

# OVERVIEW OF GOVERNOR GREGOIRE'S 2008 SUPPLEMENTAL OPERATING AND CAPITAL BUDGET PROPOSALS

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PREPARED BY:  
SENATE WAYS & MEANS COMMITTEE STAFF

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# OPERATING BUDGET

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## INTRODUCTION

After the November 2007 revenue forecast, the 2007-09 General Fund balance sheet showed a total ending balance of \$1.4 billion dollars, with \$430 million of that amount being set aside in the newly created “rainy day fund” (budget stabilization account).

Governor Gregoire’s budget proposes spending \$179 million of this balance via \$144 million in expenditures for the 2008 supplemental budget, a \$34 million transfer to the Health Services Account, and \$1 million of small tax changes; leaving an ending balance (including the “rainy day” fund) of \$1.2 billion.

For a comprehensive view of the budget, however, it is important to examine more than the General Fund budget. The following pages explain the various spending items in the Governor’s budget by looking at “Near General Fund” spending. This includes not only the General Fund, but also the following additional accounts: Health Services, Public Safety and Education Account (PSEA), Violence Reduction and Drug Enforcement (VRDE), Water Quality, Student Achievement, Education Legacy, and Pension Stabilization.

In total, the Governor’s budget includes \$340 million of new “Near General Fund” spending paid with \$179 million from the General Fund (explained above), \$104 million of savings from the PEBB rate reduction, and \$56 million from other accounts.

# BALANCE SHEET

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2007-09 Budget Balance Sheet  
Governor's Proposed 2008 Supplemental Budget  
General Fund-State  
Dollars in Millions

RESOURCES	
Beginning Fund Balance	786.3
Current Revenue Totals	29,886.4
Transfer to/from Other Funds	40.3
Transfer to Budget Stabilization Account	(136.1)
Governor's 2008 Supplemental budget	
Agency Request Legislation	(0.9)
Budget Driven Revenue	(0.2)
Fund Transfers to GF-State	(34.3)
<b>Total Resources (including beginning fund balance)</b>	<b>30,541.3</b>
EXPENDITURES	
2007-09 Enacted Budget	29,622.9
Governor's 2008 Supplemental budget	144.0
	<u>29,766.9</u>
RESERVES	
Projected General Fund Ending Balance	774.4
Budget Stabilization Account	
Emergency Reserve Fund Transfer To Budget Stabilization Account	293.3
New Deposits	136.1
Projected Budget Stabilization Account Ending Balance	<u>429.4</u>
<b>Total Reserves (General Fund plus Budget Stabilization)</b>	<b>1,203.8</b>

# MAINTENANCE & POLICY LEVEL CHANGES

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## DEPARTMENT OF SOCIAL AND HEALTH SERVICES

*\*Except Juvenile Rehabilitation and Special Commitment Center*

### Medical Assistance

The Governor's supplemental budget provides an additional **\$55.5 million** in Near General-Fund State for the cost of providing medical and dental care for 933,000 people covered by Medicaid and other state medical programs, 1.5% higher than originally budgeted. The increase is due to a lower federal match rate (FMAP) for FY2009, increased projected enrollment of children in both the Medicaid and the Children's Health Program, and state funding backfills of various reductions in federal financial participation.

The budget provides **\$9.9 million** in Near General-Fund State for the hold harmless provision for hospitals that participate in the Certified Public Expenditure (CPE) program. Under the hold harmless provision, these hospitals are guaranteed to receive no less than what their costs would be under the recently rebased hospital payment system. This funding provides for 5% growth above the originally budgeted amount for FY2009.

Healthy Options managed care premium rates for CY2009 are reduced from the actuarial estimate of 5.0% to 2.35%, resulting in a net savings of **\$6.4 million** Near General-Fund State.

The Governor's budget provides **\$1.1 million** in Near General Fund-State for the Provider One project, scheduled to replace the current Medicaid payment system in July 2008. Project delays resulted in unspent appropriations in FY2007, so additional expenditure authority is granted for FY2008.

### Long Term-Term Care and Developmental Disabilities

#### **Shared Living Lawsuit**

The Governor's budget proposes **\$27 Million** General Fund-State (\$28 M General Fund-Federal) in new funding for Medicaid clients receiving in-home personal care. Under the proposal, funding would be used to pay for more hours for all clients with certain special dietary or laundry needs, or who live in rural areas distant from groceries. Previously under DSHS rule, providers who lived with their clients were not paid for as many hours for laundry, shopping, and cooking services, as it was assumed that due to the "shared living" arrangement that the need was less. A Washington State Supreme Court decision invalidated the differential treatment for clients who had a live-in provider. The Governor's funding assumes that it will satisfy both the Court's decision and the 2006 Collective Bargaining Binding Arbitration Agreement with SEIU 775 that requires a certain number of hours for clients with special dietary or laundry needs who have live-in providers. (This item is reflected in the DSHS Long-Term Care and Developmental Disabilities budgets.)

## **Hyatt Lawsuit**

The Governor's budget proposes **\$1 Million** General Fund-State one-time payment to settle a class action lawsuit filed by the Washington Federation of State Employees, on behalf of Division of Developmental Disabilities case managers, to achieve wage parity with social workers in the Children's Administration. The 2007 budget funded compensation items including wage parity effective July 1, 2007: however, the settlement would cover the period prior to that.

## **Nursing Home Rate Increase**

The Governor's budget provides two increases to nursing home rates:

- **\$7.4 Million** General Fund-State (\$15 Million Total Funds) to increase low-wage worker wages or benefits, or to hire additional staff in positions such as nurse aides, dietary aides, laundry, and housekeeping.
- **\$1.8 Million** General Fund-State (\$3.7 Million Total Funds) to fund nursing home expenditures in excess of those previously estimated. The average daily rate is higher than expected, primarily due to increased client acuity. Without the funding, DSHS would make an across-the-board reduction to nursing home rates.

## **Adult Family Home Rate Increase**

The Governor's budget provides **\$2.1 Million** General Fund-State (\$4.4 Million Total Funds) to increase rates for Adult Family Homes (AFHs) 4.8 percent in Fiscal Year 2009, rather than 2 percent as originally budgeted. This yields an overall rate increase in the 2007-09 biennium comparable to that given to Boarding Homes in the 2007 session. Although a bill passed the 2007 session that allowed AFH owners the ability to collectively bargain their rates, the owners have not yet elected a representative so bargaining is not able to take place this year. (Funding total also covers AFHs serving Division of Developmental Disabilities clients.)

## **Long-Term Care Task Force Initiatives - New Respite, Training, and Falls Prevention**

The Governor proposes **\$1.1 Million** in General Fund-State to provide respite care or training for an additional 500 unpaid caregivers, to help them to care for relatives in their own homes. The budget also proposes \$600,000 in state funds in the Department of Health's budget for a program to prevent falls through exercise and information.

## **Residential Habilitation Center (RHC) Children Population Increase & Education-Related Costs - \$4.1 Million General-Fund State, \$2.7 Million General Fund-Federal.**

The state institutions have had a significant increase in their population under age 21. The Governor has indicated that the increase in population is temporary, pending additional community placements. Funding includes:

- \$2.6 Million in state funding and matching federal funds to cover the costs of additional staff and other institutional expenses at Fircrest RHC for 23 children under the age of 21.
- \$1.5 Million in state funds is provided to cover education-related costs at Fircrest and Frances Haddon Morgan Center RHCs, such as classroom aides. Certain school districts are no longer serving the majority of the children at local schools, and are instead serving them on-site at the RHC.

## **Preventing Child Admissions and Stays at Institutions (RHCs) - \$1.2 Million General Fund-State, \$900,000 General Fund-Federal.**

The Governor provides about \$900,000

General Fund-State and \$600,000 General-Fund Federal for an accelerated phase-in of community residential waiver slots, to assist in moving children out of RHCs more quickly than currently planned. To help keep additional children in the community who are at risk of out-of-home placement, the Governor provides about \$300,000 in state and \$300,000 in federal funding for additional services such as respite and intensive behavior management training for those families identified by an assessment to be most at risk.

## **Mental Health**

The Governor proposes **\$7.2 million** General Fund-State of net maintenance-level increases. Of this total, \$5.6 million General Fund-State would offset federal and private revenues which under a recent Appeals Court decision can no longer be collected at the state psychiatric hospitals for criminal defendants who are being evaluated and treated prior to conviction. Additionally, \$3.0 million (\$1.5 million General Fund-State) is needed for Regional Support Networks (RSNs) to keep pace with Medicaid caseload growth.

Additionally the Governor proposes:

- \$4.4 million General Fund-State to cover increased costs associated with the decision by Pierce County to no longer operate as a pre-paid community mental health plan.
- \$2.4 million General Fund-State to reimburse Pierce and Spokane counties for judicial, prosecutorial, and defense costs associated with the Involuntary Treatment Act.
- \$2.6 million (\$2.1 million General Fund-State) to enhance patient and staff safety at the state psychiatric hospitals by increasing direct care staffing.
- \$2.8 million (\$1.4 million General Fund-State) to increase capitation rates in Regional Support Networks where payment rates would otherwise be below federally-allowable levels.

## **Children's Administration**

The Governor's budget provides **\$0.8 million** General Fund-State to hire additional staff to expedite the 30-day-visits policy. It assumes the Department will have face-to face contact with children, parents, and/or caregivers every 30 days starting May 2008. This moves the date for the final phase-in from December 2008 to May 2008.

The Governor's budget includes an additional **\$6.9 million** General Fund-State to maintain current foster care, child welfare, and child protective services programs. Part of this stems from the inclusion of **\$19.2 million** General Fund-State to replace federal Medicaid funding due to new rules that prevent the state from charging certain administrative activities to targeted case management and alter state match requirements for other programs. The loss of Medicaid funds is partially offset by a **\$12.3 million** General Fund-State reduction in foster care and adoption support programs and an increase of **\$14.3 million** Title IV-E federal funding to reflect federal revenue earnings in recent years.

## **Economic Services Administration**

The Governor's budget provides **\$9.1 million** General Fund-State for increased costs for the refugee assistance, general assistance, child support, and immigrant food assistance programs. Of this, **\$2.0 million** General Fund-State is for incapacity exams, which are used to determine client eligibility for the General Assistance program. The cost per service and the number of services associated with the exams have increased. There is also **\$2.7 million** General Fund-State for child support as a result of clarification in federal law regarding the distribution of child support. Beginning October 1, 2008, any IRS tax refunds intercepted by the Division of Child Support will be distributed first to cover any debts owed families. Currently, tax refund intercepts are first applied to offset costs to the state for welfare and Medicaid costs, if applicable, and then distributed to families.

## **Alcohol and Substance Abuse**

### **Extending Pilot Programs - \$4.8 Million General Fund-State**

The Governor provides funding to continue the two pilot programs established under Chapter 504, Laws of 2005 (SB 5763), the integrated crisis response/secure detoxification (ICR) program, and the intensive case management (ICM) program. The funding will extend the programs through Fiscal Year 2009 and allow time for additional evaluation.

## **Administrative Services**

**\$3.5 million** General Fund-State is provided to develop a payment system specifically for providers who collectively bargain with the state for wages and benefits, such as the independent home care providers.

# **OTHER HUMAN SERVICES**

## **Health Care Authority**

### **Employee Health Benefit Funding**

The Governor's budget includes a one-time savings of **\$104.6 million** General Fund-State resulting from lower than expected medical insurance costs. The state contributes 88 percent of the total weighted average of the employee health care premium and also pays for the cost of dental, life and long-term disability insurance. Funding for medical benefits in the 2007-09 biennial budget was based on an assumed 8.5% annual rate of inflation. The actual rate of cost increases was 3.5% for Calendar Year 2007 and 3% for Calendar Year 2008. Because benefit expenditures have been lower than budgeted, the Governor has proposed the reduction of the state employer contribution rate for employee health benefits from \$732 per employee per month to \$575 per employee per month in Fiscal Year 2009. The reduced employer contribution rate will provide sufficient funding for the current employee benefit package while leaving an unrestricted fund balance of \$19.2 million at the end of Fiscal Year 2009. (General Fund-State, various other funds).

### **Health Insurance Partnership**

The Governor's budget provides **\$2 million** in Near General Fund-State for administrative costs associated with implementation of the Health Insurance Partnership, a program to provide affordable health insurance for employees of small businesses. The Authority plans

to contract with a third-party administrator in FY2008, and expects implementation to take about one year longer assumed in the original budget.

### **Benefits Administration and Insurance Accounting System**

The Governor's budget provides an additional **\$20.8** million General Fund-State and \$5.6 million Health Savings Account for the Health Care Authority (HCA) to continue development of the Benefits Administration and Insurance Accounting System (BAIAS). Initial procurement activities for the project have been completed. During the course of Fiscal Year 2009 the HCA will finalize contract negotiations and begin statewide implementation of BAIAS.

### **Rebate of Federal Funds**

The Governor's budget provides an additional **\$11.0** million General Fund-State to cover the cost of returning funds transferred from the Public Employees' and Retirees' Insurance Account (PERIA) during the 2005-07 Fiscal Biennium. The United States Department of Health and Human Services has determined that the monies transferred from the PERIA to the General Fund included federal funds that were not authorized to be included in the transfer. This one-time repayment of funds includes the amount of the transfer that is attributable to federal participation in the funding of benefits by employer agencies plus interest from the date of the transfer.

### **Department of Health**

The Governor's budget provides **\$6.5 million** in Near General Fund-State to cover projected increases in cost and utilization of childhood vaccines, primarily for the Meningococcal, Varicella, and two combination vaccines (MMRV and DTap/HepB/IPV). Additionally, federal funding projections are lower than assumed in the original budget.

The budget provides **\$5 million** in Near General Fund-State for FY2009 to fund family planning services and sexually transmitted disease (STD) testing for patients no longer eligible for federally matched services under the Medicaid Take Charge Family Planning Waiver.

**\$3.2 million** is provided for enhancements in the regulation of health professionals. This includes \$77,000 General Fund-State and \$631,000 Health Professions Account to conduct national criminal background checks on all out-of-state applicants; \$2.0 million Health Professions Account to address the current backlog of complaints against regulated health care professionals; and \$558,000 Health Professions Account for governor request legislation that modifies credentialing requirements for counselors in Washington state, which includes abolishing the registered counselor credential and creating seven new credentials in its place.

The budget provides **\$1.4 million** in Near General Fund-State for the prescription drug monitoring program, as established in the Blue Ribbon Commission bill (2SSB5930 - Chapter 259, Laws of 2007). The program will establish an electronic database available in real time to dispensers and prescribers, in order to reduce abuse and over-prescribing of schedule II – V controlled substances.

## **Employment Security Department**

The Governor's budget includes **\$6.2 million** General Fund-State to begin administration of the family leave insurance program, including the development and implementation of a system to process and accept claims. In the 2009-11 biennium, total costs are estimated to be \$82.4 million, with \$65 million payable in benefits beginning October 1, 2009. The program is anticipated to become fully operational in the 2013 biennium, with \$88.7 projected to be paid in benefits.

The Governor's budget addresses reductions in federal funding for unemployment insurance (UI) with three items. First, an additional **\$7.9 million** Reed Act funding to cover a reduction in federal funding for UI administration and other agency activities. A **\$2.3 million** Reed Act funding to replace and upgrade hardware and software for the two telecenters, which provide the initial intake and processing of the state's unemployment claims. Finally, a reduction in the spending authority of the Department by **\$11.9 million** Unemployment Compensation Federal funds to align appropriations with anticipated federal revenues. This step also includes an FTE reduction of 240 to adjust the Department's FTE authority to reflect the number of staff currently employed.

## **Veteran's Affairs**

### **Services for Returning Veterans- \$300,000 General Fund-State, \$400,000 Other Funds**

The Governor's budget provides increases for several veterans' programs, including outreach to veterans to link them with federal benefits, assistance to homeless veterans, interventions with incarcerated veterans, and training for new counselors handling Post-Traumatic Stress Disorder.

## **CRIMINAL JUSTICE & CORRECTIONS**

### **Protecting Society from Sex Offenders**

The Governor's budget provides a total of **\$8.9 million** in several agencies associated with the management of sex offenders.

In the Department of Corrections (Department), the Governor's budget provides \$1.9 million, including:

- \$923,000 General Fund-State for the Department, with the Washington Association of Sheriffs and Police Chiefs (WASPC), to continue and expand electronic monitoring of certain Level III offenders subject to community supervision.
- \$496,000 General Fund-State for neighborhood partnerships in which five additional community corrections officers (CCO) will work with local law enforcement in Tacoma, Yakima, the Tri-Cities and Clark County to track down sex offenders, gang members and other felons.
- \$465,000 General Fund-State for a sex offender assessment pilot project in which five additional CCOs in Seattle, Spokane, Clark County and Pierce County will specialize in intake and risk assessment of sex offenders – freeing other CCOs to focus on field visits.

For WASPC, via the Criminal Justice Training Commission, the Governor's budget provides \$5.5 million Public Safety and Education Account-State for activities related to managing sex offenders, including:

- \$5 million for in-person verification of sex offenders' locations; WASPC will contract with local law enforcement agencies to verify sex offenders' residency. The Governor's budget assumes that Level III sex offenders, those most likely to re-offend, will be visited every 3 months, Level II offenders will be visited twice each year and Level I offenders will be visited annually.
- \$321,000 for a new unified sex offender registry program called "Offender Watch." Local registration websites will be linked with the statewide notification website and updated when information is entered.
- \$200,000 Public Safety and Education Account-State for "Operation Crackdown," which pairs local law enforcement with community correction officers to apprehend sex offenders who are violating the terms of their release.

In the Office of the Attorney General the Governor's budget provides \$732,000 General Fund-State to hire more staff in order to support the workload for civil commitment of sexually violent predators.

In the Department of Community, Trade and Economic Development the Governor's budget provides \$825,000 Public Safety and Education Account-State to expand the ability of crime victim advocates to assist crime victims and connect them with available services in addition to updating statewide sexual assault victim assistance protocols.

### **Department of Corrections**

The Governor's maintenance level budget for the Department of Corrections reduces General Fund-State funding by \$6.7 million.

Included are:

- Workload adjustments to reflect forecast changes of 253 fewer inmates, 492 additional offenders on community supervision and delays in opening 792 additional beds at the Washington State Penitentiary North Close Project (\$24.2 million)
- \$4.4 million General Fund-State is provided at the maintenance level for utility rate adjustments and regulatory compliance

The Governor's budget provides \$8.5 million General Fund-State in policy level items for correctional employee compensation, recruitment and retention including:

- \$2.4 million for overtime pay for custody staff
- \$2.8 million for correctional supervision salary compression
- \$2.4 million to recruit staff necessary to open additional capacity at the Washington State Penitentiary and the Coyote Ridge Corrections Center
- \$1 million to implement the economic provisions of the collective bargaining agreement negotiated with the Teamsters. Select employees covered by the agreement receive targeted increases to address recruitment and retention issues

Additional policy level items include:

- \$1.1 million General Fund-State for correctional worker training of new staff associated with expanded offender capacity
- The Governor’s budget shifts funding provided for rental jail beds for violators of community supervision to treatment beds for violators. In the biennial budget the Legislature provided \$10.2 million to house an additional 225 community supervision violators. The Department has been unable to execute agreements with local jails and has contracted for 134 treatment beds for \$9.8 million.
- \$1.1 Million General Fund-State for cameras and additional staff to enhance safety at the Washington Corrections Center for Women (Purdy)

### **Juvenile Rehabilitation Administration**

The Governor’s maintenance level budget reduced Near General Fund-State funding by **\$2.1 million**, largely to reflect the declining caseload.

**\$2 million** General Fund-State is provided to backfill the elimination of federal Medicaid grant for Targeted Case Management, which JRA used to support its Functional Family Parole program.

### **DSHS – Special Commitment Center**

The Governor’s maintenance level budget increases funding by \$5 million General Fund-State, largely to reflect the increased population at the Special Commitment Center.

### **Criminal Justice Training Commission**

The Governor’s budget provides \$961,000 Public Safety and Education Account-State to conduct 6 additional Basic Law Enforcement Academies to train an additional 182 law enforcement officers.

## **JUDICIAL BRANCH**

### **Administrative Office of the Courts**

An additional **\$3.7 million** General Fund-State is included for Superior Court judges salary and benefits based on increases adopted by the Washington Citizens’ Commission on Salaries for Elected Officials as well as the approval of four additional judges throughout the state.

The budget includes **\$1.3 million** General Fund-State to start implementation of Phase I of the Washington State Family and Juvenile Court Improvement Plan, which will provide for local court planning and improvements in the areas of children and families.

### **Office of Public Defense**

The budget provides an additional **\$1.9 million** General Fund-State for the parents dependency and termination program to implement the program in Whatcom county, provide conflict attorneys in King County, and increased workloads in 18 counties.

The budget includes **\$1.7 million** General Fund-State to provide each juvenile offender with an attorney at his/her initial appearance in court.

## **NATURAL RESOURCES**

### **Department of Ecology**

The Governor's budget provides **\$8.2 million** GF-state for participation in a Lake Roosevelt water drawdown agreement. Of this amount, \$6.0 million is proposed to be ongoing as annual payments to the Confederated Tribes of the Colville Reservation and the Spokane Tribe of Indians, and \$2.2 million in one-time payment to local governments to mitigate negative effects of a drawdown.

The budget provides a total of **\$1.3 million** to three agencies for climate change mitigation (Department of Ecology, Washington State Department of Transportation, and Community Trade and Economic Development). The funds are for technical analysis of greenhouse-gas-reduction proposals, for Washington's participation in two multi-state teams, and for greenhouse gas reporting by major emitters (\$1.1 million GF-state and \$135,000 Multimodal Transportation Account).

The standby rescue tug at Neah Bay responds when ships experience mechanical problems with the objective of reducing oil spills. The tug is currently funded from state sources for 200 days per year. The Governor's budget adds **\$2.0 million** in federal spending authority for FY09 under the assumption that Congress will provide revenue to continue this activity.

The Governor's budget includes **\$383,000** GF-state for Kittitas County's participation with Department of Ecology in a groundwater study of the upper Kittitas region of Central Washington. The capital budget provides **\$300,000** from the State and Local Improvements Revolving Account for the capital costs associated with this project.

A total of **\$615,000** is included for two marine water projects; the first (\$310,000) to assess the extent to which fuel-related air emissions contribute to toxic contamination of Puget Sound, and the second (\$305,000) to establish an ongoing sampling program for Puget Sound/coastal waters.

### **Department of Natural Resources**

The Governor's proposal provides **\$6.5 million** (\$3.7 million GF-state and \$2.8 million other) for fire suppression. The additional funds are provided for both incurred and anticipated fire suppression costs.

The budget includes **\$191,000** from the Aquatic Lands Enhancement Account to complete the aquatic-lands Habitat Conservation Plan (HCP) and an Environmental Impact Statement by June 2009. Implementation of the HCP is expected to begin in June 2009 to ensure activities on state-owned aquatic lands follow a framework for protecting endangered species.

An additional **\$3.0 million** is appropriated from the Forest and Fish Support account for forest-practices activities and additional Forest and Fish Report projects. The 2007-09

budget provided appropriation authority for the second year of the biennium but the first year's appropriation was omitted.

### **Department of Fish and Wildlife**

The Governor's budget increases federal appropriation by **\$2.25 million** to allow spending of federal grants for the fourteen non-profit Regional Fisheries Enhancement groups.

Puget Sound steelhead were listed as a threatened species under the federal Endangered Species Act in May 2007. One-time GF-state funds in the amount of **\$251,000** are provided to develop and implement a required Resource Management Plan.

The budget includes **\$847,000** in ongoing GF-state funds to establish four additional Chinook selective fisheries in Puget Sound. The funds pay for staff and equipment costs to monitor and sample the sites with the goal of ensuring that wild stocks are protected and that fisheries target hatchery fish.

The Governor's budget provides **\$686,000** GF-state (one-time) for a joint pilot project with the Confederated Tribes of the Colville Reservation. The project will expand recreational fishing on Lake Rufus Woods and for the department and tribes to share enforcement and management of lake fisheries on Lake Rufus Woods and the surrounding area.

One-time and ongoing funds totaling **\$155,000** are provided to implement agreements that have been reached collaboratively by the agricultural community, federal agencies, the department, other state agencies, and tribes. The agreements are intended to link tidegate and drainage infrastructure maintenance with watercourse habitat restoration in the Skagit River delta.

The Governor's budget appropriates the **\$300,000** GF-state proceeds from the sale of the Beebe Springs property for development of the Beebe Springs natural interpretive site.

### **Department of Ecology and Department of Natural Resources**

The Governor's budget reduces spending authority by a total of **\$6.0 million** in four natural resources accounts to align appropriations to estimated revenue receipts. The accounts are the Access Road Revolving Account, Water Quality Permit Account, Air Operating Permit Account, and Environmental Excellence Account.

### **Puget Sound Partnership**

The Governor's budget provides a total of **\$2.2 million** from the Water Quality Account and the State Toxics Account to enhance the development of the partnership's Action Agenda. The additional funds are to increase public and stakeholder engagement and scientific review.

### **State Parks and Recreation**

The Governor's budget proposal adds **\$444,000** in spending authority from the Winter Recreational Program Account to increase plowed parking lots and expand the groomed-trail system.

The budget provides **\$332,000** GF-state (one-time) to assess the condition of state park facilities and infrastructure in the SW region and to enter the data into an electronic database.

## HIGHER EDUCATION

The Governor proposes **\$7.4 million** General Fund-State of policy-level operating budget enhancements for the public colleges and universities. These include:

- \$3.0 million for statewide implementation of a program under which hospitals, unions, and community colleges would partner to provide workplace-based education and training to qualify licensed practical nurses as registered nurses.
- \$2.9 million to implement phone- and web-based emergency notification systems to enhance student and staff safety at the state's public colleges and universities. (This operating budget expenditure supplements \$11.4 million of safety-related building improvements proposed in the Governor's capital budget.)
- \$1.2 million to develop two initial degrees for up to sixty full-time equivalent students at the proposed new University of Washington branch campus serving the Snohomish-Island-Skagit County area.

*For information on employee health benefit funding see the "Employee Health Benefit Funding" section above.*

## K-12 EDUCATION

The Governor's proposed 2008 supplemental budget represents a **\$43.8 million** GF-S increase and a **\$39.1 million** near GF-S increase from the enacted budget levels for K-12. This net upward adjustment is reflective of maintenance and policy level increases being partially offset by lower than expected K-12 enrollment, workload, and one major proposed policy savings associated with changing the WASL in select grades. Some of the more significant increases and decreases are depicted below.

Increases:

- \$28.4 million associated with an increase in Initiative 732 cost of living adjustments from 2.8 percent to 3.6 percent in the 2008-09 school year.
- \$25.4 million related to an anticipated doubling of the costs associated with administering Washington's assessment system when a new contract is put into place in October 2008.
- \$6.2 million in funding to allow OSPI to implement a variety of enhancements to the special education safety net. Funding for these enhancements is provided by the Governor's budget allowing OSPI to retain savings from the base safety net appropriation.
- \$2.6 million is provided to develop classroom-based assessments and other diagnostic tools which are associated with the WASL savings item discussed below.
- \$1.8 million in one-time funding to complete the upgrade of the apportionment and financial systems begun last biennium by integrating grant and personnel systems into the project scope.

- \$1.7 million to translate the math and science WASL into six languages and provide enhanced accommodations for students in special education.

Decreases:

- \$12.4 million in anticipated savings are expected as a result of including more multiple choice rather than open-ended questions and shortening the current WASL test in certain grades.
- \$9.1 million in net savings due to lower-than-expected K-12 enrollment growth and other workload changes.

## **ALL OTHER**

### **Military Department**

The Governor's budget provides **\$12.6 million** in federal funding expenditure authority to enhance interoperable communications among first responders.

The budget also provides a total of **\$60 million** for the December 2007 flood recovery. In addition to \$45 million in federal funds, \$15 million from the Disaster Response Account-State is provided; the Governor's budget appropriates \$12 million Public Safety and Education Account-State into the Disaster Response Account to make this funding available for flood control.

### **Washington State Patrol**

The Governor's budget also provides **\$258,000** General Fund-State and \$170,000 Death Investigations Account-State to allow the Seattle Crime Lab to expand its lease of facilities to accommodate its expanding workload. The Governor's supplemental capital budget includes \$5.4 million in state bonds for tenant improvements and equipment associated with the expansion.

The Governor's maintenance level budget reduces Near General Fund-State funding by **\$4.3 million**. Major items include:

- \$3 million General Fund-State reduction based on transportation vs. omnibus cost allocation model.
- \$1.4 million General Fund-State addition for costs that exceeded the fire mobilization pool.

### **Housing**

The Governor's budget provides **\$6.0 million** from the General Fund for transitional housing for homeless families through the Washington Families Fund.

### **Department of Financial Institutions**

The Governor's budget provides **\$1.5 million** General Fund-State to implement financial literacy programs for home buyers, including counseling, marketing, and outreach programs

which will provide information to consumers about residential mortgage transactions, nontraditional or sub-prime mortgages, and predatory lending practices.

### **Department of Personnel**

The Governor's budget provides an additional **\$1.6 million** General Fund-State to cover the cost of agency payments to the Department of Personnel funding an improved online personnel recruitment tool. The full cost of the recruitment service enhancements across all fund sources is approximately \$3.6 million.

### **Department of Licensing**

The Governor's budget provides **\$367,000** Real Estate Commission Account to provide informational materials to licensees and consumers on topics related to real estate and mortgage loans, including mortgage fraud.

# PROPOSED REVENUE LEGISLATION

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## **Radioactive Waste Clean up B&O Tax - \$.93 Million General Fund-State Decrease**

The radioactive waste clean-up business and occupation tax rate is expanded to include support services. Currently, the lower rate is only available to contractors performing services that are integral and necessary to direct performance of cleanup.

## **Florist Sales and Use Tax Sourcing - \$.15 Million General Fund-State Increase**

Florists making FTD sales shall continue to source the sales based on origin sourcing rules until January 1, 2010. Last year's streamline sales and use tax legislation had required all sales to be sourced based on destination beginning July 1, 2008.

## **Washington State Gambling Commission Request Legislation - \$0.09 Million General Fund-State Decrease**

Washington State Gambling Commission request legislation would authorize the retention of the Gambling Revolving Fund's pro-rata share of earnings from the Treasurer's Trust Fund investment account. All agency revenues are deposited into the Gambling Revolving Fund and proportionate earnings from the fund are deposited in the State's General Fund from the Treasurer's Trust Fund.

## **Tax Exemptions for Temporary Medical Housing - \$.03 Million General Fund-State Decrease**

A business and occupation tax and retail sales tax exemption is provided for sales of temporary medical housing while a patient is receiving treatment at a hospital or outpatient clinic.

## **Explosive License Fees -- \$.023 Million General Fund- State Decrease**

Department of Labor and Industries request legislation will increase the explosive license fees and will make applicants responsible to pay the cost of required criminal fingerprint and background checks. The revenue collected will be deposited into the Accident Account-State and the Medical Aid Account-State, rather than into the General Fund.

## **Bail Bond/ Recovery Agents -- \$.001 Million General Fund- State Increase**

Department of Licensing request legislation will require bail bond agents and bail bond recovery agents to carry a concealed pistol license. The revenue from the increased licensing activity will be deposited into the General Fund.

## **Tax Incentives for Server Farms – No General Fund Impact this Biennium**

Tax incentives are proposed to promote server farms in rural Washington counties. The legislation provides a rebate program for 50% of the state portion of the sales tax on

replacement servers. The impact is expected to be \$31 million during the 09-11 biennium.

## **BUDGET DRIVEN REVENUE**

### **One-Time Tax Payment to Counties - \$.42 Million General Fund-State Decrease**

A one-time Tax payment to two counties is provided to make up for the counties not receiving their full amount of the rural county sales tax credit. The payment makes up for the entire shortfall.

### **Liquor Control Board - \$.24 Million General Fund-State Increase**

The budget driven revenue comes as a result of the PEBB rate reductions partially offset by increased revenues.

# SUPPLEMENTAL CAPITAL BUDGET

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## PROPOSAL

The Governor's 2008 supplemental capital budget proposes spending an additional \$243 million in total funds for new and existing projects, \$202 million of the increase is funded with bonds. The Governor's budget covers the increased bond spending with \$121 million in reductions in bonds for existing projects, a \$15 million reappropriation adjustment, \$16 million in bond capacity remaining in the 2007 bond bill, and \$50 million in new bond authority proposed in a bond bill for flood control projects on the Chehalis river basin. Most of the \$121 million reduction in bonds is from a technical adjustment in the common school construction budget due to fewer projects applying for state match and increased funds available in the common school construction account.

### Governor's 2008 Supplemental Budget

*\*Dollars in thousands*

	<u>Bonds</u>	<u>Total</u>
<b>Appropriations:</b>		
Total New Projects or Increased Funding for Projects	201,646	243,015
Reductions in Bond Appropriation	(121,325)	(146,557)
Net Bond Appropriation	80,321	96,458

### General Government

#### **Housing Trust Fund - \$50 million -Bonds.**

The Governor's budget increases bond funding for the Housing Trust Fund bringing the total for 2007-09 to \$180 million. Up to \$10 million of the increase is provided for low income housing for victims of the December 2007 flood.

#### **Quincy Water Treatment System - \$9 million -Bonds.**

The Governor's budget provides funding to increase the capacity of the water treatment facility in the city of Quincy. Increased capacity for water treatment is necessary to support new data processing "server farms" for Microsoft and Yahoo and other potential businesses.

#### **Tenino Waste Water Treatment Facility and Collection System - \$4.4 million - Bonds.**

The budget provides grant money for the town of Tenino to reduce the rate increases that would be required to pay for the new treatment system.

#### **Local Community Projects - \$7.5 million - Bonds.**

The Governor's budget funds the following local community projects: Increased funding for the Chamber Creek project by an added \$1.4 million bringing the total to \$2.4 million, \$75,000 for the Garfield County Agricultural Museum, \$1.2 million added to the Mobius project bringing the total to \$2 million, \$85,000 for New Hope Farms, \$500,000 for the William Factory Small Business Incubator, \$900,000 for the Aviation High School (in OSPI's

budget section), \$2 million for the Greenbridge Early Learning Center (in OSPI's budget section)

### **Department of Personnel**

#### **State Employees Child Care Center - \$1.2 million - Bonds.**

The Governor's budget provides funding to relocate the state employees child care center to make way for the development of a new state data center and office buildings for the Department of Information Services, the State Patrol and other state agencies and offices on the Wheeler Bock on the east edge of the capital campus.

### **Human Services and Correctional Institutions**

The Governor's budget proposes to satisfy the contractor's claim and settlement at the Washington State Penitentiary's (WSP) North Close Project for \$13.7 million. Funding will come from contingency savings at the Coyote Ridge Corrections Center expansion (\$12.4 million (state bonds), postponement of the roof replacement at the WSP Correctional Industries Building (\$763,000 CEP&RI and \$237,000 state bonds) and postponement of the Support Building roof replacement at Clallam Bay Corrections Center.

#### **Special Commitment Center - \$275,000 – Bonds.**

The Governor's budget add residential capacity at the Special Commitment Center on McNeil Island by remodeling existing residential space and converting existing program space to meet population needs until 2010.

### **Department of Health**

#### **Drinking Water Assistance.**

The Governor's budget adds **\$12.2 million** from the Drinking Water Assistance Account (federal) for additional drinking water assistance grants.

### **Department of Transportation**

#### **Chehalis-Centralia Flood Control - \$50 million -Bonds.**

The Governor's budget provides the state share of funding for an Army Corps of Engineers project to address flooding in the Chehalis-Centralia area. The Governor requests passage of a new \$50 million bond bill to support this project.

#### **Culvert Replacement - \$15 million -Bonds.**

The Governor's budget provides \$15 million to replace culverts to improve fish passage.

### **K-12 & Early Learning Construction**

Due to fewer projects coming in for state match for school construction, the Governor's supplemental budget reduces funding provided to K-12 construction by \$109.5 in state bonds and \$34.3 million in Common School Construction Fund. The Governor's supplemental budget also includes the following new K-12 and early capital items:

- \$2 million for the design of a new early learning center for the Thrive-by-Five Program located in the White Center area in Seattle. This funding will be matched by private donations supporting the Thrive-by-Five Program.
- \$1.5 million for the predesign and design of the Moses Lake and Lake Washington Skills Centers.
- \$900,000 for the design of the Aviation High School adjacent to Museum of Flight in Seattle. Private, school district, and other local governments are expected to support approximately two-thirds of the cost of the design of the project.

### **Higher Education - \$20.9 million in bonds and \$30.0 million in other funds**

The Governor proposes \$11.4 million of increased bond expenditures to install warning systems, remote locking devices, security cameras, and other infrastructure to enhance security on college and university campuses. (This safety initiative is supplemented by \$2.9 million of expenditure increases proposed in the operating budget.) Other proposed bond expenditures include:

- \$3.3 million to cover unanticipated construction cost inflation on major projects at Central Washington University and The Evergreen State College.
- \$2.5 million for Yakima Valley Community College to purchase a building on its campus from the Yakima School District.
- \$2.0 million to acquire additional property within the University of Washington-Tacoma master plan development area.
- \$1.6 million for emergency repairs at Bellevue Community College.

The Governor additionally proposes the authorization of the following indebtedness that would be retired through agency-specific operating budget Certificates of Participation (CoP):

- \$23.6 million to construct an employment resource center on the North Seattle Community College campus that would be jointly occupied by the college, the Department of Employment Security, and the Department of Social and Health Services. The cost of the construction debt would be paid from current and increased operating budget expenditures by the participating agencies.
- \$3.1 million for land acquisition by Seattle Central Community College.
- \$3.3 million for Wenatchee Valley Community College to construct student housing.

### **Department of Ecology**

**\$10.9 million** in general obligation bonds is included in the Governor's budget to rebuild the east wall of the Lacey Department of Ecology's headquarters building.

**\$11.6 million** of the 2007-09 Centennial Clean Water Program capital appropriation is shifted from general obligation bonds to the State Toxics Control Account.

Puget Sound capital projects are increased by **\$9.4 million**, including \$2.8 million from the State Toxics Control Account to clean up Puget Sound toxics and \$6.6 million from the Local Toxics Control Account in remedial action grants. The four Puget Sound remedial action

grants are: Foss Waterway (\$385,000), North King County airport (\$500,000), Port of Olympia (\$3.1 million), and Port of Anacortes (\$2.7 million).

In addition to Puget Sound remedial action grants, the budget includes **\$2.8 million** in other remedial action grants from the Local Toxics Control Account and **\$2.5 million** for safe soils remediation grants from the State Toxics Control Account.

The budget includes **\$3.0 million** from the Local Toxics Control Account for reducing health risks from toxic diesel pollution. This includes an additional \$540,000 for school bus diesel retrofits and an additional \$2.5 million to retrofit public sector diesel engines.

The Skykomish clean-up appropriation is increased by **\$3.0 million** from the Cleanup Settlement Account.

### **State Parks and Recreation**

The Governor's budget adds **\$2.8 million** in general obligation bonds to fund a park-wide sewage treatment system at Ft. Flagler State Park.

Funding in the amount of **\$1.2 million**, general obligation bonds, is provided for the Saint Edward State Park seminary building preservation project. This is for phase one of the 2007 historic structures report for the civil work that is required for adequate drainage of rain and site water.

### **State Conservation Commission**

The Governor's budget adds **\$4.0 million** from the Water Quality Capital Account for a livestock nutrient program.