

GOVERNOR CHRIS GREGOIRE



Proposed 2011-13

# Budget & Policy Highlights

Transforming  
Washington's  
Budget

OFFICE OF THE GOVERNOR  
DECEMBER 2010

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# MESSAGE FROM THE GOVERNOR



We face unprecedented times. Few alive today have witnessed a recession of this magnitude and length. Those who have understand that the choices we face are tough and leadership is critical. They also know that our better days are ahead of us — that we will emerge stronger, more efficient and more effective.

The budget I am proposing for the 2011–13 biennium is not a budget I ever expected to see in the state of Washington, and the choices in it are the most difficult ones I’ve ever faced. It reflects the stark fact that we have increasing caseloads, rising costs and decreasing revenues. It reflects the voices of thousands of Washingtonians who presented ideas and solutions over the past several months. It reflects the desire of the public to balance the budget with all cuts and no new revenue. And it reflects how government, by necessity, will be smaller, do less and focus on core functions.

The reality of this recession is that it has dismantled many of the programs that I, and millions of others in the state, value. They are the programs that protect our most vulnerable. Programs that provide health care for the less fortunate. Programs that help our schools deliver a first-class education for our children. Programs that provide the safety and security that Washington values.

In any other time I would not sign this budget.

It’s difficult to support something that goes against all we have accomplished over the past six years. But these are the circumstances we find ourselves in, and we have been left with few choices.

Forty-eight states faced large shortfalls for their 2009–11 budgets, shortfalls that were caused by the largest decline in state tax revenue on record.

Washington was not immune from these national trends. We did not sit idly by — instead we took immediate action to close a \$12 billion shortfall over the past three years. We cut state spending by \$5.1 billion. We shrank the public work force by 8,200 people, instituted temporary layoff days, froze travel and eliminated other expenses.

I wish I could say that things have improved for the 2011–13 budget period. Unfortunately, they have worsened. It continues to get more expensive for the state to provide the same level of services. Demand for state services is at its greatest when the economy is at its worst. The fact is that it will cost us more than \$2 billion more to provide the same services in 2011–13 as we did in 2009–11. We simply have more people we must serve, and that costs more money.

*“It’s not just about this crisis — it’s about setting our state on a trajectory that ensures a strong financial foundation for our kids and grandkids.”*

# MESSAGE FROM THE GOVERNOR

While our costs continue to rise, revenue growth is stagnant. Our most recent state forecasts were jolting. In September the state lost \$1.4 billion, and in November the state lost an additional \$1.2 billion. As we plan our 2011–13 budget, we face a \$4.6 billion shortfall. On top of the cuts we've already made, our options are limited.

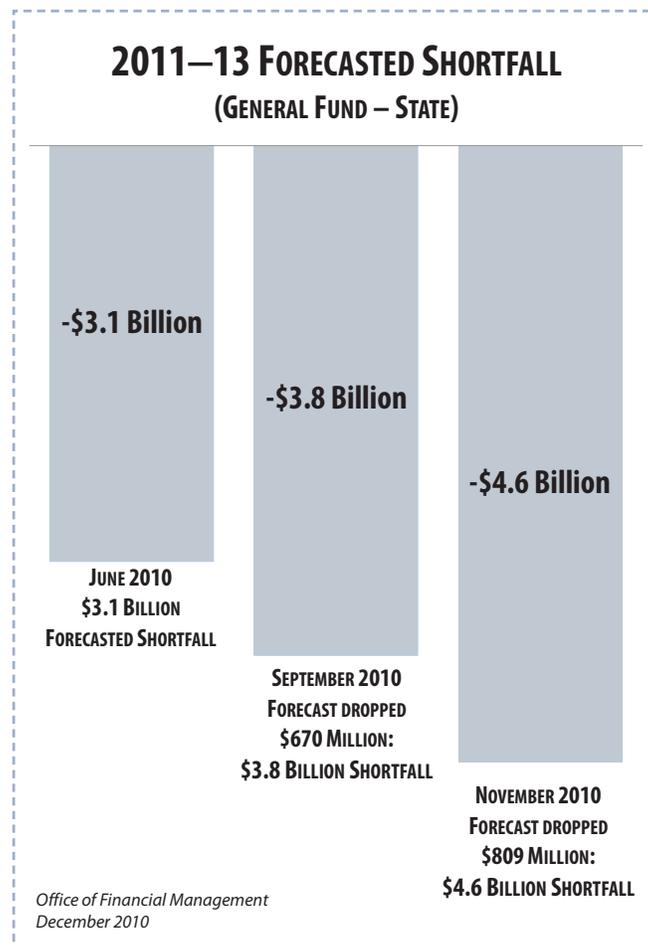
But we must not only cut, we must restructure, modernize, prioritize and position our state as a 21<sup>st</sup> century government.

It's not just about this crisis — it's about setting our state on a trajectory that ensures a strong financial foundation for our kids and grandkids.

We turned to the people of our state to solicit their solutions to the crisis — from state workers who see money-saving ideas every day, to citizens who've made changes in their lifestyles to adapt to the recession, to a group of citizens whom I asked to serve on the Transforming Washington's Budget Committee. We conducted town hall meetings in Tacoma, Everett, Spokane and Vancouver. We launched a website and received more than 2,000 ideas and 137,000 votes on those ideas, which generated considerable dialogue.

We revamped the Priorities of Government process to focus on essential values and ask critical questions to determine which programs we should continue to fund, which should be changed or consolidated, and which should be eliminated. These critical questions helped us find programs we could require others to fund and those we could improve through the use of performance incentives and contracts.

The result is a 2011–13 budget that contains devastating reductions, but also major transformative ideas to prepare our state for a new fiscal reality.



# MESSAGE FROM THE GOVERNOR

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But the bottom line is that these cuts will impact people. The safety net will be stretched thin in some places and eliminated entirely in other places. For the functions that government no longer will be able to provide, we must turn to neighbors, private charities, faith-based organizations and other local programs. Our communities, more than ever, will be asked to step up.

One point I want to make perfectly clear: State employees will do their part to help us get through this recession. We are proposing to cut pay, have the cost of health care inflation borne by our workers and reform state pension plans. But we must continue the important work performed by our state employees and ask for shared sacrifice, not demand that they shoulder the whole burden.

We will come out of this “great recession,” but it will take time. State revenues typically lag about two years behind the recovery, so while we know better times are ahead, they will not arrive in time to impact this budget.

My priority is to make sure that when the economy begins progressing, we are ready to take advantage and emerge from this crisis stronger than ever. I am proposing a series of policy changes to help us thrive. We will make state government operate more efficiently and effectively by consolidating agencies and offices and eliminating programs, boards and commissions. We will recover more of the costs for state-provided services through user fees. A number of agencies will be eliminated completely and some institutions will be closed.

These initiatives are just the beginning. I am committed to transforming the state budget and transforming the way in which the state works for Washingtonians. The steps I am proposing will radically alter the landscape of state government. Legislators have a big challenge before them, but together we will make reform happen.

We will do what we have to do to get through these rough times. We will lay the foundation for a future that will once again reflect the values of Washingtonians. We have a difficult job to do, but I believe we can do it.

Sincerely,

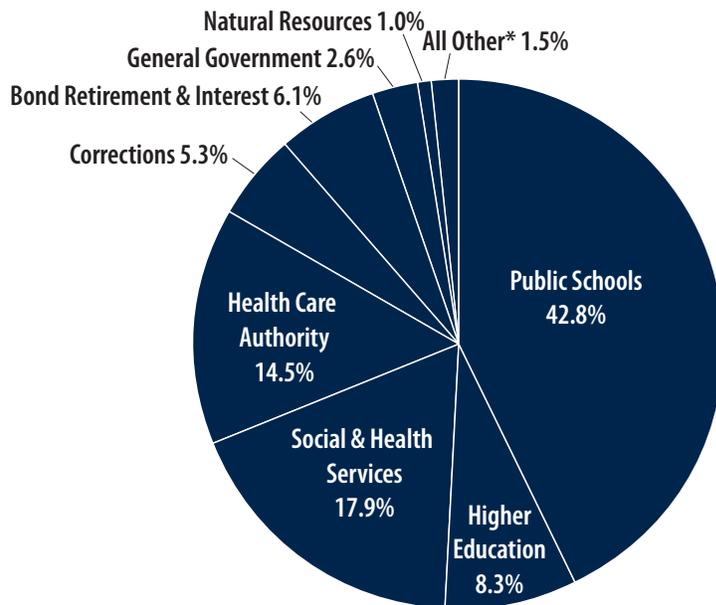
A handwritten signature in blue ink that reads "Chris".

Governor Chris Gregoire

# PROPOSED BUDGET EXPENDITURES

## General Fund-State: Operating

Distribution of 2011–13 General Fund-State Expenditures

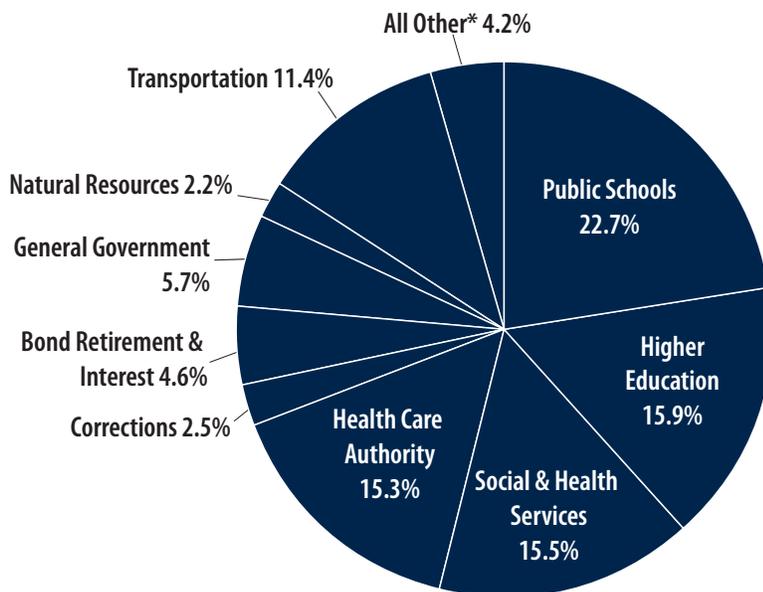


Dollars in Millions	
Public Schools	\$13,746
Higher Education	2,677
Social & Health Services	5,768
Health Care Authority	4,650
Corrections	1,693
Bond Retirement & Interest	1,952
General Government	829
Natural Resources	332
All Other*	477
<b>Total</b>	<b>\$32,124</b>

\*All other includes Other Education, Transportation, Contributions to Retirement Systems and Other Appropriations

## All Funds: Operating Plus Transportation Capital

Distribution of 2011–13 All Funds Expenditures



Dollars in Millions	
Public Schools	\$16,126
Higher Education	11,262
Social & Health Services	11,012
Health Care Authority	10,860
Corrections	1,768
Bond Retirement & Interest	3,233
General Government	4,057
Natural Resources	1,530
Transportation	8,117
All Other*	2,959
<b>Total</b>	<b>\$70,924</b>

\*All other includes Other Education, Contributions to Retirement Systems and Other Appropriations

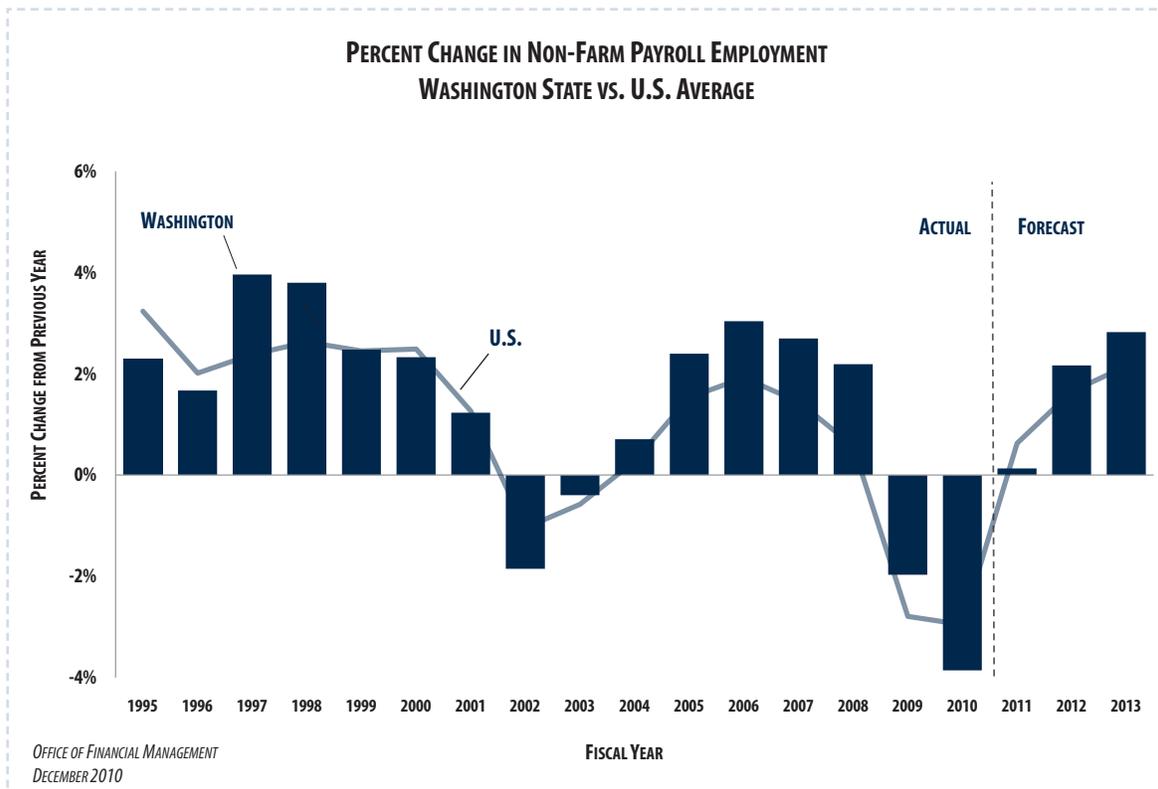
# WASHINGTON'S ECONOMIC OUTLOOK

The outlook for the 2011–13 budget period can be characterized as less-than-vibrant for an economy in recovery. After two years of losses in employment and real per capita income, Washington state's economy should experience a slight upturn in fiscal year 2010 and slowly accelerate over the following two years.

Washington differs little from the nation in job growth. Total employment here is not expected to return to its earlier peak until the second quarter of 2013 — a loss-recovery cycle of more than 60 months. Where Washington is expected to have an advantage, however, is in personal income growth. And while our rate of job growth is expected to be nearly identical to the national rate, the types of jobs will differ measurably, particularly in terms of wages.

Historically, Washington's per-capita income has surpassed that of the nation due to our higher-skilled work force. The state's two largest private employers, Boeing and Microsoft, employ large numbers of highly skilled and highly paid workers. The combination of high wages and above-average job growth, particularly in fiscal year 2013, will boost Washington's personal income and help us maintain our per capita income edge. The other area in which Washington has a comparative economic advantage is in international trade. Our workers provide the traditional "hub" services of warehousing and distribution for goods from Washington, other states and overseas. These jobs typically pay well, which also gives Washington an income edge.

In the near term, Washington appears to be weighed down by the same cyclical forces affecting other states and the economy nationwide. The medium- and long-term economic outlooks, however, should build on Washington's strengths. The benefits of those strengths are confirmed in a recent report released by the Meredith Whitney Advisory Group LLC. The report, which examined America's 15 largest states (measured by their gross state product) and rated their financial conditions, ranked Washington third best behind Texas and Virginia.



# 2011–13 BALANCE SHEET

## INCLUDING GOVERNOR'S PROPOSED 2011 SUPPLEMENTAL BUDGET

### GENERAL FUND-STATE (DOLLARS IN MILLIONS)

#### RESOURCES

<b>BEGINNING FUND BALANCE</b>	<b>\$85</b>
NOVEMBER 2010 REVENUE FORECAST	32,605
MANDATED TRANSFER TO RAINY DAY FUND	(290)
MANDATED TRANSFER TO EDUCATION CONSTRUCTION ACCOUNT*	(204)
OTHER FUND TRANSFERS (INCLUDING USE OF RAINY DAY FUND)	679
BUDGET-DRIVEN REVENUE AND LEGISLATION	130
<b>TOTAL RESOURCES (INCLUDING BEGINNING FUND BALANCE)</b>	<b>33,005</b>

#### EXPENDITURES

<b>GOVERNOR'S PROPOSED BUDGET</b>	<b>32,124</b>
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#### RESERVES

<b>GENERAL FUND - STATE</b>	<b>\$881</b>
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\* Chapter 27, Laws of 2010, 1<sup>st</sup> Extraordinary Session

# 2011–13 BALANCE SHEET — DETAIL

## GENERAL FUND-STATE (DOLLARS IN MILLIONS)

### BUDGET-DRIVEN REVENUE AND LEGISLATION

2011–13 IMPACT OF SENATE BILL 6892 (TEMPORARY PENALTY AND INTEREST WAIVER)	\$(14.9)
ADJUSTMENT TO LIQUOR BOARD DISTRIBUTIONS BASED ON BUDGETED SPENDING	(1.8)
	<u>(16.7)</u>
LEGISLATION TO MOVE CERTAIN CIGARETTE TAX REVENUE TO GENERAL FUND*	146.0

### FUND TRANSFERS

EXTENSION OF LIQUOR PRICE MARK-UP (LIQUOR REVOLVING ACCOUNT)	85.0
SUSPEND GF-S TRANSFER TO EDUCATION CONSTRUCTION ACCOUNT	204.0
NO REVERSIONS SENT TO EDUCATION SAVINGS ACCOUNT	45.0
TRANSFERS TO GENERAL FUND FROM:	
AQUATIC LANDS ENHANCEMENT ACCOUNT	7.0
THURSTON COUNTY CAPITAL FACILITIES ACCOUNT	8.0
CHARITABLE, EDUCATIONAL, PENAL AND REFORMATORY INSTITUTIONS ACCOUNT	9.0
TREASURERS SERVICE ACCOUNT	20.0
FLOOD CONTROL ASSISTANCE ACCOUNT	2.0
WASTE REDUCTION/LITTER ACCOUNT	4.0
ECONOMIC DEVELOPMENT STRATEGIC RESERVE ACCOUNT	4.2
LIQUOR CONTROL BOARD CONSTRUCTION AND MAINTENANCE ACCOUNT	1.0
DEPARTMENT OF RETIREMENT SYSTEMS EXPENSE ACCOUNT	0.5
	<u>389.7</u>
USE OF BUDGET STABILIZATION (RAINY DAY) ACCOUNT	289.6
	<u>\$679.3</u>

\* Under proposed Fiscal Year 2011 legislation, cigarette tax revenue now going to the Education Legacy Trust Account would go to the General Fund-State. A like amount of Education Legacy Trust Account expenditures are moved to General Fund support, so there is no net change to ending reserves.

# TRANSFORMING WASHINGTON'S BUDGET

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The state of Washington, in addition to almost every other state, has been navigating through very stormy budget waters during the past three years. Even before the national recession struck, the state faced a sizable shortfall in 2009–11 due to rising health care inflation, more students in public schools, more incarcerated prisoners and higher state employee pension obligations, all of which cost the state an additional \$4.2 billion. The recession compounded this problem when state revenue dropped \$7.8 billion. Revenue declines were caused by lower levels of consumer spending as well as plummeting home values and sales.

The Governor and the Legislature closed a \$12 billion shortfall in the 2009–11 budget through:

- » \$5.1 billion in cuts and savings
- » \$3.6 billion in federal funds
- » \$2.5 billion in fund transfers and use of reserves
- » \$761 million in revenue enhancements (some of which expired in December 2010 due to the passage of Initiative 1107)

Yet the problems have not gone away. The 2011–13 budget is also challenged by rising costs and dropping revenue, some of which are:

**Caseloads** – More Washingtonians are turning to the state for health care, social services and public education for their children. Additionally, more than 30,000 people have already exhausted their unemployment benefits, and the number will multiply in the months ahead. Many will apply for food stamps, public assistance and Medicaid. Some of those with children may apply for Temporary Assistance for Needy Families (TANF).

**Pension costs** – Keeping up with the state's pension obligations will cost an additional \$584 million, before implementation of the Governor's proposed reforms.

**Federal stimulus funds** – Replacing money we received from the federal government in the Fiscal Stabilization Package will cost the state an additional \$2 billion.

Independent of these escalating costs, the economy is still hamstrung by lagging consumer confidence that depresses anticipated revenues and slows housing starts. Forecasters expect a continuation of these revenue-dampening trends into the next budget period. The last two forecasts by the Economic and Revenue Forecast Council have predicted \$1.5 billion in decreased revenue for the next biennium, which creates a \$4.6 billion shortfall for the 2011–13 budget.

An additional complication in the state's budgeting process is the tight constraints on where we can cut. Sixty percent of the budget is 'off limits' due to constitutional, legal and contractual obligations, and federal requirements. These programs include K-12 education, mandatory medical assistance, debt service and pensions. More flexibility is available in the remaining 40 percent that includes corrections, early learning, higher education, non-basic K-12 education, non-mandatory social services and health care — services that our citizens value highly.

To solve this unprecedented budget crisis, Governor Gregoire launched a transformational budgeting process.

# TRANSFORMING WASHINGTON'S BUDGET

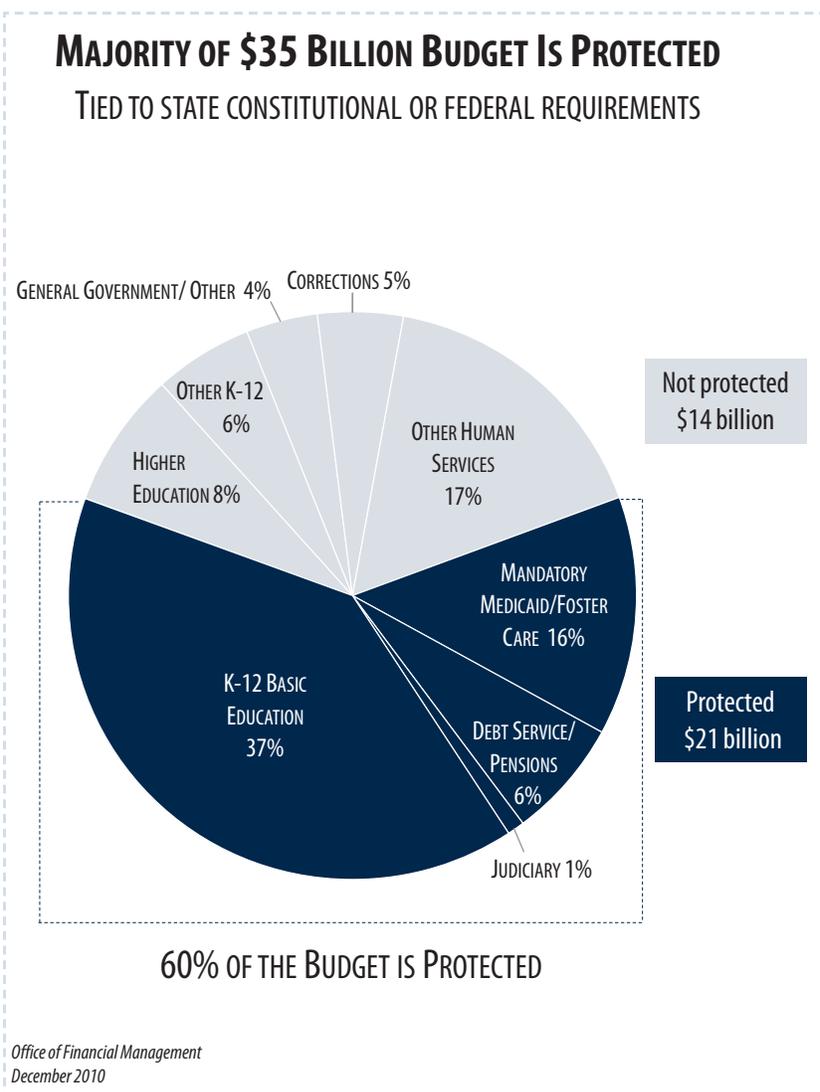
First, the Governor reinforced the Priorities of Government — or POG — budgeting process. She focused POG on the values that we hold as a state:

- » We value world-class achievement in early education, elementary, middle and high schools, and postsecondary education.
- » We must improve the health of Washingtonians, and support and keep safe our children and adults who are unable to care for themselves.
- » We hold the responsibility to provide for the safety of people and protection of property.
- » We must protect natural resources and cultural and recreational opportunities.
- » We must promote economic development in a growing competitive environment.
- » Efficient state government services are important to the people of our state.

But POG alone does not provide sufficient guidance for making difficult budget choices. The Governor asked tough questions organized in three themes to guide decisions on how to invest scarce dollars among so many competing demands. This process led to better decisions about how to transform a budget with far less money while meeting the state's most critical needs during this historic recession.

## FISCAL RESPONSIBILITY

- » Is the activity an essential service?
- » Does state government have to perform the activity, or can it be provided by others?
- » Can the activity be eliminated or delayed in recessionary times?



# TRANSFORMING WASHINGTON'S BUDGET

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- » Does the activity need to be paid for with state general funds? Should users pay a portion of the costs?
- » Are there federal funds or other fund sources available to support this activity?

## EFFICIENCY

- » Are there more cost-effective, efficient ways to do the activity?

## PERFORMANCE

- » Can the activity be the subject of a performance contract?
- » Can the activity be the subject of a performance incentive?

**Second**, the Governor appointed the Transforming Washington's Budget Committee. Thirty-six business, nonprofit and government leaders offered and evaluated ideas. Four town halls conducted across the state drew more than 1,500 citizens. A list of ideas was sent to the Governor for consideration in the budget process, based on citizen and committee input. Many of these ideas are included in the Governor's budget proposal and her policy reforms.

**Third**, an interactive website was developed to provide a forum for the public to participate and evaluate suggestions. More than 19,000 visitors offered 137,000 votes on hundreds of ideas to save money and operate government more efficiently. The Governor and director of the Office of Financial Management responded to the most popular suggestions through videos and web postings that described what ideas are in use, what are under consideration and why some aren't feasible.

## STATE EMPLOYEES

The services provided by state government are in higher demand during times of economic crisis. This makes the work done by state employees even more vital, and it makes the need for a talented work force all the more necessary.

State employees must share in the sacrifice to create a balanced budget, but they cannot bear all of the burden. Throughout this recession, the state work force has shrunk, employee compensation has declined and health care costs have increased. The public work force (including teachers) is projected to be down 10,000 positions from 2007–09 to 2011–13. This includes a greater than 9 percent reduction in the number of managers.

Overall compensation for state employees has declined. No general wage increases since 2008 have been made. Compensation decreased during 2010 in the form of unpaid temporary layoffs, which cost an average employee \$178 per month. About 35 percent of the work force was subject to temporary layoffs, and the projected fiscal year 2011 savings to the General Fund-State is \$10.3 million (\$20.7 million total funds). The Governor's budget asks for additional 3 percent compensation reductions in 2011–13. These pay cuts are temporary and will expire at the end of the biennium. They will not affect employee pension benefit calculation. The manner in which these reductions will be made (temporary layoffs, shortened work hours, etc.) is still being negotiated. The savings are \$176 million in General Fund-State and \$269.4 million overall.

# TRANSFORMING WASHINGTON'S BUDGET

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In 2009–11, health care costs have risen in the form of higher out-of-pocket costs such as co-pays and deductibles. Starting in 2012, employees will be asked to pay 25 percent more of their health insurance premiums. An average employee will see his or her portion of health care premiums rise from \$86 in 2010 to \$147 in 2013.

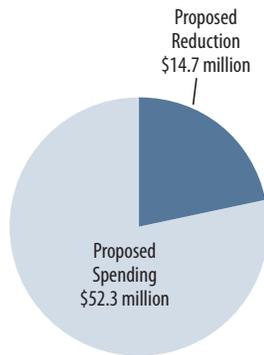
Employees will also pay more in pension contributions. PERS 2 members will pay 4.59 percent in 2011–13, up from 3.9 percent in 2009–11. This will cost an average employee an extra \$32 per month. The Governor is taking action to rein in pension costs, but there are still fluctuations based on stock market performance and other factors.

State employees are sacrificing in these challenging times. Governor Gregoire appreciates their vital contributions to our state and their help in seeing the state through this fiscal crisis.

# EDUCATION

## EARLY LEARNING

Investment in high-quality early learning opportunities for children and parents is a long-standing priority for Governor Gregoire. She knows that early learning is critical to children's success in kindergarten through 12<sup>th</sup> grade and the launching pad for successful careers and fulfilling lives. The Department of Early Learning provides a strong state focus on education for our youngest citizens and provides support for parents as their children's first and most important teachers. In this recession, however, the Governor faces tough decisions in preserving the most essential programs and scaling back others.



### What We Invest In

The Early Childhood Education and Assistance Program delivers high-quality, pre-kindergarten programs. Funding is provided for 7,362 preschool slots for 4-year-olds at an average rate of \$6,662. (*\$20.6 million General Fund-State, \$80.0 million Opportunity Pathways Account*)

Child care licensers ensure that more than 7,400 child care centers and family home child care providers throughout Washington follow requirements set by the state so children are in safe, healthy and nurturing places. (*\$24.0 million General Fund-Federal*)

The Early Services for Infants and Toddlers Program provides services to children birth to age 3 who have disabilities and/or

developmental delays. More than 18,000 eligible infants and toddlers and their families receive individualized early intervention services. (*\$18.6 million GF-F*)

### How We Achieve Savings

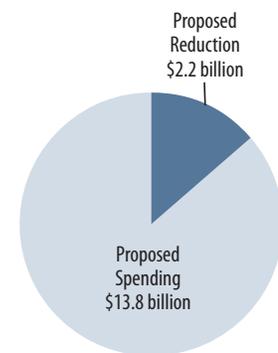
Focus limited state preschool opportunities on 4-year-olds. The budget provides a 4 percent increase in preschool slots for 4-year-old children by reducing state-funded preschool services to 3-year-olds. Administrative savings are also achieved in the Early Childhood Education and Assistance Program. (*\$9.0 million GF-S*)

Eliminate the Career and Wage Ladder Pilot Program, which creates incentives for child care teachers to advance their education and professional development. (*\$3.0 million GF-S*)

Reduce seasonal child care administration. State funds to administer child care subsidies to seasonal agricultural workers through nonprofit organizations are eliminated. Seasonal child care subsidies are not affected, but will be administered by the Department of Social and Health Services in the same manner as Working Connections Child Care subsidies. (*\$2.0 million GF-S*)

## K-12 EDUCATION

One million students attend public schools in Washington. Their education is Governor Gregoire's highest priority and the paramount duty of the state under our



# EDUCATION

Constitution. Spending on education from kindergarten through the 12th grade is the single largest component of the state budget. So when times are hard, K-12 funding must focus on the basics. The Governor's budget protects state basic education funding to schools, reduces or eliminates funding for many valuable programs that go beyond basic education, and delays phasing in additional funding for basic education programs.

Because teacher quality and principal leadership are fundamental to student success, the Governor proposes an incentive program to reward school districts that work with teacher and principal employee groups to improve teacher and principal evaluation systems. Maintaining progress on this much-needed reform is important to the long-term success of our educators and students.

## What We Invest In

### **K-12 basic education services (\$12.9 billion General Fund-State), including:**

- » Core funding for basic teaching and operation of schools. (*\$10.5 billion GF-S*)
- » Special education services, including those for early learning. (*\$1.4 billion GF-S and Education Legacy Trust Account*)
- » Pupil transportation, which includes an increase of \$90 million for the state's new transportation funding formula. (*\$627.0 million GF-S*)
- » Transitional Bilingual Instruction Program. (*\$175.0 million GF-S*)
- » Learning Assistance Program. (*\$253.4 million GF-S*)

### **Major programs outside the K-12 basic education area, including:**

- » Levy equalization, which provides extra support to school districts with higher-than-average property tax rates (those districts

are more 'property poor'). For calendar years 2012 and 2013, total statewide allocations for levy equalization are reduced by 6.3 percent. To protect funding for the most property-poor districts, the levy equalization program is restructured. It will comprise four tiers of districts, with the most property-poor districts receiving the smallest reduction in state funds. (*\$588.4 million GF-S*)

- » Preserve administration of state assessments of student learning, including development of end-of-course assessments in high school-level science and mathematics. (*\$105.0 million GF-S and Education Legacy Trust Account*)
- » All-day kindergarten for the lowest income schools. (*\$88.5 million Education Legacy Trust Account*)
- » Provide specialized instructional services at the School for the Blind and Center for Childhood Deafness and Hearing Loss. Funding for the schools in the second year of the biennium will be restructured to include an operations allocation and a per-pupil funding allocation based on student enrollment. (*\$30.0 million GF-S; \$2.5 million GF-Private/Local*)

### **Grant and technical assistance programs, including those that:**

- » Support student learning and well-being through school breakfast and lunch programs for low-income students. (*\$20.2 million GF-S*)
- » Provide incentive grants for school districts that execute agreements with teacher and principal groups to implement new and improved teacher and principal evaluation systems. (*\$15.0 million GF-S*)
- » Develop state teacher and principal evaluation models and professional development tools. (*\$6.5 million GF-S*)

# EDUCATION

» Support student health and safety through the school nurse corps and training for school safety personnel. *(\$5.5 million GF-S)*

## How We Achieve Savings

Eliminate K-4 class size reduction funds provided to school districts above the state's basic education allocations for teachers. Funding is sufficient to reduce class size by 1.8 students per teacher above the state's basic education allocation. *(\$216.0 million GF-S)*

Eliminate the Highly Capable, or Gifted Program, which provides funding to school districts for educational opportunities designed to challenge highly capable students. The program serves up to 2 percent of the students in each school district. *(\$18.6 million GF-S)*

Eliminate or reduce smaller programs, grants and allocations, including multi-year pilot programs and specialized programs that are not central to school operations. Program eliminations include the Beginning Teacher Pilot Mentoring Program, Focused Assistance Program, Superintendent and Principal Internship Program, middle and high school applied math grants, Leadership Academy, career and technical education program start-up grants, Readiness to Learn Program and Washington Reading Corps. Reductions of 6 to 10 percent are made to several other state programs. *(\$37.1 million GF-S)*

Reduce by 10 percent the Washington Achievers and College Bound scholarships and student outreach programs. *(\$742,000 GF-S)*

Suspend the Student Achievement Program under Initiative 728, which provides smaller class sizes, extended learning time for students and professional development for teachers. *(\$860.2 million GF-S)*

Suspend employee salary increases under Initiative 732 for teachers and other K-12 employees. *(\$253.3 million GF-S)*

Suspend annual bonuses for National Board certified teachers. Additional bonuses provided for National Board certified teachers employed in challenging schools are also suspended. *(\$99.5 million GF-S)*

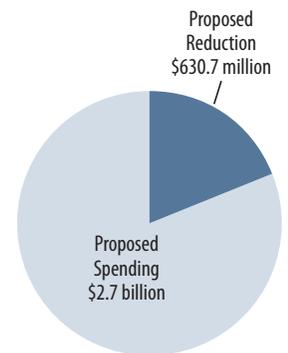
Suspend the planned increase of capacity in all-day kindergarten that would have served thousands more students. Schools will continue to provide full-day kindergarten on a parent-pay basis. *(\$57.0 million GF-S)*

Suspend annual increment salary increases for teachers. School districts receive funds for teacher salary increments for increases in teaching experience and earned continuing education credits. *(\$56.3 million GF-S)*

Change state funding for school bus replacement from a depreciation schedule funded over the life of a school bus to a single state allocation, paid for at the end of the bus life cycle. *(\$95.6 million GF-S)*

## HIGHER EDUCATION

Higher education is the engine that drives a person's employment and income as well as the state's economy and our recovery. Students with certificates or degrees earn more over their lifetimes and report working in more fulfilling jobs. With 108,000 students in the four-year college system and 204,000 in the community and technical



# EDUCATION

college system, demand for enrollments continues to strain state and institution resources.

Given today's fiscal environment, Governor Gregoire's budget downscales state support for public colleges and universities, yet provides for an increase in tuition to maintain the quality of our institutions without reducing access to students. In these lean times, students who benefit so greatly from higher education must contribute more toward its cost. Student financial aid will rise to help keep tuition affordable for needy students.

## What We Invest In

Overall funding for the community and technical college system is maintained. This system serves more than 204,000 students, many of whom enroll to upgrade their job skills or quickly retool for a new career. (*\$1.2 billion GF-S; \$634 million tuition*)

Overall funding for two research universities and four comprehensive universities and college is maintained. More than 108,000 students who seek a baccalaureate, graduate or professional degree are served at the state's public college and universities. To encourage institutions to improve student degree completion rates and time to earn a degree, a change is made in base state funding from allocations based on enrolled students to allocations based on the numbers of degrees earned. (*\$1.0 billion GF-S; \$1.7 billion tuition*)

The State Need Grant program will be increased to match higher tuition rates. (*\$91.6 million GF-S*)

Incentives for performance are proposed for both the four-year universities and the community colleges. The Student Achievement Initiative is a highly successful, performance incentive system that provides financial rewards to individual colleges for increasing levels of student achievement. The budget includes \$10.8 million to continue this initiative. A new \$5 million Baccalaureate Incentive Program for the public four-year universities to boost performance is also funded. (*\$15.8 million GF-S*)

## What We Authorize

The governing boards of the state college and universities are authorized to raise tuition for resident undergraduate students by the following amounts: (*\$330 million tuition*)

	FY 2012	FY 2013
University of WA/ WA State University	\$940	\$1,050
Western WA University	\$670	\$740
Eastern WA University	\$545	\$595
Central WA University	\$560	\$605
The Evergreen State College	\$550	\$600
State Board for Community and Technical Colleges	\$280	\$305

## How We Achieve Savings

Reduce state support of higher education institutions and offset those reductions with tuition increases and financial aid to preserve institutional quality and student access. (*\$344.7 million GF-S*)

# EDUCATION

Reduce state support of higher education institutions by an average of 4.2 percent. This portion of reductions is not backfilled with tuition authority. Institutions are given flexibility to determine how best to implement this reduction. Effects could include fewer course offerings, larger class sizes, fewer faculty positions and fewer support services for students if efficiencies are not found in service delivery or in administrative or other costs. *(\$102.2 million GF-S)*

Suspend employee salary increases under Initiative 732 for faculty and staff in the community and technical colleges. *(\$27.1 million GF-S)*

Suspend small scholarship programs such as Washington Scholars and the Health Professions conditional scholarship, matching grants and loan repayment programs. *(\$15.6 million GF-S)*

Reduce the State Work Study Program to serve 2,800 fewer needy students. *(\$20.8 million GF-S)*

Limit state-supported employer contributions to higher education pension plans to 6 percent of salary. *(\$57.1 million GF-S)*

## OTHER EDUCATION AGENCIES

### How We Achieve Savings

Close the state historical museums in Tacoma and Spokane, and eliminate state-funded educational programs and outreach activities through the state historical societies. Retain skeleton staffing to maintain facilities and secure collections. *(\$5.2 million GF-S)*

Eliminate the Washington State Arts Commission. Work will transfer to the Department of Commerce to carry out core functions such as conservation of the state's art collections and to seek grants and other non-state sources of funding. *(\$2.5 million GF-S savings; \$500,000 GF-S invested to leverage \$1.0 million GF-F; \$1.0 million Private/Local Funds)*

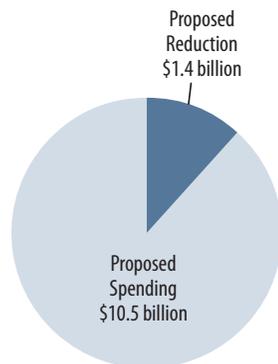
# HEALTH, HUMAN SERVICES AND PUBLIC SAFETY

## HEALTH AND HUMAN SERVICES

The demand for health care and services to vulnerable children and adults continues to increase. Many of the health care and social service programs that state government provides are funded with a combination of state and federal money. As a result, we must meet federal requirements for those who receive services, how much we pay for those services, and which services we must provide. Due to these requirements, the number of individuals who receive state-provided health care is projected to increase by 176,000 from 2010 to 2013.

Governor Gregoire continues her work to protect our most vulnerable citizens. Services for public and client safety remain her highest priority. We will continue to respond to reports of abuse and neglect of children and adults, serve children in the foster care system, provide in-home and residential services to the elderly and disabled, and provide mental health and chemical dependency treatment to those who most need it.

Whenever possible, additional federal and local funds are used to maintain core services. We will ask providers of such services as adult and family boarding homes to pay the full cost to the state for licensing and oversight. This budget required difficult decisions. Accordingly, services that we can no longer afford were reduced or eliminated.



## What We Invest In

More than 1 million Washington citizens receive Medicaid and other health care services, at a total cost of nearly \$12.0 billion per biennium, of which \$4.8 billion is General Fund-State. This funding delivers, among a number of items:

- » In-home supports to 50,000 individuals who are elderly or have developmental disabilities. (*\$1.0 billion GF-S*)
- » Mental health services for 125,000 individuals in our communities and 1,200 individuals in state mental institutions. (*\$903.0 million GF-S*)
- » Temporary cash assistance for basic living expenses for 67,000 families. (*\$470.0 million GF-S*)
- » Foster homes for 7,500 children each month who can no longer live safely in their homes. (*\$150.5 million GF-S*)
- » Services to protect 75,000 children and 15,000 elderly adults who are victims of abuse and neglect. (*\$104.8 million GF-S*)
- » Community residential placements for an additional 58 individuals with developmental disabilities who will need residential care as they move from foster care, juvenile rehabilitation facilities, mental health institutions and Department of Corrections' facilities. (*\$5.5 million GF-S*)
- » Additional staff to improve the fiscal integrity of the Medicaid program who are expected to lower health care costs. (*\$39.8 million GF-S*)
- » Capacity in employment programs for clients with developmental disabilities, which is increased by 165. These services help Medicaid-waiver clients after they graduate from high school to remain active in their communities. (*\$835,000 GF-S*)

# HEALTH, HUMAN SERVICES AND PUBLIC SAFETY

Public health funding protects individuals and communities through prevention and control of communicable diseases and response to outbreaks such as swine flu. *(\$60.5 million GF-S)*

## How We Achieve Savings

Eliminate the Basic Health Plan. The state will no longer offer subsidized health insurance to 66,000 individuals through the Basic Health program. Staff positions associated with the program will also be eliminated. A non-subsidized Basic Health Program will continue to be offered. *(\$230.2 million GF-S; \$117.3 million General Fund-Federal)*

Eliminate the Disability Lifeline grant for the temporarily unemployable. The grant will continue at a reduced level of \$258 per month for individuals with pending applications for Federal Supplemental Security Income and individuals on the aged, blind or disabled program. This program serves 28,000 individuals each month. *(\$180.1 million GF-S)*

Eliminate the Disability Lifeline Medical Program, which serves 21,000 clients each year who have a temporary disability and are unable to work. *(\$147.2 million GF-S)*

Eliminate the Children's Health Program, which provides medical coverage for 27,000 children whose citizenship has not been documented. *(\$59.0 million GF-S)*

Eliminate the State Food Assistance Program, but provide funding in the Department of Agriculture budget to purchase commodities for food banks. *(\$45.6 million GF-S [net])*

Eliminate the child support "pass through," which allows up to \$200 of child support to go directly to families in the Temporary Assistance for Needy Families program. *(\$18.8 million GF-S)*

Eliminate the Medicare Part D co-payment subsidy. The state will no longer reimburse qualifying Medicaid clients for co-payments related to Medicare Part D drug purchases. *(\$16.4 million GF-S)*

Eliminate school-based medical service reimbursements. Washington school districts will no longer be reimbursed for medical services to Medicaid-eligible children required as part of their individual educational plan. *(\$11.0 million GF-S)*

Eliminate medical interpreter services, which subsidize the cost of interpreter services to assist medical providers in communicating with Medicaid clients. *(\$11.0 million GF-S)*

Eliminate state funding for employment services to about 850 refugees. Employment placement assistance, English-as-a-Second Language training and other services will be provided only to the extent federal funds are available. *(\$10.0 million GF-S)*

Eliminate state funding for family planning grants. The Department of Health will direct federal grants to rural areas to maintain geographically accessible, cost-effective family planning services. *(\$9.0 million GF-S)*

Eliminate state funding for naturalization services that prepare low-income refugees and legal immigrants for U.S. citizenship testing. About 4,200 clients are served per year with this program. *(\$5.6 million GF-S)*

Reduce in-home Medicaid personal care hours to 45,000 individuals. An average-hour reduction of 10 percent will be based on the acuity of the client. Clients will see their hours reduced by 4 to 22 hours each month for assistance with bathing, medication management, dressing and other activities. *(\$97.5 million GF-S)*

# HEALTH, HUMAN SERVICES AND PUBLIC SAFETY

Reduce optional Medicaid services. Services for non-emergency dental and maternity care to high-risk mothers and children will be reduced but not eliminated. *(\$48.2 million GF-S)*

Reduce funding for 26,000 clients of community mental health services delivered through the regional support networks. Services include crisis response, evaluation and treatment. *(\$17.4 million GF-S)*

Reduce residential and outpatient chemical dependency services for 2,800 clients. *(\$14.1 million GF-S)*

Reduce grants by 50 percent to community health clinics awarded through the Health Care Authority for services to low-income clients. *(\$12.8 million GF-S)*

Reduce administrative staff and associated costs at the Department of Social and Health Services through several actions, including consolidation of six service regions into three. The department is developing a plan to reduce agency span of control. *(\$8.0 million GF-S)*

Reduce local public health funding by 11 percent. Services affected include responding to food-borne illnesses and epidemics, and home visitations by public health nurses. *(\$7.5 million GF-S)*

Suspend mandatory training for home-care workers. This will delay implementation of additional training requirements for long-term care workers until 2013–15. No clients will lose services as a result of the delay. *(\$29.1 million GF-S)*

Modify how we pay federally qualified health centers. The state will reduce the amount paid to what is minimally required by the Center for Medicaid Services. *(\$85.1 million GF-S)*

Capture administrative and operational savings through efficiencies in state institutions, including those for individuals with developmental disabilities and mental illness. *(\$20.0 million GF-S)*

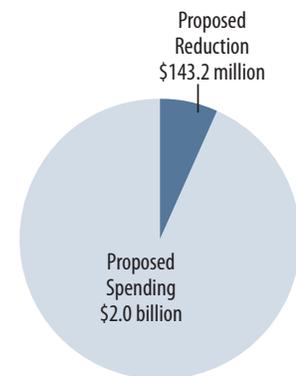
Recover the costs of licensing and certification for boarding homes, nursing homes, adult family homes, mental health facilities and chemical dependency facilities. *(\$15.4 million GF-S)*

## PUBLIC SAFETY

The protection of persons and property is a core mission of state government.

Governor Gregoire has made a priority of keeping Washingtonians safe by holding felons

accountable for their actions, working to reduce repeat criminal activity and helping former offenders to become law-abiding members of society. To continue meeting that challenge, the Governor believes we must make smarter, more skillful use of the prison facilities we have — and do it without reducing offender sentences. The Governor is moving to make state government more efficient without compromising the safety of the public or correctional system staff.



## What We Invest In

Confining 19,200 offenders in 12 state institutions and supervising 18,800 offenders in the community. *(\$1.7 billion General Fund-State)*

Confining 645 juvenile offenders in state institutions and group homes. *(\$182.0 million GF-S)*

# HEALTH, HUMAN SERVICES AND PUBLIC SAFETY

Supervising 293 sexually violent predators civilly committed at the Special Commitment Center on McNeil Island. (*\$133.0 million GF-S*)

Keeping highways safe and processing DNA and crime scene evidence at the state crime laboratories with funding to the Washington State Patrol. (*\$79.0 million GF-S; \$53.0 million all funds*)

Operating the law enforcement training program through the Criminal Justice Training Commission for 180 law enforcement officers. (*\$49.9 million GF-S*)

Funding to the Department of Social and Health Services and the Office of the Attorney General for legal expenses. The Washington State Supreme Court recently ruled in the case *In re Detention of David T. McCuiston* that sexually violent predators have a substantive due process right to a new trial if there is any change in the condition that may enable a resident to be released from the Special Commitment Center program. (*\$45.0 million GF-S*)

## How We Achieve Savings

Close McNeil Island Corrections Center by April 2011 and transfer island operation responsibilities to the Department of Social and Health Services – Special Commitment Center. No offenders will be set free prior to the earned release date while the prison is closed. (*\$17.6 million GF-S*)

Close Maple Lane School in Rochester by June 30, 2011, as juvenile offender caseloads are dropping. (*\$3.3 million GF-S*)

Eliminate ‘tolling’ for offenders on community supervision. The length of an offender’s community supervision will run continuously regardless of whether an offender is

incarcerated at any time during the community supervision sentence. (*\$6.0 million GF-S*)

Eliminate the Auto Theft Task Force in the Washington State Patrol. (*\$3.6 million, State Patrol Highway Account*)

Reduce staff and programs in the Department of Corrections in headquarters and prisons, and in community supervision. (*\$51.6 million GF-S*)

Reduce parole services provided to juvenile offenders by the Juvenile Rehabilitation Administration in the Department of Social and Health Services by 20 percent. (*\$5.0 million GF-S*)

Reduce funding to juvenile courts that provide evidence-based programming and disposition alternatives to juvenile offenders. (*\$2.3 million GF-S*)

Reduce the number of Washington State Patrol employees who provide electronic access to criminal records. (*\$1.0 million, GF-S*)

Merge the Sentencing Guidelines Commission with the Department of Corrections while eliminating the policy functions of the commission and the Sex Offender Policy Board. (*\$1.3 million GF-S*)

Merge the Indeterminate Sentencing Review Board with the Department of Corrections without changing the independent decision-making authority of the board. (*\$630,000 GF-S*)

Deport all non-citizen drug and property offenders now incarcerated. Newly sentenced non-citizen offenders are now processed for deportation upon arrival at the state prison system. (*\$2.5 million GF-S; \$3.1 million GF-F*)

# NATURAL RESOURCES

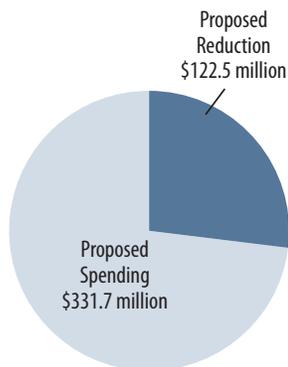
Governor Gregoire has set the state on a path to ensure a healthier natural environment through greater water quality protection, habitat restoration and climate change mitigation. Recognizing budget

realities evident last year, the Governor focused her efforts on directing natural resource agencies to work together to be more efficient, reduce costs and deliver better customer service, all without sacrificing environmental protection. This included simplifying the environmental appeals process by reducing five environmental hearings boards to two, and three growth management hearings boards to one; and creating the online service “One Front Door to Washington’s Outdoors” to give citizens and businesses easier access to natural resource services. These actions laid the groundwork for more reforms in 2011.

In considering the scope of state government operations, the Transforming Washington’s Budget Committee concluded that additional natural resource agency consolidation is needed. The budget reflects executive request legislation to consolidate 11 agencies into five as the Governor aims to clarify functions and ensure accountability.

## What We Invest In

Operating funds for the cleanup and monitoring of Puget Sound in such areas as storm water management; and shoreline, watershed and forest practice plan implementation. In addition, the budget leverages new federal funding to



remove fish barriers, prevent pollution at the source and execute the Puget Sound Action Agenda. In the capital budget, we invest in restoration efforts throughout the basin. (*\$297.0 million total, multiple fund sources: \$195.0 million operating; \$102.0 million various capital accounts*)

Continued support for local shoreline master planning updates. (*\$3.6 million State and Local Toxics Control Accounts*)

Restoration of activities to increase the productivity of state trust lands, which, in turn, boosts timber revenue to the common schools and public universities. (*\$3.2 million Resource Management Cost Account; \$1.8 million State Forest Nursery Revolving Account*)

Full implementation of the state’s new mercury-containing lights recycling program. (*\$2.2 million Product Stewardship Programs Account; \$18,000 State Toxics Control Account*)

Increased maintenance work on forest roads to meet the state’s obligation under the Forest and Fish Habitat Conservation Plan. (*\$1.6 million Access Road Revolving Account*)

Increased capacity to meet federal air quality standards. (*\$224,000 General Fund-Federal; \$1.3 million State Toxics Control Account*)

## How We Achieve Savings

Initiate efforts by the State Parks and Recreation Commission to make the state park system more self-sustaining. (*\$47.0 million General Fund-State*)

### Impose cost-recovery fees for:

- » Water rights applications. (*shift \$5.6 million from GF-S to Water Rights Processing Account*)

# NATURAL RESOURCES

- » Commercial fishing licenses. *(shift \$1.1 million from GF-S to State Wildlife Account)*
- » Hydraulic project approvals. The Department of Fish and Wildlife will propose legislation to create fees to offset General Fund-State funding and streamline the application process. *(shift \$3.8 million from GF-S to Hydraulic Project Approval Account)*
- » Silviculture burning permits. The Department of Natural Resources is directed to charge fees that generate revenue to cover program costs. *(shift \$750,000 GF-S to Air Pollution Control Account)*

Reduce spending at the Department of Ecology for activities that can be delayed or performed less frequently, including water rights processing, litter pickup, and flood control and watershed planning grants. *(\$5.3 million GF-S; \$4.0 million Litter Account; \$2.0 million Flood Control Assistance Account)*

Reduce staffing, hours of operation and other administrative costs at small agencies. *(\$2.3 million GF-S; \$519,000 other funds)*

Reduce funding for agricultural fairs, which will result in smaller and fewer county fairs. *(\$3.0 million Fair Fund)*

Reduce expenses for fire control, such as discretionary training for firefighters, and freeze wages for exempt firefighters. *(\$1.6 million GF-S)*

Reduce General Fund-State support of the Department of Natural Resources' Natural Heritage Program, which will lead to fewer updates to information on native plant and animal species and ecosystems. *(\$537,000 GF-S)*

Reduce grants to conservation districts and encourage efficiencies such as merging. *(\$400,000 GF-S)*

Shift \$9.5 million of base funding for environmental programs at the Department of Ecology from General Fund-State to dedicated accounts. *(from GF-S to State and Local Toxics Control Accounts)*

Shift funding to achieve permanent, stable support for oil spill prevention and preparedness. *(\$5.0 million from Oil Spill Prevention Account to State Toxics Control Account)*

Create the "Explore Washington" pass to offset the General Fund-State reductions in the Department of Natural Resources and Department of Fish and Wildlife. *(shift \$1.6 million GF-S to State Wildlife Account)*

# TRANSPORTATION , CAPITAL AND ECONOMIC DEVELOPMENT

## TRANSPORTATION

Governor Gregoire is committed to providing a safe, efficient transportation system for Washington travelers and goods, preserving and maintaining current infrastructure, and keeping Washington workers on the job. The Governor's budget helps to achieve these goals while keeping careful watch of challenges on the horizon:

- » The recent adoption of a more realistic fuel forecasting method reduces transportation revenue by \$642 million over the next 10 years.
- » Washington is nearing completion of the \$15.5 billion program funded by the 2003 Nickel and 2005 Transportation Partnership voter-approved gas taxes. As construction spending declines from \$2.4 billion to \$422 million over the next four years, fewer engineering and other technical staff will be needed. The Department of Transportation will be reduced by 800 engineering and technical full-time equivalent staff, or FTEs, by June 30, 2015.

The department is keeping the largest construction program in state history on time and within budget. Of 421 projects funded through the 2003 and 2005 revenue packages, 282 projects valued at \$3.8 billion were completed by September 2010. Fifty projects valued at \$9.8 billion are now under construction. And 23 projects valued at \$378 million are expected to go to advertisement by March 2011. The remaining 66 projects should go to advertisement in the future. Over the next two years, transportation construction projects will create or sustain about 22,200 jobs as part of a total construction budget of \$5.4 billion.

## Programs We Continue

### Alaskan Way Viaduct

We maintain the commitment of \$2.4 billion in funding. Up to \$400 million in tolls may be generated if authorized by the Legislature, for total project funding of \$2.8 billion. The contract for the tunnel, which is on schedule to be open to traffic in 2015, will be signed in January 2011. This project will create or sustain 4,400 jobs. *(Total support over time: \$2.8 billion multiple fund sources; 2011–13 commitment: \$882 million)*

### State Route 520 Evergreen Floating Bridge replacement

The department has entered into two contracts to build pontoons and provide improvements on the Eastside, and is poised to enter into a third contract to replace the floating bridge. The new bridge is on schedule to open in 2014. Tolling on the current SR 520 Evergreen Floating Bridge will begin in spring 2011. Building the new bridge and pontoons will create or sustain 6,000 jobs. *(Total project cost not to exceed \$4.6 billion; 2011–13 funding: \$1.2 billion multiple fund sources)*

### Interstate 5 Tacoma high-occupancy vehicle lanes

Construction continues on the high-occupancy toll lanes between Portland Avenue to Port of Tacoma Road and Highway 16 and the Nalley Valley. Most of the construction will be completed in 2017. The project will create or sustain 1,600 jobs. *(Total project cost over time: \$1.5 billion multiple fund sources; 2011–13 commitment: \$305.0 million)*

### Interstate 405 corridor improvements

Congestion will be relieved in the busiest commute route in the state by widening I-405 from Kirkland to Bellevue and from I-5 to Renton by 2015. The project will create or

# TRANSPORTATION , CAPITAL AND ECONOMIC DEVELOPMENT

sustain 1,400 jobs. *(Total project cost: \$1.5 billion multiple fund sources; 2011–13 commitment: \$264.0 million)*

## North Spokane Corridor

Funding continues to create a usable segment of the North Spokane Corridor and improve congestion between the Wandermere and the Francis/Frey Interchange and to purchase right-of-way property to complete the North Spokane Corridor. The project will create or sustain 600 jobs. *(Total project cost: \$605.0 million multiple fund sources; 2011–13 commitment: \$72.0 million)*

## Interstate 90 Snoqualmie Pass

Work on I-90 east of Snoqualmie Pass includes constructing a snow shed to limit closures caused by avalanches, widening I-90 and replacing concrete pavement overdue for replacement. The project will create or sustain 800 jobs. *(Total project cost: \$551.0 million Transportation Partnership Account; 2011–13 commitment: \$147.5 million)*

## Washington State Ferries

The Washington State Ferries will take delivery of the last of three new Kwa-di Tabil class ferries, the MV Kennewick, in January 2012. *(Total project cost: \$213.0 million multiple fund sources; 2011–13 funding: \$34.1 million)*

## High-speed rail

Washington has secured \$782 million in high-speed rail grants for improvements in the Northwest corridor. This includes \$590 million previously awarded to the state through the American Recovery and Reinvestment Act for the Amtrak Cascades route, \$161 million in redistributed federal high-speed rail funds and \$31 million in additional awards. *(2011–13 funding: \$360.0 million multiple fund sources)*

## Washington State Patrol

Funding is provided for federally required radio infrastructure and equipment that facilitates

state trooper communication. *(2011–13 funding: \$25.2 million Washington State Patrol Account)*

Funding is provided for mobile office platforms that give troopers access to electronic vehicle and driver databases from their vehicles, and for adding digital video cameras to their vehicles. These tools will increase officer and public safety. *(2011–13 funding: \$7.3 million Washington State Patrol Account)*

## Department of Licensing

Funding for an online fuel tax system will allow for easier tax filing by customers, which will reduce errors, increase tax reconciliation efficiency and generate savings. *(2011–13 funding: \$7.4 million Motor Vehicle Account)*

## How We Achieve Savings

Transportation agencies cut more than \$40 million in the previous two years and will close a \$272 million deficit over the next two years through actions that include these reductions and savings:

- » \$32 million and 49 FTEs across multiple programs
- » \$87 million and 200 FTEs in capital — or construction — projects
- » \$44 million in 2009–11 savings from projects that were delivered under budget or reappropriated

Washington State Ferries lost 20 percent of its operating support and 75 percent of its dedicated capital funding when voters approved Initiative 695 in 1999. Since then, the deficit has been subsidized with short-term transfers from non-ferry transportation sources. This approach is not sustainable.

A shortfall of \$865 million in the ferry capital program and \$180 million in its operating program over the next 10 years has been

# TRANSPORTATION , CAPITAL AND ECONOMIC DEVELOPMENT

projected. Funding gaps of this magnitude will be addressed through such actions as:

- » **Administrative cuts:** Ferries administrative and operations support is reduced by \$2.8 million and 10 FTEs. This is in addition to \$27.7 million in administrative and capital cost reductions taken in the past two years.
- » **Labor savings:** The Office of Financial Management recently determined that labor settlements and arbitration rulings for 2011–13 are not financially feasible.
- » **Transfers:** A transfer of \$44 million into the Ferry Operating Account is made by reducing other transportation programs and projects.
- » **Fares:** An increase of 7.5 percentage points above the planned 2.5 percent is assumed, for a 10 percent increase in the first year of the biennium, subject to Transportation Commission approval. In addition, we recommend that the Commission adopt a fuel surcharge to provide additional revenues should fuel costs rise above budgeted levels.
- » **Service cuts:** Even with the actions detailed above, funding is insufficient to maintain service levels in 2011–13. In making the following reductions, priority was placed on not cutting an entire route, not eliminating service that would leave commuters with no drive-around option and spreading reductions throughout the system so no one area is disproportionately affected:
  - Reducing 40 weeks of service between Anacortes/Sidney to 22 weeks.
  - Reducing service hours on the Anacortes/San Juan Island route for 18 weeks in the fall and spring, and reducing capacity by 20 car spaces on one vessel in the summer period.
  - Reducing San Juan inter-island service hours in the fall and spring, and reducing

capacity by 23 car spaces per sailing.

- Reducing capacity of one of the Fauntleroy/Vashon/Southworth vessels by 37 car spaces.
- Not restoring the second vessel on the Port Townsend/Coupeville route.
- Eliminating the last round-trip night service on the Clinton/Mukilteo route.
- Eliminating one weekday, mid-day round trip on the Bremerton/Seattle route, eliminating night service after the 9:05 sailing and reducing capacity by 20 cars on one vessel.
- Eliminating one early afternoon and one late evening round trip on the Point Defiance/Tahlequah route.

In total, these actions will reduce average daily sailings from 505 to 477 in the next biennium.

## CAPITAL CONSTRUCTION AND LOCAL ASSISTANCE

Governor Gregoire is engaged with business, labor and community leaders to create as many jobs as possible during the recession by focusing the capital budget on construction-ready public works projects. The Governor's proposed \$2.1 billion capital budget is estimated to support 27,000 construction-related jobs for the biennium. This crucial funding will both put people to work and create facilities and infrastructure to propel Washington along the long road to economic prosperity.

### Investments

#### COMMUNITY PROJECTS

##### Housing Assistance, Weatherization and Affordable Housing Trust Fund (statewide)

Add funds to this program that helps communities finance new housing and preserve

# TRANSPORTATION , CAPITAL AND ECONOMIC DEVELOPMENT

housing stock for low-income individuals. Priority is given to projects ready for construction this biennium. *(\$40.8 million bonds)*

## **Department of General Administration building demolition (Olympia)**

Demolish the General Administration office building and parking garage as it not economically feasible to renovate them. Staff members will take offices vacated by state agencies that move to the new Wheeler Building. *(\$6.3 million bonds)*

## **Community Economic Revitalization Board (statewide)**

Increase loans to respond to business siting and expansion needs, build industrial sites for business development, target expansions in key business sectors, and spur creation and retention of higher-wage jobs. *(\$5.0 million Public Facility Construction Loan Revolving Account)*

## **Hilltop Health Center (Tacoma)**

Start design for a medical and dental facility for 15,200 low-income and underserved patients to prevent unneeded visits to emergency rooms. *(\$2.0 million bonds)*

## **Second Harvest food bank (Spokane)**

Renovate and upgrade a food bank warehouse to expand capacity to handle large donations and improve efficiency. *(\$1.3 million bonds)*

## **American Lake veteran's golf course (Lakewood)**

Add nine holes to this golf course that serves veterans and wounded members of the military. *(\$1.0 million bonds)*

## **Building Communities Fund grants (statewide)**

Provide nonprofit organizations with technical assistance and funding for social service and multipurpose community centers. This is a competitive grant program. *(\$1.0 million bonds)*

## **Skagit Valley Hospital (Mount Vernon)**

Remodel space for a larger inpatient behavioral health center to more appropriately serve patients. *(\$800,000 bonds)*

## **PUBLIC SAFETY**

### **Washington State Penitentiary (Walla Walla)**

Construct one new 198-bed, close-custody housing unit, one new 256-bed, medium-custody housing unit and a kitchen expansion at the Washington State Penitentiary. *(\$49.9 million bonds)*

### **Washington State Patrol (statewide)**

Supply equipment to convert radio communication for emergency personnel from wideband analog to narrowband, which will provide a more reliable communication system. *(\$15.0 million bonds)*

### **New prison reception center (westside of state)**

Move ahead on this project that includes land acquisition, facility design and construction. Last year, the Legislature provided authorization to site a new westside correctional facility at a location to be determined. *(\$14.7 million bonds)*

### **Washington Corrections Center (Shelton)**

Begin the design phase for the construction of a 300 bed men's minimum-custody facility at the Washington Corrections Center facility. *(\$3.8 million bonds)*

## **EDUCATION**

### **Eastern Washington University – Patterson Hall remodel**

Complete renovation of the remaining 77,374 square feet of the building, which finishes the project. *(\$38.6 million bonds)*

### **Everett Community College – Index Hall replacement**

Replace the Index Hall complex with this 69,350 square-foot facility, which will provide

# TRANSPORTATION , CAPITAL AND ECONOMIC DEVELOPMENT

instructional space for nursing and allied health programs and accommodate an additional 412 students. (*\$37.6 million bonds*)

## **Lower Columbia College – Health and Science Building**

Construct a 70,000 square foot building to replace outdated facilities to house science and allied health programs and laboratory. (*\$35.1 million bonds; \$2.6 million Community/ Technical College Capital Projects Account-State*)

## **Washington State University – Design Disciplines Facility renovation**

Adaptively re-use building for two academic departments from former use as Students Book Corporation. (*\$18.0 million bonds*)

## **The Evergreen State College – Communications Laboratory Building renovation**

Renovate over 90,000 gross square feet of this major academic facility on the college's Olympia campus. (*\$10.8 million bonds*)

## **School repairs (statewide)**

Expand the Small Repair Grant Program, which helps schools with urgent needs, such as a leaky roof or an out-of-date fire suppression system, to ensure the health and safety of students. Grants of up to \$100,000 are offered. This request continues the program which has been in place since 2002 and targets districts that struggle to pass local levies. (*\$10.0 million bonds*)

## **University of Washington – House of Knowledge Longhouse**

Complete design and begin construction of the House of Knowledge, a Coast Salish longhouse-style, 18,800 square-foot building. This project is a partnership among Native American tribes, the state of Washington and the University of Washington. (*\$2.7 million University of Washington Building Account*)

## **Aviation High School (Seattle)**

Construct a permanent facility on property adjacent to the Museum of Flight's airpark for this high school that serves 420 students interested in careers related to the flight industry with a curriculum that stresses math, science and engineering. (*\$2.0 million bonds*)

## **ENVIRONMENT**

### **Drinking Water Assistance Program (statewide)**

Make loans to local governments, and public and private water systems, for projects to protect the state's drinking water facilities and resources. (*\$48.0 million Drinking Water Assistance Account*)

### **Puget Sound restoration and salmon recovery grants (Puget Sound)**

Award grants to protect and restore the Puget Sound near-shore, salmon habitat and other resources. All projects have been identified as high-priority by the Puget Sound Partnership's Action Agenda and Salmon Recovery Plan, are ready for construction and will create jobs. (*\$50.0 million bonds; \$12.0 million State Toxics Control Account*)

### **Storm water mitigation (statewide)**

Fund grants to local governments to construct new or retrofit inadequate storm water infrastructure. (*\$40.0 million Local Toxics Control Account*)

### **Green River flood levee improvements (King County)**

Provide funds to the King County Flood Control District to construct improvements to the Reddington, Hawley Road and the Boeing levees in the Lower Green River Valley. These improvements will help protect thousands of homes and businesses in the valley from flooding. (*\$6.2 million bonds*)

# TRANSPORTATION , CAPITAL AND ECONOMIC DEVELOPMENT

## Tulalip water pipeline (Tulalip Indian Reservation)

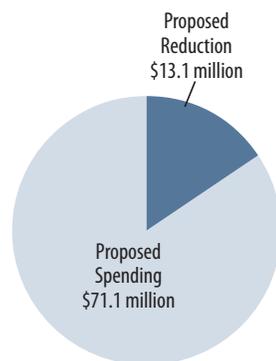
Construct segments 3 and 4 (Snohomish River and Smith Island) of the Tulalip water pipeline, which will supply water from the city of Everett to the reservation. (*\$3.0 million bonds*)

## Chehalis River flood mitigation program (Thurston, Lewis and Grays Harbor counties)

Cover the nonfederal costs for the U.S. Army Corps of Engineers' flood hazard mitigation projects for the Chehalis River basin. Funding is also provided for the Chehalis River Basin Flood Authority to establish local flood districts, complete fish studies to evaluate upriver water retention, and complete the Chehalis River hydraulic model in Thurston and Grays Harbor counties. (*\$2.3 million bonds*)

## ECONOMIC DEVELOPMENT

The recession has been especially hard on Washington's workers and families. Governor Gregoire has committed to getting Washingtonians back to work through economic development strategies that create jobs. To that end, she supports programs that protect workers, increase job opportunities and spur innovation. Yet in recognition of the need to prioritize resources across state government, her budget shrinks a number of programs that have promoted employment opportunities in the past. The Governor proposes to substantially preserve funding for a program that delivers hands-on services to businesses considering locating in Washington, as described below.



## What We Invest In

The Business Services Development program in the Department of Commerce recruits potential businesses to locate in Washington. It delivers support to associate development organization networks through marketing tools, economic data, access to capital and opportunities for companies to develop and promote their products and services. In addition, it offers education to national site selectors on the benefits of doing business in Washington state. Minor reductions were made in the program's budget in light of its key role in promoting economic development. (*\$15.6 million General Fund-State*)

## How We Achieve Savings

Eliminate all General Fund-State funding by the end of fiscal year 2011 for the Washington State Tourism Office in the Department of Commerce. The department is engaged with stakeholders to form a new, more stable tourism development and finance model. (*\$4.0 million GF-S; \$1.0 million Tourism Development and Promotion Account-State; \$8.0 million Tourism Enterprise Account-Nonappropriated*)

Eliminate General Fund-State funding for the Local Government Fiscal Note program in the Department of Commerce. This program will be funded from the County Research Services Account and City and Town Research Services Account. (*\$493,000 GF-S*)

Reduce pass-through funding for the Innovative Research Teams (Entrepreneurial Stars) program in the Department of Commerce, which recruits and retains high-level researchers for our public research universities. (*\$439,000 GF-S*)

# TRANSPORTATION , CAPITAL AND ECONOMIC DEVELOPMENT

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Reduce funding for state contracts with the Washington Technology Center, which facilitates partnerships among universities, private industry and government that stimulate the economy through revenue generation, new companies and more jobs. *(\$300,000 GF-S)*

Reduce pass-through funding for the Spokane Intercollegiate Research and Technology Institute, or SIRTI, which delivers entrepreneurial coaching, no- or low-cost business services, access to capital and legal services. SIRTI is encouraged to raise local funds to offset the reduction. *(\$200,000 GF-S)*

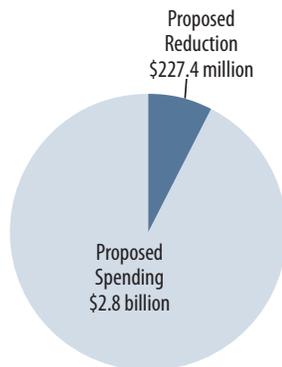
Reduce funding for the Washington State Economic Development Commission in the Department of Commerce, which provides planning, evaluation, monitoring and policy analysis for the state's economic development system. *(\$113,000 GF-S)*

# GOVERNMENT EFFICIENCY

Citizens expect state government to be responsive, effective and lean. Tough economic times demand that state agencies look carefully for every opportunity to improve services and cut costs. Governor Gregoire is taking advantage of the recession to critically examine every part of state government to ensure that essential services are delivered as efficiently as possible. Her budget will save \$66.8 million by reducing the rates and achieving other cost savings that state agencies charge other state agencies for various administrative services, several of which are described below.

The Governor proposes to consolidate several agencies that provide “back office” services to other state agencies. The Department of General Administration and State Printer, and portions of the departments of Personnel, Information Services and Office of Financial Management, will be consolidated in the new Department of Enterprise Services. This merger will save \$2.8 million in the second year of the biennium and promote more efficient government. We expect future savings through economies of scale.

In addition, the Governor proposes to consolidate the Human Rights Commission, Office of Women’s and Minority Business Enterprises, Commission on Asian Pacific American Affairs, Commission on Hispanic



Affairs and Commission on African American Affairs into the new Office of Civil Rights. Through this partnership agency, we will continue our important work to foster opportunity, protect civil rights and maintain a commitment to diversity. This consolidation will save \$294,000 over the biennium.

## What We Invest In

The Department of Information Services offers a comprehensive range of information technology products and services to schools, state agencies, counties, cities and tribal governments on a cost-recovery basis. These services include mainframe computing, server hosting, email, network administration and security, and telecommunications. The department is overseeing the construction of the State Data Center, which is nearing completion ahead of schedule and under budget. This facility will house 953 state employees and consolidate several agencies that manage public sector IT assets. (*\$192.0 million Data Processing Revolving Account-Nonappropriated*)

The proposed Department of Enterprise Services will launch a four-biennium project to re-engineer the state’s core financial and administrative processes. Updated systems will cut costs and time spent on statewide financial and administrative processes, significantly reduce systems duplication, improve access to more real-time financial and process information, and make government more transparent for citizens. (*\$18.6 million other fund sources*)

# GOVERNMENT EFFICIENCY

The Department of Financial Institution's Mortgage Lending Fraud Prosecution program, which supports the fragile housing market by protecting homebuyers, will be continued. (*\$1.0 million Mortgage Lending Fraud Prosecution Account-State*)

## How We Achieve Savings

Eliminate 21 full-time equivalent employees, or FTEs, who work in the Department of General Administration on contracting and procurement, project management, grounds, custodial, asset management, real estate, trades and administrative services. (*\$5.4 million other fund sources*)

Eliminate eight positions; reduce staff resources for internal technical assistance, responses to outside data inquiries and ad hoc budget data analysis; and maintain vacancies in the Office of Financial Management. (*\$4.1 million GF-S*)

Eliminate seven administrative law judges and three support staff in the Office of Administrative Hearings. As each judge completes about 28 cases per week, 196 fewer cases will be completed each week. (*\$2.0 million Administrative Hearings Revolving-State*)

Reduce charges by the Department of Information Services to other agencies for mainframe services, leasing and brokerage support, archival storage and other services. (*\$5.2 million Data Processing Revolving Account-Appropriated; \$6.6 million Data Processing Revolving Account-Nonappropriated*)

Reduce seven FTEs in statewide IT policy and project oversight in the Policy Regulation Division of the Department of Information Services. This statewide function will move

to the Office of Financial Management. In addition, the department will reduce 54.5 FTEs from efficiencies that will result from staffing the new State Data Center and the proposed Department of Enterprise Services. (*\$2.0 million Data Processing Revolving Account-Appropriated; \$10.6 million Data Processing Revolving Account-Nonappropriated*)

Reduce the Consumer Protection Division, Homicide Investigation Tracking System and Criminal Investigation and Prosecution units in the Office of the Attorney General. The Attorney General's Office will also institute best management practices for state agency use of its services and cut agency overhead to reflect lower levels of service to client agencies. (*\$1.8 million GF-S; \$28.8 million Legal Services Revolving Account-State*)

Suspend the state presidential primary. Every four years, the state of Washington is required by law to conduct a presidential primary and reimburse counties for the state's share of election costs for the primary. While the next presidential primary is scheduled in 2012, the Secretary of State will introduce legislation to suspend it. (*\$10.0 million GF-S*)

Close the Department of Personnel's Employee Assistance Program office in Seattle and suspend the Performance Confirmation Program, which agencies use to recognize and reward high performers. As a part of the consolidation into a central services agency, the department will eliminate several redundant administrative and facilities positions and reduce the Human Resource Management Information System team. (*\$3.2 million Data Processing Revolving Account; \$2.0 million Department of Personnel Service Account*)

# GOVERNMENT EFFICIENCY

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Streamline the state's audit processes by moving all audits of state agencies and processes to the Performance Audit Account. By making this change, the State Auditor's Office and its state agency clients will no longer need to invest resources in the billing process. The Auditor will continue to perform all current audit functions, including performance audits. (*\$1.4 million GF-S; \$10.6 million Auditing Services Revolving Account-State; \$4.0 million Performance Audits of Government Account-Nonappropriated [added]*)

Streamline processes at the Board of Industrial Insurance Appeals to sharpen focus on its core missions of hearings and mediation. (*\$1.3 million Accident Account-State and Medical Aid Account-State*)

Eliminate benefits, reduce agency overhead and maximize federal funds in the Crime Victims Compensation Program in the Department of Labor and Industries. (*\$4.1 million GF-S*)



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