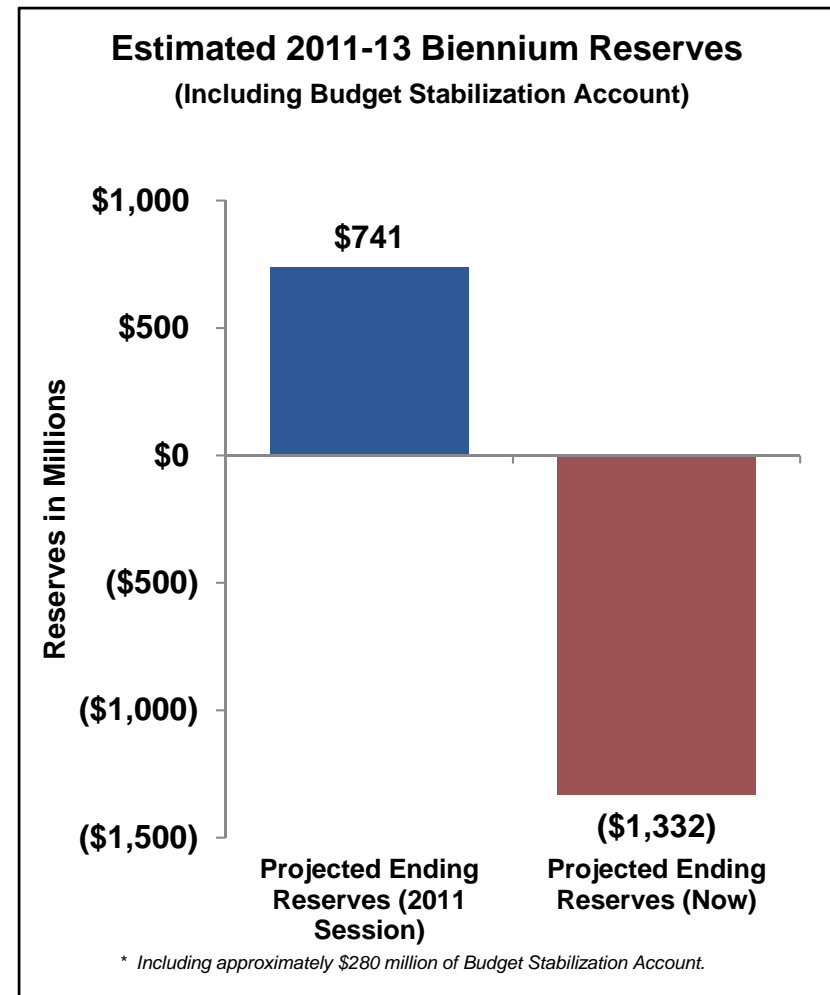
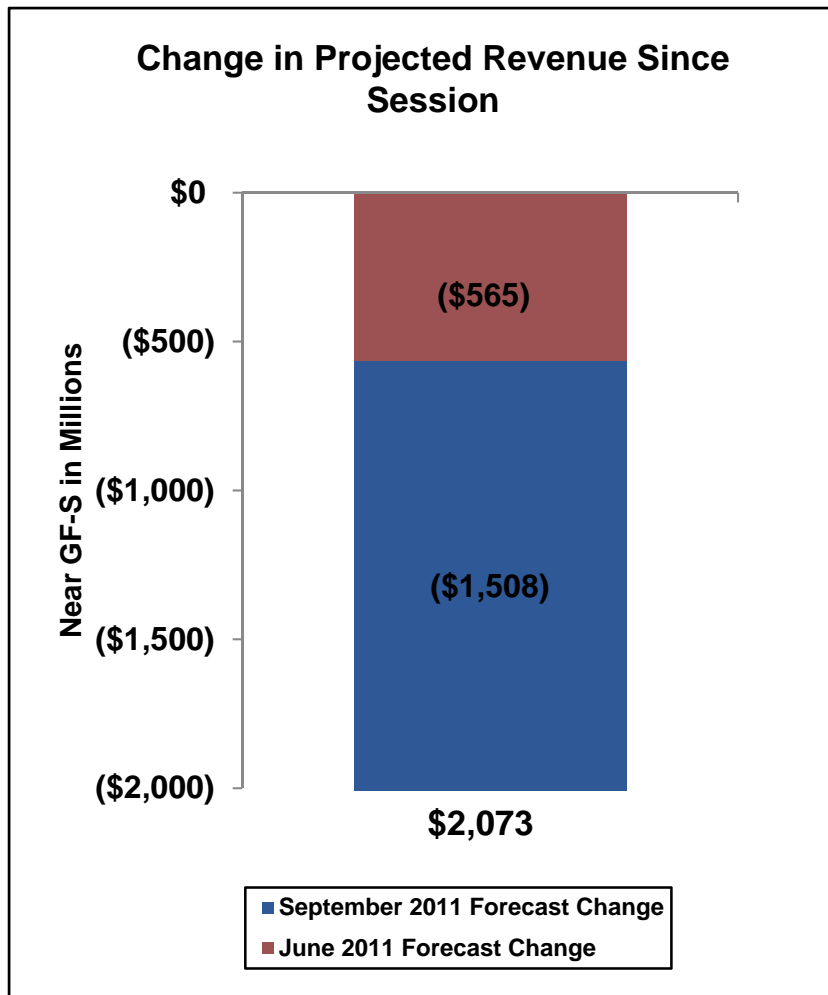


BUDGET UPDATE

FALL 2011

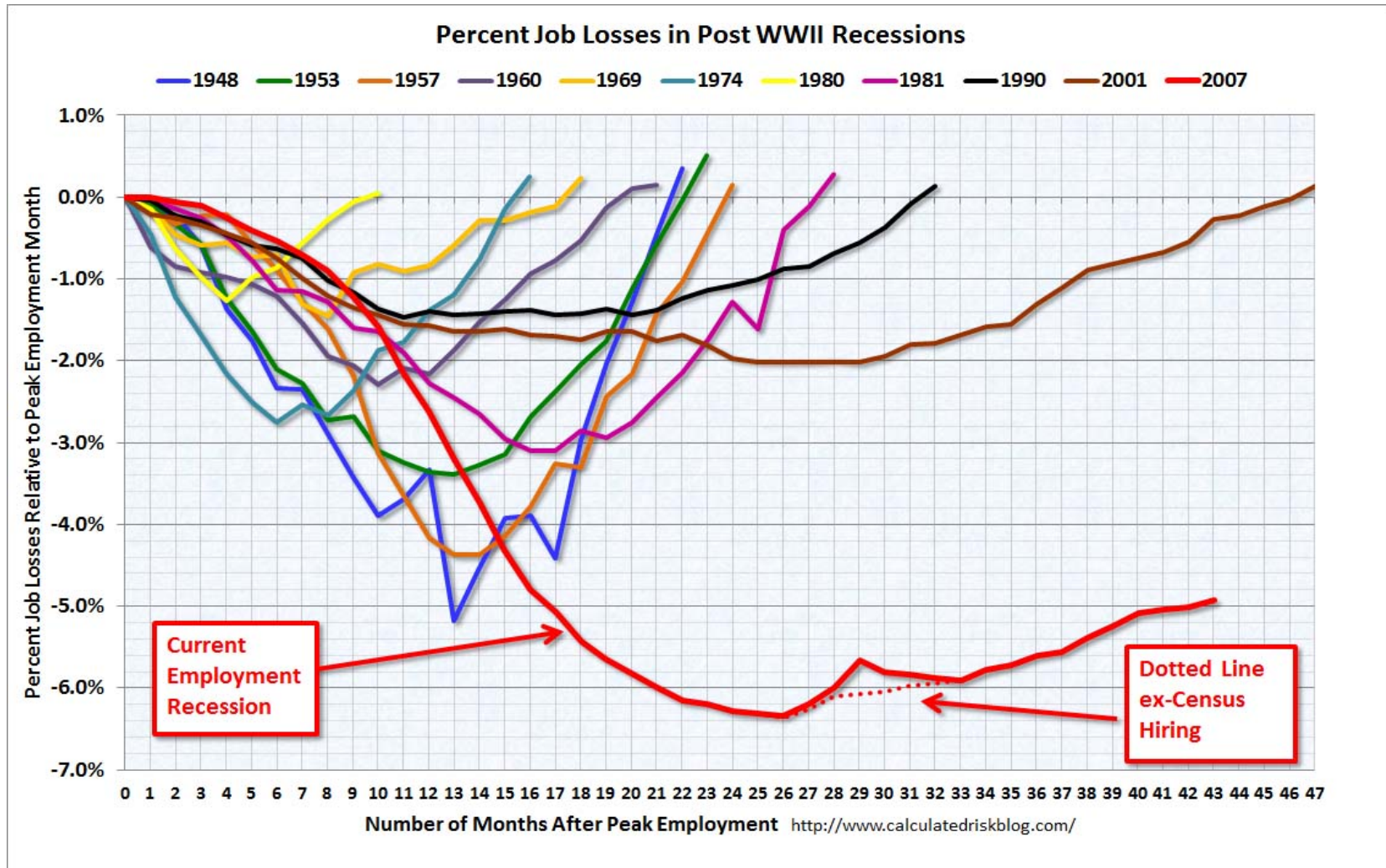
October 10, 2011

In the two revenue forecasts since session, projected revenues have been reduced by over \$2 billion resulting in a budget problem of at least \$1.3 billion

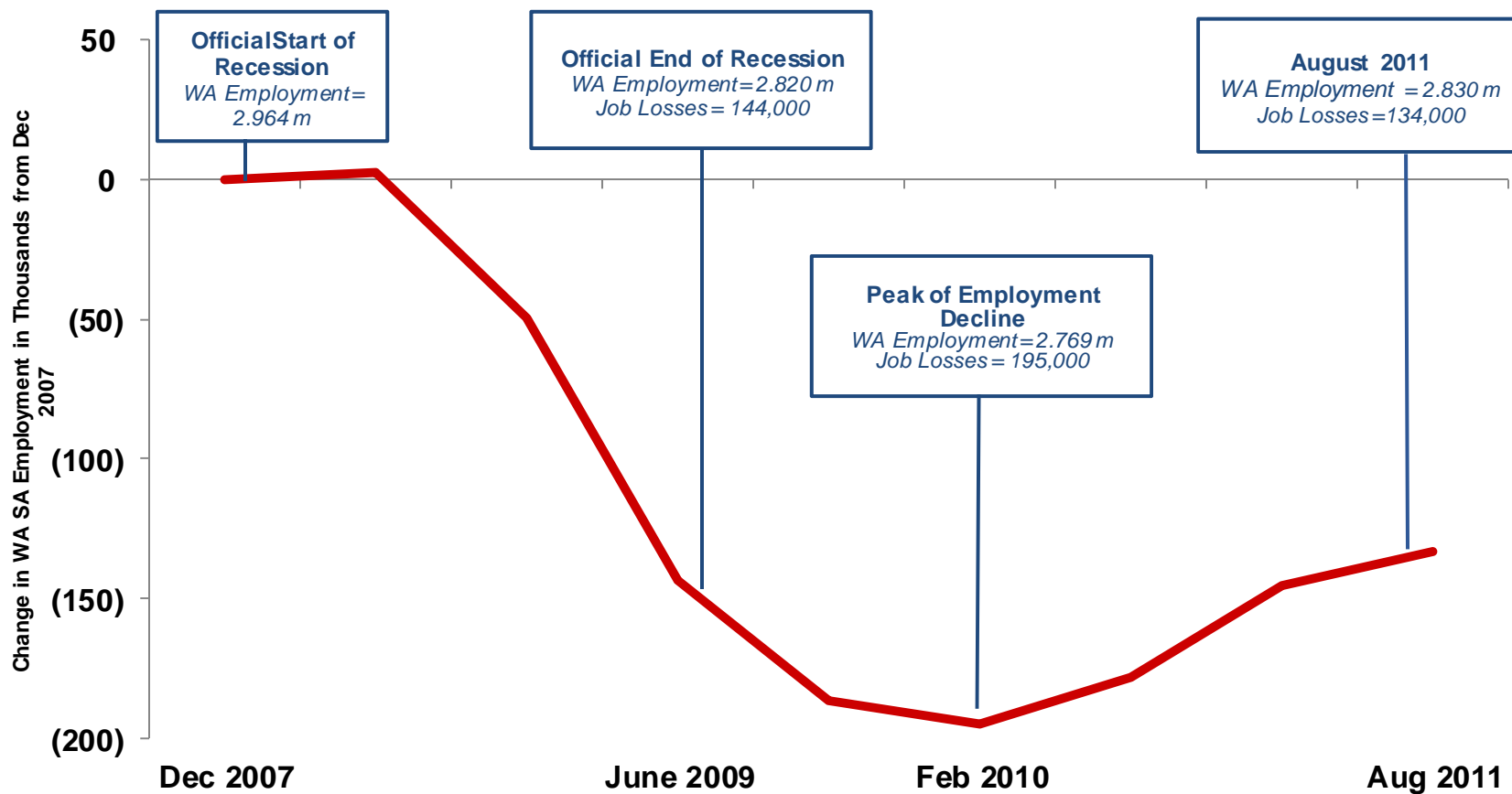


The “Great Recession” continues

(This chart shows US jobs losses during every post WWII recession)

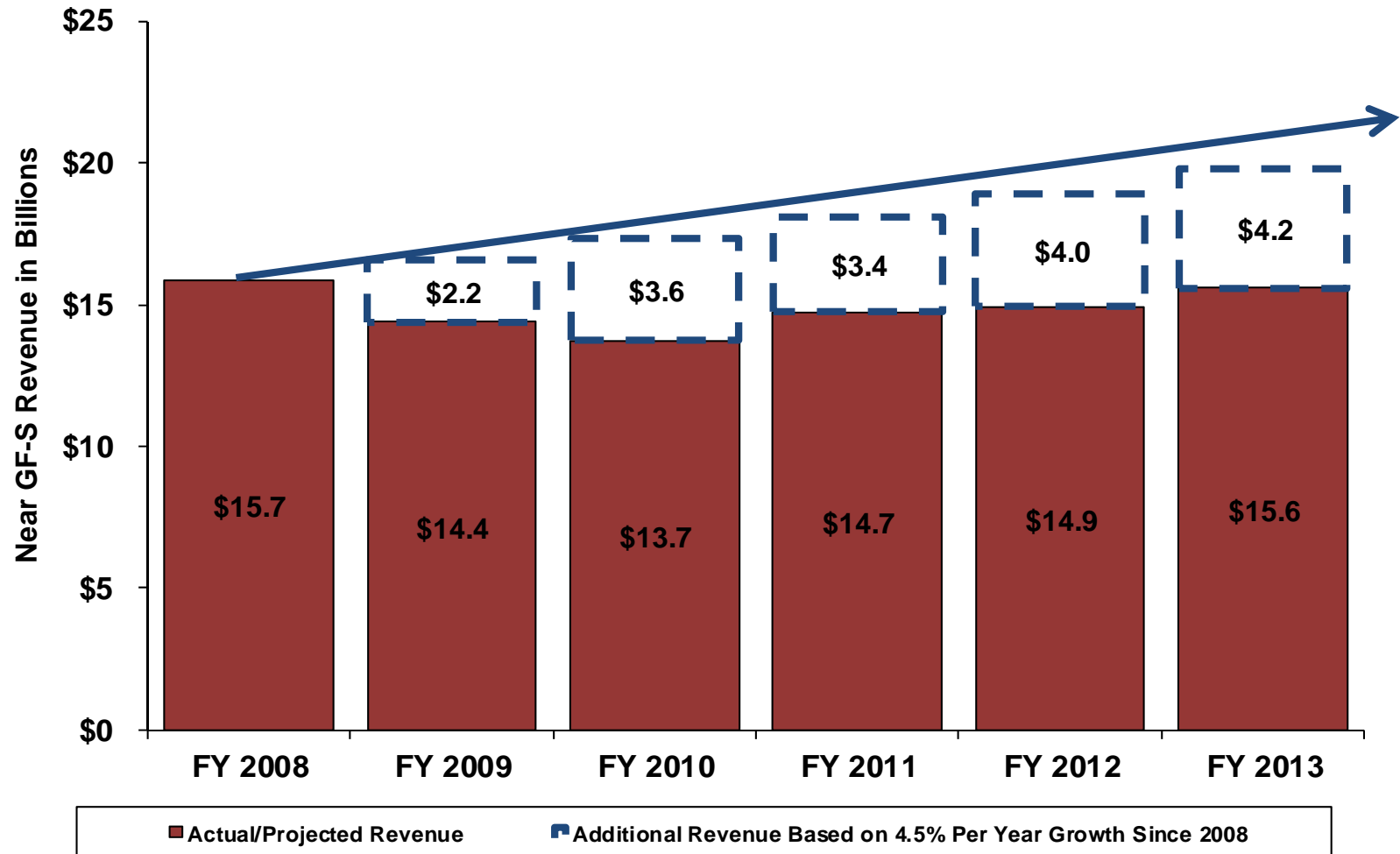


In the recession, Washington state lost 195,000 jobs and has only regained about 62,000 so far

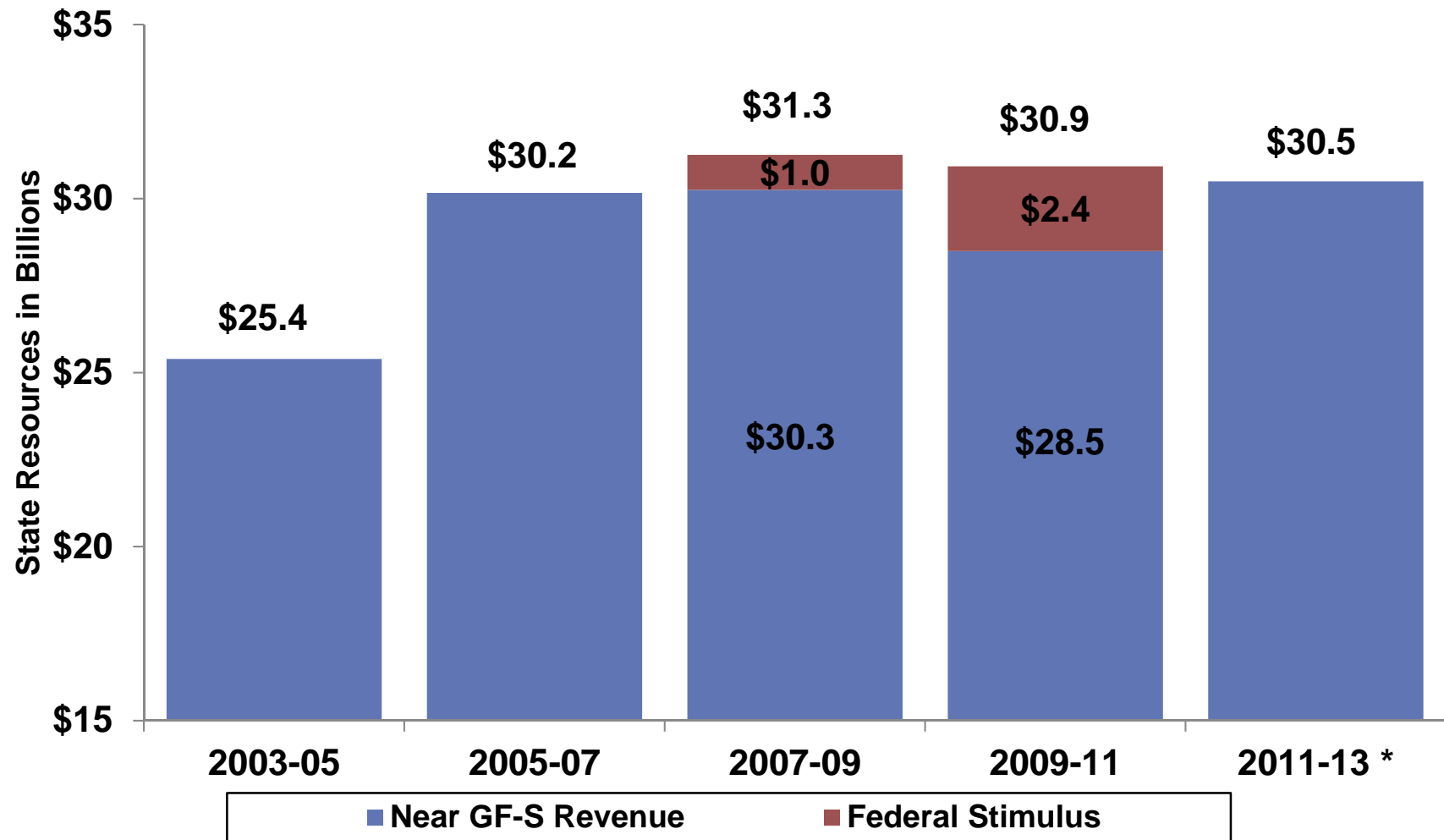


Source: Employment Security Department seasonally adjusted non-farm employment. Totals may differ slightly due to rounding.

Assuming average 4.5% revenue growth since 2008, we would have expected about \$17 billion more in near general fund revenue



With the downward revisions in the forecast, state resources (revenue plus direct federal stimulus funds) will have declined for two consecutive biennia

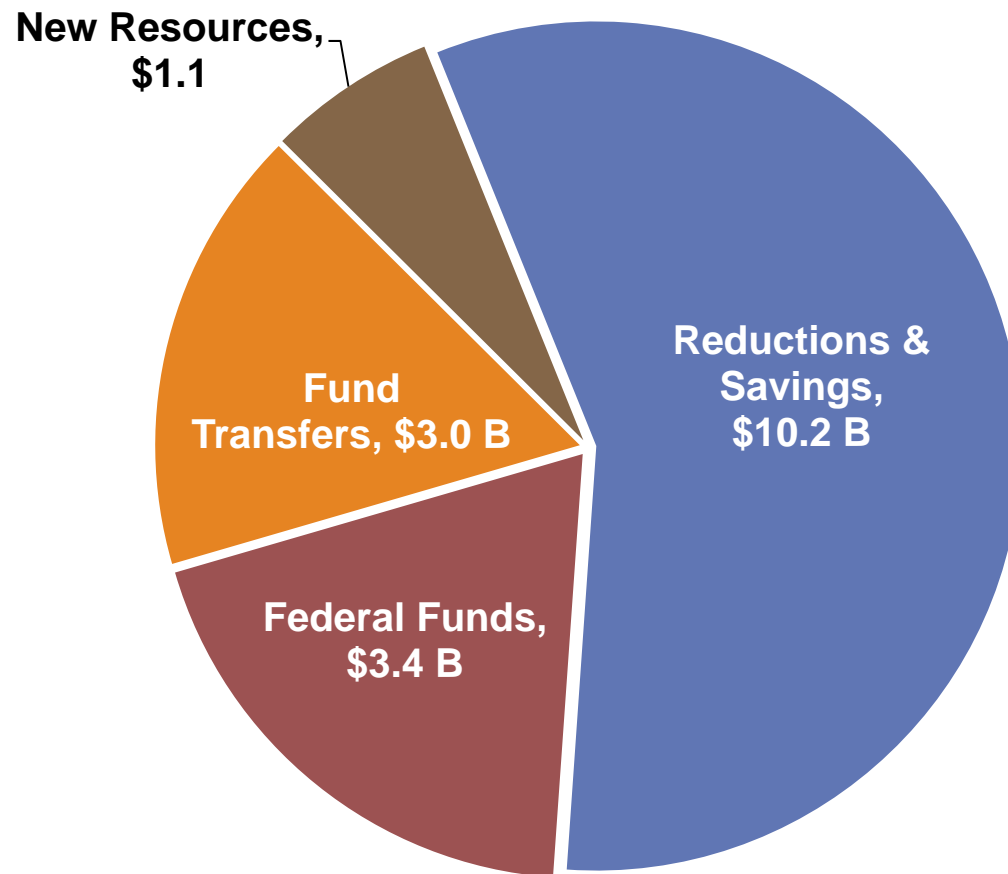


* Based on September 2011 forecast.



Spending Changes

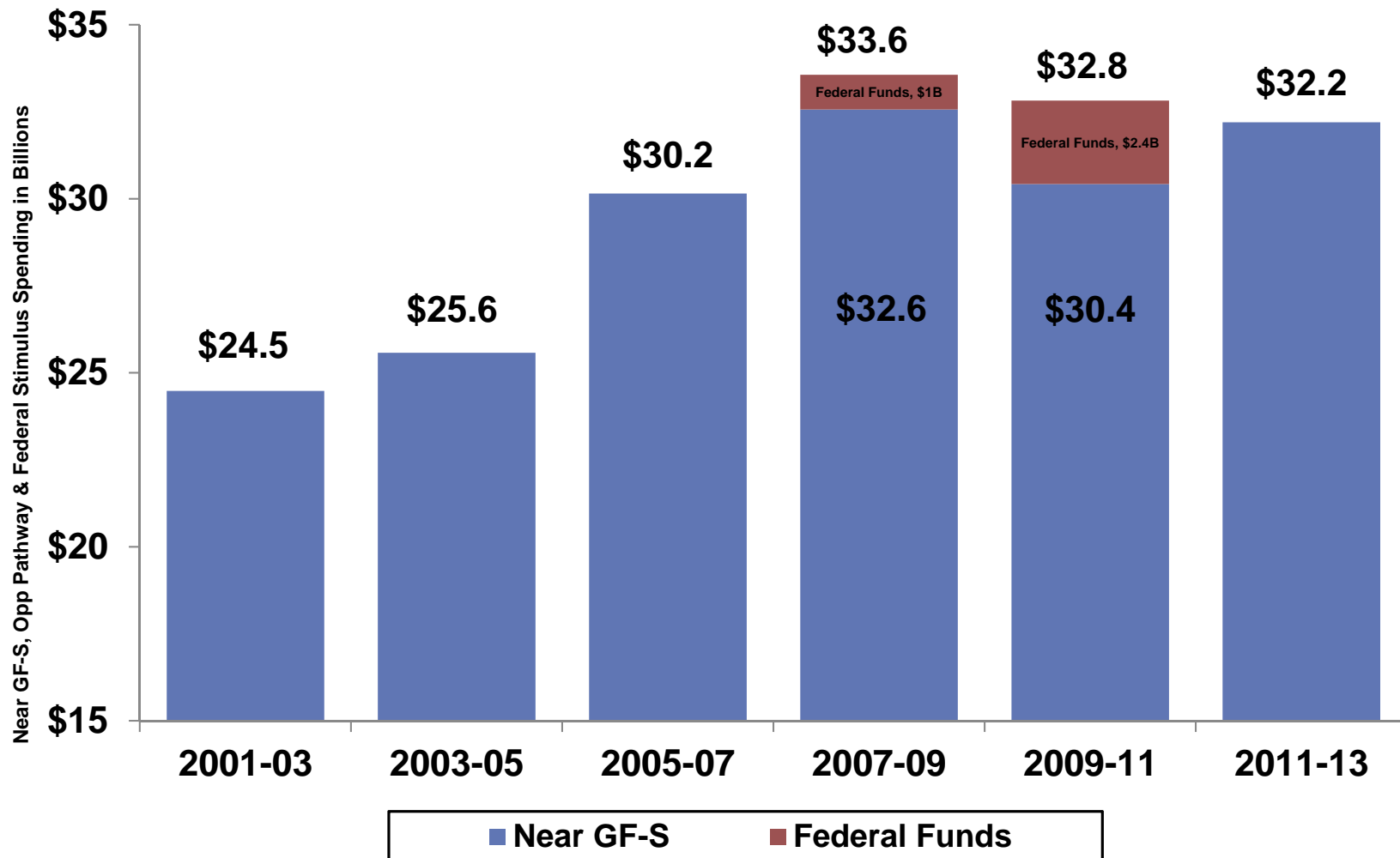
Over the last three legislative sessions, the Legislature has addressed an \$18 billion five year budget problem with \$10 billion in reductions and other actions



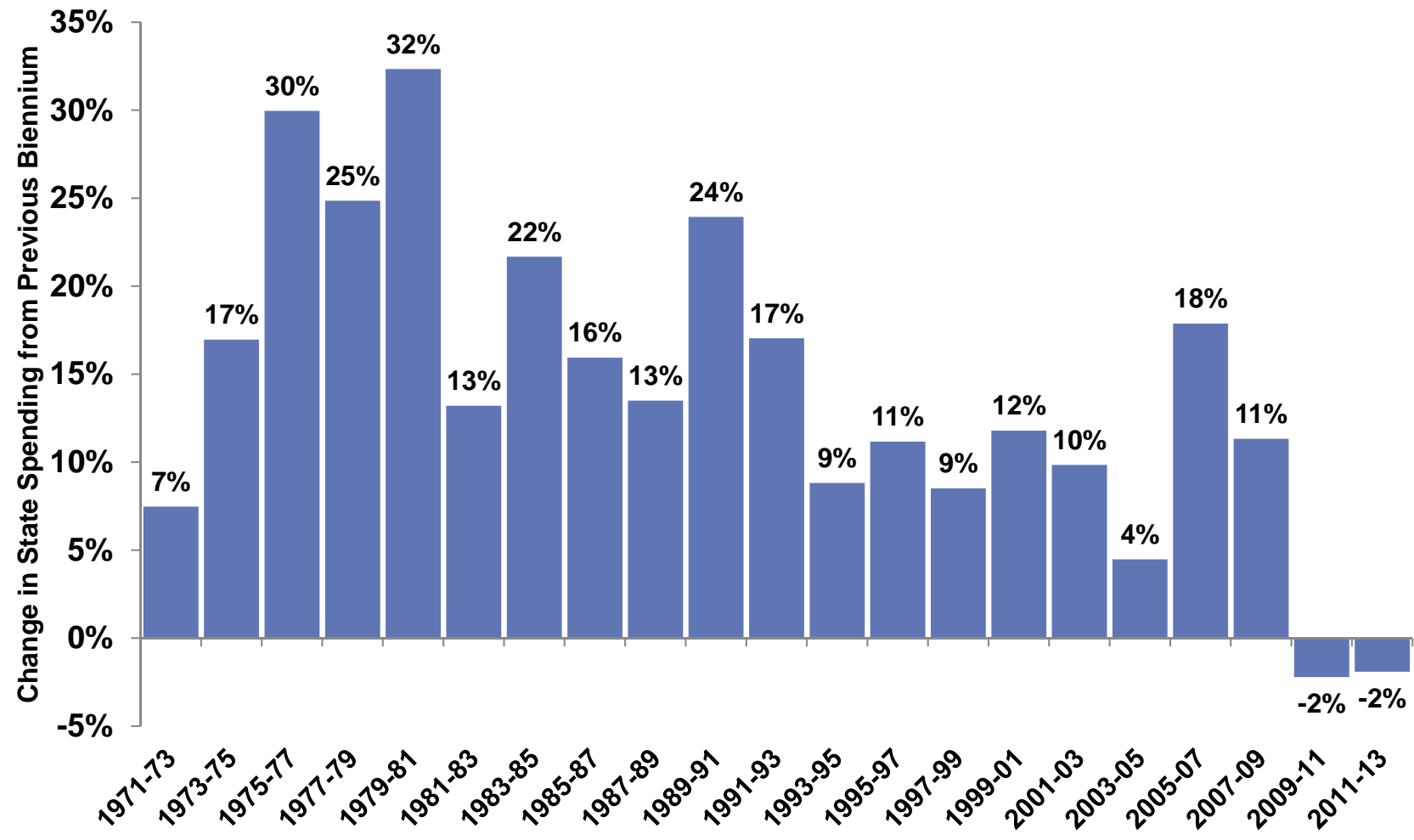
FY 2009-FY 2013 Budget Solution = \$17.8 Billion

* The amounts depicted generally reflect estimated amounts in the legislative session that they were enacted. Due to interactions, some duplication of particular reductions, and other factors, the actual amounts are likely to be different.

Even without making additional reductions, the spending level will decline for the second consecutive biennium



Two consecutive biennia of reduced state spending has not occurred in the last 40 years



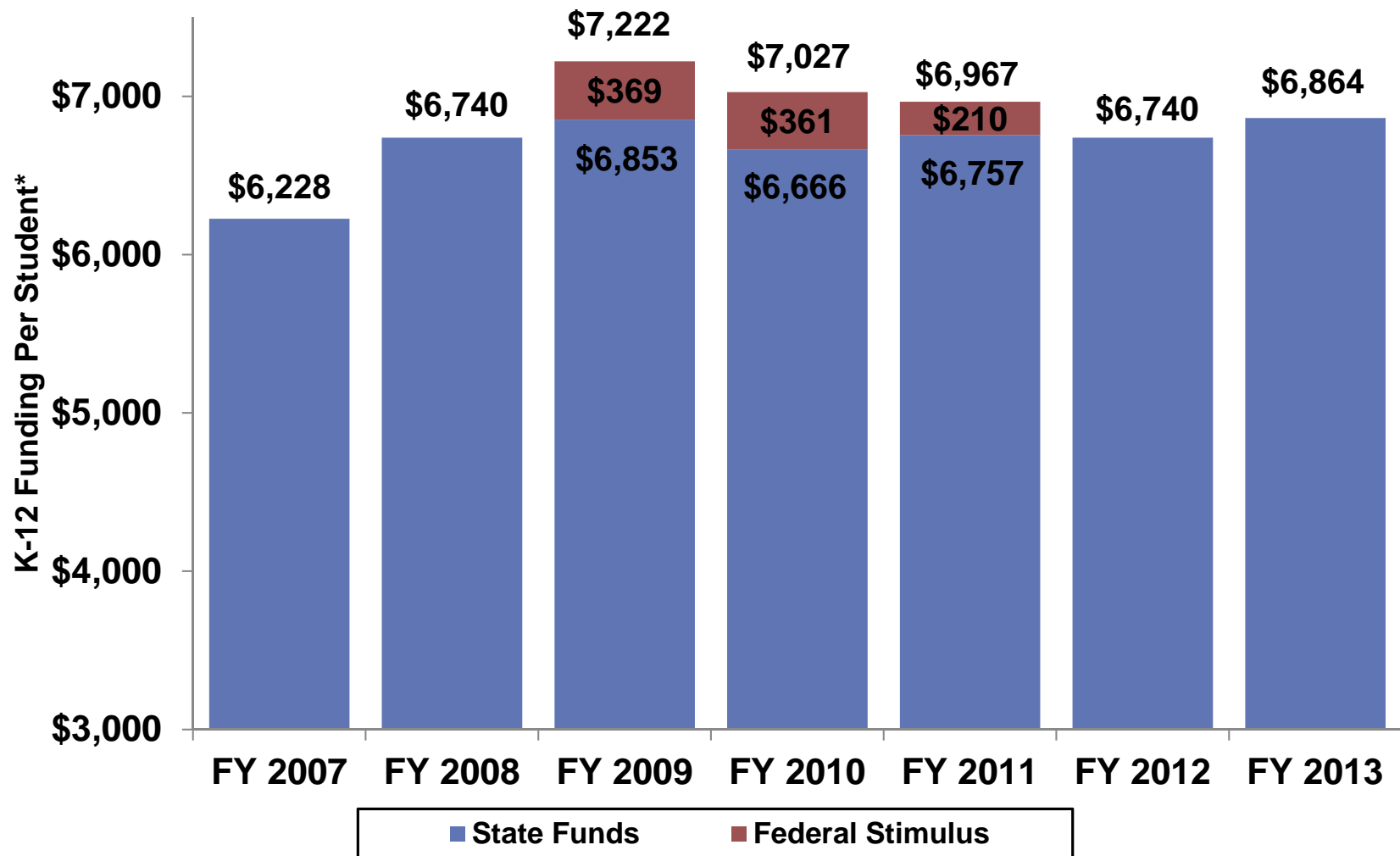
* Near GF-S, Opp Pathway and federal stimulus.



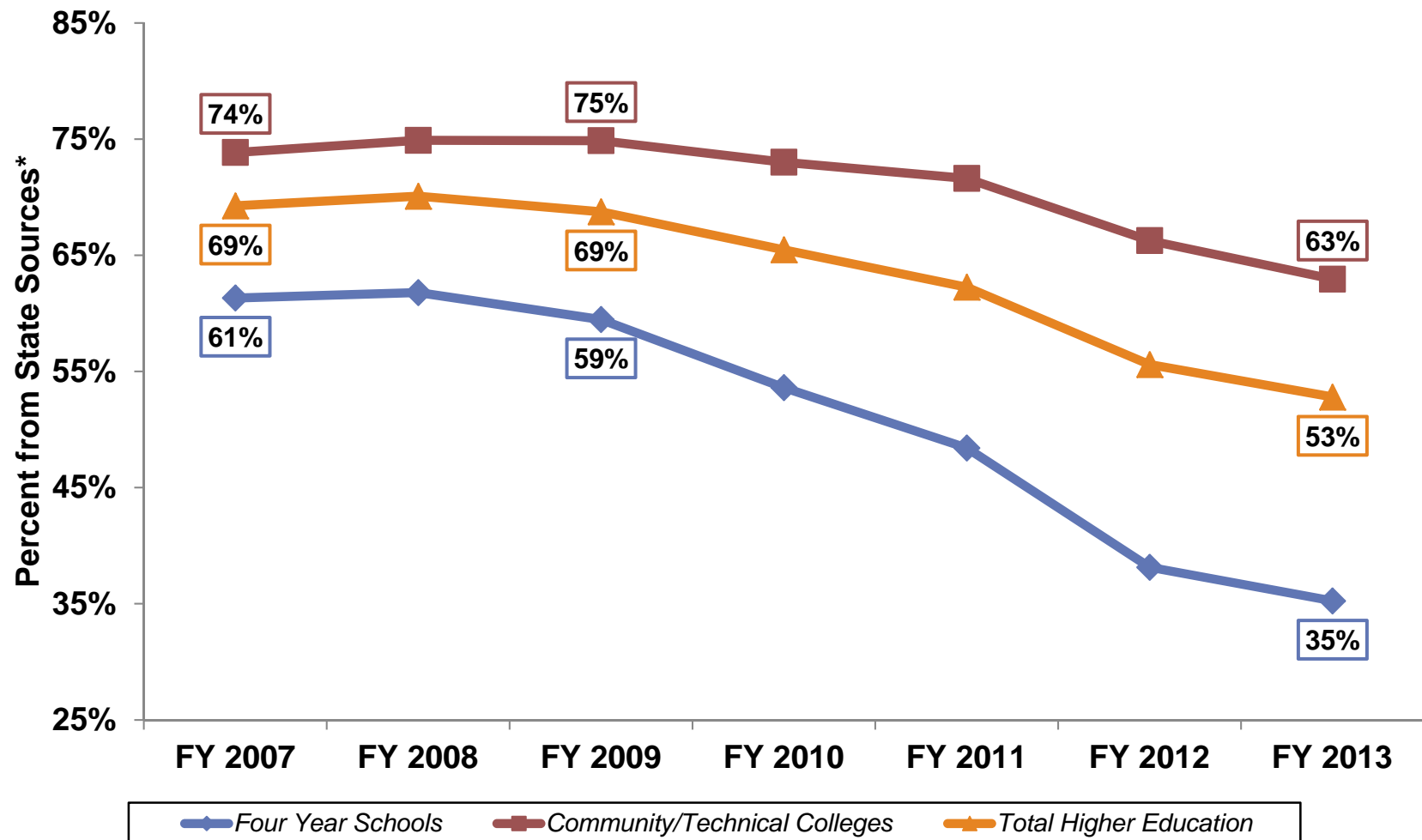
Impacts of Recent Budget Reductions

Selected Examples

Reversing the recent upward trend, K-12 per-student funding has declined

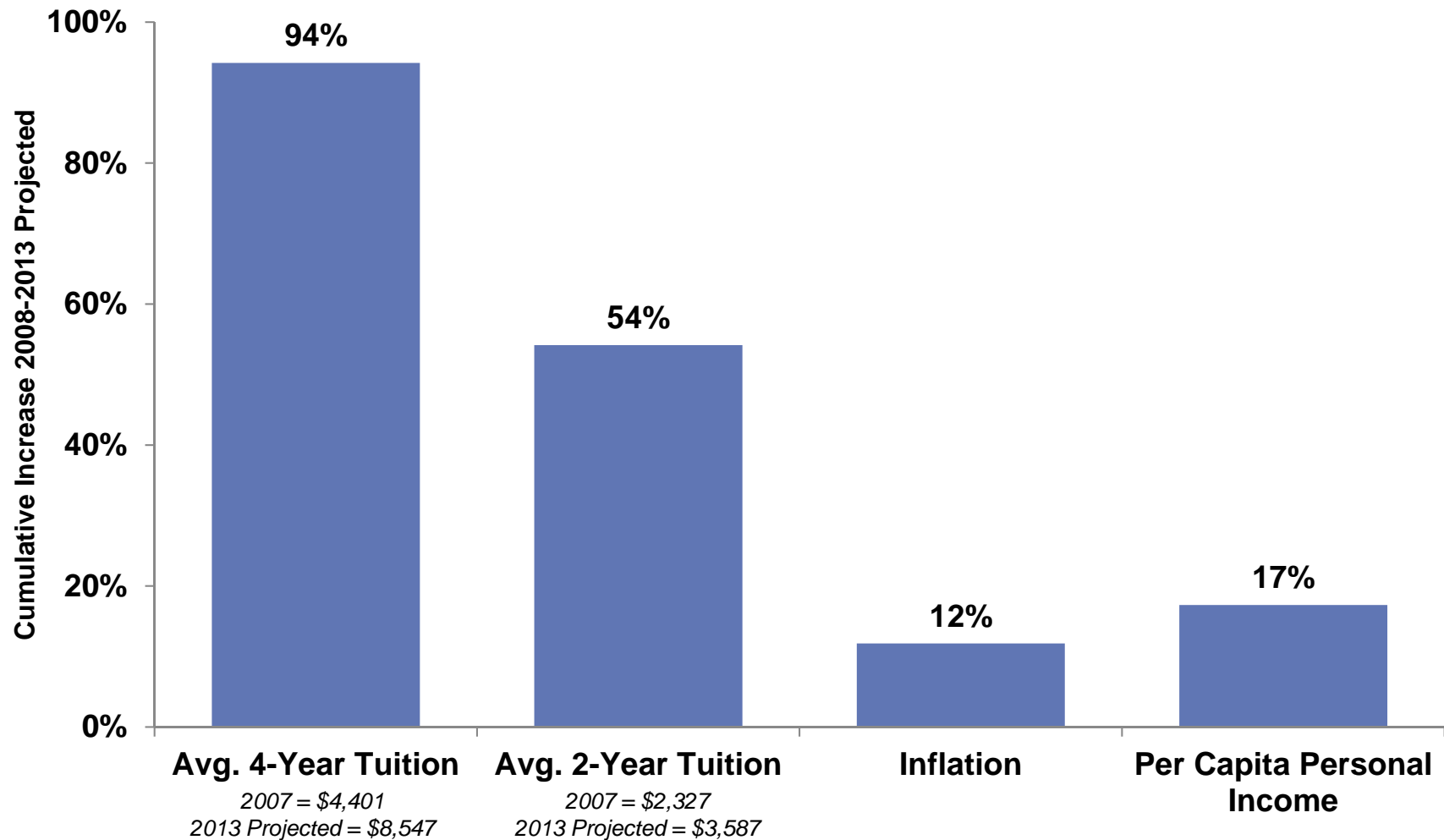


Due to budget cuts, the state support of the higher education system has declined, particularly for the 4-year universities



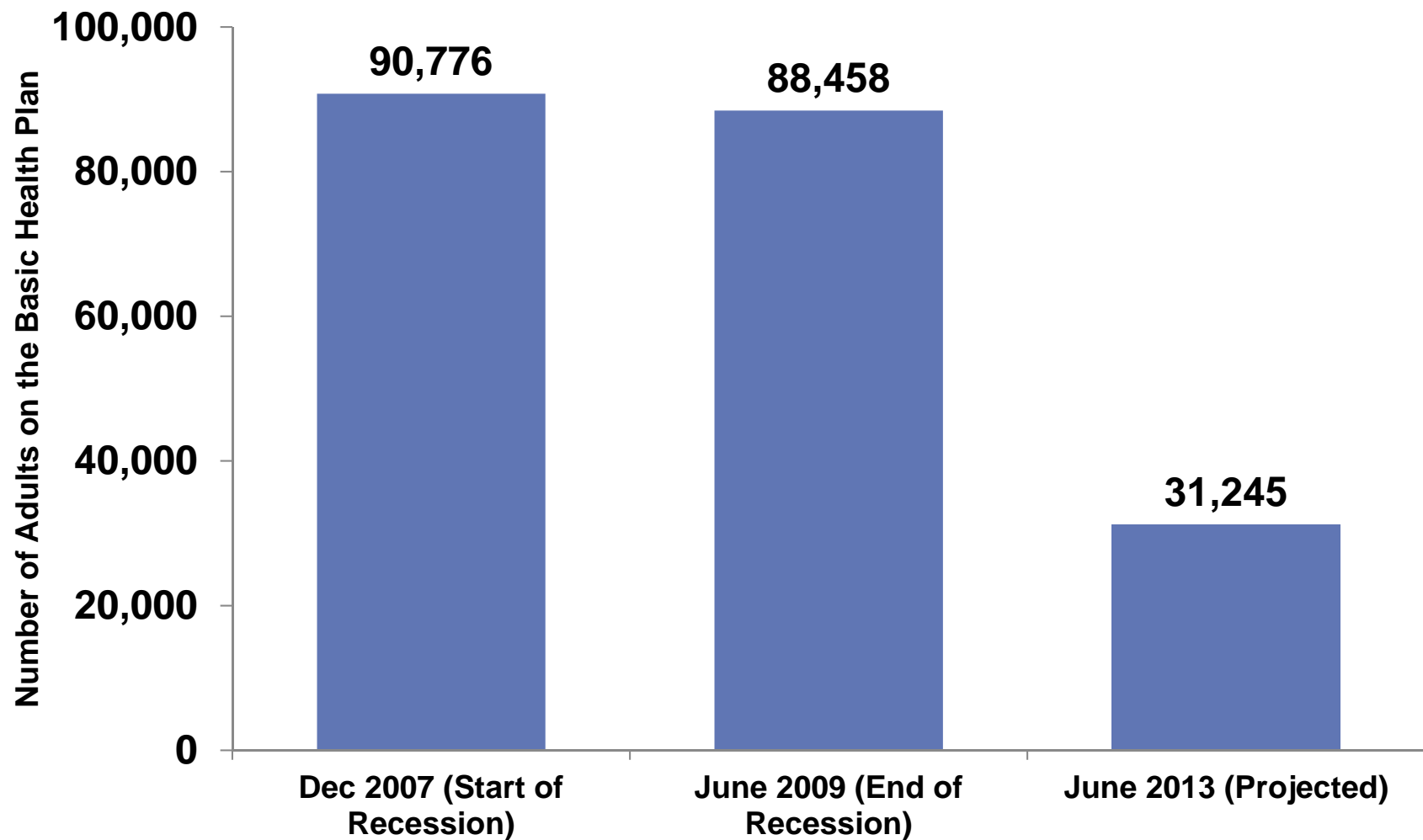
* Reflects state share of state funds + tuition base. State funds includes Near G F-State, federal stimulus, Opportunity Pathways Account, and Opportunity Express Account

And tuition is growing significantly faster than both inflation or per capita personal income

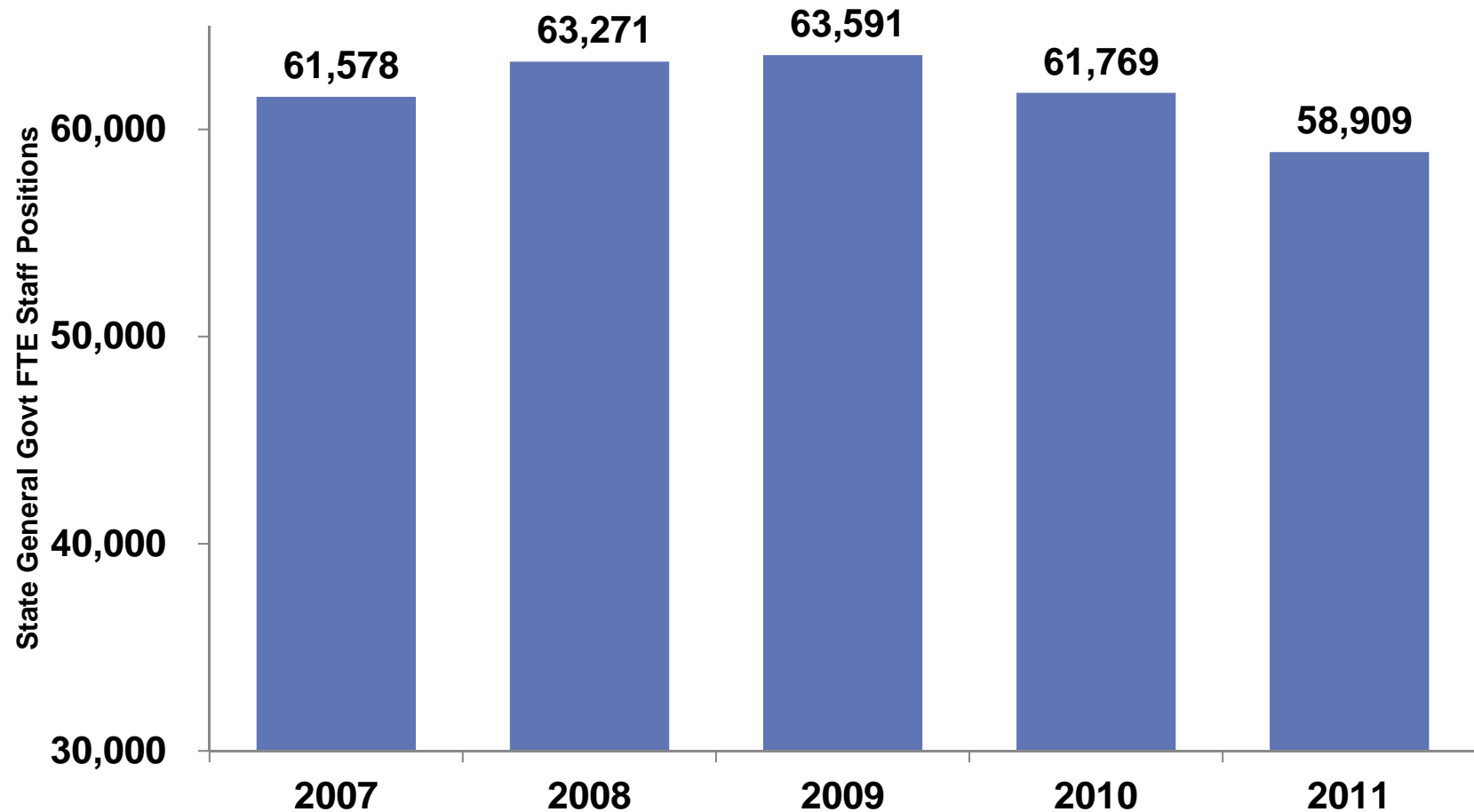


* FY 2007 – FY 2012 based on actual tuition increases. FY 2013 assumes tuition will increase by the same amount as in FY 2012.

60,000 adults will have been removed from the Basic Health Plan by the end of the biennium



The state workforce in 2011 is now 4,700 staff positions below fiscal year 2009 levels (and in fact is lower than it was back in 2007)



* Reflects general government full time equivalent staff. Excludes higher education and K-12 staff.

Selected Other Reductions

- ❑ Terminated the Disability Lifeline cash program and replaced it with a housing and essential needs program (making a 2/3 reduction to the program funding level).
- ❑ Eliminated preventative dental coverage for 275,000 adults and ended optical, hearing aid, and podiatry coverage for 375,000 adults.
- ❑ Reduced the TANF cash grant from \$450 to \$375 per month, made eligibility changes to Working Connections childcare, and other reductions to solve a \$200 million per year hole in the “TANF box.”
- ❑ Closed one major (McNeil Island) and two minor correctional facilities (Ahtanum View-Yakima, Pine Lodge-Medical Lake).
- ❑ Closed a major state juvenile facility (Maple Lane) and made other capacity reductions.
- ❑ Eliminated all state fund support for the State Park system and replaced some of those funds with fee revenue.



What would a \$2 billion “all cuts” solution to the 2012 budget look like?

Selected Hypothetical Examples

Examples of Major Savings Options

(State Funds in Millions)

2011-13

Employee Compensation Reductions

10 furlough days with usual exemptions	55
Increase employee health contributions for non-represented	15
Additional 1% K-12 Salary Reduction (from 1.9% & 3.0% to 2.9% & 4.0%)	38
K-12 One Day Furlough (Reduce from 180 Days to 179 Days)	29

Employee Compensation Reductions

136

K-12 Reductions

66% Levy Equalization Reduction (across the board)	314
Eliminate Full-Day Kindergarten	63
Eliminate K-3 Class Size Enhancement in High Poverty Schools	28
Eliminate ESDs' Math/Science Professional Development	7

K-12 Reductions

412

Higher Education Reductions

Additional 15% Near GF-S Reduction to institutions	240
Reduce State Need Grant Eligibility by 25%	60
Eliminate State Work Study	25
Reduce STEM, eliminate smaller financial aid, and other smaller higher ed items	25

Higher Education Reductions

350

* Most reduction options depicted assume a January 1, 2012 implementation date.

Examples of Major Savings Options (Continued)

(State Funds in Millions)

2011-13

Health Care Reductions

Terminate DL Medical (18K Impacted)	114
Terminate Basic Health Plan (35K Impacted)	74
End Undocumented Child Program (25K Impacted)	38
Reduce Hospital DSH Grants Additional 50%	23
Discontinue Routine Dental Care for DD, LTC & Pregnant Women	9

Health Care Reductions

258

DD & Long Term Care Reductions

Go to Maximum on Nursing Home Assessment	20
Convert Family Providers to Alternative Compensation System (health benefits)	20
Reduce In Home Health Care to Only Those Eligible for Nursing Home	10
Eliminate Senior Citizens Act Funding	10
Close RHC Use SERA Financing Method	8
Eliminate DD Individual & Family Services	8

DD & Long Term Care Reductions

76

* Most reduction options depicted assume a January 1, 2012 implementation date.

Examples of Major Savings Options (Continued)

(State Funds in Millions)

	<u>2011-13</u>
Other Human Services Reductions	
Eliminate Eassential Needs and Housing Grants (formerly DL-U cash)	64
Reduce TANF Grants 10 percent	40
Eliminate Aged, Blind, and Disabled (ABD) Grant	31
Major Early Release and Supervision Change Proposal	27
Move SCC to Maple Lane (Use SERA Financing Method)	19
Eliminate State Food Assistance Program	18
Reduce Child Welfare Performance Based Contracts to Governor Proposed Level	14
Eliminate incapacity examinations for ABD clients	12
Eliminate TANF Contingency Fund	12
Close DSHS Community Service Offices	9
Eliminate state funds for domestic violence programs	9
Restrict ECEAP to 4 year old children	7
Reduce Foster Care Maintenance Payments 15 percent	6
Eliminate Naturalization and LEP state funds	6
Children's case worker ratio reductions	5
Other Human Services Reductions	279
Selected Other Reductions	
50% Reduction to Commerce Community Services	17
50% Reduction to Commerce Economic Development Activities	8
Eliminate STARS and Economic Development Commission	5
Selected Other Reductions	29
20% Reduction to Other Parts of Government	446
Total	1,986

* Most reduction options depicted assume a January 1, 2012 implementation date.

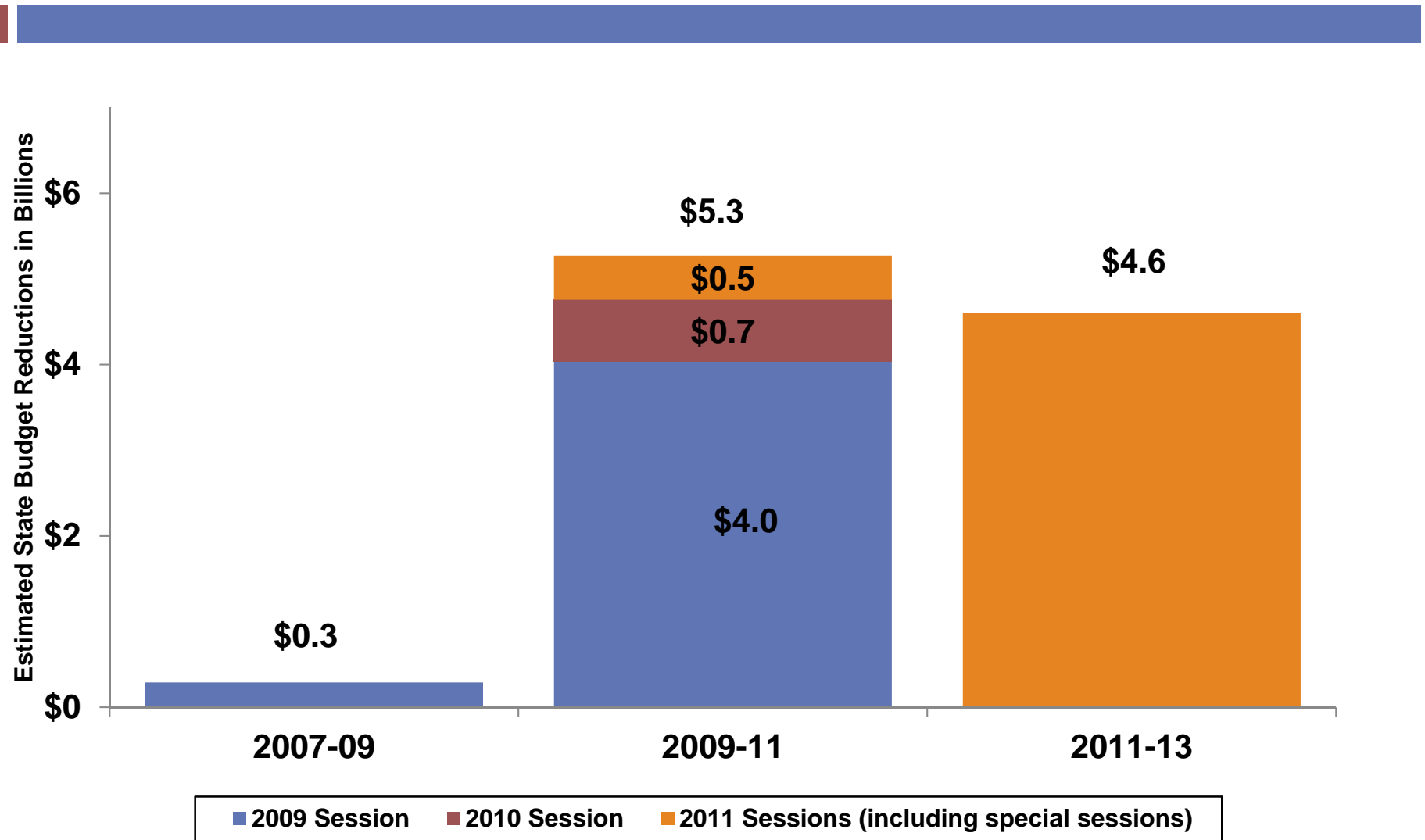
So just how big is the problem? What else would we have to do?

- Everyone in the state donating \$300 to \$400 to solve the state budget problem.
 - **Generates \$2 billion.**
- Reducing all state funded higher education and state employee salaries and benefits by 50% on Jan 1, 2012.
 - **Saves \$2 billion for 18 months**
- Ending support of Higher Education (4yr, 2yr and all financial aid)
 - **Saves \$1.4 billion for one school year.**
- Closing the Department of Corrections Jan 1, 2012? Release 18,000 felons and release 16,000 on community supervision
 - **Saves \$1.2 billion**
- Eliminate all natural resource programs Jan 1, 2012
 - **Saves \$230 million**
- Eliminating 8th grade statewide.
 - **Saves \$450 million for one school year.**



Appendix

In the last three legislative sessions, the Legislature has made over \$10 billion in reductions



* This reflects the reduction amounts originally assumed in the legislative session. Actual amounts may be slightly different than these amounts.