



PROPOSED 2003-2005
OPERATING BUDGET

HIGHLIGHTS

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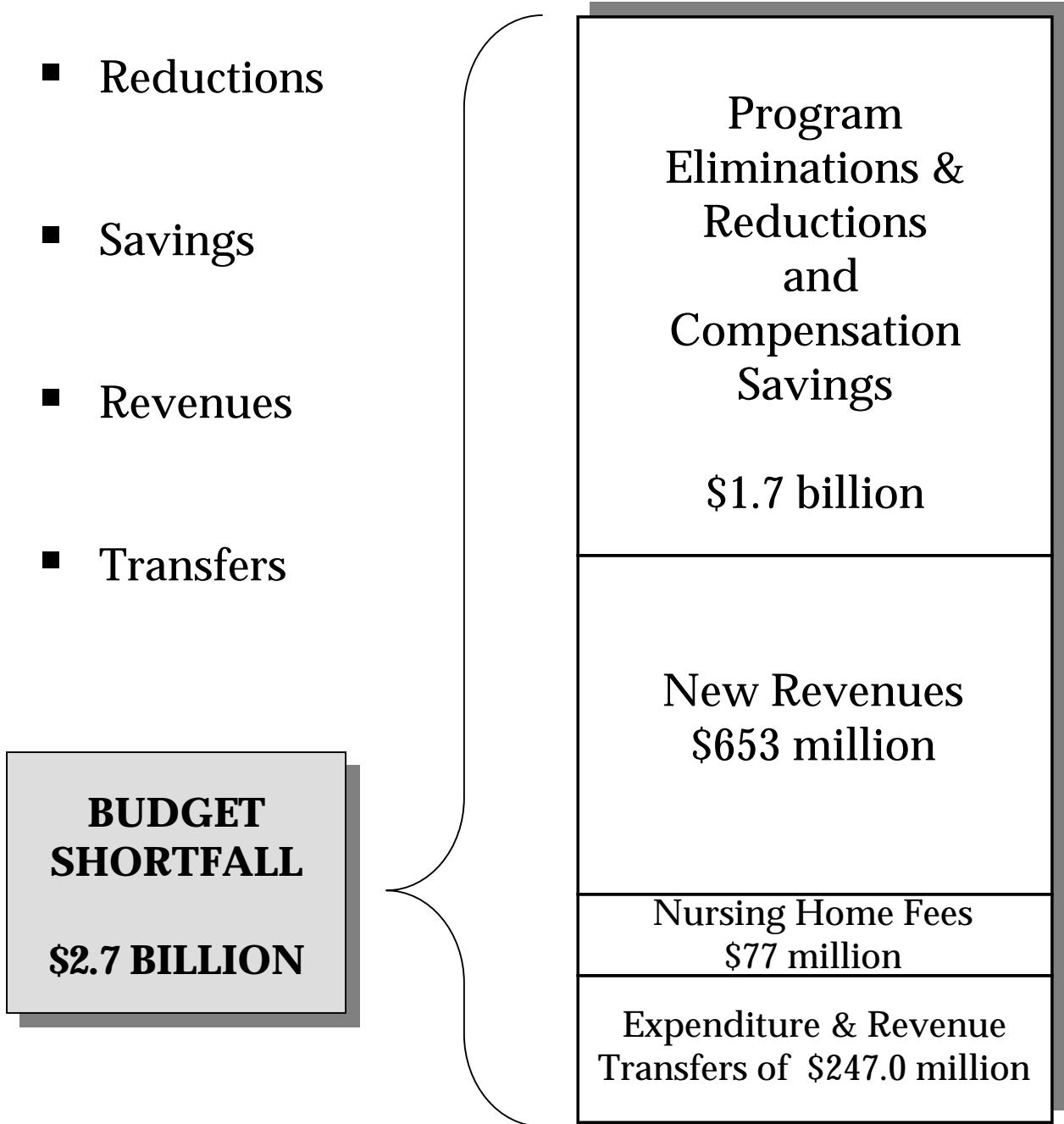
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The House Budget Proposal

- Protects the health and welfare of children
- Commits resources to education Initiatives 728 and 732
- Reduces the rising costs of health care
- Recognizes the need to eliminate or curtail lower priority programs
- Maintains the state's investment in higher education

The Budget Solution

The House proposal uses a balanced approach to solve the budget shortfall.



Includes General Fund, Health Services Account, and Student Achievement Fund

K-12 EDUCATION FUNDING

INITIATIVE 728

Student Achievement Fund Per Student Allocations (\$506.5 million Student Achievement Fund-State)

Initiative 728 allocations to school districts will increase from \$211.67 in the 2003-04 school year to \$316.00 in the 2004-05 school year. The total cost of these allocations will increase by more than \$100 million, from \$203.1 million in the 2003-04 school year to \$303.4 million in the 2004-05 school year.

INITIATIVE 732

Initiative 732 Cost of Living Adjustment (\$140.8 million General Fund-State)

Cost of living adjustments of 2.0 percent, effective January 1, 2004, and 1.9 percent, effective January 1, 2005, are provided for K-12 employees.

PROGRAMS THAT ARE MAINTAINED

Better Schools (\$17.5 million General Fund-State, \$14.3 million Student Achievement Fund-State)

Funding is maintained for the Better Schools Program. Beginning in the 2004-05 school year, the program will be funded from the Student Achievement Fund.

Student Health, Safety, and Welfare (\$18.1 million General Fund-State)

Funding is maintained for Readiness to Learn, School Nurses Corps, Meals for Kids, Teen Aware and the School Safety Training Office at the Office of the Superintendent of Public Instruction.

Highly Capable Students (\$13.3 million General Fund-State)

State funding to school districts is maintained for programs for gifted students at 2 percent of each district's enrollment. The budget also funds the Centrum program at Fort Worden, as well as Destination Imagination and Future Problem Solving.

Professional Development Grants (\$8.8 million General Fund-State)

Funding is maintained for professional development, internships, and mentoring grants for teachers, paraprofessionals, principals, and superintendents, as well as the Office of the Superintendent of Public Instruction's summer accountability institutes.

K-12 EDUCATION FUNDING

Science and Math Education Enrichment (\$4.6 million General Fund-State)

Funding is maintained for the Pacific Science Center's Core Science, Mathematics, and Technology programs, as well as the Center's Leadership and Assistance for Science Education Reform (LASER) program.

Skills Centers Summer School Program (\$4.1 million General Fund-State)

State funding is maintained for summer courses at the nine Skills Centers across the state.

Civil Liberties Education Program (\$292,000 General Fund-State)

Funding is maintained for the Civil Liberties Education Program.

REDUCTIONS/SAVINGS

State Flexible Education Funds (\$41.4 million General Fund-State Savings)

State Flexible Education Fund allocations are eliminated.

Levy Equalization Allocations (\$32.0 million General Fund-State Savings)

State allocations for the Local Effort Assistance Program (levy equalization) are reduced by 11.7 percent.

Math Helping Corps (\$3.5 million General Fund-State Savings)

Funding for the Math Helping Corps is eliminated.

Educational Service Districts (\$2.1 million General Fund-State Savings)

State funding to Educational Service Districts (ESDs) is reduced. The State Board of Education is encouraged to reduce the number of ESDs from nine to seven through consolidation.

Alternative Routes to Certification (\$1.8 million General Fund-State Savings)

Stipends for interns in the Alternative Routes to Certification Program are eliminated and the conditional loan scholarship is increased from \$4,000 per year to \$8,000 per year. Mentor teachers in the program will receive a \$500 stipend.

K-12 EDUCATION FUNDING

Training Centers at ESDs (\$972,000 General Fund-State Savings)

State funding for Student Teaching Centers and Teacher Training Coordination at educational service districts is eliminated.

Skills Center Extended Day (\$970,000 General Fund-State Savings)

Funding for the Skills Center Extended Day Program is eliminated.

INCREASES

Health Benefits (\$143.2 million General Fund-State)

Funding is provided to increase the K-12 monthly benefit rate from \$457.07 per employee in the 2002-03 school year to \$496.69 in the 2003-04 school year and to \$584.69 in the 2004-2005 school year.

Focused Assistance to Schools (\$2.6 million General Fund-State)

Funding is provided for 30 additional low-performing schools to receive Focused Assistance, which increases total state funding for the program to \$6.1 million.

K-12 Finance and Compensation Study (\$1.2 million General Fund-State)

Funding is provided for the Office of Financial Management to conduct a comprehensive study of the K-12 compensation and financing systems.

10th Grade WASL Retakes (\$897,000 General Fund-State)

Funding is provided for those high school students who are not successful in one or more content areas of the Washington Assessment of Student Learning (WASL) to be given the opportunity to retake the test at no cost to the students.

Teacher Salary Bonus for NBPTS Certification (\$405,000 General Fund-State)

Funding is provided to extend by two years the current four-year limit on the \$3,500 annual bonus for teachers attaining certification from the National Board for Professional Teaching Standards, bringing total state funding for this program to \$4.1 million.

Early Learning and Child Care Task Force (\$320,000 General Fund-State)

Funding is provided for the Office of the Superintendent of Public Instruction and the Office of the Governor to jointly lead a task force in developing a plan for the coordination of early learning and child care programs and services, and in creating consistent, aligned early learning goals for children younger than school age.

HIGHER EDUCATION

HIGHER EDUCATION EFFICIENCIES

Reductions / Savings

University and College Operating Costs (\$88.4 million General Fund-State Savings)

An operating reduction is made that may be partially offset by increasing tuition rates 5 percent each academic year for undergraduate, graduate, law, and professional students. Higher education institutions are given the management flexibility to determine how to best implement this reduction.

ACCESS AND AFFORDABILITY IN HIGHER EDUCATION

Increases

High Demand Programs (\$9.9 million General Fund-State, \$10.3 million Student Achievement Fund-State)

Funding is provided to increase the capacity of colleges and universities to deliver training and degree programs in high demand fields. High demand fields include: worker retraining programs, veterinary medicine, viticulture and enology, health care, special education, computing and engineering sciences, and other fields. High demand resources are allocated directly to colleges and universities, speeding up program delivery and saving administrative costs. In addition, funding is provided for state match to attract and retain federal research grants in high demand and technologically advanced fields at the University of Washington.

CWU Enrollment Recovery (\$3.3 million General Fund-State)

In the 2001-03 biennium, Central Washington University's (CWU) base enrollment funding was reduced due to a decrease in student population. In recognition of CWU's fulfillment of its enrollment recovery plan, funding is provided to restore 306 full-time equivalent students beginning in fiscal year 2004.

Student Tuition

For resident undergraduate students, tuition may be increased 5 percent or less per year, for the 2003-04 and 2004-05 academic years. Governing boards have the authority to decide the appropriate level of tuition for all other students.

HIGHER EDUCATION

Financial Aid (\$20.5 million General Fund-State)

\$18.9 million is provided to maintain the current legislative policy of providing State Need Grants to resident undergraduate students from families with incomes up to 55 percent of the state's median family income. In addition, \$1.6 million is provided to cover an expected increase in utilization of state merit and vocational excellence scholarships and to restore grant amounts to full tuition and fees.

COMPENSATION

Increases

Cost of Living Adjustment (\$15.0 million General Fund-State, \$2.3 million Tuition)

A cost of living adjustment of 2.0 percent, effective September 1, 2004, is provided for state-funded higher education employees not subject to the provisions of Initiative 732.

Initiative 732 Cost of Living Adjustment (\$12.7 million General Fund-State, \$1.6 million Tuition)

A cost of living adjustment of 2.0 percent, effective January 1, 2004, and 1.9 percent, effective January 1, 2005, is provided for certain state-funded community and technical college staff subject to Initiative 732.

Health Benefits (\$47.8 million General Fund-State)

Employer contribution rates are increased from \$482.38 in fiscal year 2003 to \$520.29 in fiscal year 2004 and \$606.26 in fiscal year 2005. State employee contributions are expected to be 16 percent of the total rate. The average monthly contribution is expected to increase from \$72.38 in calendar year 2003 to \$87.50 in calendar year 2004 and \$157.40 in calendar year 2005.

Recruitment and Retention (\$10 million General Fund-State)

Funding is provided for competitively awarded salary adjustments by four-year institutions to recruit and retain key faculty and professional staff. Institutions may supplement this salary pool with tuition funds at their own discretion.

Part-Time Faculty Compensation (\$5 million General Fund-State)

Funding is provided to reduce salary disparity between part-time and full-time faculty at the 34 community and technical colleges.

HIGHER EDUCATION

FACILITY STEWARDSHIP

Increases

Plant Operations and Maintenance (\$12.3 million General Fund-State)

Funding is provided for plant operations and maintenance to protect and prolong the life of public institutions of higher education. An additional \$14.5 million is also provided for this purpose at maintenance level.

HEALTH CARE

Reductions/Savings

Restructure the Basic Health Plan Beginning January 2004 (\$150.5 million Health Services Account-State Savings)

Beginning January 1, 2004, the Basic Health Plan is restructured to provide a benefit for 100,000 enrollees that is equivalent to 80 percent of the value provided during calendar year 2003. New enrollment to the Basic Health Plan will continue to be limited through the end of calendar year 2003. No enrollees will be removed from the plan, but new enrollments are limited to the following groups: women who have temporarily left the program due to a Medicaid-covered pregnancy; children not eligible for Medicaid due to their immigration status; enrollees who become current after being disenrolled due to late payment; and new dependents of existing enrollees.

Eliminate Medically Indigent Program (\$95.3 million General Fund-State Savings, \$12.0 million Other Funds Savings)

The medically indigent program, which has provided partial compensation to hospitals and physicians for emergency care provided to low-income uninsured persons, is eliminated. This reduction is partially mitigated by a new hospital assistance grant program.

Discontinue Adult Hearing and Optical Coverage (\$12.5 million General Fund-State Savings, \$11.8 million General Fund-Federal Savings)

Coverage by the Medicaid program for adult hearing and optical services is eliminated.

Reduce Adult Dental Coverage (\$11.7 million General Fund-State Savings, \$11.0 million General Fund-Federal Savings)

The scope of dental benefits is reduced by approximately 25 percent. The Department of Social and Health Services will work with dental providers and recipient representatives to select the highest priority procedures to include in the reduced benefit package.

Limit Managed Care Rate Increases (\$21.9 million General Fund-State Savings, \$20.0 million Health Services Account-State Savings, \$42.0 million General Fund-Federal)

Funding is provided to increase managed care payment rates by 3.5 percent in calendar year 2004 and 5.0 percent in calendar year 2005, rather than by the average of 8 to 9 percent per year by which they have increased in the past.

HEALTH CARE

Consolidate Drug Purchasing (\$19.2 million General Fund-State Savings, \$36.2 million Other Funds Savings)

The Medical Assistance Administration, the Health Care Authority, and the Department of Labor and Industries will consolidate their drug purchasing by jointly developing a list of preferred drugs for use in state purchased health care programs. This will reduce the rate of growth in state drug expenditures by prioritizing the purchase of less costly, safe and effective brands, and by creating a financial incentive for manufacturers of more expensive brands to provide price discounts. In administering prescription drug benefits under state purchased health care programs, agencies will honor an endorsing prescriber's direction to dispense a prescription drug as written on the prescription order or to continue therapy with an antipsychotic, antidepressant, chemotherapy, antiretroviral, or immunosuppressive drug.

Require Co-Pays for Medical Equipment and Transportation Services (\$891,000 General Fund-State Savings, \$891,000 General Fund-Federal Savings)

Medicaid recipients are required to pay a nominal part of the cost for medical supplies, equipment, and transportation services. The co-pay will be \$2.00 for items and services costing \$25 - \$50, and \$3.00 for items costing more than \$50. These are the maximum co-pays allowed by federal Medicaid rules.

Durable Medical Equipment Purchasing (\$2.0 million General Fund-State Savings, \$2.0 million General Fund-Federal Savings)

The Department of Social and Health Services will implement a combination of cost containment and utilization strategies, such as selective or direct contracting with durable medical equipment and supply vendors or manufacturers, to reduce costs for durable medical equipment and supplies.

Discontinue Hospital Reports Subsidy (\$1.1 million Health Services Account-State Savings)

The state subsidy for the Comprehensive Hospital Accounting and Reporting System (CHARS) is eliminated. As a result of the subsidy elimination, the assessment is expected to increase to approximately .018 percent of hospital revenues.

HEALTH CARE

Increases

Assistance to Hospitals (\$40.0 million General Fund-State, \$40.0 million Other Funds)

To mitigate the effect of the elimination of the Medically Indigent program, grant payments to hospitals which serve a disproportionate share of Medicaid and uninsured patients are increased by \$40 million total funds per year.

Additional Newborn Screening Tests (\$400,000 General Fund-State, \$1.9 million General Fund-Private/Local)

Funding is provided for all newborns to be screened by the state public health laboratory for five additional disorders that can cause mental or motor retardation, blindness, hearing loss, physical abnormalities, and/or death if undetected. Almost half of the testing cost will be borne by the Medical Assistance program, which pays for 43 percent of all births in the state. The balance will be paid by fees charged to private payers.

HUMAN SERVICES

AGING AND DISABLED

Reductions/Savings

Reduce Funding for the ARC Lawsuit (\$8.8 million General Fund-State Savings, \$8.8 million General Fund-Federal Savings)

Funding is reduced for the ARC lawsuit due to federal court rejection of the proposed settlement. The lawsuit sought increased funding for additional services for persons on the developmental disabilities Medicaid waiver and to increase the number of persons served by the waiver.

Reduce Spousal Resource Limits (\$8.1 million General Fund-State Savings, \$8.1 million General Fund-Federal Savings)

When a spouse applies for Medicaid-funded long-term care, states may disregard between \$18,132 and \$90,660 in savings or other liquid assets of the spouse not receiving care. Washington presently sets the spousal resource limit at the federal maximum of \$90,660. Savings are achieved by reducing the resource limit from \$90,660 to \$30,000 in liquid assets. In addition to the \$30,000, the spouse not receiving services will continue to be able to retain their home, furnishings, an automobile, and income of up to approximately \$2,100 per month.

Cost Containment, Utilization Control, and Other Efficiencies (\$5.5 million General Fund-State Savings, \$500,000 General Fund-Federal Savings)

Recent audits and program reviews of the Developmental Disabilities Division have identified areas where increased management controls are appropriate. Flexibility is provided to the Department of Social and Health Services (DSHS) to pursue a variety of activities aimed at improving efforts to understand, manage, and control expenditure growth in developmental disability programs during the 2003-05 biennium. The DSHS will develop semi-annual savings targets and report to the Legislature on the extent to which those savings are being met.

Raise Medicaid Personal Care Eligibility Standards (\$3.4 million General Fund-State Savings, \$3.4 million General Fund-Federal Savings)

Currently, elderly and disabled persons may qualify for Medicaid by meeting certain functional and financial eligibility requirements. A person currently qualifies for Medicaid Personal Care (MPC) if they need minimal assistance with one or more activity of daily living (e.g., eating, bathing, toileting, ambulation, medication assistance, etc.). Savings are achieved by eliminating services for clients needing minimal assistance with less than three activities of daily living. With this change, Washington will still have one of the eight most generous eligibility standards in the nation.

HUMAN SERVICES

MENTAL HEALTH

Reductions/Savings

Increase Medicaid Eligibility Verification (\$2.1 million General Fund-State Savings, \$2.1 million General Fund-Federal Savings)

The House budget saves a total of \$4.2 million in the cost of mental health coverage due to a projected decrease in the number of persons eligible for Medicaid as a result of increased eligibility verification efforts.

Limit Regional Support Network Administrative Expenses (\$7.0 million General Fund-State Savings, \$7.0 million General Fund-Federal Savings)

In calendar year 2002, administrative expenditures, as a percent of total funding to the Regional Support Networks, ranged from a low of 8 percent to a high of 18 percent. Administrative expenditures would be limited to 10 percent of total funding during the 2003-05 biennium.

Regional Support Network Funding (\$11.0 million General Fund-State Savings, \$15.0 million General Fund-Federal Increase)

Funding for community mental health and inpatient psychiatric coverage by Regional Support Networks under a managed-care arrangement for all persons eligible for Medicaid is reduced by 1.5 percent in fiscal year 2004 and 3.5 percent in fiscal year 2005. The impact is partially offset by authorizing the Department of Social and Health Services to increase Medicaid payment rates for those RSNs whose allocations would otherwise not increase by at least 5.0 percent over the previous year's level in fiscal year 2004 and 2005. To qualify for the higher payment, the RSN must use qualified local funds for the non-federal share of the Medicaid payment.

HUMAN SERVICES

AGING AND DISABLED

Increases

Nursing Home Rate Changes (\$37.5 million General Fund-State, \$37.5 million General Fund-Federal)

Funding is provided to help maintain the quality of nursing home care in the state by increasing Medicaid payment rates to \$142.14 per patient day in fiscal year 2004 and to \$145.52 per patient day in fiscal year 2005, a 5.3 percent average annual increase over the fiscal year 2003 level. The cost of this rate increase will be covered by a fee of \$6.00 per patient day which will generate \$76 million in revenue during the biennium. Additionally, nursing home rates are modified by eliminating the case-mix corridor floor for direct care payments, and eliminating statutory provisions that permit nursing facilities to retain certain overpayments of 1.0 percent during the settlement process.

Consolidate Residential Habilitation Centers (\$2.2 million General Fund-State, \$2.1 million General Fund-Federal)

Funding is provided to consolidate state Residential Habilitation Centers (RHCs) by closing Fircrest School in Shoreline. RHCs now care for approximately 1,100 residents, down from a high of 4,000 residents in 1967. The Department of Social and Health Services will have approximately three years to facilitate the transition of 255 Fircrest residents to other RHCs and community placements. The Department will work with affected employees and develop opportunities for employment counseling, retraining, placement into other state positions, and unemployment assistance. In addition, a trust account will be established where proceeds from the lease of the Fircrest property and any action taken on the surplus property at the remaining RHCs will be deposited to fund services for developmentally disabled clients. The state will retain ownership of the Fircrest property.

Maximize Funding for Vocational Rehabilitation (\$2.1 million General Fund-State, \$9.0 million General Fund-Federal)

Funding is provided for increased vocational rehabilitation services for blind or otherwise disabled citizens. This will create increased opportunities for those who are disabled to find meaningful work. State funding is provided at a level sufficient to maximize revenues available from the federal Basic Support Grant.

HUMAN SERVICES

Increase Community Residential Supports for Developmentally Disabled Individuals (\$1.3 million General Fund-State, \$1.2 million General Fund-Federal)

Funding is provided for community residential placements and support services for up to 14 clients in fiscal year 2004. Priority consideration for these new placements will be given to developmentally disabled clients without residential services who are in crisis or immediate risk of needing an out-of-home placement and residents of Residential Habilitation Centers who are able to be adequately cared for in community settings.

CHILDREN AND FAMILIES

Reductions/Savings

More Children Staying with Family (\$1.4 million General Fund-State Savings, \$700,000 General Fund-Federal Savings)

Savings are realized from the passage of Substitute House Bill 1233 (kinship caregivers). This bill will allow more children to be placed with relatives rather than entering traditional foster care.

Reduce Secure Crisis Residential Center Beds (\$4.6 million General Fund-State Savings)

Funding for 33 Secure Crisis Residential Center (SCRC) beds is eliminated. The Department will close all SCRCs that are co-located with juvenile detention centers, and will reduce the remaining SCRCs so as to maintain regionality of centers.

Improve Reimbursement Methodology for Adolescent Placements (\$1.4 million General Fund-State Savings)

Savings are realized through a more efficient reimbursement methodology for beds in Crisis Residential Centers (CRCs), Secure Crisis Residential Centers, and HOPE centers. Each provider will receive a reimbursement of \$1,000 per bed per month as a base payment, and the rest of the reimbursement will be paid only when the beds are occupied. This savings results from the current 68 percent occupancy rate for Secure CRCs, 64 percent for CRCs, and 43 percent for HOPE beds.

HUMAN SERVICES

CHILDREN AND FAMILIES

Increases

Maintain Low Caseworker to Child Ratios

Funding and staff are preserved in an effort to maintain the current caseload ratio of 1 caseworker to every 24 cases. By the policy set by the Legislature in the 2001-03 biennium to lower the caseload ratio, caseworkers will be able to continue frequent visits to children in the state's care.

Increase Funds for Foster Children (\$5.4 million General Fund-State, \$5.1 million General Fund-Federal)

Funding is provided for an increase in services for foster children who are being placed in higher levels of care.

Enhance Foster Parent Training (\$1.0 million General Fund-State, \$400,000 General Fund-Federal)

Funding is provided for improved and expanded training for foster parents. Enhanced training will enable foster parents to better respond to the needs of the children in their care, and will likely reduce attrition in the number of foster homes.

Preserve Youth Programs (\$23 million General Fund-State Savings, \$23 million Public Safety and Education Account)

Public Safety and Education Account funding is provided to preserve essential services for children and adolescents including Crisis Residential Centers, HOPE centers, Secure Crisis Residential Centers, Street Youth programs, Family Reconciliation Services, and grants to Community Networks through the Family Policy Council. Preserving these programs will enable more children to receive necessary services and maintain family stability. Increases in fines charged for traffic infractions under Substitute Senate Bill 6023 provide \$16 million of this increase.

PUBLIC SAFETY

Reductions/Savings

Sentencing and Earned Early Release Changes (\$25.5 million General Fund-State Savings)

Savings are achieved through the implementation of Engrossed Substitute Senate Bill 5990 (supervision of offenders), which: (1) implements the new drug offender sentencing grid enacted during the 2002 Legislative Session; (2) changes the maximum amount of earned release time that certain offenders may earn from 33 percent of their sentence to 50 percent; and (3) changes the manner in which the DOC must supervise offenders in the community. The earned early release changes will only be made available to offenders who are not convicted of violent offenses, sex crimes, certain methamphetamine crimes, burglary offenses, or crimes against persons. Eligible offenders will be placed on electronic home monitoring in the community for that period of time which constitutes the difference between being released at 50 percent and at 33 percent of the sentence imposed.

Community Supervision Changes (\$21.9 million General Fund-State Savings)

In accordance with Engrossed Substitute Senate Bill 5990 (supervision of offenders), funding for community supervision of low- or moderate-risk offenders is eliminated. Regardless of risk level, the Department of Corrections will continue to supervise offenders with a current or prior sex, serious violent, or domestic violence conviction and offenders whose conditions of community supervision include substance abuse treatment. Additionally, responsibility for the collection of outstanding legal financial obligations for offenders under supervision only for this purpose is shifted from the DOC to the county clerks. Funding in the amount of \$3.3 million is transferred to the Administrative Office of the Courts for this purpose.

Juvenile Disposition Alternatives (\$3.1 million General Fund-State Savings, \$188,000 General Fund-Federal Savings)

In accordance with Engrossed Substitute Senate Bill 5903 (juvenile offender sentencing), savings are achieved by: (1) restoring a disposition alternative that allows juvenile courts to suspend a standard range disposition involving confinement at the Juvenile Rehabilitation Administration for certain juvenile offenders on the condition that the adjudicated youth comply with one or more local sanctions or treatment requirements; and (2) implementing a Mental Health Disposition Alternative (MHDA) that allows juvenile courts to suspend a disposition of 15 to 65 weeks for juvenile offenders diagnosed with mental disorders. Youth adjudicated under the MHDA would be required to participate in a mental health treatment program and be subject to community supervision and other local sanctions.

PUBLIC SAFETY

Eliminate Truancy Petition Filing Requirements (\$7.1 million General Fund-State Savings)

The requirement that schools file truancy petitions in juvenile court for students with five or more unexcused absences in one month is eliminated. School districts will continue to have the option to file a petition at their discretion. Funding for at-risk youth and children in need of services petitions is preserved.

Increases

Off-Island Secure Community Transition Facility (\$2.4 million General Fund-State)

Consistent with direction from the federal court, funding is provided for the operational and staffing costs for the first phase of a Secure Community Transition Facility not located on McNeil Island. The budget assumes opening the facility October 1, 2003 and housing six residents by the end of the biennium. Staffing ratios for this facility will be one staff per resident during waking hours and two staff per three residents during sleeping hours.

Research-Based Treatment Services (\$2.4 million General Fund-State)

Funding is provided to local juvenile courts to implement two new disposition alternatives established pursuant to Engrossed Substitute Senate Bill 5903 (juvenile offender sentencing). Additionally, \$1.3 million of the Consolidated Juvenile Services program is redirected for the implementation of research-based interventions and treatment programs for juvenile offenders receiving probation services at the local level.

Substance Abuse Treatment for Offenders (\$9.0 million Criminal Justice Treatment Account-State, \$2.9 million Violence Reduction and Drug Enforcement Account-State)

\$11.9 million is provided for offender substance abuse treatment. \$9.0 million will be disbursed through county managed drug and alcohol treatment programs, pursuant to the distribution formula set by the Criminal Justice Treatment Account Panel. \$2.9 million will be used to treat drug offenders who are still in prison.

Community Corrections Training (\$400,000 General Fund-State)

Funding is provided for the Department of Corrections to extend the community corrections officer training program for new officers from three weeks to four weeks. The training will address tort liability claims, victims' issues, and safety matters such as defensive tactics as well as search and seizure arrests.

NATURAL RESOURCES

DEPARTMENT OF FISH AND WILDLIFE

Reductions/Savings

Fish Hatcheries Division Reduction (\$1.3 million General Fund-State Savings)

Funding reductions are made to the Hatchery Division that may include the closure of hatcheries. Any hatchery closures will be based on recommendations from the Hatchery Scientific Review Group.

Regional Customer Service Reduction (\$200,000 Wildlife Account-State Savings, \$850,000 General Fund-State Savings)

Savings are realized through the elimination of customer service staff within each regional office. License sales will be eliminated in all regional offices, requiring customers to purchase licenses through retail establishments.

DEPARTMENT OF FISH AND WILDLIFE

Increases

Migratory Waterfowl Habitat Enhancement (\$900,000 Wildlife Account-State)

Funding is provided for wetland restoration and landowner incentives to create or maintain habitat for migratory waterfowl. These activities are supported by revenue from an increase in the migratory waterfowl stamp, authorized by Second Substitute Senate Bill 6353 (migratory bird stamps) in 2002.

DEPARTMENT OF ECOLOGY

Reductions/Savings

Persistent Bioaccumulative Toxic Chemical Strategy (\$500,000 State Toxics Control Account-State Savings)

Funding for the Persistent Bioaccumulative Toxic (PBT) Chemical Strategy is reduced. \$300,000 is retained for implementing the mercury chemical action plan and for conducting baseline PBT sampling and monitoring of fish tissue.

NATURAL RESOURCES

DEPARTMENT OF ECOLOGY

Increases

Charter Safety Tug Services (\$3.0 million Vessel Response Account-State)

Funding is provided for charter safety tug services at Neah Bay for each year of the biennium. The dedicated tug provides emergency towing capability to assist disabled commercial vessels and reduces the risk of a catastrophic oil spill in Washington State. During the past five winters, the tug has assisted 22 vessels and helped save a decommissioned oil tanker.

DEPARTMENT OF NATURAL RESOURCES

Reductions/Savings

Forest Stewardship Assistance (\$920,000 General Fund-State Savings)

The Department of Natural Resources provides non-industrial private forest owners advice, assistance, and educational opportunities to enhance stewardship of their lands. General fund support for this activity is eliminated resulting in approximately one-third fewer educational and technical assistance contacts.

Geology Library Public Information (\$730,000 General Fund-State Savings)

Funding for staffing the geology library is reduced. One geology librarian is retained for limited interaction with the general public, organized groups, or the educational community.

DEPARTMENT OF NATURAL RESOURCES

Increases

Derelict Vessel Removal (\$100,000 Aquatic Lands Enhancement Account-State, \$950,000 Derelict Vessel Removal Account-State)

Funding is provided for costs associated with removing derelict vessels. The 2002 Legislature passed Engrossed Substitute House Bill 2376 (abandoned and derelict vessels), which gave authorized public entities the authority to seize, remove, and dispose of derelict vessels.

NATURAL RESOURCES

Contaminated Sediments Cleanup (\$1.0 million Aquatic Lands Enhancement Account-State)

One-time funding is provided for the state's share of costs to clean up contaminated sediments on the state's aquatic lands. Identified sites include Commencement Bay and Middle Waterway, with additional funds provided for the Thea Foss waterway.

STATE PARKS AND RECREATION COMMISSION

Reductions/Savings

Close Lower Priority Parks (\$388,000 General Fund-State Savings)

Savings are realized from the closure of lower priority parks to be selected by the State Parks and Recreation Commission.

STATE PARKS AND RECREATION COMMISSION

Increases

Parking Fee Implementation (\$4 million Parks Renewal and Stewardship Account-State)

To implement the system-wide parking fee that went into effect January 1, 2003, funding is provided for staff who will communicate the new payment options and collect parking fees from visitors at state parks. The State Parks and Recreation Commission projects the new fee will generate \$10 million in revenue during the 2003-05 biennium.

Maintenance Backlog Reduction (\$750,000 Parks Renewal and Stewardship Account-State)

Funding is provided to decrease the backlog of maintenance projects at Washington State park facilities.

GENERAL GOVERNMENT

Reductions/Savings

Reduce State Library Funding (\$2.6 Million General Fund-State)

Funding for the State Library is reduced. This reduction retains funding for assistance to local libraries, historic and northwest collections, state and federal document depositories, and the Washington Talking Book and Braille Library. Funding is also continued for library services to state institutions.

Increases

Increase Homeland Security Funding (\$53.5 million General Fund-Federal, \$200,000 General Fund-State)

Based on recent congressional action and the President's budget proposals, \$53.5 million in new federal funding is expected to be available during the 2003-05 biennium to assist Washington State in improving homeland security. The funding is expected to be available for prescribed equipment, exercises, training, and competitive grants. More than 80 percent of this funding will be distributed to local governments.

Enhance Economic Development (\$950,000 General Fund-State)

Funding is provided for enhanced business retention and expansion, assistance to small manufacturing businesses, and for continuing cluster-based economic development.

Continue Dependency & Termination Pilot Project (\$1.6 million General Fund-State)

Funding is provided to continue the dependency and termination pilot project implemented in 2000. Initial results of the project indicate adoption and foster-care savings to the state, increases in the rate of family reunifications, and decreases in the rate of termination of parental rights.

Human Resource Information System Development (\$8.8 million Data Processing Revolving Fund-State)

The Department of Personnel will begin the development of a new statewide payroll and human resource information system. A surcharge will be added to client agencies' revolving fund assessments to fund the project.

GENERAL GOVERNMENT

Help America Vote Act Funding (\$13.1 million Elections Account-Federal)

Pursuant to Engrossed House Bill 1161 (help America vote act), spending authority is provided for anticipated federal funding under the federal Help America Vote Act of 2002. Funding will assist states in replacing punch card voting equipment and improving administration of federal elections, including increased oversight of local elections.

Enhanced 911 Program (\$11.2 million Enhanced 911 Account-State)

Funding is provided to assist local governments with meeting enhanced 911 (E911) requirements by giving E911 operators immediate and accurate data regarding a caller's location. An increased level of support is needed for 33 counties to comply with new federal requirements that mandate that E911 systems work with wireless calls, and to update equipment for wireline calls.

Open Five New Liquor Stores and Relocate Liquor Stores (\$2.6 million Liquor Revolving Account-State)

Funding is provided for the Liquor Control Board to open five new liquor stores in areas with rapid population growth, and to relocate 13 existing liquor stores to more convenient and marketable locations. For the 2003-05 biennium, projected net General Fund-State revenue from liquor profits and taxes is \$5.9 million, and projected net revenue to local governments from liquor profits is \$1.1 million.

INCREASED GOVERNMENT EFFICIENCY

Reductions/Savings

Staffing Efficiencies (\$25.7 million General Fund-State Savings, 40.6 million Other Fund Savings)

In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, and benefits. Exempted from these reductions are state institutional programs such as mental health hospitals, prisons, veterans homes and facilities for the developmentally disabled. Nearly 1,200 FTEs are omitted from the state payroll.

Shift Disability Proof for General Assistance Clients (\$10.1 million General Fund-State Savings)

Savings are achieved by implementing legislation requiring General Assistance-Unemployable (GA-U) clients to demonstrate continuation of their medical or mental condition and ongoing need for cash grant and medical benefits.

Increases

Increased Eligibility Verification (\$23.2 million net General Fund-State Savings, 23.5 million net General Fund-Federal Savings)

Eligibility for medical assistance services will be verified every six months, rather than annually as presently occurs.

Government Accountability (\$2.2 million General Fund-State)

Funding is provided to assess the performance of state government as mandated by Engrossed Substitute House Bill 1053. Annual performance reviews and in-depth performance audits conducted by the State Auditor and the new Citizen Oversight Board will improve the efficiency, effectiveness, and accountability of state government.

Decrease Fraud in UI System (\$2.1 million Administrative Contingency Account-State, \$1.9 million General Fund-Federal)

Funding is provided to increase unemployment insurance (UI) benefit overpayment prevention and detection by initiating a social security number cross-match and by increasing investigation and collection staff.

Better Services for UI Claimants (\$2.3 million Employment Services Account-State, \$6.4 million General Fund-Federal)

Funding is provided to expedite the unemployment filing process and re-employment of claimants who are currently drawing unemployment insurance, by providing new technology, effective links to employers, and job search review.

VENDOR RATE INCREASES

Vendor Rate Increase (\$27.3 million General Fund-State, \$24.2 million Other Funds)

Entities that contract with the state to provide social services will receive an inflationary increase of 2 percent on September 1, 2004.

LOCAL GOVERNMENT ASSISTANCE

Reductions/Savings

County Public Health Assistance For One Year (\$24 million Health Services Account Savings)

Assistance provided to local public health districts, begun after the passage of I-695, is provided only in the first year of the biennium.

Increases

Increase Reimbursements to County Legal Clerks (\$9.1 million General Fund-Federal, \$4.7 million General Fund-Local)

Funding is provided for a new reimbursement methodology for county clerks who file child support orders for the state. This new methodology will increase reimbursements by 175 percent, and compensate counties more equitably for the services they provide to families through child support filings.

Extraordinary Criminal Justice Costs (\$766,000 General Fund-State)

King County has incurred significant costs in prosecuting the aggravated murder trial of Gary Ridgway. Funding is provided to assist King County in defraying these extraordinary criminal justice costs.

Shoreline Master Programs Update (\$2.0 million General Fund-State)

Funding is provided for grants to local governments to develop and update local shoreline master plans under the Shoreline Management Act.

INCREASED GOVERNMENT EFFICIENCY

Reductions/Savings

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2003-2005 General Fund - State and Emergency Reserve Balance Sheet

(Dollars in Millions)

| RESOURCES | |
|---|-----------------|
| Beginning Fund Balance | 274.3 |
| November 2002 Revenue Forecast | 22,689.8 |
| March 2003 Revenue Forecast | (238.3) |
| Current Revenue Totals | 22,451.5 |
| Budget Driven Revenue | 16.0 |
| Changes In Reserves & Other Adjustments | 14.6 |
| Transfers From Other Funds | 169.9 |
| Nursing Home Quality Fee | 76.9 |
| Reduce I-728 Property Tax Diversion | 432.0 |
| Reduce I-728 Lottery Diversion | 68.8 |
| Other Revenue Legislation | 12.3 |
| Total Resources (Revenue/Fund Balance) | 23,516.3 |
| APPROPRIATIONS | |
| Biennial Appropriation | 23,198.2 |
| Other Legislation (HB 1777 - Home Care Workers) | 98.1 |
| Spending Level | 23,296.3 |
| UNRESTRICTED GENERAL FUND BALANCE | |
| Projected Ending Fund Balance | 220.0 |
| EMERGENCY RESERVE FUND | |
| Beginning Fund Balance | 54.7 |
| Transfers and Appropriations | (57.0) |
| Interest Earnings & Adjustments | 2.4 |
| Projected Ending Fund Balance | 0.0 |

Revenue Legislation Assumed In The House Budget Proposal

(dollars in millions)

| Bill # | Student Achievement Fund | 2003-2005 |
|---------------|---|---------------------|
| H-2947 | Increase Sales Tax by 0.2% | 350.40 |
| 2213 | Five Minute Keno | 28.70 |
| | | <hr/> 379.10 |
| | | |
| Bill # | Health Services Account | |
| H-2947 | Increase Cigarette tax by 50 cents a pack | 81.30 |
| H-2947 | 5% add on retail sales tax on spirits | 77.22 |
| H-2947 | Impose penalties on underpayment of taxes | 46.00 |
| H-2947 | Eliminate sales tax exemption for candy and gum | 31.10 |
| H-2947 | B&O tax deduction for cash discounts | 24.40 |
| H-2947 | Limit "dues and fees" deduction to associations | 2.00 |
| | | <hr/> 262.02 |
| | | |
| Bill # | Other Legislation | |
| 6051 | Sales Tax Payment Period | 6.55 |
| 1863 | Sales Tax Streamlining | 6.10 |
| 1591 | Excise tax interest | 0.61 |
| 1705 | Tire recycling | 0.13 |
| 2040 | Delinquent insurer/taxpayer | 0.04 |
| 1722 | Internet transaction taxes | (0.04) |
| 1241 | Biodiesel & alcohol fuel | (0.05) |
| 1858 | Chemical dependency services | (0.06) |
| 1742 | Public facilities districts | (0.97) |
| | | <hr/> 12.31 |
| | | |
| | Total | 653.43 |
| | | |
| 1329 | Nursing Home Fee | 76.88 |
| | | <hr/> 730.31 |

Fund Transfers Assumed In The House Budget Proposal

(All figures in millions of dollars)

| Fund Name | 03-05 Biennium |
|---------------------------------------|-----------------------|
| School Construction | 68.8 |
| Emergency Reserve (ERF) | 57.0 |
| Student Achievement Fund | 44.9 |
| Reduce GFS back fill to Water Quality | 27.5 |
| State Convention & Trade Center | 10.0 |
| State Treasurer's Service Account | 10.0 |
| Electrical License Account | 7.0 |
| Landowner Contingency Fire Suppress | 3.0 |
| Flood Control Assistance | 2.7 |
| Dept of Retirement Systems Expense | 1.5 |
| Gambling Revolving Account | 1.5 |
| Public Service Revolving Account | 1.0 |
| Insurance Commissioner's Regulatory | 1.0 |
| Pressure Systems Safety Account | 1.0 |
| Industrial Insurance Premium Refund | 0.6 |
| State Forest Nursery Revolving Acct | 0.5 |
| Municipal Sale/Use Tax Equalization | 0.4 |
| Asbestos Account | 0.2 |
| County Sale/Use Tax Equalization | 0.1 |
| | <hr/> |
| | 238.7 |