



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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February 2, 2009

**TO:** Honorable Margarita Prentice, Senate Ways and Means Committee  
Honorable Kelli Linville, House Ways and Means Committee  
Honorable Jeannie Darneille, House General Government Appropriations Committee  
Honorable Kathy Haigh, House Education Appropriations Committee  
Honorable Eric Pettigrew, House Health & Human Services Appropriations Committee

**FROM:** Victor A. Moore  
Director

**SUBJECT: ERRATA AND NEW INFORMATION REGARDING GOVERNOR'S  
PROPOSED OPERATING BUDGETS**

Since the Governor's budget release in December, we have identified necessary corrections because of errors on our part, as well as new information that has recently become available. The recommended revisions are listed in the attachment to this memorandum.

In total, these changes would add \$8.4 million GFS to the expenditure totals in the omnibus supplemental, while reducing the 2009-11 budget by \$22.1 million GFS. Although some expenditure revisions relate to new information, there is not sufficient detail on the federal budgets or our state's flood costs to include consideration of those issues.

Thank you for your consideration of these items. My staff and I are available to answer any questions you may have.

Attachment (1)

cc: Charlie Gavigan, House Ways & Means Committee  
Mike Wills, Senate Ways & Means Committee  
Dave Johnson, House Ways & Means Committee  
Bryon Moore, Senate Ways & Means Committee

## Updated Information for Governor's 2009 Supplemental and 2009-11 Biennial Budgets

	Dollars in Thousands	Annual FTE	GFS	Other	Total
<b>2009 Supplemental Budget Updates</b>					
<b>Omnibus Operating bill</b>					
<b>Expenditure Errors</b>					
	<b>Dept. of Archaeology and Historic Preservation:</b> Restore DIS rate reductions to DAHP's budget. (The savings will accrue in the DIS IT pool.)		\$11		\$11
	<b>Supt. of Public Instruction - General apportionment:</b> The non-employee related cost (NERC) rates for vocational programs and skills centers were inadvertently reduced in the current school year. Because those rates should not change, it will require the addition of \$746,000 to the General Apportionment program in OSPI.		\$746		\$746
Error Corrections		-	\$757	0	\$757
<b>New Information</b>					
	<b>Washington State Arts Commission:</b> Expenditure authority is needed for an unanticipated grant from the National Endowment for the Arts (NEA). Funding of \$45,000 will be used to develop IT upgrades to process hundreds of arts grants awarded by the Commission each year. Also, \$71,000 will be used for grants and contracts for arts education, traditional and folk arts, and documentation. The matching amount required by these additional NEA funds is below current or proposed GF-State levels and does not obligate the state otherwise. (Federal)			\$116	\$116
	<b>Military Department:</b> The Governor activated the Washington National Guard on December 24, 2008 to assist with storm recovery (Proclamations 08-10 and 08-11). When activated, the Military Department may spend general funds not otherwise appropriated (RCW 38.24.010). The Military estimates it will spend up to \$690,000 for snow removal and flood response activities.		\$690		\$690
	<b>Military Department:</b> Additional Disaster Response Account-Federal appropriation authority will be needed (assuming FEMA funds will be available). In addition, matching funds (and appropriation authority) will be required to access FEMA funds. These amounts are yet to be determined.				
	<b>State School for the Deaf:</b> The School for the Deaf had to keep students at school over the weekend due to the December snow storms and the closure of I-5 from flooding in January. The School can absorb most, but not all, of the additional cost to keep the residential services operational on these days.		\$3		\$3
	<b>State School for the Blind:</b> The School for the Blind had to keep students at school over the weekend due to the I-5 closure from flooding in January.		\$9		\$9
	<b>State School for the Blind:</b> The School for the Blind is experiencing higher than expected transportation costs. This increment is in addition to the \$42,000 already included in the Governor's supplemental budget for transportation costs.		\$51		\$51
	<b>Supt. of Public Instruction – Education Reform:</b> There are more National Board-certified teachers than originally expected when the budget was enacted. This increase reflects the amount needed to provide bonuses to all National Board-certified teachers.		\$691		\$691
	<b>DSHS Children's Administration:</b> The GF-State and GF-Federal split for rate reductions to providers is incorrect. Too much GF-S was reduced.		\$600		\$600

	Dollars in Thousands	Annual FTE	GFS	Other	Total
	<b>DSHS Mental Health:</b> Net zero shifts between subprograms are required to reflect where savings will be achieved.		\$0		\$0
	<b>DSHS Developmental Disabilities:</b> There should not be a reduction from Developmental Disabilities because Adult Day Health funding is in the Long Term Care budget, and the reduction is now taken in that program.		\$400	0	\$400
	<b>DSHS Long Term Care:</b> If emergency WAC authority is provided for an early supplemental budget, additional savings can be achieved in rate reductions, transitioning clients from agency to independent providers and phasing out Adult Day Health.		\$(3,813)	\$(3,813)	\$(7,626)
	<b>DSHS Economic Services Administration (ESA):</b> The Refugee Employment Services fund shift should have increased federal authority for ESA by \$1.9 million rather than as a federal decrease of \$1.9 million. (Federal)			\$3,800	\$3,800
	<b>DSHS Economic Services Administration:</b> The program is unable to achieve full administrative and salary reductions due to increased caseload demands.		\$900		\$900
	<b>DSHS Alcohol and Substance Abuse:</b> Less funding from the federal Substance Abuse and Prevention and Treatment (SAPT) grant is available. Taking this reduction would eliminate all detoxification services for three months, and make significant reductions to available treatment.		\$8,037		\$8,037
	<b>DSHS Medical Assistance Payments:</b> Adjustments to the timeline for deliverables for the Provider 1 Medicaid payment system will require a shift in appropriations from FY 2009 to FY 2010.		\$(909)	\$(5,230)	\$(6,139)
	<b>DSHS Medical Assistance Payments:</b> Reductions directed by the Governor during the fall of 2008 did not include a corresponding reduction to federal expenditures.			\$(10,930)	\$(10,930)
	<b>DSHS Medical Assistance Payments:</b> The assumed savings for delaying the expansion of Apple Health to children between 250% and 300% of FPL was overstated.		\$1,100	\$1,815	\$2,915
	<b>DSHS Vocational Rehabilitation:</b> This represents additional savings from one-time federal funds.		\$(100)	\$100	0
	<b>Dept. of Ecology:</b> In the "Balance to Available Revenue" item, we need to eliminate the FY 2009 reduction to Air Operating Permit Account, to reflect higher than anticipated revenue collections. (Air Operating Permit Account)		\$0	\$100	\$100
	<b>Puget Sound Partnership:</b> The air deposition study scheduled to be completed in FY 2009 will not be completed until FY 2010. State Toxics funding is shifted from FY 2009 to FY 2010. (State Toxics Account)		\$0	\$(71)	\$(71)
	New Information Subtotal	-	\$7,659	\$(14,113)	\$(6,454)
	<b>Total 2007-09 Change</b>	<b>0.0</b>	<b>\$8,416</b>	<b>\$(14,113)</b>	<b>\$(5,697)</b>
<b>2009-11 Budget Updates</b>					
<b>Operating Budget</b>					
<b>Expenditure Errors</b>					
	<b>Dept. of Information Systems:</b> The rate reduction for DIS services needs to be deleted because it should have been a reduction to client budgets only. This will have no impact on client agency budgets or the central service model. (Data Processing Revolving Account – Non-Appropriated)		\$0	\$8,238	\$8,238

	Dollars in Thousands	Annual FTE	GFS	Other	Total
	<b>Department of Early Learning:</b> The funding reduction for Parent, Family, Caregiver Support should total \$1.6 million instead of \$2 million because \$400,000 of the assumed reduction was one-time funding in the 2007-09 biennium and was not part of the base budget for the agency in 2009-11.		\$400		\$400
	<b>The Evergreen State College:</b> A reduction in self-insurance premiums was inadvertently omitted.		\$(30)		\$(30)
	<b>Western Washington University:</b> A reduction in self-insurance premiums was inadvertently omitted.		\$(11)		\$(11)
	<b>Horse Racing Commission:</b> Washington State Breeder Awards is incorrectly coded as private local (type 7); it should be non-appropriated (type 6)		\$0	\$0	\$0
	<b>DSHS Children's Administration:</b> There should be a greater GF-S and GF-F reduction related to elimination of pilots and sex abuse recognition training.		\$(664)	\$(69)	\$(733)
	<b>DSHS Juvenile Rehabilitation:</b> The costs for closing Naselle Youth Camp are adjusted to reflect the reductions already taken in the maintenance level caseload adjustment.	22.3	\$2,377		\$2,377
	<b>DSHS Developmental Disabilities:</b> Too large of an FTE reduction was assumed for the closing of Yakima Valley School in FY 2011 because they are phased out over the course of the year, not all at the beginning of the year. In FY 2011, 94.0 FTEs are added.	47.0	\$0	\$0	\$0
	<b>DSHS Long Term Care:</b> This is an error in FY 2011 GF-S reduction amount. It should be (35,653) rather than (25,672) for the Agency Provider to Individual Provider savings assumption.		\$(9,981)	\$0	\$(9,981)
	<b>DSHS Long Term Care:</b> The Adult Day Health program elimination will have a smaller savings than proposed because Bailey-Boushay HIV patients will have their chronic care transferred to another program rather than eliminated.		\$1,678	\$500	\$2,178
	<b>DSHS Long Term Care:</b> Additional funds are necessary to cover the costs of background checks for implementing Initiative 1029.		\$79	\$79	\$158
	<b>DSHS Medical Assistance Payments:</b> Medical costs will be incurred for 52 elderly and/or disabled residential clients who will no longer have their medical expenses (\$590/mo.) covered under GAU medical.		\$736	\$0	\$736
	<b>DSHS Medical Assistance Payments:</b> The Governor's 2009-11 budget inadvertently omitted a decision to remove from Medicaid children whose families fail to cooperate in establishing the child's citizenship.		\$(12,288)	\$(12,995)	\$(25,283)
	<b>DSHS Medical Assistance Payments:</b> The reduction for New Parent Services was not properly adjusted following a decision from the Governor to propose a 5% cut. The Governor's budget currently reflects a 20% decrease. (Because this error changes the Health Services Account, a corresponding and opposite change was required in the policy step eliminating the Health Services Account and merging it into the General Fund.)		\$4,185	\$4,228	\$8,413
	<b>DSHS Medical Assistance Payments:</b> The amount of savings assumed by the 1% reduction to Health Option premiums was overstated.		\$0	\$11,555	\$11,555
	<b>DSHS Medical Assistance Payments:</b> The reduction related to Durable Medical Equipment incorrectly added federal funding in year one instead of making a reduction.		\$0	\$(14,034)	\$(14,034)
	<b>DSHS Medical Assistance Payments:</b> The reduction related to Pharmacy Purchasing initiatives misstated the savings for federal funds.			\$188,942	\$188,942

Dollars in Thousands		Annual FTE	GFS	Other	Total
	<b>Health Care Authority:</b> A technical adjustment was made to the funding allocation plan for Program Support, but the impact to the Health Services Account was inadvertently omitted. (Because this error changes the Health Services Account, a corresponding and opposite change was required in the policy step eliminating the Health Services Account and merging it into the General Fund.)		\$3,782		\$3,782
	<b>Health Care Authority:</b> This item corrects the fiscal year spread for the reductions proposed in the Governor's budget. The increase shown in Other Funds is related to additional client contributions related to length of stay adjustments. (Because this error changes the Health Services Account, a corresponding and opposite change was required in the policy step eliminating the Health Services Account and merging it into the General Fund.)		\$0	\$4,131	\$4,131
	<b>Washington State Historical Society:</b> The 2009-11 central service adjustment eliminates building maintenance, custodial and ground keeping services for the WSHS. WSHS instead will contract for the same maintenance services. While the reduction was made to the central service adjustment, the amounts needed for the contracted work were not added back to the budget. This adjustment reflects the amounts needed for a contract for these services.		\$272	\$0	\$272
	<b>Washington State Patrol:</b> The King Air Maintenance decision package currently reflects a General Fund/State Patrol Highway Account split that is inconsistent with the JLARC determined split. The split for this decision package should be 65%/35%. Therefore, the appropriation for the King Air Maintenance decision package in the operating budget needs to be increased by \$42,000 (GF-S) and decreased by the same amount in the State Patrol Highway Account.		\$42		\$42
	<b>Central Services Charges:</b> Several errors have been found in the central service model that will affect the central service allocations for all agencies. The corrections will require a net increase in the central service allocation.		\$96	\$400	\$496
	<b>Governor's Office of Indian Affairs:</b> The formula to identify the reduction target did not account for certain one-time costs and inter-agency reimbursements.		\$42	\$0	\$42
	<b>Liquor Control Board:</b> Additional expenditure authority from Fund 501-Liquor Revolving Account is necessary to pay for the costs associated with revenue generation activities. (Liquor Revolving Account)			\$3,646	\$3,646
Error Corrections		69.3	\$(9,285)	\$194,621	\$185,336
<b><u>New Information</u></b>					
	<b>Military Department (for information only):</b> Additional Disaster Response Account-Federal appropriation authority will be needed once we have an estimate of January flood costs. In addition, matching funds (and appropriation authority) will be required to access FEMA funds.		\$0		\$0
	<b>Higher Education:</b> The compensation model over estimated the cost of health insurance for higher education employees who have more than one state job, by including the cost of health insurance for each job, rather than for each employee.		\$(13,289)		\$(13,289)
	<b>Eastern Washington University:</b> The Maintenance and Operations funding request came to OFM later than expected.		\$2,954		\$2,954
	<b>DSHS Long Term Care:</b> More funding for staff is needed for background checks for Initiative 1029. The FTEs will reside in Administration (Program 110).	3.3	\$248	\$246	\$494

	Dollars in Thousands	Annual FTE	GFS	Other	Total
<b>DSHS Long Term Care:</b> Recent backlogs in Adult Protective Services have forced case managers working on nursing home releases to be reassigned, leaving a shortage of staff to process the clients moving to community (Roads to Community Living). However, by adding staff dedicated solely to moving clients out of nursing homes, the agency gains a better federal match (75-25) and thus will be able to move more clients, saving more GF-S if additional staff are available.		7.5	\$(702)	\$(793)	\$(1,495)
<b>DSHS Administration and Supporting Services:</b> Responsibility for background check transfers to Department of Early Learning (DEL). This adjustment transfers background check FTEs from program 110, rather than ESA, as the FTEs are in program 110.		(2.0)			\$0
<b>DSHS Economic Services Administration:</b> ESA was reduced by 2.0 FTEs and \$178,000 for the background check staff transfer to DEL. The FTE transfer should be taken from Program 110, Administrative Support; however the funding should not have been reduced as DEL already pays for the staff.		2.0	\$178		\$178
<b>DSHS Medical Assistance Payments:</b> Adjustments to the timeline for deliverables for the Provider 1 Medicaid payment system will require a shift in appropriations from FY 2009 to FY 2010.			\$909	\$5,230	\$6,139
<b>Department of Early Learning:</b> The funding for background checks includes 2 FTEs and funding that would be transferred from DSHS. DEL has been contracting for these services with DSHS. To establish this operation within DEL, no funding will need to transfer from DSHS. FTE authority and funding for additional IT support will still be needed.			\$(178)		\$(178)
<b>Higher Education Coordinating Board:</b> A new version of the State Work Study Model produces different results for the cost of the Governor's tuition policy.			\$(2,904)		\$(2,904)
<b>Dept. of Ecology:</b> More revenue is anticipated in the Air Operating Permit Account, therefore, the expenditure reduction is reduced from \$230,000 to \$50,000. (Air Operating Permit Account)		-	\$0	\$180	\$180
<b>Puget Sound Partnership:</b> The air deposition study scheduled to be completed in FY 2009 will not be completed until FY 2010. State Toxics funding is shifted from FY 2009 to FY 2010. (State Toxics Control Account-State)			\$0	\$71	\$71
New Information Subtotal		10.8	\$(12,784)	\$4,934	\$(7,850)
<b>Total 2009-11 Change</b>		<b>80.1</b>	<b>\$(22,069)</b>	<b>\$199,555</b>	<b>\$177,486</b>
Change for Both Biennia		80.1	\$(13,653)	\$185,442	\$171,789

	GFS	Other	Total
<b>Operating Budget Revenue Errors</b>			
<b>Liquor Control Board:</b> The Board has now received information that renting space for supplier displays to generate revenue is likely a violation of federal law.	\$(1,008)	\$(1,008)	\$(2,016)
<b>Liquor Control Board:</b> The expenditure impacts of funding 10 new liquor stores were duplicated in the revenue assumptions on the Balance Sheet (shown as a revenue loss).	\$1,863	\$1,863	\$3,726
<b>Total Revenue Revision</b>	<b>\$855</b>	<b>\$855</b>	<b>\$1,710</b>

## Bill/Document-only errors

### 2009 Supplemental Operating bill

Section 302(36): The 10 percent fee increase for Ecology's mixed waste management fee provided in this subsection is intended to be in addition to the 14.14 percent increase permitted under Section 302(4). The database is correct. The following sentence needs to be added to the end of Section 302(36):

The fee increase provided in this subsection is in addition to the fee increase provided in subsection 4 of this section.

### 2009-11 Omnibus Operating bill (bill changes only; database is correct)

Section 226(1): Proviso level for Employment Security should be \$19,026,000.

Section 308: Remove State Forest Nursery Revolving Account (non-appropriated) funding from budget bill, and adjust the agency total to \$305,968,000.

Section 308(2): Proviso amounts for emergency fire suppression should be \$11,128,000 each fiscal year. The overall appropriation levels are correct.

Section 921(6): Prorating of levy equalization should begin as of October 1, 2009 and should be at a rate of 0.88.

New Section: Provide authority for DNR to use NOVA funds for specific operating budget uses.

**Sec. 9XX.** RCW 46.09.170 and 2004 c 105 s 6 are each amended to read as follows:

(1) From time to time, but at least once each year, the state treasurer shall refund from the motor vehicle fund one percent of the motor vehicle fuel tax revenues collected under chapter 82.36 RCW, based on a tax rate of: (a) Nineteen cents per gallon of motor vehicle fuel from July 1, 2003, through June 30, 2005; (b) twenty cents per gallon of motor vehicle fuel from July 1, 2005, through June 30, 2007;

(c) twenty-one cents per gallon of motor vehicle fuel from July 1, 2007, through June 30, 2009; (d) twenty-two cents per gallon of motor vehicle fuel from July 1, 2009, through June 30, 2011; and

(e) twenty- three cents per gallon of motor vehicle fuel beginning July 1, 2011, and thereafter, less proper deductions for refunds and costs of collection as provided in RCW 46.68.090.

(2) The treasurer shall place these funds in the general fund as follows:

(a) Thirty-six percent shall be credited to the ORV and nonhighway vehicle account and administered by the department of natural resources solely for acquisition, planning, development, maintenance, and management of ORV, nonmotorized, and nonhighway road recreation facilities, and information programs and maintenance of nonhighway roads;

(b) Three and one-half percent shall be credited to the ORV and nonhighway vehicle account and administered by the department of fish and wildlife solely for the acquisition, planning, development, maintenance, and management of ORV, nonmotorized, and nonhighway road recreation facilities and the maintenance of nonhighway roads;

(c) Two percent shall be credited to the ORV and nonhighway vehicle account and administered by the parks and recreation commission solely for the acquisition, planning, development, maintenance, and management of ORV, nonmotorized, and nonhighway road recreation facilities; and

(d) Fifty-eight and one-half percent shall be credited to the nonhighway and off-road vehicle activities program account to be administered by the committee for planning, acquisition, development, maintenance, and management of ORV, nonmotorized, and nonhighway road recreation facilities and for education, information, and law enforcement programs. The funds under this subsection shall be expended in accordance with the following limitations:

(i) Not more than thirty percent may be expended for education, information, and law enforcement programs under this chapter; (ii) Not less than seventy percent may be

expended for ORV, nonmotorized, and nonhighway road recreation facilities. Except as provided in (d)(iii) of this subsection, of this amount:

(A) Not less than thirty percent, together with the funds the committee receives under RCW 46.09.110, may be expended for ORV recreation facilities;

(B) Not less than thirty percent may be expended for nonmotorized recreation facilities. Funds expended under this subsection(2)(d)(ii)(B) shall be known as Ira Spring outdoor recreation facilities funds; and

(C) Not less than thirty percent may be expended for nonhighway road recreation facilities;

(iii) The committee may waive the minimum percentage cited in

(d)(ii) of this subsection due to insufficient requests for funds or projects that score low in the committee's project evaluation. Funds remaining after such a waiver must be allocated in accordance with committee policy.

(3) On a yearly basis an agency may not, except as provided in RCW 46.09.110, expend more than ten percent of the funds it receives under this chapter for general administration expenses incurred in carrying out this chapter.

(4) During the 2009-11 fiscal biennium, the legislature may appropriate such amounts as reflect the excess fund balance in the NOVA account to the department of natural resources to install consistent off-road vehicle signage at department-managed recreation sites, and to implement the recreation opportunities plan on department-managed lands in the Reiter block and Ahtanum state forest. This appropriation is not required to follow the specific distribution specified in subsection (2) of this section.

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## Recommendation Summary document:

**350-050 SPI Student Achievement Program:** The reference to I-728 is incorrectly labeled as I-720. The dollar per student and percentage reduction citations are incorrect. The new rate/student is \$364.14, a 21% reduction from the 2008-09 school year rate.

**370 EWU and 375 CWU:** In the budget reduction comments, the enrollments cited for Eastern Washington University and Central Washington University are reversed. The FY 2009 budgeted enrollment numbers in these comments should be 9,184 for EWU and 9,322 for CWU.

**461 Ecology:** Recommendation Summary text for the Reduce Watershed Grants/Assistance/Study item could be seen as too limiting. Text should say, "...remaining funding will emphasize assistance to watershed groups"....

**461 Ecology:** Recommendation Summary text for the Protect PS Shorelines item indicates one-time funding, when funding should be ongoing through the 2011-13 Biennium. Last sentence should read, "Funding and FTE staff are provided through FY 2013 to speed up completion ...".