



Proposed 2012 Supplemental

Budget Highlights

**OFFICE OF THE GOVERNOR
NOVEMBER 2011**

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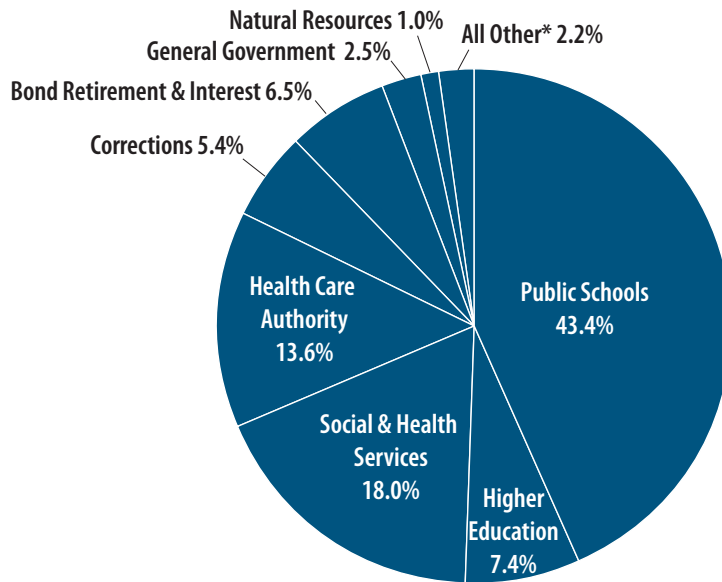
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Proposed Budget Expenditures

General Fund—State: Operating

Distribution of General Fund—State Expenditures after the 2012 Supplemental Budget

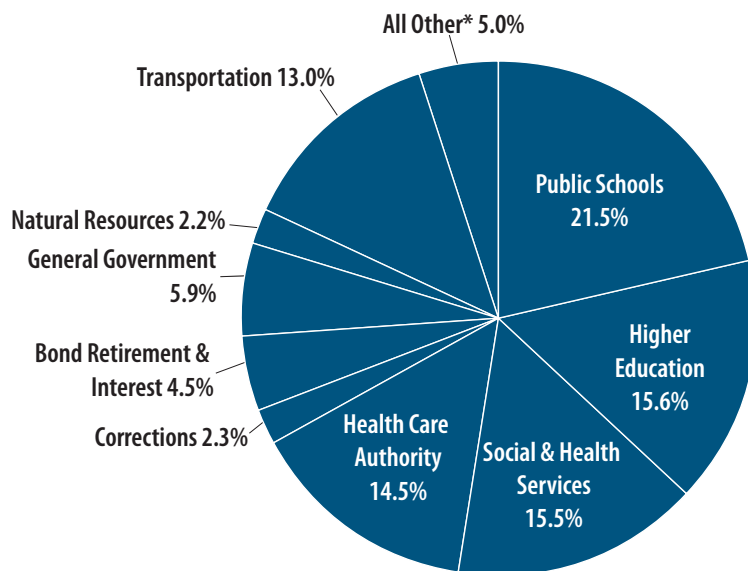


Dollars in Millions	
Public Schools	\$13,023
Higher Education	2,231
Social & Health Services	5,393
Health Care Authority	4,069
Corrections	1,607
Bond Retirement & Interest	1,948
General Government	758
Natural Resources	295
All Other*	670
Total	\$29,994

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

All Funds: Operating Plus Transportation Capital

Distribution of All Funds Expenditures after the 2012 Supplemental Budget



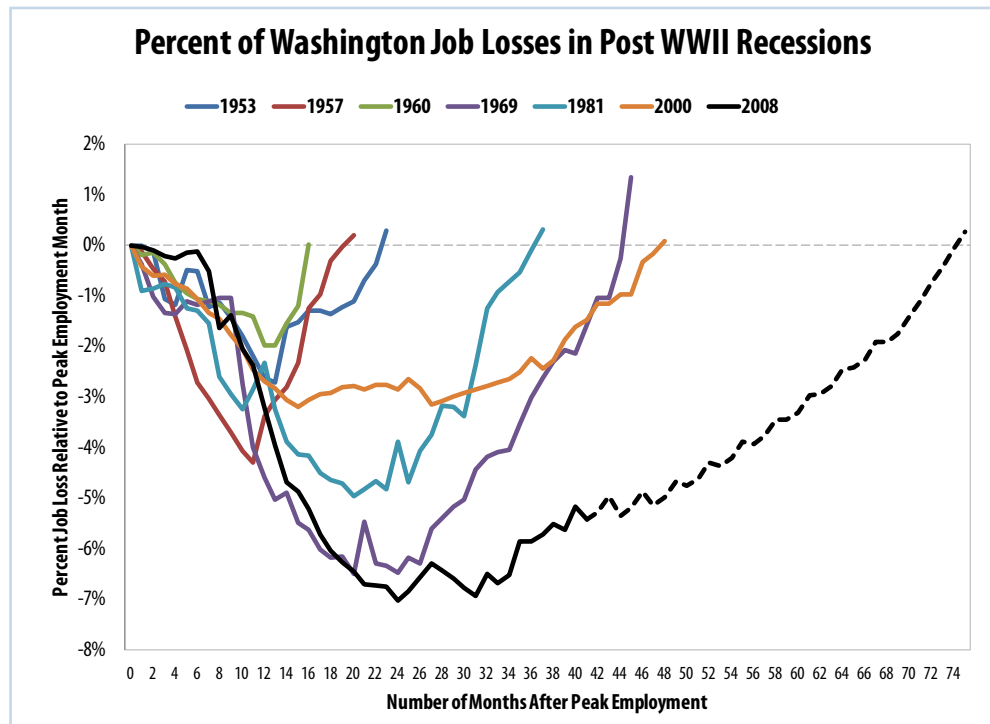
Dollars in Millions	
Public Schools	\$15,043
Higher Education	10,941
Social & Health Services	10,871
Health Care Authority	10,137
Corrections	1,628
Bond Retirement & Interest	3,117
General Government	4,108
Natural Resources	1,509
Transportation	9,110
All Other*	3,462
Total	\$69,926

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

Washington's Economic Outlook

State Rebounds Slowly from Unprecedented Recession

Washington's economy continues to struggle for solid footing after experiencing a recession of historic depth and duration. By "official" measures the national recession ended in July 2009. Yet in the subsequent 30 months, the country's economy has remained stagnant. In the third quarter of 2011, the nation's gross domestic product actually eclipsed its pre-recession peak and it did so with close to 6.7 million fewer non-farm workers. Non-farm employment in Washington was still nearly 155,000 jobs below its pre-recession high at the end of the third quarter of 2011.



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With unemployment hovering above 9 percent in Washington and nationwide, labor market observers are differentiating between official recession measures and actual job measures, using the phrase "labor market recession." The disconnect between economic output growth and job growth has become known as a "jobless recovery" — a term coined during the post-2000 recession recovery period when job growth was also stubbornly slow.

Similar extended job recovery periods have occurred in the past four labor market recessions in Washington. The recession of 1969 — the infamous "turn out the lights" recession — most closely resembles the 2008 downturn in terms of job loss, though it was not nearly as long. The 2000 recession was not as severe as 1969's was in terms of job loss, but lasted longer.

What really stands out about the 2008 recession is the duration: It is expected to take another two and half years — more than six years from the start of the recession — for Washington's employment to return to pre-recession levels.

Washington's Economic Outlook

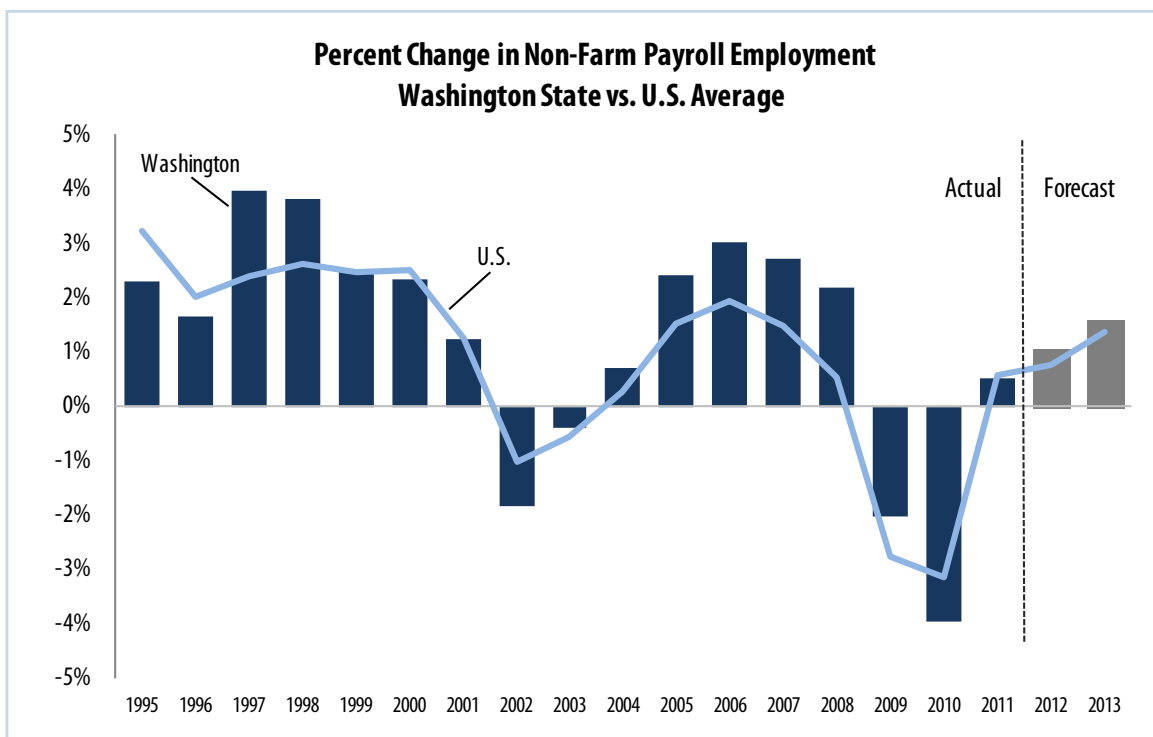
The record for both depth and duration is the 2008 recession. Two years into the downturn, job losses in Washington relative to the pre-recession peak reached 7 percent — the most jobs lost since the Great Depression. But what really stands out about the 2008 recession is the duration: It is expected to take another two and half years — more than six years from the start of the recession — for Washington's employment to return to pre-recession levels.

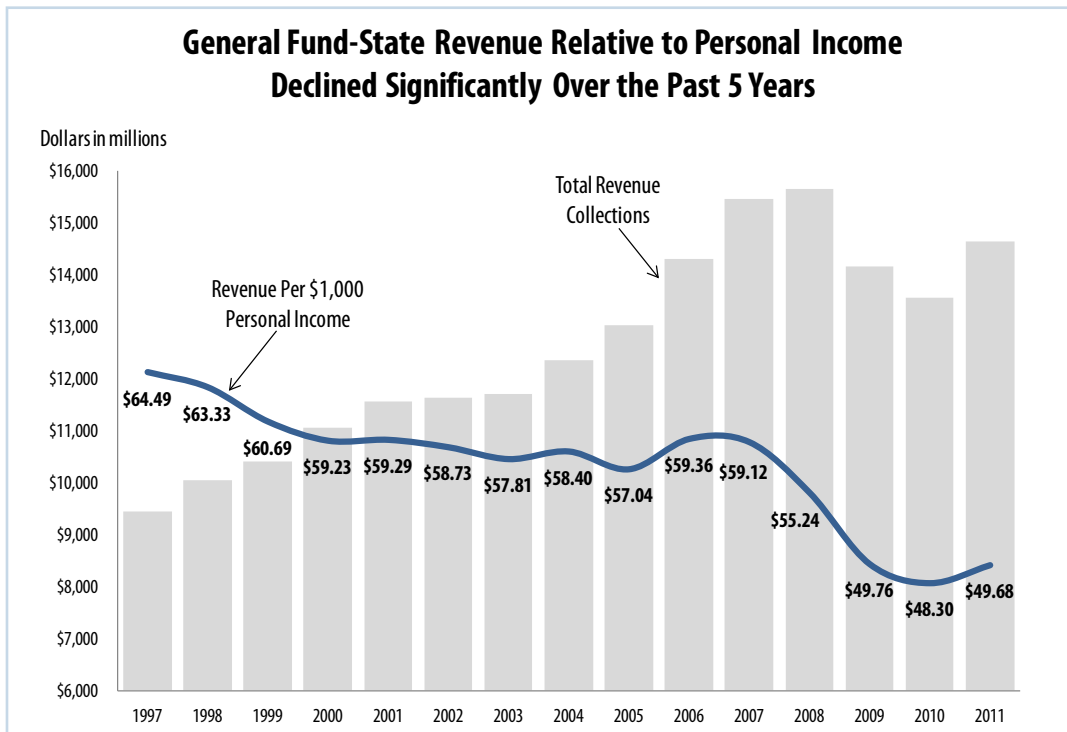
The causes of this almost unprecedented downturn are legion: spendthrift lending practices of commercial and consumer banks and mortgage brokers; overextended consumers; and unrealistic risk appraisals of securitized mortgage loan portfolios by large investment banks.

These factors fed a housing/commodity/equity bubble that burst with horrific consequences. Any one of these elements could have led to an economic correction, yet taken together they collapsed into the Great Recession.

Labor mobility has been affected by plunging home values and foreclosures. Consumers struggle to dig out from record levels of household debt caused by high unemployment and declining income. New business formation and expansion have been hamstrung by community bank failures and overly cautious commercial banks. The construction sector remains absent from the economy's tepid recovery. And, on top of all this, businesses are cautious about hiring and expanding, given the political uncertainty at home and abroad. It is little wonder that the economy and labor markets continue to struggle.

Washington's labor market is projected to beat the national norm, but only by modest amounts. The expected 1 percent job growth in fiscal year 2012 and 1.6 percent growth in fiscal year 2013 are well below earlier expansion periods. Such sluggish growth leaves many workers on the sidelines as the unemployed and new workforce entrants compete for limited job openings.





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Historic Recession Erodes Revenue, Drives up Demand for Government Services

Just as it has taken a heavy toll on businesses and households, the Great Recession has dealt a major blow to government programs and services. Beginning in 2008, state revenue collections fell for two consecutive years and, for the first time in the past 40 years, overall state spending — including federal stimulus funds — will fall for two consecutive biennia.

State revenue growth decelerated significantly in fiscal year 2008 and declined in fiscal years 2009 and 2010. Though growth resumed in 2011, revenues were still 7.2 percent below the 2008 peak and revenue growth for 2012 is flat.

According to the latest forecast, General Fund-State revenue is expected to total \$30.2 billion during the current biennium. By contrast, if annual revenue growth since 2008 had held at the expected 4.5 percent rate, the state would have taken in more than \$38 billion.

The Great Recession has hit Washington state particularly hard. In addition to stalled

employment growth, overall personal income growth has been slowed. Complicating the picture is the fear many workers have about the weak labor market.

This has led to a “hunker down” mentality and a higher savings rate, both of which delay consumer spending. Since Washington is heavily reliant on consumption (sales) taxes, the lingering crisis of consumer confidence has stymied revenue growth.

What is very clear is that Washington’s ongoing revenue crisis is largely out of our hands. Congress’ intransigence last summer in addressing our nation’s debt problem rattled consumer confidence even further. And the problem is now compounded by the looming debt crisis in Europe.

Because of the pull-back in consumer spending and increased savings, the relationship between personal income and state revenues has continued to weaken. In 1997, General Fund-

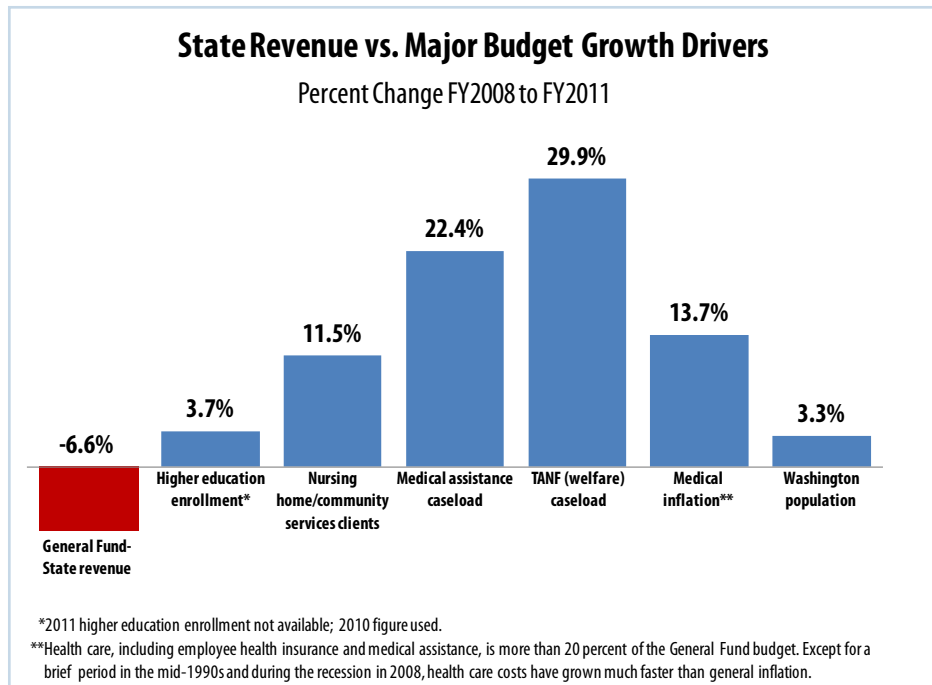
Revenue

State revenues represented more than \$64 for each \$1,000 of personal income. By 2010, revenues represented less than \$49 for each \$1,000 of personal income.

As goes revenues, so follows spending. Washington's general operating expenditures have mirrored the same pattern as revenues:

peaking in fiscal year 2008, declining in 2009 and 2010. Likewise, the relationship between general expenditures and personal income are also similar.

From the mid-to-late 1980s, expenditures averaged more than 6.5 percent of total personal income. But that percent has been trending downward since then and, as of fiscal year 2011, state government operating expenditures represented just 5.2 percent of total personal income.

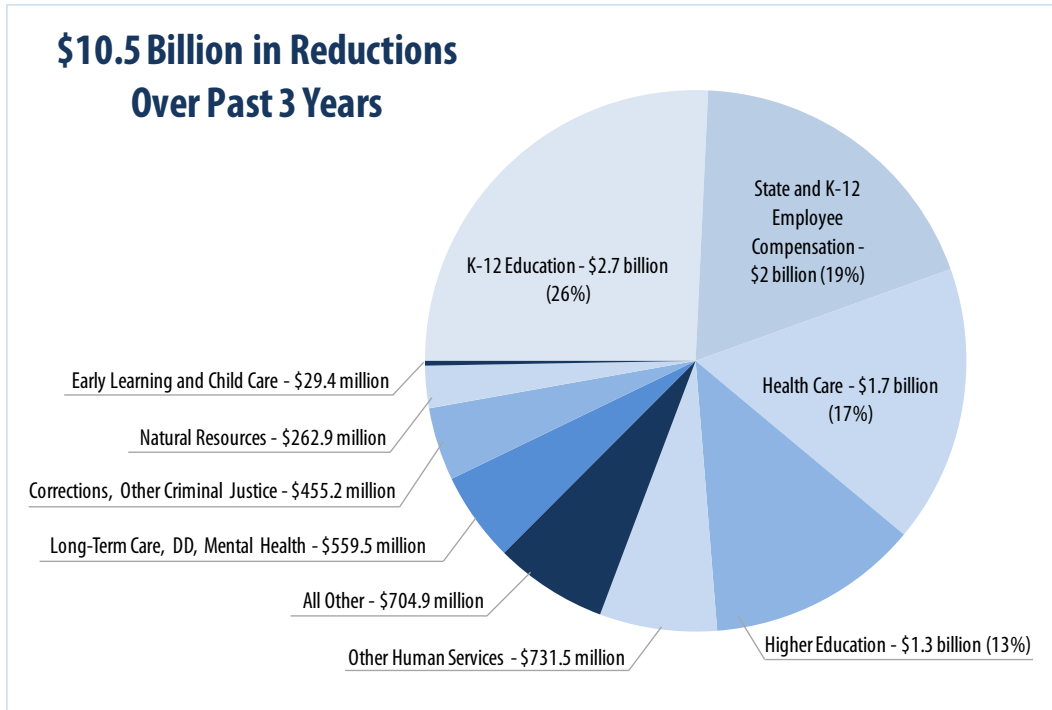


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As is typically the case during economic downturns, as revenue has declined, demand for state services has grown. To illustrate: General Fund-State revenue fell by nearly 7 percent from fiscal year 2008 to fiscal year 2011. But during that same period, the number of people receiving help from the Temporary Assistance for Needy Families (welfare) program swelled by nearly 30 percent. Similarly, the number of people receiving state medical assistance increased by 22 percent, and the number of people in state-supported nursing homes or community care settings grew by nearly 12 percent.

When Governor Gregoire and the Legislature approved the 2011–13 budget last spring, the state was projected to end the biennium with more than \$700 million in reserve. But after three consecutive downward revenue forecasts — including another \$122 million drop this month — the state now faces a \$1.4 billion revenue shortfall for the current biennium.

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Dwindling Revenue Requires Sharper Focus on Budget Priorities

State revenue forecasts have dropped by more than \$7.6 billion since the start of the Great Recession. Real per capita state revenue collections have plummeted to the lowest levels since the mid-1990s.

During that time, we have cut nearly \$10.5 billion from current and projected spending. These reductions have put greater pressure on the state’s safety net and forced all of government to do more with less. We have:

- » Cut more than 60,000 working poor adults from the state Basic Health Plan.
- » Closed three prisons and eliminated more than 1,200 positions in the Department of Corrections, including community corrections officers.
- » Reduced Temporary Assistance for Needy Family grants by 15 percent.
- » Reduced state funding for four-year universities by more than 40 percent, and community and technical colleges by 20 percent.

- » Eliminated funding to reduce class size and increase teacher pay.
- » Adopted the Discover Pass program to help pay for our state parks system.

We have also launched major reforms that rein in long-term cost drivers, boost government efficiency and help speed our state’s recovery. For example, we adopted pension reforms that will save \$7.6 billion over the next 25 years; merged all or parts of five agencies to create the Department of Enterprise Services; and adopted reforms that save \$1.1 billion in workers’ compensation costs over four years.

Now as we begin discussions of more than \$1.4 billion in additional reductions, we must cut from an even smaller portion of the state budget. Nearly two-thirds of General Fund-State spending is protected by constitutional, legal or contractual obligations. This means the bulk of these reductions must come from about \$8.7 billion in programs and services that are unprotected.

State Employees

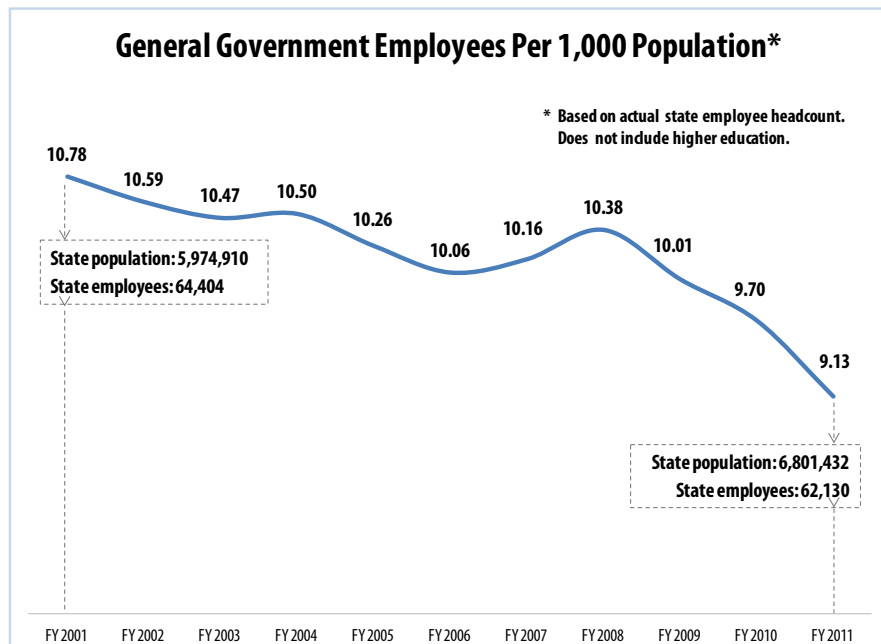
Washington Has Fewer State Workers, and Those Who Remain Are Making Less

In 2001, Washington had 5.9 million residents and more than 64,000 state general government employees. In fiscal year 2011, our state was home to more than 6.8 million residents and about 62,000 state employees. Put another way: We have nearly 1 million more people being served by 2,000 fewer state employees. Over the past three years, we have reduced the state workforce by more than 6,400 employees. And during that period, the overall number of managers in state government has shrunk by nearly 11 percent, compared to a 9 percent decline for non-managers.

This budget will shrink government even more and result in hundreds of additional job losses.

State employees have also agreed to sacrifice pay and benefits. In 2008, state employee salaries and benefits composed 21 percent of the total General Fund budget. By 2011, that share has fallen to 18 percent.

About a third of all general government state employees were required to take up to 10 furlough days during the last fiscal year. And after having their wages frozen since 2008, state employees this year took a 3 percent pay cut. School districts have been getting by with smaller teacher pay allotments from the state. Together, the pay cuts in this biennium save the state \$356 million.



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In addition, state employees are paying a larger share of their benefit costs and, by 2013, the average employee contribution to medical coverage will top \$147 per month, compared to less than \$28 per month in 2001. Likewise, most state employees have seen increases in their pension contribution rates.

According to a new survey, in fiscal years 2011–13, Washington was one of only six states that used all four strategies for reducing employee costs: layoffs, furloughs, pay cuts and benefit reductions.

This budget does not increase employee health care costs any further. But thanks to lower-than-expected health care utilization rates, the Governor's budget reduces the state's costs for state employee and K-12 teacher health benefits by a combined \$36 million for the remainder of the biennium.

2012 Supplemental Budget Balance Sheet

2011–13 General Fund State Balance Sheet

Including Governor's Proposed 2012 Supplemental

Dollars in millions

Resources	
Beginning Fund Balance	(\$92.0)
September 2011 Revenue Forecast	\$30,310.5
November 2011 Update	<u>(122.2)</u>
Current Revenue Totals	\$30,188.3
Transfer to Budget Stabilization Account	(\$264.8)
Use of Budget Stabilization Account Balance	265.4
Fund Transfers Enacted in Original 2011–13 Budget	244.1
Proposed Supplemental Budget Fund Transfers	176.0
Proposed Reductions in Local Revenue Distributions	<u>73.9</u>
Total Resources (including beginning fund balance)	\$30,590.8
Expenditures	
2011–13 Enacted Budget	\$31,721.0
Governor's Proposed Supplemental Budget	<u>(1,731.6)</u>
Total Expenditures	\$29,989.4
Reserves	
Projected Ending Balance	\$601.5

2012 Supplemental Budget Balance Sheet Detail

Fund Transfers and Reductions in Revenue Distribution

Dollars in thousands

Transfers from Other Funds

Transfer from Local Toxics Control Account	\$40,305
Transfer from the State Treasurer's Service Account	12,600
Transfer from the MultiModal Transportation Account	10,000
Transfer from the Data Processing Revolving Account	5,960
Transfer from the State Toxics Control Account	5,605
Transfer from the Public Service Revolving Account	5,000
Transfer from the Aquatic Lands Enhancement Account	4,317
Transfer from the Financial Services Regulation Account	3,000
Reduce GF-S transfer to the Fair Account	3,000
Transfer from the Auditor's Performance Audit Account	1,400
Transfer from the Public Works Administration Account	1,000
Transfer from the Worker and Community Right-to-Know Account	1,000
Transfer from Manufacturing Innovation and Modernization Account	201
	<u>\$93,388</u>

Reversions from Fiscal Year 2011

Transfer from Savings Incentive Account	\$44,618
Transfer from Education Savings Account	31,931
Transfer from Distinguished Professorships Account	3,024
Transfer from Community and Technical Colleges Faculty Awards Account	1,996
Transfer from Graduate Fellowships Account	1,028
	<u>\$82,596</u>

Total Supplemental Budget Fund Transfers **\$175,984**

Reductions in Local Revenue Distributions

Eliminate Liquor Profits Sharing (effective 7/1/12)	\$43,883
Eliminate Liquor Excise Tax Sharing (effective 7/1/12)	26,400
Reduce Streamlined Sales Tax Mitigation 10% (effective 7/1/12)	2,232
Reduce Annexation Sales Tax Credit 10% (effective 7/1/12)	1,357
	<u>73,872</u>

Total Reductions in Local Revenue Distributions **\$73,872**

Department of Early Learning

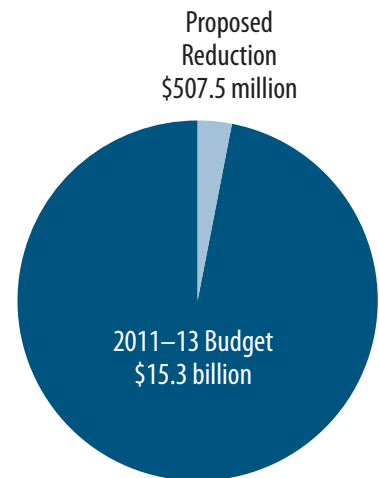
Reduce seasonal child care administration - \$2.1 million

Eliminates state funding through nonprofits to administer child care subsidies for seasonal agricultural workers. Maintains federal funds, which may not be used for undocumented children of seasonal workers.

Eliminate state funding for Child Care Resource and Referral program - \$1.3 million

Terminates state funding to provide child care resource information to parents. As federal funds are the predominant funding source, the state cut reduces services by 11 percent.

Reduce administration - \$950,000



Office of the Superintendent of Public Instruction

Delay June 30, 2013, apportionment payment to July 1, 2013 - \$340.0 million

Extra day moves payment to the next biennium, which will not change total state payments to school districts for the 2012-13 school year. This delay is designed to build a state reserve in the current biennium to guard against the potential for additional state revenue losses before June 30, 2013. The delay could be reversed in the 2013 legislative session if current revenue forecasts hold steady or improve.

Reduce levy equalization payments - \$151.9 million *

Cuts equalization funds to eligible districts. Creates a four-tiered approach so districts with the lowest property values and highest local levy tax rates would receive the smallest cut. Those districts with local levy rates closest to the statewide average rate would lose program eligibility as they are better able to offset the state reduction through local tax collections.

Reduce the kindergarten-through-12th grade school year by four days - \$99.2 million *

Shrinks the school year from 180 days to 176 days. School districts are directed to maintain 1,000 hours of instruction per year. This results in a reduction in annual salaries for school employees, by an equivalent of 2.2 percent, beginning in the 2012-13 school year.

Shift bus depreciation payment from October to August - \$49.0 million

Delays state payments to school districts for bus replacement by 10 months.

* Indicates cut the Governor proposes to prevent with new revenue.

Education

Eliminate or reduce small grants and projects - \$8.8 million

Terminates a number of grants and projects administered through OSPI: Promoting Actual Student Success (PASS), Readiness to Learn, Beginning Educator Support Team (BEST), principal and superintendent internships, career and technical education start-up grants, STEM Lighthouses and nonviolence training. Cuts by 20 percent: Building Bridges, Jobs for America's Graduates (JAG), LASER, Washington Reading Corps, Leadership Academy, College Readiness, Achievers Scholars and IT Academy.

Reduce national board certification bonuses - \$8.6 million

Cuts annual bonuses from \$5,000 to \$4,000 for 5,800 teachers certified by the National Board for Professional Teaching Standards, including additional bonuses for board-certified teachers working in challenging schools.

Revise state attendance policy - \$6.5 million

Changes policy that considers a student withdrawn after he/she is absent unexcused for 20 consecutive days. Five, not 20 days will more accurately account for students who have dropped out of school and for whom the state continues to provide funding to the school district. Adds a school district enrollment count for June.

Reduce staffing for small high schools - \$4.4 million

Shrinks staffing formula for high schools serving fewer than 300 full-time students from a minimum of nine full-time teachers to a minimum of eight.

Reduce administration by 10 percent - \$600,000

Investments

Create financial contingency fund - \$10.0 million

Recognizes a potential for hardship on some districts due to the apportionment delay. A contingency fund is established for districts that meet certain financial hardship criteria during the 2012–13 school year.

Promote aerospace competitiveness through the Launch Year - \$450,000

Takes advantage of a high school student's Launch Year, or final year, by making grants to 12 high schools and two skills centers for an aerospace assembler program and manufacturing support. Students who complete the curriculum will be ready for entry-level aerospace jobs.

Promote aerospace competitiveness through Project Lead the Way - \$250,000

Provides start-up support for the creation of an advanced Project Lead the Way course in 10 high schools. Project Lead the Way is a national program with a multi-disciplinary, hands-on, problem-solving approach to learning.

School for the Blind and Center for Childhood Deafness and Hearing Loss

Reduce state support for the school and the center by 5 percent - \$693,000

Cuts administrative support and services for 65 students served by the School for the Blind and 115 served by the Center for Childhood Deafness and Hearing Loss.

Higher Education

Reduce state support to colleges and universities - \$160.1 million *

Cuts support to the six public colleges and universities, and 34 community and technical colleges in the second year of the biennium. Support is reduced by: 17 percent at the University of Washington, Washington State University and Western Washington University; 16 percent at Eastern Washington University, Central Washington University and The Evergreen State College; and 13 percent at the community and technical colleges.

Suspend State Work Study program - \$8.1 million

Cuts state aid to 7,600 students at public and private colleges and universities beginning fall term 2012. Federally funded Work Study is not affected.

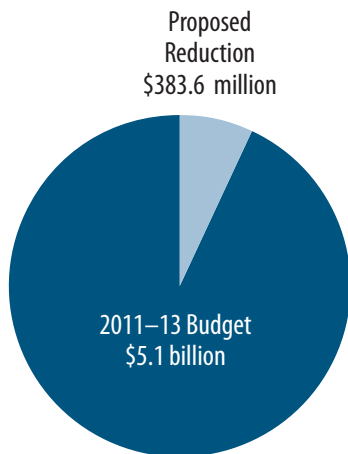
Investment

Graduate more engineering students - \$7.6 million

Supports the high-cost portion of the enrollment of additional engineering students at the University of Washington and Washington State University to meet industry demands. Capacity will be expanded at the universities to graduate 775 more engineering students.

* Indicates cut the Governor proposes to prevent with new revenue.

Social and Human Services



Children's Administration

Maximize federal funding - \$14.4 million

Recovers all available federal funds for costs related to adoption and foster care. The state provides these services to more than 24,000 children monthly.

Reduce use and rates of contracted services - \$12.6 million

Cuts the number of placements in group homes and reduces fees paid to child placement agencies.

Increase client-to-social worker ratio - \$8.6 million

Changes the average ratio of social worker to children from 1:17 to 1:20. Affects only those social workers, associated supervisors and support staff employed in child welfare. Does not reduce the number or ratio of social workers in Child Protective Services.

Eliminate child welfare programs - \$6.9 million

Terminates specialized child welfare programs such as receiving care centers, foster care assessment, continuum of care, sex abuse recognition training, children's advocacy centers, adoption support recruitment and street youth. Eliminates state funding for educational coordinators. Approximately 5,700 children receive these services annually.

Reduce selected services - \$4.6 million

Reduces the Pediatric Interim Care Center, foster parent child care and support services, receiving care services, evaluation and treatment, sexually aggressive youth services, family preservation training and the Responsible Living Skills program for adolescents.

Eliminate family reconciliation services - \$4.5 million

Stops intake and referral services aimed at keeping families intact and promoting positive behaviors for about 525 families who seek assistance each year.

Reduce foster care length-of-stay - \$885,000

Shortens the length of stay for 200 hard-to-place foster children through the use of permanency roundtable teams, which coordinate social workers, community professionals and family members to find permanent placements.

Reduce state funds for domestic violence programs by 10 percent - \$870,000

Cuts funds for domestic violence shelters that serve about 16,700 individuals annually.

Chemical Dependency

Eliminate Disability Lifeline and ADATSA treatment - \$15.6 million

Terminates the Disability Lifeline and ADATSA (Alcohol and Drug Abuse Treatment and Services Act) medical programs, affecting 15,000 low-income clients who receive chemical dependency services such as assessment, opiate substitution treatment, detoxification and crisis response.

Social and Human Services

Disability Lifeline provides medical coverage for low-income adults who are unable to work due to a temporary disability. ADATSA provides shelter and/or medical benefits, treatment and occasional cash support.

Reduce chemical dependency services - \$5.9 million

Reduces outpatient and detoxification chemical dependency services for 5,000 low-income clients without young children. Services include assessment, opiate substitution treatment, detoxification and crisis response.

Eliminate long-term residential and recovery house services - \$2.7 million

Ends funding for long-term residential services in excess of 90 days. Ends funding for five recovery houses, which serve 299 clients per year after they have finished residential treatment program.

Close Pioneer Center East - \$2.1 million

Halts funding for this Spokane chemical dependency treatment facility that annually serves 283 acute-care clients, some of whom are ordered by the court to receive intensive inpatient treatment. Other facilities in the state will be able to provide this coverage, including Pioneer Center North in Sedro-Woolley.

Convert funding to county block grant - \$2.1 million

Distributes chemical dependency state funds directly to counties to maximize efficiency. Counties will have flexibility in providing services with available funds. The department will continue to contract directly with tribal providers of chemical dependency services.

Developmental Disabilities and Long-Term Care

Reduce community residential provider rates - \$11.6 million

Cuts rates by approximately 6.5 percent for developmental disability community residential providers, who serve 3,800 clients each month. Support ranges from a few hours per month to around-the-clock, one-on-one assistance each day.

Eliminate state-only employment and day services - \$9.2 million

Terminates supported employment services, such as job coaching, for 488 clients with developmental disabilities who have not been placed in a Medicaid waiver program. This reduction will affect the ability of these individuals to obtain job training and placement services.

Reduce home care agency reimbursement rates - \$8.8 million *

Cuts reimbursement rates for home care agency providers from \$19.72 to \$18.72 per hour. Home care agencies assist more than 12,000 clients per month with activities such as bathing, dressing, eating, meal preparation and housework in the client's home.

* Indicates cut the Governor proposes to prevent with new revenue.

Social and Human Services

Suspend Individual and Family Service program - \$8.4 million *

Suspends services to nearly 1,000 families for respite care, therapies and other activities which help them keep loved ones with developmental disabilities in their homes.

Reduce eligibility for services - \$8.3 million *

Requires clients with developmental disabilities and long-term care clients receiving personal care services to meet the same level-of-care standard as nursing facility clients. This eligibility change will result in 1,300 of the least acute long-term care and developmental disability clients losing personal care services. In addition, eligibility for developmental disability institution and Medicaid waiver services is restricted, which will cause approximately 330 clients to lose services.

Reform developmental disability waivers - \$6.3 million **

Merges the Basic and Basic Plus federal Medicaid waivers into a single waiver with an average lower cost based on a flexible model instead of the current service allocation model. About 7,000 clients will be authorized to spend a pre-determined amount on services at an aggregate level rather than by the specific service. Clients can select their own mix of services within the determined amount.

Close one residential habilitation center - \$6.1 million

Closes the Rainier School residential habilitation center through the use of federal grants and one-time funding to transition approximately 350 clients to community-based settings or other residential habilitation centers. Because the average monthly cost in an institution is more than \$15,000 per client, significant future biennia savings are expected.

Eliminate Adult Day Health program - \$4.1 million *

Eliminates services to nearly 1,000 individuals with developmental disabilities or in long-term care who now receive assistance through adult day health centers with medication management, cognitive and physical therapies, and group interactions.

Reduce instructional and support hours by 2 percent - \$2.3 million

Cuts community residential services to 3,800 individuals in supported living placements. Services are built around the person's needs and may include assistance with maintaining the home, paying bills, preparing meals and personal tasks.

Eliminate rate add-on for assisted living - \$1.9 million

Stops the rate add-on given to assisted living providers to take more Medicaid clients. Assisted living facilities serve more than 4,500 individuals per month.

Reduce Senior Citizens Services Act funding by 20 percent - \$1.6 million *

Cuts funding to the Area Agencies on Aging, which provide case management services and other services, such as Meals on Wheels, to elderly individuals to help them remain in their homes.

* Indicates cut the Governor proposes to prevent with new revenue.

** Restores \$4 million

Social and Human Services

Investments

Include funding for Initiative 1163 - \$15.2 million

Meets requirements of Initiative 1163 for increased mandatory training, additional background checks and certification for long-term care workers beginning Jan. 7, 2012. The initiative also requires performance audits and more fraud investigators.

Increase community resources - \$4.3 million

Captures savings from the elimination of the Housing and Essential Needs program and redirects them for housing support and services for 258 long-term care and developmental disability clients who would lose their current residential placement as a result of proposed personal care and developmental disability program eligibility changes.

Enhance Family Caregiver Support program - \$1.8 million

Adds specialized caregiver support for people with Alzheimer's disease. This program is available to unpaid caregivers of adults who need care. Providing these caregivers with information and connecting them to other resources may help 2,200 clients remain in their homes and delay entry into more costly long-term care services.

Increase crisis stabilization - \$1.5 million

Provides additional community capacity to address the needs of clients with developmental disabilities who are in crisis or in need of respite. This investment in new community facilities will strengthen the home and community-based system and allow more individuals to be better served.

Provide critical community placements - \$1.3 million

Funds 35 out-of-home community residential placements for individuals with developmental disabilities. These individuals are in crisis and have been identified as aging out of the Children's Administration or being released from a state institution.

Support transitioning high school clients - \$376,000

Funds a supported employment program for an estimated 161 young adults with developmental disabilities on a Medicaid waiver turning 21 and graduating from high school this year.

Economic Services

Reduce state funding for subsidized child care by 12 percent - \$50.0 million

Limits the number of low-income children whose families can receive subsidized child care by 4,000. Currently 33,000 low-income families receive subsidized child care while parents work.

Earn federal TANF contingency funds - \$38.4 million

Assumes continued receipt of federal contingency funds for three more quarters.

Social and Human Services

Reduce TANF time limit to 48 months - \$17.5 million

Limits maximum time a family can receive a TANF grant from 60 to 48 months, which eliminates eligibility for nearly 2,000 families.

Eliminate State Food Assistance program - \$13.9 million

Halts food assistance to an estimated 11,400 individuals each month who are not eligible for federal food assistance or who have not provided documentation of citizenship.

Eliminate Disability Lifeline medical program costs - \$8.7 million

Eliminates the need to cover costs for incapacity examinations associated with the Disability Lifeline medical program due to termination of the program.

Reduce TANF grant amounts by 2 percent - \$7.2 million

Shrinks the average monthly grant for a family of three to \$468. This grant was cut by 15 percent during the past year.

Eliminate State Family Assistance program - \$6.0 million

Stops cash assistance to 1,200 families who do not meet federal TANF eligibility criteria. The average monthly payment is \$240.

Reduce refugee and limited English proficiency services by 15 percent - \$1.7 million

Reduces services that assist about 735 legal immigrants in achieving English proficiency.

Reduce naturalization services by 47 percent - \$1.1 million

Decreases naturalization services to legal immigrants attempting to become U.S. citizens. The program serves about 4,400 individuals annually.

Restrict replacement of electronic benefits transfer cards - \$752,000

Limits the replacement of lost EBTs in Community Service Offices, except in case of emergency, effective July 1, 2012. Cards are used for cash and food for low-income clients.

Mental Health

Delay implementation of Involuntary Treatment Act changes - \$22.6 million

Changes implementation date of House Bill 3076 from Jan. 1, 2012, to July 1, 2015. This postpones the expected increase in community-based and institutional mental health services.

Implement utilization management in Medicaid - \$9.8 million

Institutes process to reduce excessive use of mental health services by targeting services to those with the most acute needs.

Close state hospital wards for dementia and traumatic brain injury clients - \$7.6 million

Shuts down two wards at Western State Hospital and places 52 patients in long-term care community settings.

Social and Human Services

Reduce non-Medicaid funding for regional support networks - \$4.6 million

Cuts funding for mental health services provided to 8,000 non-Medicaid clients per month by regional support networks. Regional support networks deliver mental health services in their area.

Capture savings in Involuntary Treatment Act and offender reentry program - \$3.2 million

Lowers funding to match expected spending for drugs, equipment and professional fees for individuals involuntarily committed to a community mental health hospital. Also lowers funding for mental health services to dangerously mentally ill offenders released from correctional institutions.

Use federal block grant for waived mental health services - \$2.0 million

Replaces state funds with federal funds for such services as supported employment, club house for adult services and respite care.

Consolidate regional support networks - \$1.7 million

Reduces number of regional support networks from 13 to no more than six by Jan. 1, 2013.

Reduce Spokane acute care diversion proviso by 50 percent - \$797,000

Cuts funding for services that divert mental health patients from the state hospital system. This funding is now provided only to the Spokane regional support network.

Investments

Increase community mental health resources and close two civil wards - \$4.1 million

Closes two civil wards at Western State Hospital and places 60 patients in community settings. Savings from the elimination of the Housing and Essential Needs program will be used to develop housing support and community mental health treatment for discharged patients.

Add resources for forensic evaluations - \$493,000

Hires two psychologists and two psychiatrists to conduct forensic evaluations in jails to help divert individuals from more expensive placement at Western State Hospital.

Administration

Eliminate non-core mental health programs - \$1.4 million

Terminates the TeamChild, Juvenile Detention Alternatives Initiative and Washington Mentoring programs.

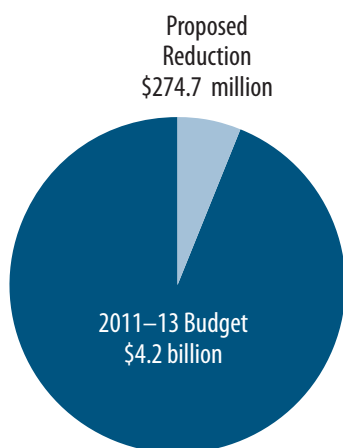
Reduce administration - \$841,000

Achieves savings in executive management, operations support, information systems services and finance divisions.

Reduce community initiative funding - \$450,000

Cuts funding for the Family Policy Council, a public/private partnership that supports at-risk youth and families through 42 networks across the state. The council will operate to the extent that philanthropic contributions permit.

Health Services



Health Care Authority

Eliminate Disability Lifeline medical program - \$89.6 million

Ends medical services to 20,000 clients enrolled in the Disability Lifeline and ADATSA (Alcoholism and Drug Abuse Treatment Support Act) programs. As a result, these clients will have no state-provided medical coverage.

Eliminate Basic Health Plan - \$44.5 million

Terminates program that delivers subsidized health care to 35,000 low-income individuals, effective Feb. 1, 2012.

Modify critical access hospital payment methodology - \$27.2 million

Changes the payment methodology for critical access hospitals to the same methodology used for other hospitals, effective April 1, 2012. Affects 41 critical access hospitals, which are facilities in underserved rural communities.

Reduce certified public expenditure hospitals - \$26.5 million

Cuts grants for hospitals that receive help with costs of providing charity care. Majority of the reduction will affect Harborview Medical Center and the University of Washington Medical Center.

Establish drug formulary for Medicaid clients - \$19.5 million

Sets up formulary for preferred generic drugs.

Eliminate disproportionate share grants - \$13.1 million

Terminates grants to health care facilities in small and rural communities for indigent patients.

Eliminate over-the-counter pharmaceutical coverage - \$11.2 million

Terminates coverage for most over-the-counter pharmaceuticals for Medicaid clients.

Discontinue routine dental care for persons with developmental disabilities, long-term care clients and pregnant women - \$8.6 million

Affects 38,000 individuals who will receive only emergency dental services such as root canals and tooth extractions.

Institute medical services cost sharing - \$8.1 million

Implements nominal cost sharing up to \$3.80 per visit for prescription services, non-emergent client transportation, non-emergent emergency room visits and physician services for Medicaid clients.

Eliminate medical interpreter services - \$5.4 million

Discontinues subsidy that covers costs of interpreter services offered by medical providers to communicate with Medicaid clients whose primary language is not English.

Eliminate state funding for school-based Medicaid - \$3.6 million

Shifts all state costs for school-based medical services, such as speech and occupational therapy, to local district funds to earn federal Medicaid reimbursement.

Reduce administration - \$1.6 million

Cuts 24 full-time equivalent employees and holds vacancies open.

Department of Health

Reduce public health prevention and protection by 10 percent - \$6.6 million

Cuts funds for HIV prevention outreach and direct client services. Will pay only for health coverage for Medicare Part D prescription drug plans so clients keep access to antiretroviral medications. Eliminates dental care coverage for 1,200 clients with HIV. Terminates state funds for other health and prevention programs.

Reduce family planning grants by 10 percent - \$1.8 million

Cuts grants that help local jurisdictions provide family planning-related services. Up to 5,000 fewer clients will receive family planning and reproductive education, services and supplies from local family planning agencies.

Reduce environmental health protection - \$1.3 million

Cuts technical assistance and monitoring of water systems, on-site septic system permitting and compliance activities, public health lab community outreach, and surveillance of plague mosquito-borne and tick-borne diseases.

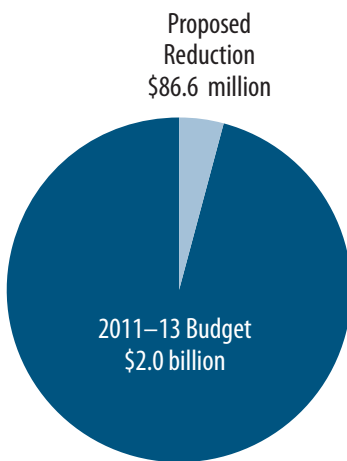
Reduce administration by 10 percent - \$936,000

Cuts costs in central administration, data collection activities and the State Board of Health.

Reduce health care and emergency medical systems by 20 percent - \$739,000

Cuts emergency medical systems and area health education centers. Eliminates malpractice insurance program for 600 volunteer retired providers who serve 78,000 patients annually.

Public Safety



Department of Corrections

Implement offender supervision reforms - \$27.1 million *

Institutes efficiencies and evidence-based practices in supervision of violator population of 16,600. Reduces the length of supervision to 12 months for all offenders except approximately 3,000 sex offenders, who will be supervised for 24 months. Currently, non-sex offenders are supervised from 12 to 36 months, and sex offenders are supervised for 36 months.

Allow early release of offenders - \$14.2 million *

Releases 150 days early those offenders assessed at low to moderate risk of reoffending, and sex offenders assessed at low to moderate risk of reoffending. Affects about 370 offenders on a daily basis. Closes the minimum-security unit in the Washington State Penitentiary in Walla Walla and changes the security level of the Washington State Reformatory in Monroe from medium to minimum security.

Repurpose Old Main and invest savings in safety improvements as recommended by a safety committee - \$9.4 million

Converts units at the Old Main in Walla Walla to minimum-security units. Medium-security level prisoners will be relocated to other medium-security facilities in the state.

Reduce administration - \$5.9 million

Cuts administration and support functions. Eliminates the Jail Industries Board, which promotes employment through partnerships with labor, business, communities and other organizations.

Reduce chemical dependency programming for offenders by 50 percent - \$5.1 million

Reduces treatment for 520 offenders in prison and 750 on community supervision. Retains chemical dependency treatment for offenders sentenced under the Drug Offender Sentencing Alternative.

Increase offender health care co-payments - \$1.8 million

Requires offenders with resources to pay more of their health care costs through higher co-pays by boosting amount of co-pay from \$3 to \$4.

Criminal Justice Training Commission

Require 50 percent local cost share (effective July 1, 2012) - \$2.1 million

Reduces General Fund-State funds and requires a cost share of 50 percent for all local law enforcement training. The commission provides training and certification for all law enforcement officers in Washington, except the State Patrol. Ninety-five percent of those trained are city, county and tribal peace and corrections officers, and a small number are state enforcement, corrections and peace officers.

* Indicates cut the Governor proposes to prevent with new revenue.

Eliminate Rural County Drug Task Force funding (effective Jan. 1, 2012) - \$1.5 million

Terminates one-time funding for additional rural drug task forces.

Juvenile Rehabilitation Administration

Reduce juvenile court county funds by 20 percent - \$5.5 million

Cuts funding sent to counties for evidence-based programming that serves juveniles, affecting approximately 1,900 youths. These funds provide services to youth to address delinquent behavior and avoid placement in a state juvenile facility.

Reduce caseload and increase efficiencies in facility transitions - \$3.3 million

Releases 21 juveniles with non-violent offenses and a low-risk score on the minimum release date. Achieves additional savings by delaying new hires and services in psychiatry and psychology during facility transitions such as the closure of Maple Lane and transfer of youth to Green Hill School and Echo Glenn School.

Reduce parole services for juveniles by 20 percent - \$2.9 million

Reduces the time in which parole is provided or reduces the number of juveniles served.

Eliminate expansion of juvenile behavioral therapy programs - \$750,000

Terminates functional family therapy and aggression replacement therapy for approximately 200 aggressive youths and their families.

Special Commitment Center

Limit funding for costs for sexually violent predator commitment trials - \$2.2 million

Specifies that the state will cover only defense costs for attorneys, paralegals and sheriff transportation, in addition to one expert witness per side and one continuance. Affects about 23 cases per year.

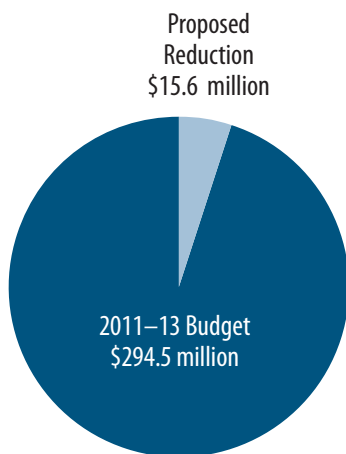
Expedite court hearings for lower risk residents - \$1.8 million

Identifies residents deemed to be at less risk of reoffending and advances them to the courts for consideration of release. Affects about 10 residents per year.

Reduce general services - \$1.2 million

Cuts food and nursing services, recreation and contracts.

Natural Resources



Department of Agriculture

Eliminate funding to county fairs - \$3.0 million

Terminates funding to county fairs to pay for premiums (prize money). Achieves savings by reducing state funding transferred into the Fair Fund. Preserves funding for community and youth fairs.

Shift invasive knotweed control program to the Aquatic Lands Enhancement Account and Freshwater Aquatic Weeds Account - \$758,000

Moves grants to local entities to combat invasive knotweed, which if left unchecked harms native plants and fish species, to another account.

Investment

Support state food banks - \$1.5 million

Increases funding for state food banks that serve 1.5 million clients annually. Funding will provide 4.5 million meals annually.

Conservation Commission

Reduce administrative/operations grants to conservation districts - \$1.4 million

Reduces administrative and operations grants to conservation districts by 28 percent to encourage districts to pursue local assessments. Only 15 of 47 conservation districts have implemented local assessments to fund district administration and projects.

Department of Ecology

Reduce staff - \$5.2 million

Holds vacant 14 and eliminates 13 state-funded positions in a number of programs, including air quality, water resources, water quality, toxic clean-ups and hazardous waste management. Reduces capacity for such activities as motor vehicle emission testing, stream-flow monitoring and water quality permit administration.

Reduce public participation grants - \$1.4 million

Cuts funding on a one-time basis for waste management-related grants to citizen groups and nonprofit organizations. Retains funding for grants for public involvement in contaminated site clean-ups.

Reduce state subsidy of agricultural burning program - \$222,000

Shrinks state subsidy for permitting of agricultural burning. Reduction can be made up through fee increases recommended by the Agricultural Burning and Research Task Force.

Increase woodstove fee - \$128,000

Eliminates a General Fund-State subsidy of the woodstove education and enforcement program that protects public health by increasing the fee from \$30 to \$45 on sale of new woodstoves. Costs are shifted to the Woodstove Account.

Investments

Protect and restore Puget Sound - \$22.9 million

Passes through federal funding from the U.S. Environmental Protection Agency's National Estuary Program for two cooperative agreements to reduce toxics and restore watershed health in Puget Sound. Most funding will be passed through to local governments and tribes. Adds authority and 3.6 full-time equivalent (FTE) employees to implement these agreements.

Expedite water discharge permits - \$860,000

Speeds up processing of National Pollution Discharge Elimination System permits required for facilities discharging to the state's waters. Ecology works with about 2,000 permit holders and has approximately 75 percent of its NPDES permits up-to-date. Additional 3.6 FTEs will expedite permit processing and promote economic recovery.

Department of Fish and Wildlife

Shift hatchery operations to the State Wildlife Account - \$1.5 million

Shifts 22 percent of hatchery operations to the State Wildlife Account on a one-time basis to continue fish production for commercial and recreational fisheries.

Reduce management - \$1.1 million

Eliminates six managers at headquarters and regional offices.

Charge a hydraulic project permit application fee - \$1.0 million

Cuts funding and imposes a hydraulic project permit application fee to support this program, which protects fish and their habitat from the impacts of projects in waterways.

Reduce payment in lieu of taxes payments to local governments - \$772,000

Rolls back payments to counties to 2009 levels. Counties receive payments from the department in lieu of property taxes that would be assessed if the land were privately owned.

Shift Puget Sound toxic sampling in fish to the Aquatic Lands Enhancement Account - \$714,000

Shifts to another account the sampling of Pacific herring and English sole for toxic contaminants necessary to track progress in reducing toxics in Puget Sound sediments.

Implement cost recovery for energy project habitat technical assistance - \$486,000

Allows entering into cost-reimbursement agreements for technical assistance to energy project developers to protect fish and wildlife habitat.

Natural Resources

Shift equipment purchases to the Fish and Wildlife Equipment Revolving Fund - \$355,000

Shifts a portion of equipment purchases to this revolving fund.

Shift ballast water inspections in Puget Sound and the Columbia River to the Aquatic Lands Enhancement Account - \$352,000

Shifts to another account inspections of ballast water of commercial vessels entering the state. This helps prevent the introduction of invasive species such as zebra mussels into the state's waters.

Shift Shellfish Management to the Aquatic Lands Enhancement Account - \$308,000

Shifts a portion of funding for commercial shellfish management from the General Fund to the Aquatic Lands Enhancement Account. The department manages recreational and commercial shellfish fisheries and is responsible for protecting those species and their habitat.

Suspend agricultural damage payments - \$300,000

Suspends payments to compensate landowners for confirmed damage to agricultural crops caused by wildlife (primarily deer and elk).

Investment

Promote wolf monitoring and management - \$355,000

Provides additional resources for monitoring and managing wolves with revenue from the sale of endangered species license plates. This will fund notification to livestock owners of the presence of wolves to help reduce loss of livestock and implementation of proactive, non-lethal management tools to protect cattle and sheep.

Department of Natural Resources

Capture fire suppression savings - \$1.5 million

Takes savings from lower-than-expected wildland firefighting costs for the 2011 season.

Shift Adaptive Management Grants - \$487,000

Moves grant funding for the Department of Ecology and the Department of Fish and Wildlife from the General Fund to the Forest and Fish Support Account to align with the program's original funding in 2007. The Department of Natural Resources distributes grants to stakeholders and state agencies that perform work as part of the forest practices adaptive management process.

Switch correctional camp work to state trust lands - \$300,000

Focuses work by correctional camp crews on silviculture activities on state trust lands instead of recreation and local government sites.

Investment

Increase trust land management - \$4.4 million

Adds funding and 10 FTEs to resume silvicultural activities on state trust lands. This will provide more future timber revenue to schools and counties as well as generate timber jobs.

Central Services Charges/Statewide

Reduce central services and related charges to state agencies - \$18.6 million

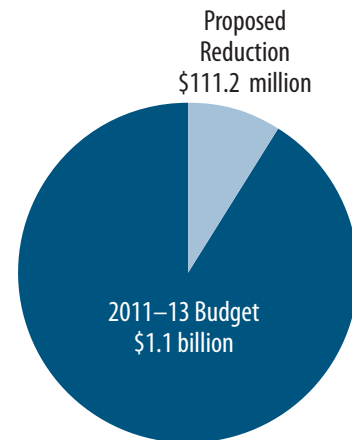
Requires administrative support agencies to work with their clients to reduce the level of service on rates charged, which will produce \$43 million in savings, 43 percent of which is General Fund-State.

Reduce agency budgets by 10 percent - \$1.9 million

Affects agencies with 26 or more FTEs (full-time equivalent employees) and General Fund-State biennial budgets of less than \$10 million.

Reduce small agency budgets by 5 percent - \$1.4 million

Affects agencies with 25 or fewer FTEs.



Department of Commerce

Eliminate essential needs and housing funds for individuals who now receive medical care - \$45.7 million

Terminates grants to local governments and community organizations for rental and utility assistance and essential needs to 16,170 low-income individuals.

Reduce sexual assault formula grants by 20 percent - \$3.0 million

Cuts grants to the 39 community programs that deliver prevention and treatment services to victims of sexual assault. Annually, more than 85,000 individuals are served. Programs take in about 10,000 new clients, 57 percent of whom are children.

Eliminate the Economic Development Commission's funding to the Entrepreneurs in Residence program (STARS teams) and reduce the Economic Development Commission - \$2.5 million

Terminates funding to bolster the state's innovation capacity in emerging commercial technology fields through five STARS researchers at the University of Washington and Washington State University. Reduces the state Economic Development Commission, which will delay the update of the state's Strategic Economic Development Plan, due to staff reductions.

Require competitive process for local economic development organizations and reduce state funding by 30 percent - \$2.5 million

Sets up a competitive process so associations with projects of greatest promise are funded. Cuts funding to 34 associate development organizations that serve 39 counties. These organizations serve as the focal point for local economic development activities by recruiting new businesses and coordinating business retention and expansion activities.

General Government

Eliminate community services block grants - \$1.4 million

Terminates state funding for approximately 690,000 low-income people in 276,000 households who now receive housing, employment, emergency food and shelter services.

Eliminate community mobilization grants - \$1.2 million

Terminates grants that counties use to help prevent and reduce substance abuse and violence. More than 175,000 youths and adults were served in the 2009–11 biennium.

Eliminate State Drug Task Force - \$808,000

Ends state funding for the Multi-Jurisdictional Narcotics Drug Task Force, which will cause closure of seven of 19 local task forces. In fiscal year 2009, this program helped dismantle 170 criminal organizations. Other funding is available.

Reduce victim witness support grants by 20 percent - \$570,000

Cuts grants to victim witness programs in each of the 39 county prosecutor offices. Annually, the programs assist 43,000 crime victims and witnesses in pursuing prosecution.

Reduce grants for domestic violence legal advocacy by 20 percent - \$564,000

Cuts grants to 48 community-based, domestic violence prevention programs that assist with protection orders and divorce and separation papers. In fiscal year 2011, nearly 5,680 individuals were assisted.

Reduce victims services by 20 percent - \$526,000

Cuts funding for 13 regional centers that deliver 24-hour crisis intervention. In fiscal year 2011, services were provided to 4,499 victims of assault, burglary, child abuse, drunk and drugged driving, homicide, identify theft, kidnapping, trafficking and property crimes.

Reduce long-term care ombudsman funds by 20 percent - \$327,000

Cuts funds for 12 regional ombudsman offices. With 400 trained and certified volunteers, these offices work with residents, families, facility providers and staff to address concerns and eliminate abuse, neglect and exploitation of long-term care residents. The Ombudsman Program handles 800 to 1,200 complaints annually in 3,676 long-term care facilities (adult family homes, assisted living facilities and nursing homes).

Eliminate Asset Building program - \$324,000

Ends state funding for the Washington Asset Building Coalition and local coalitions that help thousands of low-income households learn how to save and better manage their money. Services include free tax preparation, foreclosure prevention services, credit counseling and small-business training. Federal and private funds are available.

Eliminate New Americans Program - \$281,000

Ends program that helped 1,780 legal immigrants become naturalized citizens in fiscal year 2011.

General Government

Reduce support for administration of several community services and housing programs by 20 percent - \$270,000

Adjusts the management and administrative support of programs recommended for elimination or reduction, including asset building, community services block grant, New Americans, Retired Senior Volunteer and crime victims services. Applies to second year of the biennium.

Reduce state energy policy unit by 10 percent - \$112,000

Cuts this unit which boosts the state's ability to improve energy efficiency and develop renewable energy businesses that can compete in the global marketplace.

Department of Enterprise Services

Shift state support for contracts unit and reduce support by 3 percent - \$965,000

Moves the contracts unit's state funding to dedicated sources. Reduces state funding for utilities, operations and maintenance services to legislative agencies, and shifts funding for the Capital Projects Advisory Review Board to the capital budget.

Office of Financial Management

Reduce staff by 9 percent - \$3.5 million

Cuts staff in budget, accounting, forecasting and policy units. Shifts funding for capital and transportation budget staff to capital and transportation funds.

Department of Labor and Industries

Shift funding for Crime Victims Compensation program - \$2.2 million

Cuts state funding with no change in client benefits. Higher level of federal benefits will offset the loss of state funds. The program helps victims with costs associated with violent crime such as medical bills, lost wages and funeral expenses.

Use fees for factory assembled structures and reduce administration - \$325,000

Increases fees for program that inspects mobile and modular homes and other built structures so program is fully fee-supported. Will not reduce the number of inspections. Also cuts funding for department administration.

Military Department

Close selected armories and reduce administration - \$1.6 million

Reduces number of local armories from 32 to 28 (Everett, Prosser, Pullman and Tacoma will be closed) and cuts the department's administration and facilities management.

General Government

Department of Revenue

Reduce spending in non-revenue generating activities by 3.5 percent - \$7.3 million

Cuts spending without affecting revenue collections by holding vacancies in non-revenue-generating positions, reducing telephone assistance and customer service, and cutting support for tax policy, fiscal analysis and rule making.

Attorney General's Office

Eliminate the Homicide Incident Tracking System and reduce the Criminal Investigation Program - \$1.2 million

Terminates HITS, which is used to track and solve violent crimes. HITS information is available through other federal and regional databases. HITS and CIP provide services that local law enforcement agencies could receive elsewhere, or pay the state or other entity to provide. Retains 20 percent of CIP funding to continue provision of some services to very small counties.

Office of the Governor

Reduce staff by 10 percent - \$1.1 million

Secretary of State

Reduce administrative and other costs - \$3.0 million

Cuts administration, closes library branch in Washington State Penitentiary eastern complex, scales back State Library services and supplies, reduces TVW funding by 7 percent and other actions.

Employee Compensation

Reduce monthly state allocation for K-12 employee health benefits - \$19.9 million

Cuts state allocations to school districts for employee health benefits from \$768 to \$745 per month.

Align LEOFF Plan 2 contributions with other state pension plans - \$18.1 million

Reduces state, local government and employee contribution rates to the LEOFF Plan 2 pension system to align with the method used by other state pension plans. LEOFF covers local law enforcement officers and firefighters, and is funded by a combination of contributions in which the members pay 50 percent of the total contributions, the employers pay 30 percent and the state pays 20 percent.

Reduce PEBB monthly per-employee funding rate - \$16.0 million

Reduces the monthly employer funding rate for PEBB, or Public Employees Benefits Board, insurance benefit premiums from \$850 per employee per month to \$825 per employee per month. A reduction in the PEBB funding rate does not modify the provisions of the health care super coalition collective bargaining agreement.

Adjust contributions to Judicial Retirement System to payout rate - \$4.0 million

Slows the projected increase in fund balance.

Local Government Revenue Sharing

Reduce liquor profits sharing - \$43.8 million

Fifty percent of revenues received by the Liquor Control Board and deposited into the Liquor Revolving Fund are distributed to 39 counties and 281 cities and towns. Section 302 of Initiative 1183 requires border areas, counties, cities and towns to receive, in the aggregate, no less than they received from the Liquor Revolving Fund during comparable periods prior to the effective date of the initiative, plus an additional \$10 million. It is estimated that border areas, counties, cities and towns will receive \$48 million during fiscal year 2013 due to Section 302 of Initiative 1183. However, any remaining funds in the Liquor Revolving Fund will be deposited into the General Fund.

Eliminate liquor excise tax sharing - \$26.4 million

Eliminates the state's liquor excise tax revenue sharing (35 percent of all collections) that counties, cities and towns receive. Distributed by population, 20 percent goes to 39 counties and 80 percent goes to 281 cities and towns. These tax revenues are deposited into the Liquor Excise Tax Account and are not protected by Initiative 1183.

Reduce streamlined sales tax mitigation by 10 percent - \$2.2 million

Reduces by 10 percent distributions to two counties, 51 cities and seven transit districts that impose a sales tax to mitigate revenue losses resulting from the Streamlined Sales and Use Tax Agreement, which changed sales and use from an origin-based, sales-tax sourcing scheme to a destination-based, sales-tax sourcing scheme.

Reduce annexation sales tax credit by 10 percent - \$1.4 million

Reduces by 10 percent distributions from a tax credit that benefits seven cities in King, Pierce or Snohomish counties. Under the credit, cities that annexed an area with a population of at least 10,000 are allowed to retain 0.2 percent of the state's sales tax generated in the city to fund the cost of extending city services to the annexed area.

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