

Budget Tidbits... just the facts

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SPECIAL EDITION: BIPARTISAN SENATE BUDGET

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The bipartisan Senate budget accomplishes what no other budget proposal would.

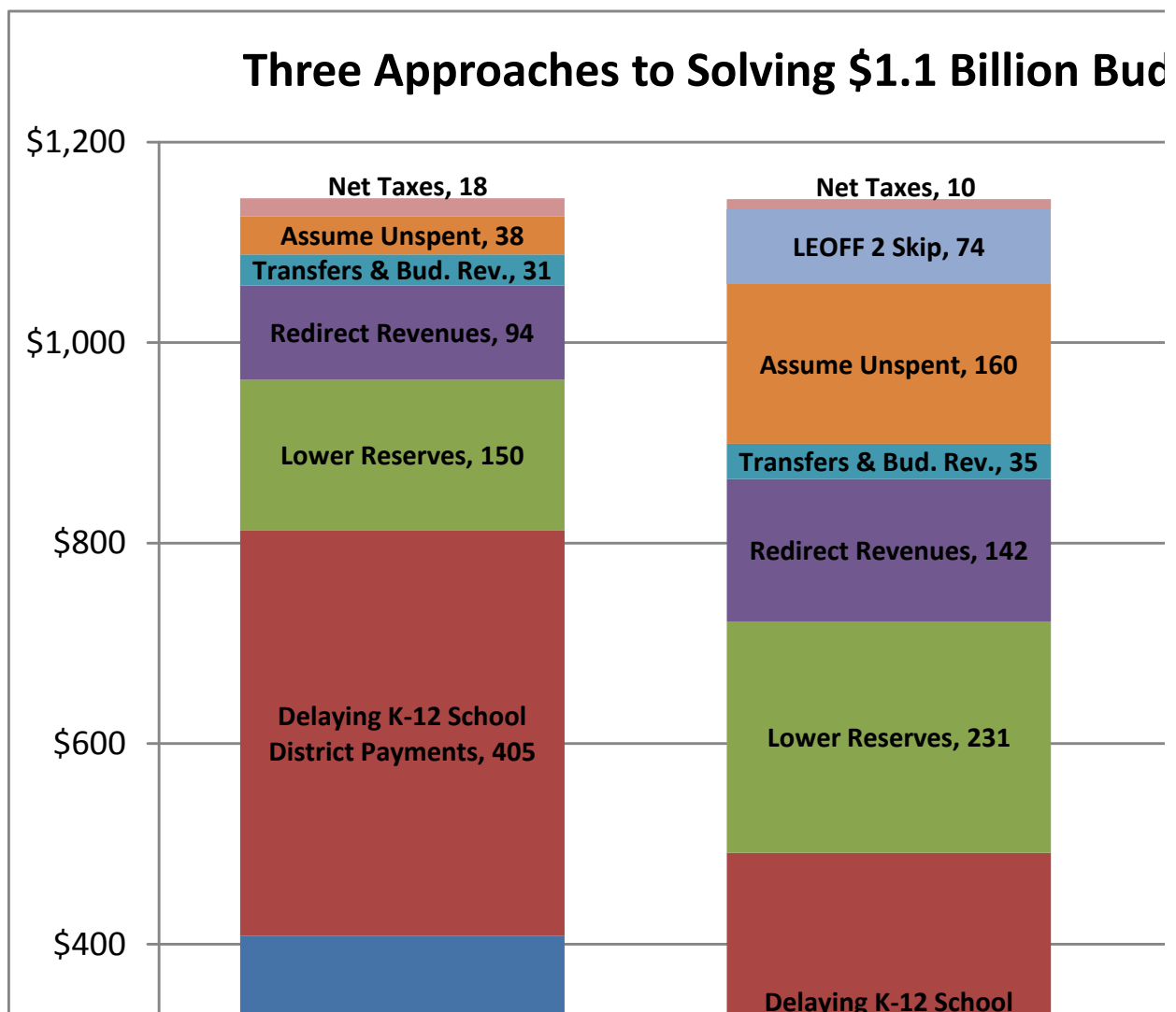
It responds the state's fiscal situation in a sustainable way, free of gimmicks or tricks or tax increases. Not only does it close the \$1.1 billion gap, it would be projected to be in balance for 2013-15.

Further, it prioritizes spending in two key areas:

- Education – Appropriates more for K-12 & Higher Education combined than any other budget proposal. Less than 1/10th of cuts are to education.
- Most Vulnerable – Programs for elderly, disabled, and mentally ill are reduced less than any other budget proposal.

And it preserves reforms enacted last session that have already yielded fruit, plus assumes enactment of four more critical measures to help ensure long-term sustainability:

- 4 year balanced budget requirement ([Senate Joint Resolution 8222](#))
- Pension reform ([Senate Bill 6378](#))
- Modifying non-basic education mandates ([SB 6618](#))
- Debt-service constitutional amendment ([SJR 8221](#))



Key Sustainability Reforms

- Four Year Balanced Budget Constitutional Amendment (SJR 8222) – Requires budgets at time of passage be projected to be balanced for current biennium and following biennium. Exemption from requirement in years in which const. rainy day fund is tapped. Historic reform would ensure budgets be sustainable at time of adoption.
- Pension Reform (SB 6378) – Brings stability, predictability, and reduced costs to pension system by requiring new public employees enroll in hybrid pension plan (½ defined benefit & ½ defined contribution) and closing door to existing early-retirement option. Enormous savings over long run.
- Modifying Non-Basic Education Mandates & Requiring Plan to Finance Basic Education (SB 6618) – Eliminates non-basic education funding mandates of I-728 and I-732. Requires select workgroup of legislators, comprised of each caucus’ budget and K-12 policy leaders, to develop a basic education financing plan in response to the *McCleary* state Supreme Court decision in time for the next legislative session.
- Debt Service Constitutional Amendment (SJR 8221) – Reduces amount of allowable debt, freeing up in the long run hundreds of millions of dollars a biennium in the operating budget for higher priority uses.

Revenues Permanently Redirected

- Permanently Redirects Liquor Revenue to General Fund (\$71 M)
 - Liquor Profit Sharing -- \$42 M of new liquor profits under I-1183, above and beyond \$10 M guaranteed in initiative, is redirected from local governments to the state general fund.
 - Liquor Excise Taxes – Permanently redirects portion of liquor excise taxes going to local governments to the general fund (\$29 M).
- Solid Waste Tax to General Fund (\$71 M) -- Redirects solid waste tax from public works assistance account to the general fund.

Policy Reductions (Dollars in Millions)

	Policy
Compensation	\$183
K-12	\$44
Higher Ed	\$30
Health Care	\$85
Elderly/Dev. Disabled/Mentally Ill	\$7
Corrections	\$24
Other Human Services (Temporary Assistance to Needy Families/Econ. Services)	\$311
Natural Resources	\$86
Early Learning	\$5
All Other	\$1
Total Budget Bill	\$773

Compensation

- Pension Reform (\$133 million savings) – Tied to SB 6378, the immediate savings are attributable to skipping the plan 1 unfunded liability payment for 2013fiscal year.
- State Employee Health Benefits (\$33 million savings)
 - Reduces monthly funding rate from \$850 to \$800, recognizing lower than expected costs thus far. Does not require reopening collective bargaining agreements.
- Funds state-actuary recommended LEOFF 2 rate (\$17 million savings) – LEOFF 2 board (which oversees Law Enforcement Officers' and Fire Fighters' pension plan 2) had recommended higher funding rate.
- Selected enhancement: Provides \$12 million in funding from Public Employees Benefits Board balance for start-up costs associated with consolidating K-12 health purchasing at state level, tied to SB 6442.

K-12

- National Board Bonuses (\$18 million savings) – Reduces bonuses for teachers at regular schools to \$2,500 per year (from \$5,000) and limits awards to five years. Maintains \$5,000 additional bonus for teaching at challenging schools and keeps award length for that bonus at 10 years.
- Running Start (\$8 million savings) – Reduces state funding level for Running Start students from 1.2 full-time equivalent to regular 1.0 FTE.
- Office of the Superintendent of Public Instruction & Other Non-School District Reductions (\$24 million)
- Selected enhancement: \$6 million enhancement for teacher-evaluation bill ([Senate Bill 5895](#)).

Higher Ed

- Reduces tuition waiver authority by 10% -- Institutions waive several hundred million of otherwise-collectible tuition per biennium. Budget saves \$30 million by reducing general-fund appropriations in recognition of an equivalent amount of tuition being collected from students with waivers.
- Non-resident tuition – University of Washington and Washington State University raised tuition on non-resident students in excess of anticipated budgeted increases. Budget saves \$8 million by recognizing these unanticipated tuition funds.
- Selected enhancement: \$7.6 million for engineering degrees at UW/WSU

Health Care

- Fully Funds Basic Health Plan (no cuts)
- Eliminates Disability Lifeline Medical (\$41 million savings) – Washington is in minority of states that have a program.
- Modify Hospital Payments (\$13 million savings) – Eliminates small and non-rural disproportionate share hospital payments.
- Blue Ribbon Public Health (\$5 million savings) – Reduces by half a recent enhancement to public health funding. Retains in full the core \$24 million a year state appropriation for public health.
- Family Planning (\$6 million savings) – Reduces state grants by that amount.
- Assorted (\$20 million savings) – Includes savings from Medicaid false-claims act ([Senate Bill 5978](#)), underspending at health care authority, and state grants to assist with charity care at Harborview/UW Medical Center.

Elderly/Developmentally Disabled/Mentally Ill

- Does NOT enhance Nursing Home Bed Tax, unlike other budget proposals
- Smallest reductions of any budget proposal in this category (\$7 million net):
 - Ward Closures (\$2 million savings) – Two ward closures, as residents with dementia who are deemed federally ineligible for psychiatric care are transferred to community settings.
 - Boarding home rates (\$2 million savings) – Reduces rates by 2%.
 - Family caregiver support (\$2 million savings) – Additional state investments in family caregiver support are expected to divert people from Medicaid caseload, saving \$2 M.
 - Developmentally Disabled accrued savings (\$17 million) – Recognition of agency underspending to date. Not a program elimination or reduction affecting services.
- Selected enhancements:
 - Medicaid Personal Care Restructure (\$1.5 million) – Transformative proposal that would shift from an hour-funding model to a per-client individualized budget in which the client would be put in control of funds to select care that best meets their needs. Bipartisan support.
 - Funds Initiative 1163 Homecare Training (\$14 million)

Corrections

- Community Corrections (\$15 million savings) – Recognizes savings from [Senate Bill 6204](#), dealing with parole violator penalties. Portion of total savings invested in additional treatment.
- Administration – Takes \$7.2 M hit.

Other Human Services

- Temporary Assistance to Needy Families (TANF)/Welfare-Related Items:
 - TANF Caseload (Savings: \$124 million) – Recognizes savings from TANF caseload reduction, largely driven by policy reforms enacted last session. House and Senate Democrat budgets unwind these reforms.
 - 48-month lifetime TANF limit (\$15 million) – Instead of 60-month limit. Also proposed by Governor Gregoire.
 - Child care reduction (\$42 million) – Attrits down working connections child care caseload by 4,000. Also proposed by Governor Gregoire.
 - TANF grant reduction (\$6 million) – Reduces grant by 2%. Also proposed by Governor Gregoire.
- Essential/Housing Needs (\$53 million) – Leaves \$9 million allowance for program. This is the program that replaced the General Assistance-Unemployable/Disability Lifeline cash benefit last session for eligible clients.
- Eliminate State-Only Food Assistance Program (\$14 million) – Funds go to legal immigrants who are ineligible for federal food assistance due to not being in United States for requisite time.
- Children's Reductions (\$18 million)
 - Reduces contracted services (\$6.7 million).
 - Increases caseload ratios (\$6.5 million).
 - Other (\$5 million)
- Non-Disability Lifeline Alcohol/Substance Abuse (\$5 million savings)

Natural Resources

- Model Toxics Control Act -- \$67 million in MTCA revenue (existing tax on hazardous substances, including oil) is used in operating budget for MTCA-related purposes, thus replacing general fund state dollars being spent in programs. Tied to long-term reform.

- Assorted agency reductions/funding shifts:
 - Department of Fish and Wildlife -- \$9 million
 - Department of Ecology -- \$4 million
 - Department of Natural Resources -- \$4 million

- Preserves state fair funding

Early Learning

- \$5 million in savings, largely administrative; no caseload impact

All Other

- Central Service Billing (\$8 million savings) – Assumes efficiencies and lower costs in central service agency billings, such as Department of Enterprise Services, Office of the Attorney General, and Office of Financial Management.
- State library (\$4 million savings) – Funding shift from General Fund to Heritage Center filing-fee revenue.

Remaining Components of Solution

Fund Transfers & Budget Driven Revenue (\$60 million)

- Outside of transfer to balance Education Legacy Account, no other transfer exceeds \$4 million.
- \$29 million in budget-driven revenue, primarily by redirecting unclaimed lottery-prize money to the general fund and from sale of the liquor distribution center

Assume Appropriations Go Unspent (\$70 million)

- Budget assumes portion of 2012 fiscal year appropriations to agencies will go unspent.

Lower Reserves (\$88 million)

- Budget leaves \$502 million in reserves. In characterizing budget problem as \$1.1 billion, the assumption anticipates leaving a \$600 million reserve. Consequently, \$98 million of the ‘solution’ is leaving a reserve that much less than \$600 million.

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