



Proposed 2013–15

Budget & Policy Highlights

Governor Chris Gregoire

Office of the Governor
December 2012

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Letter from the Governor

As I prepare to leave office after eight years, I am humbled and honored to have served the people of this great state. Looking back, I know that if there is one thing for which my administration will be remembered, it is how we guided Washington through the Great Recession.

Throughout this challenging and often painful journey, we dramatically reshaped state government while helping minimize the damage to essential state services. Our actions over the past four years have put state government on a more sustainable fiscal path and will leave Washington better prepared to confront future budget crises.

Since the start of the Great Recession, we reduced existing and projected spending by more than \$11 billion. We enacted landmark pension and debt service reforms that will lead to billions of dollars in savings. We imposed statewide freezes on hiring, out-of-state travel, equipment purchases and personal services contracts. We eliminated dozens of state boards and commissions, closed six state institutions and engineered the largest agency consolidations in modern times.

State employees have been placed on furlough, agreed to pay cuts and are paying higher health care and pension costs. Their sacrifices have been key in helping see us through the Great Recession.

Over the past four years, the general government workforce has been shrunk by 12.5 percent to fewer than 60,000 employees, bringing the number of state workers to its lowest level since the mid-1990s. Meanwhile, the number of managers in state government has been reduced by nearly 15 percent.

Our actions over the past four years have put state government on a more sustainable fiscal path and will leave Washington better prepared to confront future budget crises.

Unfortunately, even after all this, we still face a significant budget problem.

The Washington State Economic and Revenue Forecast Council is projecting a \$900 million budget shortfall for the 2013–15 biennium. But keep in mind, that outlook is for just the base state operating budget. It does not factor in any additional spending that will be needed to meet basic education needs identified by the state Supreme Court in the McCleary decision.

As required by law, my budget staff has prepared a 2013–15 budget that relies only on existing revenue. But as we worked on that plan, I quickly realized that \$900 million in program reductions — on top of all the cutting we've done the past several years — would have unacceptable consequences for our state and its people. For example, such a budget would:

- » Reduce levy equalization funding to local school districts by \$100 million.
- » Impose \$52 million in across-the-board cuts to public universities and colleges.
- » Eliminate the State Food Assistance Program and other services for our most vulnerable citizens.
- » Provide no new basic education funding to address McCleary.



So, as is allowed by law, I am instead proposing what I believe is a more balanced and responsible 2013–15 budget — one that includes program reductions as well as reasonable revenue solutions to maintain essential state services. In addition, I am putting forward a bold plan to begin addressing our basic education needs as required by our constitution as interpreted by the state Supreme Court in its McCleary decision.

At the height of our budget crisis a few years ago, our strategy for protecting essential services included targeted, temporary tax increases. We also delayed or suspended some statutorily required programs or initiatives. We were trying to buy time until the economy recovered. But the recession turned out to be the deepest and most prolonged downturn since the Great Depression. Our economy — and, especially, our revenue collections — have not yet rebounded enough to fund all our basic obligations, the McCleary decision aside.

As you will see in the pages that follow, I am proposing to extend two of those temporary taxes and continue deferring certain spending obligations. My budget also identifies areas where service costs can be shared through user fees. And I am proposing to tap an assortment of non-General Fund sources on a one-time basis to cover specific needs.

While these actions will enable us to avoid some truly harmful reductions, my strategy was to build a budget that balanced revenue with program cuts. This budget constrains the growth of government in most areas and includes additional reductions to dozens of programs.

This budget also captures savings from significant reforms. Thanks to the federal government’s health care reform law, we will provide coverage to more Washington residents, yet spend less state money. And our recent agency consolidation efforts are already generating more real savings.

My budget would increase spending in a few areas, such as to make sorely needed enhancements in prison safety and early childhood education and to cover critical funding shortfalls in our College Bound Scholarship program and state parks system. Overall, about 80 percent of the new spending in my budget goes toward education — toward building a better future for Washington.

Over the past year, the major credit rating agencies have given our state high marks for how we managed our finances throughout the recession. In this vein, my budget restores state reserves to a healthy level — more than \$880 million, including the rainy day fund.

The Great Recession tested all of us in ways we never could have imagined. I ran for public office to make government work for citizens, and in building that model, I invested your tax dollars in programs that mattered most to citizens. Yet together, we have had to scale back and in some cases dismantle the very programs we knew were important.

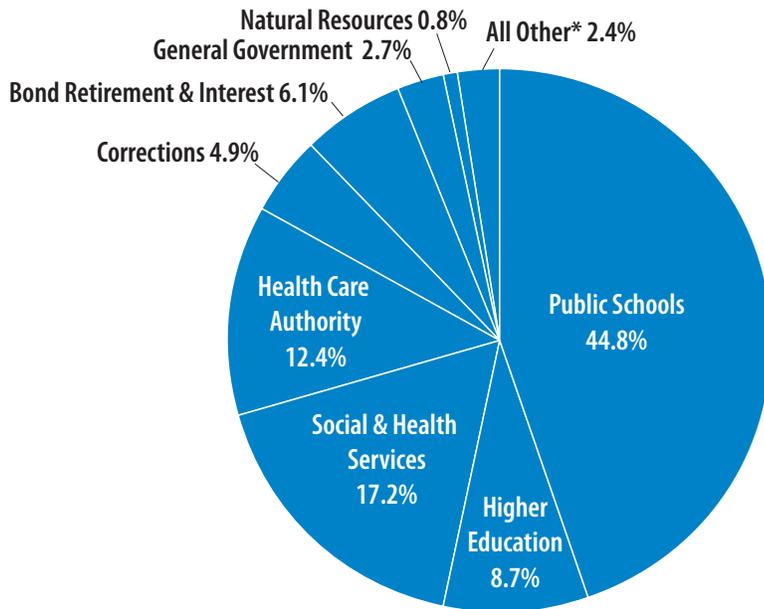
My goal with this budget was to give our incoming Governor and the Legislature a balanced and sustainable plan that addresses our fiscal problem and preserves services that are pivotal to our future prosperity.



Proposed Budget Expenditures

General Fund-State, Education Legacy Trust and Opportunity Pathways Accounts

Distribution of 2013–15 Operating Expenditures

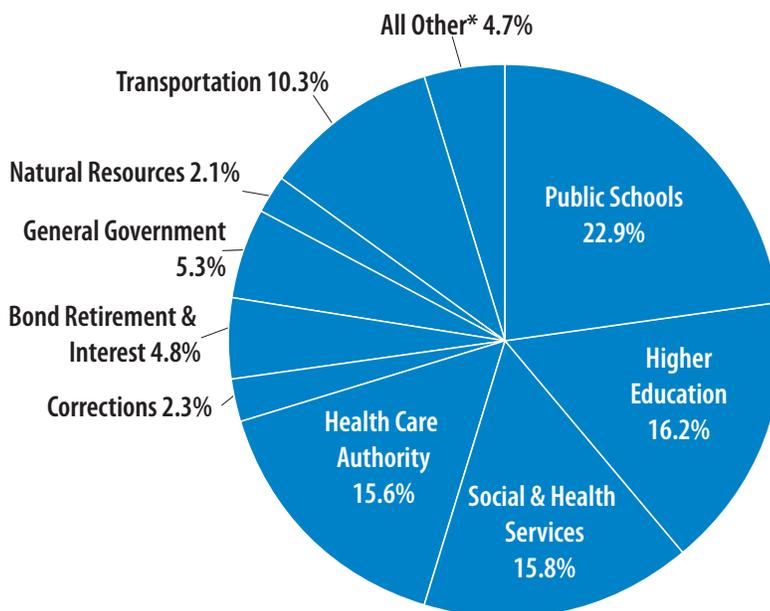


Dollars in Millions	
Public Schools	\$15,249
Higher Education	2,968
Social & Health Services	5,858
Health Care Authority	4,222
Corrections	1,677
Bond Retirement & Interest	2,087
General Government	930
Natural Resources	274
All Other*	795
Total	\$34,060

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

All Funds: Operating Plus Transportation Capital

Distribution of 2013–15 All Funds Expenditures



Dollars in Millions	
Public Schools	\$17,138
Higher Education	12,120
Social & Health Services	11,808
Health Care Authority	11,655
Corrections	1,693
Bond Retirement & Interest	3,574
General Government	3,987
Natural Resources	1,593
Transportation	7,739
All Other*	3,506
Total	\$74,813

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

Overview

A BALANCED BUDGET SOLUTION

As Washington slowly emerges from the worst economic crisis since the Great Depression, state revenue collections are beginning to grow. But the economy remains challenged and we still face significant risks from the lingering Eurozone debt crisis to the “fiscal cliff” standoff in Congress.

According to the state’s latest projections, revenue collections are not expected to return to 2008 levels until 2014. And, on a real per capita basis, General Fund-State revenue collections are projected to remain essentially flat over the next four years. Meanwhile, high demand for many state services continues.

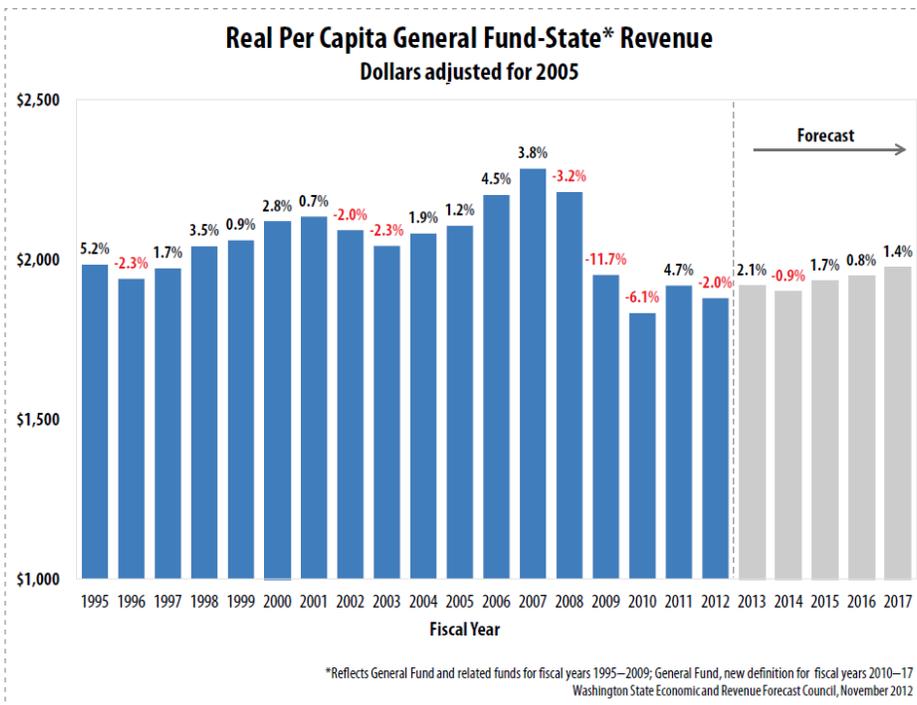
biennium will outstretch expected revenues by more than \$900 million. That figure does not take into account several large obligations nor that the state will need to spend as much as \$1 billion on basic education in the next biennium to begin complying with the state Supreme Court’s McCleary decision.

As is required by law, Governor Gregoire prepared a budget that relies only on existing revenue. But such a budget would require cutting deeper into higher education, sharply reducing levy equalization support to local school districts and eliminating basic services such as the State Food Assistance Program. After reviewing those options, the Governor is convinced a no-new-revenue budget would have unacceptable consequences for people

across the state. What’s more, it would likely hinder the state’s economic recovery.

Instead, Governor Gregoire is proposing a balanced solution to the shortfall — one that will preserve essential services, help rebuild a healthy budget reserve and keep the state moving toward recovery. Built through the Priorities of Government budget process, her plan includes significant new spending reductions and savings through reforms. But it also relies on modest revenue solutions.

In addition to proposing her 2013–15 budget, the Governor is also putting forward a plan to begin addressing the McCleary decision. It relies on a mix of new revenue and extension of two taxes set to expire next year to support more than \$1 billion in sustainable basic education investments over the next two years. (See the Education section for more detail.)



What this means is that — even after four consecutive years of budget cutting and government reform — state revenue growth is still not expected to keep pace with the costs of state services. In fact, the Washington State Economic and Revenue Forecast Council recently projected that the total costs of all current obligations for the 2013–15

SPENDING REDUCTIONS AND REFORM SAVINGS

Governor Gregoire’s budget saves \$360 million by again suspending teacher cost-of-living pay raises required under Initiative 732 and banks another \$14 million by delaying implementation of the state’s paid family leave law. Her plan makes tens of millions of dollars in additional cuts to dozens of state programs — ranging from the Economic Development Commission to grants for local watershed planning. The Governor also proposes to trim funding for local government programs by about \$57 million.

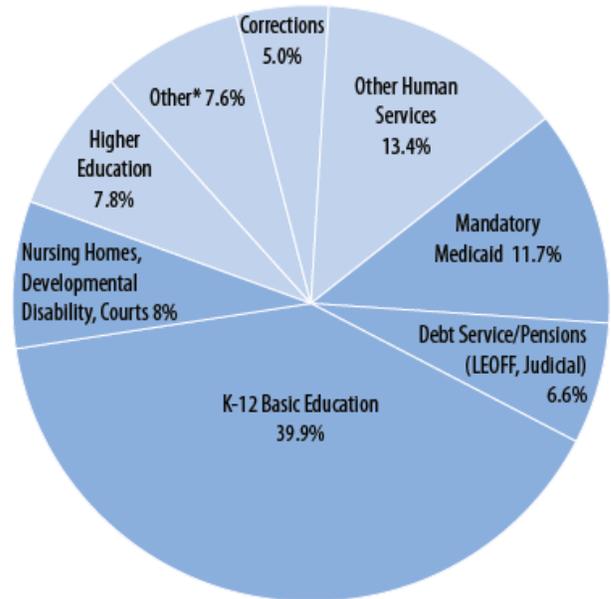
After prioritizing state needs and services through the Priorities of Government process, the Governor also identified non-General Fund sources that can be tapped on a one-time or ongoing basis to forestall about \$53 million in cuts to programs or services.

The Governor’s budget also captures savings resulting from recent reforms instituted at both the state and federal level. These savings are in addition to savings generated by the Governor’s Lean management initiative, which is gaining momentum across state government.

In 2011, the Legislature approved the Governor’s proposal to create the Department of Enterprise Services, which merged all or parts of five agencies that deliver support services to state government. After just one year of operation, the Governor’s proposed 2013–15 budget for the new agency assumes more than \$20 million in savings resulting from the consolidation of “back office” functions such as human resources, accounting, purchasing, contracting and facilities management.

Similarly, Washington stands to save nearly \$140 million under the federal Patient Protection and

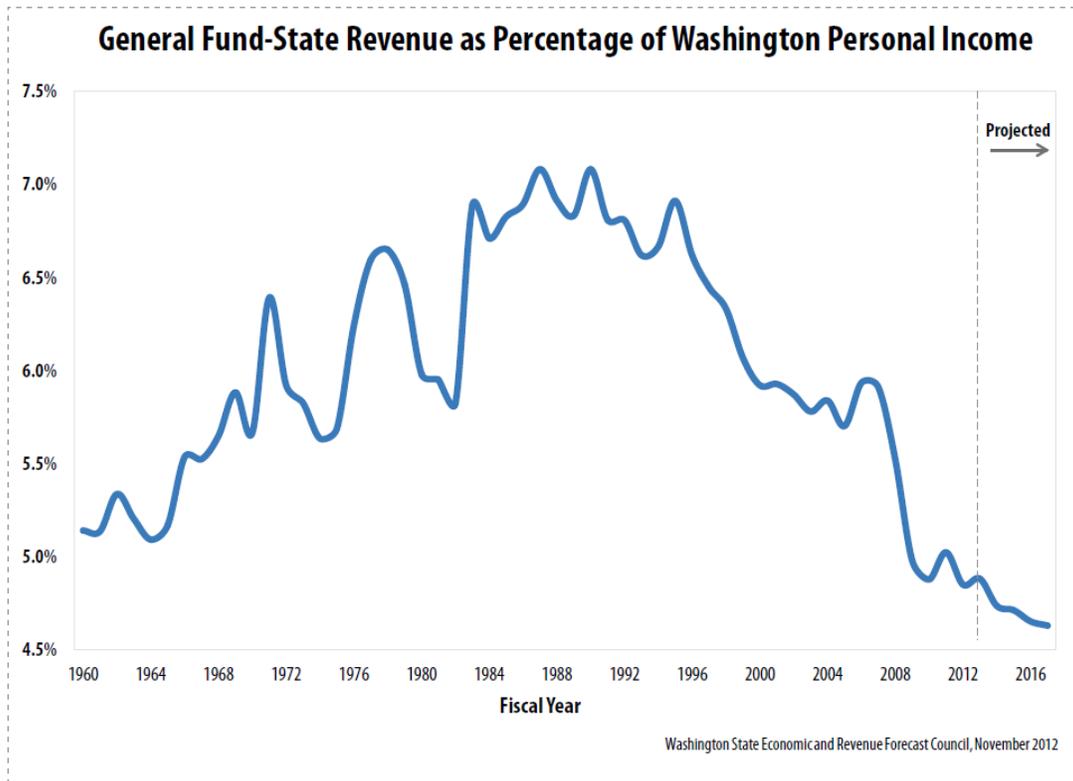
Two-Thirds of the \$33.3 Billion GFS 2013–15 Maintenance Level Budget is Tied to Constitutional and Federal Requirements



*Other includes balance of K-12, Legislative agencies, Governmental Operations, Natural Resources, Transportation, Other Education, Other Appropriations

Office of Financial Management, December 2012

Affordable Care Act — even as the state expands Medicaid coverage to an estimated 255,000 newly eligible adults. The savings are due primarily to the fact that, under the new law, the federal government will now pay the bulk of health care costs for people previously covered by programs funded entirely by the state. The federal reforms come on top of years of progress here in Washington, where the Governor used evidence-based medicine and chronic care management to ensure better results at lower cost. Meanwhile, the state has reined in health care inflation in its Medicaid program. From 2008 to 2015, the average year-to-year Medicaid inflation in Washington is projected at -1.13 percent, well below the projected national average of 3.66 percent.



REASONABLE REVENUE SOLUTIONS

The General Fund is Washington’s primary source of funding for the state operating budget. Over the past 25 years, however, General Fund revenue collections have not kept pace with the growth of the state’s economy. As the chart above shows, General Fund revenue collections in the late 1980s equaled about 7 percent of total personal income statewide. Today, General Fund revenue equals less than 5 percent of total personal income — lower than it was in the 1960s.

In 2010, the most recent year for which data is available, Washington ranked 36th among all states in terms of per capita total state and local tax collections in relation to personal income.

Governor Gregoire’s proposed 2013–15 base operating budget does not include any new taxes. Instead, the Governor is proposing an assortment of modest revenue solutions.

For example, the Governor is proposing to repeal a use tax exemption that the state currently provides

for fuel produced and used internally by extractors and manufacturers. Washington is one of only two states that provide an extracted-fuel tax exemption, which in this state primarily benefits refineries. Repealing the exemption will generate \$63 million in additional state revenue and \$23 million in additional local revenue during 2013–15.

The Governor’s budget also extends the Hospital Safety Net Assessment, an inpatient fee that was created in 2010 to leverage increased Medicaid matching funds. Extending the assessment will generate \$276 million in 2013–15.

Governor Gregoire’s budget continues to identify areas where it makes sense for the people who benefit from state services to share in their cost through new or increased user fees. The budget also makes about \$172 million in one-time transfers to the General Fund from a variety of accounts, including the Public Works Trust Fund, the Life Science Discovery Fund, the Local Toxics Control Account and the State Treasurer’s Service Account.

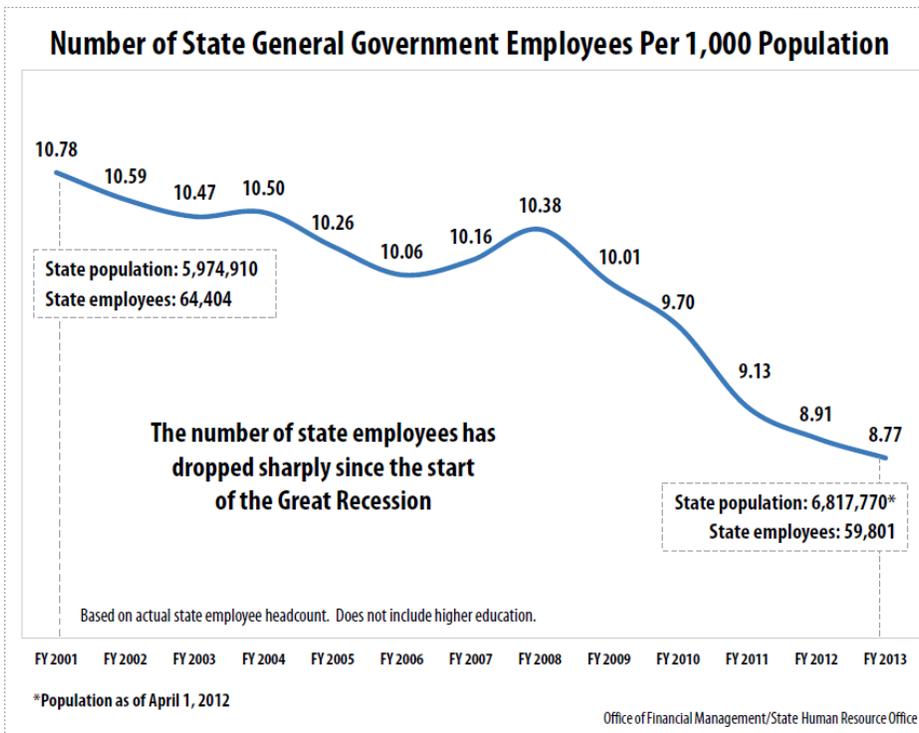
TARGETED INVESTMENTS

In general, the Governor’s budget holds the line on spending for state agencies. But the Governor is proposing new spending in a handful of areas instrumental to building a better, safer future for Washingtonians. For example, her budget calls for \$50 million to add enrollment slots to our early childhood education system and \$20 million to expand STEM (science, technology, engineering and math) opportunities in our public colleges and universities. The Governor’s budget also includes \$8 million to improve prison safety.

The Governor is making her largest investment yet toward cleaning up and protecting Puget Sound through targeted operating, capital and transportation budget investments. Her budgets include \$501 million (\$25.1 million operating, \$469.7 million capital, \$6.2 million transportation) for projects to improve water quality and salmon habitat, restore shellfish beds and address the impacts of ocean acidification.

Over the past two years, the state has begun to transition the State Parks system off the General Fund through user-pay programs such as the Discover Pass, with the goal of eliminating General Fund support in the 2013–15 biennium. Despite concerted efforts by the State Parks Commission, revenues have fallen short of initial projections, and we face a critical shortfall in the coming biennium.

The Governor believes park users alone should not be responsible for supporting the entire parks system when it benefits all citizens. She proposes using \$19 million from the General Fund to cover the shortfall while calling on park managers to increase efforts to raise additional revenue. Her budget includes \$7 million to compensate for free and reduced Discover Passes and camping fees that are provided to seniors, foster families and disabled veterans. It also includes \$12 million to cover essential park operations; ensure responsible stewardship of natural, historical and cultural resources; protect public safety on state park land; and pay for administrative activities to support park operations.



STATE EMPLOYEE COMPENSATION

Over the past four years, perhaps no group of public employees has sacrificed more than our state workers to address budget shortfalls. They have been placed on furlough, taken pay cuts and agreed to pay a greater share of their pension and health care costs.

On top of these actions, they have taken the brunt of budget cuts and agency consolidations through layoffs, job changes and heavier workloads. Even though demand for services continues to grow, today there

are fewer general government employees on the payroll than there were 15 years ago. Over that same period, the state's population has increased by more than 1 million, our state medical assistance caseload has grown by more than 400,000 and our inmate population has grown by nearly 5,000.

State employees have not received a general wage increase since 2008. In 2010, general government employees agreed to a two-year, 3 percent pay cut to help the state address its budget shortfall, and the state reduced higher education funding a comparable amount. In its negotiations for 2013–15, the state agreed to restore the 3 percent pay cuts, and the Governor is including \$171 million to cover the cost (for general government and higher education employees) in her budget.

The budget also includes \$38.6 million for a new salary step that was negotiated in 2008 and 2010, but delayed both years.

The state's current budget included reductions for public schools that were intended to be enforced as pay cuts (1.9 percent for teachers, 3 percent for classified and administrative staff). The Governor's budget includes \$166 million to restore those cuts.

AN UNFUNDED MANDATE

The state was unable to reach agreement on a new contract for 35,000 state-funded home care individual providers, so the issue went to arbitration. The arbitrator awarded a general wage increase of 5 percent each year and 25 percent at the top step, along with increased funding for health care. The cost of implementing the award in the 2013–15 budget is estimated at \$124.8 million from the General Fund (nearly \$250 million total funds). Additionally, under RCW 74.39A.310, any increase in wages and benefits from the terms

of a contract or arbitration award for *individual* providers is incorporated into the vendor rate for *agency* providers for wage and benefit increases for agency provider workers. The cost of implementing this law for the biennium is estimated to be \$29.7 million.

In 2010, the Washington Supreme Court held that the Governor could not be required under the home care worker collecting bargaining statute, RCW 74.39A.300, to seek funding in her budget for wage and benefit increases awarded in arbitration. The court held that the Governor's duty under RCW 74.39A.300 to request funding was not ministerial, concluding instead that proposing state spending in an environment of competing fiscal demands and limited resources involves the Governor's exercise of discretion.

In 2011, the law relating to RCW 74.39A.300 was changed by initiative. RCW 74.39A.800 was enacted and provides that the Governor's duties under RCW 74.39A.300 "constitute ministerial, mandatory, nondiscretionary duties." This law change applies only to funding requests under RCW 74.39A.300, and the request for funding for this arbitration award is submitted with the Governor's understanding she does not have discretion in this matter.

In light of the state's projected \$900 million shortfall and other obligations, the Governor believes the state cannot afford to implement the arbitration award at the expense of other programs. Therefore, she is proposing to fund the home care worker raises through a new tax on carbonated beverages; repealing the sales tax exemption on candy and gum; and suspending 74.39A.310 for the biennium to avoid the cost of incorporating the terms of the arbitration award into the vendor rate for home care agency providers.

Washington's Economic Outlook

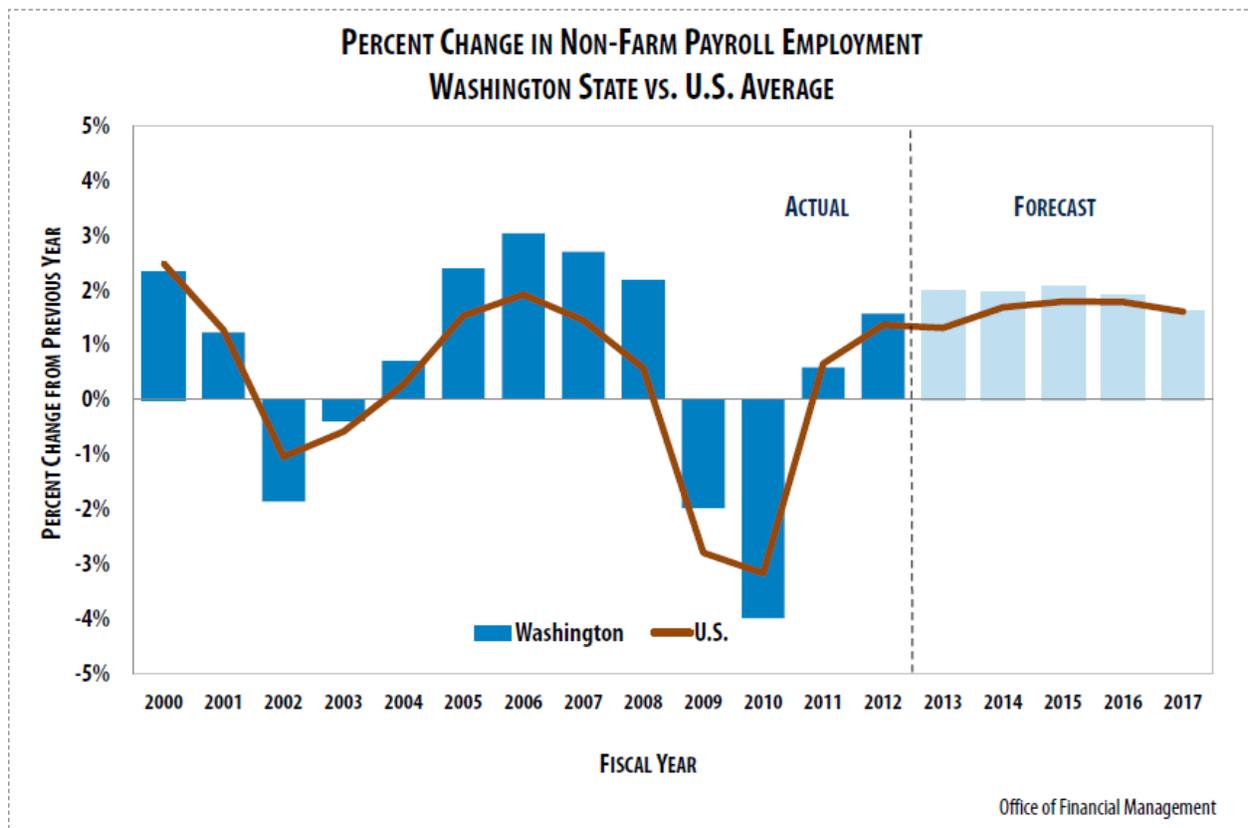
Washington's economy has gradually gained traction during this slow-motion recovery. The Great Recession's depth was unprecedented in the post-war era. By "official" measures, it lasted 18 months and ended in June 2009. In the subsequent 40 months, however, the nation's economy has displayed an unusual ability to grow — at least in terms of output — while generating considerably fewer jobs than previous recoveries. In the third quarter of 2012, the nation's gross domestic product actually eclipsed its pre-recession peak by 2.2 percent, but it did so with 4.5 million fewer non-farm workers. Here in Washington, non-farm employment was still 92,200 below its pre-recession peak at the end of the third quarter of 2012.

Unemployment at the end of the third quarter of 2012 was still at 8.5 percent in our state (though it dipped to 8.2 percent at the start of the fourth quarter) and 7.9 percent nationwide. Labor market observers have been differentiating between official recession measures and actual job measures — thus the term "labor market recession." This divide between economic output growth and job growth has been called a "jobless recovery."

The reasons for such severe job loss and unemployment duration 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. All these factors combined to feed a housing/commodity/equity bubble that burst with horrific economic consequences. Any one of these elements could have led to an economic correction, yet taken together they inevitably triggered a financial crisis.

Other factors have impeded this recovery, too. Labor mobility was hobbled by plunging home values and foreclosures, which made it hard for people to sell their homes and relocate to more economically vibrant regions. Households' attempts to dig out from record levels of debt were hamstrung by stubbornly high unemployment and declining real incomes. New business formation, which has traditionally fed economic expansions, was thwarted by community bank failures and overly cautious commercial banks. Residential construction, a sector renowned for leading the economy during previous recoveries, was absent from the current expansion for obvious reasons. It is little wonder that the economy and labor markets have underperformed.

The most recent forecast calls for Washington's labor market to beat the national norm but only by modest amounts. The expected 2 percent job growth in fiscal year 2013 is lower than earlier expansion periods. In fiscal year 2006, the third year of the previous upturn, job growth was 3 percent. Such slow growth leaves many workers stuck on the sidelines or out of the game altogether as the remaining unemployed individuals and new workforce entrants compete for limited job openings.



2011–13 and 2013–15 Balance Sheet

Including 2013 Supplemental Budget

General Fund-State, Education Legacy, Opportunities Pathways and Budget Stabilization Accounts

Dollars in millions

RESOURCES	2011–13	2013–15
Beginning Fund Balance	(60.4)	191.9
November 2012 Revenue Forecast	30,935.8	33,043.8
Transfer to Budget Stabilization Account	(267.0)	(307.4)
Other Enacted Fund Transfers	378.6	
Alignment to the Comprehensive Financial Statement	(5.0)	
Adjustment to Working Capital (HB 2822)	238.0	
Transfer to Child and Family Reinvestment Account (RCW 74.13.107)		(5.7)
Governor's Proposed Budget		
Fund Balance Transfers	1.8	171.6
Changes in Cost-Share with Local Government		56.5
Budget Driven Revenue/Fees/Tax Exemptions		87.2
New Revenues Funding Home Care Workers Arbitration		125.6
New/Extended Revenues Supporting Education (Education Legacy Account)		1,003.0
Total Resources (including beginning fund balance)	\$31,221.8	\$34,366.5
EXPENDITURES		
2011–13 Enacted Budget		
2011–13 Appropriations	31,249.2	
Actual Reversions in Fiscal Year 2012	(105.9)	
Assumed Reversions in Fiscal Year 2013	(60.0)	
	\$31,083.3	
Governor's Proposed Budget		
Expenditure Changes for 2011–13	(66.9)	
Adjustment to Reversion Estimate for Fiscal Year 2013	13.5	
2013–15 Expenditures		34,060.0
Total Expenditures	\$31,029.9	\$34,060.0
RESERVES		
Projected Ending Balance	191.9	306.4
Budget Stabilization Account Beginning Balance	0.6	267.7
Transfer from General Fund and Interest Earnings	267.1	307.8
Projected Budget Stabilization Account Ending Balance	267.7	575.5
Total Reserves	\$459.6	\$881.9

Note: Some totals may not add exactly due to rounding.

Balance Sheet Detail

Governor's 2013–15 Budget

General Fund-State, Education Legacy, Opportunities Pathways and Budget Stabilization Accounts

Dollars in millions

Fund Balance Transfers to the General Fund

Public Works Assistance Account	100.0
Life Sciences Discovery Account	22.0
Local Toxics Control Account	21.0
State Treasurer's Service Account	20.0
Waste Reduction/Recycling/Litter Control Account	6.0
Flood Control Assistance Account	2.0
Miscellaneous Obsolete Accounts	0.6
	\$171.6

Changes in Cost Share with Local Government

Liquor Excise Tax Account	50.5
County Criminal Justice Assistance Account	2.7
Streamlined Sales and Use Mitigation Account	1.7
Municipal Criminal Justice Assistance Account	1.0
City-County Assistance Account	0.6
	\$56.5

Budget Driven Revenue/Fees/Tax Exemptions

Budget Driven Revenue	
Additional Department of Revenue Auditors Targeting Liquor Enforcement	9.6
Opportunities Pathways Account Revenue Reductions Due to Lottery Budget	(1.2)
New Fees/Extension of Fees Scheduled to Expire	
Fee on Issuance and Renewal of Reseller Permits	5.1
Requirement to Pay Past Due Taxes Prior to Renewal of Liquor Licenses	2.1
Judicial Stabilization Trust Account	9.0
Repeal of Tax Exemptions	
Extracted Fuel Use Tax Exemption	62.6
	\$87.2

New Revenues Funding Home Care Worker Arbitration Award

Repeal Sales Tax Exemption on Candy/Gum, with B&O Credit to Candy Manufacturers	68.6
Impose Carbonated Beverage Tax of .19 Cents/Ounce with \$10 Million Exemption	57.0
	\$125.6

New and Extended Revenues Supporting Education (Education Legacy Account)

Extend 0.3 Surcharge on Service Businesses Through Dec. 31, 2016	534.0
Extend the Beer Tax Increase of 50 cents/gallon Through Dec. 31, 2016	101.0
Impose an Excise Tax on Fuel Based on Wholesale Selling Price	368.0
	\$1,003.0

Education

EARLY LEARNING

Success Starts Early

The research is clear that early learning is an essential and particularly cost-effective strategy for improving student achievement. The Governor’s commitment to education and increasing its funding begins with preschool programs to ensure children are ready to thrive in kindergarten and beyond.

Investment

Fund 5,125 new preschool slots for children over the next two years in the Early Childhood Education and Assistance Program, a 61 percent increase in the number of children served. This will serve 4,500 more 4-year-olds and reduces the unserved 4-year-old population by one-third. (\$50.0 million General Fund-State)



K-12 EDUCATION

Meeting the State’s Basic Education Obligations

For decades, Washington has struggled to adequately fund education from kindergarten through the 12th grade. During the Governor’s first term in office, she and the Legislature increased funding for schools, including full funding for Initiative 728 to reduce class sizes and Initiative 732 to provide cost-of-living salary increases for K-12 employees. The Great Recession, however, not only halted progress on K-12 funding but forced difficult reductions.

At the same time, however, local school districts and other parties successfully sued to force greater state funding of education. Last year, the state Supreme Court affirmed that the state was not meeting its constitutional obligation to fully fund basic education. The court deferred to the Legislature to remedy the funding shortfall, but indicated that funding promises made by the state in 2009 (House Bill 2261) and 2010 (House Bill 2776) embodied a “promising reform program” for meeting the state’s obligation over time. The court mandated annual reports from the Legislature on its progress. Commitments in the two bills are estimated at \$3.4 billion per biennium when they are fully phased-in by 2018. The challenge in the 2013–15 biennium is to make significant progress toward meeting the legislative commitment to public schools.

In HB 2776, the Legislature committed to a timeline for funding four specific program enhancements by 2018: provide funds for full-day kindergarten for all students; reduce class sizes in grades K-3; fully fund a new pupil transportation funding formula that recognizes actual costs of transporting students to and from school; and significantly increase state funding for the materials, supplies and operating costs of schools (including non-staffing costs such as utilities, insurance, books and supplies, technology and training programs).

Reduction

The Governor's budget suspends Initiative 732 cost-of-living salary increases for K-12 and certain higher education employees. While current salary reductions are restored for the 2013–15 biennium, the economic recovery has not progressed sufficiently for the state to provide salary increases next biennium in addition to other essential K-12 enhancements. (\$360.3 million GF-S)

Investments

The Governor is proposing a 12.3 percent increase in the K-12 budget over the current biennium, including \$1 billion to continue phasing in the state's HB 2776 commitment to basic education. The Governor's budget prioritizes K-12 enhancements for 2013–15 to those areas with the greatest potential to improve student achievement.

Basic education funding enhancements:

- » **Reduce class sizes** in grades K-2 from 24 students to 20 students in high-poverty schools. The impacts of early learning and full-day kindergarten are strengthened and reinforced by smaller class sizes in the early grades. Under HB 2776, all schools will be funded for K-3 class sizes of 17 students by 2018. (\$193.0 million Education Legacy Trust Account)
- » **Continue the phase-in** of full-day kindergarten programs. Building from increases in state funding for preschools, full-day kindergarten is expanded to all public schools where more than 50 percent of the student population is eligible for free or reduced price lunch. Currently, only 44 percent of such schools are funded. Under HB 2776, all schools will receive state funding for full-day kindergarten by 2018. (\$121.0 million Education Legacy Trust Account)
- » **Improve instructional practice** through improved teacher and principal evaluations. The state has adopted a new system to more effectively evaluate teachers and principals. The greatest promise of the new system lies in the ongoing efforts of teachers working with their principals to continually improve instruction based on the results of effective evaluations and use of strategies targeted to the needs of each teacher's students.
 - Provide one-time training funds next school year to ensure all teachers have an understanding of the new evaluation system criteria and procedures and how these can improve their practice. Beginning in the 2014–15 school year, this funding will be used for ongoing professional development in schools and for other maintenance, supply and operating costs the state has committed to fund. (\$24.0 million Education Legacy Trust Account)
 - Increase funding for school principals to provide more time for them to work as instructional leaders and facilitators in their buildings. Administrators will conduct detailed teacher performance reviews and guide improvement programs to hone best teaching and learning practices in the classroom. (\$55.0 million Education Legacy Trust Account)
- » **Increase funding for maintenance, supplies and operating costs.**
 - Fund 100 percent of the funding formula enhancement for professional development, curricula and textbooks. (\$162.0 million Education Legacy Trust Account)
 - Fund 20 percent of the funding formula enhancement in fiscal year 2014 and 25 percent of the enhancement in fiscal year 2015 for utilities and insurance, facilities maintenance, technology, security and central office costs, and other supplies and library materials. Under HB 2776, final phase-in of all funding components of maintenance, supplies and operating costs will be completed by 2016. (\$239.0 million Education Legacy Trust Account)
- » **Fund 100 percent of the state's new pupil transportation funding formula**, beginning next school year — one year ahead of the HB 2776 schedule. (\$209.0 million Education Legacy Trust Account)

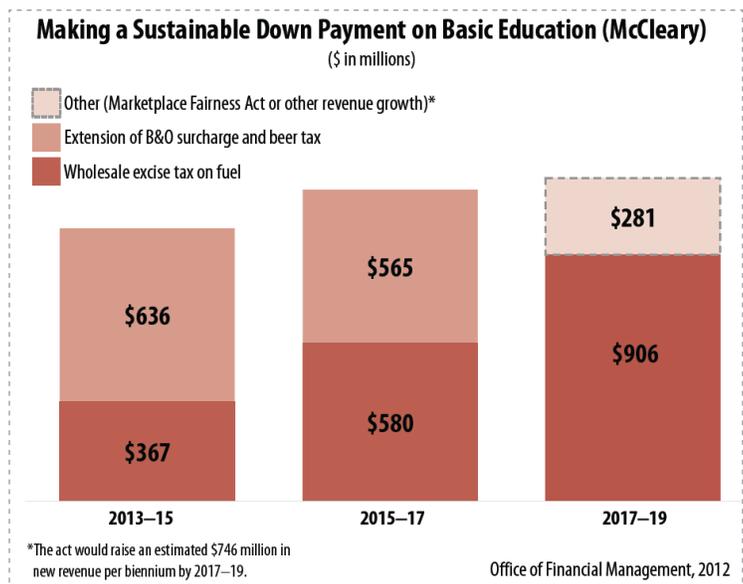
Accountability

The public needs to know that new basic education funds will be spent for the intended priorities. The Governor’s budget requires all school districts to use the enhanced basic education formula funds for their appropriated purposes as a requirement of obtaining state resources. School districts will report to the Legislature and the public on how the use of all state funds aligns with state funding allocations.

Basic Education Enhancements: How to Pay for It All

After four years of budget cuts to all areas of state government, Governor Gregoire does not believe the funding needed for K-12 schools can be captured entirely through even deeper cuts to other critical services. Nor does the Governor believe the state can continue to delay the additional investments our schools require. Instead, her budget proposes a balanced approach of reasonable reductions in other services combined with new revenues to pay for pupil transportation.

The Governor proposes a wholesale excise tax on gasoline and diesel fuel, dedicated to pay the full costs of pupil transportation services over the next three biennia. By using transportation revenues to pay for pupil transportation, state resources are freed-up for full-day kindergarten, class size reduction, and the maintenance, supplies and operating enhancements outlined above. The wholesale fuel tax will start at 1.85 percent on July 1, 2013, increasing to 2.91 percent in the second biennium and 4.62 percent in the third biennium. When fully phased-in for the 2017–19 biennium, the wholesale fuels tax revenues and all appropriations for pupil transportation will be transferred from the state operating budget to the state transportation budget.



During the transition to relying entirely on transportation taxes to fund pupil transportation, the Governor proposes extending two temporary tax surcharges the Legislature enacted for the 2011–13 biennium and are set to expire June 30. In 2010, lawmakers approved a 0.3 percent increase to the business and occupation tax paid by doctors, lawyers, accountants and others and a 50-cent-per-gallon beer tax. Extending both taxes by three and a half years, and keeping in place certain exemptions, will yield \$636 million for school enhancements in 2013–15 and \$565 million in 2015–17. For those two biennia, the transportation tax and the two tax surcharges will be deposited into the Education Legacy Trust Account and dedicated to enhancements in state basic education programs.

This revenue package enables a \$1 billion down payment on the \$3.4 billion in new K-12 spending the state has committed to over the next six years. In two years, we will face another funding challenge. While the Governor’s budget proposal begins to increase state funding for maintenance, supplies and operating costs, these costs will increase by \$855 million for the next biennium.

The Governor is working with fellow governors to win approval of the Marketplace Fairness Act. This measure would provide sorely needed new revenue by requiring online retailers to collect the sales tax on purchases that customers of brick-and-mortar retailers now pay. The Governor proposes that all future revenues from the act (\$384 million in the 2013–15 biennium, increasing to \$631 million and then \$746 million in the next two biennia) be dedicated to next steps in funding basic education commitments.

Other K-12 funding increases:

- » **Increase employer pension contributions** for K-12 employees. (\$174.1 million GF-S)
- » **Restore temporary salary reductions** implemented in the 2011–13 biennium: 1.9 percent for teachers and classified employees and 3.0 percent for administrators. (\$165.8 million GF-S)
- » **Restore one-time funding reductions** to Alternative Learning Experience programs. (\$43.0 million GF-S)
- » **Increase K-12 employee health insurance benefit allocations** from \$768 per employee per month to \$777 per employee per month for the 2013–14 school year, and to \$788 per employee per month for the 2014–15 school year. (\$27.2 million GF-S)
- » **Implement the administrative procedures** required for the approval and monitoring of individual charter schools, as required by Initiative 1240. (\$1.0 million GF-S)

HIGHER EDUCATION

Investments

Washington’s public colleges and universities are well-positioned to respond to student needs by prioritizing services and programs within existing resources. Even so, the Governor’s budget proposes targeted enhancements to launch new programs and offer support in key areas:

- » **Create a STEM** (science, technology, engineering and math) **enrollment pool**. The six public baccalaureate institutions will be able to compete for enrollment funds in STEM fields. These programs often cost more to operate, so funding will ensure that the four-year institutions can expand programs with high employer demand. The competitive nature of the pool will reward the best-designed and most cost-effective proposals. (\$11.0 million GF-S)
- » **Expand aerospace and STEM offerings** at the community and technical colleges. Funding will support 330 student FTEs who will get cutting-edge training in fields such as precision machining, machine maintenance, composite technology and other STEM areas. (\$5.0 million GF-S)
- » **Support colleges of engineering**. Last year, the University of Washington and Washington State University committed to graduate an additional 425 students each from their respective colleges of engineering. New investments will assist the universities in supporting these enrollments and implementing best practices in engineering programs to help them meet these targets. (\$4.0 million GF-S)
- » **Fund College Bound scholarships**. College Bound scholarships reward low-income, middle school students who commit to high school graduation and preparation for college with enhanced financial aid. The first College Bound students are now progressing in their college education. Investment in these scholarships maintains the state’s commitment to these students. (\$35.0 million GF-S)

Health, Human Services and Public Safety

Reductions

Capture net savings made possible by federal Medicaid expansion, which will increase the number of people who qualify for Medicaid coverage by approximately 255,000 and allow the state to claim a higher Medicaid reimbursement rate. (\$139.4 million General Fund-State)

Capture one-time savings from lower forecasted caseloads in WorkFirst. (\$40.0 million GF-S)

Freeze the rebase of Medicaid reimbursement rates for nursing homes at fiscal year 2013 levels. (\$28.6 million GF-S)



Adjust the monthly enrollment limit for the Working Connections Child Care subsidy program from a maximum of 33,000 low-income working families to 30,000 in fiscal year 2015 only, which allows policy makers to revisit enrollment demand in fiscal year 2015. (\$14.4 million GF-S)

Investments

Continue cash assistance for eligible elderly clients. End cash grants but provide housing support for incapacitated and disabled individuals who are homeless or at risk of being homeless. Provide funds to community partners to help clients apply for Supplemental Security Income. These changes will affect 18,000 disabled individuals. Funds are transferred from the Department of Social and Health Services to the Department of Commerce. (\$25.3 million GF-S)

Implement child welfare reform and provide additional services and goods to stabilize families and keep at-risk children in their homes. Reassign existing child welfare staff to implement the Family Assessment Response program. (\$8.5 million General Fund-Federal, Child and Family Reinvestment Account)

Ensure patient and staff safety on the forensic wards at Eastern and Western State hospitals through additional staffing, metal detectors and facility improvements. Funding includes \$80,000 for the Department of Social and Health Services Division of Behavioral Health and Recovery to conduct a study and make recommendations on supportive housing options for individuals with a mental illness diagnosis. (\$4.7 million GF-S, \$1.1 million GF-F)

Hire investigative and quality assurance staff to respond to complaints of providers of residential services for the elderly and the developmentally disabled. (\$4.5 million other funds)

Increase Medicaid waiver slots for 734 individuals with developmental disabilities who are currently eligible for Medicaid personal care and who will receive employment day services. (\$4.4 million GF-S)

Plan, procure and implement an electronic medical records system for the state hospitals to meet federal requirements. (\$4.1 million GF-S)

Continue to fund the Tobacco Quitline, which provided tobacco cessation counseling and services for 29,000 uninsured or underinsured individuals in 2011. (\$3.9 million GF-S)

Restore partial reductions made to the juvenile parole program. Cuts in the 2011–13 budget resulted in higher arrest rates for youth leaving Juvenile Rehabilitation Administration facilities. (\$3.9 million GF-S)

Provide residential placements for 51 individuals with developmental disabilities who are currently living in other state facilities. (\$3.0 million GF-S)

Add staff to critical custody positions in medium and minimum security units to improve staff and offender safety. (\$2.9 million GF-S)

Implement evidence-based programs in prisons to reduce offender recidivism. Expand cognitive behavioral therapy at two minimum security prisons and the Intensive Management Unit at Monroe. (\$2.3 million GF-S)

Upgrade radio and telephone systems infrastructure in correctional facilities, which are critical to safety in emergencies. (\$2.0 million GF-S)

Establish two new state-operated living alternatives as crisis stabilization options for youth who would otherwise be placed in institutional care. (\$1.7 million GF-S)

Replace prison safety equipment, including ballistic and stab-resistant body armor, security cameras and electronic control systems to open and lock doors. (\$1.6 million GF-S)

Create enhanced service facilities as a community alternative for individuals with cognitive disorders that are deemed non-responsive to active treatment in the state mental health hospitals. (\$1.4 million GF-S)

Provide additional assessment and treatment for offenders with intellectual disabilities, developmental disabilities, traumatic brain injury or serious mental illness. (\$980,000 GF-S)

Open the Walla Walla State Veterans Home in 2014 to serve 80 residents and create 93 local jobs. (\$777,000 GF-S, \$6.7 million GF-F, General Fund-private local)

Create special housing units at Monroe and the Washington State Penitentiary to provide specialized programming and treatment for offenders with traumatic brain injury, mental health issues and other concerns. (\$645,000 GF-S)

Increase staff in juvenile rehabilitation facilities to address the mental health needs of youth in these institutions. (\$566,000 GF-S)

Natural Resources

Reductions

Shift a portion of Department of Ecology activities related to air quality, water quality, environmental assessment, shorelands and administration on a one-time basis from the General Fund-State to the State Toxics Control Account. (\$24.0 million from General Fund-State to State Toxics Control Account)

Adjust fees on landowners for wildland fire fighting preparation and shift funds from the General Fund-State to the Forest Fire Protection Assessment Account. (\$10.8 million from GF-S to Forest Fire Protection Assessment Account)



Shift funding for programs related to aquatic invasive species, commercial shellfish management, hatchery operations and hydraulic permit approval at the Washington Department of Fish and Wildlife from the General Fund-State to the Aquatic Lands Enhancement Account. (\$5.6 million from GF-S to Aquatic Lands Enhancement Account)

Shift air quality program expenditures at the Department of Ecology on an ongoing basis from the General Fund-State to the State Toxics Control Account. (\$5.1 million from GF-S to State Toxics Control Account)

Shift a portion of Department of Natural Resources forest practices regulation on a one-time basis from the General Fund-State to the Aquatic Lands Enhancement Account and the State Toxics Control Account. (\$3.7 million from GF-S to Aquatic Lands Enhancement Account, \$1.0 million from GF-S to State Toxics Control Account)

Reduce staff at the Department of Ecology and grants to groups to implement local watershed plans. Remaining funding will support local capacity to carry out projects in three high-priority basins (Dungeness, Walla Walla and Wenatchee), and fund implementation activities such as development of work plans and cost estimates in the Chelan, Dungeness, Methow, Lower Lake Roosevelt and Lower Spokane basins. (\$2.9 million GF-S)

Investments

Invest operating budget funds for restoring and monitoring Puget Sound in areas such as stormwater management and implementation of forest practices. Invest capital budget funds in habitat and water quality restoration efforts throughout the basin. (\$501.0 million total, multiple fund sources: \$25.1 million various operating accounts; \$469.7 million various capital accounts, \$6.2 million transportation)

Provide funding to the Parks Commission for free and discounted passes, work performed by the commission to preserve the state's environmental, historic and cultural heritage, and other essential activities necessary to the operation of the state parks system. (\$18.7 million GF-S)

Implement the priority recommendations of the Governor’s blue-ribbon Ocean Acidification Panel to monitor and reduce impacts of acidic water on the state’s shellfish industry and native shellfish.

(\$3.3 million total: \$2.0 million State Toxics Control Account, \$820,000 Aquatic Lands Enhancement Account, \$510,000 Resource Management Cost Account)

Increase activities on state trust lands to boost future timber revenue to common schools and public universities. (\$3.2 million Resource Management Cost Account)

Clean up aquatic lands managed by the Department of Natural Resources, including removal of large debris and derelict vessels, eradication of invasive species and completing investigations and cleanup of toxic sites. (\$2.0 million Aquatic Lands Enhancement Account, \$2.6 million Resource Management Cost Account, \$2.0 million State Toxics Control Account)

Provide training through the Department of Ecology to local governments and developers on incorporating low-impact stormwater development practices into local ordinances. (\$2.0 million State Toxics Control Account)

Provide grants to Thurston and Chelan counties to implement the Voluntary Stewardship Program on a pilot basis to protect critical areas while maintaining agricultural production. Assumes additional counties will develop the program with federal funds if they become available. (\$546,000 GF-S, \$1.0 million General Fund-Federal)

Invest resources in non-lethal options for the Department of Fish and Wildlife to manage wolf species recovering in the state. (\$300,000 State Wildlife Account)

General Government

Reductions

Reduce charges to state agencies for back office support and information technology services through continued efficiencies generated by last year's creation of the Department of Enterprise Services and Consolidated Technology Services. About 40 percent of the savings will benefit the General Fund-State. (\$27.2 million other fund sources)

Streamline processes by moving certain school district audits and fraud investigations by the Department of Social and Health Services to the Performance Audit Account. Total funding available for performance audits in 2013–15 will remain at the same level as 2011–13. (\$6.4 million General Fund-State)



Eliminate funding for the Entrepreneurs in Residence program (STARS teams) located at the University of Washington and Washington State University. (\$3.7 million GF-S)

Eliminate pass-through grants at the Department of Commerce for Northwest agricultural incubators, global health technology research, microenterprise business support and community mobilization against violence and substance abuse. (\$3.2 million GF-S)

Reduce the cost of legal services provided by the Attorney General to state agencies by implementing stricter use policies and best management practices. (\$3.0 million Legal Services Revolving Account-State)

Eliminate printing of the full text of ballot measures in the paper voter's pamphlet and do not hold primary elections for judicial races when only one or two candidates have filed for office. The Secretary of State will introduce legislation to reduce these elections costs and generate savings. (\$1.6 million GF-S)

Reduce advertising costs at the State Lottery. An audit by the Joint Legislative Audit and Review Committee found that lottery sales are influenced more by economic conditions and the size of lottery jackpots than by targeted advertising. (\$1.5 million State Lottery Account-Nonappropriated and Shared Game Lottery Account)

Eliminate the Economic Development Commission, which provides direction to the Governor and Legislature on statewide economic development. (\$882,000 GF-S)

Reduce General Fund support for the State Library by 6.7 percent. Remaining state support will be provided permanently by the Heritage Account. (\$632,000 GF-S)

Investments

Provide funding for critical information technology projects through innovative, short-term financing mechanisms. Funded projects will deliver savings and efficiencies through lower operating costs and better customer service by modernizing agency technology systems. Examples of investments include building the backbone of a single business portal to make it easier for small business to interact with state government and a new system to better track time, leave and attendance of state employees. (\$23.1 million GF-S, \$16.2 million other fund sources; \$80.4 million future funding)

Resolve worker's compensation time-loss claims in a more timely manner by adopting industry benchmark ratios of nurses-to-claim managers at the Department of Labor and Industries. (\$4.1 million Medical Aid Account-State)

Modernize the Department of Retirement Systems Employer Information System to better respond to customer needs and protect core data to calculate and distribute retirement benefits. (\$3.1 million Department of Retirement Systems Expense Account-State, Deferred Compensation Administrative Account-Nonappropriated)

Fund additional liquor enforcement officers to address public safety concerns associated with the increase in on- and off-premise licensees, product theft and smuggling, and underage consumption. Officers will perform duties such as educating licensees and conducting investigations and undercover compliance checks. (\$2.1 million Liquor Revolving Account-State)

Increase funding in the Department of Commerce Business Services Division to restore capacity to support trade missions, exports and other efforts to create and retain jobs. (\$1.9 million GF-S)

Provide additional technical assistance and grants through the Department of Commerce to assist local governments with Growth Management Act planning requirements. (\$1.7 million GF-S, \$4.2 million Public Works Assistance Account)

Provide a printed voter's pamphlet for all partisan and nonpartisan offices in even-year primary elections through the Office of the Secretary of State to give more information to voters. (\$1.0 million GF-S)

Conduct more rigorous compliance exams at state-chartered credit unions by the Department of Financial Institutions Division of Credit Unions. (\$563,000 Financial Services Regulation Account-Nonappropriated)

Local Government Revenue Sharing

End liquor excise sharing

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. (\$50.5 million)

Reduce municipal criminal justice assistance

Reduces by 3.4 percent distributions made to counties and cities to be used for criminal justice purposes. Prior to 2000, these distributions were made from motor vehicle excise tax (MVET) funds. With Initiative 695's repeal of the MVET, the Legislature backfilled this program with General Fund dollars. Distributions automatically grow each biennium. This reduction limits the growth of the distribution. (\$2.7 million county criminal justice assistance, \$1.0 million city criminal justice assistance)

Reduce streamlined sales tax mitigation

Reduces by 3.4 percent a distribution 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. (\$1.7 million)

Reduce distressed city-county assistance

Reduces by 3.4 percent distributions made to rural counties and rural/small cities from the County-City Assistance Account. This account was created to help these counties and cities that relied heavily on the state's sales tax equalization funding, which was eliminated after its fund source — MVET — was repealed by I-695. (\$600,000)

Capital

CAPITAL CONSTRUCTION AND LOCAL ASSISTANCE

Few tasks during her administration commanded more of Governor Gregoire's attention than creating jobs. She joined with leaders from business, labor, the tribes and communities across the state to create employment opportunities. While the Great Recession hit hard and lingered long, the Governor proposed capital budgets that put people back to work and built facilities and infrastructure to put the state on the path to economic prosperity. The investments described below are separate from those recommended in the operating budget and represent approximately 20,258 new or retained jobs each year of the biennium for Washingtonians.



Community and Statewide Projects

North Roadway network improvement (Issaquah)

Purchase environmentally sensitive areas, design and construct pedestrian/bicycle trails as well as other improvements. (\$5.0 million bonds)

Public Safety Building (Concrete)

Fund final design, site preparation and construction of a public safety building to house the city's volunteer fire department. (\$3.0 million bonds)

Second Harvest Distribution Center construction phase 2 (Pasco)

Construct a food distribution center that serves 68,000 clients each month through 55 neighborhood food banks and meal centers throughout south and central Washington. (\$3.0 million bonds)

Food bank (Thurston County)

Purchase and upgrade a warehouse and remodel a food bank that serves 14,000 households each year as well as low-income students in 32 elementary schools with weekend food packages. (\$1.0 million bonds)

Mobile library units (Pierce County)

Purchase and modify two mobile library units that serve 6,600 students annually in 10 to 12 elementary and middle schools in the Franklin Pierce, Bethel and Clover Park school districts. (\$200,000)

Public Works Assistance Account programs (statewide)

Finance local infrastructure and emergency projects recommended by the Public Works Board: \$350 million in loans to local governments, \$22 million for pre-construction loans and \$5 million in loans for each of the following three categories: emergency needs, energy and water efficiency projects, and water system acquisition. (\$387.0 million Public Works Assistance Account)

Drinking Water State Revolving Fund Loan Program (statewide)

Provide low-interest loans and technical assistance to public water systems to plan, design, finance and construct improvements to increase both public health protection and compliance with drinking water regulations. (\$170.0 million Drinking Water Assistance Account)

Housing Trust Fund (statewide)

Develop affordable housing projects to serve a broad spectrum of vulnerable populations, including homeless families and individuals, seniors, individuals with special needs and seasonal farmworkers. (\$65.0 million bonds)

Community Economic Revitalization Board (statewide)

Finance improvements to publicly owned infrastructure that will encourage new business development and expansion. (\$9.0 million Public Facility Construction Loan Account)

Health and Public Safety

Prison safety and other systems (statewide)

Fund critical health- and safety-related items such as fire alarms and surveillance equipment in addition to failing building assets such as roofs and mechanical systems. (\$44.5 million bonds)

Prison reception center (west side of state)

Fund construction documents needed for a new reception center in the 2015–17 biennium. (\$6.0 million bonds)

Water systems (statewide)

Provide loans to publicly owned and privately operated water systems for projects that correct compliance and public health problems, and replace failing infrastructure. (\$33.1 million federal funds)

Catastrophic flood relief (Chehalis Basin)

Continue development of agreements among the Chehalis Basin Flood Control Authority, the Confederated Tribes of the Chehalis Reservation and other entities on water-retention and Interstate 5 protection project feasibility and scoping work, as well as local projects that are part of a basin-wide plan. (\$28.2 million bonds)

Olympia Area Readiness Center

Acquire property, design and construct the Olympia Area Readiness Center, which will consolidate the Olympia and Puyallup units. The facility to train reservists will be operated by the Military Department. (\$13.4 million bonds, \$34.2 million federal funds)

Naselle Youth Camp (Southwest Washington)

Renovate three residential housing units that accommodate a total of 72 youth offenders. (\$4.9 million bonds)

Western State Hospital (Steilacoom)

Modify sleeping rooms and bathrooms in all wards to eliminate risks to patients and staff. (\$3.9 million bonds)

Education

Office of Superintendent of Public Instruction

School Construction Assistance Program

Maintain the school construction grant program at 100 percent. (\$497.0 million bonds, \$179.0 million Common School Construction Account)

Kindergarten Facilities Grant Program

Fund new construction or portable classrooms for all-day kindergarten for districts that demonstrate need based on funding and space limitations. (\$500,000 bonds, \$9.5 million Common School Construction Account)

Small repair grants

Award grants to assist school districts with infrastructure repairs and renovations related to unforeseen health and safety needs. Grant award amounts are capped at \$200,000 per district. (\$10.0 million bonds)

Emergency repair pool

Distribute funds to school districts to make emergency repairs for problems that pose an imminent health and safety hazard. (\$500,000 bonds)

Higher Education

University of Washington

Denny Hall renovation

Renovate a building that houses 22 general assignment classrooms with a capacity of 765 seats. (\$34.6 million bonds)

Washington State University

Clean technology laboratory

Construct an interdisciplinary engineering facility that will support high-demand research and education priorities in the field of clean technology. (\$33.1 million bonds)

Central Washington University

Science building

Construct a science building to house the departments of geology, physics and science education and the Center for Excellence in Science and Mathematics. (\$65.4 million bonds)

The Evergreen State College

Science facilities

Renovate the bottom floor of Lab I Building to boost energy efficiency and modernize lab spaces. Renovate labs and classrooms on the second floor of Lab II Building to increase capacity and access. (\$8.8 million bonds, \$1.2 million Capital Projects Account)

Western Washington University

Classroom and lab upgrades

Complete classroom and lab upgrades. (\$4.0 million bonds, \$916,000 Capital Projects Account)

Bates Technical College

Mohler Communications Technology Center

Construct a building on the Mohler Campus to house all its communications technology programs. (\$25.9 million bonds)

Bellevue Community College

Health science building

Construct a building to house nursing, radiologic technology, radiation therapy, parent education and other programs. (\$30.9 million bonds, \$2.0 million Local Nonappropriated Account)

Clark College

Health and advanced technologies building

Construct a building to contain classrooms, science and computer labs, and faculty offices to accommodate demand for programs in the health, science and advanced technology fields. (\$36.9 million bonds)

Yakima Valley Community College

Palmer Martin Building

Construct a building to replace Palmer Martin. The new space will house art instruction, modern languages, early childhood education and other programs. (\$20.8 million bonds)

Environment

Remedial action grants

Provide grants to protect public and environmental health, create jobs and promote economic development by redeveloping contaminated properties. (\$71.5 million Local Toxics Control Account)

Centennial Clean Water Program

Provide grants to local governments for the construction of wastewater treatment facilities, elimination of failing on-site sewage systems and stormwater control and treatment facilities. (\$38.5 million Local Toxics Control Account, \$21.5 million State Toxics Control Account)

Recreation and Conservation Funding Board

Provide grants for projects that protect or restore salmon habitat and for other salmon recovery programs, as recommended by the Puget Sound Partnership. (\$80.0 million bonds)

Yakima River Basin

Design and construct “early action” projects identified in plan developed by a large working group to address water supply issues. (\$23.6 million bonds)

Toxic site cleanup/Puget Sound

Clean up contaminated sites near the Puget Sound shoreline. (\$29.0 million State Toxics Control Account)

Forest health improvements

Complete pre-commercial thinning or forest improvements on state trust lands and private timber lands to improve forest health and reduce the risk of wildfire. (\$8.0 million bonds)

Contaminated site cleanup/Eastern Washington

Clean up contaminated sites in Eastern Washington where the responsible party is either unwilling or unable to pay. (\$5.0 million State Toxics Control Account)

Transportation

Governor Gregoire is committed to providing a safe, efficient transportation system for Washington travelers, commuters and commercial shippers. Her focus has been to prioritize key transportation needs, preserve current infrastructure and keep Washington workers on the job. Today, there are 821 projects in progress. The Governor's proposed budget helps to maintain the vitality of our transportation system while keeping careful watch for challenges on the horizon:

- » The Department of Transportation is managing the largest construction program in state history on time and within budget. Of 421 projects funded by the 2003 and 2005 voter-approved gas taxes, 340 projects valued at \$5.4 billion were completed by October 2012. Twenty-nine projects valued at \$9.6 billion are now under construction. And five projects valued at \$37 million are expected to go to advertisement by April 2013. The remaining 47 projects should go to advertisement in the future.
- » As construction spending from those gas tax-funded dedicated accounts declines from \$3.3 billion in 2011–13 to an estimated \$1.3 billion in 2015–17, fewer engineering and other technical staff will be needed. The Department of Transportation will be reduced by 800 engineering and technical full-time equivalent staff, or FTEs, by June 30, 2015.
- » Over the next two years, transportation construction projects funded by all transportation funding sources — not just the 2003 Nickel and 2005 Transportation Partnership Act packages — will create or sustain about 31,100 jobs as part of a total construction budget of \$5.1 billion.
- » The entire construction program will diminish by more than \$2.6 billion by the 2015–17 biennium, a more than 50 percent drop in total transportation capital spending.



Programs We Continue

Alaskan Way Viaduct

The commitment of \$3.1 billion in funding is maintained. Up to \$200 million in tolls may be generated. The tunnel is on schedule to open to traffic at the end of 2015. This project will create or sustain 4,400 jobs. (Total support over time: \$3.1 billion multiple fund sources; 2013–15 commitment: \$911.0 million)

State Route 520 Evergreen Floating Bridge replacement

The new bridge is anticipated to open at the end of 2014. Building the new bridge and pontoons will create or sustain 6,000 jobs. (Total project cost not to exceed \$4.6 billion; 2013–15 funding: \$843.7 million multiple fund sources)

Interstate 5 Tacoma high-occupancy vehicle lanes

Construction continues on the high-occupancy toll lanes between Portland Avenue to Port of Tacoma Road and Highway 16 and the Nalley Valley. Most of the construction will be completed in 2017. The project will create or sustain 1,600 jobs. (Total project cost over time: \$1.5 billion multiple fund sources; 2013–15 commitment: \$277.0 million)

Interstate 405 corridor improvements

Congestion will be relieved in the busiest commute route in the state by widening I-405 from Kirkland to Bellevue and beginning preliminary engineering and right-of-way acquisition on a direct connector between SR 167 and I-405. The project will create or sustain 1,400 jobs. (Total project cost: \$1.5 billion multiple fund sources; 2013–15 commitment: \$178.8 million)

North Spokane Corridor

Funding completes the Francis Avenue Bridge, relocates 7.5 miles of BNSF mainline, builds two structures, starts construction of noise walls along I-90 and purchases right-of-way property to complete the corridor. The project will create or sustain 600 jobs. (Total project cost: \$607.9 million multiple fund sources; 2013–15 commitment: \$68.2 million)

Interstate 90 Snoqualmie Pass

Work on I-90 east of Snoqualmie Pass includes constructing bridges with sufficient clearance for avalanche control equipment to pass underneath. It also calls for widening I-90 and replacing concrete pavement. The project will create or sustain 800 jobs. (Total project cost: \$551.4 million Transportation Partnership Account; 2013–15 commitment: \$122.9 million)

Washington State Ferries

Washington State Ferries will take delivery of two Olympic class vessels. The first vessel is expected to be delivered in February 2014 and the second vessel in November 2014. (Total project cost: \$276.9 million multiple fund sources; 2013–15 funding: \$107.1 million)

High-speed rail

Washington secured \$794 million in high-speed rail grants for improvements in the Northwest corridor. This includes \$590 million previously awarded to the state through the American Recovery and Reinvestment Act for the Amtrak Cascades route, \$161 million in re-distributed federal high-speed rail funds and \$43 million in additional awards. (2013–15 commitment: \$344.0 million multiple fund sources)

Washington State Patrol

Funding will provide a phased upgrade of the criminal history records systems to purchase technology capable of interfacing with modern web-based systems. (2013–15 funding: \$4.0 million Fingerprint Identification Account)

The second phase of the installation of mobile office platforms in trooper vehicles is funded. The platforms give troopers access to electronic vehicle and driver databases from their vehicles, and for adding digital video cameras to their vehicles. (2013–15 funding: \$7.0 million State Patrol Highway Account)

Washington Traffic Safety Commission

In collaboration with the Washington State Patrol, the commission will implement Target Zero pilot projects for Yakima and Spokane counties to achieve a zero-death rate from traffic collisions by 2030. These projects will build upon the effectiveness of intense, high visibility, driving-under-the-influence enforcement in the Puget Sound region. (2013–15 funding estimate: \$3.7 million Highway Safety Account-Federal)

Department of Licensing

An online fuel tax system, which will allow for easier tax filing by customers, is funded. This will reduce errors, increase tax reconciliation efficiency and save money. (2013–15 funding: \$7.4 million Motor Vehicle Account)

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