



STATE OF WASHINGTON  
OFFICE OF FINANCIAL MANAGEMENT

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January 10, 2012

**TO:** Representative Ross Hunter, Chair  
Representative Gary Alexander, Ranking Member  
House Ways & Means Committee

Senator Ed Murray, Chair  
Senator Joseph Zarelli, Ranking Member  
Senate Ways & Means Committee

**FROM:** Marty Brown  
Director

**SUBJECT: NEW INFORMATION RELATING TO GOVERNOR'S NOVEMBER 21  
BUDGET PROPOSAL**

Based on additional input and review, we have identified some revisions to the Governor's supplemental budget that warrant your attention. The attached list reflects both updated information and error corrections. Several of the changes in the Department of Corrections and the Department of Social and Health Services represent delay of implementation dates.

In total, expenditures are increased by \$54.9 million (\$29.5 million GF-S, \$25.4 million Federal and Other Funds). Data reflecting these revisions will be submitted to LEAP.

Thank you for your consideration. OFM staff will, of course, be available to respond to any questions.

cc: Charlie Gavigan  
David Schumacher  
Dave Johnson  
Bryan Moore

# January Updates for Governor's Proposed 2012 Supplemental Operating Budget

Dollars in Thousands

	General Fund - State			Other Funds	TOTAL FUNDS
	FTEs	FY 2012	FY 2013		
<b>Expenditures</b>					
<b>Personnel Services Charges</b>					
The incorrect savings increment was included in agency budgets.		(755)	8,764	<b>8,009</b>	<b>7,050</b>
					<b>15,059</b>
<b>Workers' Compensation</b>					
The decision to not increase workers' compensation rates in 2012 was made after the Governor's budget was released.		(660)	(1,304)	<b>(1,964)</b>	(376)
					<b>(2,340)</b>
<b>Central Service Charges</b>					
Corrections are made to most agencies based on corrections made in the central services model.		(79)	(87)	<b>(166)</b>	<b>(1,626)</b>
					<b>(1,792)</b>
<b>Debt Service</b>					
Expenditures are updated for November data on refunding and interest rates.		(5,519)	(3,770)	<b>(9,289)</b>	
					<b>(9,289)</b>
<b>Secretary of State</b>					
This represents the estimated cost of a March 2012 special revenue election.		2,000	6,000	<b>8,000</b>	
					<b>8,000</b>
<b>Department of Commerce</b>					
Elimination of the Local Government Fiscal Note Office is delayed until after the 2012 legislative session.	1.5			-	159
					<b>159</b>
Fiscal Year splits are corrected for the following reductions:					
Economic Development Commission		(58)	58	-	-
State Energy Policy		(22)	22	-	-
FTEs attributable to the state General Fund are corrected for the following items:					
Elimination of the Community Service Block Grant	2.5			-	-
Victims of Crime Act reduction	1.4			-	-
The reduction for the Federal Way Multi-Service Center is corrected to the full amount.			(5)	<b>(5)</b>	<b>(5)</b>
<b>Attorney General</b>					
The Anti-Trust Revolving Account is increased to reflect the shift of the Consumer Protection program from General Fund-State.				-	2,000
					<b>2,000</b>
Fiscal year splits are corrected for the "Reduce Legal Services" item. It should be a \$3.6 million reduction in FY 2012 and \$5.35 million in FY 2013.					
<b>Department of Revenue</b>					
In accordance with the Governor's B&O Tax Payment Reform initiative announced on January 5, 2012, GF-S and MLS Account appropriations are increased to implement business licensing simplification, reduce B&O tax classifications, and begin B&O tax payment centralization.	15.7	125	1,999	<b>2,124</b>	3,319
					<b>5,443</b>

	General Fund - State			Other Funds	TOTAL FUNDS
	FTEs	FY 2012	FY 2013		
<b>Liquor Control Board</b>					
All unspent appropriations from the Liquor Control Board Construction and Maintenance Account after December 8, 2011, (about \$7 million) are shifted to the Liquor Revolving Account and the Liquor Excise Tax Account to be expended for the continued operations and expenses of the liquor distribution center. Additionally, appropriations for liquor store operations are reduced to reflect the implementation of I-1183.	(451.0)			(76,076)	<b>(76,076)</b>
<b>DSHS Administration and Support Services</b>					
A cut to federal funding and FTEs reflecting the transfer of the Council for Children and Families to the Dept. of Early Learning (DEL) is removed. This transfer out of DSHS was reflected in the enacted budget. The supplemental change is only necessary for DEL.	2.0			431	<b>431</b>
<b>DSHS Various Programs</b>					
Program splits for the workers' compensation rate, personnel services rate, procurement rate, and PEBB funding rate are revised, with no change to the agency total.		-	-	-	-
<b>DSHS Long Term Care</b>					
The offset for expanding chemical dependency treatment for disabled adults should have been a \$77,000 reduction rather than an addition.			(154)	(154)	<b>(308)</b>
Increasing the nursing home safety net assessment should have also resulted in a General Fund-Federal increase.				23,482	<b>23,482</b>
The nursing home safety net assessment backfill should have reduced the Skilled Nursing Facility Net Trust Fund Account to reflect the fact that GFS would supplant these funds.				(9,509)	<b>(9,509)</b>
Implementation of the Medicaid Personal Care eligibility changes is delayed until May 1.		154	(30)	124	<b>248</b>
Implementation of the Agency Provider rate reductions is delayed until May 1.		1,893		1,893	<b>3,786</b>
Implementation of the Senior Citizen Services Act reduction is delayed until May 1.		348		-	<b>348</b>
<b>DSHS Mental Health</b>					
The updated forecast model counted Clark County local funds as GF-S. This correction changes biennial savings from \$1,960,000 to \$1,615,000.	-	99	246	(3,575)	<b>(3,230)</b>
<b>DSHS Developmental Disabilities</b>					
DSHS did not include the federal impact for the Technical Correction step.				17,000	<b>17,000</b>
Residential Services Reduction: The Public Utility Tax assumed \$11.6 million of new revenue. However, that did not net against the increased cost to pay higher Medicaid reimbursement rates. This change would combine the rate reduction and the public utility tax and book the correct numbers.		(1,054)	5,279	33,725	<b>37,950</b>
Implementation of the Medicaid Personal Care and Waiver changes is delayed until May 1. The budget should have reduced the federal funds related to Medicaid Personal Care eligibility.		47	1,066	(3,321)	<b>(2,208)</b>

	General Fund - State			Other Funds	TOTAL FUNDS
	FTEs	FY 2012	FY 2013		
Implementation of the Agency Provider Rate reductions is delayed until May 1.		388		388	776
Implementation of the Individual and Family Support suspension is delayed until May 1.		1,751		-	1,751
Implementation of the DD Waiver reforms is delayed until May 1.		205	(513)	(308)	(616)
<b>DSHS Alcohol and Substance Abuse</b>					
New information used to calculate the DASA administrative reduction in the block grant item results in the need to restore 5 FTEs and associated costs.	5.0	350	535	885	1,474
<b>Department of Corrections</b>					
Implementation of Community Supervision reform is delayed until May 1.	5.1	710	(42)	668	684
Implementation of Early Offender Release is delayed until May 1.	1.1	1,734	162	1,896	1,896
Remove appropriations from non-appropriated accounts (State and Federal Seizure Accounts).				-	(404)
<b>Health Care Authority</b>					
Change the implementation date of the drug formulary to July 1.		6,508		6,508	1,085
Change the implementation date of over-the-counter drugs to July 1.		3,731		3,731	622
Reduce expenditures in the Emergency Medical Services/Trauma Account (03C) to bring the account into balance.					(346)
<b>Department of Health</b>					
The emergency medical services fee is effective July 1, 2012. Savings should not have been assumed for FY 2012.		850		850	144
Reduce expenditures in the Emergency Medical Services/Trauma Account (03C) to bring the account into balance.					(178)
<b>Department of Early Learning</b>					
Washington State has recently been awarded federal funding for the Race to the Top.					24,900
<b>Office of the Superintendent of Public Instruction--General Apportionment--Policy Level</b>					
The Small High School item is updated to (1) reflect the correct number of reduced certificated instructional staff (CIS) units and (2) reduce the non-employee related costs number which should have declined as the number of CIS units declined.			(1,333)	(1,333)	(1,333)
The Reduce School Days amount is adjusted to reflect (1) revised November inflation numbers from the ERFC (savings of \$50,000) and (2) reflect an operating cost adjustment for the small schools non-employee related costs (savings of \$98,000).			(148)	(148)	(148)
<b>Office of the Superintendent of Public Instruction--Levy Equalization--Maintenance Level</b>					
Federal Funds Adjustment--Certain districts have not billed for all the ARRA funds appropriated for levy equalization during the 2009-11 biennium. As a result, additional federal funding authority is provided in FY 2012.				-	4,400

	General Fund - State			Other Funds	TOTAL FUNDS
	FTEs	FY 2012	FY 2013		
<b>Columbia River Gorge Commission</b>					
This corrects the fiscal year splits for the Reduce Technical Analysis and Support item.	0.2	9	(9)	-	-
<b>Department of Fish and Wildlife</b>					
Kittitas County elected to change the way it receives Payments-In-Lieu-of-Taxes (PILT) for game lands managed by the department. Since the Governor's proposal reduces PILT to 2009 levels, this change nets to zero.				-	-
This corrects the FTE figure for FY13 for the Wolf Population Monitoring item.	1.0			-	-
<b>Total Expenditure Revisions</b>	<b>(415.5)</b>	<b>12,755</b>	<b>16,736</b>	<b>29,491</b>	<b>25,454</b>
<b>Revenue Corrections</b>					
To match the November revenue forecast and the Governor's proposed legislation concerning liquor revenue (HB 2140), the local share of the Liquor Profit Sharing being deposited to the state General Fund is reduced.			(2,098)	<b>(2,098)</b>	<b>(2,098)</b>
To match the November revenue forecast and the Governor's proposed legislation concerning liquor revenue (HB 2140), the local share of the Liquor Excise Tax Sharing being deposited to the state General Fund is increased.			2,685	<b>2,685</b>	<b>2,685</b>
The passage of I-1183 results in the elimination of the Liquor Control Board Construction and Maintenance Account. The remaining balance is swept to the General Fund in the Governor's proposed budget bill, but the amount was not included on the Governor's balance sheet.		2,000		<b>2,000</b>	<b>2,000</b>
Sec. 801: Based on the November revenue forecast, the local distribution from the Liquor Revolving Account is increased.				-	(5,559)
Sec. 801: Based on changes to other expenditures within the fund, the local distribution from the Timber Tax Account is reduced by \$7,000.				7	7
Sec. 804: The transfer from the Treasurer's Service Fund is increased to capture remaining balance.			756	<b>756</b>	<b>756</b>
Treasurer's Transfer from Poet Laureate Account (11M)		5		5	5
<b>Total Revenue Revisions</b>		<b>2,005</b>	<b>1,343</b>	<b>3,348</b>	<b>(5,552)</b>
<b>GFS Balance Sheet Gain/(Loss)</b>		<b>(10,750)</b>	<b>(15,393)</b>	<b>(26,143)</b>	

## **Bill Text Corrections**

Section 144 (new proviso). All unspent appropriations from the Liquor Control Board Construction and Maintenance Account after December 8, 2011, (about \$7 million) are shifted to the Liquor Revolving Account and Liquor Excise Tax Account, to be expended for the continued operations and expenses of the liquor distribution center and to pay off the Certificate of Participation.

Section 206 (new subsection). DSHS Long Term Care--Bill only, new subsection: A proviso should have been included in the budget to authorize DSHS to increase the nursing home safety net assessment. "Pursuant to RCW 74.48.040, the department is authorized to increase the amount to be assessed for the skilled nursing facilities safety net assessment."

Section 302 (page 107, line 8) refers to the Freshwater Aquatic Algae Control Account. The name of the account changed recently; it is now the Aquatic Algae Control Account.

Section 502. Update small high schools language to: (1) specify formula change starts with the 2012-13 school year; (2) correct the floor to 300 students; and (3) additional technical corrections.

Section 804. The streamlined sales and use tax account distribution in FY 2013 should be \$22,557,000 instead of \$24,789,000. The biennial total General Fund: For transfer to the streamlined sales and use tax account, \$24,846,000 for fiscal year 2012 and (~~(\$24,789,000)~~) \$22,557,000 for fiscal year 2013 . . . (~~(\$49,635,000)~~) 47,403,000

Part 9. Include language permitting use of the Anti-Trust Revolving Account for consumer protection during 2011-13.

Part 9. Include language permitting use of the Liquor Excise Tax Account for payment of the Certificate of Participation for the Liquor Distribution Center during 2011-13.

Section 908 (3)(a). The monthly dollar amount for full-time faculty was not amended in line with the rate for other staff:

1(a). For each full-time employee, \$66.01 per month beginning September 1, 2011, and (~~(\$67.91)~~) \$65.17 beginning September 1, 2012;

Part 9. Add language regarding the WSQA Application Requirement Date Change

NEW

Starting in ~~2012~~ ((2014)) and at least once every three years thereafter, each agency shall apply to the Washington state quality award, or similar organization, for an independent assessment of its quality management, accountability, and performance system. The assessment shall evaluate the effectiveness of all elements of its management, accountability, and performance system, including: Leadership, strategic planning, customer focus, analysis and information, employee performance management, and process improvement. The purpose of the assessment is to recognize best practice and identify improvement opportunities.