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INTRODUCTION

The 2009 Citizen's Guide to the Washington State Budget is offered as a resource for citizens, members of the Senate, their staff, and other interested persons; to provide a clear and simple overview of the state budget and state revenues. It describes the three basic state budgets and their interrelationships, the sources of revenue that support those budgets, how the money is spent, how many staff the state employs, the timeline for budget decisions and information about state debt and the Initiative 601 spending limit.

This guide was developed as a response to requests received by the Senate Ways and Means Committee for a brief and easy-to-understand document that would explain the state budget to the general public. The Legislature produces a number of documents and reports that provide highly-detailed information regarding budget and revenue actions and the many programs and tax sources contained therein. This guide provides a pamphlet-style brief introduction to the state budget and taxes.

The 2009 Citizen's Guide to the Washington State Budget was prepared by staff of the Senate Ways and Means Committee (within Senate Committee Services) and the Legislative Evaluation and Accountability Program (LEAP) Committee, with invaluable assistance from staff in several state agencies, notably staff of the Budget and Accounting divisions of the Office of Financial Management (OFM). Questions regarding the guide or requests for additional copies should be addressed to:

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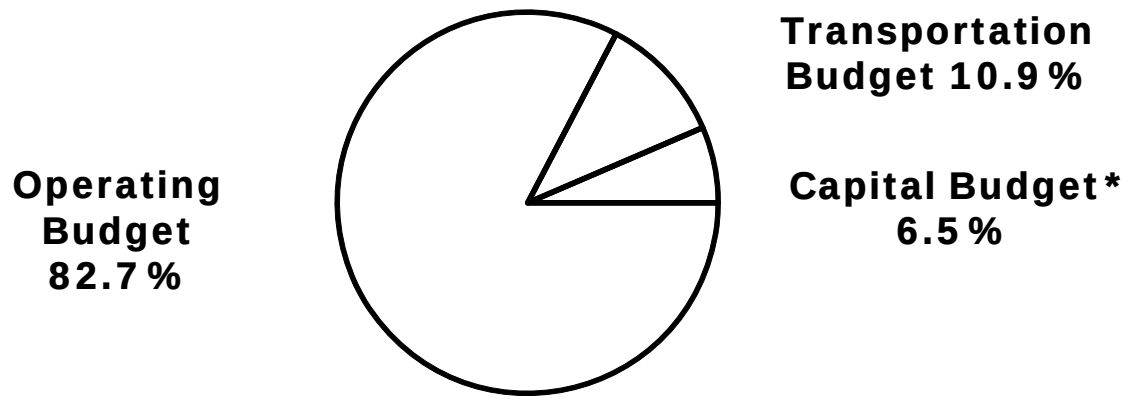
HOW BIG IS THE STATE BUDGET?

As of the 2008 Legislative Session, the State of Washington will spend a total of $69.2 billion for the 2007-09 biennium. That is an average of $95 million per day during the two-year spending period. This $69.2 billion includes amounts from three different budgets, which are plans of how the state will spend the money. The relative size of each of the three state budgets is shown in the following chart:



2007-09 State Budgets

(Dollars in Billions)

Operating Budget	$57.2
Transportation Budget	$7.5
Capital Budget*	$4.5
Total	**$69.2**

*Excludes Capital Re-appropriations (approximately $2.3 billion).

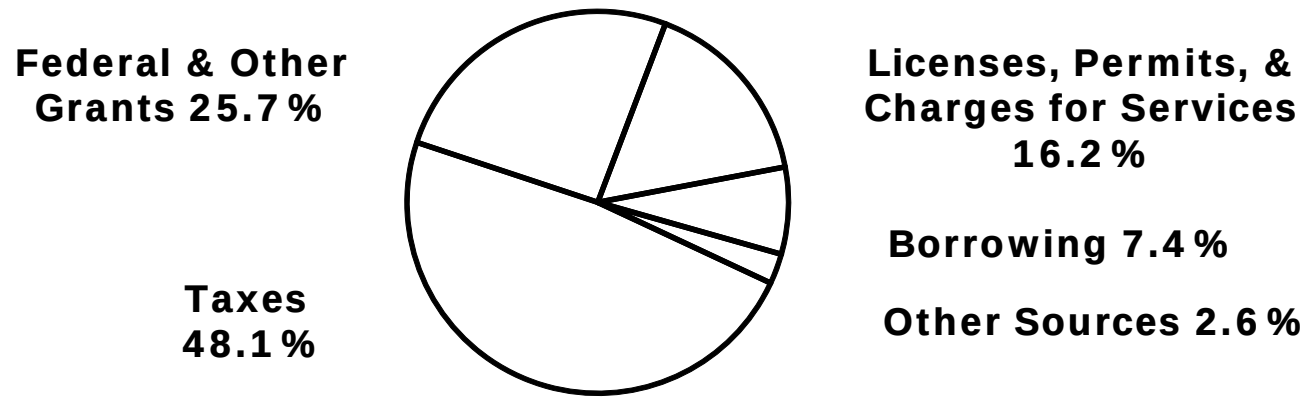
Sources: Winsum and Buildsum budget development systems for the 2008 Session.

- The budget that pays for the day-to-day operations of state government (including federal funds and dedicated funds) is called the **Operating Budget ($57.2 billion)**.
- The budget that pays for transportation activities, such as designing and maintaining roads and public transit, is called the **Transportation Budget ($7.5 billion)**. This budget includes amounts for both transportation operating activities ($2.7 billion) and transportation capital activities ($4.8 billion).
- The budget to acquire and maintain state buildings, public schools, higher education facilities, public lands, parks, and other assets is called the **Capital Budget ($4.5 billion)**.

Budget-related materials frequently refer to the "state general fund" or General Fund-State ("GF-S"), which is the largest state fund; it represents more than half of the $57.2 billion operating budget. A discussion of the GF-S budget begins on page 10.

WHERE DOES THIS MONEY COME FROM?

To pay for its activities in 2007-09, the state will tax citizens and businesses $33.1 billion; receive federal and other grants of $17.7 billion; collect fees and assess charges for licenses and permits of $11.2 billion; and borrow $5.1 billion. Other sources, including transfers, account for $1.8 billion. The relative size of each of these sources is shown in the following chart:



2007-09 Sources of Revenue

(Dollars in Billions)

Taxes	$33.1
Federal & Other Grants	17.7
Licenses, Permits, & Charges for Services	11.2
Borrowing	5.1
Other Sources (including Transfers)	1.8
Total 2007-09 Sources of Revenue	**$68.8**

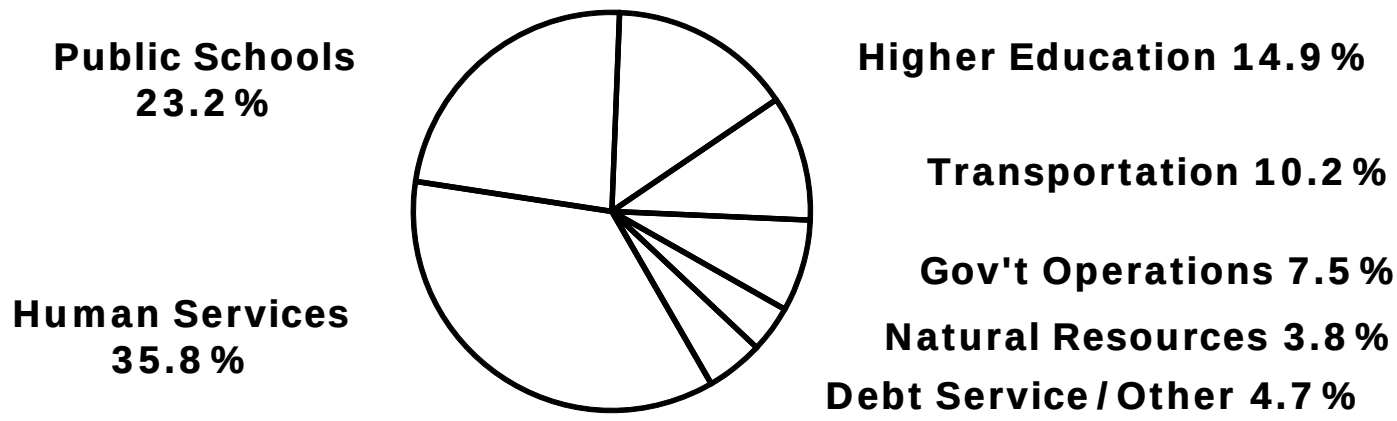
Source: OFM Revsum database for 2007-09 as of December 2008, with technical adjustments.

Most of the money the state uses to pay for services comes from state taxes. Washington's major tax sources include the sales tax, the property tax, and a rather unique tax called the Business and Occupation (B&O) tax, which is a tax on gross receipts rather than on profit or income. Washington is one of seven states that does not levy a personal income tax.

When the state projects that expenditures will exceed revenues, it must take action to address the imbalance. The actions it may take include: spending reserves; reducing expenditures; increasing revenues; borrowing money; or some combination of these four actions.

HOW ARE THESE FUNDS SPENT BY FUNCTION?

The following chart shows how the $69.2 billion 2007-09 total funds budget is allocated:



2007-09 All Budgeted Expenditures*
(Dollars in Billions)

Human Services	$24.7
Public Schools	$16.1
Higher Education	$10.3
Transportation	$7.1
Governmental Operations	$5.2
Natural Resources	$2.6
Debt Service/Other	$3.2
Total	**$69.2**

*Excludes Capital Re-appropriations (approximately $2.3 billion).

Sources: Winsum and Buildsum budget development systems for the 2008 Session.

Human Services, such as medical and public assistance, long-term care, other health care, and prisons, represents 35.8% of total budgeted expenditures. Most human services programs are partnerships between the state and the federal government, with the federal government providing about half of the money and the state providing the rest. The state provides human services to one out of every five citizens, including services to over half a million children residing in Washington.

Public Schools--state funding of kindergarten through twelfth grade (K-12) school districts--is the next largest category of total budgeted expenditures at 23.2%, although it represents the majority of the state general fund budget (see page 12).

Higher Education accounts for 14.9% of total budgeted spending. Higher education includes support for state four-year schools and community and technical colleges.

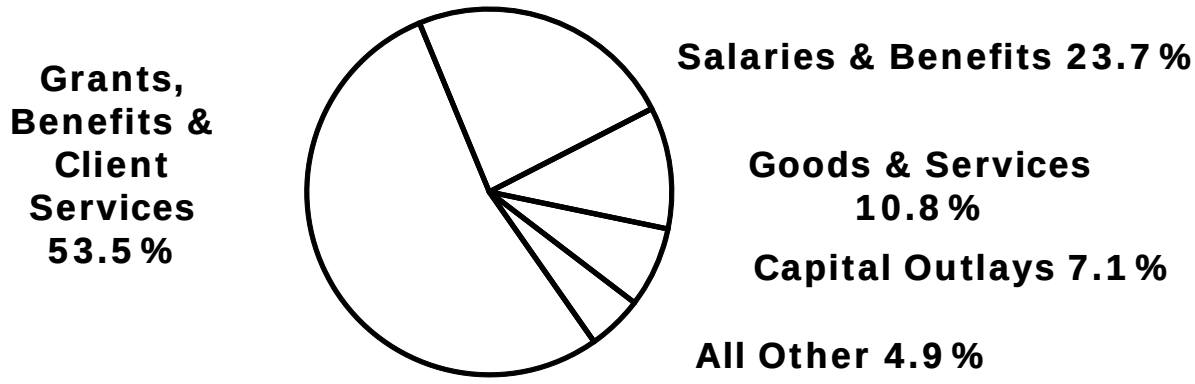
Over $7.1 billion is planned to be spent for **Transportation** services and construction in the 2009-11 biennium. These services and construction include highways, state ferries, and other transportation programs in the Washington State Department of Transportation (DOT); the Washington State Patrol (WSP); and the Department of Licensing (DOL), to name the three largest. Of that $7.1 billion, transportation operating activities account for more than $2.7 billion (4.0% of statewide spending), and transportation capital activities account for $4.8 billion (nearly 6.9% of total spending).

Other major spending categories include **Natural Resources** (agencies for environmental protection, management, and recreation); **Governmental Operations** (administrative, judicial, and legislative agencies); and other expenditures, such as the payment of **Debt Service** (the interest and principle costs of facilities and services funded through general obligation bonds).

HOW ARE THESE FUNDS SPENT BY OBJECT?

Another way to look at state spending is to identify what the state purchases. For example, payments to contractors and vendors for services rendered, and to school districts for K-12 education; salaries and benefits for state employees; and payments for buildings and lands, among others. These classifications are called "objects" of expenditure.

The following chart shows large objects of expenditure for a single year, fiscal year 2008, the latest period for which complete object data are available:



Fiscal Year 2008 Expenditures by Object*

(Dollars in Billions)

Grants, Benefits & Client Services	$17.8
Salaries and Benefits	$7.9
Goods and Services	$3.6
Capital Outlays	$2.4
All Other	$1.6
Total	**$33.2**

*Includes actual expenditures for Omnibus Operating, Transportation, and Capital Budgets.

Source: Monitor database from statewide accounting system.

As the chart shows, more than half of state spending--approximately 54%--is for **Grants, Benefits and Client Services**. Spending on this object occurs mainly in two agencies: $7.5 billion in the Department of Social and Health Services (DSHS), as payments to hospitals, nursing homes, other service providers, and as welfare and child care payments; and $7.5 billion in the Office of the Superintendent of Public Instruction, as apportionment and grants to K-12 school districts. Many other federal and state grant programs have expenditures in grants, benefits and client services.

The $7.9 billion **Salaries and Benefits** expenditure in FY 2008 provided compensation to the nearly 112,000 full-time equivalent (FTE) staff that the state directly employs. In addition to salaries and wages, this amount includes health, life, and disability insurance; Old Age and Survivors Insurance (OASI is sometimes referred to as "Social Security"); retirement and pensions; and other employee benefits.

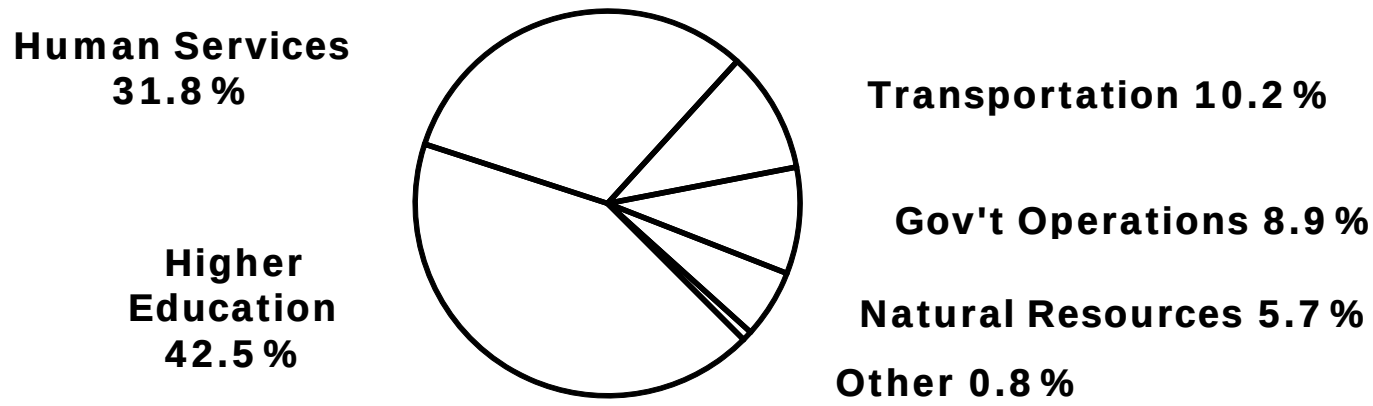
The $3.6 billion **Goods and Services** expenditure in FY 2008 paid for things like supplies, medications at state-operated hospitals, food at colleges and universities, and small equipment (valued at under $5,000 per item), as well as services such as data processing, security, rentals and leases, communications, utilities, printing, insurance, training, and vehicle maintenance.

The $2.4 billion **Capital Outlays** expenditure in FY 2008 paid for highway construction ($900million), buildings ($511million), and architectural & engineering services ($346million), among others. The Washington State Department of Transportation (DOT) accounted for more than half (57%) of these expenditures, while higher education--the four-year institutions and the community and technical colleges--accounted for just over one quarter (25.7%).

The **All Other** category of objects includes debt service, personal service contracts, travel, and transfers for $1.6 billion.

HOW MANY STATE EMPLOYEES ARE THERE?

For budget purposes, the state counts its employees in terms of full-time equivalent (FTE) staff. One FTE equals 2,088 paid hours per fiscal year. Generally, one FTE is thought of as one full-time position, although an FTE may be composed of multiple part-time positions. As the following chart shows, for the 2007-09 biennium, the state's budgets anticipate nearly 112,000 annual FTEs.



Average Annual FTE Staff for 2007-09

Higher Education	47,562
Human Services	35,570
Transportation	11,426
Governmental Operations	10,008
Natural Resources	6,431
Other	942
Total*	**111,939**

*Includes FTEs from Omnibus Operating, Transportaion, and Capital Budgets.

Sources: Winsum and Buildsum budget development systems for the 2008 Session.

Higher Education represents the largest category of state employees. The budget for the University of Washington includes just over 20,000 FTEs and there are nearly 16,000 FTEs in the budget for the community and technical colleges. The next largest area is **Human Services**. More than 19,000 FTEs work for the Department of Social and Health Services and approximately 9,000 FTEs work for the Department of Corrections.

Three agencies in **Transportation** employ 99% of the staff in this area of state government: Washington State Department of Transportation (7,562 budgeted FTEs), Washington State Patrol (2,456), and the Department of Licensing (1,340).

Similarly, in **Natural Resources**, the largest employers are the Departments of Fish and Wildlife (1,634 budgeted FTEs), Natural Resources (1,533), and Ecology (1,618).

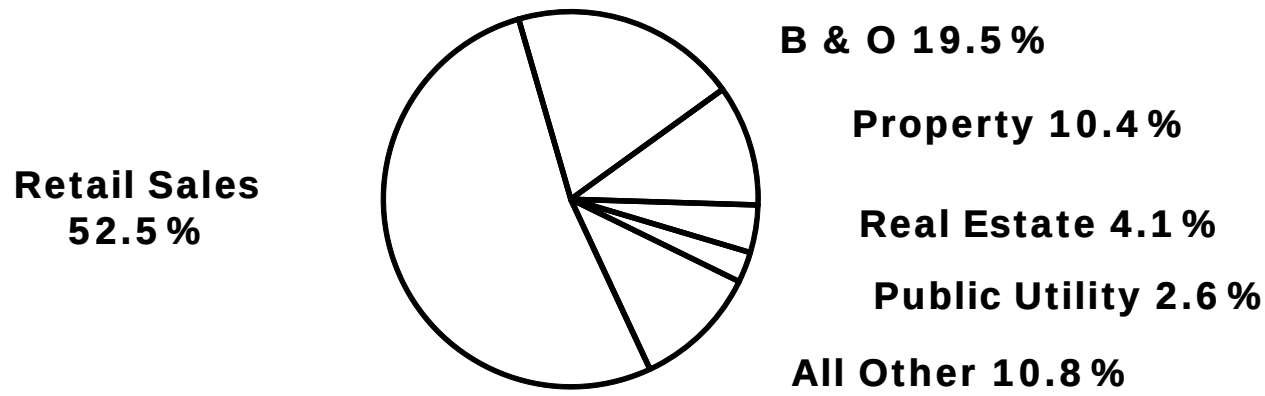
In the preceding chart, **Other** includes the Office of the Superintendent of Public Instruction (OSPI) with 305 budgeted FTEs and the Department of Early Learning with 211 budgeted FTEs. They are the only agencies in this category with a budget that exceeds 125 FTEs.

Of the more than 112,000 budgeted FTEs, the state general fund will pay for nearly 41%, Higher Education non-appropriated funds will pay for approximately 24%, federal funds will pay for nearly 13%, and numerous dedicated funds will pay the remaining 22%.

The more than 102,000 FTEs of K-12 local school districts are not included in the FTEs that the state directly employs. However, the state pays for approximately 71% of the maintenance and operations budgets of the 295 school districts throughout the state via funds disbursed through the Office of the Superintendent of Public Instruction.

WHAT IS THE STATE GENERAL FUND?

The state general fund is the largest single fund within the state budget. It is the principal state fund supporting the operation of state government. All major state tax revenues are deposited into this fund. The sources of tax revenue for the state general fund are shown in the following chart:



2007-09 Sources of State General Fund Revenue
(Dollars in Billions)

Retail Sales	$15.0
Business & Occupations (B & O)	5.6
Property*	3.0
Real Estate	1.2
Public Utility	0.8
All Other	3.1
Total	**$28.6**

*Excludes transfers to the Student Achievement Account required by Initiative 728.
Source: Economic and Revenue Forecast, November 2008 (Cash Basis).

For the 2007-09 budget period, the state general fund will receive $28.6 billion in revenues. More than half of that amount is from the state retail sales tax. The second largest tax is the Business and Occupation (B&O) tax, which accounts for approximately 19%. The third largest tax is the state property tax, which accounts for approximately 10% of the total.

The state sales tax, the B&O tax, and the state property tax account for approximately 82% of all state general fund revenues. In addition, the general fund relies on real estate excise taxes, use taxes, a public utility tax, insurance premium taxes, and a number of other smaller taxes. (For a description of these and other state taxes, refer to the Washington State Department of Revenue web site at http://dor.wa.gov.)

Contrary to popular belief, the state lottery does not pay for a large share of K-12 education. Currently, the lottery brings in approximately $242 million per biennium. Initiative 728 (enacted by the voters in November 2000) requires the transfer of these funds to the Student Achievement Account and the Education Construction Account. Since fiscal year 2005, all lottery revenues have been deposited into the Education Construction Account (with the exception of about 10%, which was dedicated by previous legislation for debt service on the stadiums in Seattle). The total state budget for public schools is approximately $16 billion for 2007-09. The state lottery, even if entirely dedicated to K-12 public schools, would represent only 1.5% of the state budget for K-12 education.

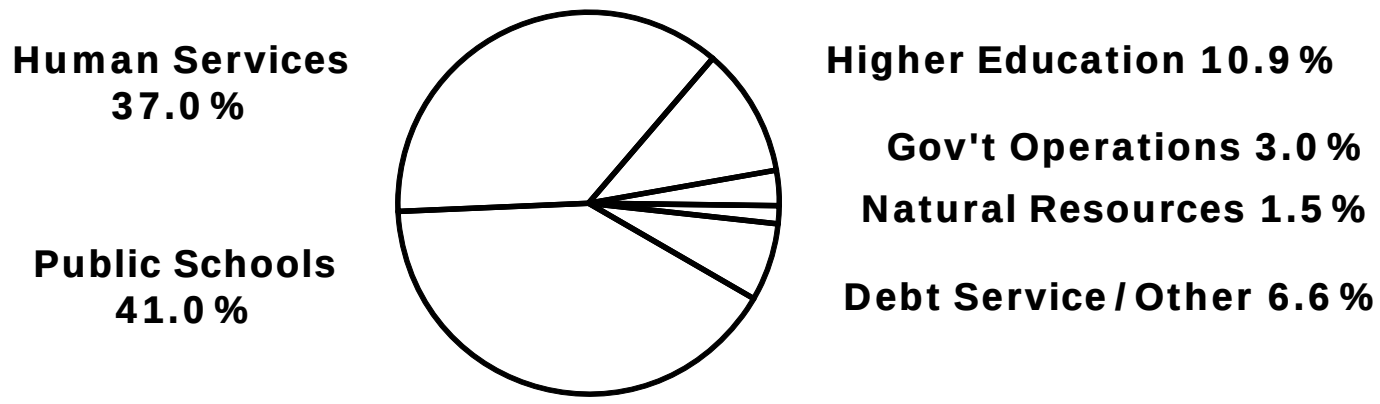
The major difference between the state general fund revenues ($28.6 billion) and the total of all budgeted funds revenues ($68.8 billion) is the dedication of revenue sources to specific uses. Most of the difference can be attributed to four types of funds:

- Federal funds for specific federal programs ($14 billion);
- Higher Education-specific funds such as the Grants and Contracts Account, Higher Education Dedicated Local Accounts, the Tuition and Fees Account, and the University of Washington Hospital Account ($7.0 billion);
- Bonds for capital purposes ($5.1 billion); and
- Gas taxes for transportation purposes ($2.4 billion).

These four sources account for 71% of the difference between revenues available for all state government budgets and the state general fund budget.

HOW IS STATE GENERAL FUND MONEY SPENT?

Because of the nature of its tax sources, the state general fund receives the most attention during the budget-building process. During the 2007-09 biennium, the state will spend approximately $29.8 billion (or about $41 million per day on average) from the state general fund. The following chart shows how the state general fund budget is allocated:



2007-09 General Fund-State Expenditures

(Dollars in Billions)

Public Schools	$12.2
Human Services	11.0
Higher Education	3.3
Governmental Operations	0.9
Natural Resources	0.5
Debt Service/Other	2.0
Total	**$29.8**

Source: Winsum budget development system for the 2008 Session.

The largest single state general fund program is **Public Schools**, which includes state support for K-12 education. Public schools account for 23.2% of total budgeted expenditures, but that share increases to 41.0% when examining only the state general fund. By the end of the 2007-09 biennium, the state will provide public education funding for more than 1,000,000 children.

Human Services state general fund spending consists primarily of the operating budget for the Department of Social and Health Services, the State's umbrella organization that provides medical, social, and income assistance to citizens in need. It also includes spending for the Department of Corrections and the Department of Health.

Higher Education spending includes funding for six public universities, and thirty-four community colleges and technical schools serving almost 235,000 FTE students. It also includes financial aid to nearly 132,000 students attending both state supported and private colleges. Expenditures for higher education represent 14.9% of **all** budgeted funds and 10.9% of the state general fund. In addition to money from the state general fund, higher education receives $7.0 billion of dedicated revenues, principally grants and contracts, and tuition and fees.

Other general fund spending categories include **Natural Resources**, **Governmental Operations**, and other expenditures such as the payment of **Debt Service**.

WHY DOES THE BUDGET GO UP YEAR AFTER YEAR?

The budget increases each year because there are either more citizens to serve, those services cost more, and/or because citizens may request new or different services. Public education may be the easiest example of these trends.

- Article IX, Section 1 of the Washington State Constitution declares "It is the paramount duty of the state to make ample provision for the education of all children residing within its borders ..." The cost of meeting this constitutional requirement takes nearly half of the state general fund budget. In 1990, there were approximately 800,000 children in Washington state K-12 public schools. By the end of 2009-11, the K-12 system will educate more than 1,000,000 children. The education of these additional 200,000 children will cost hundreds of millions of dollars. Over the same period, the population of the state as a whole is expected to increase more than 2.0 million people, so there will be more taxpayers to shoulder these costs.
- Teaching supplies, materials, equipment and energy all will cost more in 2009 than they did in 1990, so the overall cost of educating each student will increase.
- Finally, in 1993, the Legislature passed new requirements for public education. Referred to as "education reform," these requirements continue to change the cost of education for each child. This too will cause the budget to increase.

HOW IS THE BUDGET CREATED?

Through the budget process, the Legislature and the Governor decide how much money to raise and spend. State agencies, the Governor, the Legislature, citizens, and interest groups are all involved in this process. Washington State operates on a two-year (biennial) basis, beginning on July 1st of each odd-numbered year. For example, the current budget is for the period July 1, 2009 through June 30, 2011.

Agency Requests - In late summer and early fall of each even-numbered year, state agencies submit budget requests to the Office of Financial Management (OFM). The Governor reviews the requests and makes the final decisions for his or her budget proposal.

The Governor's Budget - By law, as the chief executive officer of the state, the Governor must propose a biennial budget in December of even-numbered years, the month before the Legislature convenes in regular session. The Governor's budget is his or her proposed spending and taxation plan for the biennium.

The Legislative Budget Process - After receiving the Governor's budget proposal, the Legislature reviews it and formulates its own budget during the legislative session which begins in January. The chairs of the Senate Ways and Means Committee and House Ways and Means Committee work with their respective members and staffs to analyze the Governor's budget and develop recommendations and alternative proposals. The transportation portions of the budget are developed by separate committees in the House and Senate. By tradition, the initiation of the budget alternates between chambers each biennium.

After each chamber has passed its version of the budget, the differences between the two must be reconciled in the budget conference process. Generally, six fiscal leaders representing both chambers and both political parties meet as a conference committee to prepare one legislative budget that is submitted to the full Legislature for final passage and then ultimately delivered to the Governor for his or her signature.

The Governor may veto all or part of the budget, thereby eliminating funding for certain activities; however, the Governor cannot add money for an activity for which the Legislature provided no funding. Only after the Legislature passes a budget and the Governor signs it has the state created a real budget.

Supplemental Budgets - Each year, the Legislature considers changes to the biennial budget in what is called a Supplemental Budget. Generally, such changes represent mid-course corrections to the two-year spending plans to account for changes in school enrollments, prison populations, public assistance caseloads, or significant changes in the economy of the state.

Timeline of Budget Decisions

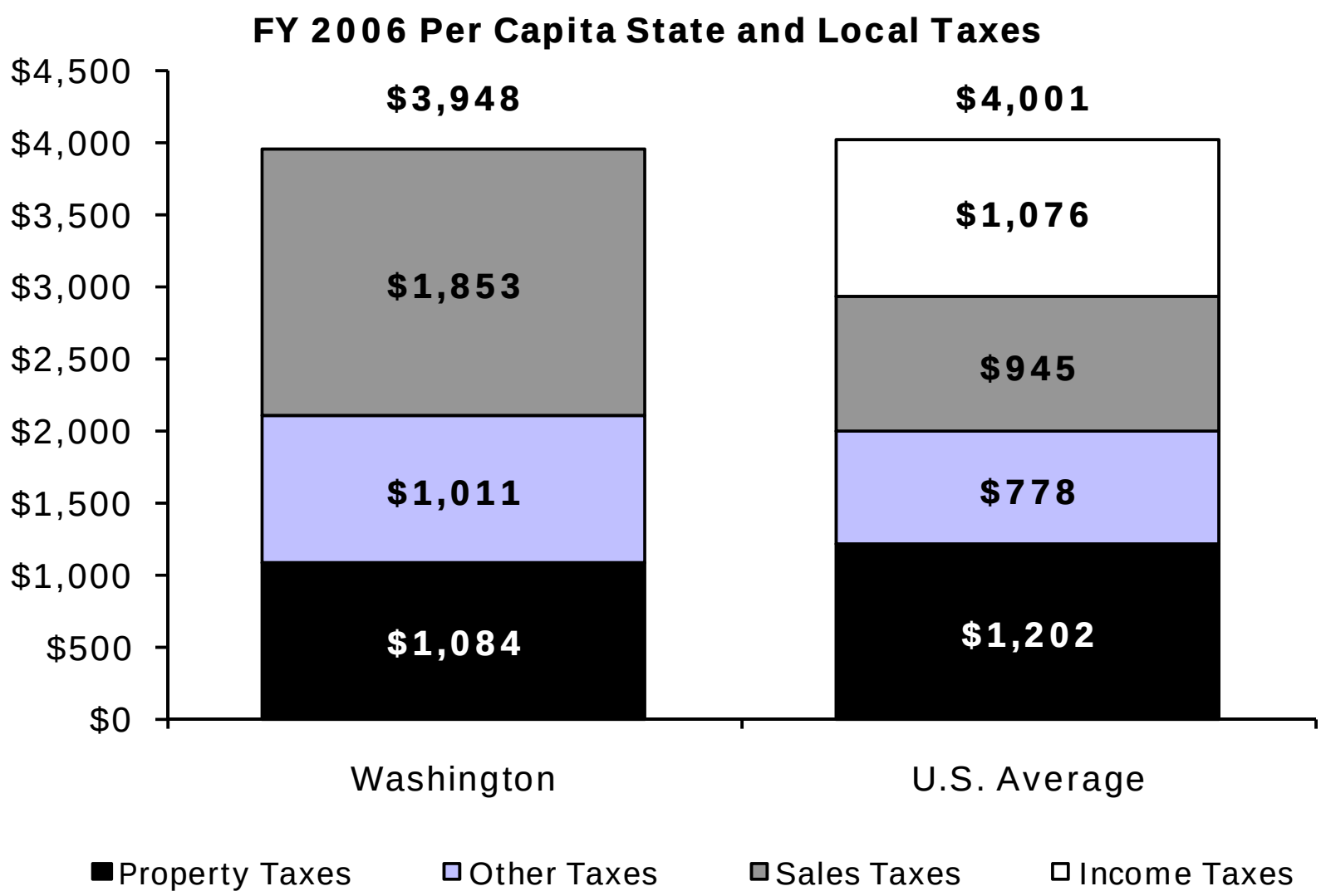
(2009-11 Biennium)

Formulation of the Governor's Budget	State agencies prepare budget requests and submit them to the Office of Financial Management The Governor reviews the requests and makes decisions about what goes in the Governor's proposed budget.	**July 2008 - December 2008**
Legislative Action on the Budget	The Legislature reviews the Governor's proposed budget, develops its own budgets, and approves revenue bills. The budget is signed or vetoed by the Governor.	**January 2009 - April 2009**
The Biennium Begins		***July 2009***
	Agencies execute the enacted budget.	**July 1, 2009 - June 30, 2011**
Supplemental Budgets	The 2009-11 biennial budget may be adjusted in the 2010 and 2011 legislative sessions.	**January 2010 - March 2010** **January 2011 - April 2011**

HOW DOES WASHINGTON'S TAX BURDEN COMPARE TO OTHER STATES?

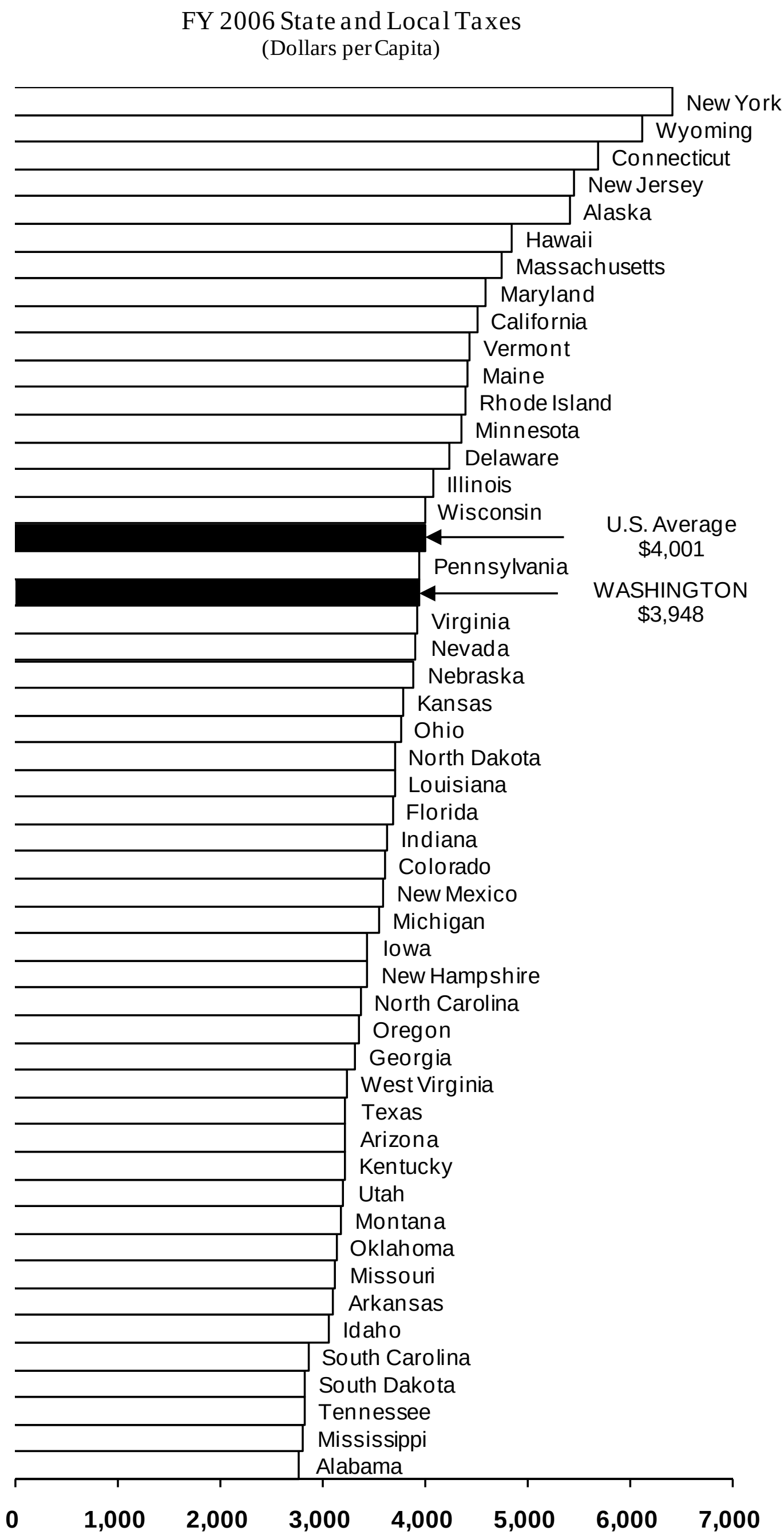
Analysis of state and local taxes per capita provides one comparison of tax burdens among the states. As the following chart shows, for FY 2006 (the most recent year for which all data are available), the amount for state and local taxes per capita for Washington State is $3,948, which is 1.3% lower than the national average of $4,001.

The components of the tax structure of Washington State differ noticeably from national averages. Washington is one of only seven states that does not impose a personal or corporate income tax; at the same time, Washington has relatively high sales taxes. According to the Washington State Department of Revenue, in FY 2006 Washington ranked 25th in the nation with property taxes per capita of $1,084 (the national average was $1,202).



The chart on page 19 shows the total state and local taxes per capita for Washington compared to the other 49 states and to the U.S. average. This chart shows that Washington ranks 18th in state and local taxes per capita and that 32 states rank below the U.S. average of $4,001.

By comparing taxes to personal income, it should be possible to take into account differences in wealth among states when comparing tax burdens. However in recent years, the incredible increase in Washington State personal income, due in large part to the explosion of stock options during the late 1990s and 2000, distorted this measure and made it less useful as a yardstick of the overall tax burden.

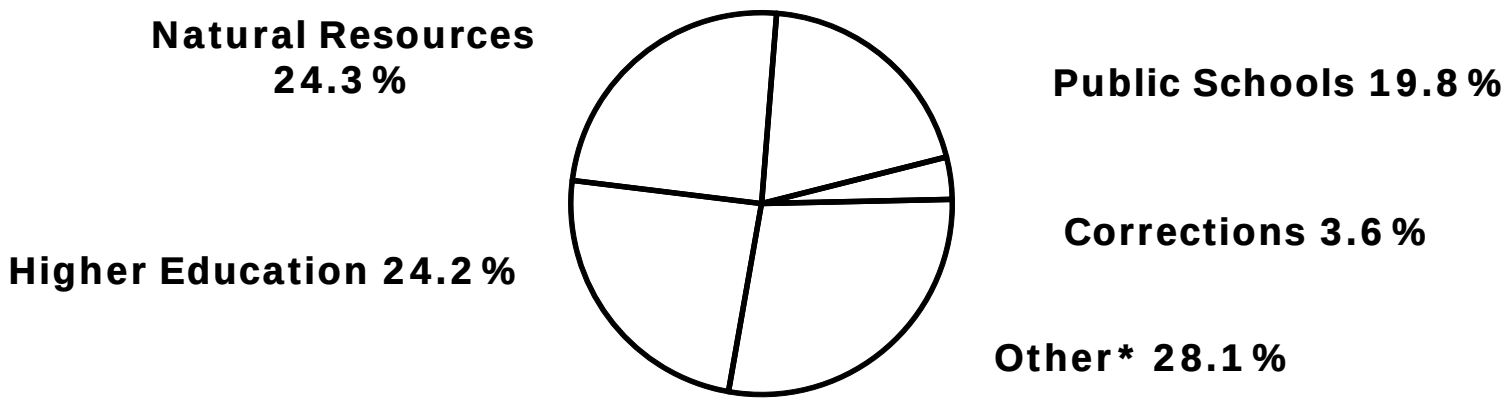

FY 2006 State and Local Taxes
(Dollars per Capita)
New York
Wyoming
Connecticut
New Jersey
Alaska
Hawaii
Massachusetts
Maryland
California
Vermont
Maine
Rhode Island
Minnesota
Delaware
Illinois
Wisconsin
U.S. Average
$4,001
Pennsylvania
WASHINGTON
$3,948
Virginia
Nevada
Nebraska
Kansas
Ohio
North Dakota
Louisiana
Florida
Indiana
Colorado
New Mexico
Michigan
Iowa
New Hampshire
North Carolina
Oregon
Georgia
West Virginia
Texas
Arizona
Kentucky
Utah
Montana
Oklahoma
Missouri
Arkansas
Idaho
South Carolina
South Dakota
Tennessee
Mississippi
Alabama
0
1,000
2,000
3,000
4,000
5,000
6,000
7,000

WHY DOES THE STATE BORROW MONEY TO PAY FOR THE CAPITAL BUDGET?

The capital budget uses borrowed money to fund projects that benefit future tax payers. For example, the benefits of a new higher education facility will last for 30 years or more. Financing that facility with bonds paid off over thirty years spreads the cost over the life of the building and on future tax payers who benefit from it.

How Is The Capital Budget Money Spent?

The following chart shows how the 2007-09 total funds capital budget is allocated:



2007-09 Capital Budget, Total Funds

(Dollars in Millions)

Higher Education	$1,079
Natural Resources	1,086
Public Schools	884
Corrections	160
Other*	1,256
Total	**$4,464**

Sources: Buildsum budget development system for the 2008 Session.

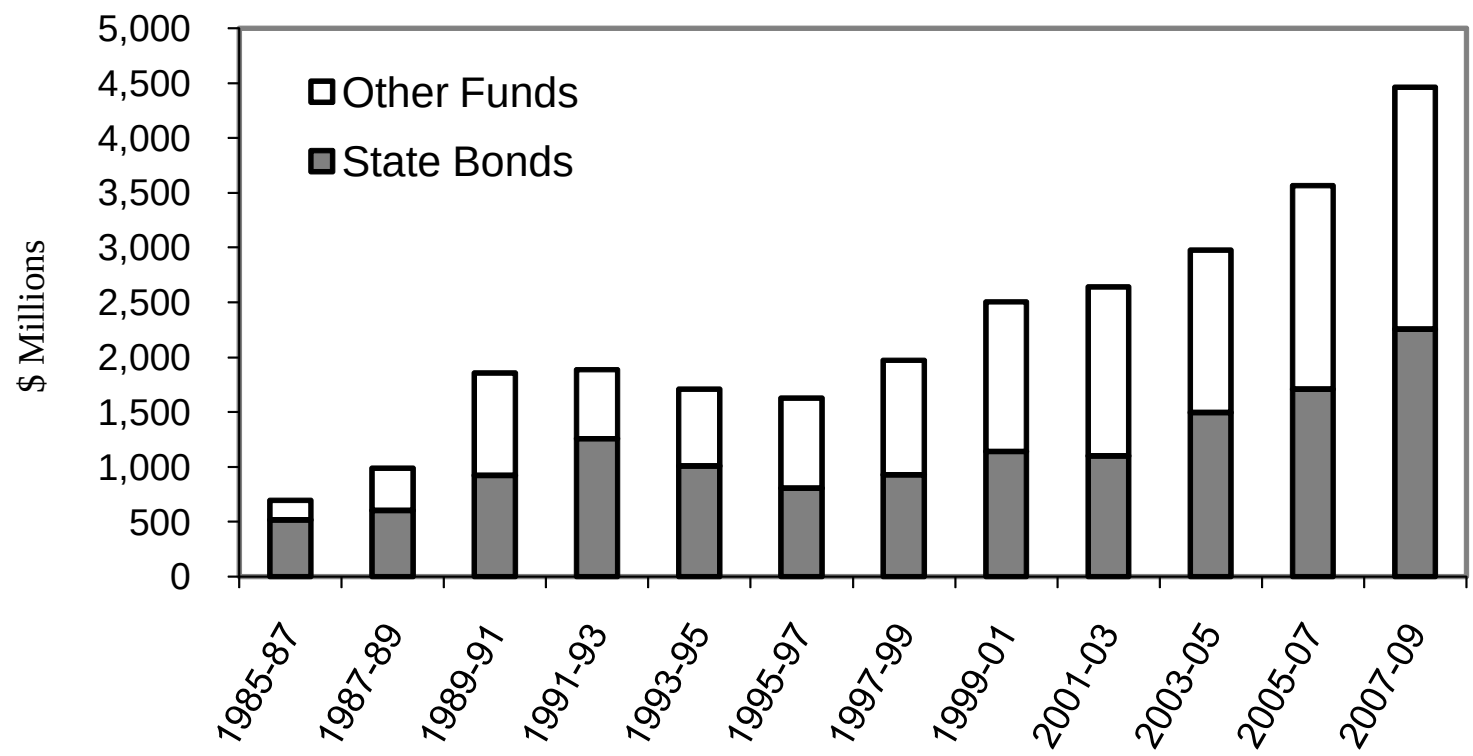
*Includes agencies in Government Operations, Human Services (excluding Corrections), Other Education, and some transportation capital projects.

The capital budget funds construction and maintenance of state buildings such as higher education facilities and prisons, provides grants to local school districts to help build new schools, and pays for acquisition and maintenance of public lands, parks and other assets. The capital budget also provides grants and loans to local governments and community groups for public works projects such as water and sewer systems, environmental projects such as toxic waste clean-up and salmon

habitat restoration, and for cultural and recreational projects such as youth athletic fields and community service projects.

Where Does Capital Budget Money Come From?

The following chart shows the history of size of the capital budget for bonds and the total appropriation:



Capital Budget & Bonds

(Dollars in Millions)

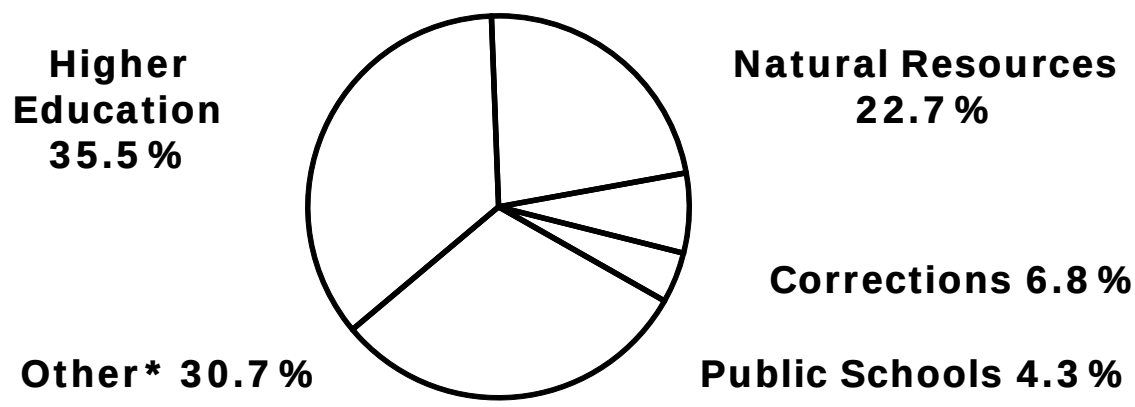
Biennium	Bonds	Total
1985-87	518	695
1987-89	604	988
1989-91	923	1,858
1991-93	1,260	1,885
1993-95	1,011	1,712
1995-97	809	1,627
1997-99	929	1,974
1999-01	1,143	2,508
2001-03	1,102	2,641
2003-05	1,494	2,980
2005-07	1,708	3,564
2007-09	2,255	4,464

Source: Buildsum budget development system for the 2008 session.

Approximately 51% of the money appropriated in the capital budget comes from the sale of bonds. The State Treasurer is responsible for selling and refinancing bonds. The money to pay the debt on these bonds

is appropriated in the operating budget. These debt service payments, funded with general taxes, pay for schools, prisons and college facilities authorized and constructed through capital budgets adopted in previous legislative sessions. Bond-funded capital projects authorized in a particular legislative session will be paid for with taxes appropriated in future operating budgets. Other funds in the capital budget include federal grants; loan revolving funds, such as the public works assistance account and the water pollution control revolving account; and trust land revenues for common schools and higher education facilities.

Different parts of the capital budget are more or less dependent on borrowed money. Seventy-four percent of capital projects for higher education and nearly all projects for corrections are funded with bonds. Only 40 percent of the rest of the capital budget is paid for with bonds. The following chart shows the major parts of the state bond portion of the 2007-09 capital budget:



2007-09 Capital Budget, State Bonds

(Dollars in Millions)

Higher Education	$795
Natural Resources	509
Corrections	151
Public Schools	96
Other*	687
Total	**$2,239**

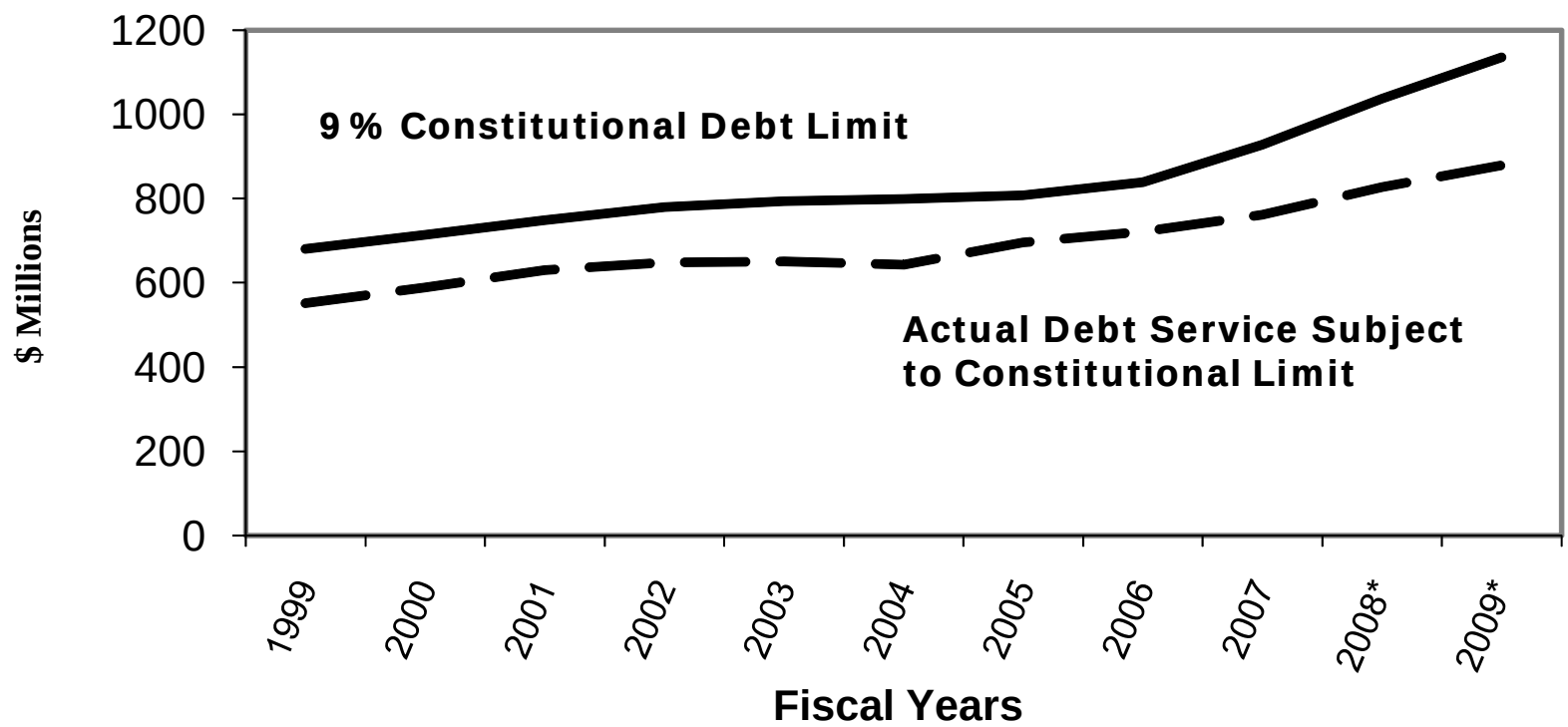
Source: Buildsum budget development system for the 2008 Session.

* Includes agencies in Government Operations, Human Services (excluding Corrections), Other Education, and some transportation capital projects.

What is the Debt Limit and How Does it Control the Capital Budget?

The Washington State Constitution indirectly limits the amount of debt the state can incur. Annual debt service payments cannot exceed nine percent of the average general state revenues in the preceding three years. Taxes and fees for specific purposes, such as the gas tax and property tax, are excluded from the definition of general state revenues.

The following chart show the constitutional debt limits and the actual debt service payments.



Debt Limit vs Actual Debt Service Payments
(Dollars in Millions)

Fiscal Year	Constitutional Limit	Actual
1999	680	551
2000	713	588
2001	748	630
2002	779	648
2003	794	650
2004	799	643
2005	807	695
2006	839	721
2007	928	761
2008*	1,037	826
2009*	1,135	878

*2008, and 2009 are estimates based on the Governor's proposed budget.

Sources: Debt models from State Treasurer's Office

State law also limits debt. The statutory debt limit is seven percent, but is based on revenues that include the lottery and property tax. These additional revenues were added by legislation in 2002 and 2003. The debt service payments limited by state law are also somewhat different from the payments limited by the constitution. The statutory limit excludes debt on general obligation bonds reimbursable from money other than general revenue and several specific projects, but includes voter-approved debt. The effect of these revenue and payment differences results in a statutory debt limit that now allows about the same amount of borrowing as the constitutional debt limit.

How Does the Capital Budget Fund Community Projects?

The capital budget funds a variety of community projects. Some of these projects are first reviewed and prioritized by a state agency. The following are some of the larger categories of community projects funded in the capital budget.

Washington Wildlife and Recreation Program

Funding – $100 million

Application/Funding Process - Applications are prioritized within the following types of projects: local parks, state parks, trails, water access, critical habitat, natural areas, urban wildlife, and farmland and riparian protection. The Legislature then specifies how far down the priority list projects will be funded.

Administrative Agency & Contact – Recreation and Conservation Funding Board (http://www.rco.wa.gov/rcfb/grants.asp)

Community Service Facilities

Funding – $10 million

Application/Funding Process – Applications are prioritized by a citizens' advisory committee based on the level of improved efficiency and service quality the project would provide to the community. The grant can't exceed 25 percent of the total project cost. The Legislature then determines which projects will be funded.

Administrative Agency & Contact – Department of Community, Trade & Economic Development (http://cted.wa.gov/DesktopDefault.aspx?tabid=475&tabindex=61)

Building for the Arts

Funding – $12 million

Application/Funding Process – Applications are prioritized by a citizens' advisory committee. The grant can't exceed 20 percent of the total project cost. The Legislature then determines which projects will be funded.

Administrative Agency & Contact – Department of Community, Trade & Economic Development (http://cted.wa.gov/DesktopDefault.aspx?tabid=475&tabindex=61)

Heritage Capital Projects

Funding – $10 million

Application/Funding Process – Applications are prioritized by the Washington State Historical Society in consultation with others. The grant can't exceed 33 percent of the total project cost. The Legislature then determines which projects will be funded.

Administrative Agency & Contact – Washington State Historical Society (http://www.washingtonhistory.org/wshs/contact.aspx)

Other Categories of Community Projects

2007-09 Funding – Varies

Application/Funding Process – In addition to the programs above, the Legislature may fund community projects directly, without an administrative agency reviewing and prioritizing applications.

Contact – Your legislators

HOW DOES THE 601 SPENDING LIMIT WORK?

In November 1993, the citizens of Washington State passed an initiative to limit the growth in state government spending and taxation. Initiative 601 (I-601) placed a "cap" on state spending for activities funded by the state General Fund. The expenditure cap was based on the amount of state spending in 1990, with annual adjustments for subsequent population growth and inflation. When General Fund revenues grew faster than the I-601 spending limit, the extra revenue could be used to reduce taxes or be put into the "Emergency Reserve Fund," which could only be used if two-thirds of the Legislature agreed to use it. When revenues grew more slowly during economic recessions, the emergency reserve fund could be used to allow spending up to the state spending limit.

Initiative 601 also requires a two-thirds vote of the Legislature to approve any legislation that increases state taxes. A vote of the people is required if the tax increase will result in spending in excess of the state expenditure limit.

Beginning July 1, 2007, the state General Fund expenditure limit was expanded to include expenditures from five additional state funds: the Health Services Account; the Violence Reduction & Drug Enforcement Account; the Public Safety & Education Account; the Water Quality Account; and the Student Achievement Fund. In addition, the annual adjustment to the state spending limit based on population growth and inflation was replaced by a formula reflecting the ten-year average growth of the state economy as measured by state personal income.

In 2007, the voters of the state abolished the Emergency Reserve Fund and replaced it with the constitutionally established Budget Stabilization Account (commonly known as the "rainy day fund"). Each year, one percent of general state revenues are automatically deposited to the account. Moneys may be appropriated from the Budget Stabilization Account by a majority vote of the Legislature if: (1) annual employment growth in the state is forecasted to be less than 1 percent; or (2) the Governor declares an emergency resulting from a catastrophic event that requires government action to protect life or public safety. Other withdrawals from the Budget Stabilization Account may be made only by a three-fifths vote of the Legislature.

In 2007, the voters of the state also approved Initiative 960, which requires an advisory vote of the people if legislative action raising taxes is not subject to a referendum (if it contains an emergency clause, for example). The initiative also requires prior legislative approval before any state agency can impose or increase an administrative fee, and the Office of Financial Management is required to publish a ten-year cost projection for any proposed legislation that increases state fees or taxes.

GLOSSARY OF COMMONLY USED BUDGET TERMS

Appropriation - A legislative authorization for an agency or other governmental unit to make expenditures and incur obligations: (1) for specific purposes, (2) from designated funding sources, and (3) during a specified time period.

Biennium - The 24-month period from July 1st of odd-numbered years to June 30th of odd-numbered years, such as the 2009-11 biennium, which runs from July 1, 2009 to June 30, 2011.

Capital Budget - The budget that pays for the construction and renovation of state facilities, including public schools, prisons, state hospitals, higher education institutions, parks, etc. Revenues to support capital spending come primarily from bonds and dedicated cash accounts.

Debt Service - The interest and principle costs of facilities and services funded through general obligation bonds.

Dedicated Funds - The product of reserving certain tax revenues for a specific purpose or purposes. Generally, any fund other than the general fund or a federal fund is referred to as a dedicated fund. There are literally hundreds of dedicated funds in the state treasury. Two of the largest are the Motor Vehicle Account, which receives gas tax revenues and is restricted to roads and highways, and the State Lottery Account, which accounts for revenues from ticket sales and is reserved for the cost of lottery operations and prizes.

Federal Funds – Monies provided by the federal government to support state programs. Major operating budget federal programs include Medicaid and the Social Services Block Grant.

Fiscal Year (FY) - The 12-month period from July 1st to June 30th, expressed in terms of the first six months of the second calendar year. For example, FY 2009 runs from July 1, 2008 until June 30, 2009.

FTE Staff - Full time equivalent (FTE) staff is a way to measure the size of the state's workforce. One FTE is equivalent to 2,088 hours worked per year, which represents one full-time employee. Total FTE staff does not necessarily represent the total number of state employees because some staff work part-time and are thus classified as a percentage of one FTE.

Governmental Operations - A functional area of state spending which comprises a large number of central service agencies, such as the departments of General Administration, Personnel, Financial Management, Revenue, etc., as well as the legislative and judicial branches of government.

Higher Education - A functional area of state spending that includes the cost of secondary education and workforce training provided through the state's 34 community and technical colleges, four regional universities, and two research universities.

Human Services - A functional area of state spending which comprises human services agencies such as the Department of Social and Health Services, the Department of Corrections, and the Department of Health.

Natural Resources - A functional area of state spending that includes the state's natural resource agencies such as the departments of Ecology, Fish and Wildlife, Natural Resources, and the State Parks and Recreation Commission.

Object - A state accounting classification used to categorize expenditures. Objects of expenditure in the state operating and capital budgets include: Salaries and Wages; Employ Benefits; Personal Service Contracts; Goods and Services; Travel; Capital Outlays; Grants, Benefits, and Client Services; Debt Service; and various transfer objects.

Operating Budget - The budget which pays for most of the day-to-day operations of state government and constitutes the majority of all state spending is referred to as the operating budget. Revenue to support this budget comes from a variety of taxes and fees that are deposited into more than 200 separate funds and accounts, the largest of which is the state general fund.

Other Education - A functional area of state spending that includes the cost of providing specialized education services at the Schools for the Deaf and the Blind, arts and cultural services provided through the Arts Commission and the two state Historical Societies, and cost of the state Work Force Training, and Education Coordinating Board.

Public Schools - A functional area of state spending that includes the cost of educating the state's children from grades kindergarten through high school. It also includes the funding for other activities of the public school system. The Superintendent of Public Instruction allocates these funds to 296 school districts, nine educational service districts and other contractors who provide education services.

State General Fund - Often referred to as General Fund-State (GF-S), this fund serves as the principal state fund supporting the operation of state government. All major state tax revenues (sales, business and occupation, property tax, and others) are deposited into this fund.

Transportation Budget - The budget which pays for both the day-to-day operation of state transportation agencies and the construction and preservation of state highways and roads, is called the transportation budget. Most of the revenue that supports the transportation budget comes from the state gas tax.