

Overview of 2009–11 Budgets

Operating Budget

The total operating budget for the 2009–11 biennium is \$31.4 billion General Fund-State (GF-S), with \$58.7 billion in expenditures from all funds.

Counting both GF-S and all new federal stimulus monies, the biennial total would be 1.4 percent higher than for the current biennium. However, GF-S expenditures drop by at least 8 percent from the projected cost of maintaining existing programs and addressing new caseload/enrollment expenses.

The enacted budget (after the Governor's vetoes) leaves a balance of:

- \$595 million for 2007–09 (\$564 million cash and \$32 million in the Rainy Day Account)
- \$740 million for 2009–11 (\$490 million cash and \$250 million in the Rainy Day Account)

The \$9 billion shortfall was addressed as follows:

- \$4.4 billion in reductions, including the 2009 supplemental budget, suspension of I-732 education salaries and actuarial changes to pensions;
- \$3 billion of federal stimulus monies in the current and next biennia; and
- \$1.6 billion of new resources, including sales tax compliance legislation, use of the Rainy Day Account and capital fund sources, transfers from other funds and budget-driven revenues such as stepped-up enforcement by the Department of Revenue.

K-12 Education and Early Learning

The budget contains an overall spending level for K-12 education of \$13.7 billion. It makes reductions to major non-basic education programs, and reduces Initiative 728 funding by \$600 million. The budget assumes a \$60 million reduction in levy equalization.

Teacher pay is reduced by one learning improvement (LID) day. There are no reductions to the K-4 enhanced staffing ratio. Funding for math and science coaches is reduced by half.

The budget uses \$362 million of state fiscal stabilization resources in K-12 in Fiscal Year 2009. The remainder of state fiscal stabilization funds will be spent in the 2009–11 biennium: \$377 million in K-12 and \$81 million in higher education.

The appropriation for the Early Childhood Education and Assistance Program (ECEAP) temporarily reduces the number of slots by 173 slots per year. The Department of Early Learning is directed, to the greatest extent possible, to reduce slots where providers serve both Head Start and ECEAP children. Head Start providers anticipate receiving approximately \$10 million in federal stimulus funds in the biennium 2007–09.

Higher Education

The budget cuts roughly \$556 million in higher education. The budget authorizes the public universities to raise tuition by 14 percent per year, and the two-year colleges by 7 percent per year. Including the new revenue from tuition, and using legislative calculations, the four-year institutions face net reductions of 6.5 percent to 7 percent, and the community and technical colleges face net reductions of 6 percent.

State Need Grant eligibility is maintained at 70 percent, and slight changes are made to the proration of grant awards at higher income levels. State Need Grants are capped for independent colleges.

Given the large reductions, especially to instructional programs, the budget reduces budgeted enrollments from the current level by about 3,500 FTEs. The University of Washington faces the largest enrollment cuts of any baccalaureate institution — more than 1,600 from budgeted levels, or 2,800 from actual levels. The budget does not make cuts to budgeted enrollments in the community and technical colleges, but anticipates significant reductions from actual enrollment levels.

Human Services

When the 2009–11 budget development process began, the Department of Social and Health Services (DSHS) was projected to need approximately \$10.1 billion GF-S to maintain 2007–09 service levels, an increase of \$1.1 billion. It assumes federal relief through an increase to the Federal Medical Assistance Percentage (FMAP). The budget also assumes \$1.3 billion in expenditure shifts from GF-S to GF-Federal in 2009–11 (\$0.5 billion in the FY 2009 supplemental). When the replacement of state dollars with federal dollars is not counted as a cut, the budget reduced spending in DSHS by \$858 million GF-S.

Notable GF-S budget changes in DSHS include:

Retains General Assistance-Unemployable (GA-U) program
Savings are assumed by reducing caseloads through increased case management to move clients to Supplemental Security Income. Savings are also assumed by moving clients to a managed-care medical program (total savings of \$56.5 million).

Implements Pharmacy Purchasing Initiative
Guided by a goal to increase use of generic drugs by the Medicaid program by 20 percent, the budget assumes \$75 million in savings from various efficiencies and program changes.

Non-Medicaid mental health
Services for non-Medicaid clients are reduced by \$22.3 million.

Rates for long-term care providers
Reductions are 2.5 percent (nursing homes) and 4 percent (boarding homes and supported living), for a savings of \$55.5 million.

Children's Administration
An administrative reduction of 60 FTEs is assumed.

Other items of significance:

Basic Health Plan

Funding is reduced by \$236 million. The Health Care Authority is directed to provide coverage to approximately 65,000 clients, a reduction of 40,000 from 2007–09 levels.

Community supervision program and institutions

Savings are assumed in the Department of Corrections' (DOC) community supervision budget through the reduction of sentence lengths and elimination of supervision for certain low-risk offenders and misdemeanants, for a savings of \$47.8 million. Savings of \$12 million are assumed through closing an unnamed DOC institution (the Office of Financial Management is to study which to close).

Natural Resources

The budget maintains core environmental protection in light of unprecedented budget shortfalls. It supports reforms to government by consolidating two agricultural commissions and the Governor's Salmon Recovery Office.

The budget assumes new revenues (optional \$5 donation at the time of license renewal, and higher hunting and fishing license fees) that will keep state parks open and more fish hatcheries operating. If insufficient new revenue is collected to continue hatchery operations, the budget closes, or transfers to other operators, six of the seven hatcheries proposed for such action in the Governor's budget.

Momentum to restore Puget Sound is maintained despite making deeper reductions in the Puget Sound Partnership's administration and outreach activities (\$1 million and 3.0 FTEs).

The Department of Natural Resources takes cuts in its administration.

The Department of Ecology's budget includes cuts in flood control and public participation grants, and cuts in water rights processing and watershed planning activities. A separate bill restores \$3.2 million in revenue for Ecology's wastewater discharge regulatory program. Through the budget and separate policy legislation, ongoing funding is provided for the standby emergency rescue tug stationed at Neah Bay. Bills were passed that require state agencies to meet greenhouse gas emission limits and direct the Puget Sound Regional Council to develop recommendations for developing an electric vehicle infrastructure.

A number of fund transfers are directed by the budget.

General Government

The budget assumes expenditures made possible by budget-driven revenues:

- The Department of Revenue will escalate tax collection efforts to generate net revenues of \$49.3 million for the state and \$7.7 million to local governments;

- State Lottery will join the Powerball multistate lottery game, which will raise \$11.5 million for the education construction account; and
- Liquor Control Board will open several new stores and use other revenue-generating activities to bring in \$71.2 million for the state.

The budget also calls for a review of central services by directing the Governor, as she suggested in her budget, to convene a work group to develop cost-efficient methods.

Pensions

Several changes are made to pension funding, which save more than \$440 million GF-S during 2009–11, and increase contributions in future years, including:

- Retains the actuarial method for Plans 2 and 3, but revises it for unfunded liability funding; and
- Repeals the 2024 deadline for paying off the unfunded liabilities, except for the LEOFF 1 Plan, which is now fully funded. Instead, the unfunded liabilities would be paid over a rolling, 10-year period.

Over 25 years, the changes cost an additional \$1 billion GF-S, and increase total employer contributions by \$2.5 billion. Employee contribution rates in Plans 2 (except LEOFF 2) are also reduced from the level projected during the 2009–11 biennium, due to the changes in actuarial assumptions.

Federal Stimulus

The budget uses approximately \$4.2 billion of federal stimulus funds in the operating, capital and transportation budgets over three years. FMAP funding is \$1.7 billion of the total, and the fiscal stabilization fund of \$1 billion is split among K-12 (\$739 million), higher education (\$81 million) and the Department of Corrections (\$182 million). Federal stimulus funds also appear in K-12, human services, natural resources and general government agencies.

Administrative Cuts

Administrative cuts affect most state agencies, reducing \$255 million statewide.

Staff Reductions and Health Benefits

Staff reductions (via layoff or attrition) have been roughly estimated in the 5,000–6,000 range. Many of the reductions (3,000) would occur in school districts. Similarly, administrative cuts in state agencies would likely be a combination of staff and other types of reductions, depending on the agency. A number of the program cuts also will result in the loss of associated staff FTEs.

Funding for employee health benefits is increased by 3 percent each year, to \$745 per employee per month in FY10 and \$768 in FY11. If the increase does not cover costs, the Public Employees Benefits Board may make adjustments to employee premium contributions, point-of-service

payments or plan design to provide benefits within available funding. The provision applies to both represented and non-represented employees.

2009–11 Transportation Budget

The transportation budget makes a \$4.4 billion investment in projects throughout the state. It keeps megaprojects moving forward and increases spending on highway maintenance to preserve infrastructure. It creates or sustains about 20,000 jobs in 2009–11. Due to the recession and volatility in the global oil market, the budget spends \$514 million less than was planned in the 2008 supplemental budget.

Alaskan Way Viaduct

The deep-bored tunnel under First Avenue was chosen to replace the Alaskan Way Viaduct. The state has committed \$2.4 billion and up to \$400 million more through the use of tolls. Replacement of the central waterfront portion of the Viaduct is scheduled to begin in 2011, with completion slated for 2015.

SR 520

Early tolling on the SR 520 corridor will help to finance construction of the replacement floating bridge and landings, and allow the state to secure a \$87 million federal urban partnership grant. Toll rates yet to be established will vary according to the time of day and traffic conditions to maintain travel times, speeds and reliability. Rates will also be calibrated to generate revenue to retire bond debt. Total project cost is capped at \$4.6 billion. A work group will recommend a financing strategy and design options. Its final report is due January 2010.

Ferry vessels

Funding is provided for the purchase of three 64-auto vessels with the potential of a fourth boat (either a 64-car or 144-car vessel) being built, depending on timing and availability of funding.

Stimulus funding

More than \$341 million in federal stimulus funding is provided.

Department of Licensing

As the Licensing Services Office consolidation plan is put in place over the next two years, the state will save more than \$4 million and improve customer service at supercenters. The Department is also working to improve online licensing services and develop alternative licensing options, including self-serve kiosks and a mobile licensing office.

Washington State Patrol

The budget eliminates \$5.5 million for two years of costs for training, salary and benefits for 45 cadets who would have participated in the spring class.

2009–11 Capital Budget

The capital budget makes a \$3.3 billion investment in capital projects throughout the state. It preserves key investments in education, safety, natural resources and technology projects to

preserve and add to the state's capital infrastructure. It creates or sustains about 10,000 jobs in 2009–11. Due to the recession, it totals about \$1 billion less than was authorized for the 2007–09 biennium.

K-12

Financial assistance to K-12 school construction projects is provided to improve facilities and establish a grant program for small repairs.

Higher education

Funding is included for high-priority projects that were scored and included in the Governor's capital budget proposal.

Housing

Investments in low-income housing projects are funded, including multi-unit housing projects, weatherization, farmworker housing and other projects.

New data center

Construction on the Capitol Campus will include a new data center to meet the information technology needs of state government. The project has been under development for the past two years and will likely be under construction in summer 2009.

Protecting the environment

Multiple projects are funded that maintain the trust lands, and protect and restore Puget Sound and key habitat.

Stimulus funding

More than \$224 million in federal stimulus funding is included for wastewater treatment plants, small drinking water projects, weatherization projects, ecosystem improvements and environmental cleanup and other projects.