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2004 Supplemental Budget Overview

The 2004 Supplemental Budget increases general fund spending by \$225 million, a one percent increase from the original budget.

Maintenance Level Changes

Enrollments, caseloads, and rate increases in entitlement programs such as K-12 education, corrections, and Medicaid programs have increased costs by a net of \$110 million. Other mandatory rate increases – everything from lease costs to medical inflation at the Department of Correction to workers compensation rates – have increased a total of \$28 million. These costs have been partially offset by savings in bond interest due to lower market rates (\$14 million) and by the federal fiscal relief measure passed in 2003 which temporarily reduced the state share of Medicaid (\$110 million). The net impact of these changes increases spending by \$14 million.

Lawsuits and Natural Disasters

The state encountered unexpected costs resulting from litigation and natural disasters. Fighting the forest fires of 2003 costs the state an additional \$24 million. Settling lawsuits for everything from the Mader lawsuit dealing with community college health benefits to the Envirotest lawsuit involving the Department of Ecology cost the state another \$19 million.

Policy Initiatives

The budget makes significant investments in a variety of state programs but focuses in four major areas:

Investments in Health Care Access and Availability

- Health professional loan repayment and scholarship program for health professionals (\$2.0 million Health Services Account-State)
- Labor and delivery reimbursement rate increase (\$10.0 million General Fund-State, \$10.0 million General Fund-Federal)
- Reduced children's medical premiums (\$23.8 million General Fund-State and Health Services Account, \$30.0 million General Fund-Federal)
- Increased state children's health insurance program matching funds (\$25.4 million General Fund-State savings)
- Additional funding for community clinics (\$5.0 million General Fund-State)
- Assistance to hospitals (\$10.0 million General Fund-State, \$6.6 million Health Services Account)
- Volunteer retired health providers (\$300,000 Health Services Account)
- Malpractice insurance for family practice residency programs (\$1.9 million General Fund-State)
- Emergency services reimbursement rate increase (\$5.0 million General Fund-State, \$5.0 million General Fund-Federal)

Improving Higher Education Quality and Access

- Increase general enrollment (\$16.1 million General Fund-State)
- High demand program enrollments (\$12.8 million General Fund-State)
- Promise scholarships (\$4.3 million General Fund-State)
- State need grant (\$3.0 million General Fund-State)
- Research (\$4.1 million General Fund-State)

Protecting Vulnerable Adults and Children

- Employment and day services for young adults with developmental disabilities (\$1.0 million General Fund-State)
- Increase community residential supports for individuals with developmental disabilities (\$2.5 million General Fund-State, \$2.5 million General Fund-Federal)
- Childhood lead poisoning prevention (\$100,000 Health Services Account)
- Area Agencies on Aging (\$2.7 million General Fund-State, \$2.4 million General Fund-Federal)
- Home care worker contract (\$24 million General Fund-State, \$23.2 million General Fund-Federal)
- Agency home care worker parity (\$1.9 million General Fund-State, \$1.9 million General Fund-Federal)
- Foster care system improvements (\$3.0 million General Fund-State, \$1.8 million General Fund-Federal)
- Child care career and wage ladder (\$1.0 million General Fund-State)
- Domestic violence shelter program (\$1.5 million General Fund-State)
- LEP pathway program (\$2 million General Fund-State)
- Subsidy rate increase for child care providers (\$900,000 General Fund-State)
- Homeless families services (\$3.0 million General Fund-State)

Providing Employee Health Benefits

- K-12 health benefit funding rate parity and increase (\$24.4 million General Fund-State)
- Community college part-time faculty health benefits (\$14.7 million General Fund-State)
- State and higher education employees health benefits (\$5.5 million General Fund-State, \$5.4 million other funds)

HEALTH CARE

Increased State Children's Health Insurance Program Matching Funds (\$25.4 Million General Fund-State Savings)

Recent federal law allows states to use unspent State Children's Health Insurance Program (SCHIP) funds to match Medicaid expenditures for children over 150 percent of poverty, even though Medicaid coverage for these children was in effect prior to enactment of the SCHIP program. As a result, state funds for medical, mental health, and personal care services are reduced due to greater federal cost sharing.

Reduce Children's Medical Premiums (\$23.8 Million General Fund-State and Health Services Account, \$30.0 Million General Fund-Federal)

The enacted 2003-05 budget assumed the imposition of premiums for children's medical, dental, and vision coverage. Premiums are eliminated for families with incomes between 100 and 150 percent of poverty (\$1,300 to \$1,900 per month for a family of three) and families with incomes up to 200 percent of poverty (\$2,500 per month for a family of three). Premiums are reduced from the enacted level of \$25 per month to \$20 per month for families with incomes between 200 and 250 percent of poverty (\$3,200 per month for a family of three) effective April, 2004.

Labor and Delivery Reimbursement Rate Increase (\$10.0 Million General Fund-State, \$10.0 Million General Fund-Federal)

Medicaid labor and delivery reimbursement rates will be increased to assist practitioners with rising medical malpractice insurance costs.

Assistance to Hospitals (\$10.0 Million General Fund-State, \$6.6 Million Health Services Account)

Grant payments to hospitals that serve a disproportionate share of Medicaid and uninsured patients are increased by \$10.0 million. In addition, public hospital districts will receive an additional \$6.6 million from increased disproportionate share hospital payments.

Emergency Services Reimbursement Rate Increase (\$5.0 Million General Fund-State, \$5.0 Million General Fund-Federal)

Reimbursement rates for certain emergency room services will be increased to assist practitioners with related medical malpractice premium costs. This funding will result in an average increase of \$5,200 per provider.

Additional Funding for Community Clinics (\$5.0 Million General Fund-State)

\$5 million is provided for local community clinic grants administered by the Health Care Authority's Community Health Services program. This is in addition to the \$18 million in dental and medical clinic funding currently provided by the program.

Family Practice Residency Programs (\$1.9 Million General Fund-State)

State support is increased for the training and support of primary care physicians and primary care providers through the network of family practice residency programs. This item will double the amount of funding that is passed on to family practice residency programs to assist with cost increases experienced by the programs, including the rising cost of medical malpractice premiums.

Immunization Program (\$2.7 Million Health Services Account)

Due to a reduction in federal vaccine funds, additional state support is provided to continue current immunization services.

Family Planning Pilot Program (\$500,000 General Fund-State)

Family planning pilot projects in Yakima and Franklin counties will target low-income women who are not likely to qualify for Medicaid services through the Department of Social and Health Services. Approximately 2,000 additional people will be served with this funding.

Response to Zoonotic Diseases (\$439,000 General Fund-State)

Funding is provided to the Department of Health to respond to the demands of new and re-emerging diseases which are transmitted to humans from animals. These funds will be used to enhance support for detection, education, technical assistance, and monitoring of various zoonotic diseases.

Volunteer Retired Health Providers (\$300,000 Health Services Account)

Retired health care practitioners who volunteer to provide medical care must obtain medical malpractice insurance. The number of volunteers receiving state assistance in paying these premiums is expanded.

Health Profession Discipline (\$203,000 Health Professions Account)

A task force on improving health profession discipline will conduct an independent review of the funding of the health professions and all phases of the disciplinary process as required by Engrossed Substitute House Bill 2834.

Childhood Lead Poisoning Prevention (\$100,000 Health Services Account)

The Department of Health will continue efforts to monitor the extent of childhood lead poisoning in the state, ensure appropriate follow-up for children with lead poisoning, distribute educational materials, and provide blood lead testing for high-risk children.

State Drug Pricing Program (\$6.7 Million General Fund-State Savings, \$6.9 Million General Fund Federal Savings)

Savings are achieved as a result of increasing the number of multi-source drug classes that are researched and priced through the state maximum allowable cost process. Funding is also provided to increase the number of staff supporting the drug rebate process which will result in approximately \$4.0 million in savings per year.

HUMAN SERVICES

AGING AND DISABLED

Area Agencies on Aging (\$2.7 Million General Fund-State, \$2.4 Million General Fund-Federal)

Area Agencies on Aging (AAAs) will hire additional case managers, nurses, and case aids for client assessment and case management services. Additionally, AAAs will provide assistance and support to kinship caregivers.

Increase Community Residential Supports for Individuals with Developmental Disabilities (\$2.5 Million General Fund-State, \$2.5 Million General Fund-Federal)

Access to community residential and support services will be provided for an additional 62 clients with developmental disabilities. Some of the groups eligible for new funding include children aging out of other state services, individuals in crisis or at risk of institutionalization, and individuals with community protection issues.

Comprehensive Assessment Tool for Developmentally Disabled Clients (\$1.2 Million General Fund-State, \$1.2 Million General Fund-Federal)

The Comprehensive Assessment Reporting and Evaluation (CARE) tool will be modified and expanded for use on children and adults with developmental disabilities, allowing for greater consistency when determining client needs.

Employment and Day Services for Young Adults with Developmental Disabilities (\$1.0 Million General Fund-State)

Recent high school graduates with developmental disabilities who are living with their families and who need employment opportunities will receive access to employment and day services.

In-Home Care Legal Settlement (\$903,000 General Fund-State, \$903,000 General Fund-Federal)

The legal settlement in *Townsend v. Quasim* provides for the reinstatement of in-home waivers for 200 medically-needy clients whose incomes exceed current eligibility requirements for community-based care.

HOME CARE WORKERS

Home Care Worker Contract (\$24 Million General Fund-State, \$23.2 Million General Fund-Federal)

The renegotiated collective bargaining agreement between the Home Care Quality Authority and the exclusive bargaining representative of individual home care workers provides home care workers wage increases of 50 cents per hour on October 1, 2004, worker's compensation benefits, and health care coverage through a Taft-Hartley Trust.

Agency Home Care Worker Parity (\$1.9 Million General Fund-State, \$1.9 Million General Fund-Federal)

Direct care workers employed by agency providers of home care services will be provided wage increases comparable to those provided to individual home care workers.

Health Care Benefits for Agency Home Care Workers (\$992,000 General Fund-State Savings, \$1.3 Million Other Funds Savings)

Currently, home care workers employed by agency providers of contracted in-home care services receive state-subsidized health care benefits through the Basic Health Plan (BHP) or through substantially equivalent plans on the private market. These substantially equivalent plans are projected to cost as much as 67 percent more than the BHP. Savings are achieved by limiting premium payments for substantially equivalent plans to the level anticipated for BHP coverage.

CHILDREN AND FAMILIES

Foster Care System Improvements (\$3.0 Million General Fund-State, \$1.8 Million General Fund-Federal)

In response to the recently released federal Child and Family Services Review, \$4.8 million is provided for foster care system improvements. Of this amount, \$2.6 million is available to implement family team meetings and strengthen families. The remaining \$2.2 million will be used to revamp user interfaces for CAMIS, the computer system used by foster care caseworkers.

LEP Pathway Program (\$2 Million General Fund-State)

Additional state funding is provided to make up for reduced federal funding for the LEP Pathway program. This program provides specialized employment services for refugees and other limited-English-proficient (LEP) families and individuals who receive Temporary Assistance for Needy Families, State Family Assistance, or Refugee Cash Assistance.

Domestic Violence Shelter Program (\$1.5 Million General Fund-State)

An additional \$1.5 million is provided for shelters and other services for victims of domestic violence. These services shall be provided as a part of the Victim Assistance Program, which provides support for community-based shelters, emergency counseling, and legal advocacy to children and families who have experienced domestic violence.

Child Care Career and Wage Ladder (\$1.0 Million General Fund-State)

The child care career and wage ladder program discontinued in 2003 will be partially reinstated. DSHS and participating child care centers will provide wage increments to child care workers based on their work experience, level of responsibility, and education.

Subsidy Rate Increase for Child Care Providers (\$900,000 General Fund-State)

The subsidy rate for child care providers in urban areas of Region 1 is increased.

MENTAL HEALTH SERVICES

Restore RSN Ratable Reduction (\$2.2 Million General Fund-State, \$2.2 Million General Fund-Federal)

The \$4.4 million provided in this budget, together with the additional \$1.4 million received by the RSNs in fiscal year 2003 due to the enhanced FMAP, fully restores the \$5.8 million cut to RSNs in the 2003-05 biennial budget.

Staff Training at State Mental Health Institutions (\$1.3 Million General Fund-State, \$357,000 General Fund-Federal)

Total funding of \$1.7 million is provided for sexual harassment and other staff training related to the Lizee v. Washington lawsuit settlement. In addition to staff training at Western State Hospital agreed to in the settlement, the training effort will include all employees at Eastern State Hospital, the Child Study and Treatment Center, and the Special Commitment Center.

Mental Health System Task Force (\$50,000 General Fund-State, \$30,000 General Fund-Federal)

A joint legislative and executive task force will review the current structure for the provision of mental health services in Washington state. The task force will make its recommendations by June 30, 2005.

PREVENTION & TREATMENT

TASC Program (\$1.0 Million General Fund-State)

Funding is provided to continue the Treatment Accountability for Safe Communities (TASC) program at \$1.0 million per year. TASC connects the criminal justice and chemical dependency treatment systems, providing assessment, case management, treatment referral, and urinalysis monitoring services.

Problem Gambling Treatment (\$500,000 Problem Gambling Treatment Account)

A one-time transfer is made from the Gambling Revolving Account to the Problem Gambling Treatment Account created by SHB 2776 for the treatment of problem gambling. As provided by the bill, a study group will develop recommendations for a permanent funding source for this activity.

PUBLIC SAFETY

Homeland Security Funding (\$60.0 Million General Fund-Federal)

To further assist Washington State in improving homeland security, additional federal funding is provided for equipment, exercises, training, and competitive grants. More than 80 percent of this additional funding will be distributed to local governments.

Homicide Investigation Tracking System (\$187,000 Public Safety and Education Account-State)

The Homicide Investigation Tracking System (HITS) is the statewide central repository for information related to violent crimes against persons. Data from more than 7,500 murder cases and 7,700 sexual assault cases have been collected and used to assist local law enforcement in investigating these types of crimes. Funding is provided for additional staff to increase the timely collection of data and to provide training for local jurisdictions and law enforcement agencies.

JUVENILE AND ADULT CORRECTIONS

Increasing Penalties for Sex Offenders (\$2 Million General Fund-State)

Funding is provided to implement proposed legislation that increases criminal penalties for sex offenders.

Mental Health Funding for Juvenile Offenders (\$220,000 General Fund-State)

Additional funding is provided to the Juvenile Rehabilitation Administration for psychiatric evaluations and monthly medication monitoring for juvenile offenders on psychotropic medications. The additional resources are expected to reduce the average amount of time that it takes to provide psychiatric evaluations.

Transfer Youthful Offender Program (\$2.3 Million General Fund-State Net Savings)

Currently, 13 juvenile offenders who have been sentenced as adults are being housed in a close custody unit at the Clallam Bay Corrections Center. These youthful offenders will be transferred to the Juvenile Rehabilitation Administration until their 18th birthday at which time they will be returned to a DOC facility to serve out the remainder of their sentences. This transfer will allow the Department of Corrections to house adult offenders in the close custody unit, reducing the need to rent such beds from out-of-state.

Misdemeanant Supervision (\$1.5 Million General Fund-State Savings)

Legislation enacted last year relieved the Department of Corrections of supervision responsibilities for certain low- to moderate-risk felons, but did not change statutory requirements to supervise misdemeanants sentenced in Superior Court. Substitute House Bill 2363 applies the same supervision criteria to offenders convicted of misdemeanors and gross misdemeanors as are currently applied to persons convicted of felonies.

HEALTH BENEFITS

K-12 Employee Health Benefit Rate Parity and Increase (\$24.4 Million General Fund-State)

The monthly health benefit funding rate for school district employees provided in the original 2003-05 biennial budget was \$21.56 per employee less than the rate provided for state and higher education employees (\$570.74 for school district employees and \$592.30 for state and higher education employees) in the second year of the biennium. The funding rate for state, higher education and school district employees will be increased to \$600.85 per employee for the second year of the biennium.

State and Higher Education Employees Health Benefits (\$5.5 Million General Fund-State, \$5.4 Million Other Funds)

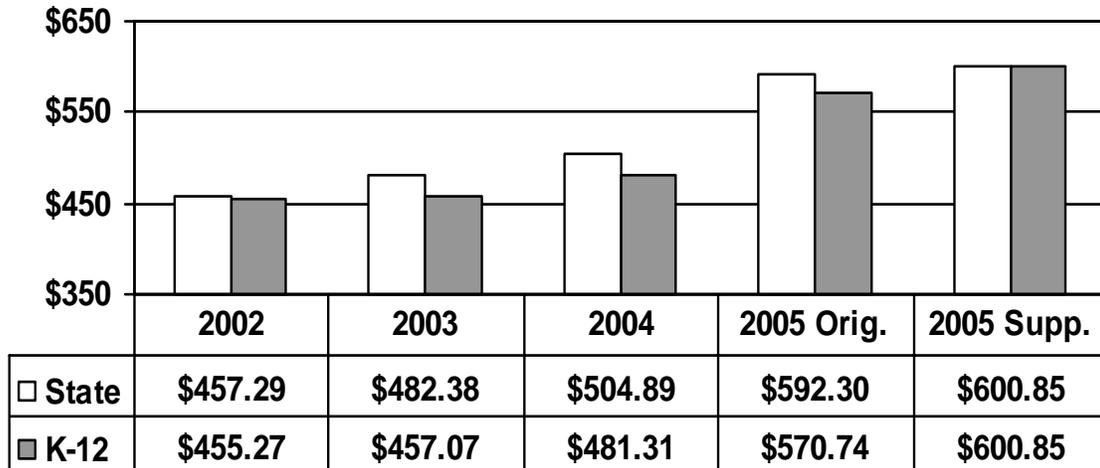
State and higher education employee health insurance costs for fiscal year 2004 were less than projected in the 2003-05 biennial budget, resulting in a surplus in the insurance fund. The surplus will be used to decrease employee co-premiums in calendar year 2005. An additional \$10.9 million (all funds) is provided to further decrease employee co-premiums in calendar year 2005. Average employee co-premiums are projected to decrease from \$80 per month in 2004 to \$65 per month in 2005. The monthly state health benefit funding rate will increase from \$504.89 per employee in fiscal year 2004 to \$600.85 in fiscal year 2005.

Community College Part-Time Faculty Health Benefits (\$14.7 Million General Fund-State)

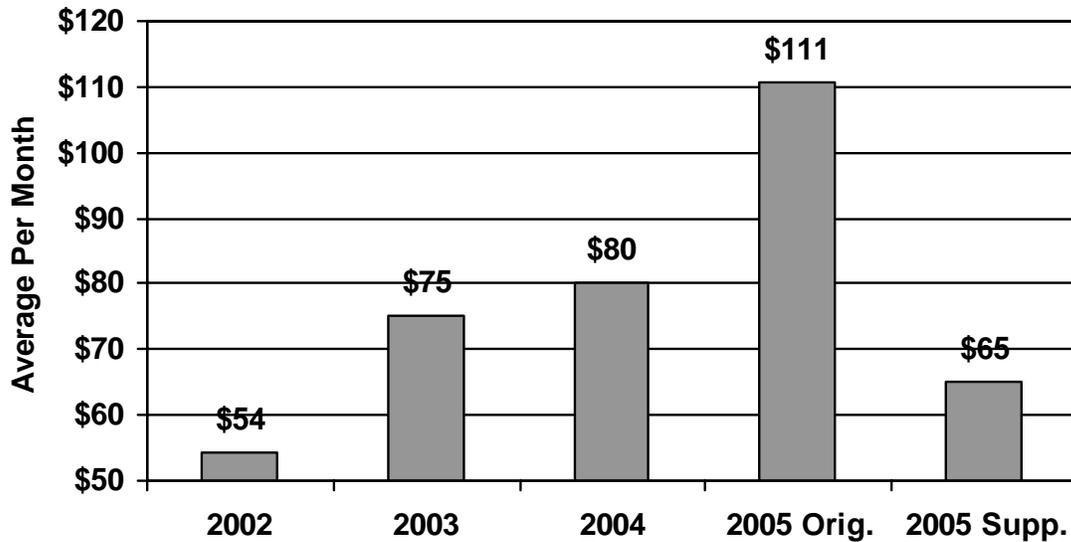
\$11.0 million is provided to settle all claims in Mader et al. v. Health Care Authority and the state of Washington. In this case, the State Supreme Court ruled that community and technical college faculty teaching half-time or more during an academic year should be provided health benefits during the summer months. This settlement requires the state to reimburse employees for health care premiums paid prior to 2003. In addition, \$3.7 million is provided at maintenance level for part-time faculty summer health benefits in the 2003-05 biennium.

Health Benefit Funding Rates for K-12 and State/Higher Education Employees

The health benefit funding rate will be increased to \$600.85 per month for all employees
– K-12, state and higher education



State employee co-premiums will decrease from the current \$80 per month to \$65 per month, rather than increasing to \$111 per month as provided in the 2003-05 biennial budget.



K-12 EDUCATION

K-12 Employee Health Benefit Rate Parity and Increase (\$24.4 Million General Fund-State)

The monthly health benefit funding rate for school district employees provided in the original 2003-05 biennial budget was \$21.56 per employee less than the rate provided for state and higher education employees (\$570.74 for school district employees and \$592.30 for state and higher education employees) in the second year of the biennium. The funding rate for state, higher education and school district employees will be increased to \$600.85 per employee for the second year of the biennium.

WASL Changes (\$1.2 Million General Fund-State)

Beginning with the graduating class of 2008, students must pass the 10th grade Washington Assessment of Student Learning (WASL) to graduate. Funding is provided to offer retake opportunities to high school students, develop alternative assessments and/or appeals procedures, and review the alignment between the assessments and our learning standards.

Reading and Math Initiatives (\$950,000 General Fund-State)

The Office of the Superintendent of Public Instruction (OSPI) will develop information on essential components of comprehensive reading and mathematics programs and will evaluate the alignment of textbooks with state standards. This information will be disseminated to school districts. In addition, OSPI will work with mentor teachers from around the state to develop guidelines for eligibility, training, and professional development for mathematics mentor teachers.

Low-Income Driver's Education (\$831,000 Public Safety and Education Account)

A \$1 per license plate fee is established by HB 1796. Revenues from the fee will subsidize the cost of driver's education for low-income students.

K-12 Finance Study (\$438,000 General Fund-State)

The Joint Task Force on K-12 Finance created by House Bill 2955 will examine the state's current K-12 finance system and develop alternative funding and compensation models. The Task Force will consist of the Governor, the Superintendent of Public Instruction and eight legislators.

Washington Achievers Scholars (\$250,000 General Fund-State)

An additional \$250,000 is provided to the Washington Achievers Scholars program, for a total biennial appropriation of \$1,250,000. This funding supports community involvement officers who recruit, train and match community volunteer mentors with high school students selected as achiever scholars.

Kindergarten Readiness Guidelines (\$200,000 General Fund-State)

The Governor's Office and the Office of the Superintendent of Public Instruction will work with the early childhood care and education communities to develop and disseminate research-based, voluntary guidelines for developing curricula and activities to prepare children to enter school.

HIGHER EDUCATION

Community College Part-Time Faculty Health Benefits (\$14.7 Million General Fund-State)

\$11.0 million is provided to settle all claims in Mader et al. v. Health Care Authority and the state of Washington. In this case, the State Supreme Court ruled that community and technical college faculty teaching half-time or more during an academic year should be provided health benefits during the summer months. This settlement requires the state to reimburse employees for health care premiums paid prior to 2003. In addition, \$3.7 million is provided at maintenance level for part-time faculty summer health benefits in the 2003-05 biennium.

ENROLLMENT CAPACITY

General Enrollment (\$16.1 Million General Fund-State)

The budgeted general enrollment capacity of colleges and universities is increased by 1.5 percent, or 3,200 slots. Also, an additional 50 full-time equivalent students are restored to fiscal year 2005 base enrollments for Central Washington University in recognition of fulfilling its enrollment recovery plan.

High Demand Programs (\$12.8 Million General Fund-State)

Enrollments at colleges and universities are increased by an estimated 1,541 slots in key high demand occupational fields. Funds will be allocated to the institutions by the Higher Education Coordinating Board and the State Board for Community and Technical Colleges on a competitive basis. High demand fields include worker retraining programs, nursing and other health services, applied science and engineering, computing and information technology, special education, and other fields.

FINANCIAL AID

Promise Scholarships (\$4.3 Million General Fund-State)

The average Promise Scholarship grant award amount will increase from 43 percent of community college tuition and fees to 63 percent. Promise Scholarships reward students from low- and middle-income families who graduate in the top 15 percent of their high school class.

State Need Grant (\$3.0 Million General Fund-State)

All State Need Grant eligible students will be served in FY 2005, including those in new high demand enrollment slots. 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 is maintained.

Health Professional Loan Repayment and Scholarship Program (\$2.0 Million Health Services Account-State)

The Health Professional Loan Repayment and Scholarship Program will be expanded. Funds will assist with the recruitment and retention of credentialed health care professionals in rural and urban underserved communities of the state.

RESEARCH AND DEVELOPMENT

University of Washington (\$2.9 Million General Fund-State)

Biosciences research faculty will be recruited to establish a Proteomics Center at the University of Washington. Focused proteomics studies through the Center will combine the interdisciplinary skills of biologists, computer scientists, and biochemists to identify the unique composition of specific proteins to help predict and manage diseases. In addition, \$30,000 is provided for labor-related research through the Harry Bridges Center.

Washington State University (\$1.5 Million General Fund-State)

Funding is provided for several research activities at Washington State University (WSU). \$850,000 is provided for state match to attract and retain federal research grants in high demand and technologically advanced fields. \$330,000 is provided to the Department of Agriculture to contract with WSU for research and development activities related to asparagus harvesting and automation technology. \$270,000 is provided to the WSU College of Veterinary Medicine to support the development of a live animal test for "Mad Cow" disease. Finally, \$50,000 is provided to develop alternative control mechanisms for burrowing shrimp.

REMEDIAL COURSES

Transition Math Project (\$300,000 General Fund-State)

A project to reduce the need for remedial math courses at institutions of higher education will bring together representatives from the K-12 system, the two-year college system, and public four-year institutions to align standards and expectations for mathematics, improve math instruction and assessment, and communicate math expectations to students through improved educational advising.

FACILITY STEWARDSHIP

Building Maintenance to Capital (\$4.0 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 amount will be replaced with non-bond capital funds to sustain levels of investment necessary to keep the current inventory of buildings in "superior" or "good" working condition, until the state chooses to modernize, renovate, or replace them.

Plant Operations and Maintenance (\$840,000 General Fund-State)

\$840,000 is provided for plant operations and maintenance to protect and prolong the life of public higher education buildings. An additional \$383,000 is also provided for this purpose at maintenance level.

NATURAL RESOURCES

DEPARTMENT OF AGRICULTURE

Asparagus Industry Assistance (\$3.3 Million General Fund-State)

The Department of Agriculture will purchase agricultural products packing equipment and contract with Washington State University for research and development activities related to asparagus harvesting and automation technology.

Response to BSE (\$329,000 General Fund-State)

The Department of Agriculture's animal identification, food safety, and commercial feed inspection programs will be enhanced in response to the discovery of a Washington dairy cow infected with Bovine Spongiform Encephalopathy (BSE), also known as "mad cow" disease.

DEPARTMENT OF ECOLOGY

River "In-Stream" Flows (\$2.0 Million General Fund-State)

The Department of Ecology will develop and adopt standards for establishing in-stream flows and evaluate progress in achieving stream flows. In addition, three water masters will provide local public service for water rights permitting, technical assistance, and water rights compliance.

Envirotest Lawsuit Settlement (\$2.5 Million General Fund-State)

Funding is provided for the mediated settlement with Envirotest, the former contractor of the state's vehicle emission testing program. Envirotest filed a suit against the state, alleging lost profits due to changes in the vehicle emission testing program that resulted in fewer vehicles being tested and less revenue being generated for Envirotest while under contract with the state.

Chemical Action Plans for Persistent Bioaccumulative Toxins (PBTs) (\$436,000 State Toxics Control Account)

The Department of Ecology will implement the Mercury Chemical Action Plan, including baseline fish tissue monitoring, conduct rulemaking to select future chemicals, and implement future chemical action plans.

DEPARTMENT OF NATURAL RESOURCES

Fire Suppression (\$23.5 Million General Fund-State, \$1.3 Million General Fund-Federal)

The costs of fire suppression in the 2003 fire season were greater than anticipated in the original 2003-05 operating budget. The Department responded to approximately 920 fires with 12,186 acres burned during the 2003 fire season.

Trails and Recreation Sites (\$450,000 General Fund-State)

The Department of Natural Resources manages an estimated 250 miles of trails and 45 recreation sites on public lands with General Fund-State funds. This funding level will ensure that these trails and sites will be maintained and remain open for public use.

DEPARTMENT OF FISH AND WILDLIFE

Fisheries on Lake Washington and in Eastern Washington (\$75,000 Recreational Fisheries Enhancement Account, \$75,000 State Wildlife Account)

Preliminary forecasts indicate a Lake Washington sockeye return of roughly 600,000 fish. Funding is provided to conduct supplemental monitoring and sampling to open the Lake Washington sockeye fishery and one additional Eastern Washington recreational fishery during the 2004 season.

GENERAL GOVERNMENT

2004 Presidential Primary (\$6.0 Million General Fund-State Savings)

Savings are achieved by eliminating the 2004 presidential primary in accordance with legislation enacted in 2003.

Help America Vote Act (\$3.1 Million General Fund-State, \$20.0 Million Election Account-Federal)

Funding for a 5 percent state match is provided in order to receive an estimated \$62.8 million in federal funds to meet the requirements of the Help America Vote Act of 2002. In addition, \$20.0 million in spending authority is provided in anticipation of receiving federal funds under the act. Both the federal and state funds will be used to create a statewide voter registration database, to replace punchcard voting equipment, and to provide grants to counties.

Homeless Families Services (\$3.0 Million General Fund-State)

Funding is provided to support the Homeless Families Services Fund Advisory Board and to provide state matching funds for housing-based supporting services for homeless families, in accordance with Second Substitute House Bill 2818.

County Assistance (\$3.0 Million General Fund-State)

Funding is provided for distribution in accordance with the provisions of Substitute House Bill 3175 (financial assistance/counties) to counties that lost 6 percent or more of their operating budget due to the repeal of the state motor vehicle excise tax

Extraordinary Criminal Justice Costs (\$2.9 Million General Fund-State)

Funding is provided to reimburse King (\$2.7 Million) and Pacific (\$167,000) counties for a portion of extraordinary prosecution expenses.

Civil Indigent Legal Services (\$2.0 Million General Fund-State)

Funding is provided for increased civil legal services for low-income people who cannot afford to hire legal counsel in civil matters.

Military Base Reviews (\$500,000 General Fund-State)

Funding is provided to assist counties in providing accurate information to the Base Realignment and Closure Commission on the importance and impact of the military bases in Washington on local communities and the statewide economy.

National Guard (\$300,000 General Fund-State)

Funding is provided for the Department of Community, Trade, and Economic Development to contract with an existing military family assistance program in Washington that provides emergency grants to families experiencing financial hardship due to national guard activation, pursuant to Substitute House Bill 3084.

Government Accountability (\$250,000 General Fund-State)

The State Auditor and the new Citizen Oversight Board will conduct annual performance reviews and in-depth performance audits to assess the performance of state government as mandated by 3rd engrossed Substitute House Bill 1053.

Study of Homelessness (\$80,000 General Fund-State)

Funding is provided for the Department of Community, Trade, and Economic Development to develop a plan to address how the state can best support the efforts of local communities in combating homelessness.

Task Force on Non-economic Damages (\$25,000 General Fund-State)

Funding is provided for a Task Force on Non-economic Damages to determine the feasibility of creating an advisory schedule of non-economic damages to increase the predictability of settlements and for awards for noneconomic damages in actions for injuries resulting from health care.

EMPLOYEE COMPENSATION

State and Higher Education Employees Health Benefits (\$5.5 Million General Fund-State, \$5.4 Million Other Funds)

State and higher education employee health insurance costs for fiscal year 2004 were less than projected in the 2003-05 biennial budget, resulting in a surplus in the insurance fund. The surplus will be used to decrease employee co-premiums in calendar year 2005. An additional \$10.9 million (all funds) is provided to further decrease employee co-premiums in calendar year 2005. Average employee co-premiums are projected to decrease from \$80 per month in 2004 to \$65 per month in 2005. The monthly state health benefit funding rate will increase from \$504.89 per employee in fiscal year 2004 to \$600.85 in fiscal year 2005.

The Public Safety Employees' Retirement System (\$403,000 Department of Retirement Expense Fund)

Funding is provided for the administrative costs associated with creating the Public Safety Employees' Retirement System Plan 2 (PSERS 2), as recommended by the Select Committee on Pension Policy. PSERS 2 will provide a lower retirement age for periods of future service for about 7,200 specified state and local government employees with public safety-oriented responsibilities beginning July 1, 2006.

\$1,000 Minimum Benefit for certain Public Employees' Retirement System Plan 1 Retirees (\$375,000 General Fund-State)

Funding is provided for increased employer contributions and administrative costs associated with increasing the minimum benefit of Public Employees Retirement System Plan 1 Retirees who worked for at least 25 years, and have been retired for at least 20 years.

2003-05 Biennial Balance Sheet
General Fund-State and Emergency Reserve Fund
Dollars in Millions

	2003-05
RESOURCES	
Beginning Fund Balance	404.6
November 2003 Revenue Forecast	22,820.9
February 2004 Forecast Update	76.4
Tax Policy Legislation	(84.4)
Current Revenue Totals	22,812.8
Fund Transfers and Other Adjustments	157.0
Federal Fiscal Relief - Grant	90.2
2004 Supplemental Revenue Changes	
Money Transfers from Other Funds	40.7
Total Resources (Includes Fund Balance)	23,505.3
APPROPRIATIONS AND SPENDING ESTIMATES	
Biennial Appropriation	23,081.4
2004 Supplemental	224.8
Spending Level	23,306.1
Adjusted I-601 Expenditure Limit	23,645.4
Difference Between I-601 Limit and Expenditures	339.3
UNRESTRICTED GENERAL FUND BALANCE	
Projected Ending Fund Balance	199.1
EMERGENCY RESERVE FUND	
Beginning Fund Balance	57.6
Actual/Estimated Interest Earnings, Transfers, and Appropriations	(57.6)
Projected Ending Fund Balance	0.0
TOTAL RESERVES	
Combined General and ERF Projected Ending Fund Balance	199.1

2004 Supplemental Revenue Changes (GFS Only)

(Dollars in Thousands)

<u>House Bill</u>	<u>Title</u>	<u>2003-2005</u>
1328	Taxation of boarding homes	(3,945)
2131	Liquor control board	967
2339	Aluminum smelters tax relief	(2,694)
2453	New motor vehicle taxation	(3)
2499	Fuel cells	(121)
2501	Streamlined sales & use tax	(7,942)
2518	Public utility tax exemption	(325)
2546	Hi-tech tax incentives	(52,384)
2675	Electric utility tax credit	(50)
2689	Tx incentives/rural counties	(15,834)
2693	Taxation of timber	(144)
2783	Nonprofit orgs property tax	(7)
2929	American beef ban	(300)
2968	Excise tax deductions	(300)
3054	Vehicle tires	115
3116	Blood banks & cancer centers	(249)
3158	Sales & use tax exemption	(1,220)
		<hr/> <hr/>
	Total GFS Revenue Changes	(84,437)

Fund Transfers

(All figures in thousands)

<u>Fund Name</u>	Proposed 2004 Supplemental		
	<u>FY 2004</u>	<u>FY 2005</u>	<u>2003-05 Total</u>
Health Services Account	\$0	\$26,503	\$26,503
Financial Svcs Regulation Account	\$0	\$5,653	\$5,653
State Treasurer's Service Account	\$0	\$3,000	\$3,000
Gambling Revolving Account	\$0	\$2,500	\$2,500
Dept of Retirement Systems Expense Account	\$0	\$2,000	\$2,000
Insurance Commissioner's Regulatory Account	\$0	\$1,000	\$1,000
K-20 Technology Account	\$0	\$1	\$1
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	\$0	\$40,658	\$40,658