



PROPOSED 2003-2005
OPERATING BUDGET

HIGHLIGHTS

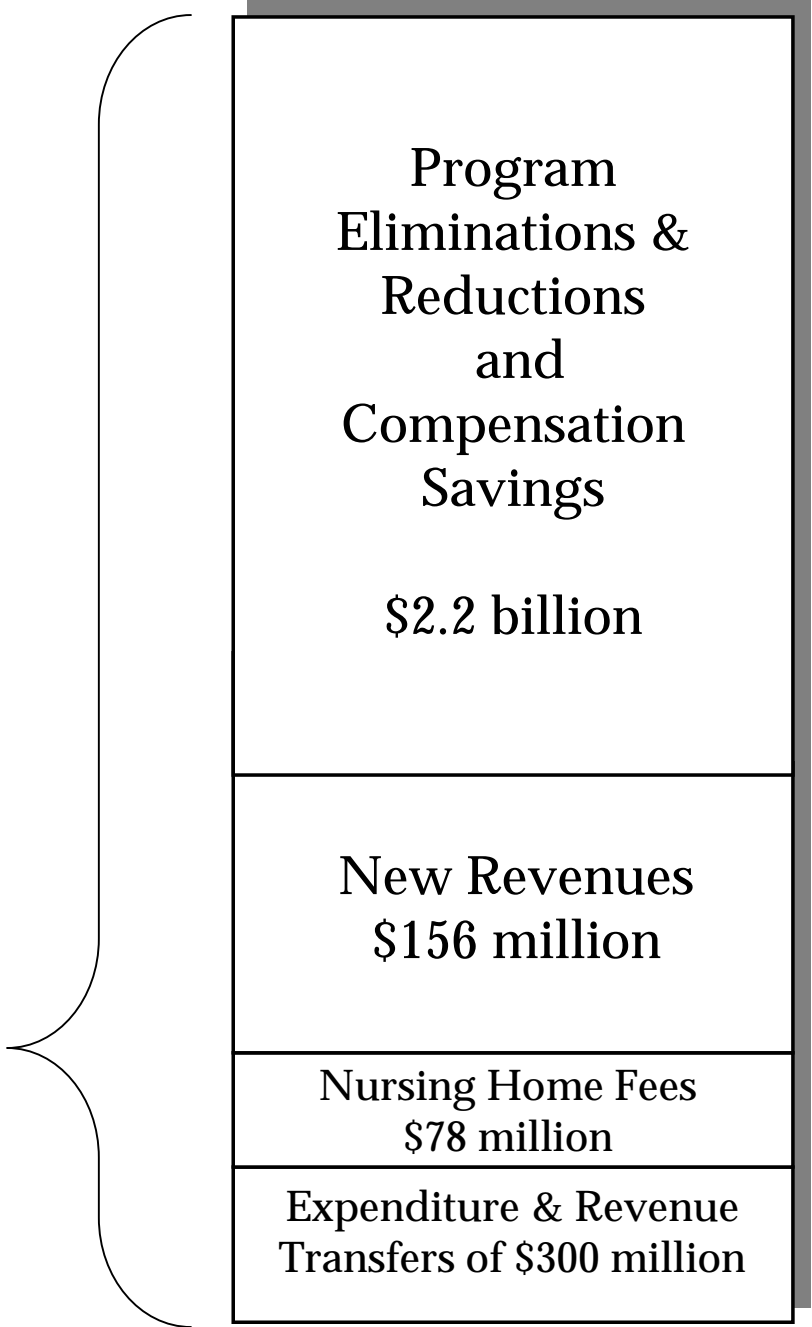
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The Budget Solution

- Reductions
- Savings
- Revenues
- Transfers

**BUDGET
SHORTFALL**
\$2.7 BILLION



K-12 EDUCATION FUNDING

REDUCTIONS/SAVINGS

Student Achievement Fund Per Student Allocations (\$236.9 Million Student Achievement Fund-State Savings)

Initiative 728 allocations to school districts will increase from \$211.67 in the 2003-04 school year to \$254.00 in the 2004-05 school year, rather than to \$450.00 as required under the original Initiative language. In addition, the distributions will be spread over 12 months rather than 10 months. The per student allocations will increase to \$300.00 in the 2005-06 school year, \$375.00 in the 2006-07 school year, \$450.00 in the 2007-08 school year, and will increase by inflation beginning in the 2008-09 school year.

Initiative 732 Cost of Living Adjustment (\$190.6 Million General Fund-State Savings)

The salary increases provided to K-12 employees under Initiative 732 are suspended for the 2003-05 biennium.

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

State Flexible Education Fund allocations are eliminated.

Levy Equalization Allocations (\$17.3 Million General Fund-State Savings)

State allocations for the Local Effort Assistance Program (levy equalization) are uniformly reduced by 6.3 percent.

Integrate Federal Funds (\$17.1 Million General Fund-State Savings)

Federal funds to Washington state for special education will increase by \$20 million in the 2003-04 school year and an additional \$20 million in the 2004-05 school year. A portion of the federal funds are incorporated to pay for some of the increased costs of the special education program.

Better Schools Class Size (\$13.9 Million General Fund-State Savings)

The Better Schools K-4 enhanced staffing ratio is eliminated in the 2004-05 school year. This program provides .8 certificated instructional staff for every 1,000 students.

K-12 EDUCATION FUNDING

Transportation Depreciation Changes (\$10.7 Million General Fund-State Savings)

To be eligible for state reimbursement, a school bus purchased on or after July 1, 2003, must be competitively bid based on the lowest solicited price quotes from bus dealers for school buses meeting state and local standards.

Educational Service Districts (\$2.0 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.

INCREASES

Health Benefits (\$116.0 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 \$481.31 in the 2003-04 school year and to \$570.74 in the 2004-2005 school year.

Beginning Teacher Salary Increases (\$29.2 Million General Fund-State)

Salary increases are provided for certificated instructional staff who are in their first seven years of teaching. Beginning in the 2004-05 school year, a beginning teacher with a BA will earn an annual salary of \$30,023.

Truancy Petitions (\$3.0 Million General Fund-State)

Funding is provided through the Administrative Office of the Courts to reimburse school districts for filing truancy petitions in juvenile court.

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.

Digital Learning Commons (\$2 Million General Fund-State)

The Digital Learning Commons will create, in collaboration with schools, a web-based portal where students, parents, and teachers from around the state will have access to digital curriculum resources, learning tools, and online classes.

K-12 EDUCATION FUNDING

Charter Schools (\$1.7 Million General Fund-State)

Funding is provided for SB 5012 (charter schools). Most of the increased funding is for the increased enrollments resulting from private and home-schooled students switching to public charter schools.

Washington Achievers Scholars (\$1 Million General Fund-State)

Funding is provided for the Washington State Achievers Scholarship Program to support community involvement officers that recruit, train, and match community volunteer mentors with high school students selected as achiever scholars. After graduating from high school, the achiever scholars receive college scholarships funded through private grants.

HIGHER EDUCATION

HIGHER EDUCATION EFFICIENCIES

Reductions / Savings

College and University Operating Costs (\$131.0 Million General Fund-State Savings)

An operating reduction is made to all public higher education institutions. College and university governing boards are given the management flexibility to determine how to best implement this reduction.

TUITION

Increases

Student Tuition

For resident undergraduate students, tuition may be increased by 7 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.

Reductions / Savings

Restrict Tuition Waivers (\$5.6 Million General Fund-State Savings)

Public colleges and universities will reduce overall waiver activity in fiscal year 2005 by \$5.6 million. These funds will be replaced with tuition collected from enrolled students.

AFFORDABILITY AND ACCESS IN HIGHER EDUCATION

Increases

Financial Aid (\$27.9 Million General Fund-State)

\$26.1 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, \$1.8 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.

HIGHER EDUCATION

High Demand Programs (\$23.4 Million General 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; nursing and other health services; applied science and engineering; computing and information technology; viticulture and enology; teaching and speech pathology; and other fields. High demand resources are appropriated to the State Board for Community and Technical Colleges and the Higher Education Coordinating Board for allocation to the colleges and universities through a competitive process. 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.

Expand Junior-Level Transfer Student Enrollment (\$6.3 Million General Fund-State)

Funding is provided for allocation to public baccalaureate institutions to expand state-supported college access by 400 full-time equivalent student enrollments. With this sum, the Legislature intends to assist qualified residents seeking to transfer with an associate degree or credits sufficient to enter degree programs with junior-class standing.

Job Skills Program (\$3.0 Million Administrative Contingency Account Increase, \$1.1 Million General Fund-State Savings)

Funding is provided to expand the availability of job skills grants during the 2003-05 biennium. The Job Skills Program supports up to half of the total cost of customized training to address specific workplace skill shortages, with participating companies providing a dollar-for-dollar cash or in-kind match.

Engineering and Science Institute and Regional Partnership (\$2.7 General Fund-State)

Funding is provided to Washington State University-Vancouver for the creation and operation of a state Institute for Engineering and Science in partnership with Clark and Lower Columbia community colleges and regional industry leaders in Southwest Washington. Funding is also allocated to Clark and Lower Columbia colleges to prepare a total of 168 FTE associate degree students for direct transfer into baccalaureate programs in applied science and engineering at the Institute.

CWU Enrollment Recovery (\$2.1 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 196 full-time equivalent students beginning in fiscal year 2004.

HIGHER EDUCATION

Veterinary Student Enrollment (\$1.5 Million General Fund-State, \$323,000 Tuition)

Due to declining participation by Oregon State University, funding is provided to Washington State University to expand the size of its entering professional veterinary medicine class by 16 resident students each academic year during the 2003-05 biennium.

Wine Industry Educational Partnership (\$1.0 Million General Fund-State, \$150,000 WSU Building Account-State)

Funding is provided to Washington State University for new faculty appointments and field extension staff services to support the State's grape growing (viticulture) and wine making (enology) industry. Funding is also provided to Walla Walla, Yakima Valley, and Wenatchee community colleges for equipment, supplies, and program adaptations to develop more comprehensive viticulture and enology programs. The university and colleges are encouraged to apply for a portion of high-demand enrollment funding made available on a competitive basis through the Higher Education Coordinating Board and the State Board for Community and Technical Colleges to address the need for additional instructors or professional staff. Capital funds are made available to renovate a wet lab for related research at the WSU Tri-Cities branch campus.

COMPENSATION

Increases

Health Benefits (\$38.2 Million General Fund-State)

The employer contribution rate is increased from \$482.38 in fiscal year 2003 to \$504.89 in fiscal year 2004 and \$592.30 in fiscal year 2005. At these rates, premium inflation is expected to average 15.5 percent a year and the employee contributions average 16.3 percent of the total premium in both fiscal years. These rates also assume an increase in co-payments from \$10 to \$15 for office visits.

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

Funding is provided for competitive 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 and Full-Time Faculty Increments (\$5 Million General Fund-State)

\$2.5 million is provided to reduce salary disparity between part-time and full-time faculty at the 34 community and technical colleges. \$2.5 million is also provided for incremental salary adjustments for full-time faculty.

HIGHER EDUCATION

FACILITY STEWARDSHIP

Reductions / Savings

Building Maintenance to Capital (\$52.7 Million General Fund-State Savings)

Funding for routine maintenance and preventive inspections, mechanical adjustments, and minor work to replace or repair building systems, surfaces, or materials is shifted to the Capital Budget. This sum will be replaced with non-bond capital funds to sustain levels of investment necessary to keep the current inventory of buildings in "superior" to "good" working condition, until the state chooses to modernize, renovate, or replace them.

Increases

Plant Operations and Maintenance (\$11.4 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

Immigrant Prenatal Care (\$37.8 Million General Fund-State Savings, \$37.8 Million General Fund-Federal Increase)

Total funding of \$58.1 million is provided for prenatal care services for low-income women who are not eligible for Medicaid because of their immigration status. Under new federal guidelines, the state expects to cover approximately 65 percent of current state costs with federal Children's Health Insurance Program (SCHIP) funds.

Premiums for Children's Medical Coverage (\$32.9 Million Health Services Account Savings, \$34.1 Million General Fund-Federal Savings)

The Department shall obtain federal approval of a waiver under which families with incomes over the federal poverty level will be required to pay monthly premiums for their child's medical, dental, and vision coverage. Premiums will average about \$15 per child per month for families with incomes between 100-150 percent of poverty (\$1,300 - \$1,900 per month for a family of three); \$20 per child per month for families with incomes up to 200 percent of poverty (\$1,900 - \$2,500 per month for a family of three); and \$25 per child per month for families with incomes up to 250 percent of poverty (\$2,500 - \$3,200 per month for a family of three).

Restructure the Basic Health Plan Beginning January 2004 (\$158.8 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 82 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 (\$105.1 Million General Fund-State Savings, \$19.3 Million Other Fund 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. (See item titled "Assistance to Hospitals")

HEALTH CARE

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 (\$24.9 Million General Fund-State Savings, \$25.8 Million Health Services Account-State Savings, \$51.1 Million General Fund-Federal Savings)

Funding is provided to increase managed care payment rates by 1.5 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.

Consolidate Drug Purchasing (\$23.8 Million General Fund-State Savings, \$21.6 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.

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 currently occurs.

Increases

Assistance to Hospitals (\$29.2 Million General Fund-State, \$29.2 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 \$29.2 million total funds per year. Of this amount, \$3.1 million total funds per year are dedicated to rural hospitals.

HEALTH CARE

Additional Newborn Screening Tests (\$400,000 General Fund-State, \$2.8 Million Other Funds)

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

HOME CARE WORKERS

Increases

Home Care Worker Wage Increases (\$31.6 Million General Fund-State, \$30.7 Million General Fund-Federal)

The Department of Social and Health Services contracts with home care workers to provide care for elderly and disabled Medicaid clients. Funding is provided to increase the wages of individual and agency home care workers effective October 1, 2003. Wages for direct care workers employed by home care agencies will be increased by 75 cents per hour.

AGING AND DISABLED

Reductions/Savings

Limit COPES Enrollment Growth (\$7.9 Million General Fund-State Savings, \$7.9 Million General Fund-Federal Savings)

The Department of Social and Health Services is directed to limit growth in the number of persons receiving in-home and community residential care through the Community Options Program Entry System (COPES) waiver program to 1.1 percent per year, which is the projected growth in the total state population aged 75 and older. This will allow an average of about 24,375 people to receive such services during the 2003-05 biennium. That is 1,000 more people than are receiving such services during the current year, but approximately 700 fewer than would be served if the program continued to grow without limits.

Reduce Spousal Resource Limits (\$5.9 Million General Fund-State Savings, \$6.0 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 \$40,000 in liquid assets. In addition to the \$40,000, 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.

HUMAN SERVICES

Raise Medicaid Personal Care Eligibility Standards (\$2.1 Million General Fund-State Savings, \$3.0 Million General Fund-Federal Savings)

Currently, elderly and disabled persons may qualify for Medicaid Personal Care (MPC) services by meeting certain functional eligibility requirements. A person qualifies for 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 MPC for clients needing minimal assistance with less than three activities of daily living. Persons currently receiving care in community residential settings who do not meet the higher eligibility standard will continue to be served, without the benefit of federal matching funds, but no new applicants with such lower levels of care will be admitted into the program. With this change, Washington will still have one of the eight most generous eligibility standards in the nation.

Increases

Maintain State Supplemental Payments (\$10 Million General Fund-State)

Funding is provided for one-time expenditures needed to meet the federally required level for Supplemental Security Income (SSI) State Supplemental Payments (SSP). These payments will be provided to populations who are currently eligible for SSI.

Nursing Home Quality Maintenance (\$45.9 Million General Fund-State, \$45.8 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 \$144.54 per patient day in fiscal year 2004 and to \$147.43 per patient day in fiscal year 2005, a 6.1 percent average annual increase over the fiscal year 2003 level. The cost of this rate increase will be supported by a fee of \$6.50 per patient day which will be applied to most nursing home care delivered in the state. In accordance with Second Substitute Senate Bill 5341 (nursing facility fee), the Department will seek a federal waiver to exempt certain facilities from the fee.

Consolidate Residential Habilitation Centers (\$3.3 Million General Fund-State, \$3.2 Million General Fund-Federal)

Funding is provided to consolidate state Residential Habilitation Centers (RHCs) by downsizing 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 facilitate the transition of 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.

HUMAN SERVICES

Maximize Funding for Vocational Rehabilitation (\$862,000 General Fund-State, \$7.3 Million General Fund-Federal)

Funding is provided for increased vocational rehabilitation services for blind and 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.

Increase Community Residential Supports for Developmentally Disabled Individuals (\$2.4 Million General Fund-State, \$2.4 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. In addition, funding is provided for community services for 11 clients being diverted or discharged from state psychiatric hospitals.

MENTAL HEALTH

Reductions/Savings

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

The 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 (\$2.9 Million General Fund-State Savings, \$2.9 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 in fiscal year 2005

HUMAN SERVICES

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.

Improve Reimbursement Methodology for Adolescent Placements (\$259,000 General Fund-State Savings)

Savings are realized through a more efficient reimbursement methodology for beds in 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 is a result of the current 43 percent occupancy rate for HOPE beds.

Increases

Increase Funds for Foster Children (\$3.3 Million General Fund-State, \$3.1 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.

ECONOMIC SERVICES

Reductions/Savings

Shift Disability Proof for General Assistance Clients (\$13.7 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 and medical benefits.

PUBLIC SAFETY

Reductions/Savings

Sentencing and Earned Early Release Changes (\$24.9 Million General Fund-State Savings)

Savings are achieved through the implementation of Engrossed Substitute Senate Bill 5990 (supervision of offenders), which: (1) moves up the effective date of a new drug offender sentencing grid enacted during the 2002 legislative session from July 1, 2004 to July 1, 2003; (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) reduces the amount of early release time an offender may earn for serious violent and Class A sex offenses from 15 percent to 10 percent of the sentence. The earned early release changes will only be made available to offenders who are classified as low- to moderate-risk and who do not have current or prior convictions for violent offenses, sex crimes, certain methamphetamine crimes, residential burglary offenses, felony domestic violence offenses, delivery of a controlled substance to a minor, or crimes against persons.

Community Supervision Changes (\$15.2 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 will continue to supervise offenders with prison sentences who have a current or prior: sex offense; violent offense; crime against a person; residential burglary conviction; felony domestic violence conviction; delivery of a controlled substance to a minor conviction; methamphetamine manufacture/delivery/possession with intent to deliver conviction; and offenders who have been sentenced under the First-Time Offender Waiver (FTOW) or offenders whose conditions of community supervision include substance abuse treatment. For offenders sentenced to less than one year (a jail sentence), the Department will only supervise those felons for whom the courts have imposed a term of community custody because of a current conviction for a sex offense, violent offense, crime against a person, a drug offense, or a sentence under the FTOW. Additionally, responsibility for the billing and collection of outstanding legal financial obligations for offenders under supervision only for this purpose is shifted from the DOC to the county clerks and the Office of the Administrator for the Courts (OAC). Funding in the amount of \$3.3 million is provided to the OAC for this purpose.

PUBLIC SAFETY

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 sentencing alternatives), savings are achieved by: (1) establishing 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; (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; and (3) establishing a five-bed community commitment disposition alternative pilot project. 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.

Consolidated Juvenile Services (\$1.3 Million General Fund-State Savings)

Funding to local counties for the Consolidated Juvenile Services (CJS) contract is reduced. The CJS program is a partnership between the state, county juvenile courts, and the private sector. Funded programs provide services to pre-commitment juveniles, including diversion, probation supervision, individual and family services counseling, drug/alcohol assessment and treatment, vocational training, and psychiatric and psychological services.

Research-Based Parole Adjustment (\$1.9 Million General Fund-State Savings, \$629,000 General Fund-Federal Savings)

Funding is reduced for intensive parole consistent with the Washington State Institute for Public Policy's (WSIPP) 2002 findings on intensive parole services. Savings are achieved by increasing the size of intensive parole caseloads from 12 parolees to 20, the same level as for enhanced and sex offender parole. Recent WSIPP studies show intensive parole to be ineffective in reducing recidivism, and that it returns no benefits in crime reduction for every dollar spent.

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.

PUBLIC SAFETY

Homeland Security Funding (\$43.5 Million General Fund-Federal, \$200,000 General Fund-State)

Based on recent congressional action, \$43.5 million in new federal funding is expected to be available during the 2003-05 biennium to assist Washington State in improving homeland security. Funding is expected to be available for equipment, exercises, training, and competitive grants. More than 80 percent of this funding will be distributed to local governments.

Research-Based Treatment Services (\$3.1 Million General Fund-State)

Funding is provided to local juvenile courts to implement two new disposition alternatives and a community commitment disposition alternative pilot project established pursuant to Engrossed Substitute Senate Bill 5903 (juvenile offender sentencing). Additionally, \$943,00 in funding is provided to the Juvenile Rehabilitation Administration for research-based therapies for parolees and youth transitioning out of state institutions and into the community.

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.

NATURAL RESOURCES

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 in Chapter 283, 2002 Laws (2SSB 6353).

DEPARTMENT OF ECOLOGY

Reductions/Savings

Delay Water Rights Decisions (\$1.0 Million General Fund-State Savings)

Funding to eliminate the backlog of water applications for changes and transfers is reduced. The 2000 application backlog will be delayed by approximately five months, from fiscal year 2005 to fiscal year 2006.

INTERAGENCY COMMITTEE FOR OUTDOOR RECREATION

Increases

Lead Entities Funding (\$1.6 Million General Fund-State, \$1.6 Million General Fund-Federal)

Funding is provided to local watershed-based Lead Entities that recommend salmon recovery projects to the Salmon Recovery Funding Board for grant funding consideration.

DEPARTMENT OF NATURAL RESOURCES

Increases

SDS Lumber Lawsuit Settlement (\$2.7 Million General Fund-State)

Funding is provided for a lawsuit settlement and purchase of approximately 232 acres of land and timber in Klickitat County from the SDS Lumber Company. The land and timber acquired with this funding will be managed for the benefit of the common schools.

NATURAL RESOURCES

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 Savings)

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

Enhance Economic Development (\$2.55 Million General Fund-State)

Funding is provided for enhanced business retention and expansion, assistance to small manufacturing businesses, continuing cluster-based economic development, foreign trade offices, expanded tourism opportunities, local economic development, and various other projects.

Continue Dependency and 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 (\$10.6 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. In addition to the funds provided, the Department is authorized to enter into a financing contract for the payroll and human resource information system of up to \$32.1 million.

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.

EMPLOYEE COMPENSATION

Increases

Health Benefits (\$47.1 Million General Fund-State)

The employer contribution rate is increased from \$482.38 in fiscal year 2003 to \$504.89 in fiscal year 2004 and \$592.30 in fiscal year 2005. At these rates, premium inflation is expected to average 15.5 percent a year and the employee contributions average 16.3 percent of the total premium in both fiscal years. These rates also assume an increase in co-payments from \$10 to \$15 for office visits.

Savings/Reductions

Pension Funding Method Change (\$87.7 Million General Fund-State Savings)

A new actuarial method for smoothing returns on assets is adopted for the Public Employees' Retirement System (PERS), the School Employees Retirement System (SERS), and the Teachers' Retirement System (TRS). The method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially assumed rate of investment return. In addition, no contributions are made towards the unfunded liabilities in PERS and TRS Plan 1 during the biennium.

LOCAL GOVERNMENT ASSISTANCE

Maintain

County Public Health Assistance (\$48 Million Health Services Account-State)

Assistance for local public health districts as a result of the passage of Initiative 695 is maintained at \$24.0 million per year.

Increases

I-695 Backfill for Cities and Counties (\$10 Million General Fund-Federal)

Assistance is provided to cities and counties as a result of the passage of Initiative 695. Funding for counties in the amount of \$5.0 million is provided only in the first year of the biennium. Cities will receive \$5.0 million spread over both years of the biennium.

Increase Reimbursements to County Legal Clerks (\$9.1 Million General Fund-Federal)

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.

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.

Enhanced 911 Program (\$11.8 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. In addition, funding is provided for a new E911 dispatch system that will allow the Washington State Patrol to identify a caller's location more accurately.

INCREASED GOVERNMENT EFFICIENCY

Reductions/Savings

Staffing Efficiencies (\$44.7 Million General Fund-State Savings, \$46.5 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 1,150 FTEs are omitted from the state payroll.

Eliminate Agency Legislative Liaisons (\$3.2 Million General Fund-State Savings)

Funding for legislative liaisons employed by state agencies or institutions is eliminated for the 2003-05 biennium. Independently elected statewide officials may employ one legislative liaison during the biennium.

Reduce Travel, Equipment, and Contracts (\$20 Million General Fund-State Savings)

State agencies are expected to reduce state general fund spending on travel, equipment, and management and organization personal services contracts by approximately 15 percent.

Increases

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 increasing investigation and collection staff.

Better Services for UI Claimants (\$2.3 Million Employment Services Account-State, \$6.4 Million Unemployment Compensation Administration Account-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.

2003-2005 General Fund - State and Emergency Reserve Balance Sheet (Proposed Conference Amendment)

(All figures in millions of dollars)

RESOURCES	
Beginning Fund Balance	298.9
November 2002 Revenue Forecast	22,689.8
March 2003 Revenue Forecast	(238.3)
Current Revenue Totals	22,451.5
Budget Driven Revenue	51.9
Transfers From Other Funds	140.6
Nursing Home Quality Fee	78.2
I-728 Property Tax Diversion	236.9
Other Revenue Legislation	104.1
Total Resources (Revenue/Fund Balance)	23,362.1
APPROPRIATIONS	
Biennial Appropriation	23,060.7
Other Legislation (Government Accountability)	1.0
Spending Level	23,061.7
UNRESTRICTED GENERAL FUND BALANCE	
Projected Ending Fund Balance	300.4
EMERGENCY RESERVE FUND	
Beginning Fund Balance	57.6
Transfers and Appropriations	(59.4)
Interest Earnings & Adjustments	1.7
Projected Ending Fund Balance	0.0

Revenue Legislation Assumed In The Conference Proposal

(All figures in millions of dollars)

Bill #	General Fund State	2003-2005
1329/5431	Nursing Home Fee	78.19
2269/6033	Penalties	58.78
2269/6033	Unclaimed Property	35.26
2269/6033	Sales Tax Payment Period (was SB 6051)	6.55
5783	Sales Tax Streamlining	4.22
1591/5424	Excise tax interest	0.61
2027	Sale of Cigarettes	0.10
2040	Delinquent insurer/taxpayer	0.04
1943	Counterfeit Cigarettes	0.01
1722	Internet transaction taxes	(0.02)
1219	Securities Violation	(0.04)
1241	Biodiesel & alcohol fuel	(0.05)
1858	Chemical dependency services	(0.07)
1096/5071	Aviation B&O Credit	(1.27)
		<hr/> 182.30
	Redirection of Existing Revenue	2003-2005
2250/6058	Property Tax From I-728 (GFS)	236.92

Fund Transfers Assumed In The Conference Budget Proposal

(All figures in millions of dollars)

<u>Fund Name</u>	<u>03-05 Biennium</u>
Emergency Reserve (ERF)	59.4
Reduce GFS back fill to Water Quality	27.5
Site Closure Account	13.8
State Convention & Trade Center	10.0
State Treasurer's Service Account	10.0
Electrical License Account	7.0
Flood Control Assistance	2.7
Financial Svcs Regulation Account	1.6
Public Service Revolving Account	1.6
Dept of Retirement Systems Expense	1.5
Insurance Commissioner's Regulatory	1.5
Health Services	1.3
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/>
	140.6