.2 million savings
- Reduces state spending as a result of earning additional federal funding -- \$14.4 million savings
- Eliminates Family Reconciliation Services, which are voluntary services provided for preserving family units -- \$4.5 million savings

DSHS Mental Health

Major Reductions

- Delays implementation of Involuntary Treatment Act changes to 2015 -- \$22.6 million savings
- Reduces Medicaid funding for community mental health services by ten percent beginning January 2013 by further targeting services to patients with greatest needs -- \$9.8 million savings
- Closes two wards at Western State Hospital serving patients with severe dementia and traumatic brain injuries, and relocate residents to community long-term care facilities -- \$5.1 million net savings
- Reduces by an additional three percent the state grants local Regional Support Networks (RSNs) use to provide crisis response, involuntary commitment, inpatient treatment, and limited residential and outpatient care for children and adults not eligible for Medicaid -- \$4.6 million savings
- Discontinues Medicaid funding for services such as supported employment, peer support "club houses", and respite care -- \$2.1 million savings
- Anticipates administrative savings by reducing the number of RSNs from 13 to six -- \$1.7 million savings

Major Increases

- Provides community services for persons returned and diverted from state hospital care by closure of two additional treatment wards at Western State Hospital -- \$4.1 million net cost

DSHS Juvenile Rehabilitation

- Reduces funding for parole services by 20 percent -- \$2.8 million savings
- Reduces Juvenile Rehabilitation Administration (JRA) institution costs by releasing more non-violent, low to moderate-risk juveniles on their minimum release date -- \$3.3 million savings
- Reduces funding for juvenile courts evidence-based programs and disposition alternatives -- \$5.5 million savings
- Other savings include elimination of funding for evidence-based treatments, which were expanded in 2011-13 -- \$0.7 million savings

DSHS Alcohol and Substance Abuse

- As a result of the elimination of the Disability Lifeline and ADATSA medical coverage, chemical dependency services will also be eliminated -- \$15.6 million savings
- A variety of other reductions are made to drug and alcohol dependency services including: (1) eliminating long-term residential services (in excess of 90 days) for certain clients; (2) ending funding for the post-residential Recovery House; (3) closing Pioneer Center East; (4) block granting and reducing grants to counties; and (5) reducing other outpatient and residential chemical dependency treatment -- \$15 million savings

DSHS Special Commitment Center (SCC)

- Expedites court hearings for older, lower risk residents at the SCC -- \$1.8 million savings
- Reduces funding for legal costs including ten percent reduction for reimbursement to King County for prosecution, ten percent reduction to all counties for defense and 5 percent reduction to the Attorney General's Office for prosecution -- \$2.2 million savings
- Other savings include: elimination of two recreation and one nursing supervisory positions, elimination of underutilized contracts (\$1.2 million), and suspension of the annual review requirement when a resident is convicted of a crime and no longer resides at the SCC (\$35,000).

Criminal Justice Training Commission

- Requires local law enforcement agencies to fund 50 percent of training costs -- \$2.1 million savings
- Other savings include elimination of funding for rural drug task forces (\$1.5 million) and management efficiencies (\$0.7 million).

Department of Corrections

- Reduces the length of community supervision for all offenders to 12 months, except sex offenders, for which supervision will be reduced from 36 months to 24 months; establishes a graduated sanctions grid to reduce the demand for jail beds for violators of community supervision and invests funding in evidence-based treatments -- \$27.1 million savings
- Release low and moderate risk offenders, including sex offenders, 150 days early; convert the Washington State Reformatory from single occupancy medium custody to minimum custody -- \$14.2 million savings
- Convert medium security units at the "Main Institution" of the Washington State Penitentiary to minimum custody; \$2.4 million of the savings is invested in 37 additional custody staff at various institutions -- \$9.4 million savings
- Reduce funding for chemical dependency treatment -- \$5.0 million savings
- Increase the co-pays by \$1 to \$4 for offender health care -- \$1.8 million savings
- Reduce administration in management, communications and the elimination of the Jail Industries Board -- \$5.9 million savings

Department of Health

Major Reductions

- HIV services and outreach and family planning grants are reduced by ten percent -- \$5.7 million savings
- The Governor's budget eliminates funding for the Senior Falls program, Youth Suicide Prevention program, Farmer's Market Nutrition program, and maternal and child health programs including maxillofacial services, oral health services, Neurodevelopment Centers, genetic services, and the Early Hearing Loss Detection, Diagnosis and Intervention program -- \$3.3 million savings
- Environmental health prevention programs are reduced resulting in cuts to monitoring of water systems and surveillance of plague mosquito-borne and tick-borne diseases -- \$1.3 million savings

Department of Early Learning

- Eliminates funding to administer child care subsidies to seasonal agricultural workers through nonprofit organizations -- \$2.0 million savings
- Eliminates state funding to provide child care resources information to parents. Federal funds are the primary source of funding for this activity so removing state funds represents an 11 percent reduction to the program -- \$1.3 million
- Reduces agency administrative expenditures by nine percent -- \$0.95 million savings
- Eliminates agency programs including Reach out and Read and Family, Friend, and Neighbor Care (Culturally Relevant Care) -- \$0.7 million savings

Department of Commerce

- Eliminates funding for the Housing and Essential Needs (HEN) program; \$5.7 million is invested in DSHS-Mental Health and DSHS-Developmental Disabled to provide housing assistance for DSHS clients previously served by HEN -- \$45.6 million savings
- Additional reduction in the Community Services and Housing Division include \$4.7 million for crime victims services, eliminating funding for the New Americans program, and eliminating funding for Family Asset building -- \$9.4 million savings
- Reduces the Business Services Division including \$2.5 million from a 44 percent reduction of grants to Associate Development Organizations -- \$2.6 million savings
- Reduces funding in the Local Government and Infrastructure Division, including grants to local governments for growth management plan updates -- \$0.5 million savings
- Reduces the Innovation and Policy Priorities Division, including a 20 percent reduction for the Economic Development Commission and elimination of funding for Entrepreneurial STARS -- \$2.6 million savings

Natural Resources

Major Reductions

- The Governor's budget proposal reduces state and local toxics spending for staffing, orphaned clean-up sites, and public participation grants -- \$6.2 million savings. This reduction is part of a \$46 million state and local toxics fund transfer to the General Fund-State.
- Reduces state funding to county fairs to pay for premiums (prize money) but retains funds for community and youth fairs -- \$3.0 million savings
- The Governor's budget shifts a portion of hatchery operations from the General Fund-State to the State Wildlife Account -- \$1.5 million savings
- In order to offset reducing General Fund-State spending, the Governor is proposing new and increased fees as well as cost shifting to local or private entities including (1) establishing a hydraulic permit project application fee to support the program; (2) increasing the agricultural burning fee; (3) increasing the fee on new wood stoves; (4) shifting state conservation district operations grants from state funds to local assessments; and (5) implementing cost recovery for habitat technical assistance projects such as renewable energy siting.

Major Increases

- The Governor's budget increases funding for state food banks to serve an additional 4.5 million meals annually -- \$1.5 million increase

Selected Other Reductions

- Reduces the rates charged by administrative support agencies to other state agencies -- \$18.6 million savings
- General government agencies with 26 or more FTEs and General Fund-State budgets of less than \$10 million will be reduced by ten percent -- \$1.9 million savings
- General government agencies with fewer than 26 FTEs will be reduced by five percent -- \$1.4 million savings
- Closes four Military Department armories (Everett, Prosser, Pullman and Tacoma) and reduces administration by \$1.6 million
- The Governor's Office staff will be reduced by ten percent -- \$1.1 million savings
- In the Attorney General's Office, the Homicide Information Tracking System (HITS) is eliminated and the Criminal Investigation Program is reduced -- \$1.2 million savings
- In the Secretary of State's Office, TVW funding is reduced by seven percent, the State Library services are reduced, and a library branch is eliminated at the State Penitentiary -- \$3.0 million

Reductions in Local Revenue Distributions -- \$74 Million

- Eliminates the sharing of liquor profits. Currently liquor profits are split 50/50 with local government -- \$43.9 million savings
- Eliminate the sharing of the liquor excise taxes. Currently local government receives roughly 35 percent of liquor excises -- \$26.4 million savings
- Reduce Streamline Sales Tax Mitigation by ten percent. This mitigation was enacted for local governments that lost revenue due to the shift in sales tax sourcing from place of origination to place of destination -- \$2.2 million savings
- Reduce Annexation Sales Tax Credit by ten percent. This was a credit against the state sales tax first enacted in 2006. The purpose of the credit helps fund the annexation by cities of pockets of county run areas when there is not enough revenue to support the new services to that area -- \$1.4 million savings

Fund Transfers -- \$176 Million

A number of fund related actions and one-time fund transfers are made in the Governor's proposed 2012 supplemental budget. Some of largest include: transferring \$83 million in fiscal year 2011 reversions that would have gone to the Savings Incentive, Education Savings and other related accounts; \$46 million from State and Local Toxic Control Accounts; \$13 million from the Treasurer's Service Account; and \$10 million from the Multimodal Transportation Account. It should also be noted that the Governor's proposal uses all of the remaining \$265 million in the Budget Stabilization Account ("Rainy Day Fund").

2011-13 Revised Omnibus Operating Budget (2012 Supp)
Governor
NGF-S + Opportunity Pathways
(Dollars in Thousands)

<i>Employee Compensation</i>	
K12 Hlth Benefit Rate	-19,930
LEOFF Rate Methods	-18,098
Employee Hlth Insurance Rates	-16,562
K12 National Board Bonus	-8,581
JRS Rates	-4,000
Employee Compensation Total	-67,171
<i>K-12 Education</i>	
Levy Equalization	-151,885
Reduce School Days	-99,188
Enrollment Reporting	-6,451
Small High School Change	-4,351
Other Savings	-4,276
Readiness to Learn	-3,234
Education Jobs Funding	-3,078
School Based Medical	-2,964
PASS Program	-1,500
Beginning Educator Support Team	-1,000
Transportation Coordinators #	-892
Substitute Allocation Change	-739
School For Blind & CCDHL	-693
Other Increases	857
K-12 Education Total	-279,394
<i>K-12 Payment Schedule Changes</i>	
Apportionment Delay	-330,000
Bus Depreciation	-48,981
K-12 Payment Schedule Changes Total	-378,981
<i>Higher Education Institutions</i>	
Funding Reduction: Four Year	-84,800
Funding Reduction: CTCs	-75,319
Increase Engineering Degree Production	7,600
Higher Education Institutions Total	-152,519
<i>Higher Education Financial Aid & Other</i>	
State Work Study Program	-8,086
Higher Education Financial Aid & Other Total	-8,086
<i>Early Learning & Child Care</i>	
Seasonal Child Care Admin	-2,070
Other	-3,051
Early Learning & Child Care Total	-5,121

2011-13 Revised Omnibus Operating Budget (2012 Supp)
Governor
NGF-S + Opportunity Pathways
(Dollars in Thousands)

Health Care

DL/ADATSA Medical	-89,603
Basic Health Plan	-44,484
Critical Access Payments	-27,203
CPE Grants	-26,500
Establish State Drug Formulary	-19,523
Small & Non Rural IA DSH	-13,140
Over the Counter Drugs	-11,194
DL/ADATSA Incapacity Exams	-8,660
Non-Emergent Adult Dental	-8,565
Medical Services Cost Sharing	-8,113
DOH: Public Health	-7,191
Interpreter Services	-5,388
DOH: Other Savings	-4,704
Other Savings	-2,477
Family Planning Grants	-1,796
Other Increases	1,368
Provider One Phase 2	2,580
Health Care Total	-274,593

Long Term Care, DD, and Mental Health

LTC: Nursing Home Assessment	-23,482
MHD: Delay ITA Changes	-22,558
DD: Residential Services	-11,600
MHD: RSN Medicaid	-9,764
DD: State Only Employment	-9,162
Agency Provider Rate	-8,802
DD: Indiv and Family Svcs	-8,425
MHD: Other Savings	-7,400
DD: Medicaid Waiver Chg	-6,325
DD: Rainier School	-6,137
MHD: TBI/Dementia Ward Closure	-5,119
MHD: RSN Non-Medicaid	-4,604
DD: Eligibility Changes	-4,434
LTC: Adult Day Health	-4,120
LTC: Eligibility Changes	-3,834
DD: Other Savings	-2,276
LTC: Capital Add-On	-1,924
LTC: Family Caregiver Support	-1,769
MHD: Consolidate RSNs	-1,746
LTC: Senior Citizen Svcs Act	-1,565
Other Savings	-1,413
LTC: AFH Cost Recovery	-1,310
MHD: Other Increases	1,250
DD: Increased Placements	1,337
DD: Other Increases	1,455
MHD: Adult Ward Closure	4,076
Housing Suppt/Eligibility Chg	4,331
I-1163 (Worker Training)	15,254

Long Term Care, DD, and Mental Health **-120,066**
Total

2011-13 Revised Omnibus Operating Budget (2012 Supp)
Governor
NGF-S + Opportunity Pathways
(Dollars in Thousands)

<i>Corrections and Other Criminal Justice</i>	
Comm Corrections Changes	-27,103
Early Release	-14,239
Repurpose Old Main at Walla Walla	-9,412
Reduce Admin/Maintain Vacancies #	-5,945
JRA: Juvenile Court Funds	-5,536
SCC & Related Savings	-5,299
Reduce Chemical Dependency Funding	-5,064
JRA: Caseload/Other	-4,059
JRA: Parole Services	-2,866
Other Savings	-2,173
CJTC: Local Govt Cost Sharing	-2,139
Increase Offender Health Care CoPay	-1,784
WSP: Savings	-1,624
Other Increases	1,041
	<hr/>
Corrections and Other Criminal Justice	-86,202
Total	
 <i>Other Human Services</i>	
Working Connections Child Care	-50,000
Essential Needs & Housing	-45,678
Fed TANF Contingency Funds	-38,400
TANF Time Limits #	-17,503
DL/ADATSA Treatment	-15,550
DASA: Other Savings	-15,089
Childrens: Federal Funding	-14,407
State Food Asst Program	-13,884
Childrens: Contracted Services	-12,646
Childrens: Caseload Ratios	-8,619
Childrens: Child Welfare Prgms	-7,301
TANF Grant Reduction	-7,201
Childrens: Other Savings	-6,329
State Family Asst Prgm	-5,972
Other Savings	-4,654
Childrens: FRS	-4,458
Crime Victims Comp	-2,277
DVR: Basic Suppt Grant	-2,171
Refugee/LEP Assistance	-1,676
Naturalization	-1,103
Expand CD Treatment Disabled Adults	-2
Food Bank Funding	1,500
	<hr/>
Other Human Services Total	-273,420
 <i>Natural Resources</i>	
DFW: Savings/Shifts	-6,931
DOE: Savings/Shifts	-3,123
DNR: Savings/Shifts	-2,574
Consv Comm: Savings	-1,360
AGRI: Savings/Shifts	-759

2011-13 Revised Omnibus Operating Budget (2012 Supp)
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PSP: Savings	-507
Other Savings	-245
RCO: Savings/Shifts	-96
Natural Resources Total	-15,595
<i>All Other</i>	
Other Savings	-11,023
DCOM: Communities	-9,595
Dept of Revenue	-7,301
DCOM: Trade & Econ Dev Svgs	-5,312
AG Savings	-3,230
DES/CTS	-1,515
DCOM: Local Govt	-537
Other Increases	1,237
Balance Other Accounts	69,150
All Other Total	31,874
Grand Total	-1,629,274