



**2013-15
OPERATING BUDGET
OVERVIEW**

**Striking
Amendment to
2ESSB 5034**

**SENATE WAYS & MEANS COMMITTEE
JUNE 27, 2013**

TABLE OF CONTENTS

SUBJECT	PAGE
2013-15 BUDGET SOLUTION	2
BALANCE SHEET.....	5
FUNCTIONAL AREAS OF GOVERNMENT	
PUBLIC SCHOOLS.....	6
EARLY LEARNING	9
HIGHER EDUCATION	10
EMPLOYEE COMPENSATION.....	12
LOW-INCOME MEDICAL	13
LONG TERM CARE, DEVELOPMENTAL DISABILITIES.....	14
MENTAL HEALTH.....	16
OTHER HUMAN SERVICES	17
CORRECTIONS & OTHER CRIMINAL JUSTICE.....	18
DEPARTMENT OF HEALTH.....	20
NATURAL RESOURCES	20
GENERAL GOVERNMENT	22
OTHER CHANGES.....	23
FUND TRANSFERS	APPENDIX: A
REVENUE CHANGES	APPENDIX: B
BUDGET OUTLOOK.....	APPENDIX: C
THREE-WAY BUDGET COMPARISON.....	APPENDIX: D

THE 2013-15 BUDGET SOLUTION

STATE FISCAL PICTURE FOR 2013

According to the state forecast economist, Washington's recovery from the 2007-09 economic recession lags significantly behind other post-recession recoveries; the state's revenue collections returned to pre-recession levels five years after the beginning of the recession. By comparison, the 2001 recession saw revenue recovery three years after its onset. Based on the slowly recovering economy even after accounting for modest good news in the June 2013 revenue and caseload forecasts, the baseline deficit based on the costs of maintaining current programs and services is estimated at approximately \$600 million.

The budget also makes several policy level enhancements, primarily in education. These include: (1) over \$1 billion in K-12 education increases by continuing the phase-in of HB 2776 requirements and enhancing other basic education programs; (2) making over \$180 million in policy level enhancements in state funding for higher education; and (3) \$25 million for expanded preschool through the Department of Early Learning.

In total, based on the assumptions used in the development of the budget, there is a projected \$2.3 billion deficit for the upcoming 2013-15 biennium. The budget solution includes leaving approximately \$630 million in reserves.

SOLVING THE \$2.3 BILLION BUDGET PROBLEM

The budget solves the \$2.3 billion shortfall in the 2013-15 biennium through: (1) \$1.6 billion in spending controls and savings; (2) \$387 million of capital budget and other revenue redirections; (3) \$267 million of other resource changes; and (4) \$114 million in fund transfers and reversions.

In other words (as depicted on the chart on the following page), the budget solves the majority of the budget problem through spending changes.

2013-15 BUDGET SAVINGS - \$1.6 BILLION

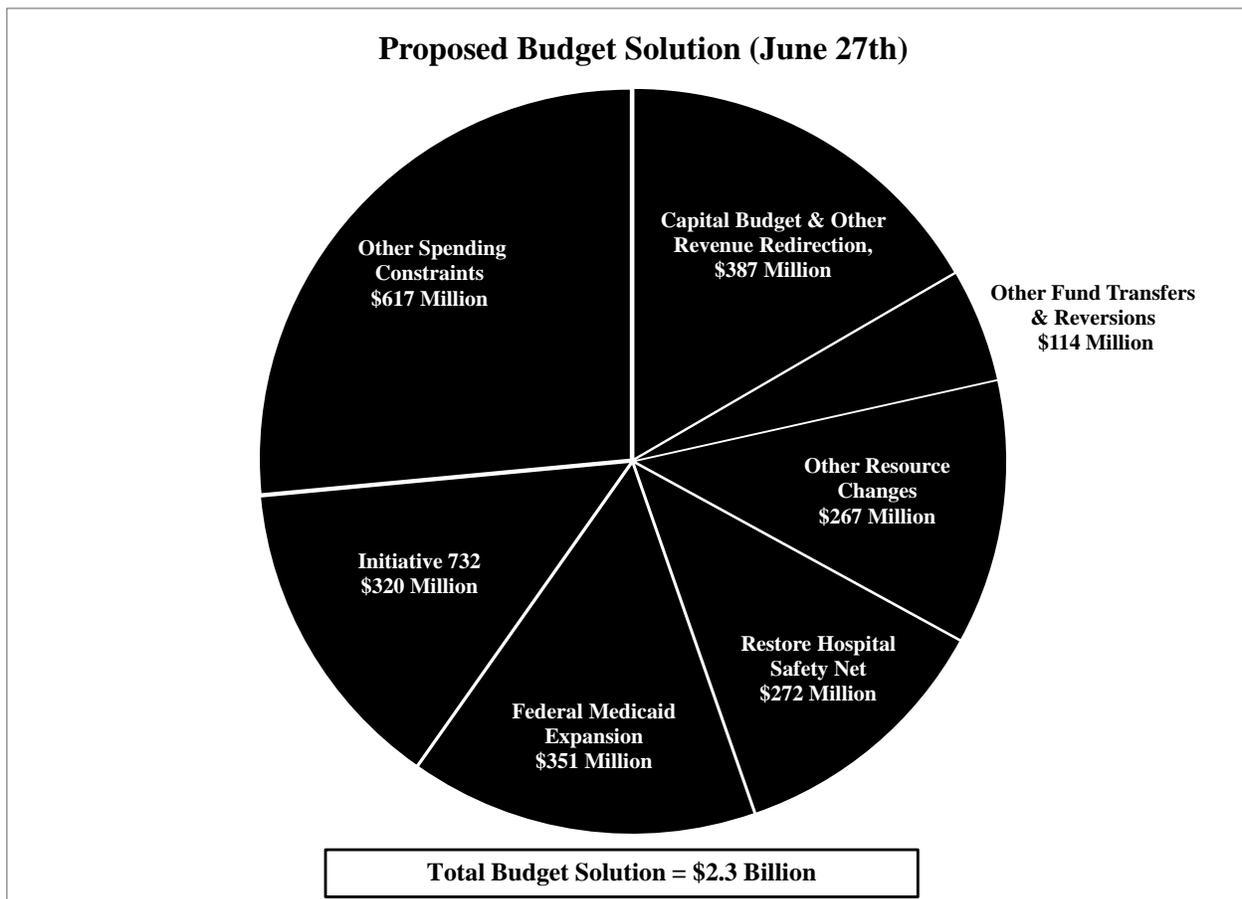
Major spending constraints in the budget include: (1) \$351 million through federal Medicaid expansion; (2) \$320 million by re-suspending Initiative 732; (3) \$272 million by temporarily extending the hospital safety net; (4) \$162 million in caseload and policy changes affecting Temporary Assistance to Needy Families (TANF) and Working Connections Child Care (WCCC); (5) \$40 million in LEAN, information technology and centralized service efficiencies; (6) \$31 million by delaying nursing home rebasing; (7) \$25 million in K-12 assessment savings; (8) \$20 million in funding for the Housing and Essential Needs (HEN) program; (8) \$34 million in savings health benefit eligibility savings for state and higher education employees.

The remaining \$300 million in savings reflect changes in all areas of government.

CAPITAL BUDGET/OTHER REVENUE REDIRECTION & OTHER RESOURCE CHANGES - \$502 MILLION

The budget makes approximately \$500 million in transfers from various funds to Near General Fund-State resources. Some of the largest transfers involve a combination of one-time and 6-year redirections of capital budget resources and other revenue totaling \$387 million. This includes \$277 million from the Public Works Assistance Account on a one-time basis. Additionally, the budget makes \$114 million in other fund transfers, including \$34 million from the Life Science Discovery Fund, \$25 million from a 50 percent reduction in the amount of liquor excise tax distributed to local governments, and \$22 million from the State Treasurer's Service Account.

The budget assumes a net increase of \$267 million in other resources. This increase results from a combination of \$11 million in legislation reducing revenue and \$279 million in legislation/budget actions increasing revenue. The latter includes: (1) \$159 million from enactment of EHB 2075 (estate taxes); (2) \$110 million from enactment of HB 1971 (telecommunications services reform; (3) \$9.5 million from enhanced liquor revenue collection by the Department of Revenue;



MAKING THE BUDGET SUSTAINABLE

The actions taken in the budget reflect the provisions of Chapter 8, Laws of 2012, 1st Special Session (SSB 6636) which require the budget be balanced for the fiscal period for which the budget is written as well as the succeeding fiscal biennium. This budget proposal meets that requirement leaving

projected total reserves of approximately \$631 million at the end of the 2013-15 biennium and \$1.3 billion at the end of the 2015-17 biennium. See Appendix C for more information.

Proposed Striking Amendment Balance Sheet (June 27th)
(Near GF-S & Opp Pathways in Millions)

	2011-13	2013-15
Beginning Balance	(60)	95
Revenue		
March Forecast	31,009	33,025
Bracken Decision	(3)	(160)
June Forecast Change	109	123
Total Revenue	31,115	32,987
Other Resource Changes		
Transfers To The Budget Stabilization Account	(269)	(308)
Other Previously Enacted Fund Transfers	379	-
2012 Adjustment to Working Capital Reserve (SHB 2822)	238	-
Other Adjustments (CAFR)	(5)	-
Capital Budget Transfers & Other Revenue Redirections	-	387
Other Fund Transfers & Reversions	2	112
Budget Driven Revenue	-	9.7
HB 1920 - Estate Tax/Bracken	-	159
SB 5882 - Relating to revenue	-	(11)
HB 1971 - Communications Services Reform	-	110
Other Resource Changes	345	458
Total Resources	31,400	33,540
Spending		
2011-13 Enacted Budget/2013-15 Maintenance Level	31,249	33,471
2013 Supplemental Budget	221	-
2013-15 Policy Level Changes (Net)	-	156
Actual/Projected Reversions	(166)	(140)
Total Spending	31,305	33,487
Ending Balance & Reserves		
<i>Unrestricted Ending Fund Balance</i>	95	53
<i>Budget Stabilization Account Balance</i>	269	578
Total Reserves	364	631

FUNCTIONAL AREAS OF GOVERNMENT

K-12 PUBLIC SCHOOLS

OVERVIEW

The budget increases funding for K-12 public schools in the 2013-15 biennium by \$1.6 billion compared to current biennium funding. This represents an increase of 11.4 percent, compared to K-12 enrollment growth of 0.9 percent. The budget provides policy-level enhancements for key K-12 education programs totaling more than \$1 billion — over and above routine funding increases for enrollment growth, inflation, and restoration of temporary salary reductions.

The Legislature focuses enhancements on commitments made in two major pieces of legislation¹ that were enacted in the 2009-11 biennium to redefine basic education and restructure K-12 funding formulas. Further, the budget makes enhancements in areas where research shows the greatest promise for improving student outcomes.

These include: (1) fully funding school districts' costs for pupil transportation; (2) enhancing full-day kindergarten; (3) reducing K-1 class size; (4) increasing allocations for maintenance, supplies, and operating costs; and (5) increasing funding for under-achieving students by 63 percent.

As a result of these and other changes, the budget provides state funding of \$7,279 per-pupil for the 2013-14 school year and \$7,646 per-pupil for the 2014-15 school year, compared to the state funding level of \$6,782 per-pupil in the current school year.

Basic Education & Related Enhancements			
<i>(Dollars in Thousands)</i>			
	FY 2014	FY 2015	2013-15
1 Materials, Supplies, & Op. Costs	152,124	221,834	373,958
2 Increase Instructional Hours	0	96,973	96,973
3 Increase Pupil Transportation	35,115	96,566	131,681
4 Learning Assistance Program (LAP)	62,759	80,313	143,072
5 Reduce Early Elementary Class Size	42,056	61,539	103,595
6 Expand Full Day Kindergarten	39,447	50,377	89,824
7 Bilingual Instruction	5,703	13,160	18,863
8 Parent Engagement Coordinators	5,249	6,625	11,874
9 Guidance Counselors	5,439	6,744	12,183
10 Persistently Lowest-Achieving Schools	3,600	6,681	10,281
11 Teacher & Principal Eval Training	10,000	5,000	15,000
Total	361,492	645,812	1,007,304

¹ ESHB 2261 (Chapter 548, Laws of 2009) and SHB 2776 (Chapter 236, Laws of 2010).

INCREASES

FUNDING OF MATERIALS, SUPPLIES, AND OPERATING COSTS (MSOC) - \$374.0 MILLION EDUCATION LEGACY TRUST ACCOUNT-STATE

The budget allocates funding to schools for operating costs through a per-student formula for materials, supplies, and operating costs (MSOC). SHB 2776 (Chapter 236, Laws of 2010) set targets for enhancements to, among other areas, state allocations for MSOC. The statutory targets were based on data collected by OSPI about costs incurred by school districts. Target MSOC rates are re-based to the reported 2011-12 school year actuals, adjusted for inflation. State allocations for the 2013-14 school year are increased over maintenance level by \$176 per-student to \$737 per-pupil. For the 2014-15 school year, state allocations are increased over maintenance by \$213 per-student to \$782 per-student, which represents a 63% percent increase over maintenance level.

LEARNING ASSISTANCE PROGRAM (LAP) - \$143.1 MILLION GENERAL FUND-STATE

Basic-education funding for the Learning Assistance Program (LAP) for under-achieving students is increased by 63 percent. The LAP increases are coupled with program reforms specified in Engrossed Substitute Senate Bill 5946 (strengthening student educational outcomes) requiring LAP funds to be used for interventions and activities for which there is evidence, through research, that they are effective in improving academic achievement and prioritizing early-grade reading proficiency. In addition, LAP funds may be used to fund the Readiness to Learn program.

FULL FUNDING OF PUPIL TRANSPORTATION - \$131.7 MILLION GENERAL FUND-STATE

The transportation funding formula was revised as part of the reform package under Chapter 548, Laws of 2009 (ESHB 2261). The new formula was effective September 1, 2011, and phases in full funding of the cost of transporting students "to and from school" as part of basic education. The formula requires state allocations to be calculated using a regression analysis of major cost factors that are expected to adjust the prior year's actual pupil-transportation costs. The budget provides, in the 2013-14 school year, funding to achieve 40 percent of the additional state funding needed to fully implement and, in the 2013-14 school year, provides full state funding.

K-1 CLASS-SIZE REDUCTIONS - \$103.6 MILLION GENERAL FUND-STATE

One of the four funding enhancements scheduled in SHB 2776 requires average class size for grades K-3 to be reduced, beginning with schools with the highest percent of low-income students, until the class size for those grades is 17.00 students per classroom teacher in the 2017-18 school year. At the time the new prototypical formulas were implemented, the class sizes in the basic education prototypical model for grades K-3 was 25.23 students per classroom teacher. Current allocations for high-poverty schools provide for class sizes of 24.10 in grades K-3. The budget provides targeted funding enhancements for high-poverty schools to further reduce class sizes in grades K-1 to 20.85 students-per-teacher in school year 2013-14 and to 20.30 students-per-teacher in the 2014-15 school year. As of the 2014-15 school year, the funds for class sizes lower than 24.1 are contingent on, and proportional to, the schools' documented average class size for that grade.

INCREASED INSTRUCTIONAL HOURS - \$97.0 MILLION GENERAL FUND-STATE

The education reforms enacted in the 2009-11 biennium increased the hours of instruction per year from 1,000 to 1,080 for students in grades seven through 12 to be phased in on a schedule set by the legislature. The budget funds an additional 80 hours of instructional time per year for students in grades seven through 12, beginning in the 2014-15 school year, by funding an additional 2.2222 hours per week for those students.

FULL-DAY KINDERGARTEN- \$89.8 MILLION GENERAL FUND-STATE

Funding for statewide full-day kindergarten is to be phased-in on a schedule set by the Legislature, beginning with schools with the highest percentage of low-income students, until full statewide implementation is achieved in the 2017-18 school year. Once fully implemented, full-day kindergarten will be part of the program of basic education. Funding for full-day kindergarten is expanded from the current 22 percent of kindergarten enrollment to 43.75 percent in both of the next two school years. Schools receiving the state funding for full-day kindergarten will be those with the highest percentage of students eligible for the federal Free and Reduced-Price Lunch program.

GUIDANCE COUNSELORS AND PARENT ENGAGEMENT COORDINATORS - \$24.1 MILLION GENERAL FUND- STATE

The budget increases funding for guidance counselors in middle and high schools by 0.1 staff units per prototypical school, and increases funding for parent engagement coordinators in elementary schools by 0.083 staff units per school.

BILINGUAL STUDENT TRANSITION - \$18.9 MILLION GENERAL FUND- STATE

Additional basic education funding is provided for students who exit the transitional bilingual instructional program (TBIP) in the prior school year. The funding begins in the 2013-15 school year and is based on the cost of 3.0 additional hours of instruction per week.

TEACHER EVALUATION TRAINING - \$15 MILLION GENERAL FUND- STATE

Chapter 35, Laws of 2012 implemented, statewide, the principal and teacher evaluation system begun as pilots two years previously. Funding was provided to train all administrative staff in the new system and for a professional development program for teachers, including a comprehensive on-line training package. The training base-budget funding is enhanced.

TRANSFORMING PERSISTENTLY FAILING SCHOOLS - \$10.3 MILLION GENERAL FUND- STATE

In April, the Legislature enacted Engrossed Second Substitute Senate Bill 5329, transforming persistently-failing schools, which directs the Office of Superintendent of Public Instruction (OSPI) to design a system of support, assistance, and intervention for schools in need of improvement – including persistently lowest-achieving schools. Grant funds are appropriated to implement school improvement models in the lowest achieving schools.

LEVY EQUALIZATION - \$8.3 MILLION GENERAL FUND- STATE

As state funding is increased for MSOC, early-grade class-size reductions, full-day kindergarten, guidance counselors and parent engagement coordinators, the Learning Assistance Program, the bilingual program, and pupil transportation, the levy base is expanded which results in increased school districts local levy capacity as well as increased state payments for Local Effort Assistance (LEA).

MAJOR SAVINGS

ASSESSMENT REFORM - \$25.0 MILLION GENERAL FUND-STATE SAVINGS

The budget achieves savings from changes to the statewide-required student assessments. The changes include replacement of high school reading and writing exams with a single English language arts exam and utilization of the Smarter Balance test bank.

CONSOLIDATE PROGRAM - \$6.5 MILLION GENERAL FUND-STATE REDIRECTED FUNDS

The Readiness to Learn program is consolidated into the Learning Assistance Program to provide assistance to struggling students.

PASS ACT - \$3.0 MILLION GENERAL FUND-STATE

The budget eliminates state funding for the Paying for Actual Student Success (PASS) Act which supports several dropout prevention and retention programs including Building Bridges and Jobs for America's Graduates (JAG). Building Bridges and JAG are consolidated into a single dropout prevention and retention program and funding for them increased by \$1.1 million.

EARLY LEARNING

OVERVIEW

The Department of Early Learning (DEL) administers a number of programs related to assisting children from birth to five. The Department's Near General Fund budget will increase by 57 percent in the 2013-15 biennium from the 2011-13 biennium. The majority of that increase is in the Early Childhood Education and Assistance Program (ECEAP), which is the largest state funded program in the Department of Early Learning.

INCREASES

INCREASE ECEAP PROGRAM - \$22.4 MILLION GENERAL FUND-STATE

The budget increases ECEAP slots by 20 percent and reimbursement rates by 10 percent by the end of the 2013-15 biennium ECEAP slots will increase by 350 slots in FY 2014 and 1,350 slots while increasing the average reimbursement from \$6,800 to \$7,500 in the second year. Funding is also provided for the Washington State Institute of Public Policy (WSIPP) to conduct a comprehensive evaluation of the ECEAP program and provide recommendations for program improvements. DEL is also provided with additional staffing to enhance oversight of the program.

INCREASE HOME VISITING SERVICES - \$1 MILLION GENERAL FUND-STATE

The Senate budget provides \$1million in state funds to expand research-based home visiting services. These funds are primarily contracted through the public-private partnership Thrive by Five, which provides private matching funds for state and federal home visiting resources.

CONTINUE DEVELOPMENT OF ELECTRONIC TIME AND ATTENDANCE AND PAYMENT SYSTEM FOR CHILD CARE - \$2.3 MILLION GENERAL FUND-STATE

Funding is provided to continue implementation of a state-wide system for tracking the provision of subsidized child care and making payments to providers. Funding is also provided to develop an electronic process for applying for subsidized child care. These systems will assist in eliminating overpayments and fraud.

HIGHER EDUCATION

OVERVIEW

Core academic functions of higher education are funded with state funds (Near General Fund plus Opportunity Pathways Account) and tuition. In the 2011-13 biennium, these two sources together provided \$5.1 billion for the higher education system, which includes financial aid. In state funds alone, approximately \$2.7 billion was appropriated for the higher education system and, of this amount, approximately \$2.1 billion (77 percent) was appropriated to the public colleges and universities.

During the 2011-13 biennium annual tuition increases were budgeted to be 16 percent at the research universities and Western Washington University; 14 percent at the comprehensive institutions; and 12 percent at the community and technical colleges; although for the 2011-12 academic year, the University of Washington opted to utilize the tuition-setting authority that was granted to four-year institutions in 2011 and increased tuition for resident undergraduates by 20 percent.

The 2013-15 biennial budget assumes no increases in resident undergraduate tuition during the 2013-14 and 2014-15 academic years. In addition, for the 2013-14 academic year, institutions of higher education are prohibited from invoking their tuition-setting authority.

A total of \$3.1 billion in state funds is appropriated in support of the higher education system; \$2.4 billion (78 percent) of which is appropriated to the public colleges and universities. Compared to the 2011-13 biennium, this represents a 12.9 percent increase in state funds to the institutions of higher education and a 12.4 percent increase in state funds to the higher education system overall. With this level of funding, the budget:

- Provides \$119.3 million to support the core academic functions of the institutions of higher education;
- Provides \$17.6 million in funding to the University of Washington, Washington State University, and Western Washington University to expand enrollments in computer science and engineering programs; and
- Funds commitments in the College Bound Scholarship Program.

INCREASES

INSTITUTIONAL FUNDING - \$119.3 MILLION GENERAL FUND-STATE

Funding is provided to support the core academic functions of the institutions of higher education.

COLLEGE BOUND - \$36.0 MILLION GENERAL FUND-STATE; \$1.0 MILLION OTHER FUNDS

Funding is provided for College Bound Scholarship payouts anticipated in the 2013-15 biennium, which includes College Bound students receiving priority for State Need Grant funds.

COMPUTER SCIENCE AND ENGINEERING - \$17.6 MILLION GENERAL FUND-STATE

Funding is provided to the University of Washington (\$8.9 million), Washington State University (\$5.7 million), and Western Washington University (\$3.0 million) to expand enrollments in computer science and engineering programs.

STUDENT ACHIEVEMENT INITIATIVE - \$10.5 MILLION GENERAL FUND-STATE

Funding is provided for the Student Achievement Initiative within the State Board for Community and Technical Colleges (SBCTC), which is used to increase overall levels of

education attainment within the sector. Funds will be distributed by the SBCTC to the community and technical colleges according to each individual school's performance in building towards college-level skills; first year retention; completing college-level math; and degree, certificate, and apprenticeship training completions.

ADDITIONAL DEGREE PROGRAMS - \$7.0 MILLION GENERAL FUND-STATE; \$2.4 MILLION TUITION

A total of \$6.0 million in state funds and \$1.5 million in tuition resources will be used to expand Washington State University's medical programs in Spokane and, within available tuition resources, Washington State University will reestablish a forestry degree program.

The University of Washington, within available tuition resources, may: a) form and implement an Integrated Innovation Institute and research, planning, and outreach initiatives at the Olympic National Resources Center; and b) accredit a four-year undergraduate forestry program from the Society of American Foresters and accreditation may occur in conjunction with reaccreditation of the Master of Forest Resources program.

The SBCTC will utilize \$500,000 in state funds to create two applied baccalaureate degree programs that support the continuation of secondary education programs in science, technology, engineering, and math pursuant to Second Substitute Senate Bill 5624 (STEM or career and tech ed) and, with \$510,000 in state funds, will establish a maritime industries training program at South Seattle Community College.

CLEAN ENERGY INSTITUTE - \$6.0 MILLION GENERAL FUND-STATE

Funding is provided for the University of Washington to create a Clean Energy Institute (Institute). The Institute will integrate physical sciences and engineering with a research focus on energy storage and solar energy. Funding will be utilized to create the Institute, hire research and teaching staff, and to provide the computing resources necessary for research and modeling.

OCEAN ACIDIFICATION - \$1.1 MILLION STATE TOXICS CONTROL ACCOUNT; \$0.7 MILLION AQUATIC LANDS ENHANCEMENT ACCOUNT

Funding is provided to establish the Center on Ocean Acidification within the University of Washington to coordinate and conduct research to understand, monitor, and adapt to increasingly acidic waters.

MAJOR SAVINGS

RE-SUSPEND FINANCIAL AID PROGRAMS - \$19.1 MILLION GENERAL FUND-STATE SAVINGS

Savings are achieved by continuing the 2011-13 biennial suspension of new awards in the Washington Scholars and Washington Award for Vocational Excellence (WAVE) programs; the health professionals and future teacher conditional scholarship programs; and suspension of the Community Scholarship Matching Grant Program, state contributions to the Foster Care Endowed Scholarship, and student support fees provided via the Western Interstate Commission for Higher Education. Students who are currently receiving awards through Washington Scholars, WAVE, the health professionals conditional scholarship program, or the future teacher conditional scholarship program will not be impacted by this reduction.

EMPLOYEE COMPENSATION

INCREASES

RESTORE TEMPORARY SALARY REDUCTIONS FOR K-12 PUBLIC SCHOOL EMPLOYEES - \$166 MILLION NEAR GENERAL FUND-STATE

State salary allocations for K-12 public school employees were temporarily reduced for the 2011-12 and 2012-13 school years. The temporary reductions were 1.9 percent for classified and certificated instructional staff and 3.0 percent for certificated administrative staff. The temporary reductions are restored for the 2013-14 and 2014-15 school years.

RESTORE THREE PERCENT SALARY REDUCTION FOR STATE EMPLOYEES; RESTORE RELATED HIGHER EDUCATION FUNDING REDUCTION -- \$171 MILLION NEAR GENERAL FUND-STATE

Funding is provided to restore the three percent salary reduction for state employees earning more than \$2,500 per month, and to restore related higher education funding reductions.

FUND COLLECTIVE BARGAINING AGREEMENTS FOR STATE EMPLOYEES - \$ 39.7 MILLION NEAR GENERAL FUND-STATE

All state and higher education employee collective bargaining agreements negotiated pursuant to chapter 41.80 RCW for the 2013-2015 biennium are ratified. Included in the compensation provisions are a new step M (2.5% increase) for the general service salary schedule, and personal leave day backfill funding. Higher education appropriations, including the funding to restore the three percent reduction from 2011-13, provide sufficient funding for implementing the higher education agreements.

RETIREMENT - INCREASE RETIREMENT CONTRIBUTION RATES AS RECOMMENDED BY THE STATE ACTUARY - \$245 MILLION NEAR GENERAL FUND-STATE

Funding is provided to increase employer contribution rates for state retirement plans, including increased contributions towards the PERS 1 and TRS 1 unfunded liabilities, consistent with recommendations of the Office of the State Actuary.

MAJOR SAVINGS

INITIATIVE 732 COST-OF-LIVING ADJUSTMENTS (COLAS) - \$320.4 MILLION NEAR GENERAL FUND-STATE SAVINGS

Initiative 732 (I-732) provides an annual cost-of-living (COLA) increase for K-12 public school, community and technical college, and other education employees based on the Seattle Consumer Price Index (CPI) for the prior calendar year. The I-732 provisions are re-suspended for the 2013-15 biennium.

HEALTH BENEFITS - CONTRIBUTION RATE REDUCTION - \$33.8 MILLION NEAR GENERAL FUND-STATE SAVINGS

Savings are achieved from reductions in state contributions for employee insurance benefits resulting from favorable claims experience, charging a \$25 per month premium surcharge to state and higher education PEBB members who smoke or use other tobacco products, and charging a \$50 per month surcharge to PEBB members who cover a spouse where the spouse is eligible for coverage in his or her comparable employer health plan.

HEALTH BENEFITS - COORDINATE PUBLICLY PROVIDED HEALTH INSURANCE BENEFITS WITH THE FEDERAL AFFORDABLE CARE ACT - \$ 10 MILLION NEAR GENERAL FUND- STATE SAVINGS

Savings are achieved by coordinating publicly provided health insurance benefits with the federal Affordable Care Act. Beginning January 1, 2014, part-time employees who are not eligible for employer-provided health benefits will be eligible, depending on their household income, for federal premium credits and out-of-pocket subsidies provided through the Washington Health Benefit Exchange. \$10 million in savings are expected in fiscal year 2015.

LOW-INCOME MEDICAL ASSISTANCE

OVERVIEW

The budget authorizes \$12.3 billion in spending during the 2013-15 biennium to cover all or part of the cost of medical and dental care for an average of 1.5 million low-income children and adults each month. \$4.2 billion of the \$12.3 billion is the state general fund share and represents approximately 13 percent of total General Fund-State spending.

The 2013-15 budget state general fund spending is \$180 million (4 percent) more than the current biennium, but through efficiencies and other offsets, \$502 million (11 percent) less than the amount needed to maintain current service coverage and payment policies through 2015.

The budget saves state spending primarily through expanding Medicaid under federal health care reform, extends but phases down the Hospital Safety Net Assessment program, and makes changes to delivery of services

INCREASES

FEDERAL HEALTH REFORM WELCOME MAT EFFECT AND OTHER FEDERAL CHANGES - \$65 MILLION GENERAL FUND-STATE, \$225 MILLION OTHER FUNDS

The state will incur costs as a result of federal health care reform, regardless of whether the state chooses to expand Medicaid. The state will incur costs from persons who are currently eligible for Medicaid but not enrolled and who will enroll as a result of individual mandate, increased outreach, and simplification of eligibility rules. By fiscal year 2015, the welcome mat effect is expected to include approximately 44,500 people.

ADULT DENTAL: PREVENTATIVE AND DENTURES - \$23.3 MILLION GENERAL FUND-STATE, \$49.2 MILLION OTHER FUNDS

The budget restores dental benefits for low income adults who are not currently eligible for this benefit beginning January 1, 2014.

SOLE COMMUNITY HOSPITALS - \$1.0 MILLION GENERAL FUND-STATE, \$0.8 MILLION OTHER FUNDS

Sole Community Hospitals are anticipated to receive additional funding under the Hospital Safety Net Assessment program, the budget provides additional funding for Medicaid services to Sole Community Hospitals to keep their services available in rural areas.

MAJOR SAVINGS

FEDERAL MEDICAID - \$351 MILLION GENERAL FUND-STATE SAVINGS, \$1.3 BILLION OTHER FUNDS

As a state option, the budget expands Medicaid coverage to include all legal residents with adjusted gross family incomes below 138 percent of the federal poverty level beginning January 1, 2014. Full Medicaid expansion, including the welcome mat population, is expected to increase the persons covered by the state Medicaid program by ~280,900 people in 2015. This is a 22% increase over the current forecasted levels for 2015 without federal health reform effects.

The budget is able to save \$351 million state general fund spending by streamlining and reducing duplicate coverage or services provided under federal health care reform. These programs and services are provided across several agencies including the Health Care Authority (\$262 million), Department of Social and Health Services (\$77 million), Department of Health (\$8.3 million) Department of Corrections (\$2.2 million), and the Department of Labor and Industries (\$1 million).

HOSPITAL SAFETY NET ASSESSMENT PROGRAM - \$272 MILLION GENERAL FUND-STATE SAVINGS, \$1.1B OTHER FUND INCREASES

The Hospital Safety Net Assessment program is set to expire on July 1, 2013. Funding is provided restoring the program for a four-year period. Savings are achieved by allowing the state to use Safety Net funds in lieu of the state general fund for Medicaid hospital services. The program will be incrementally decreased starting in FY 2016 over the four years to zero at its expiration. The phase-down of this program coincides with the ramp up of federal health care reform enrollment to a steady state with normal growth.

MANAGED CARE CHANGES - \$1.7 MILLION GENERAL FUND-STATE SAVINGS, \$0.6 MILLION OTHER FUND

The Senate proposal changes managed care in three ways to achieve savings and provide for administrative simplicity.

1. Starting January 1, 2014, savings are achieved by moving foster children and adoptive children from medical care delivered through fee-for-service to managed care (\$1.7 Million General Fund-State savings); and
2. Starting January 1, 2014, Federally Qualified Health Centers (FQHC) and Rural Health Centers (RHC) enhancement payments are rolled into the per member per month payment to managed care plans. While no savings is assumed, this shift in payment policy should be less administratively burdensome for the clinics and the Health Care Authority.

LONG TERM CARE, DEVELOPMENTAL DISABILITIES

OVERVIEW

The Aging and Long-Term Support (formerly Long Term Care or LTC) and Developmental Disability Administration (formerly Division of Developmental Disabilities or DDD) program areas within the Department of Social and Health Services (DSHS) are often discussed together. These two administrations operate very similar programs, use some of the same providers, and serve similar clients. In the budget, these two programs combined account for approximately \$2.9 billion in General Fund-State expenditures for the 2013-15 biennium.

The budget provides funds for caseloads for the LTC and DDD forecasted populations--nursing home residents, Medicaid personal care, and COPES waiver clients--as well as adjustments in per capita costs for all forecasted populations and DDD residential clients. Through maintenance level, the general fund-state appropriation for these programs increased about six percent from the 2011-13 level and the most significant cost driver at carryforward level and maintenance level are the caseload and percapita cost increases for the forecasted caseloads. When additional items funded in policy level are included, the budget for this program area increased by about eleven percent over the 2011-13 budget, the greatest portion of this being due to fully funding the homecare worker arbitration award.

INCREASES

ARBITRATION AWARD FOR INDIVIDUAL PROVIDERS - \$113 MILLION GENERAL FUND-STATE

The 2013-15 arbitration award for homecare individual providers is fully funded. This includes wage and health care increases in both years of the biennium, a paid holiday, an increase in the number of miles for which providers can be reimbursed, and pay differentials for workers who obtain certification and who complete advanced training.

ARBITRATION AWARD AGENCY PARITY - \$33 MILLION GENERAL FUND-STATE

Current statute requires that agency homecare workers receive parity to the economic items awarded to the individual providers. The budget fully funds the agency parity with the arbitration award described above.

ADDITIONAL CLIENT CAPACITY AND SERVICES - \$19.7 MILLION GENERAL FUND-STATE

In addition to the formally forecasted caseload items, the budget funds additional client capacity and services in both the DDD and LTC programs. Funded items include Medicaid waiver slots for all students transitioning from high school during the 2013-15 biennium, new crisis and critical placements for persons with developmental disabilities, additional in-home care hours for individuals who qualify for an exception to rule, an expansion to the individual and family services program, and nursing facility slots for the newly constructed Veteran's Home in Walla Walla.

TIME KEEPING SYSTEM AND FISCAL AGENT - \$6.4 MILLION GENERAL FUND-STATE

Funding is provided to contract with a fiscal employer agent to provide timekeeping and payment services for Individual Providers who care for Medicaid eligible clients in their homes. This is needed to become compliant with Medicaid rules regarding time reporting and to maintain the ability to qualify for federal financial participation for Medicaid personal care services.

MAJOR SAVINGS

NURSING HOME RATE CHANGES - \$31.5 MILLION GENERAL FUND-STATE SAVINGS

The planned rebase of nursing home cost reports to a more recent year is delayed for the entire biennium. Two rate component add-ons, the comparative add-on and the acuity add-on, which were established in 2011 are extended. The result is nursing facility Medicaid rates are essentially held at current funded levels.

ADULT FAMILY HOME LICENSE FEES - \$4 MILLION GENERAL FUND -STATE SAVINGS

The budget assumes a \$50 per bed increase in the adult family home license fee. Unlike several other residential providers, the regulatory program for adult family homes (licensure, inspection, complaint investigation, etc.) is partially subsidized with a general fund state appropriation. The

proposed increase will result in license fee revenue supporting about 60 percent of the state funded used for adult family home regulation and licensure.

MENTAL HEALTH

OVERVIEW

The Mental Health program includes funding for the Medicaid and non-Medicaid community mental health services provided by the Regional Support Networks (RSN) as well as funding for three state operated mental health institutions. The 2013-15 budget includes increases at carryforward and maintenance level largely associated with funding forecasted increases in the mental health Medicaid caseload. These increases total \$53 million general fund-state and are somewhat offset with reductions at policy level. Although significant increases are made in policy level, the net is a reduction of just over \$17 million which is driven by the reduced need for state funding associated with federal Medicaid expansion. Overall, the budget increases general fund state funds by four percent over the 2011-13 funded level.

INCREASES

ENHANCED INVOLUNTARY COMMITMENT LAW - \$17.7 MILLION GENERAL FUND - STATE
Legislation enacted in 2010 (Second Substitute House Bill 3076) expanded the factors that can be used when making determinations for [involuntary] detention and commitment. These changes were subsequently delayed until July 1, 2015. Engrossed Second Substitute 5480 was enacted in the 2013 regular session and modified the implementation date to July 1, 2014. The budget provides funding for Regional Support Networks (RSNs) to develop and implement a variety of community services such as evaluation and treatment centers, crisis centers, mobile crisis teams, and Program for Assertive Community Treatment (PACT) teams which will serve as alternatives to expanded placements in the state hospitals.

STATE HOSPITAL SECURITY ENHANCEMENTS - \$7.5 MILLION GENERAL FUND - STATE
The state psychiatric hospitals are required to maintain certification through The Joint Commission, a non-profit entity that certifies numerous health care programs throughout the United States. A recent review of Eastern State Hospital (ESH) resulted in several safety citations. The budget fully funds the staffing and infrastructure enhancements needed to maintain certification for ESH. In addition, other staffing enhancements and facility improvements at both state hospitals are funded to ensure staff and patient safety.

ADULT BEHAVIORAL HEALTH AND ACCOUNTABILITY - \$4.6 MILLION GENERAL FUND-STATE
Funding is provided for the implementation of several pieces of Legislation enacted in the 2013 regular session that are intended to improve the behavioral health system. Engrossed Substitute House Bill 1519 (health care coordination) requires the use of evidence based practices and the creation of performance measures for service coordination organizations. Second Substitute Senate Bill 5732 (behavioral health services) requires the establishment of enhanced services facilities to provide community placements for individuals who reside in state hospitals, but do not respond to treatment. Substitute Senate Bill 5551 (competency to stand trial) requires additional resources to meet timely completion of competency evaluations for in-custody defendants and Engrossed Second Substitute House Bill 1114 (criminal incompetency/

commitment) modifies procedures and standards for involuntary treatment of persons who have been deemed incompetent to stand trial for violent felonies.

ELECTRONIC MEDICAL RECORDS - \$4 MILLION GENERAL FUND -STATE

Funding is provided for the department to plan, procure, and implement the core elements of an electronic medical record system that is compliant with the world health organization's tenth revision of the international classification of diseases medical classification system.

OTHER HUMAN SERVICES

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) AND CHILD CARE

OVERVIEW

Coming into the 11-13 biennium, the TANF, child care, and WorkFirst programs, known as the "TANF box", were projected to have a \$400 million deficit, which was addressed through a number of reforms and eligibility, benefit level, and administrative reductions. These actions created additional caseload savings beyond what was necessary for closing the deficit and an additional \$126 million of general fund-state was removed from the TANF Box in the 2012 supplemental budget. Caseloads and costs continue to come in below forecasted projections, which have created additional savings in the 13-15 biennium. The TANF Box was estimated to have \$176 million in caseload savings in state fiscal years 2013, 2014 and 2015. The budget makes a number of other policy changes, in addition to these caseload savings.

SAVINGS

TANF REDUCTIONS - \$161.7 MILLION GENERAL FUND-STATE SAVINGS

In the 2013-15 biennium, the budget assumes \$156 million in caseload savings related to TANF cash assistance and child care subsidies. Funding is reduced for WorkFirst partners in recognition of declining caseloads (\$2.0 million). Spending on TANF cash grants is expected to decline due to length of stay reductions expected under implementation of the TANF redesign (\$3.6 million). The redesign of the TANF program will ensure that clients receive more targeted services, which will get them into the workforce faster.

DSHS - ECONOMIC SERVICES ADMINISTRATION

OVERVIEW

Economic Services is the main entry point for all DSHS services such as cash assistance, medical, food, and other social services. To achieve savings and compliance with the Affordable Care Act, the budget continues reform of the Aged, Blind or Disabled program and associated Housing and Essential Needs program.

INCREASES

STATE FOOD ASSISTANCE PROGRAM - \$9.4 MILLION GENERAL FUND-STATE

In 2013, the state reduced the benefit available for individuals who are not eligible for federal food stamp programs. The benefit was reduced to 50 percent of the federal food benefit. This increase raises the benefit to 75 percent of the federal food benefit for the 13-15 biennium.

IMPROVING CHILD CARE QUALITY - \$14.8 MILLION GENERAL FUND-STATE

The budget provides funding to improve the quality of child care by increasing the subsidies to child care providers by 2 percent effective September 1, 2013.

DSHS - CHILDREN'S ADMINISTRATION

OVERVIEW

The proposed budget is focused on implementing a new approach to child welfare, Family Assessment Response (FAR) and preserving as many of the current programs as possible. In the budget, the Children's Administration's Near General Fund budget increases by 1.1 percent in the 13-15 biennium.

INCREASES

FAMILY ASSESSMENT RESPONSE IMPLEMENTATION AND CHILD PROTECTIVE SERVICES - \$1.2 MILLION GENERAL FUND-STATE, \$14.7 MILLION OTHER FUNDS

Funding is provided to implement FAR, which engages families who would normally have been investigated by child protective services in a voluntary assessment and services. The purpose of FAR is to safely prevent out-of home foster care placements by engaging with and providing basic needs for families. Funding is provided for additional services and concrete good for participating families and for additional staff who will engage families. Funding is also provided to reduce response and investigation times of potential child abuse or neglect cases.

EXTENDED FOSTER CARE SERVICES - \$4.5 MILLION GENERAL FUND-STATE, \$1.9 MILLION GENERAL FUND-FEDERAL

Funding is provided to implement Engrossed Second Substitute Senate Bill 5405 (extended foster care), which allows youth exiting the foster care system who are engaged in activities which remove barriers to employment to receive extended foster care services until they reach age 21.

MAJOR SAVINGS

FAR CASELOAD SAVINGS - \$1 MILLION GENERAL FUND-STATE SAVINGS

The budget assumes a 30 percent decline in out of home placements for cases referred to the FAR pathway in the final six months of state fiscal year 2015.

ADOPTION INCENTIVE GRANT - 1.6 MILLION GENERAL FUND-STATE SAVINGS

The Children's Administration is earning a federal Adoption Incentive Grant for completed adoptions. Grant funds will be used as a one-time replacement for state general funds.

CORRECTIONS & OTHER CRIMINAL JUSTICE

OVERVIEW

The budget provides just over \$1.9 billion in general fund-state for Department of Corrections and other criminal justice which includes the Department of Social and Health Services Juvenile Rehabilitation Administration and the Special Commitment Center for sexually violent predators. Funded levels

represent a three percent increase from the 2011-13 biennium. Offender caseloads specific to adult prisons are projected to continue a moderate upward trend over the next 15 years.

The forecasted demand for prison beds projects the state will need to open two new prison units this biennium and build a new prison by the year 2022. However, many steps have been taken by the Legislature in recent years to reduce offender recidivism among juveniles and adults and the growth trend has been decreasing with regularity over the past few years. The budget makes additional reforms to the adult corrections system which will delay the need to open one of the two new prison units while maintaining public safety.

INCREASES

PRISON SAFETY - \$3.5 MILLION GENERAL FUND-STATE

Funding is provided to increase correctional officer staffing levels in two areas: (1) Stand-alone minimum security facilities on graveyard shift and (2) medium security housing units on the day shift. In addition, funding is provided to upgrade the prison radio infrastructure.

OFFENDERS WITH SPECIAL NEEDS - \$5.4 MILLION GENERAL FUND-STATE, \$.4 REINVESTING IN YOUTH FUND

Additional mental health staffing is funded to provide added support to adult offenders with developmental disabilities and to juvenile offenders suffering from mental illness. Funds are provided to expand alternatives to incarceration for drug-addicted offenders

MAJOR SAVINGS

DELAY OPENING PRISON UNIT - \$7.7 MILLION GENERAL FUND-STATE SAVINGS

Policy to reduce the forecasted Adult Daily Prison (ADP) population is expected to decrease the demand for prison beds allowing savings to be achieved due to the delay of opening one medium security unit at Washington State Penitentiary (WSP). Increased residential beds for Drug Offender Sentencing Alternatives are expected to reduce ADP by 272 beds. In addition, the DOC is authorized to rent local jail beds for short-term offenders who have 120 days or fewer remaining on their sentence when they would otherwise transfer from jail to DOC. When this policy is fully implemented, about 290 fewer offenders will go through the reception process annually, reducing the need for DOC capacity by an additional 52 beds. The DOC is authorized to open one medium unit at WSP and close one minimum unit at WSP within existing appropriations.

SYSTEM STANDARDIZATION - \$3.7 MILLION GENERAL FUND-STATE SAVINGS

Strategic policy actions are taken pursuant to Second Engrossed Substitute Senate Bill 5892 (reducing corrections costs) to standardize two areas in the correctional system where inconsistencies continue to occur and to reduce the demand for adult prison capacity:

The Drug Sentencing Grid is modified so that any offender who commits a Seriousness Level 1 Drug offense and has a criminal history score within the range of 3-5, will serve their sentence in jail unless an exceptional sentence is imposed. Currently, two drug offenders who have committed an identical Seriousness Level 1 drug offense and have identical criminal history scores may be sentenced to either prison or jail. This item reduces the growing demand for prisons by 126 beds.

The DOC is required to standardize the way earned release is calculated for felony offenders transferring in from jails so that the earned release for presentence time served in jails is consistent with the rate applicable to DOC offenders. Two DOC offenders with the exact same offense, criminal history, sentence length, and behavior while incarcerated will have different earned release dates because of how the presentence jail credits are calculated depending on the local jail.

OFFENDER PROGRAMMING UNDER-EXPENDITURES- \$4.7 MILLION GENERAL FUND-STATE SAVINGS

A temporary savings is achieved through a process to reform offender programming. The 2012 Supplemental Appropriations Act required the DOC to implement an evidence-based Risk Needs Responsivity (RNR) model which pairs supervision with treatment. The DOC is revamping the way programming is provided to offenders in prisons and in community supervision to follow the RNR model. During this transition DOC is realizing under expenditures. Some of the one-time savings from under expenditures are used to consult with Washington State Institute for Public Policy on evidence-based, research-based programming and to hire a consultant who can facilitate and provide project expertise on the implementation plan and timeline.

DEPARTMENT OF HEALTH

MAJOR SAVINGS

LOCAL PUBLIC HEALTH FUNDING - \$760,000 GENERAL FUND-STATE SAVINGS, \$24 MILLION TRANSFER

The budget collapses the three disparate public health funding streams into a single block grant dispersed through the Treasurer's Office per the current formulas. Savings are achieved by eliminating the DOH indirect charge, FTE, and related programming. Local Health Jurisdictions will be required to report to the legislature each November measures that show whether their programs are achieving intended outcomes and spending information by category of spending.

USE OF DEDICATED FUNDS - \$5.8 MILLION GENERAL FUND-STATE SAVINGS

There are several health programs that rely on both General Fund-State and dedicated funds for the same or similar activities. The budget reduces state general fund in those areas where the state general fund is either subsidizing activities paid for by dedicated accounts or those areas where activities could be paid for by dedicated accounts and those dedicated accounts have excess fund balance. The major items where dedicated funds are used in lieu of general fund are: HIV Drug Rebates, \$3.4 million and Public Health Laboratories, \$2.4 million.

NATURAL RESOURCES

OVERVIEW

The 2013-15 biennial budget for natural resources is approximately \$1.5 billion and represents approximately 2.6 percent of the overall budget. Of this \$1.5 billion, the general fund accounts for less

than 17 percent or approximately \$250 million. Some of the primary activities funded with these resources include environmental protection; water quality; fish, shellfish, and game harvest; food safety and commodity control; land and resource management; operation and maintenance of state parks; and forest fire protection.

Since the 2011-13 fiscal biennium, the General Fund-State appropriation for the natural resources has been reduced by 6 percent or approximately \$17 million.

INCREASES

SUPPORT FOR STATE PARKS - \$8.35 MILLION GENERAL FUND-STATE, \$11.7 MILLION WASTE REDUCTION, RECYCLING, AND LITTER CONTROL ACCOUNT

Funding is provided to preserve the state's essential activities necessary to meet the operational needs of the state park system.

IMPROVING WATER QUALITY PROTECTION ON AGRICULTURAL LANDS, \$1.0 MILLION GENERAL FUND-FEDERAL, \$546,000 GENERAL FUND-STATE

Funding is provided to support continued implementation of Voluntary Stewardship Program in Thurston and Chelan counties.

TRAINING FOR STORMWATER-REDUCING, LOW-IMPACT DEVELOPMENT PRACTICES - \$2.0 MILLION ENVIRONMENTAL LEGACY STEWARDSHIP ACCOUNT

Funding is provided for training of local government and developers on the benefits of low-impact development for reducing stormwater impacts.

MAJOR SAVINGS

SHIFT A PORTION OF THE DEPARTMENT OF ECOLOGY COSTS - \$29.1 MILLION GENERAL FUND-STATE TO STATE TOXICS CONTROL ACCOUNT

Ongoing funding is provided for activities in air quality, water quality, shorelands, and environmental assessment and administration programs from the State Toxics Control Account.

SHIFT DEPARTMENT OF ECOLOGY COSTS - \$9.9 MILLION GENERAL FUND-STATE TO STATE TOXICS CONTROL ACCOUNT

Funding is provided for programs from the State Toxics Control Account.

SHIFT FUNDING OF PROGRAMS TO AQUATIC LANDS ENHANCEMENT ACCOUNT (ALEA) - \$10 MILLION GENERAL FUND-STATE TO AQUATIC LANDS ENHANCEMENT ACCOUNT

Ongoing funding is provided for programs related to commercial shellfish management, aquatic invasive species, hydraulic permit approvals, and hatchery operations is transferred from General Fund-State to the Aquatic Lands Enhancement Account.

REDUCE FUNDING FOR WATERSHED PLANNING - \$2.9 MILLION GENERAL FUND-STATE

Funding is reduced in watershed planning and technical assistance. The remaining funding will provide support to carry out projects in the Dungeness, Walla Walla, and Wenatchee basins; and fund implementation activities in the Chelan, Dungeness, Methow, Lower Lake Roosevelt, and Lower Spokane basins.

GENERAL GOVERNMENT

JUDICIAL BRANCH AGENCIES

INCREASES

TECHNOLOGY PROJECTS - \$16.4 MILLION JUDICIAL INFORMATION SYSTEM -STATE
Appropriations are made from the Judicial Information System (JIS) Account for the information, superior court case management system, networking hub, internal and external equipment replacement, and for an electronic content management systems for the appellate courts.

PARENTS REPRESENTATION PROGRAM \$3.4 MILLION GENERAL FUND-STATE
Funding is provided to expand the Parents Representation Program to Asotin, Columbia, Garfield, King, Whatcom, and Whitman counties beginning July, 1, 2014.

MAJOR SAVINGS

JUDICIAL STABILIZATION FUNDS - \$11.8 MILLION GENERAL FUND-STATE SAVINGS
Temporary surcharges on some court fees originally authorized in the 2009 legislative session will be extended through the 2013-2015 biennium. The state portion of the funding will be deposited into the Judicial Stabilization Trust Account and used to support the Administrative Office of the Courts. These surcharges are estimated to raise \$5.9 million in additional revenue for the state.

DEPARTMENT OF COMMERCE

INCREASES

PACIFIC HOSPITAL - \$4.8 MILLION GENERAL FUND -STATE
Funding is provided for the Department of Commerce (Commerce) to establish and operate a community health care, education, and innovation center at the Pacific Hospital in Seattle. Funds must be used for lease, maintenance, operations, and other related expenses for Seattle community colleges allied health programs and other uses identified by Commerce.

MAJOR SAVINGS

STREAMLINING ECONOMIC DEVELOPMENT ACTIVITIES - \$8.8 MILLION GENERAL FUND-STATE SAVINGS
Grants for microenterprises, agriculture incubators, global health, innovation partnership zones, manufacturing are eliminated (\$1.8 million) and grant services are eliminated (\$1.2 million). The Strategically Targeted Academic Research grant is eliminated (\$3.7 million). The Economic Development Commission is eliminated (\$882,000). Other business service activities, including international trade services, are reduced (\$1.9 million).

HOUSING AND ESSENTIAL NEEDS REFORM - \$20 MILLION GENERAL FUND-STATE SAVINGS
Funding for the Housing and Essential Needs program is adjusted to reflect actual monthly expenditures from July through May 2013.

OTHER CHANGES

MAJOR SAVINGS

LEAN MANAGEMENT, IT, AND CENTRALIZED SAVINGS \$40 MILLION GENERAL FUND-- STATE

Savings will be achieved by implementing lean management practices. The Office of Financial Management (OFM) will develop a strategic lean management action plan to drive efficiencies in state spending and increase productivity of state employees while improving and increasing state services for taxpayers. The OFM will also develop a lean practitioner fellowship program to train state agency staff. Additionally, information technology savings totaling \$5 million are assumed. The OFM will reduce allotments to all agencies to reflect efficiencies in information technology expenditures statewide. Finally, centralized service agencies are expected to generate \$5 million in savings in the 2013-15 biennium.

APPENDIX A

Fund Transfers and Revenue Redirection Items

(Dollars in Millions)

	2011-13	2013-15	2015-17
Capital Budget Fund Transfers & Revenue Redirection (to GF-S)			
Energy Freedom Fund	-	2.0	-
Local/State Toxic Accounts	-	18.0	-
Eliminate Statutory Transfer (Opp Pathway/School Construction)	-	-	204.0
Capital Budget Fund Transfers & Revenue Redirection (to GF-S)	-	20.0	204.0
Capital Budget Fund Transfers & Revenue Redirection (to Ed Legacy)			
Public Works Assistance Account	-	277.2	-
All Solid Waste Tax (Public Works)	-	-	42.0
Portion of Real Estate Excise Tax (Public Works)	-	43.9	53.5
Public Utility Tax (Public Works)	-	33.4	34.0
Unclaimed Lottery	-	12.1	12.1
Capital Budget Fund Transfers & Revenue Redirection (to Ed Legacy)	-	366.7	141.6
Total Capital Budget Resources & Revenue Redirections	-	386.7	345.6
Other Fund Transfers & Revenue Redirection (to and from GF-S)			
Liquor Excise Tax	-	24.7	-
Life Science Discovery Fund	-	34.0	-
State Treasurer's Service Account	1.8	20.2	-
Data Processing Revolving Account	-	8.1	-
Pollution Liability Insurance Account	-	5.0	-
Employment Training Finance Account	-	2.0	-
Tuition Recovery Trust Account	-	2.5	-
Legal Services Revolving Account	-	2.5	-
Personnel Service Account	-	1.5	-
Criminal Justice Treatment Account	-	3.2	-
Flood Control Assistance Account	-	2.0	-
Health Benefit Exchange Loan Repayment	-	0.7	-
Real Estate Commission Account	-	3.4	-
Professional Engineers Account	-	1.9	-
Electrical License Account	-	3.4	-
Business and Professions Account	-	3.6	-
Child Welfare Reinvestment	-	(6.5)	(7.5)
HB 1947 - HB Exchange Operations	-	(20.8)	(65.1)
Health Benefit Exchange Account	-	20.8	-
Other Fund Transfers & Revenue Redirection (to and from GF-S)	1.8	112.2	(72.6)
Total Fund Transfers and Revenue Redirection	1.8	498.9	273.0

APPENDIX B

BUDGET DRIVEN REVENUE

	Budget Driven Revenue (millions)	
	FY 14	FY 15
Agency/Subject		
DOR-Liquor Auditing	\$4.8	\$4.8
LCB- I-502 funding	(\$2.3)	(\$1.6)
Total	\$2.5	\$3.2

LIQUOR AUDITING - 9.6 MILLION GENERAL FUND STATE INCREASE

Funding is provided for additional audit staff to establish new auditing and administrative processes and documentation for liquor tax collections. With these additional resources, the department will generate an additional \$4.8 million per year in revenues through the enforcement of liquor taxes.

LIQUOR CONTROL BOARD SPENDING - \$3.9 MILLION GENERAL FUND STATE DECREASE

Funding is provided for the implementation of Initiative 502 (an act relating to marijuana) which creates the necessity of additional rulemaking, information technology, and licensing activities related to marijuana production, distribution, and sales. Additional funding is also provided for 5 new liquor enforcement officers needed as a result of the expansion of retail liquor establishments. Expenditure authority is increased in the Liquor Revolving Account to reflect these costs which has a direct impact to the state general fund.

REVENUE ADJUSTMENTS

Revenue Legislation June 28

Prefix	Bill #	Brief Title	FY 2014	FY 2015	2013-2015	2015-2017
EHB	2075	Estate tax transfers	118.4	41.0	159.4	75.5
E2SHB	1971	Telecommunications Parity	50.6	59.3	109.9	123.4
SB	5627	Taxation of commuter air carriers	0.0	0.0	0.1	0.1
E2SHB	1306	Local infrastructure Financing Tool Program	0.0	0.0	0.0	0.0
ESHB	1403	Providing information to businesses	0.0	0.0	0.0	0.0
SB	5806	Repeals the timber credit	0.0	0.0	0.0	0.0
ESB	5843	Requires tax preferences to have expiration date and legislative intent	0.0	0.0	0.0	0.0
EHB	1421	Collecting deferred property taxes	0.0	0.0	0.0	0.0
SB	5715	Addresses evading taxes by electronic means	0.0	0.0	0.0	0.0
E2SSB	5078	Modifying property tax exemption for nonprofit fairs	0.0	0.0	0.0	0.0
SSB	5072	Sales/use tax exemption for disabled vets for equipment and services for motor vehicle	0.0	0.0	-0.1	-0.1
ESHB	1947	B&O tax exemption for Health Benefit Exchange	-0.8	-0.8	-1.6	-0.4
SB	5882	Relating to Revenue				
		Provides B&O tax exemption for dairy products	0.0	0.0	0.0	0.5
		Extending beekeeper exemptions	0.0	0.0	0.0	0.0
		Exempting nonprofit organizations or libraries from use tax	0.0	0.0	0.0	0.0
		Provides sales and use tax exemption for clay targets	0.0	0.0	0.0	0.0
		Sales/use tax exemption for restaurants flavoring food	0.0	0.0	-0.1	-0.1
		Provides tax exemptions for mint growers and processors	-0.1	-0.2	-0.3	-1.8
		Cooperative Finance Org	-0.1	-0.2	-0.3	-0.3
		S&U exemption for data for international investments firms	-0.3	-0.4	-0.7	-1.0
		Cover charges for dancing not considered retail sales	-0.3	-0.5	-0.8	-1.1
		Solar B&O Extension	0.0	-1.0	-1.0	-1.2
		Extending renewable energy exemptions	-1.0	-0.5	-1.5	-2.6
		Hog Fuel	-0.9	-1.0	-1.9	-2.0
		Taxation of large airplanes	-0.6	-1.5	-2.1	-3.0
		Modifies tax exemption for blood banks	-0.9	-1.2	-2.1	-2.6
		Providing incentives for solar energy	-1.2	-1.3	-2.5	-2.6
		Total for SB 5882	-5.5	-7.8	-13.3	-17.7
	Total		162.7	91.7	254.4	180.8

BILLS

MODIFYING THE ESTATE AND TRANSFER TAX - \$159.4 MILLION GENERAL FUND STATE INCREASE

Engrossed House Bill 2075 (estate tax) requires certain marital trust property to be included in the estate for purposes of the Washington estate tax. A deduction is provided for family-owned businesses. The \$2 million deduction is adjusted by inflation on an annual basis. The top four estate tax rates are increased.

COMMUNICATION SERVICES REFORM - \$109.9 MILLION GENERAL FUND STATE INCREASE

Engrossed Second Substitute House Bill 1971 (telecommunications parity) requires retailers of prepaid wireless telephone service to collect and remit the Enhanced 911 tax. A seller of prepaid wireless is allowed to charge an additional 5 cents per retail transaction to offset the cost of collecting the tax. The taxes funding the Washington Telephone Assistance and Telecommunications Relay Service programs are repealed and requires the programs to be funded by State General Fund appropriations. State and local sales and use tax exemptions are repealed for local residential landline service. A temporary state universal communications services program is established.

TAXATION OF CERTAIN COMMUTER AIR CARRIERS - \$.06 MILLION GENERAL FUND STATE INCREASE

Senate Bill 5627 (taxation of commuter air carriers) exempts commuter air carriers operating on private property from the personal property tax and subjects them to the aircraft excise tax. A separate aircraft excise tax schedule is created for such carriers.

EXTENDING THE EXPIRATION DATES OF THE LOCAL INFRASTRUCTURE FINANCING TOOL PROGRAM - NO IMPACT TO GENERAL FUND STATE

Engrossed Second Substitute House Bill 1306 (Local Infrastructure Financing Tool Program) extends the expiration date of the Local Infrastructure Financing Tool program from June 30, 2039 to June 30, 2044. Local jurisdictions are required to commence construction by June 30, 2017, to impose the state shared local sales and use tax. The requirement that a sponsoring local government issue indebtedness to receive a state sales and use tax credit is removed.

PROMOTING ECONOMIC DEVELOPMENT BY PROVIDING INFORMATION TO BUSINESSES - NO IMPACT TO GENERAL FUND STATE

Engrossed Substitute House Bill 1403 (providing information to businesses) requires all regulatory agencies that have a business license to fully participate with the business license service by providing the Department of Revenue with the application and information necessary to complete the application for the business license.

REPEALING AN OBSOLETE PROVISION FOR CREDIT AGAINST PROPERTY TAXES PAID ON TIMBER ON PUBLIC LAND - NO IMPACT TO GENERAL FUND-STATE

Senate Bill 5806 (obsolete timber credit) repeals an obsolete property tax credit for taxes paid on privately owned timber standing on public lands.

REQUIRING INTENT AND EXPIRATION DATE FOR TAX PREFERENCES - NO IMPACT TO GENERAL FUND-STATE

Engrossed Senate Bill 5843 (strengthening the review of the legislature's goals for tax preferences by requiring that every new tax preference provide an expiration date, where applicable, and statement of legislative intent) requires that any bill introduced which adopts a new tax preference

or expands or extends an existing tax preference include legislative intent provisions that might provide context and/or data for purposes of reviewing the preference. Further, tax preferences must include a specific expiration date where applicable.

COLLECTING DEFERRED PROPERTY TAXES - NO IMPACT TO GENERAL FUND STATE

Engrossed House Bill 1421 (deferred property taxes) provides that proceeds from the sale of property acquired by the county due to property tax foreclosure must first be applied to pay DOR for taxes deferred under the senior and limited-income property tax deferral program.

ADDRESSING THE EVASION OF TAXES BY THE USE OF ELECTRONIC MEANS - \$20 MILLION GENERAL FUND STATE DECREASE

Senate Bill 5715 (addressing sales suppression technology) criminalizes the possession, purchase, installation, transfer, manufacture, creation, design, update, repair, use, or sale of an automated sales suppression device. Additional mandatory fines are set for those who furnish, update, or repair automated sales suppression devices. DOR is provided with the authority to revoke a business' certificate of registration if it's found using one of these devices. A certificate cannot be reinstated unless the business agrees to have its sales transactions electronically monitored for five years at its own expense.

MODIFYING THE PROPERTY TAX EXEMPTION FOR NONPROFIT FAIRS - NO IMPACT TO GENERAL FUND STATE

Engrossed Second Substitute Senate Bill 5078 (nonprofit fairs) removes the revenue restrictions to qualify for a property tax exemption for nonprofit fair associations having property valued at less than \$15 million, that receive funding from the fair fund, and which were previously a county run fair.

SALES TAX EXEMPTION FOR CERTAIN AUTOMOBILE ADAPTIVE EQUIPMENT FOR VETERANS - \$.1 MILLION GENERAL FUND STATE DECREASE

Substitute Senate Bill 5072 (sales tax exemption) provides a sales and use tax exemption for prescribed add-on automotive adaptive equipment for veterans or members of the armed forces, including charges for labor and services in respect to installation and repair of such equipment. The exemption only applies if the eligible purchaser is reimbursed in whole or part for the purchase by the federal government.

PROVIDING A B&O TAX EXEMPTION TO THE WASHINGTON HEALTH BENEFIT EXCHANGE - \$1.586 MILLION GENERAL FUND STATE DECREASE

Engrossed Substitute House Bill 1947 (health benefit exchange) provides a B&O tax exemption to the Washington Health Benefit Exchange, both prospectively and retroactively, for amounts received in the form of grants from the state of Washington or the federal government.

RELATING TO REVENUE - \$13.261 MILLION GENERAL FUND STATE DECREASE

Senate Bill 5882 - (tax incentives)

The following bills are encompassed within Senate Bill 5882:

- **B&O TAXATION OF DAIRY PRODUCTS - NO IMPACT TO GENERAL FUND-STATE**

Substitute Senate Bill 5561 (dairy products exemption) provides a B&O tax exemption for sales of dairy products to purchasers who use the dairy product as an ingredient or component in the manufacturing of a dairy product. Dairy products are defined by reference to the Code of Federal Regulations and include byproducts such as whey and casein, and products comprised of not less than 70 percent dairy products by weight or volume.

- **EXTENDING THE EXPIRATION DATE OF TAX EXEMPTIONS FOR HONEY BEEKEEPERS - \$.012 MILLION GENERAL FUND STATE DECREASE**
 Substitute House Bill 1558 (honey beekeepers tax exemption) extends the tax exemptions for honey beekeepers to July 1, 2017. Eligible honey beekeepers are provided with a sales or use tax exemption for purchases of honeybee food. A honeybee workgroup is created to address honeybee industry challenges. JLARC must evaluate the impact of state taxes on the honeybee industry to evaluate the impact of state taxes on the industry compared to other industries as part of its tax preference review.
- **PROVIDING A USE TAX EXEMPTION FOR CERTAIN PURCHASES FROM NONPROFIT ORGANIZATIONS OR LIBRARIES SOLD AT A FUND-RAISING ACTIVITY - \$.016 MILLION GENERAL FUND STATE DECREASE**
 Substitute Senate Bill 5865 (nonprofit organizations and libraries) provides a use tax exemption for items of personal property, valued at \$10,000 or less, purchased or received as a prize in a game of chance from a nonprofit organizations or libraries for a fundraising activity.
- **PROVIDING SALES AND USE TAX EXEMPTIONS FOR CLAY TARGETS PURCHASED BY NONPROFIT GUN CLUBS - \$.026 MILLION GENERAL FUND STATE DECREASE**
 Substitute Senate Bill 5831 (clay targets tax exemption) provides nonprofit gun clubs sales and use tax exemptions for the clay targets they purchase for use in clay target shooting for which a fee is charged. The buyer must provide the seller with an exemption certificate.
- **PROVIDING RESTAURANTS WITH A SALES AND USE TAX EXEMPTION FOR CERTAIN ITEMS THAT IMPART FLAVOR TO FOOD DURING THE COOKING PROCESS - \$.078 MILLION GENERAL FUND STATE DECREASE**
 Senate Bill 5342 (exemption for items that impart flavor to food) provides restaurants sales and use tax exemptions for products that impart flavor to food during the cooking process. The product must be completely or substantially consumed during the cooking process or entirely comprised of wood.
- **PROVIDING FARMERS WITH TAX EXEMPTIONS FOR PROPANE OR NATURAL GAS USED EXCLUSIVELY TO DISTILL MINT OIL - \$.266 MILLION GENERAL FUND STATE DECREASE**
 Substitute Senate Bill 5862 (exemptions for mint farmers) provides sales and use tax exemptions to mint farmers for the purchase of propane or natural gas used exclusively to distill mint on a farm.
- **BUSINESS AND OCCUPATION TAX EXEMPTION FOR COOPERATIVE FINANCE ORGANIZATIONS - \$.288 MILLION GENERAL FUND DECREASE.**
 Senate Bill 5154 (cooperative finance organizations) provides a B&O tax exemption to cooperative finance organizations on amounts derived from loans to rural electric cooperatives or other nonprofit or governmental providers of utility services organized under the laws of Washington.
- **SALES AND USE TAX EXEMPTION FOR INTERNATIONAL INVESTMENT FIRMS - \$.683 MILLION GENERAL FUND STATE DECREASE**

Senate Bill 5101 (international investment firms) provides a sales and use tax exemption for the sale of standard financial information to qualifying international investment management companies.

- **PROVIDING THAT CERTAIN COVER CHARGES FOR THE OPPORTUNITY TO DANCE ARE NOT CONSIDERED RETAIL SALES - \$.813 MILLION GENERAL FUND STATE DECREASE**

Substitute Senate Bill 5613 (opportunity to dance cover charge) excludes the opportunity to dance in exchange for a cover charge from amusement and recreation services. Therefore, it is no longer subject to retail sales tax or the retailing classification of the B&O tax, but rather the service and other activities B&O tax classification.

- **BUSINESS AND OCCUPATION TAX RATE OF CERTAIN SOLAR ENERGY SYSTEMS - \$1.465 MILLION GENERAL FUND STATE DECREASE**

Substitute Senate Bill 5752 (solar energy systems) extends the expiration of the preferential B&O tax rate for manufacturers and wholesalers of solar energy systems using photovoltaic modules or stirring converters, or of solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers, from June 30, 2014 to June 30, 2016.

- **EXTENDING RENEWABLE ENERGY EXEMPTIONS - \$1.465 MILLION GENERAL FUND STATE DECREASE**

Senate Bill 5896 (renewable energy) extends the expiration date for the sales and use tax exemption for machinery and equipment used in facilities that generate electricity from renewable energy to January 1, 2020. JLARC is required to include additional information in their tax preference review with specific reference to the intent and performance milestones established in the legislative intent.

- **EXTENDING THE SALES AND USE TAX EXEMPTION FOR HOG FUEL USED TO PRODUCE ELECTRICITY, STEAM, HEAT, OR BIOFUEL - \$1.871 MILLION GENERAL FUND STATE DECREASE**

Senate Bill 5866 (hog fuel exemption) extends the expiration date of the sales and use tax exemption for hog fuel by eleven years, to June 30, 2024. Taxpayers claiming an exemption must file an annual survey with DOR. DOR and ESD must provide information to JLARC, who in turn must review the performance of the tax preference and report their findings to the Legislature by December 31, 2019. Taxpayers who claim the exemption, and subsequently close a facility resulting in a loss of jobs in Washington, must immediately pay back the amount of the tax exemption claimed for the previous two calendar years.

- **TAXATION OF LARGE AIRPLANES - \$2.132 MILLION GENERAL FUND STATE DECREASE**

Senate Bill 5622 (taxation of large airplanes) provides a sales and use tax exemption for large private aircraft owned by nonresidents. Additionally, labor and services for repairing, cleaning, altering, or improving large private aircraft owned by a nonresident are exempt from sales and use tax.

- **MODIFYING NONPROFIT TAX EXEMPTION FOR QUALIFYING BLOOD, TISSUE, OR BLOOD AND TISSUE BANKS - \$2.139 MILLION GENERAL FUND STATE DECREASE**

Substitute Senate Bill 5848 (qualifying blood and blood and tissue banks) expands the definitions of qualifying blood and qualifying blood and tissue banks to include testing or

processing of blood, on behalf of itself or other qualifying blood banks or qualifying blood and tissue banks so that they are exempt from the B&O, retail sales, use, and property taxes.

- **PROVIDING INCENTIVES FOR SOLAR ENERGY - \$2.498 MILLION GENERAL FUND STATE DECREASE**

House Bill 1705 (solar energy) extends the expiration date for the sales and use tax exemption for machinery and equipment used in generating electricity from solar energy for five years. The exemption is expanded to include machinery and equipment used to produce thermal heat using solar energy.

APPENDIX C

Preliminary Budget Outlook Based on June 27th Striking Amendment (2ESSB 5034) - Based on 4.5% Revenue Growth
(Near GF-S & Opportunity Pathways Account in Millions)

	FY 2012	FY 2013	2011-13	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17
Beginning Balance	(60)	(365)	(60)	95	53	95	53	60	53
Current Revenues									
June 2013 Forecast (Including EHB 2075-Estate Taxes)	15,107	16,008	31,115	16,194	16,953	33,147	17,557	18,291	35,847
Additional Based on 4.5% Growth Rate Assumption	-	-	-	-	-	-	159	222	381
Other Resource Changes									
Transfer to BSA	(130)	(139)	(269)	(141)	(168)	(308)	(175)	(182)	(357)
Previously Enacted Fund Transfers (Net)	243	135	379	-	-	-	-	-	-
2012 Adjustment to Working Capital Reserve (SHB 2822)	-	238	238	-	-	-	-	-	-
Adjustment to CAFR	(5)	-	(5)	-	-	-	-	-	-
2013 Session Changes									
Capital Budget & Other Revenue Redirection	-	-	-	193	193	387	173	173	346
Other Fund Transfers	-	2	2	54	58	112	(36)	(36)	(73)
Budget Driven Revenue	-	-	-	5	5	10	5	5	10
Revenue Legislation	-	-	-	(5)	(7)	(11)	(6)	(6)	(12)
Communications Services Reform	-	-	-	51	59	110	49	49	98
Total Revenues and Resources	15,155	15,879	31,400	16,446	17,146	33,540	17,778	18,575	36,293
Appropriations									
Enacted Appropriations (All Actions Through December 2012)	15,626	15,623	31,249						
2013 Session Changes									
2013 Supplemental Changes	-	221	221						
2013-15 Budgeted/Maintenance Level Projections (See next page)									
Actual/Estimated Reversions	(106)	(60)	(166)	16,463	17,164	33,627	17,788	18,259	36,047
Revised Appropriations	15,520	15,785	31,305	16,393	17,094	33,487	17,718	18,189	35,907
Projected Unrestricted Ending Balance	(365)	95	95	53	53	53	60	386	386
Budget Stabilization Account									
Beginning Balance	1	130	1	269	410	269	578	753	578
Transfer From GFS	130	139	269	141	168	308	175	182	357
Interest Earnings	0	0	0	0	0	0	0	0	0
Ending BSA Balance	130	269	269	410	578	578	753	936	936
Combined Near GF-S Unrestricted & BSA Ending Balance	(235)	364	364	463	631	631	813	1,321	1,321

Four Year Outlook Spending Projection

(Dollars in Millions)

<u>Functional Area/Item</u>	<u>Growth Rate</u>	<u>FY 2014</u>		<u>FY 2015</u>		<u>2013-15</u>		<u>FY 2016</u>		<u>FY 2017</u>		<u>2015-17</u>	
K-12 Education	0.5%	7,408	7,801	15,209	7,840	7,879	15,719	50	51	15,719	101	15,719	101
K-12 Basic Education Bow-Wave	0.5%	-	-	-	50	-	50	50	51	51	51	101	101
Higher Education	0.0%	1,535	1,538	3,073	1,538	1,538	3,077	89	89	1,538	177	3,077	177
Dept of Early Learning Initiative 732	0.0%	74	89	163	89	163	177	89	89	89	177	177	177
Pensions Beyond 13-15 Maintenance Level	N/A	-	-	-	108	-	320	108	212	212	320	320	320
Mental Health/Dev. Disabilities/Long Term Care	2.0%	1,868	1,917	3,784	115	142	256	115	142	142	256	256	256
Nursing Home Re-Basing	2.0%	-	-	-	1955	1,994	3,949	17	17	1,994	34	3,949	34
Corrections/JRA/SCC	2.0%	961	957	1,917	976	995	1,971	976	995	995	1,971	1,971	1,971
Children's/Economic Svcs	2.0%	699	703	1,402	717	731	1,448	717	731	731	1,448	1,448	1,448
Low Income Health Care	4.3%	2,267	2,251	4,518	2,348	2,449	4,797	2,348	2,449	2,449	4,797	4,797	4,797
Hospital Safety Net	N/A	(136)	(136)	(272)	(109)	(82)	(190)	(109)	(82)	(82)	(190)	(190)	(190)
Debt Service	6.0%	769	1,078	1,847	1,143	1,211	2,354	1,143	1,211	1,211	2,354	2,354	2,354
All Other	0.0%	1,019	967	1,985	967	967	1,933	967	967	967	1,933	1,933	1,933
Opportunity Scholarship (See 28B.145.040)	N/A	-	-	-	-	-	50	-	50	50	50	50	50
Public Safety (See RCW 41.26.802 tab)	N/A	-	-	-	20	-	20	20	-	-	20	20	20
Other One-Time Adjustments	N/A	-	-	-	15	-	30	15	15	15	30	30	30
Total		16,463	17,164	33,627	17,788	18,259	36,047	17,788	18,259	18,259	36,047	36,047	36,047

APPENDIX D

2013-15 Omnibus Operating Budget
NGF-S + Opportunity Pathways
(Dollars in Thousands)

	2ESSB 5034 6/27	Senate June 8th	ESHB1057 Passed Hse
Employee Compensation			
I-732 (K-12 and CTCs)	-320,363	-320,700	-320,488
State Employee Health Insurance	-16,897	-16,637	-16,897
PEBB - Coverage Waiver Surcharge	-15,039	-14,428	0
Affordable Care Act Savings	-10,000	0	0
Re-Suspend National Board Bonus Inflation	-3,006	-3,167	-3,167
Wellness - Smoker Surcharge	-2,507	-2,346	0
K12 Eligibility - Align w/ ACA	0	-46,141	0
Reduce Explicit Medicare Subsidy	0	-30,822	0
PEBB Eligibility - Align w/ ACA	0	-8,417	0
Retirement Savings Plan Option	0	-2,300	0
Coll. Bargained Personal Leave Day	1,133	1,133	1,133
Additional Pay Step (Step M)	38,618	38,620	38,620
Employee Compensation Total	-328,061	-405,205	-300,799
K-12 Education			
Assessment Reforms	-24,961	-17,130	-21,088
HB 2776: Reduce/Eliminate Hold Harmless	-24,717	-24,718	-24,717
ALE Audit Recoveries	-11,052	-9,125	-8,925
Consolidate Grants & Programs	-6,469	-36,670	0
Navigation 101	-5,030	0	-5,030
Re-Suspend Alternative Routes	-4,244	-5,064	0
PASS Act Program	-3,000	0	0
Regional Ed. Tech. Support Centers	-1,960	0	0
ALE Programs	-1,620	-1,620	-13,329
Career & Tech. Ed. MSOC	0	-49,191	-18,347
District Payment Schedule	0	0	-142,566
STEM Education	0	505	0
Strategic Innovation Grant	0	5,030	0
K12 Professional Development	0	10,215	0
Dropout Prevention and Retention	1,056	0	0
Initiative 1240 (Charter Schools)	1,500	1,500	1,357
Washington Achievers Scholars	2,400	0	3,000
Improved Student Outcomes (SB5946)	4,434	0	0
Other Increases	6,417	4,463	4,736
Levy Equalization	8,298	-134	10,713
Struggling Schools	10,281	10,281	10,281
Teacher and Principal Evaluation	15,000	0	20,000
Bilingual	18,863	5,715	0
Counseling	24,057	0	0
HB 2776: Expand All Day K	89,824	41,163	107,939
Instructional Hours -- HB 2261	96,973	0	0
HB 2776: Reduce Early Elementary Class	103,595	0	207,857
Size			
HB 2776: Pupil Transportation	131,681	197,521	89,279
LAP Expansion	143,072	240,816	65,663
HB 2776: Increase MSOC	373,958	520,978	434,268
K-12 Education Total	948,356	894,535	721,091

2013-15 Omnibus Operating Budget
NGF-S + Opportunity Pathways
(Dollars in Thousands)

	2ESSB 5034 6/27	Senate June 8th	ESHB1057 Passed Hse
Higher Education Institutions			
UW/WSU: Engineering Enrollment	0	0	4,000
Performance Funding	0	50,000	0
Higher Education Funding	0	58,189	0
CTC: Aerospace & STEM Enrollment	200	0	4,128
Institute Studies	470	570	75
Other Increases	2,376	1,453	2,333
Clean Energy Institute	6,000	0	9,000
Medical Educ. & Biomedical Research	6,000	6,800	5,100
CTC: Student Achievement Initiative	10,500	0	7,500
Targeted State Support	17,626	0	11,002
Institutional Funding	119,308	0	0
Higher Education Institutions Total	162,480	117,012	43,138
Higher Education Financial Aid & Other			
Re-suspend WA Scholars and WAVE	-8,422	-8,422	-8,385
Re-suspend Health Prof Scholarship	-7,650	-7,650	-7,650
Re-suspend Future Teachers Schol	-2,000	-2,000	-2,000
Re-suspend Small Grant Program	-1,032	-1,032	-1,032
DREAM Act.	0	0	100
State Need Grant	0	0	28,904
College Bound	36,512	34,201	39,153
Higher Education Financial Aid & Other Total	17,408	15,097	49,090
Early Learning & Child Care			
Other Savings	0	-1,266	0
Fund Shifts	0	-300	0
Family Childcare Provider CBA	970	970	970
Home Visiting Expansion	1,000	1,000	1,000
Other Increases	3,410	2,156	3,980
Quality Vendor Rate Increase	15,962	0	15,748
ECEAP	24,647	22,384	30,679
Early Learning & Child Care Total	45,989	24,944	52,377
Health Care			
Fed Medicaid Expansion/Reform	-351,201	-318,592	-318,592
Continue Hospital Safety Net	-272,361	-250,348	-273,226
12 Month Dispensing	-4,426	-4,426	-4,426
HealthPath Washington	-3,509	-4,214	-3,509
DOH Drug Rebates	-3,431	-3,431	-3,431
Public Health Lab Fund Shift	-2,350	-2,350	-1,000
Foster Care /Adoption to Managed Care	-1,686	-1,686	-1,686
Fund Shifts	-1,500	-1,500	-1,500
Public Health Block Grant	-760	-936	-760
Managed Care Rates	0	-18,778	-9,389
Other Savings	0	-1,237	0
RHC Reconciliation	0	3,645	0
Language Access Provider Agreement	434	434	434

2013-15 Omnibus Operating Budget
NGF-S + Opportunity Pathways
(Dollars in Thousands)

	2ESSB 5034 6/27	Senate June 8th	ESHB1057 Passed Hse
Health Benefit Exchange	676	0	676
Align Medicaid Benefit Packages	759	778	778
Other Increases	941	514	941
Sole Community Hospitals	1,000	2,000	900
ProviderOne Phase 2 Project	1,811	1,811	1,811
HCA: Other Increases	2,428	1,368	2,353
Medicaid Eligibility Staffing/Related	2,474	2,118	2,474
HBE Cost Allocation	2,486	1,558	2,486
Rural Health Clinics	3,645	0	2,000
Autism Services	4,723	4,723	4,723
Adult Dental	23,319	13,258	23,889
Health Care Total	-596,528	-575,291	-574,054
<i>Corrections and Other Criminal Justice</i>			
Delay Prison Unit Opening	-7,766	-8,904	0
DOC: Program Underexpenditures	-4,766	-6,707	0
Other Savings	-4,332	-3,083	-3,083
Drug Treatment Fund Shift	-4,106	-4,106	-4,106
Drug Grid & Earned Release Plus	-2,627	-2,627	0
Centralized Pharmacy	-2,316	-2,458	-2,190
Drug Task Force	-2,000	-2,000	-2,000
Presentence Credits	-1,103	0	0
McNeil Island Operation Changes	0	-896	0
Program Savings	0	0	-3,168
JRA: Other Increases	818	852	918
Other Increases	883	536	1,125
DOC: Equipment & Related	981	981	981
DOC: Incr Prison Staff Ratio	2,494	2,494	1,844
DOC: Other Increases	3,901	3,650	2,977
Residential DOSA	4,106	4,106	-695
Corrections and Other Criminal Justice Total	-15,833	-18,162	-7,397
<i>Long Term Care, DD, and Mental Health</i>			
Delay Nursing Home Rebase	-31,428	-36,506	-31,428
AFH Inspections/Fees	-4,175	-4,175	-4,175
Other Savings	-1,200	0	-2,092
Managed Care Rates	-1,126	-1,126	-1,126
Kinship Caregiver	0	-2,100	0
Assisted Living Capital Add-On	0	-1,668	0
Community LTC Behavior Support	0	0	1,473
Protecting Vulnerable Adults	0	0	1,524
Walla Walla Veterans Home	777	777	777
Criminal Incompetency	1,298	1,298	1,298
Individual and Family Services	1,488	976	2,000
Adult Family Home Agreement	1,538	1,538	1,538
Other Increases	4,119	4,283	2,355
MHD: Electronic Medical Records	4,134	4,134	4,134
In-Home Provider Fiscal Agent	6,441	0	6,441
Exception To Rule	6,750	6,750	6,750

2013-15 Omnibus Operating Budget
NGF-S + Opportunity Pathways
(Dollars in Thousands)

	2ESSB 5034 6/27	Senate June 8th	ESHB1057 Passed Hse
Mental Health Security Enhancements	7,478	7,478	7,478
DD Placements	10,653	10,653	10,653
Involuntary Treatment	17,726	15,824	17,726
Home Care Worker Compensation (AP & IP)	146,126	146,126	146,126
Long Term Care, DD, and Mental Health Total	170,599	154,262	171,452
Other Human Services			
TANF WCCC Caseload Savings	-156,131	-126,324	-126,324
ABD/HEN/Housing Changes	-20,000	-102,370	-15,000
Re-Suspend Paid Family Leave Program	-13,600	-13,600	-13,600
Reduce WorkFirst Funding	-5,630	-21,307	0
Other Savings	-2,818	-3,867	-2,818
Fund Shifts	-1,633	-6,633	-1,633
IMD Conversions	-266	0	-266
DASA: County Grant Reduction	0	-16,088	0
Eliminate Incapacity Evaluations	0	-10,525	0
Adoption Support Payments	0	-1,649	0
Reduce Contracts	0	-612	0
Receiving Care Centers	0	-413	0
Other TANF Increases	500	1,248	3,700
Implement Family Assmnt Rspnse Svcs	759	1,967	-422
L&I: Increases	1,734	1,734	1,526
Other Increases	1,925	677	1,136
Disability Standard Change	2,000	0	2,000
Childrens: Other Increases	2,261	100	2,261
Childrens: Increase CPS Staffing	2,788	2,788	5,575
Extended Foster Care	4,486	3,565	4,486
State Food Assistance	9,425	9,427	0
Other Human Services Total	-174,200	-281,882	-139,379
Natural Resources			
State & Local Toxic Related Shifts	-29,640	-29,640	-29,640
Fund Shifts	-14,728	-14,728	-4,878
ALEA Related Shifts	-7,005	-7,005	-7,005
Reduce Watershed Planning Asst.	-2,873	-2,873	-2,873
PILT Adjustment	-2,073	-650	-2,073
Other Savings	-300	-300	-300
Administrative & Other Efficiencies	0	-3,105	0
Other Increases	2,976	2,260	1,812
State Support of State Parks	8,508	4,700	23,858
Natural Resources Total	-45,135	-51,341	-21,099
All Other			
Lean Management	-30,000	0	-20,000
Use Judicial Stabilization Account	-11,793	-17,775	-11,793
E911 Account Use for Public Safety	-10,842	-10,842	-10,842
Susp Loc Publ Safety Acct Transfer	-10,000	-10,000	-10,000
Performance Audit Acct Use	-9,641	-16,443	-9,641

2013-15 Omnibus Operating Budget
NGF-S + Opportunity Pathways
(Dollars in Thousands)

	2ESSB 5034 6/27	Senate June 8th	ESHB1057 Passed Hse
Fund Shifts	-9,308	-9,308	-9,308
DCOMM: Other Savings	-8,841	-10,743	-7,263
Innovate WA	-5,609	-5,610	-4,609
Other Savings	-5,021	-4,745	-4,751
Central Service Savings and Efficiencies	-5,000	-43,000	0
Information Technology Savings	-5,000	-15,000	-5,000
Death Investigation Shifts	-4,226	-4,226	-4,226
Judicial Information Systems Use	-3,000	-20,022	0
Election & Voters' Pamphlet Savings	-800	-1,600	-800
Administrative & Other Efficiencies	0	-65,967	0
Industrial Insurance Savings	0	-9,593	0
Civil Legal Aid Reduction	0	-3,000	0
GMAP Program	0	-2,735	0
Judicial Increases	820	432	1,024
Communications Services Reform	926	0	0
Revenue/Transparency Legislation	938	0	0
DOR: IT Projects	994	6,751	7,745
Initiative 1183 (Liquor)	1,004	1,004	1,004
Central Services	1,538	-2,408	1,538
Parents Representation Program	3,378	304	3,378
DCOMM: Other Increases	3,446	1,898	3,523
Other Increases	3,667	2,572	4,913
Pacific Hospital	4,850	0	4,850
Disaster Response Account	7,600	7,600	7,600
Communications Tax/Prog Changes	24,558	0	24,558
Debt Service for New Capital Projects	36,419	20,428	25,087
All Other Total	-28,943	-212,028	-13,013
Grand Total	156,132	-338,059	-18,593